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D.C. Needs to Improve Management of Housing Production Trust Fund To Better Meet Affordable Housing Goals

Auditor's analysis shows D.C. is owed at least \$1.1 million in loan repayments – funds that could be reinvested in affordable housing

WASHINGTON – The Housing Production Trust Fund (HPTF), the District's highest profile and costliest initiative to increase affordable housing needs significant improvements in its management by the D.C. Department of Housing and Community Development (DHCD) to help alleviate the District's affordable housing crisis, according to a new report released today by the Office of the D.C. Auditor (ODCA).

"Our audit, based on a small but diverse sample of projects, demonstrates a lack of oversight on loan repayments, retaining affordable units, and compliance with program requirements," said D.C. Auditor Kathy Patterson. "With improved monitoring, we believe that HPTF can more effectively achieve its mission of providing D.C. residents with the affordable housing they so desperately need."

The HPTF provides loans and grants to for-profit and non-profit developers who seek to build or preserve existing affordable housing. Authorized in 1988, it allocated approximately \$692 million from FY 2001 through FY 2016 for at least 218 multi-family and single family projects. The audit was requested by Council Finance and Revenue Chair Jack Evans.

To assess compliance with HPTF requirements, ODCA selected a sample of 14 projects from DHCD's list of approximately 158 multi-family projects from FY 2001 through FY 2015 that included one project from each year of the Fund's existence and represented a mix of wards, types of projects (rental and home ownership units), types of developers (non-profit and for-profit), as well as funding purposes (acquisition, new construction, tenant purchase).

The report finds several weaknesses in DHCD management of the HPTF:

- The agency did not comply with annual spending requirements for projects that target extremely and very low-income households.
- HPTF projects handled tenant income that exceeds HPTF limits in a variety of ways.
- HPTF projects did not submit annual household income certifications.
- HPTF projects did not maintain all of the affordable housing units required.
- DHCD did not record and maintain all loan agreement data.

A key finding of the report shows that DHCD did not ensure that all HPTF loans were being repaid per fund requirements. As a result, HPTF is likely due millions of dollars from borrowers who were not repaying their loans. From its sample of 14 loans, ODCA determined that the HPTF was due approximately \$1.1 million from nine loans as of September 2016.

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“Given that the sample is less than 10 percent of the approximately 158 multi-family projects that DHCD reported, the amount due for the entire HPTF portfolio is likely much greater and represents funds that could be used for additional projects and provide housing for more individuals and families,” Patterson said. Another sign that DHCD’s monitoring was insufficient and led to at least \$6.4 million being incorrectly recorded as owed to the District, she added.

The report recommends that DHCD should:

- Develop a compliance plan to ensure that future obligations do not deviate from the required 40 percent for both extremely and very low-income households.
- Create a standard income certification form and include it in all loan agreements, on DHCD’s website, and send it annually to all HPTF borrowers.
- Monitor sites’ compliance with requirements, including tenants’ income certifications and annual recertifications.
- Require properties to submit annual certifications of affordable units.
- Develop standard operating procedures for the HPTF, which should address document retention and data reliability.

In June 2016, ODCA released a report, “[The District of Columbia Housing Production Trust Fund: Revenues and Expenditures and 5-City Comparison](#).” That report included total revenue and expenditures and the number of units produced through FY 2015, as reported by DHCD, and compared the District’s HPTF with other major city-level trust funds in terms of the reliability of revenue, output, target populations, and other factors.

ODCA will issue a final report with a detailed breakdown of the total amount of dollars spent through the HPTF, and the total number of units rehabilitated or built based on the contracts negotiated between 2001 and 2016. While the figures are not yet complete, DHCD has reported that the HPTF has made approximately 218 loans and grants for multi-and single family projects.

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