

# HOUSING SECURITY IN THE WASHINGTON REGION

## EXECUTIVE SUMMARY



Commissioned by The Community Foundation for the National Capital Region with generous support from The Morris and Gwendolyn Cafritz Foundation.  
Prepared by the Urban Institute and the Metropolitan Washington Council of Governments.  
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Above and cover photos: Matt Johnson

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# EXECUTIVE SUMMARY

The shortage of affordable housing in the Washington region is becoming increasingly clear. Without better information on the supply and demand for housing, however, it is extremely difficult for the public, private, and philanthropic sectors to make strategic investments or data-driven policy decisions to reduce homelessness and make housing more affordable. To address this information gap, The Community Foundation for the National Capital Region, with support from The Morris and Gwendolyn Cafritz Foundation, commissioned

this study of housing affordability in the Washington region.<sup>1</sup> This study, prepared by the Urban Institute and the Metropolitan Washington Council of Governments, examines the entire continuum of housing, from the emergency shelter system to affordable homeowner-ship opportunities. It documents how housing patterns and policies to address needs across the continuum vary by local jurisdiction. This is the first study in many years to comprehensively examine the continuum of housing needs across the region. This study also uniquely examines

how housing policies and programs are funded in the region, including the support they receive from both the philanthropic and public sectors.

## THE REGION'S INCOME DISTRIBUTION

Although the Washington region is home to some of the wealthiest counties in the country, many households are still struggling to get by on minimum- or low-wage jobs. In 2013, Washington, DC, had the second-highest costs for a four-person family among all cities, according to the Economic Policy Institute (2013).

TABLE ES.1. HUD INCOME LIMITS BY HOUSEHOLD SIZE FOR THE WASHINGTON REGION, 2011

Income Category	1-Person	2-Person	3-Person	4-Person
Extremely low income (at or below 30% of AMI)	\$22,300	\$25,500	\$28,700	\$31,850
Very low income (at or below 50% of AMI)	\$37,150	\$42,450	\$47,750	\$53,050
Low income (at or below 80% of AMI)	\$47,350	\$54,100	\$60,850	\$67,600
Middle income (at or below 120% of AMI)	\$89,200	\$102,000	\$114,800	\$127,400

Source: US Department of Housing and Urban Development Income Limits.

1 The following jurisdictions in the Washington region are included in the analysis: District of Columbia; Montgomery and Prince George's counties in Maryland; Arlington, Fairfax, Loudoun, and Prince William counties and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park in Virginia.

**TABLE ES.2. HOUSEHOLDS IN THE WASHINGTON REGION BY INCOME LEVEL, 2009–11**

Income Level	Total	Percent
Extremely low	229,500	13.0
Very low	201,300	11.4
Low	145,200	8.2
Middle	529,600	29.9
High	663,700	37.5
<b>Total Households</b>	<b>1,769,400</b>	<b>100.0</b>

Source: American Community Survey, 2009–11

In 2011, the area median income (AMI) was \$106,100 for a family of four. Table ES.1 shows the income categories the US Department of Housing and Urban Development (HUD) uses in its subsidy programs to define affordability for different types of households.

In the Washington region, about one-third of households had low, very low, or extremely low incomes (table ES.2). Insufficient income is a significant barrier for many people in obtaining and remaining in affordable

housing. The District of Columbia had the highest share of lower-income households in the region at 46 percent, while in Arlington, Fairfax, and Loudoun, fewer than 25 percent of all households were lower-income. (The data discussed throughout this study are available in summary profiles for the region and by jurisdiction in Appendix A and online at <http://www.urban.org/publications/413161.html>.)

## THE HOMELESS SYSTEM

Homelessness is the most extreme consequence of a lack of affordable housing and permanent supportive housing options in the region. People become homeless for many reasons, including insufficient income, job and health insurance loss, rising rents, physical and mental disabilities, and domestic violence. This study covers three categories of homeless: (1) the sheltered homeless, (2) the unsheltered homeless, and (3) the chronically homeless, who may be sheltered or unsheltered. Although most are homeless for a few months or less, a small group, the chronically homeless, has been homeless

for years. Increasing the supply of affordable rental units and permanent supportive housing would reduce homelessness in the region.

Key findings on the homeless system include:

- In January 2013, 11,245 people were homeless in the Washington region, including 5,944 single adults and 5,301 people in families.<sup>2</sup>
- The District of Columbia had more homeless people than the other seven jurisdictions combined.
- Nearly three in four homeless single adults were male, while four in five homeless adults in families were female (and the majority were single parents). Single adult households were made up almost entirely of persons age 25 and older (85 percent), while 72 percent of all persons in family households were children or young adults (under age 25).
- Thirty-six percent of homeless adults in families in the region were employed. In Alexandria, Arlington, and Loudoun County, more than two-thirds of homeless adults in families

<sup>2</sup> Data from the 2014 Point-in-Time Count of the homeless were not available when the analysis for this study was conducted. Findings based on 2013 data are consistent with conclusions that might be drawn from the 2014 data. The region's homeless population grew by 399 people, or 3.5 percent, between the 2013 and 2014 counts. The regional increase was largely attributable to a 13 percent rise in homelessness in the District of the Columbia. The 2014 homeless population included a slightly higher share of people in families—49 percent compared to 47 percent in 2013.

**TABLE ES.3. BEDS NEEDED TO MEET THE PERMANENT SUPPORTIVE HOUSING NEEDS OF THE CHRONICALLY HOMELESS IN THE WASHINGTON REGION BY JURISDICTION, 2013**

	Single Adults			Persons in Families		
	Chronically homeless	Available beds	Gap (surplus)	Chronically homeless	Available beds	Gap (surplus)
District of Columbia	1,764	275	1,489	263	9	254
Montgomery	222	5	217	6	62	(56)
Prince George's	73	4	69	24	43	(19)
Alexandria	69	2	67	5	0	5
Arlington	156	68	88	0	0	0
Fairfax	243	26	217	10	12	(2)
Loudoun County	28	0	28	0	0	0
Prince William	47	3	44	2	4	(2)
<b>Washington region</b>	<b>2,602</b>	<b>383</b>	<b>2,219</b>	<b>310</b>	<b>130</b>	<b>180</b>

Source: Urban Institute analysis of Metropolitan Washington Council of Governments 2013 Point-in-Time Count of the homeless.

were employed. In the District of Columbia and Prince George's, less than one-third of homeless adults in families were employed.

- Most homeless people lived in emergency shelters or transitional housing. Approximately 11 percent (1,259) of the homeless population lived on the street—largely single adults. With the exception of

Alexandria, no suburban jurisdiction could meet the immediate shelter needs of this group. 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. The Washington region would need at least 2,219 additional permanent supportive housing beds for single adults and 180 for families to meet the needs of its chronically homeless population (table ES.3).<sup>3</sup> Almost all of the region's chronically home-

<sup>3</sup> The 2,219 additional permanent supportive housing beds for single adults and 180 for families are minimum estimates of the need based on the 2013 data. Additional beds may be needed to accommodate the recent rise in homelessness, particularly in the District of Columbia, future demand, and the typically low turnover rate for occupants of permanent supportive housing.

## HOMELESS CATEGORIES

**Homeless**—People who are currently without permanent housing, including both sheltered and unsheltered homeless.

**Sheltered homeless**—People residing in shelters, safe havens, or transitional housing.

**Unsheltered homeless**—People living on the street or in places

not meant for human habitation such as abandoned buildings, bridges, parks, and campsites.

**Chronically Homeless**—An adult with a disabling condition who has either been continuously homeless for at least a year, or has had at least four episodes of homelessness in the past three years. The chronically homeless may be sheltered or unsheltered.

## Household Types

**Adult-only households**—Single, homeless adults.

**Family households**—Homeless families consisting of at least one adult and one child (under age 18).

particularly challenged in finding affordable housing in the region, but affordability problems extend to very low, low, and even many middle income households. Lower-income renters frequently face enormous competition from higher-income households for scarce affordable units. In all jurisdictions, the median rental unit is unaffordable to workers with extremely low incomes, such as those earning minimum wage and low-wage workers.

Key findings on rental housing include:

less families were in the District of Columbia and Prince George's.

- Most homeless persons in families and single adults did not need permanent supportive housing, however. Rather, many just needed affordable rental housing and, in some cases, additional supports, such as assistance with securing child care, health insurance and employment, to help them hold a lease and maintain rent payments over time. Increasing the supply of rental housing affordable for extremely low income households would reduce homelessness in the region.

## AFFORDABLE RENTAL HOUSING

Rental housing must address the needs of a diverse range of households across all income levels, including, for example, elderly people on fixed incomes, lower-income working families, and young professionals just starting their careers. The recent housing crisis forced many households out of homeownership and brought about tighter lending standards that made home mortgages more difficult to obtain. This further strained an already overstretched rental sector in the Washington region. Renters with extremely low incomes are

- Although renter households accounted for only 37 percent of all households in the Washington region in 2009–11, they made up the majority of lower-income households, including 58 percent of very low income households and 70 percent of extremely low income households.
- 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 that pay more than half their income on rent and utilities).



- Eighty-six percent of extremely low income renter households 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.
- Extremely low income renters faced enormous 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.
- No jurisdiction had enough affordable and available rental units to meet the demand by extremely low income households, with gaps ranging from 3,500 units in Loudoun to 22,100 units in the District of Columbia.
- 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 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.
- The Washington region had only enough public housing units and vouchers to serve about one in three extremely low income households. The District of Columbia was home to nearly half of the region's HUD-subsidized units and more than one-third of the region's affordable units that were funded with low income housing tax credits.

## **AFFORDABLE HOMEOWNERSHIP**

Homeownership is an important part of the regional housing market because it helps support stable communities and allows households to build wealth. Despite the

recent housing crisis, homeownership remains an important means for low and middle income households to save by building equity in their homes and to maintain stable housing in retirement. In most of the region, however, average sales prices are significantly higher than what is affordable for many households, causing homeownership to decline and presenting a significant barrier to many who would benefit from owning their home. At the time of the study, lower-income households made up only one-fifth of the region's homeowners. To respond to these challenges, jurisdictions throughout the Washington region have put in place different policies and programs to promote sustainable homeownership and to reduce the financial and other barriers to owning a home for lower-income buyers. These include home purchase assistance, home rehabilitation and repair, housing education and counseling, inclusionary zoning, and property tax credits.

Key findings on homeownership include:

- Sixty-three percent of households in the Washington region were homeowners in 2009–11. However,



homeownership affordability in the region declined between 2000 and 2011 as housing prices increased by 32 percent, adjusted for inflation.

- For low income homebuyers, the average home sale price was 48 percent higher than what they could afford. Homeownership was most affordable for first-time homebuyers in Prince George's and Prince William and was least affordable in the District of Columbia, Montgomery, Arlington, Alexandria, and Fairfax.
- 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 that ranged from 88 percent for extremely low income households to 10 percent for high income households.
- 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 homebuyers, 75 percent of these homes would not be affordable without assistance. Prince George's had the highest share of affordable

units relative to its share of the region's homeownership stock, followed by Prince William.

- Lower-income households in the Washington region faced competition from higher-income households for affordable homes. Nearly seven in ten units affordable to very low income households and two-thirds affordable to low income households were occupied by someone in a higher income category. This competition contributed to a gap of 56,800 affordable units for very low income owner households and a gap of 22,600 affordable units for low income owners.

## **FUNDING AFFORDABLE HOUSING AND HOMELESS SERVICES**

In an increasingly resource-constrained environment, particularly at the federal level, it is important to understand the current sources of funding and identify where additional funding could be generated to address the affordable housing gaps in the region. While the Washington region finances many housing-related programs and services with funding from many federal programs,

county and city money accounted for the majority of public funding for housing-related expenditures in all jurisdictions except for Prince George's, Fairfax, and the District of Columbia. In addition, the local philanthropic sector provided important support to housing-related nonprofits throughout the region. The loss of local charitable giving from Fannie Mae, Freddie Mac, and the Freddie Mac Foundation, however, further challenges already stretched budgets and funding streams.

Key findings on funding for affordable housing and homeless services include:

- Federal programs were an important source of funding for housing-related activities in the Washington region. In addition, most jurisdictions drew significantly on county and city funds, particularly Arlington, Alexandria, and Prince William where more than half of public funding for housing was from these sources.
- Federal spending on housing, such as the Community Development Block Grant and HOME program, is 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 or by raising revenue to fill the gaps, potentially by leveraging local resources through housing trust funds or offering tax-exempt bonds.

- Overall, \$1.3 billion was budgeted in FY 2013 for housing-related expenditures in the Washington



Photo: Matt Johnson

region. The greatest expenditures were for rental assistance. The region collectively allocated nearly \$637 million to Section 8, Housing Choice Vouchers, and other rental assistance programs in 2013. The second-largest budgeted item was housing production and preservation, followed by programs related to homelessness, senior housing, tenant services, and homebuyer assistance.

- The District of Columbia accounted for approximately 50 percent of all the housing-related expenditures in the region, with Montgomery spending the second-highest amount, followed by Fairfax.
- The private philanthropic sector in the Washington region awarded more than \$33.4 million in grants to housing-related organizations, primarily nonprofit organizations, in 2012. Private philanthropic investment was relatively small compared with public spending on housing in FY 2013 (\$1.3 billion). Three-quarters of philanthropic grants were for less than \$50,000, and three in five grant dollars were for homeless prevention, shelter, or services and transitional or permanent support-

ive housing. Nearly half of the housing-related private funding went to organizations whose service area was the District of Columbia. Montgomery was next, receiving about 10 percent of the total.

- Of concern, 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.

## CONCLUSION

This study analyzes the supply of and gaps in affordable housing across many housing needs and household types. The continuum of housing needs—from basic shelter to supportive housing, from a subsidized apartment to an affordable home for sale—encompasses housing for homeless individuals and families,

for renters, and for homeowners. To provide for households at different points along the continuum, the federal government, state and local jurisdictions, private investors, and philanthropic organizations have created several public and private programs and supports to promote the creation and preservation of affordable housing.

Despite the current efforts and investments, however, this study identifies many important gaps in the housing continuum that highlight the acute need for more affordable housing in the Washington region. The region has long been among the most expensive metropolitan areas nationally, and housing has become increasingly unaffordable for many households in recent years. Although the area has generally higher incomes and wages than most other places in the country, incomes are not keeping pace with rising housing costs.

As a result, homelessness remains a persistent problem; over 11,000 persons have been counted living on the streets or in homeless shelters, including many children and persons in families. The supply of permanent supportive housing needed to reduce

chronic homelessness is insufficient to meet the current demand. The lack of affordable rental apartments across all income levels, and particularly for extremely low income households, contributed to the numbers of homeless people and also resulted in over half of the region's renters paying over 30 percent of their income on housing costs, which leaves them less money for food, medicine, and other essentials. Finally, homeownership, which is the path to savings and stability for most people living in the United States, is out of reach for many in the region. In many cases, homeownership is out of reach not for a lack of steady income, but because high prices fueled by excessive demand squeeze potential buyers out of the market.

Providing shelter and decent, affordable housing for persons at all income levels is a goal that a prosperous area like the Washington region should be able to achieve. Furthermore, to remain competitive, the region must address housing affordability to ensure that its workforce can continue to find housing without having to commute farther and farther to work. Without stable housing in a

decent environment, it is difficult for many to secure a quality education, good health, and employment. Policymakers are paying increasing attention to affordable housing as a platform for connecting households with other supports and services that can help them achieve better outcomes. The region may bear additional costs down the road, such as higher incidences of social disruption, crime, and unemployment, if housing instability is not addressed.

Understanding the importance of affordable housing and the needs in this region, foundations commissioned this study to quantify the need for affordable housing and inform strategic investments by the philanthropic sector all along the housing continuum. This study contains a wealth of information that can also help jurisdictions better identify and address the nature of the affordable housing needs in their own communities and be used for evidence-based planning. The study documents the acute need for both permanent supportive housing for the chronically homeless and affordable housing across all income levels, particularly for extremely low income renters and low income homebuyers. These

findings can be used to direct scarce public and private sector resources to the populations most in need of relief from high housing costs and to build and preserve affordable housing for these households over the long term.

Detailed data for each jurisdiction can be found in the summary and comparative profiles in the appendices of this study. These profiles and additional data are also available online at <http://www.urban.org/publications/413161.html>.

