

At a Breaking Point: The Realities of Delivering Affordable Housing in DC

Washington, D.C.'s affordable housing ecosystem is under significant strain. Declining investment, rising costs, and structural gaps in policy and financing are making it increasingly infeasible to both produce new housing and preserve existing affordable homes. The strong public-private partnership between government and industry has gone in reverse in the last few years with significant loss of public sector capacity across District housing agencies, affecting all types of housing programs. Without coordinated action to align policy, capital, and implementation, the District risks losing critical housing supply, destabilizing residents, and falling short of its housing goals.

HOUSING SUPPLY

To meet demand and close the housing gap, the District must both increase production and preserve existing affordable homes - ensuring a steady and sustainable supply across income levels and neighborhoods.

PRODUCE

- ⇒ New building permits and construction starts in D.C. declined sharply for the third consecutive year, with 2025 activity down 27% to a 15-year low of 3.6 million square feet, leading to a near complete standstill. This has been driven by investor flight and economic uncertainty.
- ⇒ In the current environment, private market capital providers have become unwilling to invest in D.C., which means there is no way to secure the debt and equity needed for affordable housing (or market rate housing) development.
- ⇒ Affordable housing production demands complex capital stacks blending local subsidies, federal funds, and discretionary awards. Fragmentation of District agency applications inflates financing costs for a single project, duplicating slow and cumbersome processes.

- ⇒ Construction costs have surged dramatically alongside elevated interest rates, further straining developers. First source requirements add a premium to contract costs, regulatory delays from zoning reviews add months to timelines, while labor shortages in skilled trades exacerbate supply chain bottlenecks.
- ⇒ Deep affordability continues to be especially hard to produce because rents from very low income households often do not cover operating costs without ongoing subsidies. A study from CohnReznick shows that more than 70 percent of DC LIHTC properties are not breaking even.

PRESERVE

- ⇒ Preserving existing affordable housing is often less expensive than building new units, but it requires steady, predictable funding; one-time allocations do not create a reliable preservation pipeline. Many properties remain in a permanent holding pattern relying on bridge financing, without permanent financing to keep the property affordable long term, meaning residents lack long-term housing stability.
- ⇒ A growing share of the District's aging affordable housing stock faces capital repair needs, refinancing challenges, and foreclosure risk. Properties are at risk of physical obsolescence. Rent restricted properties face operating deficits as allowable rent increases often do not keep pace with rising expenses for utilities, insurance, staffing, property taxes, and resident services. This is straining mission-driven housers and leading some to exit the market.
- ⇒ Climate resilience upgrades, such as electrification, insulation, flood mitigation, and cooling systems, reduce operating costs and benefit resident stability through lower and more stable utility expenses but are rarely fully funded through traditional preservation financing, creating a widening mismatch between policy goals and project budgets.

HOUSING STABILITY

Maintaining stable housing requires protecting residents and properties from financial and operational pressures that threaten long-term affordability and community resilience.

PROTECT

- ⇒ Economic occupancy across most D.C. portfolios has declined to a median of 87 percent, compared to a 2019 economic occupancy rate of 95-100 percent. Combined with rising nonpayment of rent, there is insufficient income to cover operating costs, perform maintenance (including releasing vacant units), and pay debt service. As operating gaps widen, nonprofit and mission-driven owners are often forced to divert resources away from property improvements to the detriment of the residents themselves in addition to weakening the condition and long-term durability of existing affordable homes. This is placing significant strain on affordable housing providers and threatening their ability to continue operating in the District.
- ⇒ Too many District residents cannot afford even "affordable" rents and need a rental subsidy. Emergency rental assistance availability only when a household is at imminent risk of eviction isn't a sustainable or complete solution. Project based subsidy programs such as LRSP remain essential but slow to process and insufficient in scale to stabilize residents facing financial distress who require deeply affordable units.