

## What's Affordable "Workforce Housing" for the District of Columbia?

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One of Mayor Vincent Gray's stated priorities is to increase the supply of workforce housing, a component along the [continuum of affordable housing needs](#). This is a laudable goal -- seeking to make Washington, D.C. a place where residents can afford to live close to where they work. However, if D.C. officials use regional incomes to define "workforce housing," it could result in policies that would fail to reach most of D.C.'s low- and moderate-income working households who have a difficult time finding an affordable place to live in D.C.'s expensive housing market. Given the wide gap between regional and D.C. incomes, targeting assistance to the D.C. workforce earning below 80 percent of Area Median Income (AMI), or \$84,900 for a family of four, makes sense because it better matches the typical D.C. family's income and reflects the limited availability of housing for households at this income level.

### Who is the Typical D.C. Working Household?

Based on regional income definitions, which includes surrounding counties in Maryland and Virginia, most working households in D.C. would not earn enough to qualify for a program to assist families earning 100 percent of the AMI, let alone the \$127,300 a year, or 120 percent of AMI. This is because the District's median income for a family of four is much lower, \$70,400 – or equivalent to just 66 percent of AMI.

Working families who wouldn't be helped by such an approach include the elementary school teacher and her two children living on an annual income of \$62,138 a year, or two working parents, such as a security guard and a retail sales clerk earning a combined income of just over \$60,000 a year. In other words, by using regional income definitions, a typical D.C. family cannot benefit from workforce housing assistance.

The Mayor and District Council should define workforce housing based on the earnings of typical D.C. working families. This would help those with limited options by offering a chance to afford a decent home close to their jobs and transportation. To accomplish this, we should peg assistance to D.C.'s household income rather than the much higher income for the area. Translating AMI to D.C.'s incomes (Table 1) gives us a more accurate picture of D.C.'s housing needs and illustrates that even at 80 percent AMI, a majority of D.C. households earn substantially less. When we look at the earnings of typical occupations (Table 2) – teachers, janitors, security guards, and even police officers – a household of three people with one wage earner for these occupations falls well below 80 percent of AMI, let alone 100 percent AMI.

**Table 1: Income comparisons using Area Median Income (AMI) and Washington, D.C. median income by household size, 2011**

Income Limit	4-Person Household		3-Person Household	
	Washington Metro Region	Washington, D.C. only	Washington Metro Region	Washington, D.C. only
Median Income	\$106,100 (AMI)	\$70,400	\$95,500	\$63,350
60% Median	\$63,650	\$42,250	\$57,300	\$38,050
80% Median	\$84,900	\$56,300	\$76,400	\$50,650
120% Median	\$127,300	\$84,500	\$114,550	\$76,050

Source: US Department of Housing and Urban Development, FY2011, and 2009 American Community Survey data

### Common Thinking in Workforce Housing Targeting

Most federal and local assistance for lower-income households focuses on those earning 60 percent AMI or below -- assisting those who face the highest cost burdens and actual shortages in housing they can afford.<sup>1</sup> While there is no one definition for workforce housing, the [Urban Land Institute's](#) (ULI) Terwilliger Center for Workforce Housing describes it as "housing that is affordable to households earning 60 to 120 percent of the area median income." In the D.C. area, this would mean housing that is affordable for a family of four with annual earnings between \$63,600 and \$127,300. Such a definition appears to not recognize that people earning D.C.'s minimum wage (\$17, 160 a year for full time work) are also part of the workforce because the term workforce housing is often used (incorrectly) to refer to households earning above a low-income threshold.

D.C. has yet to set a clear standard for what workforce housing is, but in the past the District used 120 percent of AMI, or \$127,300 for a family of four, as the upper limit. More often, developers will use the upper limit of any affordability range to price rents. In 2006, the District created a workforce housing land trust administered by City First Homes. This program creates long-term homeownership opportunities for buyers earning up to 120 percent AMI, with the provision that most funds be used for households earning no more than 80 percent AMI. Another example is D.C.'s Inclusionary Zoning program. This program provides 8 to 10 percent of housing in new private developments for households earning up to 80 percent AMI. In another instances, the District changed requirements for the Southwest Waterfront development public land deal. Previously, the affordable housing to be built on site was intended to be affordable to low- and moderate-income households, or those earning between \$31,830 (30 percent of AMI) and \$63,600 (60 percent AMI). The approved changes limited the affordable housing to those households earning between 30-60 percent of AMI to the first 500 units built out of a total of 1,200-1,500 units (or 8-15 percent of all units). The developer was then allowed to fulfill the remainder of the affordable housing requirements by providing units affordable to those earning 100 percent to 120 percent AMI, which the developer termed workforce housing.

### A Regional Standard Wouldn't Serve D.C.'s Local Workforce

In applying housing assistance to such a wide range of incomes, is the city targeting those with the greatest need and using its limited resources efficiently? Setting workforce housing assistance for family incomes over \$100,000 per year sounds high, but that's because it is. For the average working family in

D.C., the AMI for a family of four is part of a federally-defined metropolitan area, which includes much wealthier suburbs. When calculating the Washington, D.C. metropolitan AMI, the city's incomes are merged with incomes for Fairfax and Loudoun Counties, the second and third most affluent counties in the country.<sup>ii</sup> In all, the suburban jurisdictions around D.C. comprise nine of the twenty wealthiest counties in the U.S.

Standards based on regional incomes distort the realities faced by most workers living in D.C. These disparities are evident in Table 1, which compares AMI figures with median income numbers for District households. The implications for Washington, D.C. workforce housing are clear. Let's say the District used a standard of 80 to 120 percent AMI (or \$76,400-\$ 144,550 for a family of 3) when negotiating with developers for workforce housing set-asides in a public land deal, a slightly wider range than that used for Southwest Waterfront. If this were the case, a three-person household making 120 percent D.C.'s median income, or \$76,050 a year, would not earn enough income to qualify for workforce housing.

Such a standard would leave behind a majority of the D.C. workforce. Decision-makers commonly cite public service sector workers such as teachers and police officers as examples of those needing workforce housing. While these occupations are important to the functioning of our city, so are many other workers. Not surprisingly, according to Department of Labor statistics, occupations with modest annual wages make up most the District's workforce. The following table ranks the top ten jobs in D.C. that had the most workers in 2010 and notes their annual income and percent of area median income.

**Table 2: Top 10 Occupations by Employment Totals for Washington, D.C. Residents, 2010 Figures**

Occupation	Estimated Employment	Annual median wage	% of 2010 AMI (household of three)
Lawyers, and Judges, Magistrates, and Other Judicial Workers	20,556	\$153,640	165%
Miscellaneous Managers, including Postmasters and Mail Superintendents	14,815	\$126,240	136%
Secretaries and Administrative Assistants	12,350	\$50,575	54%
Janitors and Building Cleaners	10,507	\$24,160	26%
Cashiers	9,059	\$21,890	23%
Retail Salespersons	8,324	\$22,750	24%
Management Analysts	7,566	\$89,040	96%
Security Guards	6,776	\$37,580	40%
Elementary and Middle School Teachers	6,145	\$62,138	67%
Social and Community Service Managers	5,839	\$74,700	80%
<b>Other Notable Professions</b>			
Police and Sheriff's Patrol Officers	1,785 <sup>1</sup>	\$65,380	70%
Firefighters	1,842 <sup>2</sup>	--	--

Sources: Department of Labor, Bureau of Labor Statistics for median wage data and 2009 American Community Survey for employment data, except as noted

<sup>1</sup>Data on total employment figures were not supplied to Department of Labor, therefore this figure was obtained from the Metropolitan Police Department 2010 Annual Report.

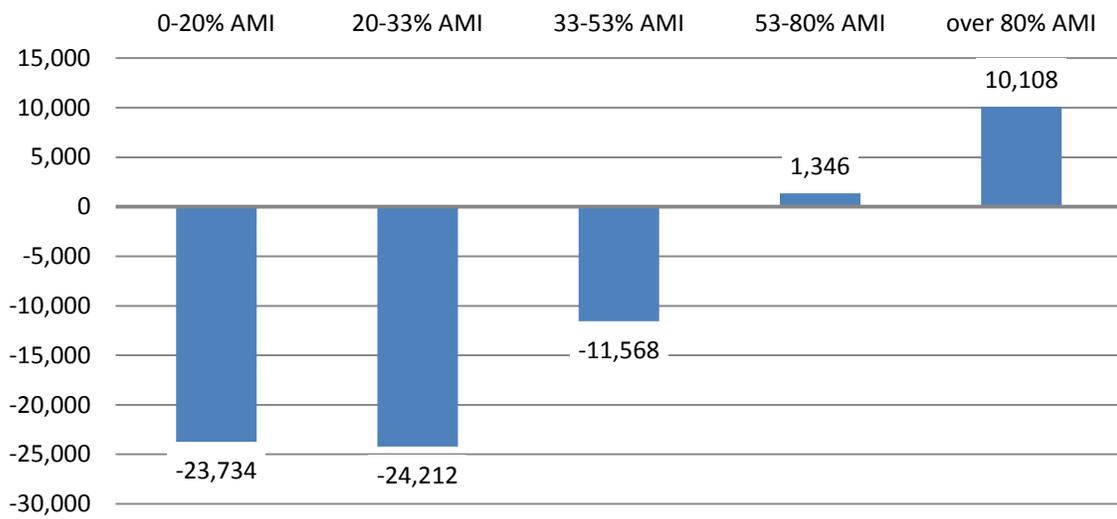
<sup>2</sup>No data on DC firefighters was supplied to Department of Labor, therefore the employment figure was obtained from the Fire and Emergency Medical Services Department FY 2012 proposed budget. The last available salary figures are from FY 2007, when FEMS used an average salary of \$60,563 for firefighters in a MOU attachment.

After lawyers and miscellaneous managers, who would not qualify for workforce housing under any condition, six of the remaining eight top jobs for D.C. residents fall below 80 percent AMI. Police officers also fall below 80 percent AMI.

### **D.C. Workforce Housing Need vs. Availability**

An analysis done by the National Low-Income Housing Coalition shows that the District had a surplus of affordable and available housing units citywide for those households earning above 80 percent of AMI (Figure 1). This indicates that 80 percent of AMI should be a logical upper limit for targeting affordable housing assistance. There may be instances where assistance is needed to support some types of affordable housing development above that level. However, Figure 1 shows that the greatest need for affordable housing assistance falls on households at or below 80 percent of AMI. The greatest shortages, and greatest housing needs, are found at the lower-income levels, at half of AMI and below. For households earning between 53 and 80 percent AMI, a small surplus exists of units that are both affordable (rent is no more than 30 percent of income) and available (not occupied by a higher-income group).

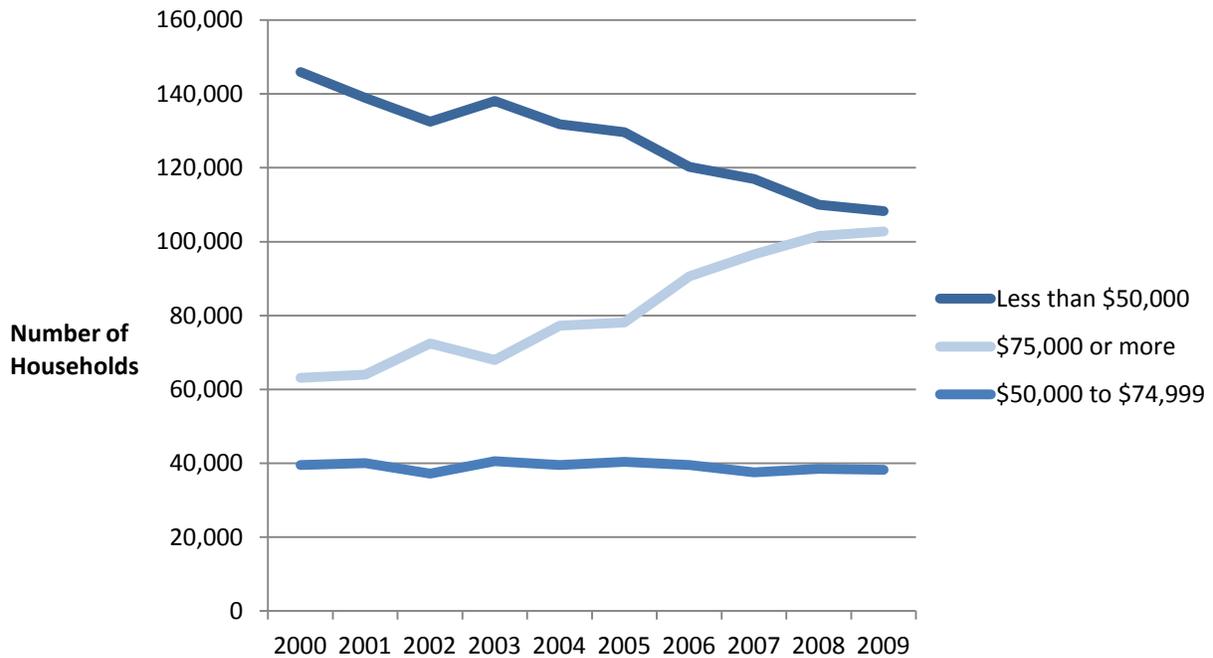
**Figure 1: Deficit or surplus of available and affordable rental housing units by household income, District of Columbia, 2009**



Source: National Low Income Housing Coalition tabulations of 2009 American Community Survey PUMS data

Another way to consider what kinds of working families need help to have the opportunity to live in a home they can afford is to look at what income groups are increasing or decreasing. The data are not available by occupation, but Figure 2 shows that between 2000 and 2009, lower-income households declined or are no longer counted in Census surveys, while higher earning residents have increased. The number of households counted that earn below \$50,000 per year steadily declined over that period by 37,601 households, a decline of 26 percent.<sup>iii</sup> Meanwhile, those earning above \$75,000 increased in nearly the same measure, and the District added 39,632 such households, a 63 percent increase.<sup>iv</sup> Households earning between \$50,000 and \$75,000 remained steady. These data suggest that D.C. working families earning well under the D.C. median income are losing ground while better paid workers are finding homes they can afford.<sup>v</sup>

**Figure 2: Washington, D.C. Households by Income, 2000 to 2009**



Source: Benjamin Orr and Alice M. Rivlin, *Affordable Housing in the District - Where Are We Now?*; CSG Analysis of American Community Survey and Decennial Census data

### **The Fix: Set D.C.'s Workforce Housing Standard Upper Limit at 80 Percent AMI**

Last year, to better target housing assistance to match D.C. household incomes and housing need, Councilmember Michael Brown proposed using D.C.'s median income rather than the area's median income. The measure did not advance in part because AMI is still a standard that the city needs to use for all federal funds. However, the city could continue to report its needs and programs to federal in relation to the AMI, while setting its workforce housing program to serve more D.C. working families who earn up to 80 percent of AMI rather than higher-income households. By doing so, the District would offer more housing opportunities to its moderate-income workforce that earns less than the generally higher paid workforce of the wealthier suburbs or growing population of newcomers.

The greatest housing challenges by any measure – cost burden, shortage, availability – are faced by D.C. residents earning well below 60 percent AMI. Thus programs for the lowest income households should be strengthened. Beyond that, as the District seeks to keep more working households in the city, D.C. should focus assistance below 80 percent AMI (\$76,400 for a family of three), so typical working D.C. families can be helped. Setting income targeting above this level would exclude most of its working families. The reasonable policy is to define D.C.'s workforce housing in relation to working families' earnings or roughly no more than 80 percent of AMI. With limited housing assistance resources available, we need to use them more wisely to help struggling D.C. working families find a home they can afford.

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<sup>i</sup> The federal low-income housing tax credit is the principal source of federal funding for the construction and rehabilitation of affordable rental homes for households earning 60 percent of AMI or lower. See: [www.housingpolicy.org](http://www.housingpolicy.org).

<sup>ii</sup> Five other Washington, D.C. area counties are in the top twenty for median income: Arlington (11<sup>th</sup>), Montgomery (13<sup>th</sup>), Calvert (14<sup>th</sup>), Stafford (15<sup>th</sup>) and Prince William (16<sup>th</sup>). The cities of Falls Church (1<sup>st</sup>) and Fairfax (10<sup>th</sup>) are also on the list as independent cities with incomes tabulated separately from their surrounding counties.

<sup>iii</sup> Benjamin Orr and Alice M. Rivlin, "[Affordable Housing in the District – Where Are We Now?](#)," [Brookings Institution, July 2011](#).

<sup>iv</sup> *Ibid.*

<sup>v</sup> See DCFPI: [New Census Data Show that One in Five DC Residents Lived in Poverty in 2010](#), September 22, 2011; [Despite Claims to the Contrary, the Number of DC Households Receiving Food Assistance is Up](#), November 22, 2011.