Audit details astonishing failures in D.C.'s affordable housing trust fund

Barely 10,000 affordable housing units were built or saved in 15 years.

Think Progress, by Alan Pyke, March 20, 2018, 2:29 pm

Look at macroeconomic measures of Washington, D.C.'s past couple decades and you'll find evidence of a thriving resurgence. But as anyone living there knows, the fruits of the capital city's boom have been distributed very unevenly, with waves of young professional gentrifiers pushing longtime residents of the so-called "Chocolate City" out in a dramatic shuffle of the city's demographic map.

City leaders have made gestures over the years toward the importance of harnessing the District's rising economic tide on behalf of those struggling to stay ahead of the spiking rents and luxury development work that are driving the exodus. But one of the signature policies that D.C.'s government has billed as an investment in keeping the city affordable is sputtering, a new audit of the Housing Production Trust Fund released Tuesday shows.

Since 2001, when it was finally given some working capital more than a decade after its creation, the fund has managed to support the construction or preservation of just 10,081 units of affordable housing city-wide.

Even that number may overstate the actual scope of the fund's real-world impact, the auditors note, as it is based only on figures in the contracts associated with the funds lending work. The auditor could not verify the present price, tenant makeup, or even existence of the units the contracts promised. "We do not know, however, if every one of those units was ultimately built or rehabilitated, nor do we know whether the units that were completed have remained affordable over time, including ensuring that the residents have continued to meet income-tested requirements," the audit says.

Even if the 10,081 figure from the contracts matches reality on the ground for the fund's projects, that would be a shockingly low figure next to the level of need in the city. To put the figure in context, the broader Washington metro area — which stretches into nearby cities in Maryland, Virginia, and West Virginia — had an affordable housing shortage of more than 154,000 units in 2015.

The fund has spent roughly $622 million on loans to support these projects, according to the audit. That comes out to a per-unit cost of $61,700 — a startlingly inefficient use of the city's capital. While inter-city comparisons are imperfect because different cities' housing funds operate differently, the auditor notes that Philadelphia's Housing Trust Fund reported building or saving a unit of affordable housing for every $21,190 in financing it provided, while Seattle's version of the same style of policy had per-unit costs of about $36,000.

The core concept of any housing trust fund is meant to be a rotating pool of investment capital. Cities allocate a certain amount of money toward housing construction loans that come with conditions — x percentage of the units built must be rented at prices affordable for families at y level of income, for example — to lure further private capital into housing projects that would serve needier people rather than only those who can afford to pay top dollar for an apartment. An efficiently managed and aggressively marketed fund of this type can generate massive investments without needing a bunch of new money from taxpayers, by pushing the money borrower firms repay on their loans back into new projects.

But the District's housing fund has basically given up on this core conceit of financial prudence. Its accountants say the District should not expect to ever see repayment on some $441 million of the money it's loaned out to date, the audit says. For every dollar in loans issued, the agency overseeing the fund now expects to see perhaps 11 cents back — and even that will come far, far down the road, as the fund's managers have primarily relied on "deferred" loans where no payment is due for decades. (Such loans come with advantages for policymakers, as they extend the window in which the city can enforce affordability requirements on developers, but the audit questioned the heavy imbalance between these and other loan structures in the fund's overall portfolio.)

The fund's transgressions go further. Because the lawmakers who designed the fund wanted it to serve the neediest residents, city law requires that 40 percent of the fund's loans go to projects that will be affordable to the very poorest chunk of renters — "Extremely Low Income" or ELI families earning less than 30 percent of the area's median income. Another 40 percent is required to go to projects tailored to "Very Low Income" renters getting by on between 31 and 50 percent of the region's median earnings. Only one dollar of every five is supposed to go to loans for projects that will be accessible to families making between 51 and 80 percent of the median.

The fund has flouted those distributionary rules, auditors found. Just 19 percent of its lending has financed projects affordable for ELI families, while a full 69 percent has funded development that meets affordability metrics for families making 51-plus percent of the median for the area.

Officials from Mayor Muriel Bowser's (D) administration defended the fund in the hours after the report was published. The leadership team is "laser-foces on producing the most affordable housing for District residents by using every tool and dollar at our disposal," Department of Housing and Community Development head Polly Donaldson told the Washington Post.

But the apparent deficiencies in the city's core program for luring developers into projects that serve the public interest only point up the contrast between who has thrived and who has suffered in the District's modern boom. Bowser and her predecessors have found hundreds of millions of taxpayer dollars to give away to billionaire sports franchise owners to build new stadiums, and presided over a real estate boom that's ripped apart longstanding communities and replaced them with glassy high-rises full of luxury-priced condos.