

Strengthening DC's Inclusionary Zoning

DC Zoning Commission
Case No. 04-33G

DC Campaign for
Inclusionary Zoning

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March 3, 2016



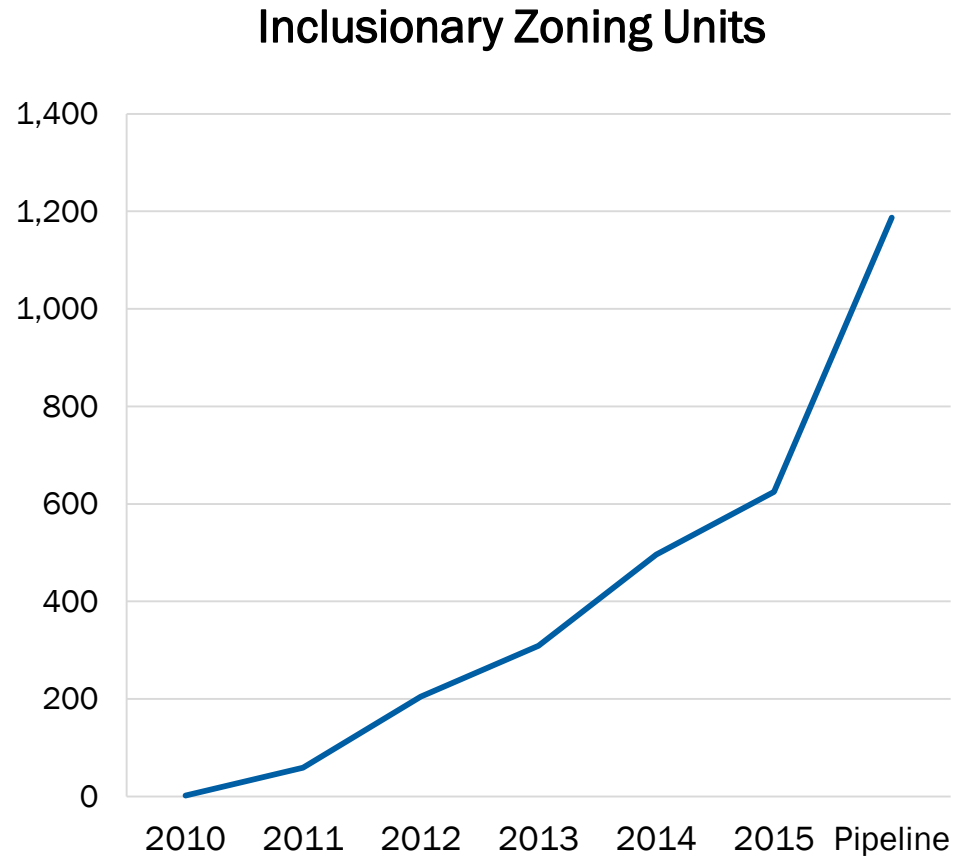
2221 14th St, NW, 30-unit building with 4 IZ units under construction near the U Street Metro

We Support Office of Planning Option 1B

- ▶ Rentals @ 60% MFI & Condos @ 80% MFI
- ▶ Aligned with DC's affordable housing needs
- ▶ Consistent with national best practices
- ▶ Value of existing bonus density largely offsets lower rents
- ▶ Small impact on present land values

With Production Ramping Up, Time to Revisit

- ▶ 900 IZ units produced or under construction
- ▶ 25-year high in DC residential construction last year

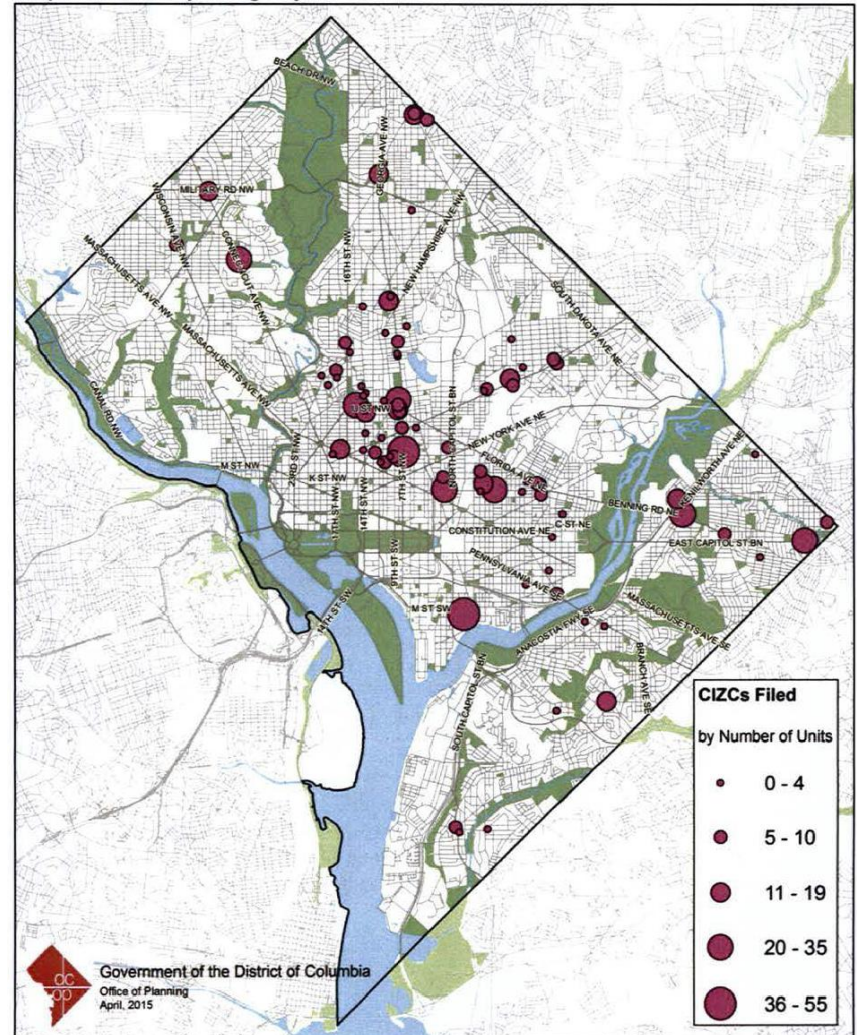


Unique Tool in DC's Affordable Housing Toolbox

- ▶ Affordable housing in neighborhoods of opportunity – access to jobs, transit, good schools
- ▶ Affirmatively Furthering Fair Housing
 - ▶ Requires “proactive steps” to reduce disparities in housing choice

ZC Application 04-33G, Inclusionary Zoning Amendments
July 3, 2015

Map of Inclusionary Zoning Projects



Source: DCHD database of issued CIZC, April 2015.

DC's Affordable Housing Needs

DC's Affordable Housing Needs

- ▶ Severe housing cost burden
 - ▶ Half or more of income goes to pay for housing
 - ▶ Best measure of need in urban markets
- ▶ High housing costs especially tough on lower income households' ability to afford necessities

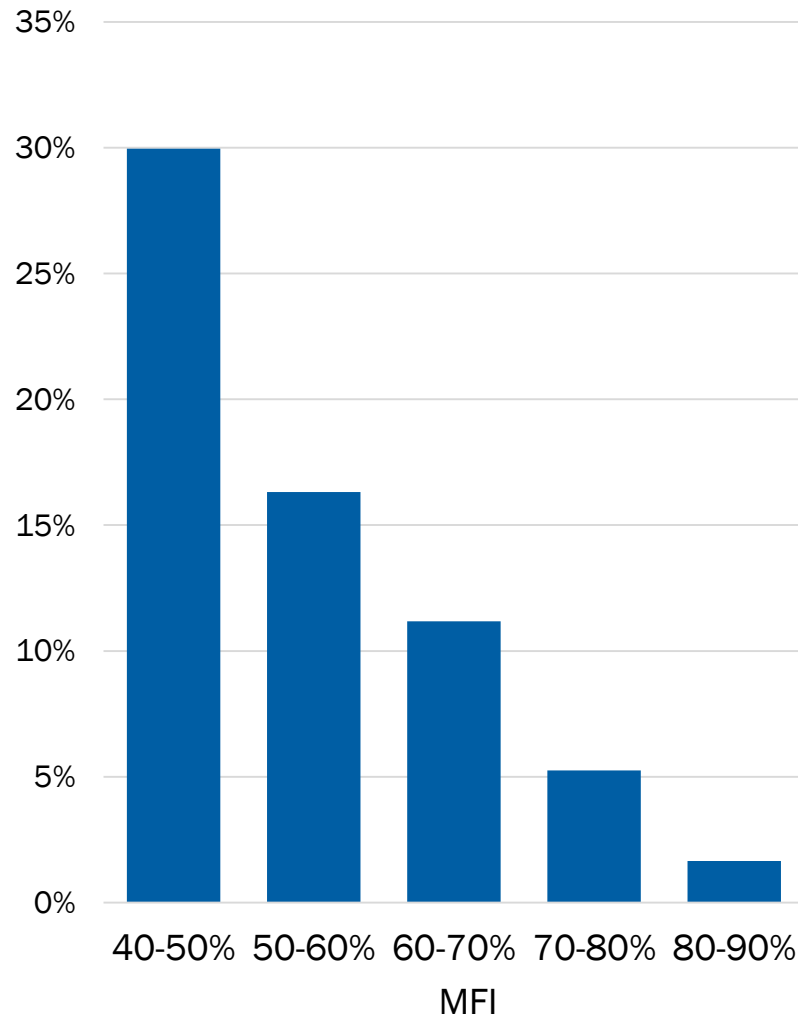
DC's Affordable Housing Needs

Income Levels			
Maximum Income			
MFI	1 person	2 people	3 people
50%	\$ 38,220	\$ 43,680	\$ 49,140
60%	\$ 45,860	\$ 52,420	\$ 58,970
70%	\$ 53,500	\$ 61,150	\$ 68,800
80%	\$ 61,150	\$ 69,890	\$ 78,620

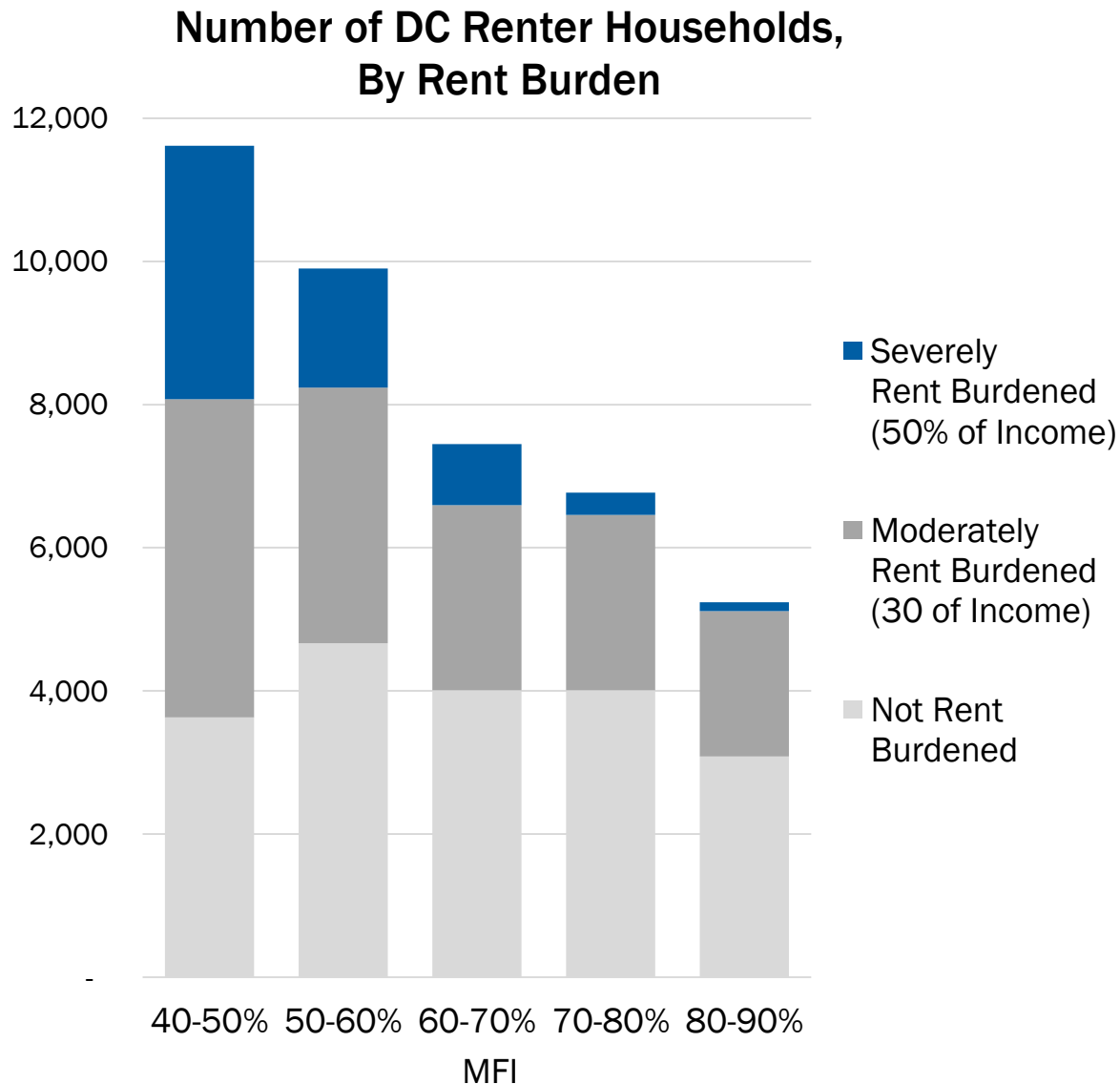
Source: DC Code § 42-2801, Department of Housing and Urban Development Program Income Limits, 2015.

DC's Affordable Housing Needs

Percent of DC Households Severely Rent Burdened, By Income Level



DC's Affordable Housing Needs



Best Practices in IZ Income Targeting

Comparison of Inclusionary Zoning Programs		
Jurisdiction	Targeted MFI	
	Rental	Ownership
<i>Region</i>		
Montgomery County, MD	65%	70%
Fairfax County, VA	50-65%	70%
<i>Nation</i>		
Boston, MA	70%	-
Boulder, CO	60%	70%
Cambridge, MA	65%	65%
Chicago, IL	60%	100%
San Diego, CA	65%	-
San Francisco, CA	55%	70-90%
Santa Fe, NM	65%	-

Source: Urban Institute Affordable Housing Needs Assessment for the District of Columbia, Phase I, 2015; Office of Planning Final Report for Case 04-44G, Technical Appendix, 26 Feb. 2016.

IZ Produces Very Few Truly Affordable Rentals

Most IZ Units Are Moderate-Income Rentals

Percent of IZ units

Includes matter-of-right, PUDs, and subsidized affordable units that count for IZ compliance

Affordability	Ownership	Rental	<i>Total</i>
50% MFI	7.5%	4.8%	12.3%
80% MFI	10.2%	77.5%	87.7%
<i>Total</i>	17.6%	82.4%	100.0%

Source: Office of Planning presentation to working group, Aug. 26, 2015.

DC's Affordable Housing Needs

- ▶ Very few 80% MFI households are severely rent burdened
 - ▶ Only 9 percent of renters 60-80% MFI are severely cost burdened
 - ▶ Compared to 24 percent of renters 40-60% MFI

DC's Affordable Housing Needs

- ▶ Office of Planning: 80% MFI rental “very close to available rental market supply”
- ▶ Urban Institute: “For low income [80% MFI] households, we project a surplus of at least 4,300 affordable units” by 2020
- ▶ $\frac{3}{4}$ of lottery-registered households are at or below 60% MFI
 - ▶ IZ program should serve more of these registered households

OP Final Recommendation

- ▶ Majority of IZ production would remain 80% MFI units
 - ▶ Extending 50%/80% MFI split to only 2 zones with high development capacity, at 8% set aside
 - ▶ 2/3 of IZ production would be 80% MFI units, based on current output
 - ▶ Would not significantly increase opportunities for lottery-registered households

- ▶ Freeze IZ rents
 - ▶ Would not affect eligibility for units
 - ▶ Administrative change, rather than policy change

Economic Impact of Option 1B

IZ Created Significant Value in Market

- ▶ Bonus density created to offset cost of setting aside affordable units
- ▶ Program has turned out to overcompensate developments
- ▶ It's time for the District to reclaim that windfall so we can achieve deeper affordability

IZ Created Significant Value in Market

Cumulative Impact To No-IZ Rental Market			
Zone	Base IZ	Base IZ + ZRR Parking	Base IZ + ZRR Parking + Proposal 1B
C2A	-0.4%	-0.4%	-4.0%
CR	18.9%	36.0%	16.6%
C3A*	16.9%	31.5%	20.5%
R5A	-5.4%	-5.4%	2.6% [†]
R5D	-0.1%	-	-4.3%
C2B*	15.1%	-	6.0%
R5B	-1.2%	-1.2%	-5.0%
C3C*	18.6%	34.1%	15.2%
C2C*	2.7%	16.4%	0.9%
W3*	18.9%	36.0%	16.6%

* Currently requires only 80% MFI units.
[†] Reduce set-aside to greater of 8% of gross residential floor area or 50% of bonus density in R5A.
 Source: DCFPI analysis with Office of Planning residual land value impact model.

Small Impact on Present Land Values

Cumulative Impact To Base IZ Rental Market			
Zone	ZRR Parking	ZRR Parking + Proposal 1B	ZRR Parking + OP Proposal [‡]
C2A	0.0%	-3.6%	-
CR	14.4%	-1.9%	-
C3A*	12.5%	3.1%	7.2%
R5A	0.0%	-0.6%	-
R5D	-	-4.7%	-
C2B*	-	-4.2% [†]	-4.5%
R5B	0.0%	-3.8%	-
C3C*	13.1%	-2.9%	-
C2C*	13.3%	-1.8%	-
W3*	14.4%	-1.9%	-

* Currently requires only 80% MFI units.
[†] Reduce set-aside to 7% of gross residential floor area in C2B.
[‡] Require 50%/80% MFI unit split, and reduce set aside to 8% of gross residential floor area in C3A C2B, and SP1 (not shown).
 Source: DCFPI analysis with Office of Planning residual land value impact model.

Modifications to Proposal 1B

- ▶ Equalize new requirements with value of bonus density
 - ▶ **R5A** - Reduce set-aside to greater of 8% gross residential floor area or 50% of bonus density (from 10%/75%)
- ▶ Reduce impact to present land value
 - ▶ **C3B** - Reduce set-aside to 7% of gross residential floor area (from 8%/50%)

Marginal Impact on Present Land Values

- ▶ Splitting income targeting by tenure unlikely to damper strong rental market
 - ▶ 10,000 new Class A rentals planned for DC by 2018
- ▶ Project-unique impacts of new requirements can be addressed through:
 - ▶ Projects in the pipeline to comply with current requirements
 - ▶ BZA relief

Comments on Other OP Proposals

Comments on Other OP Proposals

- ▶ Matter-of-right off-site
 - ▶ Increase in affordable space should be 50% rather than 20%
 - ▶ Consider administrative approval of off-site location to ensure fair housing
- ▶ Clarify that Mayor may purchase units to rent, as well as to buy
- ▶ Vague flexibility risks loss of affordable units

Comments on Other OP Proposals

- ▶ All increases in FAR should be treated as bonus density for determining IZ requirements
 - ▶ Including increases provided by BZA, text amendments, and Comprehensive Plan