Making Workforce Housing Work

Understanding the Housing Needs of D.C.'s Changing Workforce

Cheryl Cort and Patrick McAnaney

March 2019

Executive Summary

D.C.'s workforce is growing and changing. After years of decline, the city is now a leading jurisdiction in population and job growth. Increasingly, more people working in D.C. want to live in D.C., though the city still has a net influx of commuters to fill jobs each workday. This growth dynamic offers the District new opportunities, but also continued housing affordability challenges that must be addressed strategically to make the lives of working households better, and foster a healthy economy. D.C. can and should affordably house more of its workforce. To accomplish this, the District must deploy two broad strategies:

- Make the housing market work better by changing land use policies to provide the housing supply necessary to keep pace with demand from working households who could pay for housing if it were more available and less costly.

- Use subsidies and a full set of public policy tools to bridge the remaining gap where housing costs are too high and wages too low. The District should dramatically increase funding for the Local Rent Supplement Program and Housing Production Trust Fund. It should also leverage Inclusionary Zoning, Planned Unit Developments and other zoning tools to produce more housing that is affordable. These investments and policy tools must make homes affordable for workers who are filling common occupations but face severe housing cost burdens. This essential part of the workforce earns half or less of the region's median household income.

This paper focuses on the latter issue: specifically, the need to target public resources and policies to addressing the needs of the large share of the workforce that earns 50 percent or less of area median income. These workers represent 8 of the 20 most common occupations in the District of Columbia, and 5 of those 8 occupations pay wages that amount to 30 percent or less of area median income.

Introduction

"Workforce housing" is often used by politicians and business leaders to imply housing that's affordable to middle-income workers, such as teachers and firefighters. However, defining "workforce housing" this way often excludes the large number of low-wage earners in the workforce, such as janitors and administrative assistants, who are likely to spend the largest proportion of their incomes on housing.

In 2012, the Coalition for Smarter Growth studied workforce housing needs, and concluded that "the mayor and District council should define workforce housing based on the earnings of typical D.C. working families." Based on this analysis, the paper recommended targeting limited subsidy dollars to assisting households earning 80 percent of area median income, and below.

In this paper, we reexamine how the District can best address the housing needs of its workforce and efficiently target its resources. We've updated our 2012 analysis to make the case that the city can better support working households who find the housing market out of reach.

D.C.'s workforce is growing and changing

Increasingly, more of D.C.'s jobs are filled by workers who live in the city rather than commute in from surrounding jurisdictions. After decades of decline, beginning around 2000, D.C.'s population has grown rapidly, as has employment.
D.C. is expected to continue to grow, both in residents and in jobs. D.C. is projected to continue strong job growth through 2025 and maintain the largest share of our region's jobs at 25 percent.[1] This compares to 16 percent for Montgomery County, Maryland, and 21 percent for Fairfax County, Virginia. D.C. will continue to have more jobs than people, but rising interest in living in D.C. is closing that gap.

A recent analysis by the Metropolitan Washington Council of Governments concluded that the region as a whole faces a projected shortfall of 100,000 housing units, based on demand from future employment growth. The Council of Governments cautions area leaders that economic competitiveness will be undermined, and the transportation system further strained by long commutes if a sufficient supply of affordably priced housing for current residents and future workers is not available.[2] In response, Mayor Muriel Bowser has committed to producing an additional 36,000 housing units throughout the District, calling for every part of the city to play a role "in delivering the types of housing our residents need." Mayor Bowser also urged stakeholders to work together to produce deeply affordable housing and workforce housing.[3]

Enabling people to live close to their jobs has many discrete benefits. Personal benefits for working households include reduced commute time, lower transportation costs, increased flexibility about how to commute, including more sustainable and healthier options such as transit, bicycling and walking. Workers who live closer to their workplaces can have more time to be involved in their communities or spend time with their family and friends.

From a regional transportation and environmental perspective, more workers living close to their jobs reduces traffic congestion, infrastructure costs, water and air pollution, greenhouse gas emissions, and serious traffic crashes. The benefits of D.C. workers living near their work, in the core of the region, are amplified because a D.C. household typically has about half the carbon footprint of the average regional household.[4] The city is also more resilient if more workers can live close to their jobs. In disruptive events, whether human-made or natural, close-by workers are near their homes and services, and more readily available to assist with emergency responses.

Given the benefits, it should be a priority policy goal of D.C. government to ensure sufficient homes are available to allow more of D.C.'s working households to live in the District. While cost of housing is a major barrier for a number of leading occupations, lagging supply is an impediment for all. D.C.'s growing popularity as a place not only to work but to live is pressuring the city's housing supply, making housing prices high for not only low-income households but working households up the income ladder.

A baseline remedy is to reduce the cost and impediments to producing the housing necessary to keep pace with rising demand. While increased housing production does not necessarily directly address the housing needs of low-paid workers, insufficient supply will only worsen competition and push up prices where there is a constrained stock. Housing is like a game of musical chairs: When the music stops, if there are fewer chairs than people, someone is left standing. Those with less money will be left standing, without a chair—or, in reality, a home.

Land-use policies are an important lever to facilitate a housing market to supply affordably-priced homes for moderate- and middle-income households.[5] A housing market that provides more choices at a variety of prices helps all residents, but a gap will still remain between what low-paid workers earn and what housing costs. By ensuring the housing market provides options for moderate- and middle-income working households, decisionmakers can focus direct financial assistance on lower-income households who are poorly served by the market.

How is workforce housing defined?

The term “workforce” housing is not defined officially by the federal government or the District of Columbia. The term is often used by politicians or the private sector to distinguish housing needs for moderate- or middle-income households who do not qualify for subsidies for low-income households.

Mayor Muriel Bower’s Vacant to Vibrant initiative described workforce housing as 80-120 percent of area median income or “AMI.” Urban Land Institute’s Terwilliger Center for Workforce Housing uses the range of 60-120 percent AMI. The new Wharf in Southwest Washington built both what it called affordable for lower-income households (30 and 60 percent AMI) and “workforce” housing priced at 100-120 percent AMI, according to its public land disposition agreement.[6]

Recently, the D.C. area’s largest development company, JBG Smith, launched the Washington Housing Initiative, a corporate social impact initiative intended to create and preserve affordable workforce housing specifically aimed at “middle-income” families. It sets up an acquisition and development fund and a nonprofit organization to purchase housing that’s currently affordable to preserve it for working families in the D.C. region for 15 years, or longer. The effort is planned to serve families earning 60 percent and 100 percent area median income using private and philanthropic funds.

Given the widespread use of the 60 to 120 percent area median income range to define “workforce,” we find it reasonable to assume that most “workforce housing” policies and funding mechanisms are likely to target two-person households earning between nearly $53,000 and well over $100,000 per year.[7] But does that range match up with who works in D.C. and who is priced out? In this paper, we seek to better define what D.C.'s changing workforce looks like, and how interventions by the District government can best address the housing needs of major segments of its workforce.

What's the typical working household in D.C. like?

To understand the state of workforce housing in the District, we need first to understand the most common professions in the city, and how much money people working in those professions typically earn. We consulted the Bureau of Labor Statistics' occupational employment and wage estimates to find the 20 most common professions in the District. Table 1 highlights these occupations and their annual median wages.

Table 1: Top 20 DC Occupations by Employment Totals, 2017

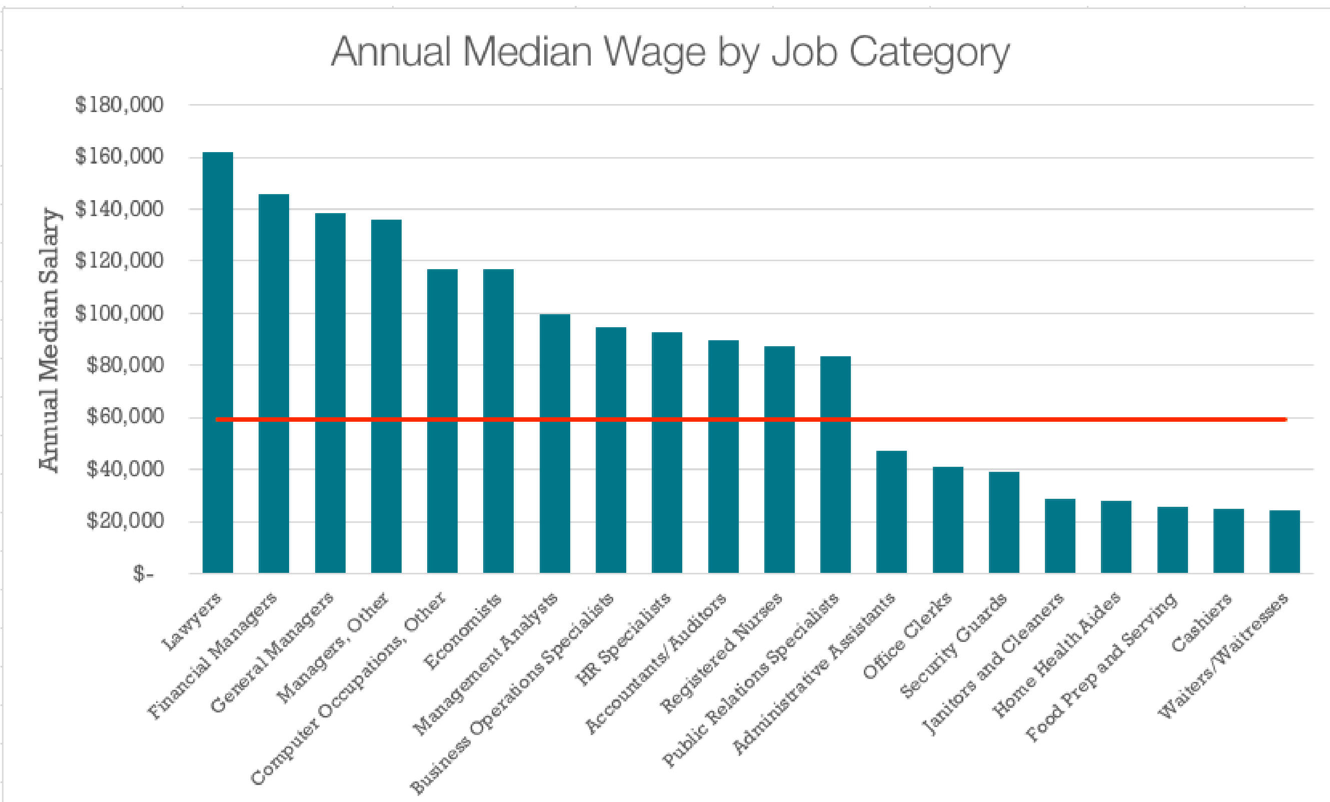
Occupation	Estimated Employment	Annual Median Wage
Lawyers	32,090	$ 161,900
Business Operations Specialists	31,400	$ 94,800
General Managers	26,210	$ 138,170
Managers, Other	20,010	$ 135,970
Management Analysts	19,420	$ 99,740
Public Relations Specialists	17,350	$ 83,810
Computer Occupations, Other	17,020	$ 116,920
Janitors and Cleaners	15,790	$ 28,930
Administrative Assistants	14,810	$ 47,340
Security Guards	13,900	$ 39,160
Registered Nurses	11,000	$ 87,040
Accountants/Auditors	10,860	$ 89,950
Office Clerks	9,580	$ 41,180
Cashiers	9,320	$ 24,800
Food Prep and Serving	8,710	$ 25,460
Waiters/Waitresses	8,440	$ 24,680
Economists	7,680	$ 116,910
Financial Managers	7,470	$ 145,630
HR Specialists	7,470	$ 93,010
Home Health Aides	6,910	$ 28,290

Source: Bureau of Labor Statistics, May 2017 State Occupational Employment

There is a wide variety in the incomes of D.C. workers, depending on their profession. The range among the top occupations in the city is vast: The median salary for a lawyer is $161,900 per year, while the median salary for a cashier is $24,800.

The divergence in salaries is unsurprising. D.C. has a large and growing gap between the wages earned by white-collar professional jobs and the wages earned by workers who provide essential services to many of the businesses upon which high-paid professionals rely for their day-to-day needs. Workers in the District are increasingly either high-income or low-income, with relatively few middle-income jobs available.[8] This is a phenomenon observed in other high-cost cities, but D.C.'s gap appears to be especially acute. This is easier to see in graph form. The red line below represents the U.S. median household income of $59,039.

Figure 1: Top 20 D.C. occupations by median wage, 2017



Source: Bureau of Labor Statistics, May 2017 State Occupational Employment

Note the significant gap—more than $35,000—beginning between public relations specialists ($83,810) and administrative assistants ($47,340). The most common service-sector jobs—security guards, cooks, janitors, and waiters—earn between roughly $20,000 and $40,000 annually. These are also some of the fastest-growing jobs.

Table 2 details the occupations with the most projected job growth nationally over the next decade, according to the Bureau of Labor Statistics. Occupations that are already among the 20 most common in D.C. are highlighted in yellow:

Table 2: U.S. Occupations with the Most Projected Growth, 2016-2026

Occupation	Employment Growth (Thousands)	Percentage Growth
Personal Care Aides	777.6	38.6%
Food Prep and Serving	579.9	16.8%
Registered Nurses	438.1	14.8%
Home Health Aides	431.2	47.3%
Software Developers	255.4	30.7%
Janitors and Cleaners	236.5	9.9%
General Managers	205.2	9.1%
Freight and Materials Movers	199.7	7.6%
Medical Assistants	183.9	29.0%
Waiters/Waitresses	182.5	7.0%
Nursing Assistants	173.4	11.5%
Construction Laborers	150.4	12.4%
Cooks	145.3	11.8%
Accountants/Auditors	139.9	10.0%
Market Research Analysts	138.3	23.2%

Source: Bureau of Labor Statistics, April 2018 Employment Projections

Job Category within Top 20 Occupations in Washington DC, 2017

Based on these projections, it is reasonable to expect, for the foreseeable future, steady growth of D.C.'s workforce in service-industry occupations such as food preparation, serving, nursing, and janitorial work. Within a decade, these jobs will likely have an even more prominent place in the top 20 most common occupations in the city.

Matching incomes to housing costs

What does the current, and changing, nature of the District's workforce mean for housing policy? The data tell a clear story: Service-sector work will be increasingly in demand in the District's economy, and housing assistance programs aimed at providing "workforce housing" will need to focus on workers in these occupations given their lower wages and greater economic vulnerability.

The District of Columbia, using HUD standards, sets housing affordability levels according to Area Median Income. AMI is the median annual income based on household size within a metropolitan area. For FY 2018, AMI in Metropolitan Washington is calculated as

What is "Area Median Income" or AMI?

In housing policy, "Area Median Income" typically refers to the US Department of Housing and Urban Development (HUD) Area Median Family Income (HAMFI or just AMI), which is a measure of household income for the metropolitan region, adjusted for household size. The statutes and regulations for District affordable housing programs most often stipulate that income eligibility is to be set in reference to this federal standard. Use of the HUD standard provides a common reference point across D.C.'s housing programs. Also, the District often mixes federal and local resources in developing a single affordable housing property and the use of a standard income reference facilitates the development and compliance process.

Why we use the AMI benchmark

It has been proposed several times that the District use its own median household income as the benchmark for its housing programs because it is lower than the regional median income. However, the District's median income has been growing faster in recent years and more generally such a change would pose practical and communications challenges for Department of Housing and Community Development (DHCD) and other District housing agencies. Requiring the District to translate between the HUD standard and D.C.'s own income measure would add to the confusion surrounding affordable housing policy. For these reasons, we use the standard HUD household income reference point but propose lowering income targets to address D.C.'s housing needs based on D.C. worker earnings and household housing cost burden measures.

$93,800 for a household of 2, $105,500 for a household of 3, and $117,200 for a household of 4.[9]

Given that the average household size in the District of Columbia is 2.24 people per household, we use the AMI for a two-person household to determine the percentage of area median income of the top 20 occupations.

Table 3: Wages by Area Median Income for Washington DC Residents, 2018 Figures

Occupation	Estimated Employment	Annual Median Wage	% of 2018 AMI (Household of Two)
Lawyers	32,090	$ 161,900	173%
Business Operations Specialists	31,400	$ 94,800	101%
General Managers	26,210	$ 138,170	147%
Managers, Other	20,010	$ 135,970	145%
Management Analysts	19,420	$ 99,740	106%
Public Relations Specialists	17,350	$ 83,810	89%
Computer Occupations, Other	17,020	$ 116,920	125%
Janitors and Cleaners	15,790	$ 28,930	31%
Administrative Assistants	14,810	$ 47,340	50%
Security Guards	13,900	$ 39,160	42%
Registered Nurses	11,000	$ 87,040	93%
Accountants/Auditors	10,860	$ 89,950	96%
Office Clerks	9,580	$ 41,180	44%
Cashiers	9,320	$ 24,800	26%
Food Prep and Serving	8,710	$ 25,460	27%
Waiters/Waitresses	8,440	$ 24,680	26%
Economists	7,680	$ 116,910	125%
Financial Managers	7,470	$ 145,630	155%
HR Specialists	7,470	$ 93,010	99%
Home Health Aides	6,910	$ 28,290	30%

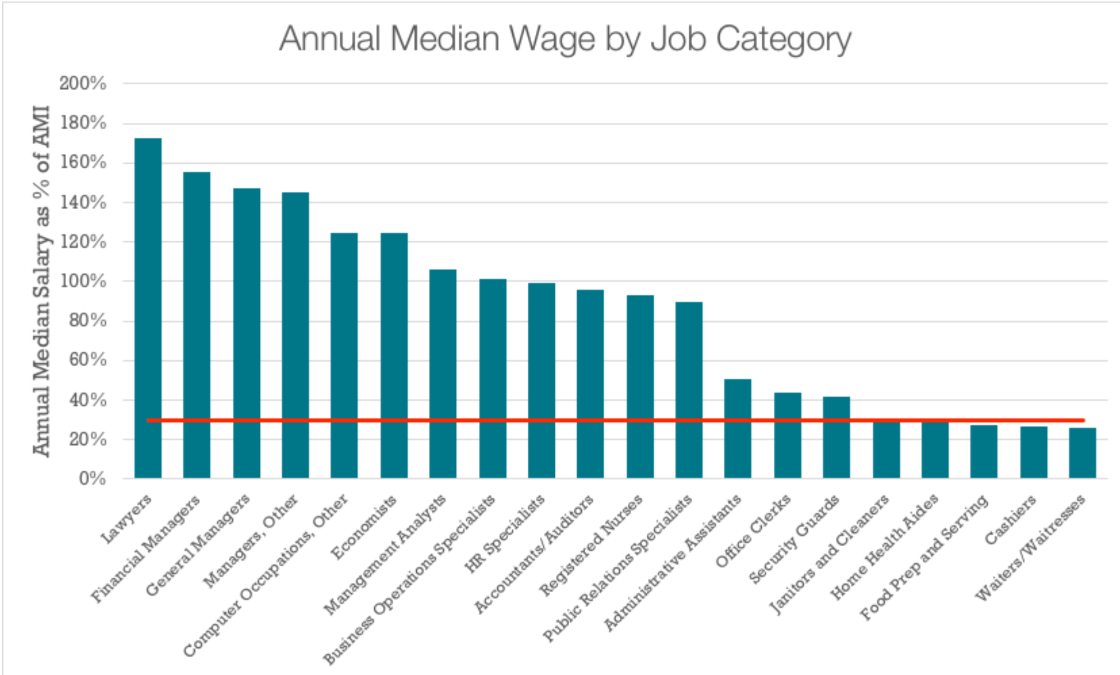
Source: Bureau of Labor Statistics, May 2017 State Occupational Employment

Notably, many of the fastest-growing service jobs in the District—home health aides, food preparation, and waiters/waitresses—earn 30 percent of AMI or below, a threshold which HUD defines as "extremely low income."

Figure 2 presents D.C.'s top occupations in relation to 30 percent AMI, shown with a red line.

Figure 2: Top 20 D.C. occupations by Area Median Income Level, 2017

(Red line shows 30 percent AMI threshold)

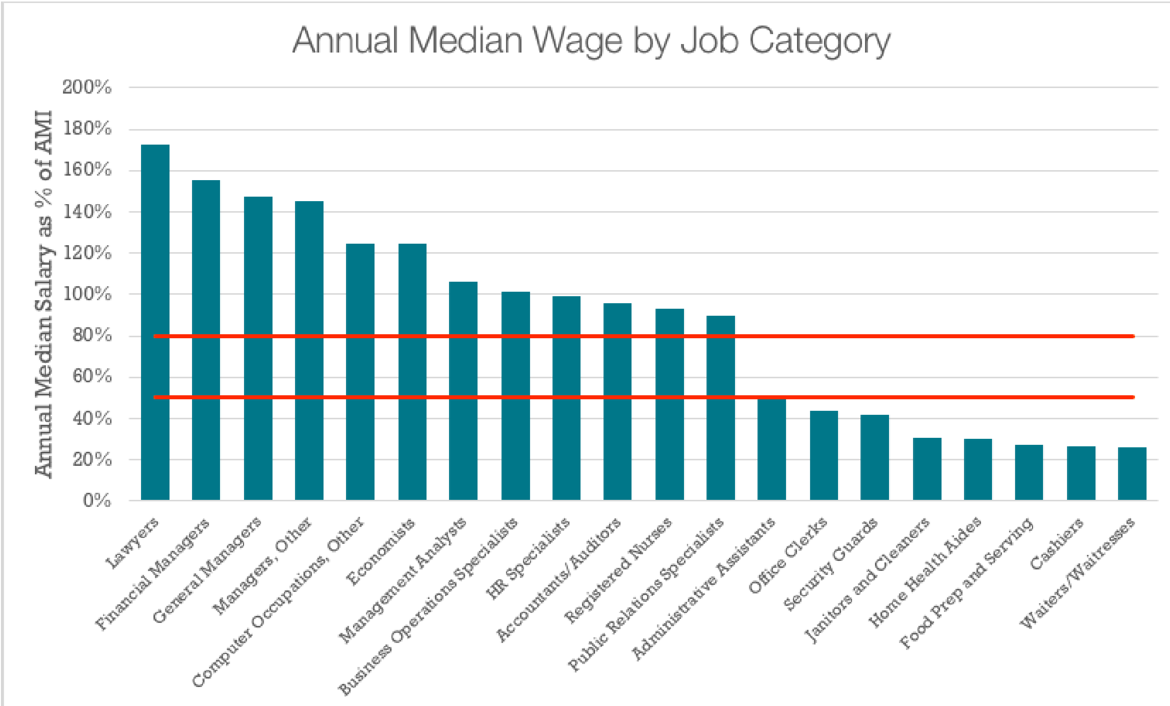


Source: Bureau of Labor Statistics, May 2017 State Occupational Employment

And, Figure 3 shows that not a single one of the most common 20 occupations in the District earns a median income that is between 50 percent and 80 percent of area median income (typical incomes are either above 80 percent AMI or below 50 percent AMI). The red lines below represent that 50 percent to 80 percent AMI range.

Figure 3: Top 20 D.C. occupations by Area Median Income, 2017

(Red lines mark 50-80 percent AMI range)

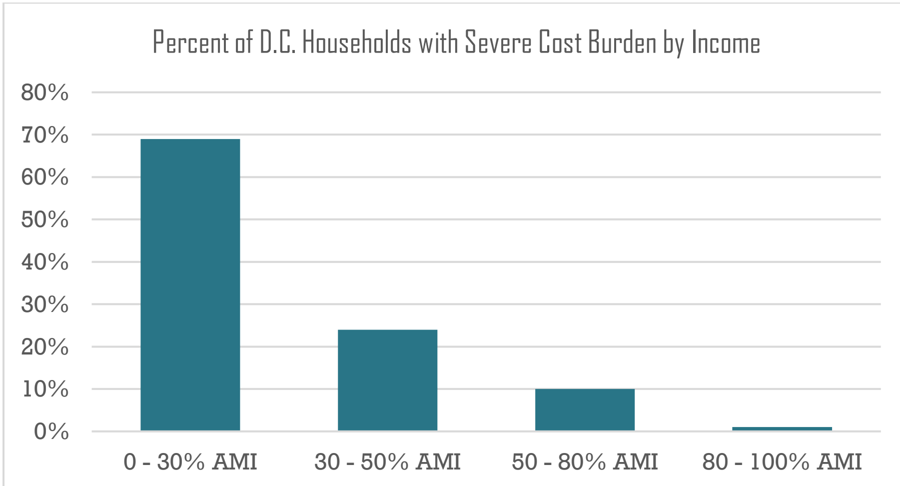


Source: Bureau of Labor Statistics, May 2017 State Occupational Employment

This finding has significant implications for the District's affordable housing policies. Above 80 percent or higher AMI is often considered the "workforce housing" income level, but this threshold does not capture the most common occupations in the city facing severe housing cost burdens. This income targeting misses the growing low paid service-sector class that is most in need of housing assistance. Recent analysis by the National Low Income Housing Coalition shows that D.C. households earning 50 percent of AMI or below are far more likely than those earning 80 percent AMI to face a severe housing cost burden, defined as spending half or more of income on housing (Figure 4).[10]

Figure 4: D.C. households with severe cost burden

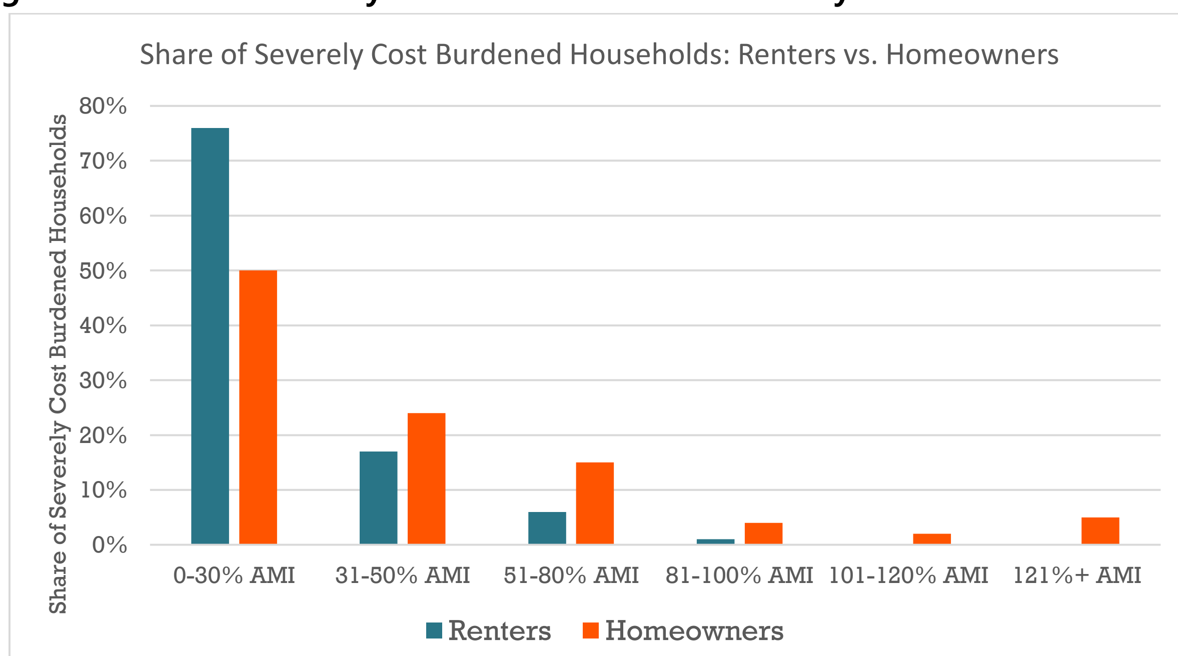
(Paying more than half of household income for housing)



Source: National Low Income Housing Coalition, "The Gap", March 2018

Severely cost burdened renter households are overwhelmingly concentrated below 30 percent AMI (Figure 5).

Figure 5: Share of severely cost-burdened households by tenure

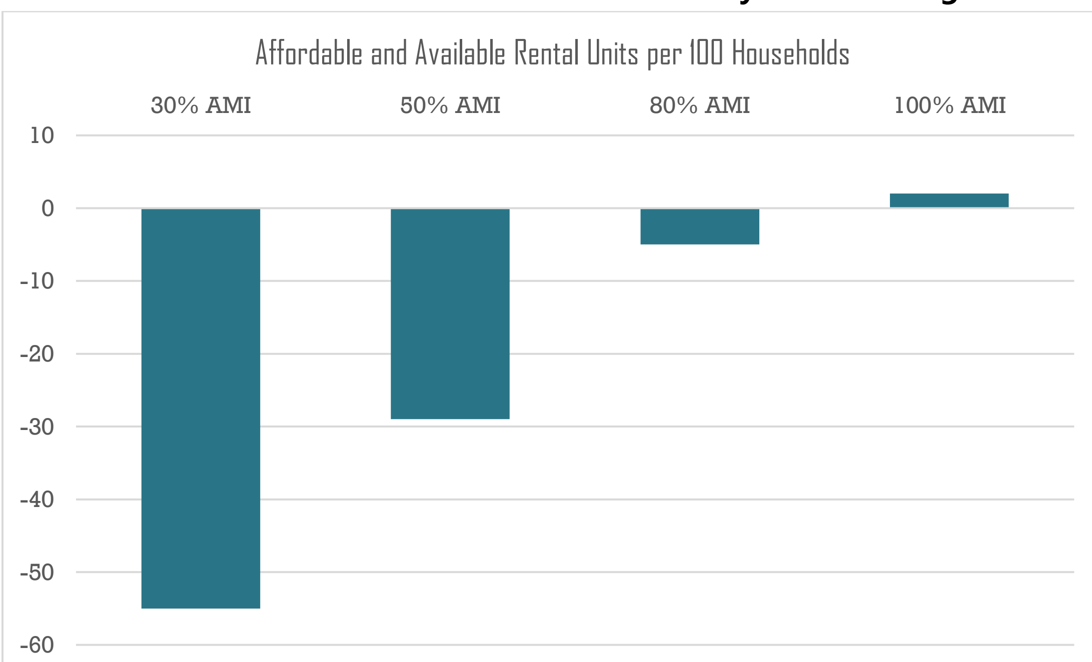


Source: DCFPI Analysis of 2012-216 American Community Survey PUMS

(Calculated Using HPTF Income Limits)

In Figure 6, data from the National Low Income Housing Coalition show that the District faces a significant deficit in affordable and available rental housing for households earning up to 50 percent AMI, a relatively small deficit for households earning 80 percent of AMI, and a surplus of such housing for those earning 100 percent AMI.[11] Availability refers to units that are affordable to a certain income group being either occupied by that income group or vacant. Commonly, higher-income households occupy housing that is affordable to lower-income households. This is likely a condition experienced more often where housing supply is constrained like D.C.

Figure 6: Affordable and available D.C. rental units by income range

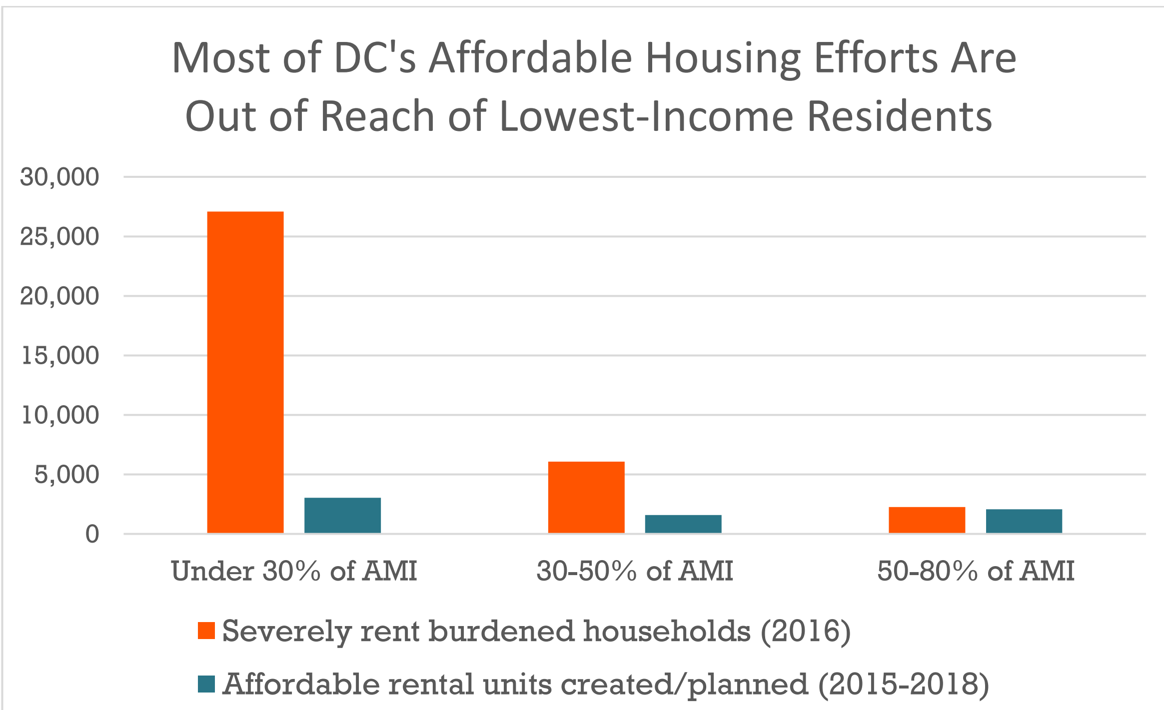


Source: National Low Income Housing Coalition, "The Gap", March 2018

Collectively, these data show that the District's most pressing workforce housing need is not for those earning 80 percent of AMI, and that relatively few occupations in the District earn between 50 percent and 80 percent of AMI. Rather, the housing most needed in the city for workers is for those who earn below 50 percent of AMI.

As the District considers income targeting for its housing assistance programs, these data demonstrate that limited subsidy dollars for "workforce housing" should be targeted below 50 percent AMI rather than at or above 80 percent. Without this assistance, it will be difficult to create and retain housing for the District's workers who are increasingly saddled with severe cost burdens. Figure 7 shows that despite increased investment in housing assistance, subsidies fail to provide much relief to the largest share of rent-burdened households who are earning 30 percent of AMI or below.

Figure 7:



Source: Claire Zippel, D.C. Fiscal Policy Institute, Building the Foundation: A Blueprint for Creating Affordable Housing for D.C.'s Lowest-Income Residents, April 2018, DCFPI analysis of 2016 American Community Survey 5-Year PUMS[12]

Special attention should be paid to the growing segment of the workforce earning 30 percent of AMI and below; these workers represent a growing number of "working poor" households whose income tends to keep them hovering around the federal poverty line despite full-time employment.[13]

These occupations include janitors and cleaners, home health aides, food servers, and cashiers. Such workers tend to have the most difficult time finding housing in the District they can afford, despite the growing number of job opportunities.

The Fix: Focus D.C. workforce housing subsidies at 50 percent AMI and below

Eight of 20 of D.C.'s most common occupations earn the equivalent of 50 percent of AMI or less. In fact, 5 of 20, or 25 percent, of the city's top jobs pay 30 percent of AMI or less. With a substantial portion of the city's workers not earning enough to find housing they can afford, District policies need to refocus assistance toward these very low- and extremely low-income households.

The District is to be commended for being a national leader in locally funded housing and affordable housing policies. D.C. leads the country with one of the largest locally funded housing trust funds, an aggressive public land disposition affordability requirement, inclusionary zoning targeted at 60 percent AMI for renters (80 percent AIM for ownership)[14] and a local tenant voucher program called Local Rent Supplement Program. D.C.'s Housing Production Trust Fund, funded at $100 million for the last few years, offers funds for rental preservation and new construction exclusively at 50 percent AMI and below. Similarly, the affordable housing requirements for public land dispositions focus on 30 and 50 percent AMI for rentals. In the case of for-sale projects, both D.C. programs set the upper income limit at 80 percent AMI.

D.C. also utilizes a number of federal subsidies, such as Low Income Housing Tax Credits and Housing Choice Vouchers. In addition, D.C. uses non-subsidy tools like Inclusionary Zoning, which offsets the cost of below-market-rate housing requirements by providing bonus density in new developments. Inclusionary zoning establishes an affordable housing baseline requirement for matter-of-right development, but discretionary zoning approvals, such as a Planned Unit Development (PUD), offer the opportunity to increase the amount of affordable housing provided. While PUDs have significantly expanded the amount of overall housing and IZ units above matter-of-right development, requirements for unsubsidized residential projects receiving PUD approvals have only modestly increased the percent of affordable units or the depth of affordability beyond what IZ would require for the scale of the project proposed.[15]

Still, while D.C. has a comparatively robust set of tools, recent affordable housing production and the project pipeline continue to build or preserve most homes affordable at the 50-80 percent AMI level, even though the greatest need for the most common occupations and lower-income households falls below this level of affordability.[16]

To ensure that all who work in D.C. can have the opportunity to live here, the District needs to target its housing investments and programs to address those with the largest and growing housing cost burden. The city should update local housing investment and policy priorities based on demand data.

We recommend that financial assistance intended to help D.C's cost-burdened workforce families cap income targeting at no more than 60 percent AMI and focus most rental housing assistance at 30 percent of AMI and 50 percent of AMI. Our specific implementation recommendations are:

1. **Greatly expand rental assistance to help low-paid workers who make up a sizable share of D.C.'s workforce**

D.C.'s Local Income Supplement Program provides monthly rental subsidies to pay the difference between the rent a household can afford, and the cost of renting the unit. The program includes both tenant-based and project-based rental assistance for extremely low-income households, or those earning 30 percent AMI. LSRP is the city's locally funded program modeled on federal housing choice vouchers. The two components of LRSP were funded in FY19 budget for $81.2 million, serving approximately 5,380 households,[17] an increase over the previous year.

LSRP's project-based funding, which pairs a rent subsidy with new affordable housing construction, is usually financed through the Housing Production Trust Fund. Both forms of LRSP are essential to covering the gap between the operating cost of a unit and the amount an extremely low-income household can afford to pay, if paying no more than 30 percent of their income toward housing. The program has been expanded on an irregular basis and is still only reaching a small share of severely cost-burdened households, and a small share of D.C.'s 2006 housing strategy goal of assisting 14,600 families.[18] Many of these households provide the workforce for common occupations such as food preparation and servers, janitors and cleaners, and security guards.

Expanded use of tenant-based LRSP can leverage value of other sources of affordable housing to lower income targeting. LRSP could be paired with programs such as Federal Low-Income Housing Tax Credits and D.C.'s Inclusionary Zoning program, both which largely provide rental housing at the 60 percent AMI level.

In the case of Inclusionary Zoning, which requires 8-10 percent lower-priced units in most new private, unsubsidized residential matter-of-right developments, pairing LSRP subsidies to IZ units could give low income working households more options to live closer to their jobs and in high amenity neighborhoods. For discretionary development review cases that are decided by the Zoning Commission, such as Planned Unit Developments, LRSP subsidies could be explicitly paired with IZ rental units to reach 30 percent AMI households. This could leverage a 60 percent AMI Inclusionary Zoning unit to be affordable to extremely low-income levels. However, this is only a possibility if LRSP funding is greatly increased since existing rental assistance is already committed to a pipeline of important affordable housing projects and families.

2. **Add funding and refocus the Housing Production Trust Fund and other programs to allocate a majority of funding to serving households at 30 percent AMI and below**

In addition to expanding funding for the Housing Production Trust Fund, now at $100 million a year, the fund needs to meet and exceed its statutory requirement that 40 percent of funds support housing serving households at the 30 percent AMI level. We recognize that serving more 30 percent AMI households depends on expanding LRSP to provide necessary operating funds to cover the cost of housing at this deeply subsidized level.[19] We commend the current administration's policy of only considering HPTF funding for rental housing assistance for households at the 50 percent AMI level and below. However, HPTF is obligated to spend 40 percent of its resources on extremely low-income housing, or 30 percent AMI and below, but has only once met this requirement during the current five-year period of 2015-2019. Given that other sources of affordability, such as Low Income Housing Tax Credits and IZ are delivering units at the 60 percent AMI level, HPTF should refocus a majority of its resources at 30 percent AMI.

3. **Focus assistance to first-time homebuyers at 80 percent AMI and below**

D.C. should continue to support homebuying assistance programs like the Home Purchase Assistance (HPAP) program, which provides interest-free loans and closing cost assistance to qualified applicants to purchase homes. Assistance, like HPAP, is also paired with other subsidies like IZ to reach buyers who are unable to achieve homeownership solely with their income and savings.

HPAP is an appropriate, and cost-effective tool for assisting D.C. working households earning up to 80 percent AMI. Eighty percent AMI is a reasonable top limit for direct assistance to homebuyers given that few households are experiencing a severe housing cost burden above this income threshold.

Complementing a demand-side assistance program like HPAP, the city's investment in subsidies to build affordable homeownership units should also establish clear shared-equity policies. Shared-equity balances the goal of helping low income households become homeowners while preserving the affordability of the homes for the next generation of would-be home buyers. In this way, public investments can help more families become homeowners and benefit from security of tenure, stable housing costs, savings, wealth-building, and other ownership benefits.[20]

4. **Harness demand for market-rate housing and the city's growing prosperity to produce more housing to serve D.C.'s moderate and low paid working households.**

D.C. must realign its land-use policies to ensure that the housing market is keeping pace with demand by workers who wish to live in the city. New housing should be easier to build, especially close to transit, commercial corridors and employment centers. Further, the District can leverage market demand to deliver more affordably-priced homes to a larger portion of the workforce facing cost burdens. Given the District's strong economy, it is in an enviable position to use the strength of market demand to build and preserve more affordable housing through mechanisms such as Inclusionary Zoning, Planned Unit Developments, public land dispositions, and other mixed-income housing efforts that leverage market value to generate or preserve more lower-priced homes.

In particular, we recommend that the District amend the D.C. Comprehensive Plan and development review procedures for Planned Unit Developments and zoning tools to restore PUDs as a tool for gaining community benefits, and more affordable housing that substantially exceeds IZ levels, as part of larger market-rate projects. These steps are necessary to establish more predictable processes for building more housing so that the risk and cost of new housing can be contained. Changes to the Comprehensive Plan and zoning rules should clarify that sites located near transit lines, in high growth neighborhoods, near downtown, other major employment centers and near sought-after amenities such as high-performing public neighborhood schools should be given high priority for increased housing along with workforce and affordable housing opportunities. As a matter of policy, D.C. government, the D.C. Council, the Zoning Commission, and the Comprehensive Plan should adopt a definition that "affordable workforce housing" refers to serving households earning 50 percent or no more than 60 percent AMI.

Conclusion

The District faces two challenges as it looks to help working households who seek to live near their work. Continued job growth coupled with increased demand by workers to live closer to their jobs is generating new pressure on the D.C. housing market, pushing up prices. This is happening even as production in D.C. is at historically high levels. To build a more resilient, sustainable, and equitable economy requires the District to make housing easier and less costly to build by reforming land-use policies. Easing impediments to housing production would enable more working households who could be better served by the housing market to rely on no or only small amounts of public assistance to secure homes to meet their family's needs.

However, a sizable share of D.C.'s most prevalent occupations need more than a better functioning market. If people working in a substantial proportion of jobs in D.C. are not paid more, we need orders of magnitude greater investment in subsidies to help these workers live near their work. To make federal, local, and private resources more effective to responding to current and forecasted workforce housing demand, the District should prioritize and target support to its increasing number of workers earning 50 percent, and 30 percent AMI or less. Many of the tools are in place, but without a new level of funding commitment and targeting of resources to those facing the greatest need, a major part of the city's workforce will not find homes within financial reach. This will cause workers to pay increasingly excessive amounts of their limited incomes to housing, or be forced into long, costly commutes, adding to regional traffic. At worst, working households will experience homelessness. Without a greater commitment to a housing market that works better for most workers, and housing assistance for low paid workers, the District will fall further behind in the goal of enabling more working families to live near their work.

Acknowledgements

The authors wish to thank Claire Zippel and Melissa Bondi for their helpful insights and data provided for drafts of the paper. Thanks also to Stewart Schwartz, Alex Baca, and Kate Jentoft-Herr for their thoughtful edits and advice. The authors and the Coalition for Smarter Growth are solely responsible for the content of this report.

---

[1] Metropolitan Washington Council of Governments, Summary of Intermediate Employment Forecasts, Final Round 9.1 Cooperative Forecasts, Final COG Board of Directors October 10, 2018. https://www.mwcog.org/documents/2018/10/17/cooperative-forecasts-employment-population-and-household-forecasts-by-transportation-analysis-zone-cooperative-forecast-demographics-housing-population/

[2] Chuck Bean, Metropolitan Washington Council of Governments, Executive Director Memorandum to COG Board of Directors, "Meeting the Region's Current and Future Housing Needs," September 5, 2018. https://www.mwcog.org/documents/2018/09/12/regional-housing-memo-to-cog-board-cog-board-affordable-housing-housing/

[3] Government of the District of Columbia Newsroom, "Mayor Bowser Delivers Second Inaugural Address." January 2, 2019. https://dc.gov/release/mayor-bowser-delivers-second-inaugural-address

[4] Coalition for Smarter Growth, GreenPlace Certification: Living where green transportation prevails, 2017 https://www.smartergrowth.net/wp-content/uploads/2016/09/GreenPlace-report-PUBLIC.pdf

[5] Jonathan Woetzel, Sangeeth Ram, Jan Mischke, Nicklas Garemo, and Shirish Sankhe, McKinsey Global Institute, Tackling the world's affordable housing challenge, 2014 https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Urbanization/Tackling%20the%20worlds%20affordable%20housing%20challenge/MGI_Affordable_housing_Full%20Report_October%202014.ashx

[6] See Coalition for Smarter Growth, Public Land for Public Good, 2012, https://www.smartergrowth.net/wp-content/uploads/2012/11/pl4pg-final.pdf, and District of Columbia Council Bill B18-1075 - SOUTHWEST WATERFRONT REDEVELOPMENT CLARIFICATION ACT OF 2010, http://lims.dccouncil.us/Download/23230/B18-1075-SignedAct.pdf

[7] Data source: HUD FY2018 Income Limits Documentation System, FY2018 Income Limits Summary for Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area. https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn. We use a 2-person household as our standard household size because DC's average household size is 2.24 persons per household according to the 2012-2016 American Community Survey.

[8] Drew DeSilver, Pew Research Center, For most U.S. workers, real wages have barely budged in decades, August 7, 2018. http://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/

[9] US Department of Housing and Urban Development, FY 2018 Income Limits Documentation System

[10] Historically, HUD has set the definition of "housing cost burdened" to mean spending 30 percent of household income on housing. However, in high cost areas, like D.C., spending 30 percent of household income is common. Given overall high costs, using the metric of "severe housing cost burden," or spending 50 percent of household income on housing costs is a more useful measure for assessing need in high cost areas. See more discussion of cost burden at HUD USER, PD&R Edge: Rental Burdens: Rethinking Affordability Measures, https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html

[11] https://nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf

[12] https://www.dcfpi.org/wp-content/uploads/2018/04/Building-the-Foundation-Report-FNL.pdf

[13] Bureau of Labor Statistics, "A Profile of the Working Poor, 2015", BLS Reports, April 2017

[14] DC's IZ income targeting changed in 2017, so much of existing IZ units are priced at 80 percent AMI based on the original program standards. See: "Inclusionary Zoning Regulations Finalized," Thursday, January 4, 2018. https://dhcd.dc.gov/release/inclusionary-zoning-regulations-finalized, and DC Department of Housing and Community Development (DHCD), Inclusionary Zoning Fiscal Year 2017 Annual Report, May 2018. https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/DHCD%20FY2017%20IZ%20Annual%20Report%20final.pdf

[15] Eric D. Shaw, Director, DC Office of Planning, Fiscal Year 2017-2018 Performance Oversight Hearing, Testimony before the Committee of the Whole, Council of the District of Columbia, February 28, 2018, states PUDs generated four times the number of affordable units that would be required under matter of right development under Inclusionary Zoning regulations. According to an assessment of appealed PUDs, which include both 100% affordable and mixed income projects, market-rate projects do not demonstrate a substantial increase in the percent of IZ units over the minimum 8 percent baseline requirement. See: Coalition for Smarter Growth, Stalled PUD Applications, May 2018. https://docs.google.com/spreadsheets/d/1KmO74rKM9Okr-gtOZDz0vFWx14_bGdjTIGT3_nX70vs/edit?usp=sharing

[16] Claire Zippel, 2018, Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest Income Residents. DC Fiscal Policy Institute. https://www.dcfpi.org/all/building-the-foundation-a-blueprint-for-creating-affordable-housing-for-dcs-lowest-income-residents/

[17] Claire Zippel, 2018 What's In the Approved Fiscal Year 2019 Budget for Affordable Housing?. DC Fiscal Policy Institute. https://www.dcfpi.org/all/whats-in-the-approved-fiscal-year-2019-budget-for-affordable-housing/, and email communication, August 7, 2018.

[18] Government of the District of Columbia, Homes for an Inclusive City: A Comprehensive Housing Strategy for Washington, D. C., 2006, https://www.brookings.edu/wp-content/uploads/2016/06/housingstrategy_fullreport.pdf, and DC Fiscal Policy Institute, The Local Rent Supplement Program brief, April 11, 2016, https://www.dcfpi.org/wp-content/uploads/2016/04/16-04-LRSP-Brief.pdf

[19] Claire Zippel, DC Fiscal Policy Institute, Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents, April 2018. https://www.dcfpi.org/wp-content/uploads/2018/04/Building-the-Foundation-Report-FNL.pdf

[20] For more on shared equity homeownership, see Brett Theodos, et al, Urban Institute, https://www.urban.org/sites/default/files/publication/88876/affordable_homeownership_0.pdf, Coalition for Smart Growth Long-term housing affordability for the District of Columbia, 2017, https://www.smartergrowth.net/wp-content/uploads/2017/03/LongTermAffordability_FINAL_web.pdf.