



June 16, 2020

The Hon. Kenyan McDuffie, Chair
Committee on Business and Economic Development
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, D.C. 20004

RE: FY2021 Budget Oversight Hearing Regarding BSA Subtitle G: Tax Abatements for Affordable Housing in High-Need Affordable Housing Areas

Dear Councilmember McDuffie and members of the Committee:

Please accept this testimony on behalf of the Coalition for Smarter Growth, the leading organization in the Washington, D.C. 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.

We wish to comment on the Budget Support Act (BSA) Subtitle G: Tax Abatements for Affordable Housing in High-Need Affordable Housing Areas. This proposes to subsidize housing affordable at the 80% area median income (AMI) level in four parts of the city that have been identified as having a deficit of affordable housing.

First, we wish to express our strong support for the Administration's goals for equitable distribution of affordable housing across the city as critical for providing more equitable outcomes for opportunity, health, and wealth. The stark geographic racial divide in our city reflects a history of racial discrimination that persists to today. Undoing this legacy by changing the Comprehensive Plan and housing investment strategies are essential for building a just economy as we recover from the Coronavirus public health crisis.

While we support the expressed goal of the tax abatement proposal -- to provide affordable housing in high-cost, high-amenity neighborhoods where affordable housing is in short supply. The income targeting of 80% is too high and a wasted opportunity. As proposed, the subsidy price per unit is too high. Tax abatements can be a cost-effective tool but this proposal must be further developed to ensure it's the right approach for expanding affordable housing in high-cost neighborhoods. We also urge the Council to work with knowledgeable experts like former DC housing director Leslie Steen, and Patrick McAnaney, who works with a leading affordable housing developer, Somerset Development.

During a time of dramatic economic upheaval, unemployment, and revenue shortfalls, we must be careful stewards of our tax dollars and subsidies. Our current health and economic crisis has exposed the racial and economic inequities of our city and society, and at a time when the Housing Production Trust Fund is being proposed for cuts, we are concerned about committing to a new public subsidy through a tax

abatement program targeted at 80% AMI. We are concerned both due to the income targeting being too high, and the program being too inefficient.

Our research demonstrates that the greatest housing needs for the DC workforce are for people earning 50% AMI and below. Last spring, we released a study on DC's workforce housing needs, [Making Workforce Housing Work](#) (see Attachment 3). We found:

- 8 of the most common 20 occupations pay less than \$48,000 a year (e.g. administrative assistants);
- 5 of the top 20 jobs pay below \$30,000 per year, which is considered extremely low income for a two-person household (e.g. janitors and cleaners);
- Not a single one of the most common 20 occupations in the District earned between 50% and 80% AMI.
- Many of the fastest growing service jobs in the District, such as home health aides, food preparation, and waiters/waitresses, earn extremely low incomes.
- At these income levels, most working households face severe housing cost burdens, where they pay more than half of their income to housing.
- In contrast, rarely does a household earning 80% AMI or more face severe housing cost burdens. These data show that the District's critical workforce housing needs are among those earning well below 80% AMI.

During the current economic crisis and hoped-for recovery, we must focus on investments that will make it possible for our low paid workforce, who are suffering the most, to continue to live in the city. Therefore, we recommend any tax abatement be leveraged with existing tools, including the Low-Income Housing Tax Credits which bring federal funds to the table and an expanded Housing Production Trust Fund:

- Rather than 80% AMI income targeting, the District should focus on 60% and 50% AMI households and below. Working households earning below 60% AMI find themselves shut out of the DC housing market and face severe cost burdens (paying half of their income in housing). At 80% AMI and above, severe cost burden largely disappears. A well-designed program could leverage DC resources to create 60% AMI housing opportunities in parts of the city that have the greatest deficits in affordable housing.
- The program should leverage resources such as the Housing Production Trust Fund (HPTF) and federal Low-Income Housing Tax Credits (LIHTC). LIHTCs should be recognized as an advantage for projects competing for tax abatements since they offer important funding to serve 60% AMI households at a similar cost to serving 80% AMI households as proposed by the BSA abatement.

The solution for increased moderate-income housing availability, at 80% AMI and above – is to pass the Comprehensive Plan and revisions to the Future Land Use Map which provide added housing capacity around transit corridors. Further, the DC Council should support the findings from the Office of Planning's [Single Family Zoning Report](#)'s assessment of "gentle density" approaches to offering increased housing opportunities to moderate and low income households in exclusive residential neighborhoods.

In addition to leveraging existing tools such as LIHTC and HPTF, we recommend the following changes or clarifications to the tax abatement program:

- The geographic targeting should be narrowed to the top three planning areas with highest need/greatest shortfall to better fulfill the stated purpose of the new program. According to Figure 6 in DC's Housing Equity Report (see attachment 1), the greatest shortfalls in affordable housing, accounting for the current pipeline, are in Rock Creek West, Capitol Hill, and Near Northwest. Upper Northeast (ranked #7 in shortage), proposed in the BSA, appears particularly out of place given it is on track with the highest pipeline of new affordable units, and the lowest deficit among areas with deficits. This means that current tools are making a difference in Upper Northeast. We recommend focusing on the areas of highest need of affordable housing with a new tool if other tools have not been able to build affordable housing in those areas.
- Project size should not be limited to a 350-unit project, but should be open to competition. A 350-unit threshold for a single project is severely limiting and gives the appearance that funds are being steered to a specific project.
- Tax abatements should be limited to income restricted units.
- Projects receiving tax abatements must not be exempt from Inclusionary Zoning (IZ). The law is clear that a project that does not deliver IZ affordability standards of 60% AMI for rental and 80% AMI for ownership is not administratively exempt (see Attachment 2). Thus a project proposed for a tax abatement serving renter households at the 80% AMI level, would also be required by DC law to provide 8-10% IZ units *in addition* to units priced at the 80% AMI level.
- Preference should be given to projects that offer in perpetuity affordability rather than 40 years, as is DC's practice in other programs.

Conclusion

Precious limited District subsidy dollars (including tax expenditures) should be directed to serve workforce households at 60% AMI and below. Using LIHTC will also allow us to tap federal resources to reach lower incomes for a similar cost to the proposed local dollar subsidy for 80% AMI housing. If a tax abatement proposal moves forward, it should be leveraged to help address our workforce housing needs at 60% AMI and below to build opportunity in exclusive neighborhoods and breakdown a legacy of discrimination which has cut off access to opportunity and choice. We urge the DC Council to revamp this budget proposal so that we are leveraging investments for a just recovery.

Thank you for your consideration.

Sincerely,



Cheryl Cort
Policy Director,
Coalition for Smarter Growth

Attachments:

- (1) DHCD Housing Equity Report – Current Affordable Housing Pipeline and Production Goals
- (2) Regulations for Exemptions to Inclusionary Zoning
- (3) Extracts from CSG report, Making Workforce Housing Work

Attachment 1

Figure 6. Current Affordable Housing Pipeline & 2025 Production Goals by Planning Area

Planning Area	Affordable Housing Production Goals	Affordable Housing Pipeline	Shortage of Affordable Housing	2025 Total Housing Production Goals*
Rock Creek West	1,990	80	1,910	1,260
Capitol Hill	1,400	280	1,120	3,270
Near Northwest	1,250	270	980	1,850
Mid-City	1,010	620	390	4,210
Rock Creek East	1,500	1,160	340	1,580
Central Washington	1,040	750	290	3,940
Upper Northeast	1,350	1,160	190	6,900
Lower Anacostia Waterfront & Near Southwest	850	910	on track	7,960
Far Southeast & Southwest	1,120	1,450	on track	2,040
Far Northeast & Southeast	490	1,290	on track	2,990
Total	12,000	7,970	5,220	36,000

*The total housing goals consist of net new market rate and affordable housing production. For Rock Creek West, the new affordable housing goals are greater than the total housing goals because the affordable housing goals include not only net new production, but also conversion of existing housing into subsidized housing and voucher recipients living in non-restricted housing. Reaching our goals will require a mix of these strategies, especially in Rock Creek West, where new housing has been extremely limited to date and where land use changes must be made to the Comprehensive Plan to reach these housing goals.

Source: DHCD, Housing Equity Report: Creating Goals for Areas of Our City. October 2019

Attachment 2.

Regulations for Exemptions for Inclusionary Zoning

Inclusionary Zoning (IZ) regulations administratively exempt affordable housing projects that provide IZ-minimum levels of affordability, and require that the IZ square footage is covenanted at IZ levels for the life of the development -- even after other restrictions expire. See DC Zoning Commission case orders below.

DC Zoning Commission Case 04-33D order:

“As revised, the proposed amendments would permanently exempt from IZ affordable developments financed, subsidized, or funded in whole or in part by the federal or District government if they are administered by specified District agencies. The exempted developments must agree to set aside for the life of the project units that would at least equal IZ’s square footage requirement. The units would not become subject to the IZ price schedule or its administrative process, but would continue to be governed by their original affordability structure for the life of the project – i.e., even after the federal or District affordability restrictions have expired. DHCD would continue to monitor compliance with these requirements and take enforcement actions if a violation occurred.”

DC Zoning Commission Case 04-033H order:

(Order adds other affordable housing projects (not just federal & District financed) and establishes affordability requirements.)

“The Exempt Affordable Units shall be reserved as follows:

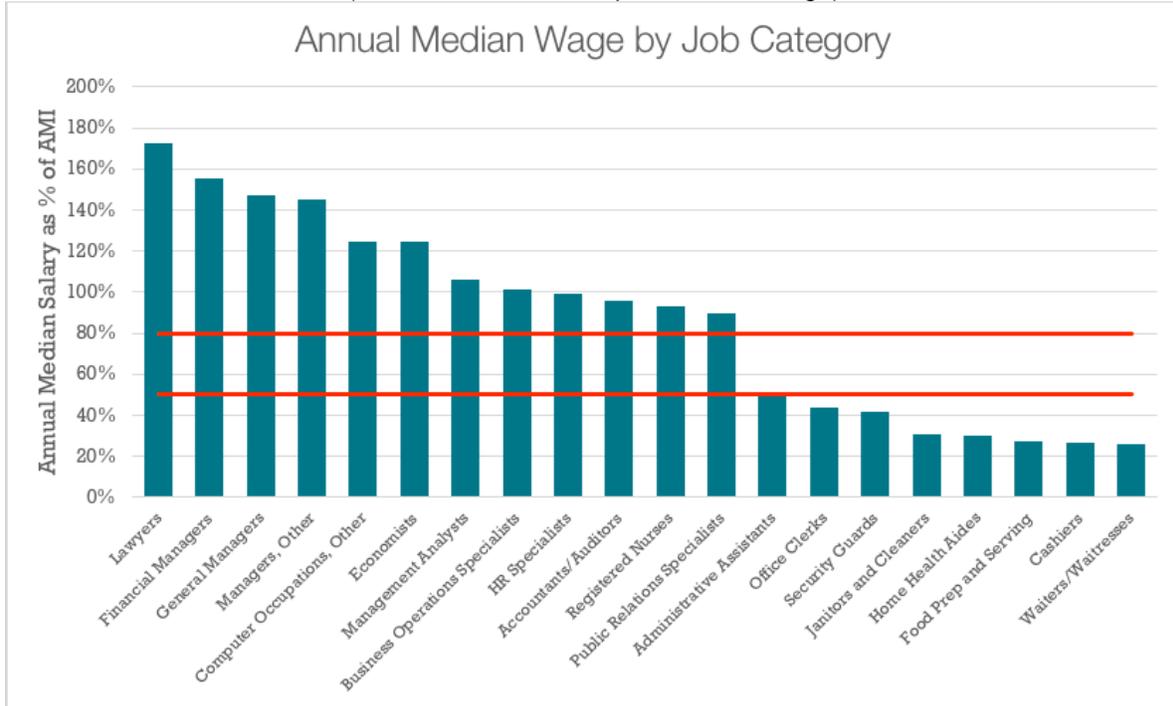
- (i) The square footage set aside for rental units shall be at or below sixty percent (60%) MFI; and
- (ii) The square footage set aside for ownership units shall be at or below eighty percent (80%) MFI;”

Attachment 3

Where D.C. needs to focus its workforce housing subsidies

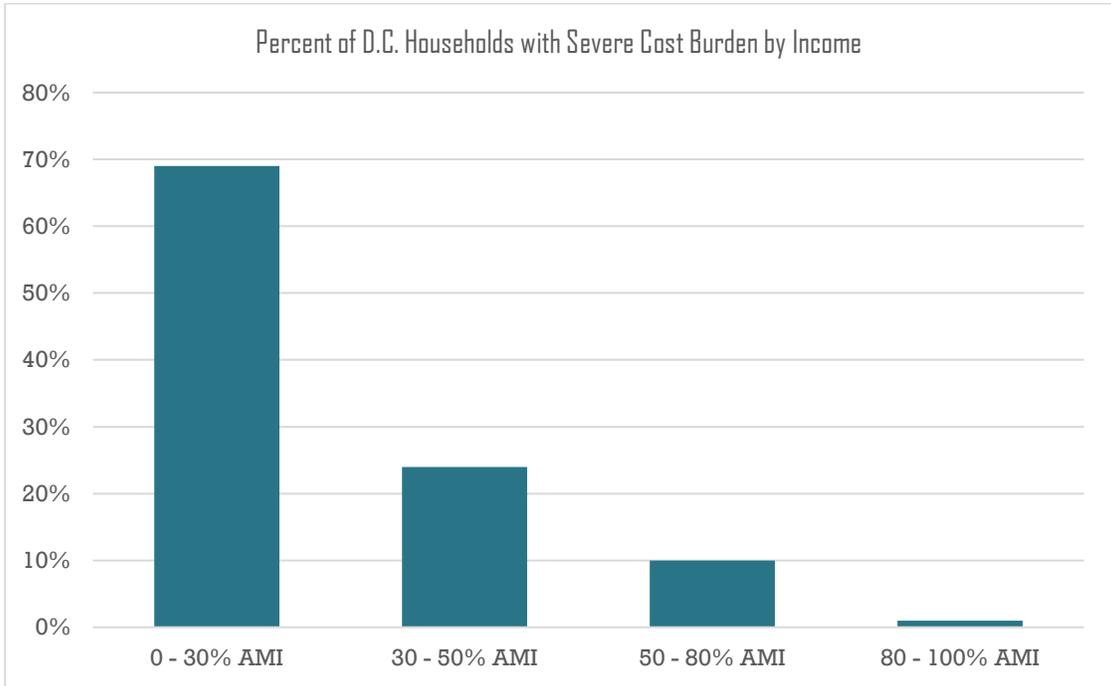
From: [Making Workforce Housing Work](#), a report by Coalition for Smarter Growth, March 2019

Top 20 D.C. occupations by Area Median Income (AMI), 2017
(Red lines mark 50-80 percent AMI range)

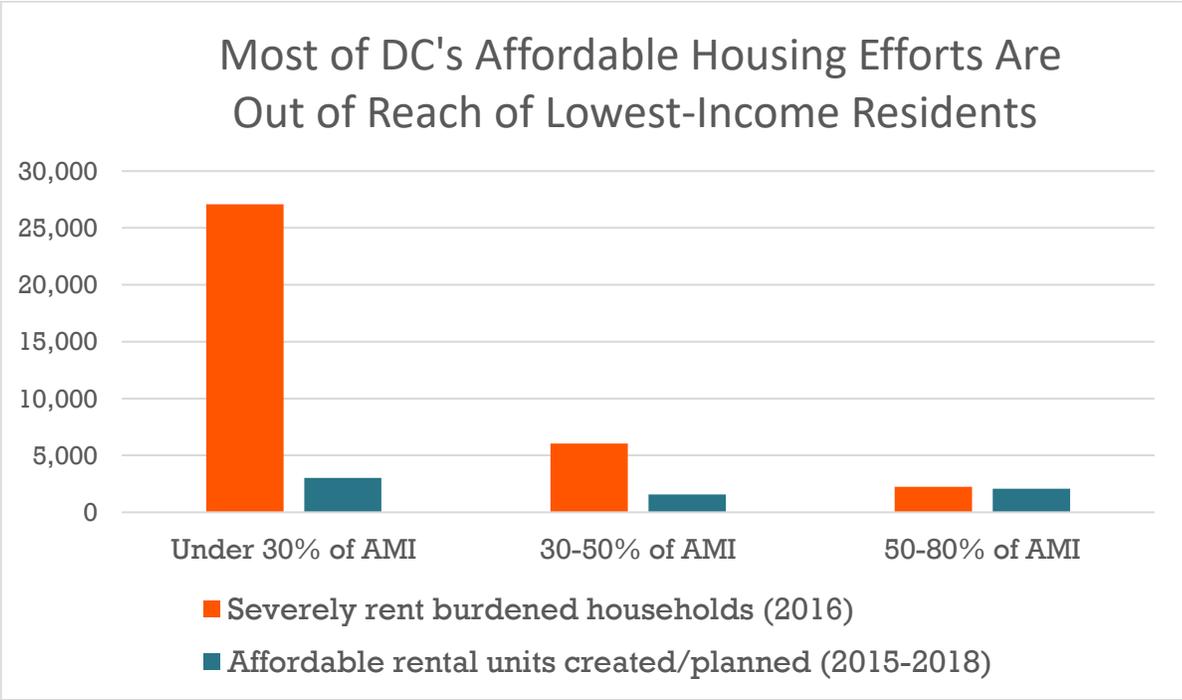


Source: Bureau of Labor Statistics, May 2017 State Occupational Employment

D.C. households with severe housing cost burden
(Paying more than half of household income for housing)



Source: National Low Income Housing Coalition, "The Gap", March 2018



Source: Claire Zippel, D.C. Fiscal Policy Institute, *Building the Foundation: A Blueprint for Creating Affordable Housing for D.C.'s Lowest-Income Residents*, April 2018, DCFPI analysis of 2016 American Community Survey 5-Year PUMS. <https://www.dcfpi.org/wp-content/uploads/2018/04/Building-the-Foundation-Report-FNL.pdf>

Read the full report: [Making Workforce Housing Work](https://www.smartergrowth.net/resources/making-workforce-housing-work-for-d-c/), at: <https://www.smartergrowth.net/resources/making-workforce-housing-work-for-d-c/>