

# DC Campaign for Inclusionary Zoning

## WHAT YOU NEED TO KNOW ABOUT DC'S INCLUSIONARY ZONING PROGRAM

The IZ program is operational and working, having recently created 116 rental and ownership units, with another 1,100 in the pipeline. While many IZ units are currently in the selection process, 62 of the rental units have been leased, 7 sold, and 2 are under sales contracts (out of 13 total ownership units).

**Inclusionary Zoning is an important part of DC's affordable housing continuum, producing new affordable housing units often in locations that are high cost and highly competitive. The housing is created without using subsidy from the Housing Production Trust Fund (HTFP) or other scarce public resources.** In minimizing the direct subsidy needed to produce homes affordable to moderate and low income households (earning 50% and 80% of AMI), the city maximizes the amount of subsidy available to produce housing for very low and extremely low income families. It is important that the city be able to focus its direct subsidy funds on assisting the lowest income families because they face by far the greatest housing challenges. Ideally, DC would create as much below market rate housing as possible through IZ and other off-budget approaches such as public land dispositions and alley closings because they do not have a direct financial cost to the city.

**Until recently IZ was the only DC affordable housing program that guaranteed permanently affordable units.** Fortunately, the [public land disposition bill](#), which was passed in late 2014, will also guarantee permanent affordability for the units produced under that program. Permanent affordability is not just important for rental units, but also for homeownership where affordability policies like what we have in IZ and public lands can more than double the number of homeowners assisted over time from the same initial investment.

**IZ is creating affordable units in DC neighborhoods where they would otherwise be extremely difficult to produce.** A rental building under construction at 5333 Connecticut Avenue in Chevy Chase will have 19 IZ units, 10 of them affordable to households with incomes at 50% of AMI.

**Development of housing in DC is booming, not stifled by IZ, as its critics claimed it would prior to its adoption.** In fact, DC is building more than ever. The number of building permits issued outpaces the previous boom period of the mid-2000s.

**DC adopted its Inclusionary Zoning policy in 2006 and finalized regulations in 2009. The first units arrived on the market in 2011.** Now more than 1,200 permanently affordable IZ units are on the market or in the pipeline. Inclusionary Zoning:

- ✓ Is mandatory
- ✓ Applies to most new construction with 10 units or more, or any rehab that expands gross floor area by 50%
- ✓ In low rise zones (where developers are building less expensive low rise developments), 10% of the units must be affordable – half to households with incomes at 50% of AMI and half for households at 80% of AMI
- ✓ In high rise zones (where developers are building more expensive, high rise apartment buildings), 8% of the units must be affordable – half and half to households at 50% and 80% of AMI in residential zones, and all at 80% of AMI in other zones
- ✓ Applies to affordable housing developments getting certain federal or DC subsidies only after the subsidy period expires.

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**IZ cannot easily create units for extremely low-income households (30% of AMI) because it is very difficult to finance those developments using just zoning tools.** At that income level, developments need capital and/or rental subsidies, and in some cases services subsidies to make them affordable and sustainable to extremely low income households. IZ does, however, relieve pressure on the market by creating units that moderate income households can afford. Moderately-priced IZ units expand options for households who otherwise would outcompete lower income residents for low priced homes. In addition, IZ can do more at the lower end of the income range if the Mayor, DC Housing Authority, and nonprofits could more easily buy IZ units (say, those at the 50% of AMI level), then add rental and/or services subsidies and make them available to extremely low income households.

**DC's Department of Housing and Community Development recently increased staffing for the IZ program from 1 to 5 full time employees, and proposed revisions to administrative regulations to ease sticking points like the program's lottery system in order to improve program administration.**

**While allegations about developer noncompliance and tracking issues have plagued the city's Affordable Dwelling Unit (ADU) program, these issues have not affected Inclusionary Zoning.** The ADU program was created earlier than IZ without a regulatory framework, and has produced roughly 2,000 units since its inception. Developers negotiate to build ADUs, typically in exchange for zoning relief, tax incentives, public financing, or the right to purchase or lease District-owned land. They negotiate the number of units, affordability levels, and affordability period in order to get the relief they want, and each developer's agreement with the District is different. The District is taking steps to standardize these agreements and improve accountability, but this has not always been the case. IZ, on the other hand, has a standard set of requirements that apply to all projects, and there have been no problems with compliance to date and only a handful of projects granted outright exemptions. The program does exempt a few parts of the city (Downtown, some historic districts), but apart from them, is broadly applied. Other exempted projects are those that were grandfathered in before the law went into effect. Another category of what is labeled exempt projects actually means that the projects provide more than the minimum levels of affordability under IZ, or in some Planned Unit Development cases, the equivalent to IZ.



The Harper, 1919 14<sup>th</sup> Street, NW (near U Street); 11 IZ units

**Although condo fees that rise rapidly after the initial sales period could challenge the continued affordability of IZ homeownership units, the IZ program has anticipated this by raising the condo fee cost assumption and subsequently lowering the sales price of the condo unit to better protect the IZ buyer from higher fees.**

ADUs that pre-date IZ units have had problems with condo fees rising too high in some cases. DHCD has an administrative process for dealing with specific situations where rising condo fees may be driving total housing costs beyond an owner's level of affordability.

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The DC Campaign for Inclusionary Zoning (CIZ) has closely monitored the implementation of IZ, and agrees with the [2014 Urban Institute report](#) that the program is sound. The affordability crisis in DC is persistent however, and existing programs must continually be evaluated to ensure they are as effective as possible in countering the city's affordability challenges. For this reason, the CIZ has offered a full set of recommendations aimed at helping the program create more units to achieve greater affordability. The full set of recommendations can be found [here](#), but briefly, the city should strengthen IZ in order to:

## **Increase the number of low income households who qualify for the program by:**

- Lowering the top tier income threshold from 80% of AMI to a maximum of 70% of AMI
- Pricing units based on 25% of household income as opposed to 30% of income
- Clarifying the option for the Mayor, DC Housing Authority, and nonprofits to buy IZ units, which they could then offer as rentals, possibly with subsidy to make the program accessible to extremely low-income households.

## **Increase the number of IZ units produced, particularly at lower income levels by:**

- Increasing the set aside levels to 12% for low rises and 10% for high rises
- For rental buildings, requiring all IZ units to be affordable at the 50% AMI level; and for ownership buildings, require all IZ units to be affordable to households earning less than 70% AMI
- Increasing bonus density from 20% to 22%, and allowing flexibility in height and other limitations that prevent developers from achieving maximum bonus density
- Requiring IZ compliance on projects in the original Downtown Development District, which is currently exempt.

## **Next Steps**

**DC Zoning Commission** – While the DC Zoning Commission has the authority to create and revise the IZ program, it relies on the staff and analytical support of the Office of Planning, an executive office of the Mayor. The Zoning Commission has requested that Office of Planning provide recommendations for potential revisions to IZ. For over a year, Office of Planning has not provided recommendations as requested by the Zoning Commission.

**Campaign for Inclusionary Zoning** – In early 2015, the Campaign submitted formal recommendations to the Zoning Commission for changes to the IZ regulations (Zoning Case No. 04-33G). **The Campaign is currently urging the Mayor to act on these recommendations and support the Zoning Commission in its effort to revise and strengthen IZ.**

The **Campaign for Inclusionary Zoning** is: Metropolitan Washington Council of the AFL-CIO, Coalition for Smarter Growth, Jews United for Justice, DC Fiscal Policy Institute, People's Consulting, Somerset Development, City First Homes, PolicyLink.

Join us, contact [Cheryl@smartergrowth.net](mailto:Cheryl@smartergrowth.net) to learn how you can get involved and win a stronger IZ program for DC.