



November 27, 2012

Mr. Harry Sewell and Ms. Deborah Ratner Salzberg
Co-Chairs, Comprehensive Housing Strategy Task Force
c/o D.C. Housing Finance Agency
815 Florida Ave, NW
Washington, D.C. 20001

Re: Follow up testimony and recommendations to the Task Force

Please accept these comments in addition to my oral testimony at the Oct. 22 hearing on behalf of the Coalition for Smarter Growth. We are a regional organization based in the District of Columbia focused on ensuring transportation and development decisions are made with genuine community involvement and accommodate growth while revitalizing communities, providing more housing and travel choices, and conserving our natural and historic areas.

First, we ask that the Task Force ensure it is following up on and updating the efforts of the 2006 Task Force and report, "Homes for an Inclusive City." This first comprehensive housing strategy started with goals based on need, and made a number of key recommendations around preservation and production of affordable housing. The report recommended doubling expenditures on affordable housing, creating 55,000 additional housing units (of which 1/3 should be affordable), and preservation of 30,000 existing affordable housing units by 2020. It also recommended that the District directly assist 14,600 extremely low-income renter households.

Income targeting: Focus on 30 percent AMI households, and limit assistance to below 80 percent AMI

The 2006 report numbers should be updated and reassessed, especially in light of the upward trend in population growth. The worsening affordability problems among lower income residents need to be taken into account. The Delta report for this Task Force on housing supply at different incomes demonstrates the shortfall below 30 percent AMI (although supply might not reflect actual availability due to higher income occupants in lower priced units). The report also notes that above 120 percent AMI, the supply of housing will cost households above that income level less than 30 percent of their income in housing. It would be incorrect to interpret this finding as a shortage of housing for households earning above 120 percent AMI. High earners simply have access to a housing supply that is more affordable to them than lower income households. Above 80 percent of AMI, an ample surplus of housing is available. We also know that severe housing cost burden is nearly non-existent for households above 80 percent AMI, while it is a problem that affects the majority of households at very low incomes. Over the 2000s, D.C. experienced sharp growth in the number of households earning more than \$75,000 per year, further demonstrating the availability of housing at higher income levels.

We strongly support the administration's focus on workforce development and raising incomes of low wage workers. However, given the earnings in many low paid jobs, the affordable housing goals of the

2006 remain valid. Low wage workers who may be part of D.C.'s workforce development programs are earning below 30 percent of AMI, so even with full time employment they will still need housing assistance to be successful. Assisting extremely low and very low income households is emphasized in the original report – those earning below 30 percent AMI and up to 60 percent AMI. This remains where the greatest need is and complements the administration's workforce development efforts.

Restoration of the Housing Production Trust Fund should be a top priority for the administration

In recent years, Housing Production Trust Fund dollars, which were supposed to be dedicated to the Fund, have been diverted. Restoring the full funding commitment to the Housing Production Trust Fund should be a top priority for the Gray administration.

Strengthening other tools – public land and Inclusionary Zoning

The 2006 report recommended taking advantage of city-owned land to meet these affordable housing goals, and to implement Inclusionary Zoning. These two items are important parts of an overall strategy, and complement the essential funding that must come from securing reliable sources for the Housing Production Trust Fund. Within that context, I wanted to focus on the role of public land dispositions and inclusionary zoning in an updated comprehensive housing strategy.

Recommit to leveraging public land dispositions for very low income housing in mixed use projects

Our recent report, [Public Land for Public Good](#), shows that the District has and can do great things with its city-owned land. The city created hundreds of units in mixed income buildings around the Columbia Heights Metro station and in the City Vista project, for example. Recently, the city-owned Hine School site at the Eastern Market Metro station is planned for a substantial number of low to extremely low income units in a mixed income, mixed use development.

From our review of recent requests for proposals from DMPED and conversations with the Deputy Mayor's office, we find that the commitment to affordable housing, especially at the lowest income level, is declining. This is a mistake that the Task Force can help redirect. We urge the Task Force to ensure that we are making the most of the unique opportunity to leverage the value of the District's land to create more affordable housing. We ask that the Task Force recommit the District to clearly requesting substantial amounts of affordable housing in public land deals, including units affordable to those earning 30 percent AMI. Requests should specify the city is seeking 20 percent to 30 percent of the total number of residential units affordable at 30 percent and 60 percent AMI for rentals, and up to 80 percent for ownership. As a part of this effort, we ask that DMPED better coordinate with other agencies to pool resources ensure the production of housing affordable at low to deep levels as a part of larger mixed income or all affordable developments.. Additionally, we ask the Task Force to consider the full set of recommendations in the [public land report](#) (see attached).

Fix the NCRC legacy public land dispositions problems

With the development and finalization of Inclusionary Zoning regulations in 2009, covenants related to affordable units created in public land dispositions and Zoning Commission actions have become more standardized which avoids problems that emerged in earlier NCRC properties' covenants. At least one, and possibly more, NCRC properties in Columbia Heights created problematic covenants for affordable condominiums. For several years, officials have discussed the need to rewrite the covenants. We recommend that D.C. evaluate how many properties are affected by problematic covenants, and consider what actions are needed to correct the covenants, including offering to purchase them in order to correct

the covenants and resell them as affordable units.

Many of these problem properties also predate the IZ approach to assessing condo fees as a part of the purchase price. Anecdotal evidence shows that condo fees have escalated to render the affordable units unaffordable to the owner. The more recent approach developed through the IZ rulemaking process incorporates the condo fee into the maximum price for the low income buyer, thus avoiding the situation where high condo fees immediately render an affordable unit too expensive for the buyer. In the case of the NCRC properties with condo fee costs that were not originally incorporated into the purchase price, the city may need to offer to buy these units and reset the price.

Managing condo fees for affordability – initial setting and escalation

A common problem in mixed income condo buildings created through IZ or other methods (such as the ADUs created through public land dispositions and Zoning Commission actions) is high condo fees that threaten the overall affordability of the combined mortgage and fee payment for the unit. There are two key issues related to high condo fees that can be managed with rules that protect the affordability of the below market rate units.

- *Initial setting of condo fees – verification by D.C. government, not contractors working for developers.* Developers are motivated to set condo fees lower than what is needed so that it is easier to sell the condos. While D.C. law requires that a third party review the initial fees to determine that they are reasonable, this verification system relies on developers to police themselves. A better way to verify appropriate fees is to have the D.C. government contract with the third party to verify the appropriate fee level, and to have the developer pay the fee to the District to conduct the review. For ADUs and IZ units, the condo fee cost will be incorporated into the initial purchase price and total monthly payments so that the overall cost does not exceed the income target.
- *Rising condo fees – limit condo fee increases to the Consumer Price Index (CPI) rise for any year for affordable units.* In order to accommodate rising prices for expenses associated with maintenance and capital improvements over time, we recommend allowing condo fees for ADUs and IZ units to rise in any given year up to the CPI if the condo board raises fees more than the CPI in that year on market rate units. This moderation of increase in condo fees will keep the unit affordable while still tracking fee increases instituted for the market rate units so that the affordable condo fee does not decrease in real dollar value over time.

Ensuring Inclusionary Zoning Program Succeeds

In addition to the recommendations made above, IZ also requires specific attention to ensure that as units come online, implementation will be smooth for all parties. We are gratified that IZ is finally coming into effect given the delays in issuing regulations, the housing market collapse, and extensive grandfathering. We are concerned that DHCD has the resources it needs to effectively implement and administrator this important program. We also want to ensure that IZ is serving D.C. households not served by the market. This means that further work needs to be done to examine how to serve more D.C. households at the lower end of the income spectrum in the IZ policy.

Regarding program implementation, we recommend DHCD contract with a qualified third party to manage all relevant aspects of the home purchase process, stewardship and enforcement for for-sale IZ and ADUs, and evaluate the use of contracting services for rental unit management as well. An experienced contractor could manage the homebuyer recruitment, preparation, qualification, selection and placement process, along with providing effective relationships with mortgage lenders and

developers to secure financing and successful purchases and ongoing stewardship, enforcement, and resale assistance.

In addition to managing for-sale units with a contractor, using a contractor for rental units for both IZ and ADUs might also improve the performance of these efforts. We believe an experienced nonprofit contractor could more effectively address the key needs to make these programs effective, with appropriate oversight by DHCD staff. In particular, we suggest three critical needs effectively addressed through a contractor:

- Actively marketing these affordable units to income qualified households in search of housing in the city.
- Coordinating with DHCD to conduct a fair and understandable selection process for qualified applicants might be more effectively done through a contractor. This could relieve the small staff of DHCD for both IZ and ADUs to focus on oversight and quality control. In the case of ADUs, the centralizing and standardizing of the application and lottery process for applicants would most likely benefit applicants and relieve developers of conducting their own recruitment and lottery process for low income applicants (in the case of ADUs).
- Monitoring and enforcement remains an important responsibility of the ADU and IZ programs. Some complaints of improper placement of income qualified applicants in some ADUs points to the need to ensure that monitoring is effective for this growing portfolio. Given DHCD's small staff, a third party contractor might be in a better position to administer ongoing monitoring of compliance and enforcement of program requirements.

D.C. Zoning update supports broader goals of reducing cost burdens and barriers

Last, we wanted to note that one change on a parallel track which will support the housing strategy goals is updating of D.C.'s 1958 zoning code. The update of the zoning code will help support production goals by removing unnecessary barriers and costs to creating additional housing such as the discontinuation of unnecessary parking requirements in transit-rich areas, and easing of the process for homeowners to create accessory dwelling units. It would be helpful for the Task Force to reinforce these proposed zoning revisions to improve the feasibility of housing production throughout the city.

Conclusion

We believe that the strong growth in D.C. can be a great benefit to existing low income residents, but only if we strengthen affordable housing production, preservation, and rent supplement along with better public education and workforce development. As the city gains an increasingly stronger fiscal position, we need to ensure this stability is used to help residents who have suffered from poor quality schools, too few job opportunities, low incomes, and high housing costs. The city's resurgence is a great opportunity for shared prosperity, if we commit to it.

Thank you for your consideration.

Sincerely,



Cheryl Cort
Policy Director

Recommendations from [Public Land for Public Good: Making the Most of City Land to Meet Affordable Housing Needs](#), by Coalition for Smarter Growth

- 1. Make affordable housing a top priority in public land redevelopment.** Preserving and generating an adequate supply of affordable housing for the District's lower income households is one of the greatest challenges facing the city.
- 2. Set-aside 30 percent of residential units as affordable.** Maintain the practice from the previous two Mayoral administrations and the standard set in the legislation for the Anacostia Waterfront Initiative, requiring 30 percent of total residential units to be affordable below 60 and 30 percent AMI. This is particularly important in neighborhoods that lack affordable housing now or are rapidly losing affordable units.
- 3. Give preference to experienced affordable housing developers as partners.** They have the necessary knowledge and experience to put together the designs, financing packages and contractors to maximize affordability in a project.
- 4. For rental developments, set a priority on meeting the needs of 30 percent AMI households as much as possible, along with serving households up to 60 percent AMI.**
- 5. For for-sale units, focus on households earning 50 and 60 percent AMI, and no higher than 80 percent AMI.**
- 6. Establish "workforce housing" standards that fit D.C.'s working households income levels.** This means targeting units to be affordable to households earning no greater than 80 percent AMI, not 80 to 120 percent AMI.
- 7. Make retaining D.C. residents and workers through affordable housing development a central goal of the Deputy Mayor for Planning and Economic Development (DMPED) and public land dispositions.**
- 8. Incorporate community plans, and other citywide goals into public land redevelopment plans.** In pursuit of the deal, DMPED has not always recognized the unique opportunity to use public land to help implement community plans and goals. DMPED should seek out opportunities to meet needs identified by residents and community plans through public land development.
- 9. Coordinate city agencies to maximize public benefits.** The Mayor should direct the separate agencies that hold public land, assets, and subsidy sources to closely coordinate to make the most of these collective resources to serve moderate and low income residents.
- 10. Commit to a better community engagement process.** Once the District government has established internal agreement on intersecting goals and needs, DMPED should coordinate an early public engagement process. The community can offer a wealth of ideas and knowledge about neighborhood needs, and ways to address local and citywide goals appropriate to the specific local context.
- 11. Provide transparent valuation of public and private benefits.** Building public trust in public-private agreements involving the disposition and redevelopment of the city's land and facilities depends on an open process where the accounting for the value leveraged to pay for public benefits is broadly understood by and justified to the public.