A ‘perfect storm’ of problems pushes D.C. toward full-blown housing crisis

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Shirley Thompson-Wright, tenant association president at Meadow Green Courts in Southeast Washington, stands outside the troubled affordable-housing complex. (Shedrick Pelt for The Washington Post)

A flood of challenges in the District is bringing construction of low-income housing to a virtual halt and threatening to leave many of the city’s most vulnerable residents without a viable place to live.

Rising development costs and skyrocketing rent delinquencies — stemming in part from D.C.’s pandemic-era eviction moratorium and emergency rental-assistance program — are exacerbating what was already considered a housing affordability crisis, with providers of low-income housing scrambling to stay in business.

Last month, the city told developers of low-income housing that no money from the Housing Production Trust Fund — the signature housing program of Mayor Muriel E. Bowser (D) — would be available for new construction. Instead, the funds will be devoted exclusively to shoring up existing projects, many of which are at risk of falling into foreclosure because of a lack of rent payments.

“I’ve been working in this industry for 23 years, and this is the most difficult environment I’ve ever worked in,” said Christine Madigan, executive vice president for community development at Enterprise Community Partners, one of D.C.’s largest builders of affordable homes.

Five developers and advocates used the term “perfect storm” to describe the crisis threatening dedicated affordable housing — homes that are reserved for those under certain income thresholds and that require public subsidies for construction and often maintenance. In two to three years, the upheaval could leave the city with hardly any new affordable housing, while conditions at existing affordable buildings deteriorate — factors disproportionately affecting communities of color that could push many low-income residents out of the District.

High borrowing and management costs are making the development and protection of low-income housing a challenge across the country, but conditions in D.C. are particularly dire. Developers and affordable-housing advocates say that’s largely because of the city’s enormous spike in unpaid rent.

The decision to use the Housing Production Trust Fund only for existing buildings means affordable-housing developers will lose their main local source of public subsidies for the building of new properties. At the same time, their access to the most important federal tax credits has been sharply curtailed. That’s because the city, in its effort to boost its supply of affordable housing in recent years, exhausted for the first time in decades the supply of bonds it must issue to unlock those credits.

As a result, affordable-housing construction will probably slow significantly next year, and there will be very few projects completed in the two years after that, developers and housing advocates say.

“There’s going to be a drop-off in 2026 and then a very steep drop-off by 2027,” said Patrick McAnaney, D.C. development director at Somerset Development Co., which focuses on building and protecting affordable housing.

Meanwhile, some providers of existing affordable housing are struggling to make ends meet, as a fifth or more of their tenants fail to pay rent and funds grow scarce to rehabilitate their properties or complete planned projects.

On the same day that the city announced its changes to the trust fund, the Neighborhood Development Co., a local affordable-housing developer, said it was shutting down after 25 years, sending shock waves through the D.C. housing community. Adrian Washington, the company’s founder and CEO, declined to comment for this article.

The announcement triggered fears that other developers of low-income housing could soon fold, or let some of their properties fall into foreclosure.

A dilapidated laundry room at Meadow Green Courts, with black mold on the wall. (Shedrick Pelt for The Washington Post)

“As soon as the first couple of foreclosures take place, it’ll be a domino effect,” said Jim Knight, CEO of Jubilee Housing, which has provided affordable housing in D.C. for 50 years. Asked if he’d ever seen a crisis this bad in his decades of working in D.C., Knight said, “No, categorically.”

Typically, properties that go into foreclosure lose their affordability covenants, meaning they could disappear forever as a housing source for low-income residents.

“In this market, once you lose a building to market rate, it’s never going to come back into the affordable inventory,” said Stephen Glaude, president of the Coalition for Nonprofit Housing and Economic Development.

The problem facing D.C. stems from several pandemic-related factors, developers and housing advocates say.

They point to the city’s pandemic-era eviction moratorium, which stayed in place longer than those in other jurisdictions; a massive court backlog in eviction cases, each of which can take more than a year; and a lenient emergency rental-assistance program that lets residents self-certify their need for aid and prohibits eviction while an application is pending, regardless of whether it's ultimately approved.

These factors have led to a growing number of tenants who aren't paying rent and can't easily be evicted, housing providers say, putting a severe strain on their balance sheets.

Sarah Constant, senior vice president of the nonprofit Mission First Housing Group, said the amount of unpaid rent at its D.C. properties is 75 percent higher than at its properties just a few miles away in suburban Maryland.

Madigan, the executive vice president at Enterprise Community Partners, said: "The concern about providers being unable to cover their operating deficits is at a real crisis point at dozens and dozens of properties across the District."

Many affordable-housing providers can't afford to maintain their properties well, but also can't find buyers to take the buildings off their hands.

In years past, when buildings went up for sale, D.C.'s Tenant Opportunity to Purchase Act (TOPA) gave tenants a powerful tool to partner with a developer who was committed to maintaining affordability. But now, because of the financial risks, those development partners are nearly impossible to find.

Eric Rome, a lawyer who has represented tenants in many TOPA cases, said that in the past, about three-quarters of properties he worked with would attract multiple buyers, allowing tenants to pick the most advantageous development partner. Today, that has flipped: Three-quarters or more of the tenant associations are forced to deal with whatever buyer is found by the seller because there's no competition.

And some buildings can’t attract a buyer at all. The affordable-housing developer E&G Group is ceasing operations in D.C. and liquidating its properties, but it hasn’t been able to sell Meadow Green Courts, an apartment complex off Minnesota Avenue SE. “There’s basically no market right now in the District for affordable housing,” said E&G principal Tom Gallagher. “That market has essentially collapsed.”

Shirley Thompson-Wright, president of the Meadow Green Courts tenant association, said residents have paid the price as conditions have worsened. The complex is plagued by rats, roaches, mice, mold and violent crime, she said.

Late last year, the tenants exercised their TOPA rights but couldn’t reach a deal with a development partner, leaving them feeling hopeless.

Shirley Thompson-Wright, tenant association president at Meadow Green Courts, looks into a broken window at the complex. (Shedrick Pelt for The Washington Post)

An exterior view of Meadow Green Courts. (Shedrick Pelt for The Washington Post)

“On some of the property, there’s entire buildings that are empty,” Thompson-Wright said. “And they’ve turned them into drug houses.”

Many residents have given up on the complex and the city and have moved to the suburbs, she said.

Gallagher said that some Meadow Green Courts residents owe as much as $40,000 in rent and that the complex’s total rent delinquency is about $1.7 million. E&G’s principals have invested close to $4 million of their own money, which should get the complex through the next few months, Gallagher said, adding, “After that, who knows?”

There are signs that things could start to change.

D.C. Council Chairman Phil Mendelson (D) is circulating draft legislation to change the emergency rental-assistance program by limiting tenants’ ability to avoid eviction while they have applications pending, although that proposal is facing pushback from some tenant advocates. Last week's interest-rate cut by the Federal Reserve could make financing slightly easier. On Friday, Bowser announced a $12 million federal investment that would support affordable housing that is resilient to climate change. And Congress is considering legislation that could generate more tax credits for affordable housing.

But affordable-housing developers say more is needed. The trust fund dollars for shoring up existing buildings won't be nearly enough to cover the owners' losses, they say, and absent greater subsidies, more properties will fall into disrepair and foreclosure, displacing residents.

Nina Albert, deputy mayor for planning and economic development, said that well-meaning pandemic-era tenant protections had "unintended consequences" and that the administration is "working with the council to determine how we best move forward."

Developers' applications for trust fund money will help the Bowser administration determine whether more dollars are needed, Albert said.

Those developers say the city is in the throes of a real housing crisis.

"It is an incredibly tough space that we're in," said Courtney Battle, executive director of the Housing Association of Nonprofit Developers. "And I would go as far as to say 'unprecedented' because of this perfect storm of factors that are impacting housing providers in D.C. specifically."

She added, "I don't want to see what could happen if we don't make some changes immediately."