

Housing Hardship and Housing Assistance

High rents and rapidly rising sale prices in much of the Washington region pose special challenges for low-income households, including those with one or more members working full-time.

More than half of low-income households — including families supported by a full-time librarian or firefighter — pay unaffordable housing costs. And seven of 10 extremely low-income households pay unaffordable costs. The region’s stock of federally subsidized housing, which is largely concentrated in the District, is shrinking, and households that receive federal housing vouchers have difficulty finding landlords who will accept them. In recent years, the District has made significant investments in the production and preservation of affordable homes. But without an expansion of affordable housing regionwide, housing hardship is likely to worsen. Citywide efforts cannot solve a regionwide problem.

Low-Income Households: Widespread Hardship

As of 2000, about a third of the region’s households were low-income by federal standards (with incomes below 80 percent of the area median). Of these, almost 189,000 households had extremely low incomes (below 30 percent of the area median); about 176,000 were classified as very low-income (incomes between 30 and 50 percent of the area median); and more than 203,000 were classified as low-income (incomes between 50 and 80 percent of the area median). For most of the remainder of this chapter, we combine these three categories, referring to them as low-income households.





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More than three-quarters of the region's low-income households live in suburban jurisdictions, with almost half in the Inner Suburbs. The District is home to only about one in five of the region's low-income households, but it accounts for a larger share of the region's extremely low-income households (about one in three).

Low-income households account for a disproportionate share of city residents. Fully half of all District households have low income levels. Among the Inner Suburbs, low-income households account for a particularly large share of Prince George's County residents — 36.1 percent — compared with Montgomery County's 25.2 percent and Fairfax County's 19.7 percent. In the Outer Suburbs, low-income households generally account for slightly more than one in four households, with the exception of fast-growing Loudoun County, where only 17.9 percent of households have low income levels.

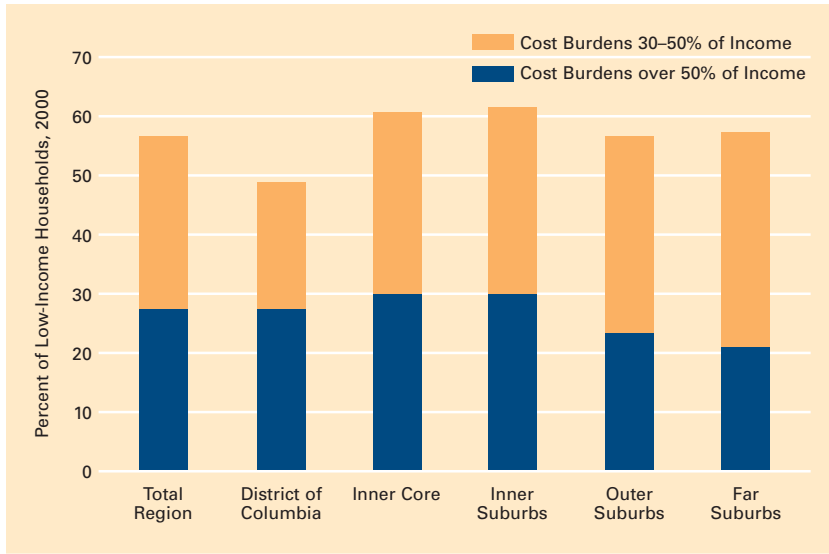
In the Washington region, as in most of our comparison regions, more than half of all low-income households pay monthly housing costs that exceed 30 percent of their income — the federal standard for affordability. And more than one in four pay in excess of 50 percent of their income for housing, which is considered a severe cost burden. The levels of excess cost burden are comparable to those of the Atlanta, Boston, and Seattle regions and higher than those of Houston and Philadelphia.

Extremely low-income and very low-income households are even more likely to have excess cost burdens. Among households with incomes below 50 percent of the area median, two-thirds have excess cost burdens and 39 percent have severe cost burdens. And among those with extremely low incomes, 71 percent have excess cost burdens and more than half have severe cost burdens.

As documented in last year's report, low-income households living in the District are actually less likely to be cost-burdened than their counterparts in the suburbs (Figure 5.1). Just under half of low-income households in the city have excess cost burdens, compared with more than six of 10 in the Inner Core and the Inner Suburbs. The incidence of excess cost burdens is particularly high among low-income households in Fairfax County, Falls Church, and Montgomery County (in the Inner Suburbs) and Loudoun County (in the Outer Suburbs).

Given the rapid increases in Washington-area sale prices and rents, there is every reason to believe that hardship has increased since 2000. As discussed earlier, the median home sale price rose 37 percent

FIGURE 5.1: Housing Cost Burdens Most Severe in Inner Core and Inner Suburbs



Source: U.S. Bureau of the Census, CHAS Special Tabulations, 2000.

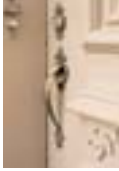
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between 2000 and 2002, and HUD's estimate of the prevailing fair market rent for a two-bedroom apartment climbed 12 percent. But the average wage rose only 9 percent, with low-wage workers experiencing the smallest gains. Newly available Census Bureau estimates indicate that the share of District renters with excess cost burdens rose from 40 percent in 2002 to 46 percent in 2003.

Not surprisingly, therefore, the Metropolitan Washington Council of Governments' January 2004 annual count of homeless persons found a 4 percent increase from 2002 — to more than 14,500.³¹ More than half of the region's homeless people live in the District, where their numbers swelled by about 10 percent between 2002 and 2004. Just under half of the homeless people surveyed were members of families. And almost three of every 10 homeless adults reported that they were employed.

Four of every 10 homeless people in the Washington region are disabled by mental illness, substance abuse, or a combination of the two, and chronic homelessness is most likely among this group. These individuals and their families probably need permanent supportive housing to escape homelessness over the long term. Other homeless individuals and families, however, may simply need affordable housing.

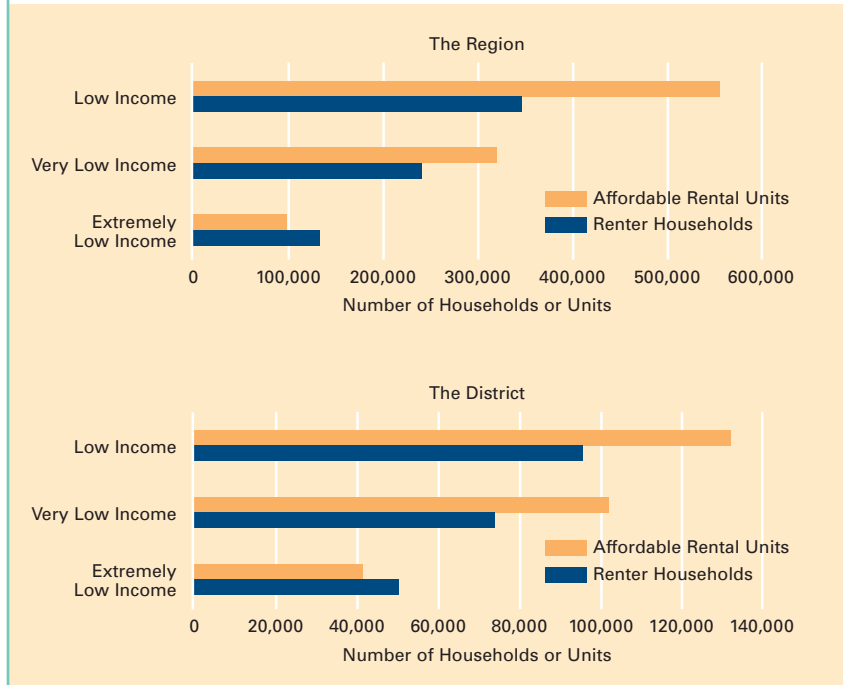
Part of the reason why so many low-income households face unaffordable housing costs or even homelessness is that the low-cost housing stock falls short of the need for extremely low-income renters



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(Figure 5.2). As of 2000, in the region as a whole, there were about 133,900 renter households with extremely low incomes but only 99,700 rental units they could afford. Similarly, within the District, there were about 49,800 extremely low-income renter households but only 41,600 rental units they could afford.

FIGURE 5.2: Affordable Units Scarcity for Extremely Low-Income Renters



Source: U.S. Bureau of the Census, CHAS Special Tabulations, 2000.

The issue of adequate housing supply for low- and very low-income households, however, is more complex than it appears at first glance. When we compare the total number of households with incomes below 80 percent of area median (HUD’s “low-income” cutoff) to the number of rental units these households can afford, the supply appears sufficient.³² Similarly, the absolute number of units affordable for very low-income households appears large enough, both regionwide and in the District.

This puzzling finding is explained by the fact that a majority of the units that low-income families can afford are occupied by higher-income households that could (by federal standards) afford more expensive units. More than half of rental units and three-quarters of homeowner units that would be affordable for low-income households were occupied by higher-income households. Housing options for low- and very

low-income renters and homeowners are constrained not so much by an absolute shortage of affordable units as by competition from higher-income households, which typically do not spend as much as 30 percent of their income for housing. This suggests that expanding the housing stock priced for the upper-income ranges will not necessarily free up units that are affordable for low-income households.

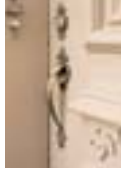
Loss of Federally Subsidized Units

Over the past decade, the region's stock of federally subsidized rental housing — earmarked for occupancy by very low-income households — has been declining, and it is likely to continue to do so. Two factors contribute to the loss of this stock — the HOPE VI program for the demolition and replacement of distressed public housing and the expiration of federal subsidies going to privately owned developments.

The HOPE VI program targets severely distressed public housing developments, rehabilitating existing units or demolishing them and replacing them with higher-quality housing that serves mixed-income populations. The total number of deeply subsidized replacement units, however, is considerably lower than the number of original units in these developments. Five HOPE VI projects are under way in the District, with about 2,900 public housing units scheduled for demolition. Current plans call for 3,350 new replacement units, but only 1,585 of these units will be set aside for extremely low-income or very low-income families.

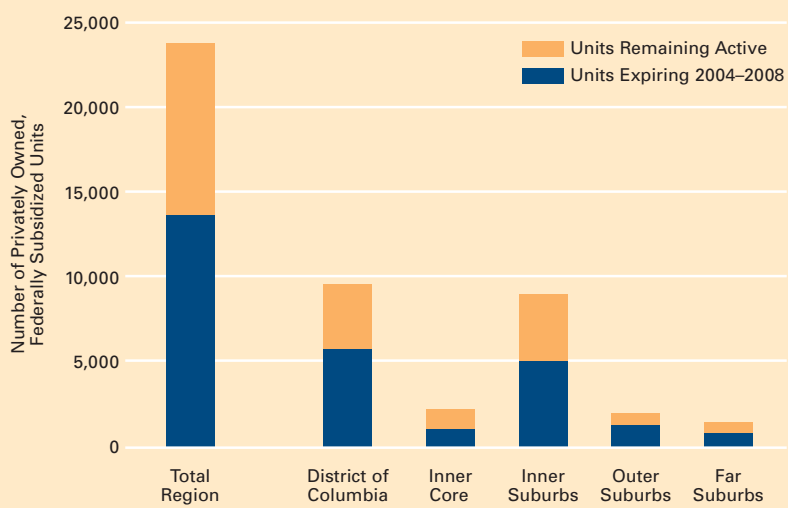
In addition to the affordable units lost through Hope VI, federal subsidy commitments for 13,574 privately owned rental units are scheduled to expire over the next five years. As Figure 5.3 illustrates, the vast majority of these units are located in the District and the Inner Suburbs. Between 2004 and 2008, the city could lose as many as 5,665 units, while Montgomery, Prince George's, and Fairfax Counties could lose a combined total of 5,000 units.

Today, the federal government's primary program for producing new affordable rental units is the Low-Income Housing Tax Credit (LIHTC). LIHTC units charge rents that are affordable for households with incomes at 60 percent of area median or lower, but they do not necessarily provide enough subsidy to make these units affordable for all eligible residents.³³ As of 2001, the Washington region had about



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FIGURE 5.3: Expiration of Federal Subsidies Looms Large



Source: U.S. Department of Housing and Urban Development, Multifamily Assistance and Section 8 Contracts Database, 2004.

30,000 LIHTC units. The bulk of these units are located in the District (5,700), Prince George's County (3,740), and Montgomery County (2,900).

Housing Vouchers: Limited Reach

The federal Housing Choice voucher program plays a vital role in helping to address the housing problems of the region's neediest households. Vouchers supplement what low-income households can afford to pay for rent and allow families to move to neighborhoods of their choice. About 27,000 Washington-area households receive housing vouchers.³⁴ The District accounts for about a third of the region's vouchers (8,801). The housing authorities of Montgomery and Prince George's Counties also provide substantial numbers of vouchers — 5,015 and 4,334, respectively. Fairfax County provides 2,868.

More than three-quarters of Washington-area voucher recipients have extremely low incomes, including families supported by a parking lot attendant or office receptionist. Another 14 percent of voucher recipients have incomes in the very low-income range, which includes families with one parent working full-time as a firefighter, police officer, or schoolteacher.

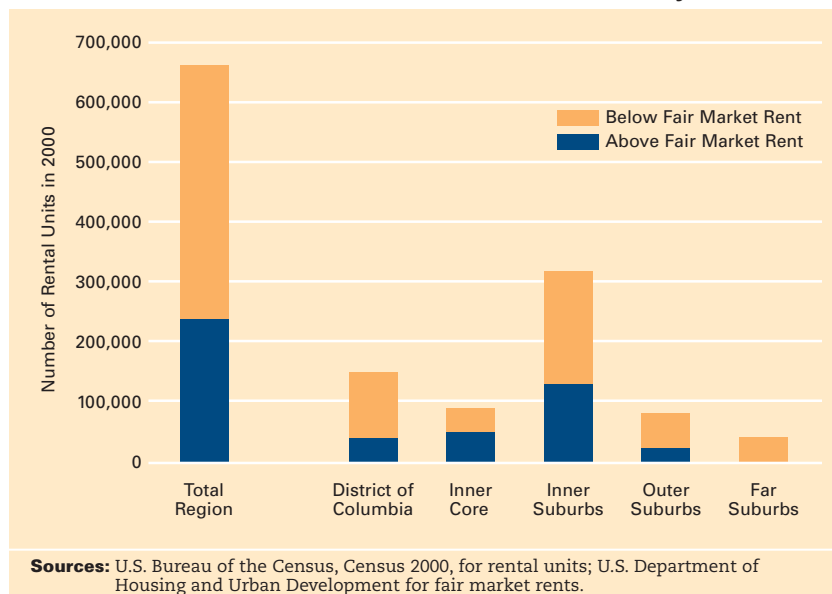
The need for housing vouchers in the Washington region far exceeds their availability. Waiting lists total 52,542 households, roughly twice the total number of vouchers currently authorized. And waiting times average

1,100 days — almost three years. The need is even higher than the waiting lists suggest. In 2000, about two-thirds of very low-income households in the region — 156,000 — were paying unaffordable rents.

Families who receive housing vouchers sometimes have difficulty finding qualifying rental units with landlords willing to participate in the program. Regionwide, about two-thirds of the households that were issued vouchers between July 2002 and June 2003 successfully used their assistance. Success rates were much lower for District voucher recipients — only 47.8 percent.

The barriers to success most commonly cited by area housing authorities are recipients' credit or rent histories and lack of funds for security deposits. Some jurisdictions see a shortage of large rental units as a problem for families. In general, housing authority officials appear to consider the federally defined fair market rents (FMRs), which cap the level of subsidy HUD will pay for vouchers, as adequate for the current market. This is confirmed for the region as a whole by data from Census 2000, which indicate that approximately two-thirds of the rental housing units in the region have rents at or below applicable FMRs. However, as illustrated in Figure 5.4, the percentage of rental units meeting the FMR standard is substantially lower in the Inner Core and most of the Inner Suburbs: Less than half of the rental units in Arlington, Alexandria, and Fairfax Counties and barely half of those in Montgomery County are affordable with a voucher.

FIGURE 5.4: Vouchers Have Potential to Ease Affordability Crisis





Rental inventories vary dramatically across the region, and the pool of units available to voucher recipients is extremely limited in some jurisdictions. Only 9 percent of the region's below-FMR units are located in the Inner Core, 11 percent in Fairfax County, and 13 percent in Montgomery County. More than one-quarter, however, are located in the District of Columbia, with another 21 percent in Prince George's County. More rental housing is needed in suburban jurisdictions to fully meet the needs of renter households and to open up a wider range of opportunities for voucher recipients.

Affordable Housing Production and Preservation in the District

As discussed in previous reports, the District of Columbia has made substantial investments in the production and preservation of affordable housing in recent years. In fiscal year 2003, the District helped to finance 2,719 units of new and rehabilitated housing, with development budgets totaling more than \$282 million.

The vast majority of this investment went to the preservation and rehabilitation of existing housing, rather than to new construction. As a result, city spending added only 539 net new units to the housing stock. Most of the 2,719 city-financed affordable housing units are targeted to families with incomes at 50 or 60 percent of area median. Just under 200 units were targeted to households with extremely low incomes. Two hundred thirty-three were market-rate units.

Another 25 projects remain in the city's subsidized housing pipeline for 2004 or beyond, potentially representing about 4,400 units, about one-half of which will be net new additions to the stock. The East Capitol and Capper/Carrollburg HOPE VI projects, which are under way but have not yet closed on all financing, account for almost half of the total planned units.

Unbalanced Patterns of Employment and Housing Opportunity

Earlier chapters of this report have explored the effects of the Washington region's economic prosperity on housing market conditions and trends. But the location of job opportunities also has important implications for our region's housing market. Using newly available Census 2000 data, this chapter focuses on where area residents work and compares the location of jobs with the location of affordable homes.

The findings explain our region's commuting nightmare: Most area residents live far from where they work. The data also highlight dramatic differences between the locational spread of high-wage and low-wage jobs. The concentration of high-wage job opportunities in the city and the western suburbs fuels especially intense housing market pressures there, driving up costs, exacerbating affordability problems, and contributing to sprawling development in the Outer and Far Suburbs. This chapter also examines the imbalance between low- and moderate-wage jobs and the housing available to the workers who hold these jobs.

