



Testimony before the Hon. Phil Mendelson, Chair
DC Council Committee of the Whole

RE: Public Roundtable on PR 21-137, Sense of the Council in Support of
Improving Inclusionary Zoning Resolution of 2015

By Cheryl Cort, Policy Director
April 28, 2015

Good afternoon, my name is Cheryl Cort and I am the policy director of the Coalition for Smarter Growth (CSG). The Coalition for Smarter Growth is the leading organization working locally in the Washington, DC metropolitan region dedicated to making the case for smart growth. Our mission is to promote walkable, inclusive, and transit-oriented communities, and the land use and transportation policies and investments needed to make those communities flourish.

Thank you for holding this roundtable. We wish to express our strong support for PR 21-137, Sense of the Council in Support of Improving Inclusionary Zoning Resolution of 2015. We are eager to get the Zoning Commission process going to revisit Inclusionary Zoning (IZ), and assess how we can get more affordability out of the policy.

The time is ripe to do this, given the results of the recent Urban Institute assessment commissioned by DMPED which found IZ to be fundamentally sound. IZ is also ripe for revision because now we have enough early experience to see that it is working as designed, but not accomplishing the affordable housing goals we had originally sought to achieve.

We would to assess IZ to see how we can get more lower income units at the 50% AMI level, and pull down the top of the income range from 80% AMI to 70% or 60% AMI. Both changes are needed, and possible. The changes are needed because most of the housing need for our residents is at the 50% AMI level and below. They are possible because DC's housing market continues to be strong. IZ is cost-effective because it provides moderately-priced housing at no cost to the city other than the administrative costs. IZ helps other housing programs, such as the Housing Production Trust Fund, focus on meeting those with the greatest need at lower incomes.

Production of IZ is rapidly increasing now that the recession is over and grandfathered projects are expiring or being built out. We have more than 100 IZ units produced, and the pipeline promises more than one thousand over the next several years. Most new residential construction has at least IZ levels of affordability, if not more. IZ broadly covers the city in a way no other housing program does – it covers most matter of right development. This is a unique contribution of IZ -- building affordability into new development in high-demand, high-amenity neighborhoods (see Figure 2, by Urban Institute).

Critics have claimed that IZ is not producing enough units, and thus should be abandoned. We disagree. While start up has been very slow, production is picking up. IZ will age well. We will be grateful that we had the foresight to require these permanently affordable homes throughout the city in future years, when the market offers even less housing at prices moderate and lower income households can afford.

Critics of IZ have claimed that IZ has stalled housing production. It's hard to see this in the indicators. DC's housing production is at an all-time high. In fact, IZ's implementation correlates with high levels of production (see attached graph on yearly building permits).

Some are skeptical about the benefits of IZ's permanent affordability for homeownership. This is a national best practice that is growing. We have many successful permanently affordable homeownership programs across the country, including many IZ programs. In DC, we have our very own local program, City First Homes. National researchers from Urban Institute and Center for Housing Policy have demonstrated the success of the shared equity approach that DC's IZ program uses (see Figure 5, Urban Institute). A shared equity model benefits the IZ owner by allowing him or her to build wealth, while also preserving the affordability of the unit in place for the next would-be assisted owner in line. Given DC's affordability crisis, we need to use these kinds of tools to stretch our limited resources to help as many people as we can, rather than relying on a first come, first serve approach. A first come, first serve approach might be fine in a different era where home prices were not so high and rising so rapidly.

Critics and friends alike agree, however, that much needs to be approved in the administration of the program. We support the FY16 proposal for more staff. We have supported the proposed revisions to the implementing regulations that allow developers to directly market IZ units, as they do in the case of ADUs. However, we hope that the lottery can be improved so that developers will opt for the lottery in the future. The benefit of a centralized point of entry for DC residents seeking affordable housing is that it creates a fairer path of access. It enables those searching for affordable housing to work with DHCD and housing counselors rather than chase leads at individual sites throughout the city. A national expert on IZ has suggested that DC has a list management and marketing problem rather than a lottery problem. Whatever the glitch, we encourage DHCD to improve the lottery and selection process, while also finalizing the proposed administrative regulations that allows for direct marketing.

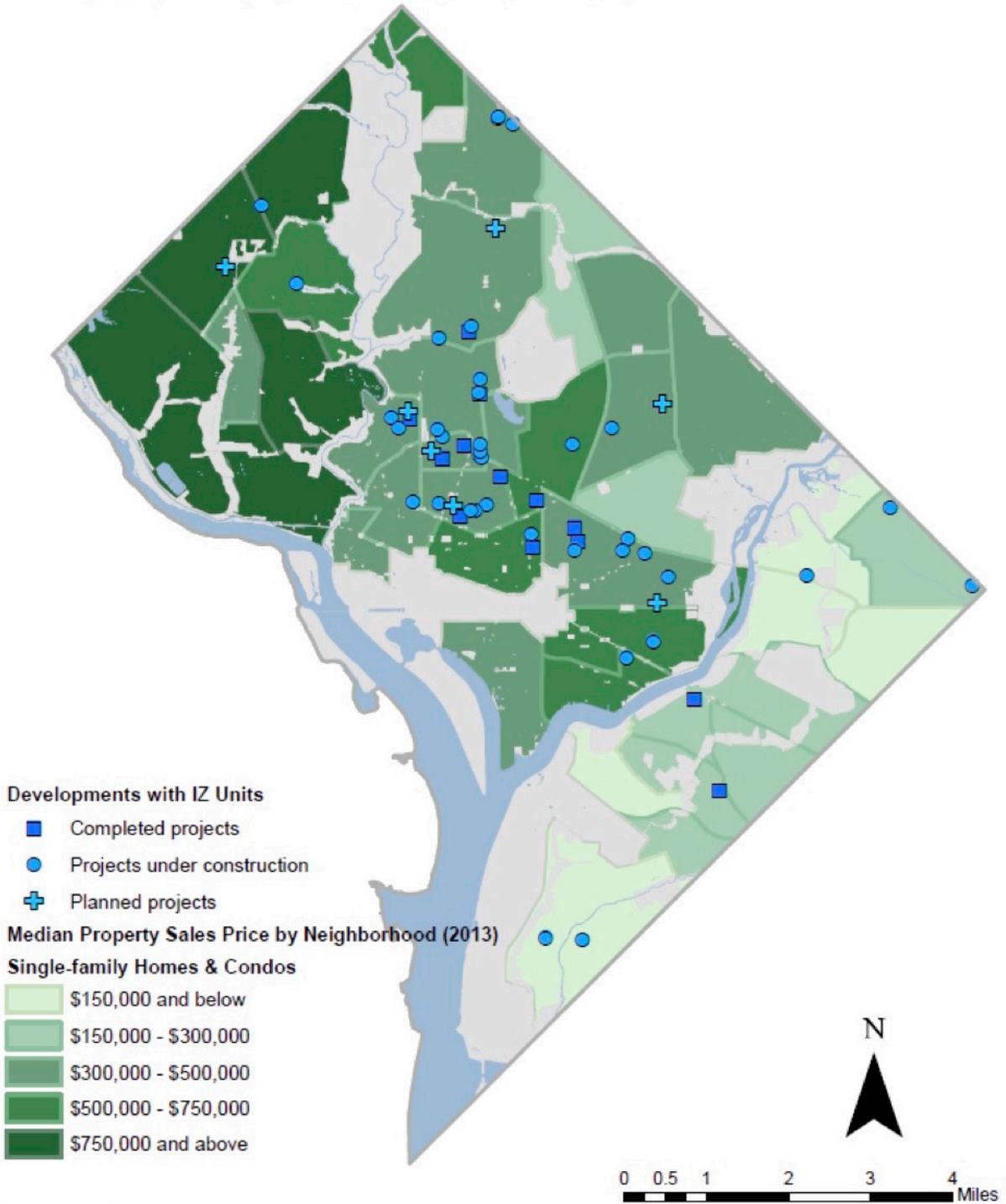
We ask the Council to pass this resolution and urge DMPED and Mayor Bowser to make the most of IZ. Allow the Office of Planning to support the Zoning Commission's efforts to revise IZ to better achieve the affordable housing goals that Mayor Bowser has made a top priority.

Thank you for your consideration.

FIGURE 2

Inclusionary Zoning Projects and Median Property Sales

Number of IZ projects as of May 2014, sales as of 2013, Washington, DC



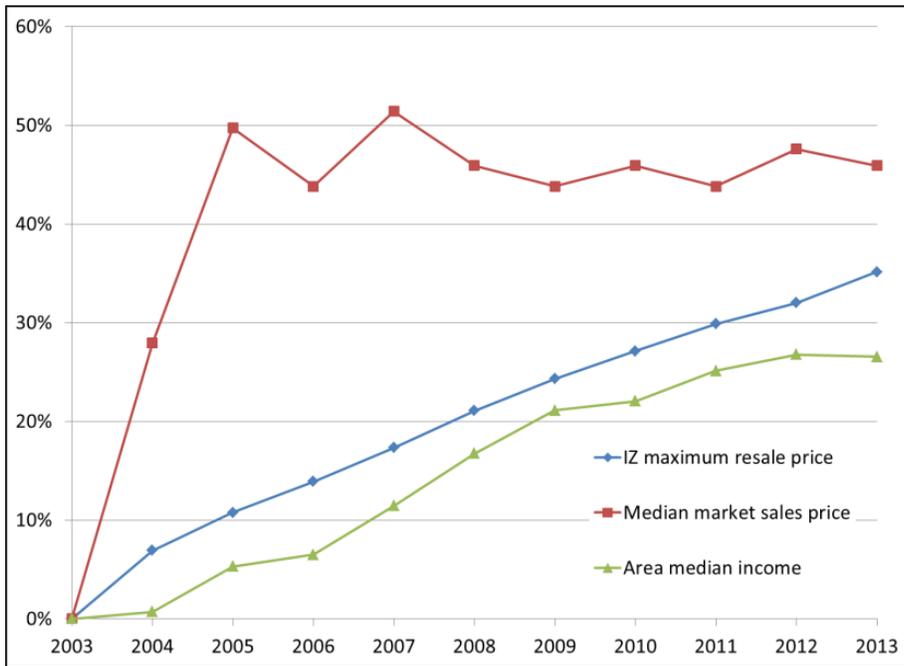
Source: Certificate of Inclusionary Zoning Compliance filings, Department of Consumer and Regulatory Affairs and Office of Planning, District of Columbia, May 2014.

<http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000017-Affordable-Housing-Needs-Assessment.pdf>

FIGURE 5

Cumulative Percent Change in IZ Resale Prices, Market Prices, and Incomes

One-bedroom condominium unit, 2003–13



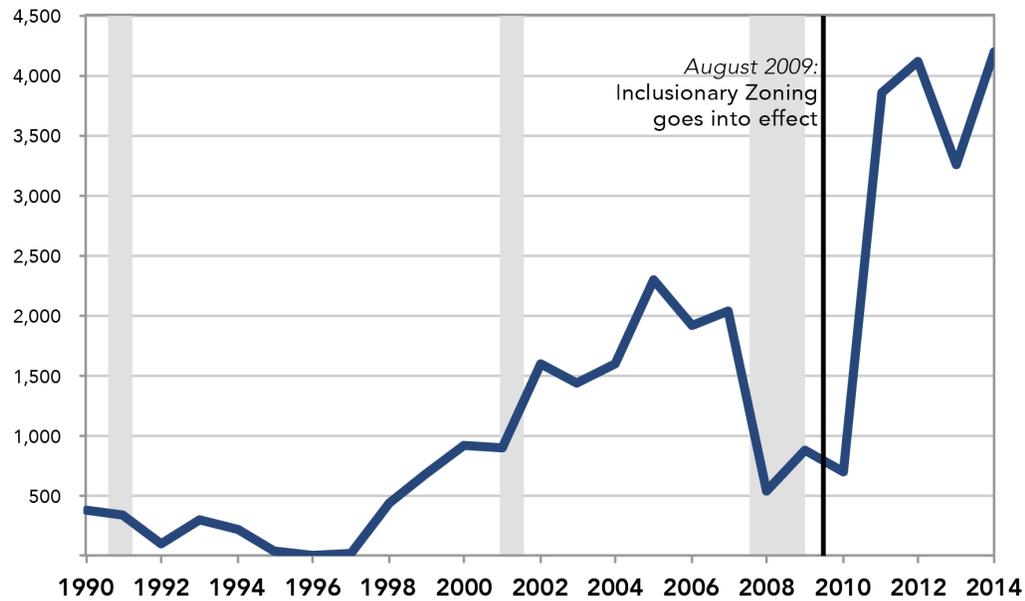
Source: Urban Institute analysis of HUD AMI, published IZ maximum initial sale prices, and DC real property data

<http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000017-Affordable-Housing-Needs-Assessment.pdf>

Building permits

WASHINGTON, DC

Units, yearly total. Shaded bars indicate recessions



Source: U.S Census Bureau Building Permits Survey, NBER Recession Indicators via Federal Reserve Bank of St. Louis

Coalition for Smarter Growth