D.C. POLICY CENTER
Housing Policy Initiative

Housing for workforce is a key economic development program

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The discussion of affordable housing and housing affordability continue to be central to budgeting and policymaking in the District of Columbia. Persistent challenges in housing production have expanded the affordability crisis beyond low-income residents, now affecting middle- and higher-income households, thereby putting downward pressure on the District's population, economy, and revenues. This loss of revenue disproportionately harms low-income residents, for as the District's tax base erodes, so will funding for critical housing programs and other social services.[1]

Given the continued pressure on housing prices, we need to focus both on housing for the lowest-income residents and those with lower and middle incomes. These households are vitally important to the District's economic health and growth as critical workers for D.C.'s employers and essential to maintaining a vibrant and equitable community. Ensuring affordable housing for all income levels will help make the District a place where people of all incomes can thrive.

Reframing "workforce" housing

Affordable housing policymakers and practitioners allocate funding to income-eligible programs based on the Area Median Income (AMI). Generally, federal programs support the lowest incomes (0-30 percent of AMI, or up to $45,650 for a family of four) through vouchers and public housing. Other federal subsidy programs focus on low-income (50-80 percent of AMI or $76,050-121,700 for a family of four). This leaves the middle of this distribution (30-50 percent of AMI) to be funded primarily through state and local efforts.

That also leaves gaps for funding for housing above 80 percent AMI, which practitioners sometimes call workforce housing. However, many full-time workers do earn below 80 percent of AMI and could qualify for low-income subsidies, so some find the term “workforce housing” misleading. In addition, the term can sometimes become a euphemism for “low-income housing” to avoid community pushback. So the term is fraught for various reasons.

Given this, it may be useful to define a policy discussion in terms of outcomes, recognizing that housing serves both as a critical basic need and as a basis for the growth and vitality of a local economy. For our research, we can redefine workforce housing to be about programs that create housing affordability for workers in professions that are critical for economic growth and well-functioning of a city including nurses, teachers, and service workers. While our definition is not income based, these professions are mostly middle-income, with wages under 120 percent AMI.

In our workforce housing frame, access to housing is not primarily about income bands, but rather about ensuring critical workers are able to live in the District and ensure its economy is healthy and growing. In D.C., there are severe shortages of nurses, police officers, and teachers. A recent D.C. Policy Center report shows that most essential workers are priced of many of D.C.'s neighborhoods. Other important sectors like construction and hospitality must hire their workers from the suburbs. Additionally, key growth sectors like technology and health innovation can be stymied in their ability to find entry-level talent that can afford to live nearby. Housing focused on critical workforce needs is a key pillar for a strong workforce necessary for a robust and growing economy. In other words, housing policy is economic development policy.

Traditionally, housing policy and economic development policy have not been a part of the same conversation, indeed they are often housed in different parts of the government. However, economic development official are now seeing housing as a critical constraint. The federal government has recently recognized the importance of housing in creating a strong workforce and is encouraging this approach for its investments. For example, a recent U.S. Department of Commerce Tech Hubs Grant requires applicants to include “plans to accommodate the growth in housing demand that may result from the success of the investment in this technology hub.”

A potential approach

Many essential workers and those in the critical sectors of technology, health, and hospitality have middle-income jobs. As such, the gap between what they can afford, and the market rate is smaller than for lower-income residents. An affordable housing subsidy for this group does not need to be especially large, nor does it need to be available for the long-term. These conditions open opportunities for funding outside of government without diverting scarce resources from those most in need.

The D.C. Policy Center has begun to develop a program rooted in the dual concept that a housing subsidy can be light enough for private funding and that the funding can be rooted in the economic value of supporting a critical workforce. Through our work on inclusionary conversions, a small number of units in market rate buildings can be master leased and then rented out to employees. Landlords receive guaranteed income for a certain period while renters receive housing that is affordable and close to their work. In some ways it can be considered a version of inclusionary zoning, but instead of a zoning density bonus allowing for modest affordability, it is a small private-sector subsidy. This may make it appealing in places where inclusionary zoning is prohibited.

The functioning of inclusionary conversions is relatively straightforward: think the opposite of executive housing, in which a management company signs a long-term lease and rents it out to companies for their workers in the short-term. Under the inclusionary conversions model, a central non-profit entity signs a long-term lease, and rents it out at below-market rent. Whereas executive housing creates a profit, this would create a deficit, which would be filled through philanthropy, employer contributions, or other sources of funding.

While the concept is simple, there are a number of logistical questions about structure and compliance with local, state and federal laws as well as with lenders. Much of our work to date centers on identifying and addressing each of these questions. Once we create a viable compliant model, it will be comparatively easy to replicate.

This approach has the opportunity not to compete with other crucial affordable housing programs, but to bring in new sources of funding. We are focused on an initial pilot using philanthropic funding to prove the concept. But funding for future efforts could also come from employers or through lower-cost tax exempt financing offered through qualified institutions, such as nonprofit health care providers or higher education institutions. Also, many employers, such as school districts, have extra land, which could be leveraged for this type of housing. Finally, governments could play a role in a way that does not diminish resources for other housing by allowing tax exempt bonds and property tax exemptions for government-held housing, as California and Colorado do. They can also provide a database of available public land.

Housing affordability is a significant challenge that requires many interventions at different levels. This program focuses on a critical area of need that can be quickly addressed while longer-term solutions are put into place. It also aligns goal of both housing and economic development, which can help attract new funding sources. Through the program, D.C. Policy Center is seeking to build a model that can easily scale and work in regions across the country that are facing critical housing needs for their workforce. If successful, the model will not only alleviate housing pressures, but it will also help to ensure a healthy, growing economy.

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1 For example, in fiscal year 2025 when revenues were reduced, many social services were cut including investments to the Housing Production Trust Fund. https://mayor.dc.gov/release/mayor-bowser-presents-fiscal-year-2025-budget-proposal-fair-shot-strategic-investments-and