APPRAISING THE DISTRICT'S RENTALS

THE ROLE OF RENTAL HOUSING IN CREATING AFFORDABILITY AND ECONOMIC INCLUSION IN THE DISTRICT OF COLUMBIA

D.C. POLICY CENTER

The D.C. Policy Center report, *Appraising the District's rentals*, provides a comprehensive picture of the District's rental housing to evaluate its capacity to create economically inclusive neighborhoods in the District of Columbia.

The report combines multiple data sources to estimate the number and type of rental units and the buildings that hold them, and the rents that prevail at different types of rentals across the city. It provides extensive details on rental housing, rents, affordability, and inclusion. Below are what we consider to be the most important takeaways:

On rental housing characteristics

- **Rental housing in the District of Columbia extends well beyond rental apartment buildings**. 64 percent of the District's 322,000 housing units are potentially available for rent; of these only 124,600 are in rental apartment buildings. The shadow rental market—single-family homes, condominiums, flats, and units in various types of conversions—make up about a third of the District's rental housing.

- **Because the shadow rental market is such a large share of the stock, rental housing is fluid**. Owners of single-family homes or condominiums frequently put in and pull out their units from the rental market.

- **An estimated 72,900 rental apartments are in buildings under rent control**. This represents at least a 15 percent—and potentially up to 30 percent—loss in the number of rent-controlled apartments since the city enacted the Rental Housing Act of 1985.

On rents and affordability

- **Rent-controlled units offer deep savings**, especially in parts of the city where housing values have increased rapidly.

- **For those seeking a rental apartment, there is a lot of pressure from the bottom and a lot of pressure from the top**. There are 40,000 households who cannot pay more than $750 per month in rents to keep housing expenditures below 30 percent of their incomes, but there are fewer than 800 units in this price range. There are also over 41,000 renter households who could pay north of $2,700 per month without being burdened, but only 14,000 units of that level of rent. These households, both poor and rich, compete for rental units.

- **The shadow rental market helps relieve these pressures on rental apartments by offering a great variety of housing at a great variety of price points**. Shadow rental studios and one-bedrooms are cheaper than rental apartments, and even the rent-controlled units, and thereby easing the pressure from the bottom. Larger units in the shadow rental market are not always cheaper, but there is a lot of them meeting the demand from larger or wealthier households, and thereby easing the pressure from the top.

On inclusion and displacement

- **Renters in rental apartment buildings are also economically segregated**, with the highest income renters living in parts of the city with higher rents, and lowest income renters living in parts of the city with lower rents. It is more likely to find high- and low-rent units and high- and low-income renters nearby in the shadow rental market.

- **The presence of rent-controlled units in a neighborhood appears to mitigate displacement**. A larger share of residents age in place in census tracts where rent-controlled-units are a larger share of the housing stock, but no such relationship exists when measures for all rentals. Similarly, a strong presence of rent-controlled stock is correlated with a smaller loss in minority populations.

On the need for a broader rental housing policy

The District of Columbia must think beyond rental apartments when formulating its rental housing policies. The shadow rental market—the units built for ownership but let by their owners—fills a significant gap in meeting housing demand in the city.

The District, with its commitment to ADUs and infill development, has chosen to pursue housing policies that depend upon current homeowners' willingness to become landlords.

However, absent from the current housing and zoning debates in the District of Columbia are a more comprehensive view of rental housing and a discussion of a more comprehensive rental housing policy. Perhaps the most important takeaway from this study, and the part that is left unanswered, is how the District can reshape its rental housing policies to consider what would convince a large number of homeowners to become future landlords—and what would continue to convince them to keep their units as rentals.

Read the full report: ***dcpolicycenter.org/publications/appraising-the-districts-rentals***