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

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April 6, 2015

Maria K. Day-Marshall  
Interim Executive Director  
District of Columbia Housing Finance Agency  
1133 North Capitol Street, NE  
Washington, DC 20002

Dear Ms. Day-Marshall:

The annual budget hearing for the District of Columbia Housing Finance Agency (DCHFA) is scheduled for **April 15, 2015, beginning at 10:00 AM in Room 123**. Please plan to arrive in time to listen to the entirety of the public testimony presented with respect to the agency.

To allow the agency as much time as possible to consider and respond, attached are pre-hearing questions. So that I may make effective use of your responses, please provide **four hard copies** of your responses, as well as an electronic version in Microsoft Word **on or by the close of Friday, April 10, 2015**.

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's Legislative Director, Barry Weise, at (202) 724-8171 or [bweise@dccouncil.us](mailto:bweise@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

**District of Columbia Housing Finance Agency (DCHFA)**

**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;**
  - 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.**

For DCHFA FY2015 and FY2016 Budget information, please refer to the attached DCHFA FY 2016 Proposed Budget and Financial Plan published by the DC Office of the Chief Financial Officer (OCFO) (**Tab 2**).

The Proposed FY2016 Budget considers the DCHFA to be a single program in the District's financial accounting system. DCHFA's Board of Directors-approved budget governs the Agency's spending.

DCHFA's approved OCFO Budget for FY2015 is \$9.662 million. The Agency's actual expenditures through 1<sup>st</sup> Quarter FY 2015 are \$1.571 million.

- 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.**

FY2015 DCHFA Budget Source Group designations were not altered for the submitted FY2016 Budget. Any changes in budget levels from FY2015 to FY2016 are outlined in the DCHFA FY2016 Proposed Budget and Financial Plan published by the DC Office of the Chief Financial Officer (OCFO) (**Tab 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.**

DCHFA and DHCD currently have in place an MOU regarding the underwriting and administration of 4% Low income Tax Credits which expires on May 14, 2015. The Agency intends to renew this MOU prior to the expiration date. There is no cost associated with the MOU.

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DCHFA, DHCD, DMH, DHS, and DCHA have in place an MOU to develop and/or subsidize permanent supportive housing units. There is no cost associated with the MOU.

### **4. For each program within the agency, please provide the following:**

#### **a. An explanation of FTE increases/decreases contained within the proposed FY16 budget.**

The DCHFA employs no District government FTEs, and therefore has no FTE increases/decreases contained within the proposed FY2016 District Budget.

As an alternative to the FTE designation, DCHFA has employees. The Agency currently has no planned increases or decreases in employee positions for FY2016.

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

The DCHFA does not maintain a written workforce planning strategy document.

The Agency does, however, work aggressively to fill critical vacancies. Specifically, DCHFA department directors initiate the employment recruitment process by completing a Staffing Requisition Form, which is submitted to the DCHFA Office of the Executive Director. The Staffing Requisition Form requests permission to actively recruit for vacant positions, and requires inclusion of a description of the subject vacancy, and an indication of whether the position is within the department's approved budget. Once that form is approved by the Interim Executive Director, it is forwarded to the Human Resources Officer to start the recruitment process.

The Human Resources department recruits positions through advertising on the DC Housing Finance Agency's website, Housing Industry Associations including NCSHA, HAND, CNHED, and NALHFA, and paid recruitment sites such as The Washington Post, CareerBuilder and Monster.

The DC Housing Finance Agency encourages the hiring of District employees to fill its vacancies. The Agency's employment application informs prospective applicants that the Agency uses the ten-point preference system for District residents.

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

The DCHFA projects \$1,600,363 in overall net revenue for FY2015.

### **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:**

**District of Columbia Housing Finance Agency (DCHFA)**

- 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, FY15 projected, and FY16 projected)**
- f. Expenditures of funds, including the purpose of each expenditure (please list FY14, FY15 projected, and FY16 proposed)**
- g. Current balance and expected planned balance at end of FY16**

By statute, the Agency's budget is independent of the D.C. Government's Executive Branch. The Agency has its own financial reporting system and is not tied to the Financial Reporting System of the District. The Agency is self-funded with no appropriations from the District government. The budget preparation, review and approval for the following fiscal year are completed in the fourth quarter of the current fiscal year. The budget is also approved by the Board of Directors in the fourth quarter of the current fiscal year.

The DCHFA receives no dedicated taxes or special purpose funding whatsoever. All revenues that support the Agency are generated by the Agency through fees and other revenues associated with its programs.

- 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 refer to DCHFA Contracts List in **TAB 3** for a list providing requested details on contracts to be entered into by the Agency for FY15 and FY16.

- 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.**

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

The DCHFA has made no program enhancements, technical adjustments, or reductions within the proposed FY2016 Agency budget.

- 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).**

DCHFA does not track expenditures by program as defined in DCHFA's approved FY2015 or proposed FY 2016 Budget (i.e. Multifamily, Single Family). All DCHFA program expenditures are accounted for through the Agency's general fund. All reductions from the Agency's FY2015 spending levels within the Agency's proposed FY2016 Budget are outlined in the DCHFA FY2016 Proposed Budget and Financial Plan published by the DC Office of the Chief Financial Officer (OCFO) (**Tab 2**).

- 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.**

The only facility maintained by the DCHFA is its headquarters building, which is owned by the DC Building Finance Corporation, a DCHFA subsidiary, and leased to the DCHFA. The Agency financed the lease/purchase of the building through the issuance of tax-exempt certificates of participation in 1998. The building is located in Ward 1 at 815 Florida Avenue, NW, Washington DC 20001. The structure is a 3 story, 30,000 square foot building, with a basement. There are approximately 77 on-site parking spaces within a three-story parking structure attached to the building. The annual rent for the building is currently \$279,000.00, which includes no other fixed cost. The Agency's facilities-related fixed costs are as follows: utilities -\$91,000.00, security -\$7,470.00, telecommunications- \$69,000.00, insurance-\$192,000.00, other maintenance services -\$33,000.00.

There are currently no planned facility changes for FY 2016.

- 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**

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**remaining spending on the project. If capital funds have been reduced for a given project, please state the effect of the reduction.**

By statute, the Agency's budget is independent of the D.C. Government's Executive Branch. The Agency has its own financial reporting system and is not tied to the Financial Reporting System of the District. The Agency is self-funded with no appropriations of capital dollars or other funding of any sort received from the District government. The budget preparation, review and approval for the following fiscal year are completed in the fourth quarter of the current fiscal year. The budget is also approved by the Board of Directors in the fourth quarter of the current fiscal year.

There are no DCHFA capital projects planned for FY 2016.

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

No federal funds or grants of any sort are included in the DCHFA's FY2015 or FY2016 budgets.

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

Please find the DCHFA's performance measures provided in **TAB 4**.

#### **a. How were these measures developed?**

DCHFA's performance measures are developed through a collaborative discussion between the Agency's Chief Financial Officer and Agency program managers charged with charting the growth and development of their individual programs. The effort resulted in goals which are logistically and fiscally achievable by the Agency.

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

The DCHFA's performance targets remained static from the approved FY2015 budget to the proposed FY2016 budget.

### **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.**

#### **Multifamily Programs: DCHFA Small Building/Small Sponsor Loan Program (SBSS)**

The DCHFA's Public Finance team is working to develop the DCHFA Small Building/Small Sponsor Loan Program (SBSS) Multifamily Program. The Program will reduce the transactional cost to small building owners by splitting the cost of a single bond issuance among multiple projects. The program as conceived is called the Small Building/Small Sponsor Program.

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The target population to be served comprises private owners of multifamily buildings with 1-50 units.

SBSS is in its development phase. No funds have been budgeted toward the program.

The person primarily responsible for the implementation of SBSS is Anthony Waddell, DCHFA Director of Public Finance.

### **Single Family Programs: HomeSaver Phase II – Tax Lien Extinguishment Program**

DCHFA now offers a Tax Lien Extinguishment component of its HomeSaver Program. Under its new Tax Lien Extinguishment component, DCHFA will make a one-time payment to extinguish the delinquent real property taxes for all eligible District of Columbia homeowners. DCHFA is currently piloting this program, during which time eligibility will be restricted to District homeowners whose real property has not been sold at tax sale. After the pilot period, DCHFA will expand its eligibility criteria to District homeowners whose real property has previously been sold at tax sale, but whose right to redemption of the real property has not been extinguished. The Agency is currently in discussions with the US Treasury regarding the expansion of the Program.

The target population to be served is comprised of District residents who are currently subject to tax liens on their primary District residences.

Available funding currently stands at roughly \$2.9 million. DCHFA has made no projection of how much of those funds will be available at the start of FY2016

The person primarily responsible for the administration of HomeSaver Phase II is Lisa G. Hensley, DCHFA Director of the Office of Single Family Programs.

The development of SBSS and HomeSaver Phase II has no budgetary impact on the District government whatsoever.

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

The proposed FY16 budget allows the DCHFA to meet all of its statutory mandates.

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**II. Agency Specific Budget Questions**

**1. The next five questions are based on the agency’s FY 2016 Proposed Operating Budget. Please account for the:**

**a. 38 percent increase in agency Fringe Benefits, from \$1,077,000 to \$1,486,000**

The increase in “Fringe Benefits” from FY2015 to FY2016 is due to increases in the cost of Agency-paid health insurance as well as the amount needed to match employee retirement contributions, which are currently unmatched.

**b. 20 percent increase in agency Other Services and Charges, from \$1,000,000 to \$1,200,000**

The increase in “Other Services and Charges” from FY2015 to FY2016 is due to necessary increases in reserves needed to support the Agency’s growing portfolio of financed transactions.

**c. 57 percent increase in agency Contractual Services – Other, from \$1,400,000 to \$2,200,000**

The increase in “Contractual Services” from FY2015 to FY2016 is primarily due to the planned acquisition and maintenance of a new financial management and accounting software system.

**d. 28.8 percent increase in agency Debt Service, from \$279,000 to \$360,000**

The increase in “Debt Service” from FY2015 to FY2016 is due to the planned borrowing from the DCHFA’s lines of credit to provide interim financing for the Agency’s Single Family programming (i.e., DC Open Doors) as well as necessary improvements to Agency headquarters.

**e. 50 percent decrease in agency Security Services, from \$20,000 to \$10,000**

The decrease in “Security Services” from FY2015 to FY2016 is based on the actual reduction in the cost of security services for the Agency’s headquarters.

**2. DCHFA has recently initiated a pilot program that provides one-time assistance to eligible District homeowners at risk of foreclosure due to delinquent real property taxes called the “HomeSaver Phase II-Tax Lien Extinguishment Program”. Please describe your plans to expand the program in FY16.**

DCHFA now offers a Tax Lien Extinguishment component of its HomeSaver Program. Under its new Tax Lien Extinguishment component, DCHFA will make a one-time payment to extinguish the delinquent real property taxes for all eligible District of Columbia homeowners.



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DCHFA is currently piloting this program, during which time eligibility will be restricted to District homeowners whose real property has not been sold at tax sale. After the pilot period, DCHFA will expand its eligibility criteria to District homeowners whose real property has previously been sold at tax sale, but whose right to redemption of the real property has not been extinguished. The Agency is currently in discussions with the US Treasury regarding the expansion of the Program.

### **3. What funding is left in DCHFA's foreclosure prevention program for District homeowners called the "HomeSaver Phase I Program"? How will these funds be spent in FY16?**

There is no funding left in the "HomeSaver Phase I Program" as it has been concluded altogether and was replaced by the HomeSaver Phase II-Tax Lien Extinguishment Program.

In February 2010, the Obama Administration announced \$1.5 billion in Housing Finance Agency Innovation Fund dollars for the US Treasury's Hardest-Hit program. Through the program, select state housing finance agencies received funding in support of innovative programs intended to stabilize the local housing markets and help families avoid foreclosure.

In 2010, the Housing Finance Agency applied and was awarded over \$20 million to implement its Hardest Hit foreclosure program in the District, called HomeSaver.

By November, 2013, HomeSaver (i.e. HomeSaverI) had committed all but \$2.9 million of its funding, when the Agency suspended applicant intake. The DCHFA understood at that point that it risked over-commitment of funds to new applicants. Additionally, the Agency recognized that due to generally smaller arrearage amounts, the remaining funds could be better-leveraged to assist a larger number of District residents under threat of tax lien foreclosure.

After in-depth research, as well as collaboration with the US Treasury and the DC Office of Tax and Revenue, the HomeSaver Phase II-Tax Lien Extinguishment Program was established. The commencement of "HomeSaver Phase II" signaled the definitive elimination of "HomeSaver Phase I."

### **4. DCHFA maintains a line of credit with regional banks to access capital for DCHFA programs and capital improvements. How much is the line of credit and how specifically is it used?**

The DCHFA maintains a \$15 million line of credit with PNC Bank, which was renewed in March 2015 for an additional year. The line is intended to provide low cost interim financing for the Agency's Single Family programming (i.e. DC Open Doors) as well as for necessary improvements to the Agency's headquarters.

## District of Columbia Housing Finance Agency (DCHFA)

- 5. Please provide a copy of any instructions that describe DCHFA’s underwriting process, and any underwriting guidelines for agency personnel.**

The DCHFA makes its Multifamily Underwriting and Program Guide available to the public on its website at

<http://www.dchfa.org/Portals/0/Documents/Developers/MultifamilyUnderwritingandProgramGuidelines.pdf>.

The program guide is intended to assist the development community and relevant Agency personnel in understanding and managing the underwriting process utilized by DCHFA’s Office of Public Finance.

The DCHFA Multifamily Underwriting and Program Guide is provided in **TAB 5**.

- 6. Please provide a listing of all DCHFA funded projects from FY14 and FY15 to date, and for projects in the pipeline for the remainder of FY15 and for FY16**

Please refer to **TAB 6** for the DCHFA chart of Multifamily Bond Issuances and the projects that they have financed or will be financing.

- 7. Please provide a description of all the tools available to DCHFA to fund housing projects, such as revenue bonds, tax credits, etc.**

### MULTIFAMILY HOUSING DEVELOPMENT PROGRAMS

#### Multifamily Mortgage Revenue Bond Program (MMRB)

Nonprofit, for-profit and 501(c)(3) developers can access tax exempt, taxable and 501(c)(3) bonds for the following eligible uses:

- Acquisition, construction and permanent loans
- Fixed and variable rate loans
- Rated and un-rated tax exempt and taxable bond financing
- Credit enhanced or un-enhanced financing, including financing under FHA Multifamily Insurance Programs, DCHFA-HUD Risk Sharing Program, Fannie Mae, Freddie Mac, DUS lending and Letter of Credit.

The DCHFA's financing can be used to rehabilitate or construct:

- Rental housing (affordable, mixed income, market rate)
- Cooperatives (Limited Equity)
- Elderly housing
- Assisted-living facilities
- Transitional housing.

Federal regulations require that developers/sponsors who utilize MMRB financing which is funded through the sale of tax exempt private activity bonds set aside at least 20% of their units for individuals or families earning at or below 50% of the area median income (AMI) or at least

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40% of their units for individuals or families earning at or below 60% of AMI adjusted for family size.

Projects approved for multifamily mortgage revenue bond financing that will be financed through the sale of tax exempt private activity bonds are then eligible to receive 4% low income housing tax credits (LIHTCs).

### **4% Low Income Housing Tax Credit Program (LIHTC)**

A companion financing tool for MMRB Program financings funded through the sale of tax exempt private activity bonds is the 4% LIHTC Program. Similar to the private activity bond selection, to realize the benefits of this federal program, developers/sponsors are required to set aside at least 20% of their units for individuals or families earning at or below 50% of the area median income (AMI) or at least 40% of their units for individuals or families earning at or below 60% of AMI adjusted for family size. LIHTCs can be syndicated to generate part of the required equity a borrower must contribute to the financing, or they can be utilized to offset the borrower's tax payments.

### **McKinney Act Loan Program**

McKinney Act Loans are short term predevelopment "bridge" loans that can be used to finance the acquisition, predevelopment and rehabilitation costs associated with housing development. Non-profit and for profit developers building affordable housing in the District of Columbia are eligible for McKinney Act Loans. The funds may be used for one or the more of the following purposes in furtherance of the DCHFA's single family and multifamily programs.

- Pre-development and development soft costs
- Acquisition
- Construction or rehabilitation
- Down payment closing cost assistance
- Mortgage interest rate buy down
- Credit enhancement or loan guarantee
- Ancillary or functionally related recreational, health, educational or social services facilities that are integral to housing occupied by very low income persons and families
- Equity bridge loans.

## **SINGLE FAMILY PROGRAMS**

### **DC Open Doors**

DC Open Doors offers a number of mortgage products, including down payment assistance loans that make homeownership affordable in Washington, DC. DCHFA offers both Federal Housing Administration (FHA) and Fannie Mae Conventional mortgage loan products. The interest rates for these products can change daily.

See Section II Question 9 for more on DC Open Doors.

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### HomeSaver Phase II – Tax Lien Extinguishment Program

DCHFA now offers a Tax Lien Extinguishment component of its HomeSaver Program. Under its new Tax Lien Extinguishment component, DCHFA will make a one-time payment to extinguish the delinquent real property taxes for all eligible District of Columbia homeowners.

DCHFA is currently piloting this program, during which time eligibility will be restricted. After the pilot period, DCHFA will expand its eligibility criteria.

See Section II Question 3 for more on HomeSaver Phase II.

### **8. Please provide agency funding totals for each of the following products or activities. Please include the amount of revenue DCHFA receives from each item, if any.**

#### **a. Issuance of Multifamily Housing Mortgage Revenue Bonds**

- In FY2014, the DCHFA generated \$4,140,927 from the issuance of Multifamily Housing Mortgage Revenue Bonds (MRB).
- In FY2014, the Agency issued \$194.6 million in MRBs.

#### **b. Financing of single family home loans**

- In FY2014, the DCHFA generated \$55,595 in revenue from the financing of single family mortgage loans.
- In FY2014, the Agency financed \$60.3 million in single family mortgage loans.

#### **c. Investment of bond proceeds and related funds**

- In FY2014, the DCHFA realized a \$37,812,529 return on its investment of bond proceeds and related funds. The use of these funds is restricted.
- In FY2014, the Agency invested \$908 million.

#### **d. General funds**

- In FY2014 the DCHFA added \$9,945,152 to its general funds.
- The Agency currently has \$59.3 million in holdings, which are inclusive of holdings discussed in items 8(a), 8(b), 8(e), 8(f), and 8(g).

#### **e. 4% Low Income Housing Tax Credits**

- In FY2014, the DCHFA generated \$265,452 in revenue from its administration of 4% Low Income Housing Tax Credits.

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- In FY2014, the Agency underwrote and otherwise administered \$24.17 million in LIHTC equity.

### **f. McKinney Act Savings Funds**

- In FY2014, the DCHFA generated \$61,936 in revenue from loaned McKinney Act Savings Funds.
- The Agency currently has \$8.6 million in holdings generated from McKinney Act Savings Funds.

### **g. Compliance and Asset Management Group**

- In FY 2014, the DCHFA generated \$269,462 in revenue through its Compliance and Asset Management Group.

## **9. Please describe DCHFA's "DC Open Doors" program.**

DC Open Doors was launched in May 2013. The program offers both FHA and Fannie Mae mortgage loan products that provide up to 3.5% down payment assistance to borrowers earning at or below 120% of AMI, which is \$123,050 per year for the District of Columbia. Working with participating lenders and real estate agent partners, the program has quickly grown in popularity as evidenced by a total of 32 local participating lenders and \$97,999,896 million in closed loans as of April 10, 2015.

The District of Columbia Department of Housing and Community Development (DHCD) administers a program that offers varying degrees of down payment assistance for individuals earning up to 80% of AMI (Roughly \$80,000 in the District of Columbia). With its median price of approximately \$470,000, much of the inventory in the District of Columbia will be necessarily purchased by individuals earning above that 80% AMI threshold. Despite healthy salaries, many potential homebuyers in the District have not amassed a sufficient down payment needed to purchase a home in the District. The result is an entire class of current and prospective District residents who, due to lack of financing assistance, personal savings, or intergenerational resources, are left on the sidelines of a market in which they are otherwise well-qualified to participate.

The implications here are profound for those excluded individuals, but they are also profound for a city working to grow its tax base by attracting and retaining working families and individuals.

DCHFA recognized the opportunity, and sought to meet this unserved need through the DC Open Doors single family mortgage program.

DC Open Doors is compatible and has been used with the following programs/product:

- DC Employer Assisted Housing Program (EAHAP)
- DC Negotiated Employee Affordable Home Purchase Program (NEHAP)

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- DC Home Purchase Assistance Program (HPAP)
- Wells Fargo City LIFT Down Payment Assistance Program

### 10. The next three questions are based upon DCHFA's FY16 Agency Performance Measures.

- a. Please describe what changes DCHFA is making that will allow the agency to achieve an FY16 performance goal of adding an additional 100 rental units more than last year (1300 to 1400 units) to the District's stock of rental housing.**

The DCHFA will continue to market its products to the development community. It is worth noting, however, that DCHFA financing is primarily driven by developer demand as well as the availability of additional resources to subsidize the production of affordable units. Increased capital subsidies such as HUD's Rental Assistance Demonstration Program (RAD) and the District's Housing Production Trust Fund (HPTF), coupled with the increase in operating subsidies from sources such as the District's Local Rent Supplement Program and local real-estate tax abatements, have contributed to gains in the number of affordable multifamily housing projects that can be underwritten in the District. These factors have influenced DCHFA's production projections for FY2015. The Agency expects that trend to continue into FY2016.

- b. What changes is DCHFA making that will allow the agency to achieve an FY16 performance goal of adding an additional 30 single-family and individual home purchases to be financed by DCHFA?**

DC Open Doors' compatibility with District government homebuyer assistance products offers the Agency a unique opportunity to reach prospective homebuyers at the ground-level. In an effort to expand its marketing efforts, the Agency will increase outreach to District government agencies, with the specific aim of gaining increased direct employee contact through informational sessions and workshops. Additionally, the Agency will increase its outreach to large District of Columbia employers as well as to developers of single-family homes that are eligible for financing through the Open Doors Program.

- c. Are there any obstacles that impede DCHFA from increasing the percentage of multi-family units occupied by District residents whose incomes are at or below 50 percent of the AMI, from the 30 percent achieved in FY14 to a higher percent in FY15-16?**

DCHFA's financing requirements are governed by the IRS Code for tax-exempt bond and low income housing tax credit-financed deals. Typically in order for a developer to be able to afford to pay the mortgage on a property, the property needs to generate a certain amount of rental income. When keeping rents affordable to residents whose incomes are at or below 50 percent of AMI, without a subsidy (i.e., a housing choice voucher, a project-based section 8 subsidy, or Local Rent Supplement Program operating subsidy), there simply is insufficient rental revenue to afford the outstanding debt on the property.

- 11. What plans does DCHFA have for providing funding for housing for District residents whose incomes are at or below 30 percent of the AMI?**

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As discussed in the response to Question 10(c) above, DCHFA's independent options are limited with regard to deepening the affordability levels below statutorily governed 50% of AMI.

Despite the statutory limitations of DCHFA issued bonds and LIHTCs, DCHFA has an opportunity to finance developments for which project sponsors elect to provide housing below 30% of Area Median Income (AMI). Those elections are typically made possible through the infusion of additional capital from other District agencies.

DCHFA will continue to work with DHCD and other relevant District agencies to maintain an efficient and effective pairing of DCHFA's multifamily finance products with funds that are capable of increasing affordability for individuals earning at or below 30 percent of AMI.

### **12. The next three questions are based on the priorities stated by the agency in its performance oversight responses.**

#### **a. Please describe the agency's process for the determination of the feasibility of developing a pooled loan product for smaller sized multifamily deals.**

The need for improvements to small affordable multifamily housing has received widespread attention from state housing finance agencies nationwide. Federal government agencies have publicly emphasized the need to finance the renovation of properties of 1-49 units, which comprise upwards of 89% of the nation's affordable housing stock. Federal agencies (i.e., U.S. Housing and Urban Development Administration) and Government Sponsored entities (i.e. Fannie Mae) have also developed loan guarantee products designed to support the implementation of small building programs by housing finance agencies nationwide.

Clearly, DCHFA's interest in developing the DCHFA Small Building/Small Sponsor Loan Program (SBSS) was not without precedent. DCHFA conducted preliminary research which revealed that there are over 10,000 multifamily addresses in the District with improvements that contain one (1) to fifty (50) dwelling units. Additional research unveiled that many of these 1-50 unit properties are older and in need of repair. Additionally, the properties generally have lower than market rate rents due to location or rent control. These buildings are generally owned by smaller "mom and pop" owners or smaller investors who may lack the knowledge or the sophistication required to access the capital markets (debt and equity), particularly longer term credit facilities.

Having identified significant need for a small multifamily loan product, DCHFA has started to develop underwriting parameters for the program. That work involves significant research and outreach to the local and national financial services community, as well as to local developers.

#### **b. What changes in the criteria for taxable and/or tax-exempt bonds and 4% Low Income Housing Tax Credits projects is DCHFA planning to make? What is the process for making the changes?**

As part of a wider District government strategy, the DCHFA, in partnership with its sister agencies, is examining the priority placed on certain brands of affordable housing development (e.g. permanent supportive housing for the homeless).

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**Please describe in detail how DCHFA will further develop DC Open Doors and DC employer partnerships.**

Shortly after creating DC Open Doors, DCHFA reached out to the local employment community, including District government agencies able to provide compatible homebuyer assistance funding (e.g., EAHAP). The Agency will reach out to private and public employers, including District government agencies, with the specific aim of gaining increased direct employee contact through informational sessions and workshops.

### **13. How does DCHFA plan to expand its marketing efforts to the residents of the District?**

#### **Marketing of Single Family Programming**

In addition to the administration of the Agency's single family mortgage loan and HomeSaver programming, a key function of the DCHFA Office of Single family Programs involves marketing both of those initiatives to the general public.

#### ***DC Open Doors***

DCHFA's DC Open Doors lending products are provided through participating lender banks. In building the program, it was critically important to market the program to the lending community. The Agency has, and continues to market heavily to banks through participation in events held by banking industry trade groups (e.g. Mortgage Bankers Association). It also conducts monthly homebuyer seminars and lender training sessions. Agency representatives participate on a number of other industry panels, provide informational sessions for industry participants and utilize social media to market the program. In addition, the Agency has been present and marketed to potential homebuyers at the annual District-sponsored housing fair held at the Walter E Washington Convention Center.

As discussed above, DC Open Doors' compatibility with District government homebuyer assistance products offers the Agency a unique opportunity to reach prospective homebuyers at the ground-level. In an effort to expand its marketing efforts, the Agency will increase outreach to District government agencies, with the specific aim of gaining increased direct employee contact through informational sessions and workshops. Additionally, the Agency will increase its outreach to large District of Columbia employers as well as to developers of single-family homes that are eligible for financing through the Open Doors Program. Finally, the Agency will increase its marketing efforts through more advertisement on television and radio.

#### ***HomeSaver Phase II-Tax Lien Extinguishment Program (HomeSaver II)***

HomeSaver II is prominently featured on the DCHFA website's homepage ([www.dchfa.org](http://www.dchfa.org)).

A critical component to HomeSaver II is the identification of District residents whose real estate tax payments are in arrears and who potentially meet the program's criteria. DCHFA works with the DC Office of Tax and Revenue to identify and notify eligible homeowners. The Agency mails multiple notices to potentially eligible homeowners to inform them of the opportunity to participate in the program.



## **District of Columbia Housing Finance Agency (DCHFA)**

In an effort to expand its HomeSaver II marketing efforts, the DCHFA will continue to work with OTR to refine the process of outreach to District residents who owe property taxes in arrears.

### **Marketing of Multifamily Programming**

As the financier of affordable multifamily housing in the District, the DCHFA Office of Multifamily Programs primarily markets its efforts to the development community. The DCHFA website is a primary marketing portal for its multifamily programming, as it provides critical information on the Agency's development financing products, and the related application process.

As with Single Family programming, the DCHFA intends to increase personal contact with the development community through participation at various development trade events. In addition to its marketing to the development community, DCHFA plays a key oversight role in the marketing of its financed units to prospective renters throughout the District. Per HUD requirement, each project sponsor receiving DCHFA multifamily financing is required to complete an Affirmative Fair Housing Marketing Plan (AFHMP). The purpose of the AFHMP is to promote market access to DCHFA-financed developments regardless of race, color, religion, sex, disability status, familial status or national origin. While creation of the AFHMP is not a direct DCHFA activity, it is important to mention that the Agency closely examines the AFHMP, and works diligently to ensure adherence by individual project sponsors. The Agency intends to maintain its role relative to this critical marketing tool.

### **14. What is DCHFA's role in funding limited equity coops, if any? Please provide examples.**

The DCHFA is permitted by federal statute to finance limited equity co-ops. Currently, the DCHFA has 4 limited equity co-ops within its compliance and asset management portfolio.