

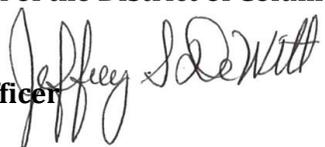
Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer 

**DATE:** July 9, 2014

**SUBJECT:** Fiscal Impact Statement – “Affordable Homeownership Preservation and Equity Accumulation Amendment Act of 2014”

**REFERENCE:** Bill 20-604, Committee Print as provided to the Office of Revenue Analysis on July 8, 2014

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**Conclusion**

Funds are sufficient in the proposed FY 2015 through FY 2018 budget and financial plan to implement the bill.

**Background**

The bill reduces the period during which affordability restrictions must be maintained for for-sale housing units produced with assistance from the Housing Production Trust Fund (HPTF),<sup>1</sup> and permits homeowners to realize appreciated value of the home in certain circumstances.

Currently, owners of homes built with HPTF assistance are not permitted to sell their homes at market rate for 15 years (10 years in census tracts with poverty rate of more than 30 percent).<sup>2</sup> During the restriction period, the home must be sold at the same purchase price as it was obtained, and price restrictions continue for the new purchaser. The restrictions can make it challenging to sell if the housing market declines (as it did for some segments in the District after the financial crises) and nearby market-rate homes have similar selling prices. In addition, the owner cannot obtain equity from the appreciated value of the home.

The bill permits sale of these homes at market rate after five years in distressed neighborhoods, but requires that homeowners repay the subsidies received from the HPTF from any appreciation if the

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<sup>1</sup> See establishment of the Housing Production Trust Fund and associated rules (D.C. Official Code § 42-2802 *et seq.*)

<sup>2</sup> D.C. Official Code § 42-2802(d)(8).

The Honorable Phil Mendelson

FIS: "Affordable Homeownership Preservation and Equity Accumulation Amendment Act of 2014," Bill 20-604, Committee Print as provided to the Office of Revenue Analysis on July 8, 2014.

sale occurs before full-term restrictions expire. The bill defines the subsidy amount as the difference between the appraised value of the home when it was originally purchased, and the amount the homeowner paid the developer.<sup>3</sup> If the sale price is not sufficient to pay back the full subsidy, the owner will only be required to pay what is remaining of the purchase price after other outstanding obligations and real estate transaction fees are paid. The bill requires the Mayor to define distressed and identify the neighborhoods that fall in that category annually.

### **Financial Plan Impact**

Funds are sufficient in the proposed FY 2015 through FY 2018 budget and financial plan to implement the bill. There are no additional costs expected to the Department of Housing and Community Development because of the changes. HPTF might receive additional funds from homeowners repaying subsidies, but because the Mayor has not yet identified the distressed neighborhoods, the number of affected units is not known, and likely payback amounts are dependent on market prices at the time of sale.

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<sup>3</sup> The bill uses the term "pre-existing equity" for the subsidy and defines it as "the greater of the discounted price determined as the difference between the initial contract sales price and the fair market appraised value at the time of the initial sale or the amount of public subsidy provided pursuant to this act that was invested in the creation of the affordable housing unit."