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Housing Production Trust Fund Needs Stronger Management To Meet D.C.'s Affordable Housing Needs

Auditor cites lack of reliable data, calls on OCFO to improve internal controls

WASHINGTON – While more than \$1 billion has been invested in the District’s Housing Production Trust Fund (HPTF), its management has failed to produce as many affordable housing units as possible for D.C.’s residents, according to a comprehensive audit of the Fund by the Office of the D.C. Auditor (ODCA).

The HPTF, administered by the Department of Housing and Community Development (DHCD), provides loans and grants to for-profit and non-profit developers to build or preserve existing multi- and single-family affordable housing for targeted populations. This report is the third in a series of ODCA studies of the HPTF over the last two years based on a request by D.C. Council Finance and Revenue Committee Chairperson Jack Evans (Ward 2).

“We have made huge investments of taxpayer dollars in affordable housing through the Housing Production Trust Fund but we haven’t gotten our money’s worth,” said D.C. Auditor Kathy Patterson. “The HPTF is an important and valuable tool and our recommendations to DHCD and the Office of the Chief Financial Officer will increase the return on our housing investments.”

Unreliable data necessitates brand new database

In [an audit issued in March 2017](#), ODCA determined it could not evaluate how efficient the HPTF has been in providing and creating affordable housing for District residents because DHCD’s data was unreliable and incomplete. Using almost 76,000 lines of transactional D.C. government financial data, ODCA has created [an accurate and reliable database](#) of all multi- and single-family HPTF projects funded between 2001 and 2016, along with an [online, interactive map](#).

ODCA recommends in the report that DHCD update its existing database so that it has the capacity to store accurate, accessible data for all HPTF loan agreements, and provide access to the public and the Office of the Chief Financial Officer (OCFO) to allow monitoring of HPTF expenditures. “It is our hope that DHCD will use ODCA’s comprehensive and verified data,” Patterson said.

HPTF funds spent on federal repayments

The report found that DHCD and the OCFO spent \$16.6 million from the HPTF on repayments to the U.S. Department of Housing and Urban Development (HUD) due to DHCD’s ineffective management of federal grants.

“These repayments show that between 2009 and 2014 DHCD and the OCFO administered the HPTF in an environment in which employees could override SOPs, misclassify expenditures, and obscure the actual use of HPTF funds,” Patterson said.

The report finds that the OCFO did not function as an independent agency that supervised and assumed responsibility for financial transactions to ensure adequate control of revenues and resources and recommends that the OCFO reassert its independence from the agencies it serves by instituting new safeguards.

Only 11% of HPTF loans—or \$55 million—will be repaid

Another finding is that the HPTF has not functioned as a true revolving fund in that DHCD has collected less than is owed and loan repayments have been and are projected to be a very small percentage of revenue. Recent D.C. Comprehensive Annual Financial Reports (CAFRs), showed that DHCD and the OCFO estimated that most HPTF loan repayments due in the future were considered doubtful, meaning that collection of those loans was deemed “possible or remote.”

Specifically, the FY 2016 CAFR showed that DHCD and the OCFO estimated that \$55 million in HPTF loans would be repaid in the future, which is only 11 percent of the roughly \$496 million in loans due the HPTF as of FY 2016. “That means we’re unlikely to collect loans when they come due so that those revenues can be plowed back into more affordable housing,” Patterson said. She acknowledged that some HPTF loans are “cash-flow contingent” which means repayment is required only when a project generates a specific level of income.

ODCA recommends that the OCFO make public the specific estimates for the proportion of long-term loans considered to be doubtful in terms of repayment in the CAFR. “With improved monitoring, we believe that the HPTF can more effectively achieve its mission of providing D.C. residents with the affordable housing they so desperately need.”

Other findings in the report include:

- DHCD exceeded the HPTF administrative expenditure cap for FYs 2009, 2012, and 2015, totaling over \$10 million that should have been invested in affordable housing projects, and the OFCO permitted the expenditures.
- While not a violation of legal requirements, the HPTF paid for a significant and growing portion of DHCD salaries and benefits.
- HPTF investments in projects failed to meet statutory requirements in targeting the poorest households, spending only 19 percent toward the goal of 40 percent for extremely low-income households and only 12 percent rather than 40 percent for very low-income households.

View the [online, searchable database of all HPTF multi- and single-family properties funded between 2001 and 2016](#) and the [online, interactive map](#).

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