



The District's Dime

Going Beyond the Budget Book

The DC Fiscal Policy Institute blog
www.dcfpi.org

September 19, 2017

Inclusionary Zoning Will Only Get Better Thanks to Administrative Fixes

By Claire Zippel

There's more good news about DC's inclusionary zoning program. New regulations proposed by the Department of Housing and Community Development, which oversees the program, will help this affordable housing tool work more smoothly for low-income residents and building owners alike. The regulations will substantially improve the administrative process, marking one more step toward ensuring DC's inclusionary zoning program fulfills its potential. Yet one provision that would allow low-income families to pay up to half their income to rent or buy an IZ unit is concerning, and should be modified.

The District's inclusionary zoning (IZ) program, which requires nearly all new residential buildings to include some lower-cost units, recently hit an important milestone: it's produced over [1,000 units](#) since 2010. Going forward, more new IZ units will be within reach of residents struggling with DC's high housing costs, thanks to a [decision](#) last year by the DC Zoning Commission to adopt changes recommended by DCFPI and others that lowered rents for new IZ units. This spring, the DC Council [acted](#) to implement those changes in law.

Now, the Department of Housing and Community Development (DHCD), which oversees the IZ program, has issued [new regulations](#) aimed at relieving sticking points in the administrative process, and adding needed flexibility for residents and building owners. Some of the procedures spelled out in the new regulations had already been adopted in practice by DHCD, and the new regulations will simply codify those improvements.

Among other positive changes, the new regulations:

- **Streamline the lottery process.** Inclusionary zoning units are matched with eligible households through a lottery—the fairest and most equitable way to award scarce affordable units to those who need them. Yet a lottery can be a time consuming process. Under the new regulations, the lottery will stay the preferred way to fill IZ units, but the process will be streamlined. Timeframes will be shorter, but will still give households a reasonable amount of time to make decisions, and complete and send paperwork. For instance, a household selected by a lottery will have 30 days (down from 45 days) to provide their eligibility documents to the property's sales or leasing team.



- **Allow IZ renters who've gained income to stay in their unit.** IZ units are reserved for households with incomes under a certain level. Under the old regulations, an IZ renter would be ineligible to renew their lease if their income was even \$1 over the maximum income allowed. The new regulations allow IZ renters to remain eligible as long as their income stays below 140 percent of the maximum. This policy for “over-income” tenants is in line with the federal low-income housing tax credit program, and fixes an issue that could've caused an IZ renter to choose between taking a new job or a raise, and keeping their apartment.

One new provision in the new IZ regulations is concerning, however. It would allow a prospective renter or owner of an IZ unit to be matched with the unit through a lottery, even if the household would have to spend up to 50 percent of their income on the cost of the unit (up from 37 percent in the current rules). It's true that many households below the maximum allowed may already pay large amounts of their income for rent. Yet IZ is an affordable housing program—and as such, should ensure it's placing the families it serves in a sustainable financial situation. Matching families with units that cost up to 50 percent of their income risks that family getting behind on rent or their mortgage, or even facing eviction or foreclosure if their income drops further. While it's understandable that DHCD wishes to expand the pool of households that can be matched with IZ units, the same goal can be accomplished by lowering the maximum rent. Currently, rent is set so that a household with the maximum income would pay 30 percent of income for rent. DHCD could set that share to 25 percent instead.

Overall, the new regulations are more good news for DC's inclusionary zoning program. DHCD should modify the provision above, and should keep up its impressive work toward ensuring IZ fulfills its potential.