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Affordable Housing Policies in the Washington D.C. Metropolitan Area

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AFFORDABLE HOUSING POLICIES

IN THE WASHINGTON D.C. METROPOLITAN AREA

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INTRODUCTION

Affordable housing for many is a right; for others, it is an unjustified public expense. Each country, state, and city have their own policies with merits and demerits. The provision of affordable housing can offer numerous benefits, including improved access to safe housing, reduced homelessness and housing insecurity, and economic and social well-being. However, there are also significant challenges associated with affordable housing policies, including financial sustainability, inadequate supply, segregation, and the concentration of poverty. This thesis investigates the affordable housing policies in the metropolitan area of Washington D.C.. It discusses their effectiveness, inclusiveness, and sustainability, and how these policies have impacted low-income households and communities in the Capital area. Although progressive in some ways, the affordable housing policies in Washington D.C. have been largely ineffective and have resulted in negative consequences such as excessive vacancies, gentrification, and the perpetuation of social and economic inequality mostly based on race. This highlights the need for alternative solutions to address the housing crisis in the city.

THE COST OF HOUSING IN THE UNITED STATES AND THE ROLE OF THE GOVERNMENT

How much should housing cost? The Federal Department of Housing and Urban Development (DHUD) defines affordable housing as “a dwelling that a family or household can obtain-whether through rent, purchase or other means-that costs 30% or less of the housing

income."[1] According to the Joint Center of Housing Studies of Harvard University, in 2017, 31.5% of all American households were considered cost-burdened by housing because they spent over 30% of their monthly income on rent or mortgage. Indeed, 15.2% spent over 50% of their month income on housing. The 31.5% represents about 40 million households and over 100 million Americans who do not have affordable housing[2].

The situation is worse for renters than homeowners. According to Property Management, almost 44 million units were rented in 2021, which is approximately 36% of the US households. Among renters, 54% spent over 30% of their income on rent, and 25% spent over 50% of their income on rent in 2021[3]. This compares to 28% of homeowners who are cost-burdened by housing. In summary, rental costs are high and rising. There is not enough affordable housing in the US to meet demand.

Lack of affordable housing is arguably one of the reasons that Federal and State Governments felt the need to become important players in the affordable housing market. The main government rental assistance programs targeted both public and private sectors. They include providing incentives to real estate developers through vouchers and project-based rental assistance on one side and building and renting public housing on the other.[4] A brief history of these interventions is described in the next section.

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[1] "What Is Considered Affordable Housing and Why It Matters." 2021. CommonBond Communities. July 12, 2021. https://commonbond.org/affordable-housing-what-it-is-and-why-it-matters/.

[2] Veal, Sean , and Jonathan Spader. 2018. "Nearly a Third of American Households Were Cost-Burdened Last Year | Joint Center for Housing Studies." Www.jchs.harvard.edu. December 7, 2018. https://www.jchs.harvard.edu/blog/more-than-a-third-of-american-households-were-cost-burdened-last-year.

[3] "Homeowners vs Renters Statistics & Demographics by State [2020]." 2022. IPropertyManagement.com. July 12, 2022. https://ipropertymanagement.com/research/renters-vs-homeowners-statistics.

[4] Public housing developments provide affordable homes to 1.8 million low-income Americans. "Policy Basics: Public Housing." 2021. Center on Budget and Policy Priorities. June 16,2021.

HISTORY OF AFFORDABLE HOUSING POLICIES IN THE UNITED STATES AND THE DISTRICT OF COLUMBIA

Affordable housing is a complex and broad concept intertwined with many disciplines, such as finance, politics, and social services. The programs began in the early 1930s when the federal government started intervening on construction and finance programs meant to alleviate some of the housing challenges caused by the Great Depression. The term *affordable housing* was first used in 1934 and introduced by the Federal Housing Administration with the aim of making home ownership affordable to a broader segment of the population. The National Housing Act of Congress[5] also established a mortgage insurance program for lower income households. It has since become a pivotal part of politics and laws.[6]

Housing policies and related financing programs were determined also by the level of risks associated with the area that was ultimately tied to race. In fact, the Homeowner Loan Corporation (HOLC) created Residential Security Maps starting in 1935. The maps were used to define and indicate how secure a real estate investment would be in a given area. The maps identified four color grades, representing the safest zones as green, the blue zones are 'still desirable,' the 'definitive declining' are yellow zones, and 'hazardous' zones as the red zones. The red zone or "redlined" neighborhoods that were defined the riskiest were predominantly inhabited by people

[5] The Wagner-Steagall Housing Act, also known as the National Housing Act. It helped stimulate the construction industry and created jobs. It improved housing standards and conditions through modernization and repair provisions.

[6] "-7 NATIONAL LOW INCOME HOUSING COALITION." 2015. https://nlihc.org/sites/default/files/Sec1.03_Historical-Overview_2015.pdf.

of color.[7] Around the same time, the Federal Housing Administration (FHA) developed a Risk Rating System. The FHA stated in its underwriting manual that neighborhoods that were principally made up of mixed race would lead to the decrease in property value.[8] Therefore, the FHA subsidized real estate developers building in White neighborhoods, with a specific requirement that no homes were to be sold to people of color nor mixed race. Clearly, both authorities connected housing security/safety to race and refused to assist non-Whites with their affordable housing policies.

Figure 1 (as seen below) is a prime example of what the HOLC Security Map looked like for Washington D.C. and the impact it had on the real estate investments subsequentially made in the city. In 1935, in Washington D.C. the South-Eastern areas were already identified as the riskiest, namely zone number seven (7), as well as downtown in zone one (1), and outside the boarders of the district in Takoma Park and Chevy Chase.

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[7] Grosso, David. "Affordable Housing in D.C. through the Years." David Grosso, Chairperson, Education Committee. David Grosso, Chairperson, Education Committee, December 22, 2016. http://www.davidgrosso.org/grosso-analysis/2014/8/28/affordable-housing-in-dc-through-the-years.

[8] David Gross, "Affordable Housing in D.C. through the Years."

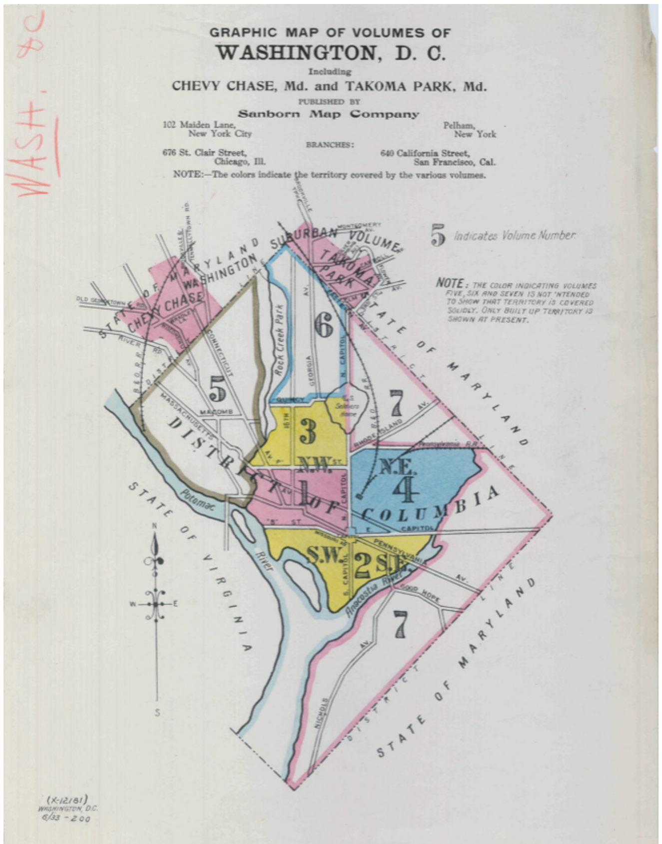

Figure 1-HOLC Residential Security Map of Washington D.C. from 1935.

One of the main goals of the Housing Acts of the 1930s was to help address the needs of lower-income families by making rental homes more affordable in cities through federal subsidies given to the public housing agencies of the area. The first federally funded public housing project was the Techwood Homes in Atlanta, GA in 1935, followed by the Langston Terrace Dwelling in Northwest Washington D.C., in the Kingsman Park neighborhood. Unfortunately, this did nothing in regards of improving the history of racial segregation and discrimination in the housing system.[9] As Richard Rothstein wrote in his book, *A Forgotten History of How Our Government Segregated*

[9] David Gross, “Affordable Housing in D.C. through the Years.”

America under the public housing programs "the racial character of a neighborhood would dictate the race of the occupants for public housing."[10] In other words, the pre-existing segregation remained intact.

Public housing was a primary solution for people of color due to them being unable to receive loans. However, the public housing policy was designed to keep its residents' poor, making them unable to break free of the poverty cycle. Richard Rothstein wrote extensively about it.[11] He sustained that mortgages were not provided in African American neighborhoods because they were identified as risky or "redlined." Therefore, the only option for them were public houses, which ultimately contributed to segregation. Public housing was in fact often referred to as a band-aid for housing reform, a façade to show that "change" was being made.[12]

Regrettably, federal policies of the 1940s contributed even further to segregation. Let's take the Southwest quadrant in Washington DC as an example, where many Black-owned business and Black homeowners resided at the time. It was an area and a community that was experiencing great growth and was thriving. Despite this, the federal government and the city planners decided that the Southwest quadrant would receive an "urban renewal." This meant that over 550 acres made up of mainly Black owned homes and Black owned businesses would be destroyed in order to build new offices, high rise buildings, and shops. This project resulted in the disembowelment of the thriving culture and history of the Black neighborhood as well as the displacement of thousands of individuals. The message this project gave communities of color was that their

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[10] Richard Rothstein "A Forgotten History of How Our Government Segregated America, which was quoted in Gross, Terry. 2017. "A 'Forgotten History' of How the U.S. Government Segregated America." NPR. May 3, 2017. https://www.npr.org/2017/05/03/526655831/a-forgotten-history-of-how-the-u-s-government-segregated-america.

[11] Richard Rothstein "A Forgotten History of How Our Government Segregated America

[12] David Gross, "Affordable Housing in D.C. through the Years."

interests ware not important to either the local or federal government. The second phase of affordable houses policies started after the Second World War and increased the focus on private developers and financial plans to support them. Forced gentrification started in the 1940s and reduced even further the ability of people of color to afford decent houses in "not too risky" neighborhoods, and this persisted through the 1950s.[13].

Residential security policies had an immense negative impact on specific segments of the population. They denied minorities and people of color the possibility to receive loans and access credit for decades. Residential security policies have been identified as key in the definition of structural racism. Structural racism explains how racial discrimination is ingrained in the society through "interlocking social, legal, and political institutions and systems." Such embedded discrimination boosts regulation and distribution of wealth that privileged the White.[14] In fact, the negative impact of these policies was a central motivator in the housing provisions included in the Civil Rights Acts of 1964 and 1968, which were intended to prevent discrimination against members of protected classes in private or public housing.

Propelled by the Civil Right movements, in the 1960s the Congress passed new federal policies to leverage private investment for affordable rental housing. This was due in part to the cost of operating public housing growing to eclipse rent revenues. In 1968, President Johnson passed the Housing and Urban Development Act (HUDA). The act was delivered to increase incentives for low-income housing development and prohibited discrimination based on race,

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[13] David Gross, "Affordable Housing in D.C. through the Years."

[14] Lynch, Emily E., Lorraine Halinka Malcoe, Sarah E. Laurent, Jason Richardson, Bruce C. Mitchell, and Helen C.S. Meier. 2021. "The Legacy of Structural Racism: Associations between Historic Redlining, Current Mortgage Lending, and Health." *SSM - Population Health* 14 (April): 100793. https://doi.org/10.1016/j.ssmph.2021.100793.

religion, national origin, sex, disability and family status.[15] Title VIII of the HUDA is also known as the Fair Housing Act. HUDA supplied extensive resources for public programs, including the public housing one, but promoted a stronger focus on private developers. The rationale being that given the right incentives, private developers would increase the number of affordable units built even more than the government.[16]

In 1974, to afford "decent, safe, and sanitary housing in the private market," the Federal Government established the Housing Choice Voucher Program, also known as Section 8 Housing (Housing Choice Voucher Program Section 8). The Program aimed to aid extremely low-income families and the most vulnerable people by supplying housing in the private market.[17] Those who qualify for it are able to rent a shelter by paying through their Section 8 vouchers, as long as the landlord accepts them. Shelters include single-family homes, apartments, and townhouses. A subsidy is paid to the landlord on behalf of the local public housing agency (PHA) and the rest of the amount is paid directly by the household.

The largest program within Section 8 is called the Housing Choice Voucher Program (HCVP), which allows a family to find units from the pool of Section 8 properties in a specific area. Private landlords can also apply for the Section 8 program because of its reliability, as they receive steady monthly rent payments from the Department, and its accessibility, as it allows a larger number of tenants to rent with a guarantee. While tenants with Housing Choice Vouchers

[15] "Remarks upon Signing the Housing and Urban Development Act of 1968 | the American Presidency Project." 2021. Www.presidency.ucsb.edu. 2021. https://www.presidency.ucsb.edu/documents/remarks-upon-signing-the-housing-and-urban-development-act-1968.

[16] "History of Affordable Housing." Cooper Housing Institute. May 13, 2020. https://cooperhousinginstitute.org/history-of-affordable-housing/

[17] "HUD.gov / U.S. Department of Housing and Urban Development (HUD)." 2018. Hud.gov. 2018. https://www.hud.gov.

can choose between a variety of Section 8 units, the Project Based Voucher (PBV) is a different option that offers tenants affordable housing in a specific unit. Unlike Housing Choice Vouchers, which tenants may generally use at any local Section 8 property, tenants with PBV generally lose their housing benefits if they move elsewhere. Both the Housing Choice Vouchers and the Project Based Vouchers pay up to 70% of a tenant's rent.[18] The growth in these private ownership programs resulted in a proliferation of affordable housing construction through the 1970s.[19]

The success of HCVP Section 8 has been heavily debated. In terms of accessibility the program has been effective, as it reached millions of low-income families, senior citizens, and people with disabilities. In terms of effectiveness, the program was criticized for its lack of resources for low-income families of color, thus making it significantly harder for them to break the poverty-cycle.

As a response to the urban decay and the insufficient investment in communities of color, in 1977, the Community Reinvestment Act (CRA)[20] was passed. Congress' aim with this act was

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[18] In order to be eligible for the Housing Choice Voucher Program, tenants must meet certain criteria, including being a U.S. citizen or have eligible immigration status and income that is below the median income for the area. Also, the unit's rent must be less than or equal to the Fair Market Rent (FMR) for that area, which is a statistic published by DHUD based on median rent for the area. Under the HCVP, when a tenant chooses a unit at an eligible Section 8 property, and the lease is approved by the PHA, they sign on to a minimum 1-year renewable lease. AMI is used to calculate the maximum amount of rent that can be charged to tenants, allowing investors to make accurate financial projections regarding their potential investment. Additionally, to the Section 8 program, AMI is used to determine eligibility for DHUD 223(f)[18] loans and LIHTC credits. These programs can provide investors with access to lower interest rates, longer loan terms, and more flexible underwriting criteria.

[19] NLIHC, 2015

[20]U.S. Department of Housing and Urban Development. 2022. "History of Fair Housing - HUD | HUD.gov / U.S. Department of Housing and Urban Development (HUD)." Www.hud.gov. 2022. https://www.hud.gov/program_offices/fair_housing_equal_opp/aboutfheo/history#:~:text=The%201968%20Act%20expanded%20on.

to ensure that banks and saving associations were catering to the credit needs of all members of the local community, including low- and moderate-income neighborhoods and individuals. This also entailed helping prevent redlining, an example of which is refusing to offer home loans in certain neighborhoods. This Act has an extremely positive influence in regards to increasing and encouraging banks to lend to the most vulnerable borrowers, including people of color.

To incentivize even more investors, in 1986 Congress launched the Tax Reform Act (TRA). The TRA eliminated tax incentives for investment in other real estate sectors, while focusing on creating a new tax credit for vulnerable households, named the Low-Income Housing Tax Credit (LIHTC). This program is a dollar-for-dollar tax credit for affordable rental housing investments, which "provides financial incentives for the utilization of private equity in the development of housing aimed at low-income Americans." LIHTC has been a success, accounting for approximately 90% of all affordable rental housing built in the United States.[21]

Beginning in the mid 1990s, conservative standards for underwriting principles adopted by lenders started to vanish. According to Pinto from the Wall Street Journal (August 10, 2010), regulators started to abandon the "underwriting principles of adequate down payments, good credit, and an ability to handle the mortgage debt," in favor of "liberalized lending standards" that inevitably led to cancellation of down payment or minimal down payment and almost no-conditions loans; in a word, de-regulation. On the one hand, in 1992 the HUD established the HOPE VI program to provide funding for public housing through a substantial policy shift, promoting mixed-income housing and the use of housing subsidies. On the other hand, in 1995,

[21] "What Is the Low-Income Housing Tax Credit and How Does It Work?" 2022. Tax Policy Center. 2022. https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work#:~:text=The%20Low%2DIncome%20Housing%20Tax%20Credit%20provides%20a%20tax%20incentive.

HUD announced the National Homeownership Strategy, which loosened underwriting standards nationally in an effort to "reduce homebuyer down payment requirements." When in the early 2000s house price started to decline, the housing finance system could not absorb the shock. Pinto argues that the de-regulation brought by HOPE had an impact on the overall real estate market. Moreover, if HUD hadn't changed "the underwriting standards on behalf of an affordable housing policy, the mortgage meltdown and taxpayer bailouts would not have occurred."[22] On the contrary, other scholars sustained that it was predatory landing that should be held responsible.[23] Either way it is worth noticing that both public and private policies might have had an impact on the crisis.

In summary, federal housing policies did not follow a sharp trajectory, being more reactive than proactive, not addressing the root causes of unaffordability such as discrimination and social inequality and incentivizing the private developer rather than the renter. Thus, resulting in prolonged and ineffective change. Policies such as the Low-Income Housing Tax Credit and the Community Reinvestment Act showed success, while the Wagner-Steagall Act or the more recent Housing Choice Voucher Program Section 8 showed mixed results. In the next section we will examine on a deeper level how the policies discussed above have been implemented in Washington D.C. and their outcomes.

A CASE IN POINT – THE SOUTHEASTERN QUADRANT

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[22] Pinto, Edward. 2010. "Edward Pinto: The Future of Housing Finance." WSJ. August 17, 2010. http://online.wsj.com/article/SB10001424052748704407804575425231311880538.html-.

[23] Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, Souphala Chomsisengphet, and Douglas D. Evanoff. 2014. "Predatory Lending and the Subprime Crisis." *Journal of Financial Economics* 113 (1): 29–52. https://doi.org/10.1016/j.jfineco.2014.02.008.

The availability of house in the District of Columbia is currently quite low. The D.C. Policy Center estimates that there are about 319,800 housing units in the District of Columbia spread across 116,781 buildings. About 10% of Washington D.C.'s housing stock belongs to the US government and other entities are devoted to religious, educational, or medical purposes, therefore not available to residents. The total available units become then 303,950, single family units account for 30% of the district housing stock and 80% of the residential buildings, and the rest of the housing stock includes 120,600 rental apartments, 64,300 condominium units, and 28,600 units in cooperatives, all in 23,900 buildings.

The Southeast quadrant has the lowest homeownership rate in Washington D.C.. There are 147,850 residents and a total of 63,932 households in Southeast Washington D.C., and 36% are owner-occupied.[24] Average annual household income in Southeast D.C. is $88,641, which is lower than the rest of the city, while the median household income sits at $45,419 per year. Residents younger than 25 earn $54,639, people between 25 to 44 earn $52,480, those between 45 and 64 have a median wage of $50,091, and those older than 65 years old earn the least at $39,644 annually. In 2022, housing costs reach $1,222 per month in Southeast Washington, which makes it over 32% of income for the elderly. [25]

The low home ownership rate has historic roots and challenges have developed over time. Like most cities in the region, D.C. was shaped throughout the 19th and 20th centuries by Black migration, and the predominantly Black areas were known for "school desegregation, white flight,

[24] Each household accounts 2 members at minimum.

[25] "District of Columbia Demographics." 2023. Point2. 2023. https://www.point2homes.com/US/Neighborhood/DC-Demographics.html.

redlining, and the use of racially exclusive petitions and property deeds."[26] In the past three decades, homeownership grew even in the Southeastern part of the city, achieving a home ownership rate of 33% in the east Anacostia River area (a sub-area on Southeast D.C.) – but this is still below the city average.[27]

Unfortunately, these gains in home ownership have not been shared equally. Black people have been buying homes in the area at a lower rate compared to non-Black people. As more non-Black individuals purchase homes in historically Black neighborhoods, this may simultaneously result in a more diverse neighborhood, but may come at the cost of economically-driven forced displacement (i.e., gentrification). In the figure below the yellow line represents the percentage of Black homeowners East of the Anacostia River, which equals roughly 87%. The blue line on the other hand shows the percentage of homes purchased by Black owners. The figure shows that there has been a dramatic decrease in less than 15 years regarding the number of houses purchased.

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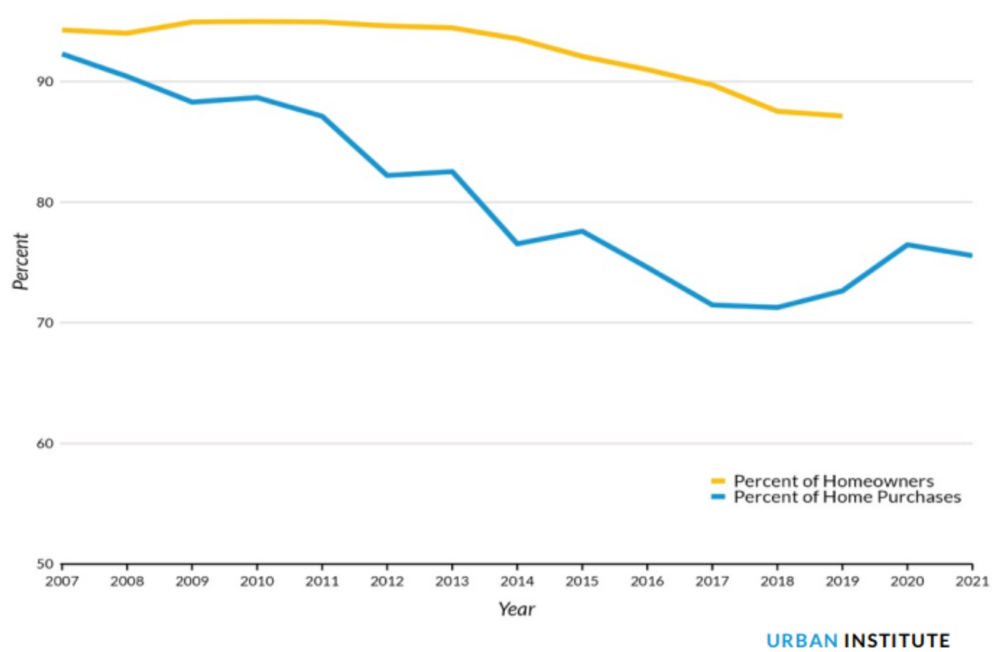
[26] Theodos, Brett, and Ilina Mitra. 2023. "Homeownership and Race in DC Communities East of the Anacostia River." Greater DC. February 9, 2023. https://greaterdc.urban.org/publication/homeownership-and-race-dc-communities-east-anacostia-river.

[27] "WHAT AFFORDABLE HOUSING PROGRAMS and INITIATIVES DOES the DISTRICT OFFER? DEPARTMENT of HOUSING and COMMUNITY DEVELOPMENT." 2022. https://dhs.dc.gov/sites/default/files/dc/sites/dhs/page_content/attachments/FAQ%20for%20Tenant%20Associations_STANDARD_0.pdf.

Black Households Represent a Smaller Share of Homebuyers and Homeowners East of the Anacostia River



Sources: Home Mortgage Disclosure Act data and 2009–20 American Community Survey data.
Note: American Community Survey data look at five-year averages, which we show above based on their midpoints.

Figure 2- Home buyers and homeowners share East of the Anacostia River

The need for affordable housing in the Southeast is still daunting and the Administration created several agencies to address the issues, with each playing a key role in the market. The government agency responsible for affordable housing policies is the D.C. Department of Housing and Community Development (DHCD). Its mandate includes the implementation of federal level policies, mostly from the (HUD), as well as local ones. Both agencies are committed to increasing housing and community development opportunities. DHCD receives substantial funding from HUD that is primarily used to benefit low and moderate-income residents.

Two important programs in D.C. are the Housing Production Trust Fund (HPTF) and the Inclusionary Zoning Affordable Housing Program (ZAHP). The HPTF requires that projects seeking such funding provide housing units for households within certain income tiers. The HPTF has been provided with monthly rental subsidies to be accessible to the lowest-income residents through the D.C.'s Local Rent Supplement Program (LRSP). The program provides rental assistance to help cover the difference between rent that low-income families can pay and the rent they must pay. One component of LRSP operates by providing vouchers to households to help them afford private-market apartments. The LRSP provided subsides to about 80% of the Trust Funded units, to cover also ongoing costs like maintenance and utilities not covered by the Trust Fund.[28]

Results fell short of expectations. According to the Washington Post, the trust fund spent over $100 million but did not reach the city's poorest because of lack of effective prioritization. The law required half of the fund to be invested on housing projects for the lowest income people, however in 2022 it was discovered that only 19% of funds were used for this cause.[29] The Inclusionary Zoning Affordable Housing Program requires that a certain percentage of units in a new development or a substantial rehabilitation set aside affordable units in exchange for a bonus

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[28] Zippel, Claire. 2017. "A Double Win for DC's Affordable Housing: Investing in Project-Based Rental Assistance." DC Fiscal Policy Institute. March 24, 2017. https://www.dcfpi.org/all/double-win-dcs-affordable-housing-investing-project-based-rental-assistance/.

[29] Flynn, Meagan. 2023. "D.C.'S Housing Fund Falls Short of Requirement to Aid Lowest-Income Renters." *Washington Post*, April 3, 2023. https://www.washingtonpost.com/dc-md-va/2023/04/03/dc-affordable-housing-report-bowser/.

density. According to the Business Journal the ZAHP was able to meet the needs of only 4.3% of the community's needs, creating only 360 units in comparison to a demand of 11,624.[30]

Equally important was the role of the D.C. Housing Financing Authority (D.C.HFA), which was established to stimulate and expand homeownership and rental housing opportunities in the city. The D.C.HFA issues housing mortgage revenue bonds that can lower the homebuyers' costs of purchasing homes on one side, and on the other side it reduces the developers' costs of acquiring, constructing, and/or rehabilitating rental housing. In particular, the D.C.HFA's program called D.C. Open Doors, offers home purchase loans and down payment assistance to qualified buyers,[31] thus sensibly lowering the costs of purchases. The Financing Authority provided $2.4 billion over the years, has served 24,905 renters since 1979 and 2,831 homeowners since 2013.[32] D.C.HFA has had a positive impact by increasing homeownership, however it has only been able to aid a small percentage of the population in need.

Additionally, the District of Columbia Housing Authority (D.C.HA), whose governing body is made up of district community and business leaders, provides subsidized housings to approximately a tenth of the city population. D.C.HA manages properties including public houses and supplies several voucher programs to help low- and moderate-income residents find affordable

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30 Navera, Tristan . 2023. "D.C.'S Inclusionary Zoning Program Not Benefiting Lowest-Income Households, Report Finds." Bizjournals.com. February 6, 2023. https://www.bizjournals.com/washington/news/2023/02/06/dc-inclusionary-zoning-affordable-housing-report.html#:~:text=Inclusionary%20zoning%20is%20most%20effective.

31 "Home." DCHFA. DCHFA, February 21, 2023. https://www.dchfa.org/.

32 "Washington, D.C." 2023. State HFA History. 2023. https://statehfahistory.ncsha.org/state/washington-d-c/.

housing.[33] The D.C.HA has been heavily criticized, particularly after its most recent audit that states "it is failing in virtually every function it performs."[34]

A fair question at this point would be about the outcome of the programs and policies set up by these agencies and the impact of the housing market and its affordability.[35]

Figure 3- Key Facts of Housing in Washington D.C. (source: National Low Income Housing Coalition, D.C., 2023)

As seen in the figure above almost a third of residents in Washington D.C. are still classified as extremely low income and there is a shortage of over 27,000 affordable houses for this part of the population. This results in almost two-thirds of low-income renters experiencing housing as a severe cost burden. These figures shows that the outcome of the policies put forward by various district agencies, including DHCD, DC HFA, DCHA are not as impactful as planned, further reinforcing that a drastic change in policy is needed.

[33] "District of Columbia Housing Authority – District of Columbia Housing Authority." 2023. District of Columbia Housing Authority. 2023. https://www.dchousing.org/wordpress/?AspxAutoDetectCookieSupport=1.

[34] Ryals, Mitch. 2022. "D.C. Housing Authority Is Failing in Just about Every Way - WCP." Washington City Paper. October 8, 2022. https://washingtoncitypaper.com/article/574827/d-c-housing-authority-is-failing-in-just-about-every-way/.

[35] "NLIHC Releases the Gap 2023." 2023. National Low Income Housing Coalition. 2023. https://nlihc.org/resource/nlihc-releases-gap-2023.

WHAT WORKED AND WHAT DID NOT IN D.C.'S AFFORDABLE HOUSING POLICIES

To assess the evolution of the affordable housing policy in Washington DC, it is useful tracing the changes in local policy direction and governance since the 1990s. In 1999, Anthony Williams was elected as Washington D.C. fifth mayor. His two terms in office brought about an incredible transformation. Mayor Williams attracted new businesses and new investments to D.C., promoted significant replacement of existing public housing, and invested in beautification of the poorest communities, but gentrification across the city forced low-income residents out of many neighborhoods.

The District of Columbia's Housing Authority (DC HA) was the operating arm. It received $34.9 million in October 2001 from the federal HOPE VI grant award.[36] The goal of the grant was to revitalize the Arthur Capper/Carrollsburg community which was located near the Navy Yard (in the Southeast quadrant). On top of the grant, D.C. HA received private funding and public investment which resulted in the grant totaling over $750 million, creating one of the largest urban development projects in the United States. Since 2001 DC HA has received a total of seven HOPE VI grants, but unfortunately progress has been slow. The Arthur Capper/Carrollsburg project was the first HOPE VI project in the country to provide one-for-one replacement of demolished public housing units in the same footprint as the original developments.

Mayor Williams took inspiration from the HOPE VI model and replicated the same approach when he started the New Communities Initiative in 2005. The initiative committed to delivering the one-for-one replacement of already existing affordable housing units, building new

[36] See previous section for a description of the Federal HOPE Programs

housing units to decrease displacement, and creating mixed-income housing units and buildings to dramatically decrease the concentration of poverty in certain neighborhoods. The original plan only intended to redevelop the Northwest One neighborhood in Ward Six. The initiative would have served as a blueprint for the city. However, once Williams' two terms were over, Adrian Fenty became the new mayor. Under the new administration three more neighborhoods were added (Park Morton, Lincoln Heights-Richardson Dwelling and Barry Farm). The decision to add these neighborhoods is most likely one of the factors that has contributed to progress being extremely slow, as too many neighborhoods needed to be served at once.

One of greatest lessons learned after the time of Mayor Fenty is that lack of continuity when creating, setting, and following an agenda or overprogramming when implementing will set the local government for failure. The New Communities Initiative has suffered through three administrations and, while the program is slowly getting back on track, the families in those affected communities have been trapped in limbo for nearly a decade. Making matters worse, the affordability of housing in Washington D.C. continued to decrease as shown by the imminent loss of 45 low-income housing tax credit (LIHTC) units and properties over the course of the next five years.

Efforts to better the affordable housing availability increased further in 2007, when the D.C. Council began an inclusionary zoning program that would become effective starting in 2009. Once again, the lack of consistency and slow progress has impeded the growth and establishment of this program. If this program were to be fully implemented, it would have ensured that residential developers to set aside 8-10% of new unites that would be reserved for low and moderate-income residents, which would be rented out at below-market rates. However, by the

end of 2012 not a single unit had been rented, while trends and evidence suggest that participation in the program would increase, Washington D.C.'s residents were not able to wait for four- to ten-years before they're allowed to move into those set aside units. In 2021, over 70,000 people were waitlisted for 8,000 existing public housing units which forced the D.C. HA to no longer add people to the waitlist in order for them to increase the program's effectiveness. This further supports the evidence that Washington D.C. does not have the capacity to let units be left vacant due to the extremely high demand.

Additional analytics reinforced the same assessment. In 2007, the Urban Institute[37] published a policy paper to understand the positive and negatives of existing affordable housing policies in the district, comparing its results to other cities in the countries. The main take aways are still valid sixteen years afterwards. The paper highlighted that the housing market was expanding extremely fast, as all housing markets in western countries did during the 'housing bubble era', right before the market fall in 2008. The 2006 Housing Strategy[38] in the district had four main recommendations: a) expand the housing supply and develop neighborhoods, b) preserve affordable housing and manage existing housing/neighborhoods, c) provide housing for special needs populations, and d) enhance funding and administrative capacity. The paper also noticed that the growing disparities in the districts were expanding at the time, and in a strong property market, "many landlords who own projects with HUD Section 8 assistance contracts may well want to opt out of the program when their contracts expire."[39]

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[37] Kingsley, G, and Barika Williams. 2007. "POLICIES for AFFORDABLE HOUSING in the DISTRICT of COLUMBIA: LESSONS from OTHER CITIES." https://www.urban.org/sites/default/files/publication/46821/411568-Policies-for-Affordable-Housing-in-the-District-of-Columbia-Lessons-from-Other-Cities.PDF.

[38] Comprehensive Housing Strategy Task Force. 2006. Homes for and Inclusive City: A Comprehensive Housing Strategy for Washington D.C. Washington D.C.: Mayor's Comprehensive Housing Strategy Task Force.

[39] Kingsley, Williams, 2007

More in details, the D.C. Housing Strategy called for a net increase in the housing supply, recommended that prices and rents be reduced for one third, the public sector take the initiative to stimulate new private housing development in integrated neighborhood development initiatives, revise regulations to remove restrictions and provide incentives for private housing production consistent with community objectives and sensible standards, introduce rent control with a ceiling system. Moreover, the Task Force estimated that the implementation of the recommendations required about $400 million per year over the following fifteen years. The Task Force recommended also tapping new sources of revenue for the city, most prominently expanding ongoing funding from the deed recordation tax[40]. The policy paper also suggested enhancing preservation programs to make sure affordable houses are well kept and available for longer time. Most of the recommendations identified in 2006 are still valid now.

Another study[41] run by the Coalition for Nonprofit Housing & Economic Development Urban Institute in 2019, confirmed that the supply of rental housing affordable for households making less than 30% and 50% of AMI "falls far short of the need"[42]. In 2019, Mayor Muriel Bowser signed an order directing local government agencies to address housing affordability in the District of Columbia. The Housing Framework for Equity and Growth stated that the district needs to create 36,000 new residential units by 2025 with at least 12,000 affordable for low-income residents to ensure all residents can live in the city without being burdened by housing costs. An

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[40] Kingsley, Williams, 2007

[41] Tatian, Peter A., Leah Hendey, Urban Institute Scott Bruton, and Coalition for Nonprofit Housing & Economic Development. 2019. "An Assessment of the Need for Large Units in the District of Columbia." https://dmped.dc.gov/sites/default/files/dc/sites/dmped/publication/attachments/Formatted%20FSU%20Study_FINAL%206-24_1.pdf.

[42] Tatian, Hendey, 2019

additional 6,000 affordable homes need to be preserved[43]. Once again government agencies are confirming that affordable house supply is not enough and new units need to become available the soonest, but the regulatory framework does not include the needed incentives and does not remove restrictions as recommended by the Housing Strategy.

The local and national media have been widely critical and quite unforgiving of the most recent affordable housing policies. The Washington Post launched a poll in 2022 asking respondents to name 'the overall biggest problem facing the District of Columbia's and housing was the second most responded, after crime.

In 2022 the Washington Post started a bold polemic with D.C.'s administration, following the publication of the HUD report affordable housing status. The HUD's 72-page document highlighted 82 managerial deficiencies,[44] including leaving tenants' personal information unprotected to noncompliance with HUD pet policies to numerous procurement breakdowns to a failure to "properly calculate rent" to being "unable to provide documentation of the number of persons on its Public Housing waiting list," which hasn't been updated in 10 years. More important that these "administrative breakdowns" is the worrisome occupancy rate, which is less than 74%: the lowest of all comparable agencies in the country.[45] Not surprisingly, the Washington Post Poll asking respondents to name the overall biggest problem facing the district found that housing was the second most responded after crime.

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[43] Housing Framework for Equity and Growth. Accessed March 1, 2023. https://planning.dc.gov/page/housing-framework-equity-and-growth.

[44] Washington Post, December 2022

[45] Moreover, of D.C.HA's 8,084 public housing units, only 5,512 are leased, according to HUD data. In their recent report, HUD evaluators said D.C.HA did not have an accurate listing of vacant units and was not accurately reporting them[45]. The article also noted that HUD provided about $76 million in funding to D.C.HA in fiscal year 2022.

According to the Post, at the root of the crisis lies a market in disequilibrium. As stated by the Metropolitan Washington Council of Governments, to accommodate increasing demand, the region needs 320,000 additional units of housing by 2030. Current production is about 8,000 to 10,000 units per year shy of that goal. The result is too many people chasing after too few homes. As prices for inner-ring condos and homes go through the roof, workers with low and moderate incomes are forced to seek housing farther and farther away from bustling regional nodes, a phenomenon known as "driving till you qualify."[46]

Another major issue noted by the Post and explained by the scholars at the Urban Institute is the lack of maintenance and preservation of public houses and affordable units. In recent years, the district has directly committed some local funding to support public housing repairs, including $19 million in FY 2018, $3.25 million in FY 2019, $24.5 million in FY 2020, and $50 million in FY 2021 for a total of $97 million. Yet D.C.HA, which owns and manages public housing, has recently reported that its immediate repair needs over the next six years are much higher—$405 million—while long-term repairs will require close to $2.5 billion. More funding and more investments are needed to repair and maintain affordable houses as tenants cannot do it, and even rich administrations as D.C. failed to rightly calculate those, focusing their affordable housing interventions on new houses and temporary support for renters in distress.

Indeed, there are a variety of social factors that have heavily impacted Washington D.C.'s housing crisis, such as years of discrimination sponsored by the federal government in several areas, concentration of poverty, and resistance to change from local communities. There are also a variety of factors that have significantly undermined the effectiveness of the housing policies

[46] Editorial Board. 2022. "Opinion | the D.C. Region Needs More Housing. The Time to Act Is Now." *Washington Post*, December 16, 2022. https://www.washingtonpost.com/opinions/2022/12/16/dc-affordable-housing-subsidies/.

chosen by the administration, which, despite their transformative and positive potential, lacked in consistency, continuity, and balance, ultimately generating inadequate supply.

CONCLUSION

The affordable housing policy in D.C. includes a range of initiatives and programs aimed at increasing the supply of affordable housing and improving housing affordability for low- and moderate-income households. The policy includes several programs, such as the Inclusionary Zoning program, the Housing Production Trust Fund, the Community Reinvestment Act, and the Tenant Opportunity to Purchase Act, which provide financial assistance, incentives, and legal protections for affordable housing developers and tenants. However, despite these efforts, some scholars and news outlets have criticized the affordable housing policy in D.C. as a failure, particularly in terms of addressing the needs of low-income residents. Critics argue that the policy has not done enough to increase supply of affordable houses, and that rising housing costs and gentrification have led to the displacement of long-time residents. The programs developed by the city's government have suffered numerous delays leading to minimal improvements and vacancies that the city cannot afford due to the extremely high demand for housing. There are inconsistencies in the management and leadership of these programs resulting in progress that has been deemed too slow and too little.

Overall, while there have been efforts to increase the supply of affordable housing in D.C. and the Southeast area, even though highly funded public housing campaigns or innovative financial instruments to support private developers, the needs are not met. Several indicators show that the availability of affordable housing has been declining, cost of rents and mortgages are increasing and while the district proposed potentially transformative initiatives to address the

issues in the past twenty-five years, effectiveness has been quite low. Moving forward, the city government must work to ensure that all citizens, regardless of race, disability, age, religious affiliation, etc. have the same opportunities, the same access to housing and to financing instruments and incentives to ensure sustainability of their investments. There must be a concerted effort to identify and address the barriers that continue to perpetuate segregation and isolate poor communities of color. Policy makers and community leaders need to take a comprehensive and collaborative approach to rethink affordable housing policies, including prioritizing supply, increasing funding for programs in support of low-income families, and supporting consistency and transparency in any policy actions.

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