First-of-its-Kind Study Reveals Acute Need for Affordable Housing in the Washington Region

Study provides information to help public, private, and philanthropic sectors identify and address housing challenges in their communities

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WASHINGTON—A research study released today shows critical gaps in affordable housing across a range of income levels in the Washington region. The study, Housing Security in the Washington Region, is the first of its kind to show critical gaps in affordable housing across a range of income levels. It is also the first study to comprehensively examine housing needs and how housing policies and programs are funded by public and philanthropic sectors in multiple jurisdictions. The Community Foundation for the National Capital Region commissioned the study with generous support from The Morris and Gwendolyn Cafritz Foundation, and the study was researched and prepared by the Urban Institute and the Metropolitan Washington Council of Governments.

“Stable and affordable housing for people at all income levels is a goal that our region should be able to achieve. Without stable housing, it is difficult for people to obtain economic security, a quality education, good health and employment,” said Terri Lee Freeman, president of The Community Foundation for the National Capital Region. “We commissioned this study in order to quantify the needs for affordable housing and inform strategic investments by the philanthropic sector, as well as the public and private sectors. We are optimistic that the study can help leaders better address homelessness and housing issues in their communities and direct resources to those most in need. All people in our region deserve the chance to prosper as our region prosers.”

Affordability problems affect lower-income and many middle-income households. Although the Washington region has generally higher incomes and wages than most other places in the country, the region has also long been among the country’s most expensive metropolitan areas. Meanwhile, incomes have not kept pace with the rising cost of housing.

The cross-jurisdictional study identifies many important gaps in the housing spectrum, from emergency shelters, transitional housing, permanent supportive housing, and rental housing to owner housing. The gaps show an urgent need for more affordable housing in the region as well as more permanent supportive housing.

“People’s lives don’t fit squarely within jurisdictional boundaries, which is why this cross-jurisdictional perspective was absolutely necessary,” said Hilary Chapman, a housing expert at the Metropolitan Washington Council of Governments and a study co-author. “This report highlights housing gaps within individual municipalities but also describes the region as a whole. For planning and coordination purposes, both vantage points are key.”

The lack of affordable rental apartments – across all income levels, and particularly for extremely low income households – has also resulted in more than half of the region’s renters paying more than 30% of their income on housing costs, leaving them less money for food, medicine, and other essentials. Lower-income renters face
enormous competition from higher-income households for scarce affordable units. The supply of permanent supportive housing needed to reduce chronic homelessness is also insufficient to meet current demand. Homeownership – the pathway to savings and stability for most people in the United States – is out of reach for many in the region because high prices (fueled by excessive demand) have squeezed potential buyers out of the market.

“The need for affordable rental housing in the Washington region is particularly acute for extremely low income households – such as a family of four with annual income of less than $32,000, in part due to the competition they face from higher-income households,” said Peter Tatian, a housing expert at the Urban Institute and a co-author of the study. “In fact, every jurisdiction needs more units with rents that are affordable to these households.”

The study also identifies current sources of funding for affordable housing and where additional funding could be generated to address affordable housing gaps in the region. While the region finances many housing-related programs and services with funding from many federal programs, the region relies on county and city money for the majority of public funding for housing-related expenditures in all jurisdictions except for Prince George’s County, Fairfax County, and the District of Columbia. The local philanthropic sector also has provided important support to housing-related community-based organizations in the region. However, the loss of local charitable giving from Fannie Mae, Freddie Mac, and the Freddie Mac Foundation has challenged already-stretched budgets and funding streams.

Nearly half of private grand funding—and the majority of grants larger than $100,000—were disbursed by Fannie Mae, Freddie Mac, and the Freddie Mac Foundation, which largely ceased charitable giving in 2013. The loss of their charitable giving leaves a large gap in funding for nonprofit organizations, particularly for those providing homeless prevention services, shelter, transitional and permanent supportive housing, or foreclosure prevention services.

Federal spending on housing is not likely to increase in the near term to fill the gaps in affordable housing in the region. Local jurisdictions need to find innovative ways to produce more affordable housing. Areas to explore include revisiting zoning ordinances and regulatory policies, raising revenue to fill the gaps, and/or leveraging local resources through housing trust funds or offering tax-exempt bonds.

The study’s key findings include:

Rental Housing

- Almost half of all renter households in the region have struggled with high housing costs, including more than 150,000 households with severe housing cost burden (i.e., households who pay more than half their income on rent and utilities).
- Among extremely low income renter households, 86 were cost-burdened (paying more than 30 percent of their income on housing), including 72 percent who were severely cost-burdened. The most unaffordable rents were in Arlington, where 91 percent of extremely low income renters were cost-burdened. Prince William (90 percent), Fairfax, and Prince George’s (88 percent) followed. Increasing the supply of rental housing affordable for extremely low income households would reduce homelessness in the region.
- Extremely low income renters faced competition for affordable units. Higher-income households occupied 40 percent of the units that would have been affordable to the poorest tenants, producing a regional gap of more than 94,000 rental units for extremely low income households.
- Very low and low income households also faced competition for affordable units from higher-income renters. Forty-six percent of units affordable for very low income households and 50 percent of units affordable for low income households were rented by higher-income households. Consequently, 77 percent and 52 percent of very low and low income households, respectively, were cost-burdened. Montgomery and Fairfax had too few affordable and available units for very low income households.
The District of Columbia, Prince George’s, Prince William and Loudoun lacked sufficient numbers of units for low income households.

Homeownership
• Almost one-third (31 percent) of owner-occupied households in the region paid more than 30 percent of their monthly income in housing costs, with cost burden rates ranging from 88 percent for extremely low income households to 10 percent for high income households.
• Lower-income households in the region faced competition from higher-income households for affordable homes. Nearly seven in 10 units affordable to very low income households and two-thirds affordable to low income households were occupied by someone in a higher income category.
• There were approximately 1.14 million homes (owned or for sale) in the region, most of which were affordable only to middle or high income first-time buyers. For low income first-time buyers, 75 percent of these homes would not be affordable to them without assistance.

Homelessness
• In January 2013, 11,245 people were homeless in the Washington region. The District of Columbia had more homeless people than in the region’s other seven jurisdictions combined.
• Approximately 11 percent (1,259) of the region’s homeless population lived on the street, primarily single adults. Even if all available shelter beds were occupied, the region would still fall short of meeting the shelter needs of homeless single adults by 467 beds. One in four homeless persons was chronically homeless. An increase in permanent supportive housing would reduce homelessness among this population.
• Most homeless persons in families and single adults did not need permanent supportive housing. Rather, many only needed affordable rental housing and, in some cases, additional support—such as assistance with securing child care, health insurance, and employment—to help secure a lease and maintain rental payments over time.

Public and Private Funding
• Federal spending on housing, such as the Community Development Block Grant and HOME program, are not likely to increase in the near term to fill the gaps in affordable housing in the Washington region. Local jurisdictions will need to find innovative ways to produce more affordable housing through zoning ordinances and regulatory policies, raising revenue to fill the gaps, and/or by leveraging local resources through housing trust funds or offering tax-exempt bonds.
• Nearly half of private grant funding—and the majority of grants larger than $100,000—were disbursed by Fannie Mae, Freddie Mac, and the Freddie Mac Foundation, which largely ceased charitable giving in 2013. The loss of their charitable giving leaves a large gap in funding for nonprofit organizations, particularly for those providing homeless prevention services, shelter, transitional and permanent supportive housing, or foreclosure-prevention services.

Detailed data for each jurisdiction can be found in the summary and comparative profiles in the appendices of the study. The study, these profiles, and additional data are available at http://www.urban.org/publications/413161.html.

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