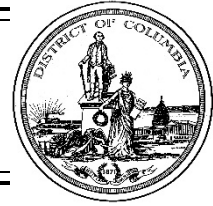

OFFICE OF ANITA BONDS
AT-LARGE COUNCILMEMBER
CHAIR, COMMITTEE ON HOUSING & COMMUNITY DEVELOPMENT



April 11, 2016

Polly Donaldson, Director
Department of Housing and Community Development
1800 Martin Luther King Avenue SE
Washington, DC 20020

Dear Director Donaldson:

The annual budget hearing for the Department of Housing and Community Development (DHCD) is scheduled for **April 13, 2016, beginning at 11:00 AM in Room 500**. Please plan to arrive in time to listen to the entirety of the public testimony presented with respect to the agency.

Please review the attached list of questions and return your answers **by April 08, 2016**. Please provide **five hard copies** of your responses, as well as an electronic version in Microsoft Word.

If the Agency would like to provide additional information outside the scope of the attached questions, please feel free to include an additional written statement. If your office requires clarification of any of the attached questions, please contact the Committee Director, Irene Kang, at (202) 724-5473 or ikang@dccouncil.us. Thank you in advance for your timely and comprehensive response.

Sincerely,

Anita Bonds
At-Large Councilmember
Chairperson, Committee on Housing and Community Development

Department of Housing and Community Development (DHCD)

QUESTIONS FOR BUDGET OVERSIGHT HEARING ON FISCAL YEAR 2017

I. Standard Agency Budget Questions

1. Please provide the following budget information for FY16 and FY17 for the agency. For FY16, 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;
 - b. At the program level, please provide the information broken out by source of funds and by Comptroller Source Group and Comptroller Object; and
 - c. At the activity level, please provide the information broken out by source of funds and by Comptroller Source Group.

Response: See attachment I – 1a, 1b, 1c

2. Please provide a detailed cross-walk between the agency FY16 budget and the agency FY17 budget. The crosswalk should clearly identify how budget levels have changed for each agency function.

Response: See attachment I-2

3. Please list all Memoranda of Understanding (MOU) the agency has either entered into, or is planning to enter into, during FY16 and FY17, 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 FY16 MOUs have been transmitted.

Response: Please see attachment I-3

4. For each program within the agency, please provide the following:
 - a. An explanation of FTE increases/decreases contained within the proposed FY17 budget.

Response: The proposed FY17 budget shows an increase of 1 FTE over the approved FY16 budget. This is due to the reconciliation of a position number between DHCD and OCP that occurred after the FY16 budget was approved.

- b. Copies of any workforce planning strategies to address critical vacancies within the agency.

Response: DHCD is working closely with DCHR to fill critical vacancies. DHCD currently has 16 vacancies of which 9 were recently advertised for active recruitment. At this time, 7 positions are being held vacant while strategic planning is being conducted to determine how to best utilize them for agency purposes.

Department of Housing and Community Development (DHCD)

- c. A list of any projected surpluses or deficits for FY16-

Response: DHCD expects full staffing by the end of Q3. Vacancy savings is being used for temporary and term staffing, in critical areas as DHCD 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 FY16 and FY17. 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)
 - e. The amount of funds generated (please list FY14, FY16 projected, and FY17 projected)
 - f. Expenditures of funds, including the purpose of each expenditure (please list FY14, FY16 projected, and FY17 proposed)
 - g. Current balance and expected planned balance at end of FY16

Response: See attachments I-5a, 5b, 5c, 5d, 5e

- 6. In addition to the Council Budget Office's questions, please provide a list of all contracts to be entered into for FY16 and FY17, including any multiyear contracts that will continue in FY16. 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.

Response: Please see attachment I-6a-f, 6g

- 7. Please list all program enhancements, technical adjustments, and reductions within the proposed FY17 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.
 - b. Provide a description and rationale for each program enhancement, adjustment, or reduction, along with associated dollar amounts and FTEs (if applicable).

Department of Housing and Community Development (DHCD)

Response: DHCD has no enhancements or technical adjustments. Details on our reductions are provided in Question 8's response.

8. Please list all reductions from FY16 spending levels within the proposed FY17 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).

Response: See attachment I-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 FY17.

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 Leasing fees do not include fixed costs. DHCD 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 FY17. Please:
 - a. Distinguish between any new funds requested for FY17 and any previously allocated funds.

Response: N/A

- b. Provide a description of all planned capital projects for FY17 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: N/A

11. Please provide a complete accounting of all federal funds and all grants, government or private, included in the FY16 and FY17 budgets.

Response: See attachment I-11

12. What are the agency's performance measures for FY17?

Response: See Attachment I-12 for a listing of DHCD's FY17 performance measures

Department of Housing and Community Development (DHCD)

- a. How were these measures developed?

Response: Key Performance Indicators (KPI) were developed and modified from FY16 in an effort to assist the Agency better track programmatic outputs, the rate at which services are delivered, and DHCD's impact on preserving and producing affordable housing in the District.

- b. Which FY17 budget changes occurred in response to performance targets and FY16 performance measurements?

Response: This year, after a review, DHCD updated its performance measures for FY17 to more accurately reflect the activities and priorities of the department and updated the workload measures and metrics to provide more quantifiable outcomes. The performance measures and targets will assist DHCD improve its delivery of services. The FY17 DHCD budget reflects the FY17 performance plan priorities and relates directly to these updated performance measurements. In the future, the Agency expects to respond to the updated performance measures and targets in its proposed budgets.

13. Please describe any other programmatic expansions, mayoral initiatives, or anticipated reductions for FY17. Please provide a detailed description, including FY17 spending plans, the target population to be served, and the name and title of the agency employee responsible for implementing the initiative.

Response: The FY 17 budget reflects a new \$10 million preservation financing activity, a new vacant and blighted activity that augments the existing property acquisition and disposition activities and an increased Home Purchase Assistance Program to provide down-payment assistance for homebuyers in the district including a budget of \$16 million, approximately \$6 million more than FY16.

14. Will the proposed FY17 budget allow the agency to meet all statutory mandates? If not, please explain.

Response: DHCD is not aware of any funds in addition to the amounts requested in its proposed FY17 budget that will be required to meet all of the agency's statutory requirements.

II. Specific Agency Budget Questions

a. Department of Housing and Community Development (DHCD)

1. According to the Mayor's FY17 Proposed Gross Funds Operating Budget by revenue type, the local funds decrease by 5%. Please explain where the decrease will come from and how it will translate in program output.

Department of Housing and Community Development (DHCD)

Response: The decrease will come from the Home Purchase Assistance Program (HPAP) and the decrease will not impact the program output since it will be absorbed by federal funds.

2. According to the Mayor's FY17 Proposed Gross Funds Operating Budget by revenue type, the intra-district funds decrease by 54.7%. Please explain this decrease and how it will affect agency performance.

Response: The decrease is in HPTF fund balance which will be allocated through budget modification in FY2017. There will be no impact in agency performance.

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

Response: See attachment II-3

4. Please provide a breakdown of what funds comprise the Agency's intra-District funds.

Response: See attachment II-4

5. The Mayor's proposed FY17 budget for the Development Finance Division's Affordable Housing Project Financing indicates a decrease of \$120.7 million. Please explain how this decrease will affect the upcoming Notice of Funding Availability (NOFA) and the effect it will have on the types of projects that this funding will seek to develop.

Response: The budget as presented will have no detrimental effect on DHCD's ability to fund projects. The proposed budget provides \$101,178,000 available to be obligated for new projects.

DHCD anticipates and plans for requests for gap-financing through the Request for Proposal process will be 2:1, thus the demand for gap financing will continue to be greater than budgeted funds.

6. The Mayor's proposed FY17 budget added a line item, Program 4250 – Vacant and Blighted Program, and provided approximately \$3.4 million in funding. Please expound on how these funds will be used.

Response: The funds will be used for property acquisitions pertinent to the Vacant and Blighted Program. The properties will still become part of the PADD inventory.

7. The Mayor's proposed FY17 budget cuts approximately \$3.4 million from Property Acquisition in the Property Acquisition & Disposition Division (PADD). How will this affect the acquisition process for DHCD?

Department of Housing and Community Development (DHCD)

Response: The funds are being reprogrammed to 4250 – Vacant and Blighted Program. They will be used for acquisitions that will become a part of PADD’s inventory. There will be little to no impact on DHCD’s ability to acquire property.

8. 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 FY17 budget adds a significant amount of funding, \$6.4 million, to HPAP. Will this expedite the services for the applicants and the number of loans being approved? How?

Response: The \$6.4 million increase is intended to accommodate the increase in the maximum amount of individual HPAP loans from \$50,000 to \$80,000. DHCD expects this increase along with other reforms to reinvigorate the program, increase the number of HPAP applications and ultimately produce a greater number of new DC homeowners. Pending program changes include; a fully updated homeownership training module, a refined loan repayment plan, which will benefit lower income borrowers (contained in the new legislation), transparent underwriting standards, and more aggressive and strategic outreach.

9. The Single Family Rehabilitation Program (SFRP) continues to receive negative feedback in terms of the lengthy waiting periods applicants are facing. The Mayor’s budget increases this program budget by \$187,000. However, the Committee has the understanding that significant reforms are to be implemented in the near future to improve the procedures of the application process. Please explain the increase and how it will improve the program time frames.

Response: DHCD will use an action plan that includes three broad categories, structure, team members, and process. DHCD is actively recruiting a new manager to assist with the revamping of the program. In addition, DHCD recognizes the need to strengthening the construction team, and identifying the specific contractors which can do high-quality construction work for homeowners.

DHCD is also researching best practices and considering program design changes based upon lessons learned. Specifically, in the recent past, the program has worked to streamline the application, which will be more customer-friendly and senior-friendly.

Finally, DHCD has developed listing of the pending SFRRP cases that are in the program’s pipeline from application to close out. DHCD will continue to improve its customer service in this program area.

The budget increase will help DHCD meet this goal.

10. The Mayor’s proposed budget for FY17 decreases the Employer-Assisted Housing Program by \$860,000. Is this due to the decrease in the number of DC government employees qualifying for the tax credits?

Department of Housing and Community Development (DHCD)

Response: This decrease in spending is in response to the lack of spending in FY 2015 (only \$82,000). In FY 2017 there is an opportunity to increase demand for the dollars in this program. Through more aggressive and strategic outreach, DHCD will have the opportunity to target the eligible participants in this program. If the demand is realized we will request the appropriate increase in these budget dollars.

b. Housing Production Trust Fund (HPTF)

11. Are HPTF dollars used to pay personnel costs from the fund? If so, please indicate below how much was spent in FY15, FY16, and anticipated costs in FY17. Additionally, please include the positions and salary levels.

Response: Yes HPTF dollars are used to pay personnel costs. Please see attachments II-12a, 12b, 12c, and 12d.

12. As of April 1, 2016, 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 FY17

Response: See attachment II-13a-d.

13. Please include a breakdown of planned spending from HPTF in FY16 and FY17 for the following areas: (1) Permanent Supportive Housing; (2) Rental Housing; (3) Ownership opportunities; (4) Rental Rehabilitation; (5) Public Housing Repairs.

Response: The following numbers represent the activity of the Development Finance Division and do not include production from programs such as HPAP or SFRRP. The categories are not mutually exclusive.

Current projections for FY16-FY17 are as follows:

- (1) Permanent Supportive Housing
433 units financed
- (2) Rental Housing;
2,909 new or rehabbed units financed
- (3) Ownership opportunities
131 rehabilitated Coop units; 14 new homeownership units

Department of Housing and Community Development (DHCD)

(4) Rental Rehabilitation;
1,505 rental or coop units rehabilitated.

(5) Public Housing Repairs.
N/A

14. At the Agency's performance oversight hearing, DHCD responded that the anticipated completion date for the FY13 HPTF Annual Report would be March 14, 2016. Please submit a copy of this report.

Response: The FY 13 HPTF Annual Report has been completed. See attachment II-15.

15. 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.

16. 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).

17. Did the Mayor conduct a review of DHCD's grants and loans process? If so, please update the Committee on any changes made to the grants and loans process.

Response: A thorough review of DHCD's grant and loan processes has occurred. Reviewing best practices, soliciting input from staff and stakeholders, and conducting real-time tactical reviews of service / customer interactions are part of the ongoing efforts to improve the timely and compliant delivery of grants and loans. The enhancements to date are in three broad categories; reporting structure, team members, and process.

In the Development Finance Division, the reporting structure was changed to create a team approach, provide for continuity of operations, improve accountability and enhance communication. In addition, the use of technology has drastically increased. This is evident from the online application process, to the speed at which responses are available to applicants, to tracking and reporting applications and projects.

The investment and empowerment of our team members is central to meeting goals. The reporting structure changes tie closely to how team members interact with each other and our clients. The team is actively engaged in problem-solving and develops action oriented solutions.

Department of Housing and Community Development (DHCD)

Process changes include the elimination of redundant or unnecessary forms, the ability of an applicant to refresh documents online, and the coordination of efforts among the various Divisions within the Department to meet projected closing dates.

18. Please provide the total amount of Deed and Recordation Tax allocation to HPTF for FY 13, FY14, FY15, and FY 16 to date.

Response: See attachment II-19

19. Please provide the total amount of loan repayments to the HPTF for FY14, FY15, and FY16 to date.

Response: See attachment II-20

20. Please provide the total amount of interest earnings to the HPTF for FY14, FY15, and FY16 to date.

Response: See attachment II-21

21. Please indicate how units have come online at the 0-30%, 31-50%, and 51-80% AMI levels from the funding given out in FY13, FY14, and FY15?

Response: Of the projects that closed (loans executed, funds obligated) in FY13, FY14, FY15, the following units have delivered to-date.

- 0-30% AMI – 223 units
- 31-50% AMI – 188 units
- 51-80% AMI – 413 units

The table below provides a more detailed breakdown on the status of all units in projects closed (obligated) in FY13-FY15.

Department of Housing and Community Development (DHCD)

Fiscal Year of Loan Closing	Construction Status	Projects by Status (as of 4/8/15)	Total Units (as of 4/8/15)	30% AMI Units (as of 4/8/15)	50% AMI Units (as of 4/8/15)	80% AMI Units (as of 4/8/15)
FY2013	Completed	12	509	153	138	215
	Under Construction	1	8	0	2	6
FY2014	Completed	6	233	66	50	117
	Under Construction	9	567	110	79	345
FY2015	Completed	2	99	4	0	81
	Under Construction	16	999	510	160	312
Totals	Completed	20	841	223	188	413
	Under Construction	26	1,574	620	241	663

22. Please update the Committee on when the FY14 HPTF report will be completed.

Response: The FY 15 HPTF Annual Report will be completed April 30, 2016

23. Please update the Committee on when the FY15 HPTF report will be completed.

Response: The FY 14 HPTF Annual Report will be completed May 31, 2016.

c. March 4th, 2016 Performance Oversight Hearing Requests

On March 4, 2016, DHCD testified before the Committee at the Agency Performance Oversight Hearing. Director Polly Donaldson committed to submitting the following information requests in 10 days. As of March 31, 2016, the Committee has not received any of the requests. Below is the list of requests. Please submit the information as an attachment.

1. FY15 Funding for services that Agency provides

Response:

a. TOPA

2 TOPA Acquisitions - \$2,383,139

2 TOPA Rehabs - \$6,688,290

2 Assignment of TOPA Rights (Rehab) - \$14,150,000

Total - \$23,221,429

b. HPAP - \$11,761,775.38

Department of Housing and Community Development (DHCD)

c. PADD

PADD – Residential maintenance	\$673,200
PADD – Commercial maintenance	\$91,800

d. Rehab of multifamily units

12 projects - 816 units - \$38,490,719

e. Public facilities

1 project - \$150,000

An RFP is being developed for public facilities and is scheduled to be released this summer.

f. Counseling Services - \$4,048,797.45

2. A detailed report of what is criteria used whether Landlord should be granted relief in hardship petitions.

Response: See attachment III - 1

3. For FY15, for each of the 139 petitions, could we get from the DHCD a small description for each request?

Response: See attachment III - 2

4. RAD – every provider petition received in FY15 and FY16 – breakdown and description

Response: See attachment III - 3

5. Agency response on whether there is any regulatory or statutory requirements for RAD to administer decisions within a certain timeframe

Response: See attachment III – 5 a-f

6. Request for Agency regulations that relate to RAD, that guides their actions.

Response: See attachment III – 5 a-f

7. The Committee requested underwriting documentation for the 12 projects that have been selected in FY16, which should include what are the rent plans for tenants. There is no need to provide individual project names or identifying information.

Department of Housing and Community Development (DHCD)

Response: The 12 selected projects were selected for further underwriting. The underwriting of these projects is in process. Prior to selection for further underwriting the projects were reviewed for meeting threshold requirements and were scored against established criteria.

See attachment III – 6 a-b