



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**



Office of the Director

April 15, 2015

The Honorable Anita Bonds
Chairman, Committee on Housing and Community Development
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

SUBJECT: DHCD Responses to Questions in Advance of the Fiscal Year 2016 Budget Oversight Hearing

Dear Chairman Bonds:

The Department of Housing and Community Development (“DHCD” or the “Department”) has received questions in preparation for the Annual Budget Oversight Public Hearing on the Department’s Fiscal Years 2015 and 2016, scheduled for Monday, April 20, 2015. As requested by letter, dated April 9, 2015, we have attached the pre-hearing questions and the Department’s responses. We will provide this letter electronically, with enclosures; and enclosed are four (4) hard-copy binders, as requested.

Respectfully,

Polly Donaldson
Director
Department of Housing and Community Development

Questions for Budget Oversight Hearing on Fiscal Year 2016

I. Standard Agency Budget Questions

1. Please provide the following budget information for FY15 and FY16 for the agency. For FY15, please include the amount approved and expenditures to date.
 - a. At the agency level, please provide the information broken out by source of funds and by Comptroller Source Group and Comptroller Object;
Please see Attachment 1A.
 - b. At the program level, please provide the information broken out by source of funds and by Comptroller Source Group and Comptroller Object; and
Please see Attachment 1B.
 - c. At the activity level, please provide the information broken out by source of funds and by Comptroller Source Group.
Please see Attachment 1C.
2. Please provide a detailed cross-walk between the agency FY15 budget and the agency FY16 budget. The crosswalk should clearly identify how budget levels have changed for each agency function.
Please see Attachment 2.
3. Please list all Memoranda of Understanding (MOU) the agency has either entered into, or is planning to enter into, during FY15 and FY16, including agency each MOU is with, how much the MOU is for, what programs or services the MOU will support, and if the funds for FY15 MOUs have been transmitted.
Please see Attachment 3.
4. For each program within the agency, please provide the following:
 - a. An explanation of FTE increases/decreases contained within the proposed FY16 budget.
Please see Attachment 4A.
 - b. Copies of any workforce planning strategies to address critical vacancies within the agency.
Response:

DHCD is working closely with DHCR to fill critical vacancies. We currently have 20 vacancies and all are in active recruitment with 3 new hires coming on board May 2015.

- c. A list of any projected surpluses or deficits for FY15-

Response:

DHCD expects full staffing by the end of Q3. Vacancy savings is being used for temp and term staffing in critical areas as we continue to fill vacancies.

- 5. Please provide a list of all dedicated taxes and special purpose funds maintained by, used by, or available for use by the Agency for which funds are anticipated for FY15 and FY16. For each fund, please list the following:

- a. The revenue source name and code
- b. The source of funding
- c. Statutory reference creating the fund
- d. A description of the program that generates the funds (including how the fee is set and who pays)

Please see Attachment 5A-D

- e. The amount of funds generated (please list FY14, FY15 projected, and FY16 projected)

Please see Attachment 5E.

- f. Expenditures of funds, including the purpose of each expenditure (please list FY10, FY11 projected, and FY12 proposed)

Please see Attachment 5F.

- g. Current balance and expected planned balance at end of FY11

Please see Attachment 5G.

- 6. In addition to the Council Budget Office's questions, please provide a list of all contracts to be entered into for FY15 and FY16, including any multiyear contracts that will continue in FY15. Please include:

- a. The vendor
- b. A detailed description of the services to be provided
- c. Contract amount
- d. Contract period
- e. Funding source
- f. Whether or not the contract was or will be competitively bid
- g. If not competitively bid, please provide the determination and findings for that contract.

Please see Attachment 6.

- 7. Please list all program enhancements, technical adjustments, and reductions within the proposed FY16 agency budget, broken out by program. For each change in the program please:

- a. Indicate if it is a new initiative, an expansion or reduction of existing services, or a restoration of prior services.

Response:

DHCD has no budgeted new initiatives or program expansions. Details on our reductions are provided in Question 8's response.

- b. Provide a description and rationale for each program enhancement, adjustment, or reduction, along with associated dollar amounts and FTEs (if applicable).

Response:

DHCD has no budgeted new initiatives or program expansions. Details on our reductions are provided in Question 8's response.

8. Please list all reductions from FY15 spending levels within the proposed FY16 agency budget, broken out by program. For each reduction, please provide a description and rationale along with the associated dollar amounts and FTEs (if applicable).

Please see Attachment 8.

9. Please provide a list of all facilities maintained by the agency, including square footage, facility name, location, description, leased/owned designation, ward, lease number, rent, and other fixed costs that are included in the cost of rent (utilities, security, telecommunications, janitorial services, etc.). Please provide a narrative description of any proposed facility changes for FY16.

Response:

DHCD is located in Ward 8 at 1800 Martin Luther King Avenue SE, Washington, DC 20020. DHCD leases three of the four floors of the building from the Anacostia Economic Development Corporation. The square footage is 55,751 square feet. DHCD is replacing its modular furniture in FY16 enabling better usage of space and staff.

DHCD Leasing fees do not include fixed costs. Our fixed costs are included in the citywide fixed cost MOU that covers gas, electricity, occupancy, water, and security. Telecommunications is provided through OCTO and DCNet.

10. Please provide the agency's proposed capital budget authority and spending plan for FY16. Please:

- a. Distinguish between any new funds requested for FY16 and any previously allocated funds.
- b. Provide a description of all planned capital projects for FY16 and include the amount of capital funds available for each project, a status report on each project, and planned remaining spending on the project. If capital funds have been reduced for a given project, please state the effect of the reduction.

Response:

- DHCD has no Capital budget authority for FY16
- DHCD has no Capital spending plan for FY16

11. Please provide a complete accounting of all federal funds and all grants, government or private, included in the FY15 and FY16 budgets.

Please see Attachment 11.

12. What are the agency's performance measures for FY16?

a. How were these measures developed?

Response:

- As part of the performance planning process that occurs annually in the third quarter of the fiscal year, DHCD managers and performance management staff meet to review past, current, and future results/projections for Key Performance Indicators (KPI).
- This process involves reviewing performance as well as applicability of each KPI to make sure that it is effectively measuring what each division within the agency does.
- The performance measures for FY16 were developed in Q3 of FY14.
- A list of the DHCD's performance measures can be found in the Performance Accountability Report (PAR) provided by the Office of the City Administrator (OCA) to the Council

b. Which FY16 budget changes occurred in response to performance targets and FY15 performance measurements?

Response:

- As of yet, no budget changes have been made for FY16 based on FY15 performance measure as the FY15 second quarter has just closed and the KPIs are currently being collected and reviewed.

13. Please describe any other programmatic expansions, mayoral initiatives, or anticipated reductions for FY16. Please provide a detailed description, including FY16 spending plans, the target population to be served, and the name and title of the agency employee responsible for implementing the initiative.

Response:

DC Housing Preservation Strike Force – The Mayor will create a DC Preservation Strike Force in FY15 and the “Strike Force’s” work will continue into FY16. The “Strike Force”, comprised of District Housing Agency leaders and selected stakeholders from the public will develop an Action Plan to preserve the existing affordable housing in DC. Included in the Action Plan would be a proactive strategy to plan the future use of affordable housing developments that have expiring subsidies and/or affordability covenants. The “Strike Force’s” Action Plan will incorporate financial resources including local and federal affordable housing dollars related to the implementation of the

recommendations. No additional resources are needed beyond those planned for in the proposed FY16 budget. The Director DHCD will serve as the Chairperson.

14. Will the proposed FY16 budget allow the agency to meet all statutory mandates? If not, please explain.

Response:

Yes, the proposed FY16 Budget will allow the agency to meet all statutory mandates.

II. Specific Agency Budget Questions

a. Department of Housing and Community Development (DHCD)

1. According to the Mayor’s FY16 Proposed Gross Funds Operating Budget by revenue type, the federal grant funds increase by 13.8%. Please explain how the increase was achieved and how this increase will translate in program output.

Response:

DHCD has projected an increase of 13.8% in its federal grants due to:

- Projected increase in both Program Income (revenue received from repayment of grant-funded activities) and carryover (unspent grant funds from the current fiscal year).
- Approval by the US Department of Housing and Urban Development (HUD) for a new LEAD Hazard Reduction Demonstration and Healthy Homes Grant in the amount of \$3,746,551. The grant will reduce lead hazard in 225 units in the District of Columbia.

2. Please provide a breakdown of what funds comprise the Agency’s Special Purpose Revenue (SPR) fund.

Revenue Source	FY 14 Total Revenue	FY 15 Total Revenue (As of 4/1/15)	Projected FY16 Total Revenue	Brief Description	Reoccurring

Please Attachment 2.

3. Please provide a breakdown of what funds comprise the Agency’s intra-District funds.

Revenue Source	FY 14 Total Revenue	FY 15 Total Revenue (As of 4/1/15)	Projected FY16 Total Revenue	Brief Description	Reoccurring

Please See Attachment 3.

4. The Mayor’s proposed FY16 budget for the Development Finance Division’s Affordable Housing Project Financing indicates an increase of \$60.2 million. Please provide a description of what will be included in the Notice of Funding Availability (NOFA) and the types of projects that the funding will seek to develop.

Response:

- Projects funded by the \$100 million must meet the statutory requirements for the Housing Production Trust Fund (HPTF). Eighty percent of the fund is required to finance units at 50% Area Median Income and below.
 - 40% of the HPTF dollars for units at 30% Area Median Income and Below
 - 40% of the HPTF dollars for units at 31%-50% Area Median Income
 - 20% of the HPTF dollars for units at 51-80% Area Median Income
 - In addition, DHCD resources, including the \$100 million, will finance priorities stated in the District of Columbia Interagency Council of Homelessness (ICH), recently approved 5 year plan to end homelessness, Homeward DC. The Homeward DC plan calls for the creation of permanent supportive housing and target affordable housing units over the next 5 years.
 - The \$100 million will preserve and/or produce approximately 1,000 units of affordable housing.
5. The Mayor's proposed FY16 budget decreases Program 7010, Contract Compliance in the Program Monitoring Division by \$2.2 million. What effect will the decrease funding have on the operations and output capacity of this division? Is this decrease due to the fact that the Office of Contracting and Procurement has placed a contract specialist in house?

Response:

The budget is right-sized given our projected activity level. However, the budget may require additional funding or adjustment in the later portion of the fiscal year pending demand associated with projects and delivery.

6. The Mayor's proposed FY16 budget cuts approximately \$5.7 million from Property Acquisition in the Property Acquisition & Disposition Division (PADD). How will this affect services for the development of blighted and vacant properties?

Response:

The proposed reduction in the total Property Acquisition and Disposition Division budget from \$6.97 million to \$4.73 million will not impact our ability to deliver service. The budget is right-sized given our projected activity level. However, the budget may require additional funding or adjustment in the later portion of the fiscal year to support additional program enhancements.

7. Based on the numbers stated at the performance oversight hearing, it was clear that while the number of applications remained steady for the last 5 fiscal years, yet the number of Home Purchase Assistance Program (HPAP) loans being closed were decreasing. The Mayor's proposed FY16 budget cuts \$2.5 million from HPAP. How will this affect services for the applicants and the number of loans being approved?

Response:

This reduction will not affect the services or quality of services provided in the applicant pool for first time homebuyers. The budget as proposed will provide HPAP assistance to

approximately 170 new homeowners in fiscal year 2016.

8. Recently, it has been reported to the Committee by the advocacy community that there is lengthy waiting periods for funding, even upon approval, in the Single Family Rehabilitation Program (SFRP). The Mayor's budget cuts this program budget by \$4.1 million (more than 50% of the program budget). How will this affect the operation of the program?

Response:

- We are working directly on improving internal processes at DHCD. Currently, the average processing time for SFRRP from application to construction has been reduced from over a year to 7-8 months, with an eventual goal of under 5 months. We are almost complete with a streamlined, senior and handicapped-friendly application and process. The FY2016 budget as submitted represents a financial right-sizing.

9. The Fiscal Year 2015 Budget Support Act (BSA) cancelled the tax credit portion of the EAHP. Additionally, the EAHP was given an additional \$478,000 in the Mayor's proposed FY16 budget. How will these funds be utilized? Furthermore, are there any plans to grandfather into the program the participants that entered into a contract prior to the end of the December 1, 2014?

Response:

The increase in EAHP funds will be used to fund more EAHP down payment loans, as the need for EAHP has increased.

The Fiscal Year 2015 Budget Support Act (BSA) eliminated the income and property tax credits offered to all EAHP borrowers beginning January 1, 2015 by amending the DC Law 13-96, DC Official Code § 42-2506. The DC Law discontinued the tax credit incentives at the end of the 2014 taxable year on December 31, 2014 to all EAHP loan recipients and future participants. The Office of Tax and Revenue administers the tax portion of the program.

10. The fringe benefits for current personnel have been increased by 35.6% in the proposed FY16 budget. Please provide a breakdown of the increased spending.

Response:

DHCD has projected an increase of 35.6% in its fringe benefits due to costs associated with the conversion of attorneys from the Office of the Attorney General (OAG) to the agency's operating budget. Those costs had previously been incurred by the OAG and billed back to DHCD thru the Intra-District process. These costs include contractual adjustments negotiated within the OAG prior to the conversion.

b. Housing Production Trust Fund (HPTF)

11. As of April 1, 2015, please provide the following numbers of the Housing Production Trust Fund (HPTF):

- a. Total fund balance
- b. Total amount that is pre-encumbered
- c. Total amount that is encumbered
- d. A breakdown of the total amount added to the fund in FY16

Please see attachment 11.

12. At the Agency's performance oversight hearing, DHCD responded that the anticipated completion date for the HPTF Annual Report would be March 10, 2015. Please submit a copy of this report.

Response:

The final production of the report has been delayed. We expect the report to be completed in 30 days.

13. What is the Mayor's Housing Initiatives line item for HPTF?

Response:

The Mayor's Housing Initiative is a line item within the Housing Production Trust Fund (UZ0) that represents one-time infusions of year end budget surplus funds into the HPTF, which occurred in Fiscal Years 2013 and 2014. Showing this revenue as its own line item differentiates it from the dedicated revenue streams into the fund, the deed recordation and transfer tax revenue. Programmatically, these funds will be used to deliver the same outcomes as all other funds in the HPTF.

14. Please describe the various revenue sources for HPTF.

Response:

The various revenue sources for HPTF are comprised of 15% of the real property transfer tax and 15% of the deed recordation tax from the available general fund balance.

15. How are funds transferred from the paper agency that is HPTF to DHCD to distribute to developers?

Response:

Funds are transferred from the paper agency that is HPTF to DHCD to distribute to developers by Intra-District payments. These payments are a mechanism that district agencies (buying agencies - HPTF) use to pay for services rendered by other district agencies (selling agencies - DHCD).

The intra-district process creates an advance of cash from one agency fund to another agency fund. Both the Seller and the Buyer agencies have critical responsibilities that must be completed in order for the intra-district process to be successful.

16. Please explain the 44.5 increase of FTEs that have been transferred via intra-District funds to the HPTF's administration side.

Response:

In the Fiscal Year 2016 budget formulation, DHCD realigned funding for positions to be more congruent with the actual work performed and the funding source that supports the work. The current structure now accurately reflects work directly related to federal, intra-district, HPTF and local funds. As a result, DHCD has shifted the staffing of various positions from Federal Grant and Special Purpose Revenue funding to Intra-District funding from the HPTF.

17. Did the Mayor ever conduct a review of DHCD's grants and loans process?

Response:

- The Mayor has requested that the Department of Housing and Community Development (DHCD) along with the Deputy Mayor for Planning and Economic Development (DMPED), D.C. Housing Finance Agency (DCHFA), D.C. Housing Authority (DCHA), and other cluster agencies review loan pipelines and establish targets and framework/protocol for tracking progress, and to assess capacity of affordable housing partners (producers, owners, operators, support service providers) to produce and support housing at new funding levels as part of DHCD's 100 day and year-long goals.
- In the recent past, various reviews of the DHCD's grants and loans have been conducted by third party entities. Some of the recommendations have been adopted by the DHCD and others are awaiting evaluation and implementation.
- Currently, DHCD is conducting a top to bottom review of DHCD's operations, including the grants and loans processes. This review will continue through the remainder of FY15 with the expectation that in FY16, the DHCD will be more efficient and effective. It is critical that the Department create systems and an infrastructure to better utilize the city's resources for affordable housing and community development. With the proper infrastructure, the DHCD will be more accountable, efficient and transparent.