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Going, Going, Gone: DC's Vanishing Affordable Housing

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Introduction

Rapidly rising housing costs led to a substantial loss of low-cost rental housing in the District over the last decade, yet there was little growth in wages for many residents, which means that rent is increasingly eating away at household budgets. As the District's high cost of living continues to outpace incomes, more and more residents struggle to pay for housing while also meeting other necessities like food, clothing, health care, and transportation. The loss of affordable housing threatens the physical and mental health of families, makes it harder for adults to find and keep a job, creates instability for children that makes it hard to focus at school, and leaves thousands at risk of homelessness at any given moment.

This analysis looks at the costs of rent and utilities paid by District residents over the last decade, and how these trends have affected residents' ability to afford and live in DC, using data from the Census Bureau's American Community Survey. The findings suggest that policymakers need a comprehensive strategy to preserve the low-cost housing that now exists and to create more affordable housing options in the city.

- **Rents have grown sharply but incomes have not for many DC households.** For example, rents for residents with incomes of about $22,000 a year increased $250 a month over the past decade, adjusting for inflation, while incomes remained flat. For these residents, average rents now equal half of average income.

- **The District now has half as many low-cost units as in 2002.** The number of apartments renting for less than $800 a month fell from almost 60,000 in 2002 to 33,000 in 2013. (Unless otherwise noted, all rental and income figures are adjusted for inflation to equal 2013 dollars). These findings suggest that there is very little low-cost housing in the private market and that subsidized housing is now virtually the only source of inexpensive apartments. Meanwhile, the number of apartments with higher rents –above $1,400–has skyrocketed.

- **Very low-income households have felt the greatest pinch, with most spending more than half of their income on rent.** Among DC's lowest income residents, 64 percent devote half or more of their income to housing. And one-third of more moderate-income families, with incomes up to $54,000, have housing cost burdens this severe.

These trends won't reverse on their own. To help, DC must take significant action, including coming up with a comprehensive affordable housing strategy that promotes production of new affordable units, preservation of existing units, and funding for housing vouchers for low-income renters.

District Rents Are Growing Far Faster Than Incomes for Most Residents

Figure 1

Rents Have Grown for Virtually All Renters in The District

The District's economic renaissance – reflected in a growing population, an influx of college educated young professionals, and rapid development in many neighborhoods across the city – has led to rising rents for virtually all residents – from those needing the lowest-cost housing to those looking for luxury apartments. Rents have grown faster than income for virtually all households.

- Monthly rents for the least expensive apartments in the District increased from an average of $350 in 2002 to $400 a month in 2013, after adjusting for inflation. (See **Figure 1**). It is likely that many of these apartments are receiving some kind of housing subsidy.

- Yet the already low incomes for renters at the bottom remained essentially flat, at just $6,100. This means that the average rent for this group equaled 80 percent of average income.

- Rents for the next highest tier of apartments rose by $250 a month, to almost $1,000. Meanwhile monthly income for families at this tier, under $1,900 a month, did not grow at all. Average rents at this level equal more than half of the average income.

- Rents also rose much faster than income for moderate-income households. In 2013, the typical middle-income renters earned $46,000 a year, a gain of $4,000 since 2002. However, this gain was outstripped by rents for moderate priced unites that rose almost $5,000 per year, from $900 to $1,300 monthly. For DC households in the middle, typical rents are about 34 percent of average income.

The stagnant incomes for these households reflect flat or falling wages for low-wage workers in the wake of the recession. Residents without a college degree have been hit particularly hard, with these residents facing growing unemployment since 2008.[1] **Table 1** illustrates these income trends.

Table 1

Average Incomes Have Not Grown for Low- Income DC Renters

Quintile		Average (Annual) 2002	Average (Annual) 2013	Percent Change
1	Income	$6,388	$6,056	0*
	Rent	$4,175	$4,740	14%
2	Income	$22,682	$22,341	0*
	Rent	$8,468	$11,466	35%
3	Income	$41,990	$45,970	9%
	Rent	$10,785	$15,531	44%
4	Income	$67,193	$81,810	22%
	Rent	$14,041	$20,839	48%
5	Income	$157,333	$171,721	9%
	Rent	$24,536	$32,432	32%

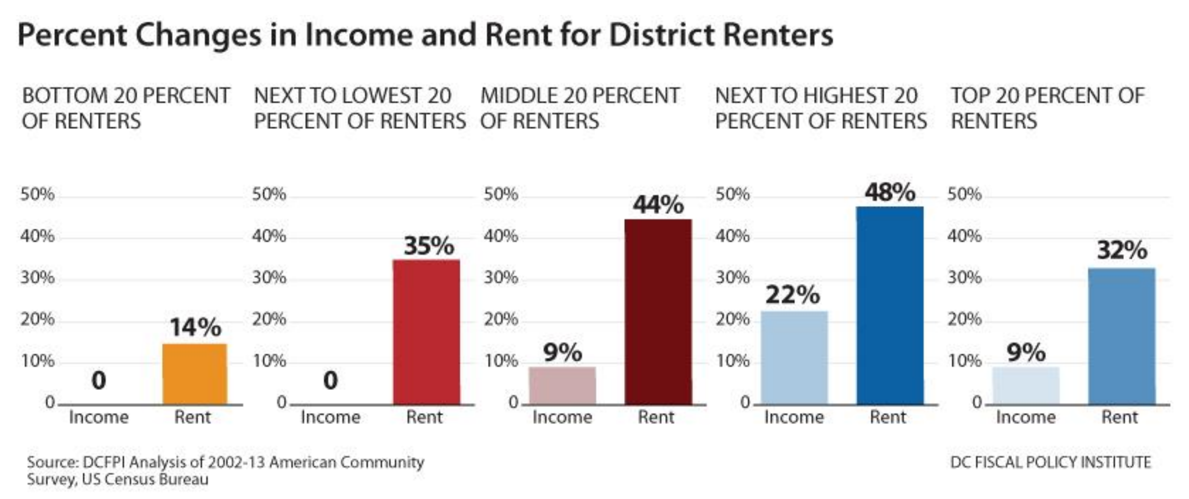
Source: DCFPI Analysis of American Community Survey Data, all figures are adjusted to equal 2013 dollars. * Indicates a statistically insignificant difference.

Rents Rose at the Upper End of the Market as Well

Rents also rose for apartments in the upper half of the city's rental market. But the gains in income were higher than the rent changes. For example, rents at the highest end of the market rose from $2,045 a month to $2,700 – an increase of $7,900 a year. Average income for this group rose by $14,000.

Figure 2

Rents Grew Faster than Incomes for All Renters, but Low- and Middle-Income Renters Saw the Most Disparity



[1] Griffin, Jasmin and Jenny Reed. 2014. "Falling Short: The District's Economic Recovery Is Leaving Several Groups Behind." DC Fiscal Policy Institute.

The Number of Low-Cost Apartments Has Fallen Dramatically

Another way to look at how the city's changing housing market is affecting DC households is through the availability of apartments at different prices. Low-cost rental housing that was once readily available for low-income families, including in the private market, is a shrinking part of the city's housing market today. As rents have increased and rental housing production has shifted to meet demand for higher-priced luxury units, the supply of low-cost units has dwindled.

Table 2

Distribution of Rental Units

	2002	2013
Total Rental Units	143,528	161,362
Below 800	57,756	33,433*
Percent of Rental Stock	40%	21%
800-1000	27,755	20,200*
Percent of Rental Stock	19%	13%
1000-1200	17,576	19,649
Percent of Rental Stock	12%	12%
1200-1400	12,812	15,010
Percent of Rental Stock	9%	9%
1400-1600	7,550	16,294*
Percent of Rental Stock	5%	10%
1600+	20,078	56,786*
Percent of Rental Stock	14%	35%

Source: DCFPI analysis of 2002-2013 American Community Survey 1-Year Household Estimates. All figures adjust for inflation. * Indicates a statistically significant difference in share of units.

- In 2002, about 58,000 rental units had rent and utility costs of less than $800 (in 2012 dollars) per month. That represented about 40 percent of the entire rental housing stock in the District.

- By 2013, the number of low cost units fell to 33,000. This means that the District lost nearly half of its affordable units, and that low-cost housing is now just one-fifth of the rental housing stock (see **Table 2**).

- The number of moderately priced apartments also is shrinking. There were 20,000 homes with rent and utility costs between $800 and $1,000 per month in 2013, down from 28,000 in 2002.

These figures confirm that housing options are declining for low-and moderate-income residents. This also suggests that rising rents have eliminated virtually all low-cost housing in the private market in the District. The number of apartments with rent and utilities below $800 a month has been close to 30,000 since 2010, according to Census data. This is roughly the number of homes in DC receiving substantial housing subsidies – such as public housing, federal housing choice vouchers, and local rent subsidies– according to government records, there are roughly 36,000 homes that get these kinds

What is a "Low-Cost" Unit?

For the purpose of this study, DCFPI defines "low-cost units" as those with rent equal to $800 per month in 2012 dollars. This figure updates for inflation (and rounding) the $750 threshold used in DCPFI's 2010 study, "Disappearing Act: Affordable Housing in DC is Vanishing Amid Sharply Rising Housing Costs." The study found monthly rent of $800 an appropriate measure of "low cost" due to it representing the bottom fifth of the rental market. The rent level is also roughly 42 percent of the income made by a family of four at the poverty line, $23,800 in annual income. Since few low-income renters pay less than 50 percent of their income toward rent, the study found this to be an appropriate rent burden.

Why Affordable Housing Matters

Stable and affordable housing is a critical foundation to stable families and communities. The lack of affordable housing can force families to make frequent moves or live in unsafe or unhealthy conditions. This instability makes it harder for adults to find and keep a job and for children to succeed in school. High housing costs also force families to cut back on other necessities and leaves them at risk of homelessness.

- **High housing costs force cuts in other necessities:** Low-income households with severe housing cost burdens spend less on basic necessities than other low-income households. A study by the Joint Center for Housing Studies showed that severely burdened low-income families spent $160 less on food, $28 less on healthcare, $152 less on transportation, and $51 less on retirement savings than low-income households that do not face severe housing burdens. This suggests high housing costs make it hard for families to get enough food and to get to work and school, among other challenges.(1)
- **The lack of decent and affordable housing affects school outcomes:** A 2012 Urban Institute report notes that "children who experience homelessness or are living in overcrowded, doubled-up situations may lack the necessary tools to do well in school" and that "parents experiencing homelessness or residential instability may not be able to prioritize helping children with their homework or be involved in school activities." The report notes that children living in overcrowded conditions complete less schooling than their counterparts, and that frequent household moves result in higher absenteeism and poorer academic performance. By contrast, living in decent housing supports a stress-free environment that helps children succeed.(2)
- **Poor quality housing affects health:** Families living in low-quality housing, particularly children, may suffer severe health consequences. For example, low-income children living in deteriorated housing with infestations of cockroaches, mice, and mold, suffer from high rates of asthma, which is one of the leading causes of school absence. Lead poisoning, an attribute of low-quality housing, is associated with developmental delays and poor educational outcomes.(2)
- **A lack of affordable housing hinders economic growth:** The Center for Housing Policy notes that many businesses find a lack of affordable housing in their area makes it difficult to attract and retain employees. The report notes that "From an employer's perspective, a lack of affordable housing can put a local economy at a competitive disadvantage." (3)

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1. Joint Center for Housing Studies at Harvard University, "The State of the Nation's Housing," 2011,
2. Mary Cunningham and Graham MacDonald, Urban Institute, "Housing as a Platform for Improving Education Outcomes among Low-Income Children," May 2012.
3. Center for Housing Policy, "The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development," January 2011.

of subsidies.[2] [3] This implies that nearly all of the low-cost housing in DC results from government subsidies and that low-cost private rental housing has virtually disappeared.

High-Cost Housing Stock is Growing Rapidly

The loss of low-cost housing can be compared to the rapid growth in the number of higher-priced units. From 2002 to 2013 the number of rental units priced at $1,400 or more grew from 28,000 to 73,000 and now represent almost half of the rental stock. This suggests that lower-rent units are being replaced with units costing $1,400 or more.

With stagnant income and few low-cost rental opportunities, low-income residents face hard choices, including whether to skip payments on other bills or necessities like health care to devote more of their income to rent and utilities.

More District Residents Are Facing a Severe Rent Burden

Rising rents and stagnant incomes are forcing many residents to put more of their income towards housing expenses. The U.S. Department of Housing and Urban Development considers it unaffordable – or "a severe housing (or rent) burden" – for a household to pay more than 50 percent of its gross income on rent and utilities. Devoting a large share of income to housing expenses can put severe limitations on a households' budget, making it difficult to afford other necessities such as food, clothing, transportation, and health care.

Table 3

DC Area Median Income (AMI) For A Family of Four, 2013

30% AMI	32,220
50% AMI	53,650
80% AMI	85,840
100% AMI	107,300
120% AMI	128,760

Source: U.S. Department of Housing and Urban Development -- adjusted for 80 and 120 percent, then followed HUD guidelines for 1-3 and 5-8 person households

The most serious impact of the loss of affordable options is falling on low-income residents. The city's poorest families, who already faced enormous housing challenges a decade ago, are being squeezed even more today.

But moderate-income households, who typically did not face severe housing cost burdens in 2002, also face an alarming increase in housing affordability problems, with a growing number paying more than half of their income for rent.

[2] The Census Bureau's American Community Survey, the source of data on housing costs used in this analysis, does not include information on whether a home receives housing subsidies, so it is not possible to directly measure the share of the low-cost housing in DC that is subsidized or the extent to which there is low-cost unsubsidized housing in the private market.

[3] Leah Hendley, Peter A. Tatian, Graham Mcdonald. Urban Institute. "Housing Security in the Washington Region (including Appendix: District of Columbia Housing Security Profile)." Note: local supplement estimate on page 37 plus appendix number for HUD programs. http://www.urban.org/publications/413161.html

Most low-income renters spend half or more of their income on housing. Some 64 percent of households with incomes **below** $32,220 – which is 30 percent of the area median income (AMI) – have a severe rent burden (See **Table 4**.). This has grown substantially from 2002, when half of very low-income households faced severe rent burden.

Many moderate-income residents face sharply rising rent burdens. Since 2002, severe housing burdens among households with incomes between $32,000 and $54,000 for family of four (30 percent to 50 percent of AMI) rose from 8 percent to 31 percent. And 10 percent of households with incomes between $54,000 and $86,000 for a family of four (50 percent to 80 percent of AMI) paid more than half their income on housing in 2013, while virtually none (not a significant result) had such problems a decade earlier.

Overall, one in four renters in DC now spends more than 50 percent of their income on rent and utilities. Some 41,000 renters are in this situation, up from 27,000 in 2002.

Table 4

Severe Rent Burden on the Rise for Low-and-Moderate Income Households

	% Of Households Burdened	
AMI	**2002**	**2013**
<30%	50%	64%*
30%-50%	8%	31%*
50%-80%	1%	10%*
80%-100%	0%	1%
100%-120%	0%	0%
120%+	0%	0%

Source: DCFPI analysis of 2002-2012 American Community Survey 1-Year Household Estimates. All figures adjust for inflation. * indicates a statistically significant change in share of households burdened.

Components of an Affordable Housing Strategy

The disappearance of low-cost housing and the sluggish incomes of low- and moderate-income earners is causing a real crunch for household budgets. Severely high housing costs leave most low-income families with little income to meet other necessities, at risk of losing their apartment, and under high levels of stress from not having the certainty of a stable home. If the District is to reverse these trends and ensure that residents at a wide range of incomes can afford to live in the city and contribute to its vitality, it will need a comprehensive approach that both produces new affordable units and preserves the city's existing low-cost housing units. This also will require the District to provide adequate funding for key affordable housing programs. Together, these initiatives can support residents and provide a path to housing and economic stability.

The District should allocate $100 million annually to the Housing Production Trust Fund (HPTF). The Housing Production Trust Fund supports the construction, rehabilitation, and acquisition of housing for low- and moderate-income residents. It is the District's largest locally funded affordable housing program. Yet, low and sporadic funding in recent years have significantly weakened the HPTF's ability to address DC's affordable housing challenges. The District passed legislation in 2014 setting a goal of providing $100 million annually for the Housing Production Trust Fund, but it has not yet been funded. Mayor Bowser and the DC Council should ensure that this bill can be implemented by identifying the necessary resources.

In addition, the District should identify a more stable source of funding for the HPTF. Because housing developments take years to plan and build, predictable funding is needed for developers who are considering a new housing project.

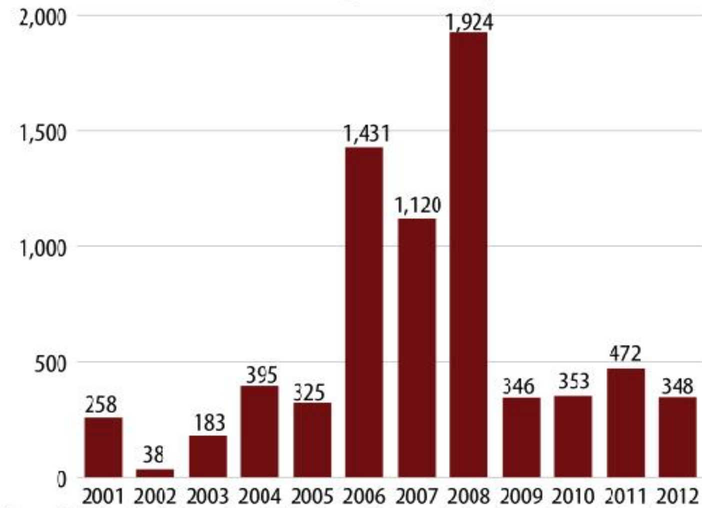
Currently, HPTF has a volatile funding source. It receives 15 percent of taxes collected when properties are bought and sold – deed recordation. However, real estate sales volume and sales prices fluctuate greatly in economic boom and bust periods, leading to large swings in HPTF funding. In the Great Recession, for example, annual funding for the Trust Fund fell by two-thirds.

DC could increase the funding level and stability by funding the HPTF with a set amount of deed transfer and deed recordation taxes rather than relying on a percentage of these taxes. Or it could set an appropriation from the District's general fund each year, the way that most DC programs are funded, rather than tying funding to a volatile tax source.

Figure 3

Affordable Housing Production Slows After the 2008 Recession With Falling Funding

Number of Affordable Housing Units (at 80% or less than the area median income) Created by the HPTF, By Year



Source: Data from the DC Department of Housing and Community Development, Housing Production and Affordable Housing Annual Reports through FY 2012.

DC Should Develop an Affordable Housing Preservation Plan and Strategy. The findings of this report suggest that virtually the only remaining low-cost housing in the city is subsidized in some way. Yet many subsidized units are at risk of loss, as owners of private market housing that receive subsidies face financial incentives to opt-out of keeping their buildings affordable. The District needs a strategy to preserve this currently affordable housing, which is more cost-effective than subsidizing new affordable housing and will help maintain mixed-income, diverse neighborhoods across DC.

Preservation of existing affordable housing is cost-effective and helps people stay in the communities that they have been part of for some time. Various preservation methods cost just half of what it would cost to build new affordable housing and can include upgrades such as energy efficiency that create ongoing savings for tenants and landlords.[4]

The District has many tools to preserve affordable housing. While there have been some very important successes, the lack of a coordinated, proactive policy for preservation has led to many missed opportunities, resulting in the loss of whole communities to sale, large rent increases, or condominium conversion.

A working group of the DC Preservation Network – an organization of community-based organizations and government agencies working to preserve affordable housing in the District—

[4] U.S Department of Housing and Urban Development (2013).

has developed a proposed preservation strategy for the District.[5] The mayor and DC Council should adopt such a strategy to maintain diverse neighborhoods across DC.

An Affordable Housing Preservation Strategy for DC

A key way to meet the need for affordable housing is to preserve the low-cost housing that currently exists. A working group of the DC Preservation Network — a group of community-based organizations and government agencies working to preserve affordable housing in the District — recently published a set of strategies with the goals of maintaining diversity in neighborhoods, preventing displacement of low- and moderate-income residents, preserving existing subsidized housing, and maintaining the stock of affordable market rate rental housing.

The report recommends that the District government take a number of steps, including the following:

Acquisition and Renovation Funding: Increase funding for the Housing Production Trust Fund to at least $100 million per year, as well as Local Rent Supplement Program subsidies tied to specific housing providers and projects.

Create Incentives to Extend Affordability: Establish incentives to building owners to extend periods of affordability in exchange for property tax abatements, favorable refinancing or other benefits. Use federal preservation policies to complement District strategies.

Opt Out Legislation: Adopt legislation that will give the District the right to purchase a building when an owner chooses to opt out of a federal subsidy program.

TOPA and DOPA: Increase and set aside funding annually for TOPA (Tenant Opportunity to Purchase Act) and DOPA (District Opportunity to Purchase Act) to acquire affordable properties that are offered for sale.

Low Cost Financing: Develop an apartment assistance program to provide low cost financing for renovations and energy retrofits to owners who agree to maintain affordable rents.

Public Housing: Promptly return vacant units to service, apply for all available capital financing from HUD to modernize and upgrade public housing properties, and maximize the number of public housing units authorized by the U.S. Department of Housing and Urban Development.

The District should increase access to housing through the Local Rent Supplement Program (LRSP). LRSP provides rental subsidies to help very low-income families afford their homes. Families pay 30 percent of their income toward rent and the LRSP subsidizes the rest of the cost of the unit. This allows the program to serve families at very low incomes, and it ensures that housing remains affordable if a family's income falls due to unemployment or other factors, since rental payments adjust when a family's income rises or falls.

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[5] *Maintaining Economic Diversity and Affordability: A Strategy for Preserving Affordable Rental Housing in the District of Columbia*, DC Preservation Network Preservation Strategy Working Group, December 2014.

The Local Rent Supplement Program supports affordable housing in a number of different ways. Some LRSP subsidies are provided directly to a family or individual (tenant-based), who then use that to pay for a private-market apartment they find. Some LRSP subsidies go directly to housing providers to help subsidize a specific unit (project- or sponsor-based). This helps ensure that housing providers can build and sustain housing for low-income residents.

LRSP faces funding constraints that limit its reach. The FY 2015 budget added $7 million to fund 500 additional vouchers – meaning the District is serving a total of 3,240 households. There are 41,000 District households that struggling to afford the city's high housing costs, and as a result face economic instability. A 2014 report from the Community Foundation and Urban Institute find that the city needs 22,000 additional housing units that are affordable to lowest income, which is likely to mean LRSP. Increasing the number of LRSP subsidies is key to helping the large number of households facing severe rental burden

Strengthen DC's Inclusionary Zoning program. Inclusionary Zoning (IZ) helps ensure that new housing developments throughout DC include affordable homes for moderate-income residents. Under IZ, developers are allowed to build more housing in a given development than standard zoning laws would allow, in return for setting aside some of the housing as affordable. IZ thus works to create affordable housing without an investment of local tax dollars.

Since DC's Inclusionary Zoning program was adopted in 2006, the need for affordable housing has grown, and at the same time the DC real estate market is stronger. Housing values and the volume of new housing production have recovered from the recession and increased significantly in recent years. These factors would allow the District to strengthen IZ and get the most of out of this important affordable housing program.

DC can strengthen IZ by:

- Targeting housing produced by IZ to families at lower income levels.
- Increasing the share of new housing that needs to be set aside for lower-income households.
- Ensuring that IZ prices are set to be affordable to the households intended to be served.
- Lastly, the DC Zoning Commission needs to clarify the role of the mayor and nonprofits in purchasing IZ units in order to serve lower-income households or people with special needs to be clarified. These are explained in greater detail in a joint letter sent to the Zoning Commission by DCFPI and other allies.[6]

[6] Letter to Anthony Hood, Chair, DC Zoning Commission, January 7 2015 (http://www.smartergrowth.net/wp-content/uploads/2015/01/Strengthen-IZ-ltr-to-DC-ZC_1-7-15-FNL.pdf)