

**MEMORANDUM**

**TO:** District of Columbia Zoning Commission

**FROM:** <sup>JLS</sup>  
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**DATE:** September 4, 2020

**SUBJECT:** ZC Case 20-02 – Set Down and Prehearing Report for a Proposed Zoning Text Amendment to Subtitles C, F, G, I, K, and X – Expanded Inclusionary Zoning.

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**I. RECOMMENDATION**

The Office of Planning (“OP”) recommends that the Zoning Commission **set down** for a public hearing, amendments to Subtitles C, F, G, I, K, and X of the Zoning Regulations to establish the Expanded Inclusionary Zoning (“Expanded IZ”) set-aside and mapping requirements. OP requests flexibility to work with the Office of Attorney General (“OAG”) to further refine the proposed language. This report also serves as the prehearing report required by Subtitle Z § 501.

The proposed text amendments (Appendix I) would:

- Apply to a map amendment:
  - Where the new zone permits a higher maximum residential floor-area-ratio (“FAR”) than the existing zone;
  - From a PDR zone to an R, RF, RA, MU, D, CG, NHR or ARTS zone; or
  - From Unzoned to an R, RF, RA, MU, D, CG, NHR, or ARTS zone.
- Not apply to a planned unit development (“PUD”) application with a related map amendment or map amendment to an HE, SEFC, StE, USN, or WR zone.
- Increase the existing Mandatory Inclusionary Zoning (“Regular IZ”) set-aside requirement relative to the increase in permitted residential FAR to create a new Expanded IZ set-aside requirement of up to 20 percent.
- Provide an alternative set-aside requirement if all of the Inclusionary Units are reserved for households earning no more than 50 percent MFI or if 50 percent of the Inclusionary Units have three or more bedrooms.

All other Regular IZ program requirements would remain the same and apply to Inclusionary Developments located in zones subject to the Expanded IZ set-aside requirement.

## **II. BACKGROUND**

### **Concept Roundtable**

On January 3, 2020, OP filed a set down report with the Office of Zoning (“OZ”) that served as a petition for a proposed concept to expand the Regular IZ requirements. The petition requested a public hearing be held on a concept to create higher affordable housing set-aside requirements for certain map amendments. The concept is referred to in this report as “Expanded IZ,” but it has also been referred to as “IZ Plus” in the press. A more complete description of the concept proposal is provided in the January 3, 2020 OP set down report filed in Zoning Commission Case No. 20-02 (Exhibit 2).

The petition did not recommend specific text to amend the Zoning Regulations. Instead, OP proposed to engage the public through a discussion, conducted at a public hearing, to gather feedback and refine the Expanded IZ concept. After the public hearing on the concept and based on feedback from the Commission and the public, OP would draft proposed text and advertise the text for a future public hearing.

At its January 13, 2020 public meeting, the Commission voted to set down the proposed concept for an initial public hearing. The hearing was set for May 7, 2020 but was cancelled due to the COVID-19 public health emergency. On June 8, 2020, OP requested to host a virtual public roundtable discussion on the proposed concept, and the Commission agreed.

At the virtual roundtable, conducted on July 15, 2020, the concept proposal was discussed including the applicability of the proposed Expanded IZ set-aside requirement, an alternative set-aside requirement for providing certain types of Inclusionary Units, and the financial modeling. Approximately 90 people participated in the roundtable discussion, and of those who testified, they were overwhelmingly in support of the concept proposal. A summary of both the testimony and written comments that were received from the public can be found in Appendix III of this report. A recording of the roundtable can be viewed on the [planning.dc.gov/inclusionaryzoning](https://planning.dc.gov/inclusionaryzoning).

### **A New Tool**

Regular IZ would continue to be the primary tool for the matter-of-right process. PUDs would continue to be the District’s preferred tool to both increase new housing and affordable housing above the Regular IZ requirement and to analyze broader public benefits and amenities. However, there has been a trend away from PUD applications to map amendment applications, which increase the available density of a site but currently only result in the Regular IZ set-aside requirement. This proposal would require an increased IZ set-aside (aka “Enhanced IZ” also referred to as “IZ Plus”) in association with a map amendment and will sit between matter-of-right and PUDs. In lieu of PUDs, an Expanded IZ set-side for map amendments furthers the District’s efforts to achieve its affordable housing goals through density increases anticipated by updates to the Comprehensive Plan and associated Future Land Use Map (“FLUM”).

### **Additional Case and Text Amendments**

Many participants at the roundtable shared ways that either the concept proposal or the Regular IZ program could be refined to create additional affordable housing units. OP anticipates bringing forward additional text amendments to the Regular IZ program in fall 2020 to provide additional opportunities for the creation of affordable housing. Such amendments would:

- Apply the Regular IZ requirements to existing floor area of non-residential buildings that are converted to residential buildings;

- Apply the Regular IZ requirements to certain zones that are currently exempt from the program; and
- Increase the matter-of-right height limit of 50 feet to 85 feet for Inclusionary Developments that do not use Type I construction (non-steel buildings).

These additional opportunities to strengthen the Regular IZ program will increase affordable housing production through a matter-of-right development process and will particularly increase affordable housing in higher density zones.

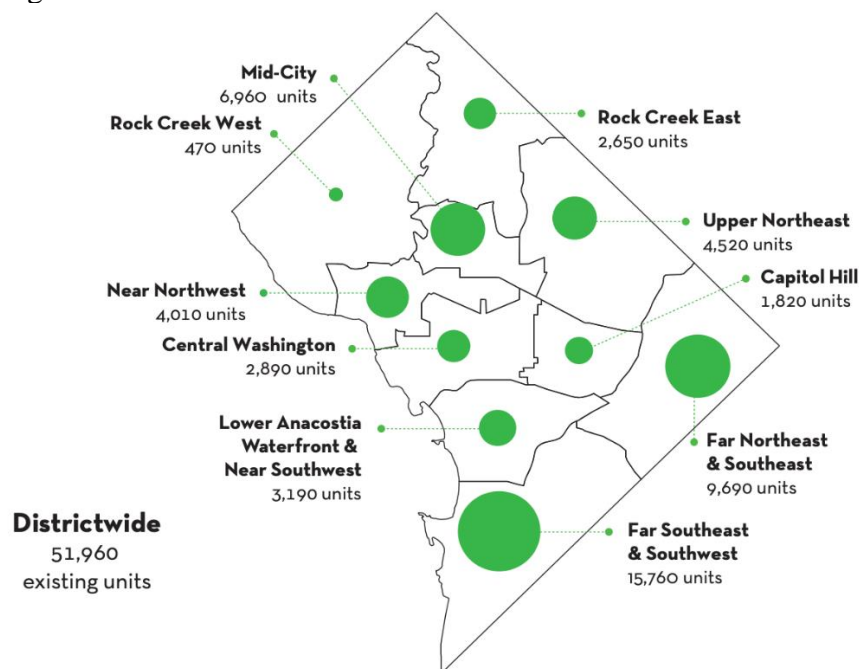
### III. PLANNING CONTEXT

The District’s existing housing stock and projected housing production are currently not enough to meet current or future housing needs, especially for creating new affordable housing. The need for additional affordable housing and the importance of distributing affordable housing throughout the city have been reinforced through the Mayor’s Order on Housing, the Housing Equity Report, and pending revisions to the Comprehensive Plan.

In May 2019, Mayor Bowser issued an Order on Housing directing DC Government agencies to develop policies, tools, and initiatives that would lead to the creation of 36,000 housing units of which 12,000 would be affordable by 2025. The Order requires District agencies to undertake a review of how existing affordable housing is either concentrated in the District, threatened to be removed, or is extremely limited in availability as a result of historic exclusionary and discriminatory land use decisions.

OP and DHCD initiated work on the housing framework by releasing the Housing Equity Report ([HousingEquityReport.pdf](#)) in October 2019 to assess where dedicated affordable housing currently exists and where additional affordable housing is needed throughout the District. The Housing Equity Report identified areas of the District that have a shortage of dedicated affordable housing and set production goals by area for additional affordable housing units.

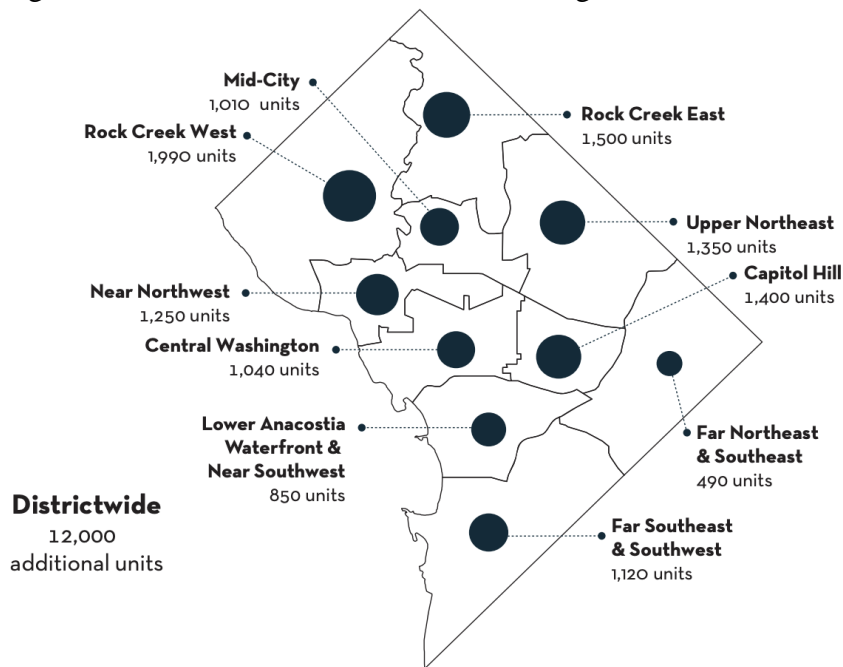
Figure 1. 2018 Estimated Distribution of Dedicated Affordable Units.



Source: OP and DHCD

Using the 10 planning areas identified in the Comprehensive Plan, the report outlined affordable housing production goals by area to achieve the creation of 12,000 affordable housing units by 2025. The findings of the report showed that some planning areas are on track with their affordable housing production goals, but most planning areas require focused resources to reach the proposed goals. Based on the current affordable housing pipeline, the District would be 5,220 affordable housing units short of meeting its goal of 12,000.

Figure 2. 2025 Dedicated Affordable Housing Production Goals.



Source: OP and DHCD

As part of the Comprehensive Plan amendment process, OP has proposed revisions to the housing element that encourage increased market-rate and affordable housing creation in “high cost” areas of the District where existing affordable housing is limited and where land prices make it very expensive to financially subsidize affordable housing. A draft FLUM has also been proposed that would change the intensity of land use designations in areas, such as around metro stations, along major corridors, and on large properties. Among the reasons for the proposed changes to the FLUM designations is to identify areas where affordable housing can be accommodated in areas that can support more density.

OP anticipates that requests for private map amendment applications will increase at properties where the draft FLUM increases the land use designation to a higher category. These map amendments would likely result in properties being “up-zoned” to a higher density than currently permitted. An Expanded IZ set-aside scale would establish a requirement for more affordable housing when a zoning map amendment results in greater residential density permitted on a site than allowed under the current zone. The intent is to produce a significant amount of affordable housing when residential density is increased through a map amendment. Given that Regular IZ has been the primary tool to create the limited number of dedicated affordable units in high opportunity areas of the District, Expanded IZ set-asides would be a valuable tool for additional housing options that align with the Planning Area targets.

Proposed amendments strengthen the existing Comprehensive Plan and inform this set down process. The current Comprehensive Plan includes language in supporting map amendments and affordable housing. Two central policies are:

Policy H-1.2.3: Mixed Income Housing

Focus investment strategies and affordable housing programs to distribute mixed income housing more equitably across the entire city, taking steps to avoid further concentration of poverty within areas of the city that already have substantial affordable housing. 504.8

Policy H-1.2.7: Density Bonuses for Affordable Housing

Provide zoning incentives to developers proposing to build low- and moderate-income housing. Affordable housing shall be considered a public benefit for the purposes of granting density bonuses when new development is proposed. Density bonuses should be granted in historic districts only when the effect of such increased density does not significantly undermine the character of the neighborhood. 504.14

Appendix II includes other existing Comprehensive Plan text supporting the Expanded IZ proposal.

Proposed amendments to the Comprehensive Plan further inform the longer-term intent of creating Expanded IZ requirements:

Action H-1.2.I: Leveraging Inclusionary Zoning

Examine and propose greater Inclusionary Zoning requirements when zoning actions permit greater density or change in use. Factors supporting a greater requirement may include high cost areas, proximity to transit stations or high capacity surface transit corridors, and when increases in density or use changes from Production Distribution and Repair to Residential or Mixed-Use. Consider requirements that potentially leverage financial subsidies such as Tax-Exempt Bonds.

On balance, the proposed text amendments would not be inconsistent with the existing Comprehensive Plan and would further the affordable housing priorities in the District. The varying policies cited in this report work together to support the expansion of the Regular IZ program by providing new ways to distribute additional mixed income housing more equitably across the entire District, particularly in high cost areas where affordable housing is limited. Proposed increases in land use designations on the FLUM would support existing Comprehensive Plan policies that strongly encourage development of new housing on underutilized land in all parts of the District.

Expanded IZ in conjunction with the proposed FLUM would support existing Comprehensive Plan policies that affordable housing be considered a public benefit for the purpose of granting density bonuses when new development is proposed. Pending amendments to the Comprehensive Plan reinforce the need to further increase IZ set-aside requirements when a zoning action permits greater density or change in use. Expanded IZ would be one tool among many used to fulfill the District's goal of ensuring housing equity throughout the entire District by the production of additional affordable housing. Expanded IZ would help achieve the Mayor's goal for the creating 36,000 new housing units by 2025, including 12,000 affordable units.

#### **IV. ANALYSIS**

Below is an overview of the proposed Expanded IZ text amendment regarding applicability, set-aside requirements, bonus density, and alternative requirements:

Applicability

Expanded IZ would apply to the entire District as part of an application for a map amendment to a higher density zone. The Zoning Commission refers all map amendment applications to OP for review and a written report. Part of OP’s review, in addition to determining that the proposed map amendment would be considered “not inconsistent” with the Comprehensive Plan, would be to comment on whether the applicability of Expanded IZ would be appropriate based on an analysis of the local housing market, the distribution of existing affordable housing around the area of the proposed map amendment, the Comprehensive Plan, and Housing Equity Report goals for providing fair and equitable access to affordable housing. It is expected that Expanded IZ would be appropriate for most map amendment applications.

Set-Aside Calculation

The Expanded IZ set-aside requirement would:

- Supersede the Regular IZ set-aside requirement for development that is subject to Regular IZ.
- Be an absolute percentage that would apply to the total residential gross floor area (“GFA”) after the rezoning.
- Be based on a sliding scale so that it is commensurate with the degree of density increased through the rezoning.
- Be calculated as the difference between the maximum matter-of-right FAR of the existing zone and the maximum IZ FAR (incorporating the 20 percent IZ density bonus) of the new zone.
- Account for the change in construction type based on a matter-of-right height limit of 85 feet or more:

Figure 3. Proposed Expanded IZ Set-Aside Requirements.

Increase in FAR	0.25-0.50	0.51 -1.00	1.01-1.50	1.51- 2.00	2.01 - 2.50	Above 2.50
Set-Aside Requirement for 85 ft. or less	14%	16%	18%	20%	20%	20%
Set-Aside Requirement for Greater than 85 ft.	10%	12%	14%	16%	18%	20%

- Be 20 percent if the property is being rezoned from PDR, being zoned from unzoned land, or being rezoned to a D zone without a prescribed residential FAR.

The following are sample Expanded IZ calculations:

- Example 1:

A property rezoned from RA-2 to RA-3 would have a 1.8 FAR increase and the resulting set-aside requirement for Expanded IZ would be 20 percent of the total residential GFA. The maximum permitted residential FAR after the rezoning would be 3.6 with IZ.

Map Amendment	Zone	Residential FAR	Increase in Residential FAR	Expanded IZ Set-Aside
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<b>From:</b>	RA-2	1.8 (Max. MoR FAR)	1.8	20%
<b>To:</b>	RA-3	3.6 (Max. IZ FAR)		

- Example 2:

A property rezoned from PDR-4 to MU-4 would have an increase in residential FAR that would be the full FAR of the new zone. The resulting set-aside requirement for Expanded IZ would be 20 percent because this rezoning would be a change to a non-PDR zone. The maximum permitted residential FAR after the rezoning would be 3.0 with IZ.

Map Amendment	Zone	Residential FAR	Increase in Residential FAR	Expanded IZ Set-Aside
<b>From:</b>	PDR-4	Residential Use Not Permitted	3.0	20%
<b>To:</b>	MU-4	3.0 (Max. IZ FAR)		

- Example 3:

A property rezoned from RA-5 to D-5 would have an increase in residential FAR that would be the full FAR of the new zone. The resulting set-aside requirement for Expanded IZ would be 20 percent because this rezoning would be a change to a Downtown zone without a prescribed residential FAR.

Map Amendment	Zone	Residential FAR	Increase in Residential FAR	Expanded IZ Set-Aside
<b>From:</b>	RA-5	6.0 (Max. MoR FAR)	n/a	20%
<b>To:</b>	D-5	Residential FAR Not Prescribed		

Bonus Density

- A development that is subject to Expanded IZ would be permitted to use bonus density prescribed by the Regular IZ regulations (i.e. bonus FAR, lot occupancy, and height).
- While developments subject to Expanded IZ would have a larger set-aside requirement, they would also gain a substantially higher maximum permitted FAR as a result of the rezoning and would be able to use the Regular IZ bonus density available to the new zone.

Alternative Set-Aside Requirements

- A property would have the option of reducing the Expanded IZ set-aside requirement by 20 percent if it meets either of the following criteria:
  - 100 percent of the IZ units are reserved for households earning equal to or less than 50 percent MFI; or
  - 50 percent of the IZ units are 3 bedroom or larger family-sized units.

## **Economic Modeling**

Below is an overview of the economic model that informed the Expanded IZ set-aside requirements, and the assumptions that went into the model.

Economic modeling fulfills several important functions, including:

- Maximizing the potential production of affordable housing created by Expanded IZ;
- Ensuring the program is sufficiently economically feasible for the private sector to pursue and deliver affordable housing – that it would not be “counter-productive” to the goal of providing more housing and more affordable housing;
- Understanding how density and changes in density affect the IZ program;
- Testing of other related policy goals such as family-sized units or deeper affordability; and
- Understanding how Expanded IZ might perform as economic conditions change across different sub-markets of the District.

## **Model Assumptions**

There are many assumptions that go into constructing an economic feasibility model to test the impacts and potential outcomes of Expanded IZ. The base model is the same model OP used in the comprehensive review of Regular IZ in Zoning Commission Case No. 04-33G. This report discusses the high-level assumptions used in the model and provides two examples. A more detailed description of the model will be provided in OP’s public hearing report. Major assumptions include:

- Typically, rezoning cases are voluntary and discretionary processes. Therefore, for the District to achieve greater affordability there needs to be positive economic gain to incentivize property owners to pursue a rezoning. In other words, Expanded IZ should achieve win-win outcomes in terms of a higher percentage of affordable units and increased land value. There are two concerns that OP will address in its public hearing report:
  - What constitutes a sufficiently balanced win-win scenario to make Expanded IZ a productive tool for affordable housing production; and
  - How should zoning map changes be approached when they are not a voluntary private sector driven process but rather originate from Small Area Plans (SAP) or other publicly driven processes?
- Regular IZ is based on a balance of bonus density and affordability requirements that is intended to minimize impact on land values when rental projects are targeted at 60 percent MFI and ownership projects are targeted at 80 percent of MFI; and when the percent of gross square feet required is equal to:
  - 75 percent of the increase in density when projects use non-Type I construction methods and materials, i.e. all wood frame construction or concrete plinths with wood frame above; or
  - 50 percent of the increase in density when projects use Type I construction methods and materials, i.e. 100 percent steel and concrete buildings.

Expanded IZ requirements that fall some proportion short of the Regular IZ’s 50 to 75 percent balance should create a sufficient economic incentive for a property owner to pursue a zone change.

- Other District and Federal affordable housing programs were included in the modeling; however, these programs were not relied on in order to achieve the sliding scales proposed in the set down report. They were included to understand the net impact on the project due to the different affordability requirements that accompany them. These programs include the



recent tax abatement for affordable housing approved by Council in high cost areas and Tax-Exempt Bonds with 4 percent Low-Income Housing Tax Credits. Both these tools have the capability of adding additional affordability beyond Expanded IZ. OP will provide additional details on these tools in the public hearing report.

- The model relies on long-term averages and standard assumptions of residential development such as interest rates, relationships between variables such as rents and operating expenses, and other inputs. It varies inputs only when there are consistent differences between scenarios such as rents in one area of the District versus other areas. OP has relied on both stakeholders and independent resources such as CoStar and other industry sources.

### Examples

Figure 4 and Figure 5 below present two of the scenarios OP has modeled in preparation of the set down report. The figures illustrate two current zone changes – MU-4 to MU-5A and RA-2 to RA-3. Both cases shift from largely wood frame construction to concrete plinths with wood frame above.

The development modeled in Figure 4 represents a project the District might see west of Rock Creek Park where market rents for new buildings are averaging \$3.91 per square foot.<sup>1</sup> Tested against real properties, the model was able to accurately estimate the list price of vacant land currently for sale in the District.

The table shows that changing the zoning from MU-4 to MU-5A increases the potential value of the project from \$95.0 million to \$125.6 million. It also shows that development costs rise significantly as well. Once the development costs are subtracted, Figure 4 shows that the residual land value has risen from \$39.2 million to \$43.5 million; an 11 percent increase.

Figure 4 also shows that the Expanded IZ requirement of 20 percent of GFA equates to 68 percent of the total change in density between the old zone without IZ and the new zone with the 20 percent bonus density that accompanies Regular IZ. The model results in an increase in the number of affordable units from 25 affordable IZ units to 57 affordable units, or a 124 percent increase affordable units delivered.

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<sup>1</sup> CoStar.

Figure 4. Sample Economic Feasibility Model and Evaluation Metrics: MU-4 to MU-5A

<b>Residual Land Value Economic Feasibility Model</b>			
Rental Scenario: MU4 to MU5A		MIZ Scenario	IZ+ Senario
		12.5% GSF @ 60% MFI 20% Bonus Density	20% GSF @ 60% MFI 68% Bonus Density 0% Tax Abatement
Monthly Rent	\$3.91 Market	\$ 536,356	\$ 716,659
Parking Revenue	\$190 / Space	\$ 23,940	\$ 23,940
Annual Income		\$ 6,723,547	\$ 8,887,189
- Vacancy/Economic Loss	5%	\$ 336,177	\$ 444,359
- Operating Expenses	30%	\$ 2,017,064	\$ 2,666,157
RE Taxes (Included in OE)		\$ 807,556	\$ 1,067,429
Net Operating Income		\$ 4,370,306	\$ 5,776,673
Cap Rate	4.60%		
Estimated Value		\$ 95,006,642	\$ 125,579,842
- Hard Costs		\$ 25,200,000	\$ 41,076,000
- Parking		\$ 5,027,400	\$ 5,027,400
- Soft Costs	30%	\$ 9,068,220	\$ 13,831,020
- Contingency	5%	\$ 1,511,370	\$ 2,305,170
- Hurdle Rate	18.7%	\$ 14,994,971	\$ 19,820,363
Residual Land Value		\$ 39,204,681	\$ 43,519,889
Change in Residual Land Value			IZ+ Senario \$ 4,315,208
Percent Change in Land Value			11%
<b>Expanded Inclusionary Zoning Evaluation Metrics</b>			
FAR Increase (Base Zone without Bonus to New Zone with Bonus)			1.7
Percent FAR Increase			68%
IZ+ Percent of Increased Density Required			70%
Percent Affordable Increase			124%
		MIZ Scenario	IZ+ Senario
Market Rate Units		180	230
Affordable Units		25	57
Total Units		205	291

Source: DC Office of Planning, August 2020.

Figure 5 represents a project in the Upper Northeast Planning Area where market rents are lower at \$3.09 per square foot and a zone change from RA-2 to RA-3. The model uses the same size land at 60,000 square feet, but these zones permit smaller projects than those in Figure 4. The model estimates the change in FAR between zones increases project value from \$59.6 million to \$94.7 million. Once construction costs and profit are deducted, Figure 5 shows that the residual land value went from \$19.2 million to \$29.8 million, or a 55 percent increase in value. The project went from delivering 18 affordable units to 49 affordable units.

Figure 5. Sample Economic Feasibility Model and Evaluation Metrics: RA-2 to RA-3

<b>Residual Land Value Economic Feasibility Model</b>			
Rental Scenario: RA2 to RA3			
		MIZ Scenario	IZ+ Scenario
		12.5% GSF @ 60% MFI	20% GSF @ 60% MFI
		20% Bonus Density	100% Density Increase
Monthly Rent	\$3.09 Market	\$ 309,926	\$ 498,088
Parking Revenue	\$190 / Space	\$ 18,430	\$ 23,940
Annual Income		\$ 3,940,270	\$ 6,264,342
- Vacancy/Economic Loss	5%	\$ 197,014	\$ 313,217
- Operating Expenses	30%	\$ 1,182,081	\$ 1,879,303
RE Taxes (Included in OE)		\$ 506,279	\$ 804,895
Net Operating Income		\$ 2,561,176	\$ 4,071,822
Cap Rate	4.30%		
Estimated Value		\$ 59,562,226	\$ 94,693,538
- Hard Costs		\$ 18,144,000	\$ 32,400,000
- Parking		\$ 5,027,400	\$ 5,027,400
- Soft Costs	30%	\$ 6,951,420	\$ 11,228,220
- Contingency	5%	\$ 1,158,570	\$ 1,871,370
- Hurdle Rate	17.8%	\$ 9,014,971	\$ 14,332,230
Residual Land Value		\$ 19,265,864	\$ 29,834,318
Change in Residual Land Value			IZ+ Scenario \$ 10,568,454
Percent Change in Land Value			55%
<b>Expanded Inclusionary Zoning Evaluation Metrics</b>			
FAR Increase (Base Zone without Bonus to New Zone with Bonus)			1.8
Percent FAR Increase			100%
IZ+ Percent of Increased Density Required			50%
Percent Affordable Increase			167%
		MIZ Scenario	IZ+ Senario
Market Rate Units		129	197
Affordable Units		18	49
Total Units		147	251

Source: DC Office of Planning, August 2020.

Several major elements are different between the example in Figure 4 and Figure 5, including:

1. The increase in FAR is similar in absolute terms (Figure 4 – 1.7 FAR and Figure 5 – 1.8 FAR), but Figure 5 represents a 100 percent increase in density, while Figure 4 represents a 68 percent increase in density.
2. Construction costs in Figure 4 increased at a marginally greater rate between the two zones due to an additional level of steel and concrete plinth. This depressed the change in land price and reduced the value of the increased density.
3. Figure 5 represents a smaller project with fewer total units to lease up than in Figure 4, which means it takes less time to get to stabilized occupancy. This results in a smaller hurdle rate of return for both debt and equity than Figure 4 because the investment timeline is shorter, and left marginally more value to be captured by land.
4. In Figure 5, Expanded IZ only required 50 percent of the increased density to be affordable as compared to Figure 4 where it required 70 percent of the increased density to be affordable.

These examples illustrate how varying conditions create different outcomes. The largest of which, is the less dense the base zone, the greater the percentage increase in density represented in the sliding scale in Figure 3.

As with DC’s current Regular IZ program, the shift in construction to steel and concrete when heights exceed 85 feet require a shift in requirements. This is the underlying reason for two sliding scales. Changes in building code and technology are allowing taller buildings, as high as 85 feet, at lower cost than previously possible. For this reason, OP is proposing that the shift in Expanded IZ set-aside requirements occur in zones permitting height greater than 85 feet compared to the 50-foot limit currently used by Regular IZ. OP’s modeling to date suggests that the shift to steel and concrete construction has a significant impact, and OP will work with stakeholders between now and the public hearing to finalize these numbers as part of OP’s public hearing report.

## **V. RECOMMENDATION**

OP recommends that the text be set down for a public hearing. OP will continue to work with stakeholders on finetuning the model and text requirements as necessary before the public hearing.

## **APPENDIX I – PROPOSED TEXT AMENDMENT**

The proposed amendments to the text of the Zoning Regulations are as follows (text to be deleted is marked in bold and strikethrough text; new text is shown in bold and underline text):

### **I. Proposed Amendments to SUBTITLE X, GENERAL PROCEDURES**

The title of § 500, MAP AMENDMENTS, of Chapter 5, MAP AMENDMENTS, of Subtitle X, GENERAL PROCEDURES, is proposed to be amended as follows:

#### **500 MAP AMENDMENTS ~~REVIEW STANDARDS~~**

Section 500, MAP AMENDMENTS, of Chapter 5 MAP AMENDMENTS, of Subtitle X, GENERAL PROCEDURES, is proposed to be amended as follows:

500.1 The Zoning Commission will evaluate and approve, disapprove, or modify a map amendment application or petition according to the standards of this ~~section~~ **chapter**.

500.2 In a contested case, the applicant shall have the burden of proof to justify the granting of the application **or petition** according to these standards.

500.3 In all cases, the Zoning Commission shall have...

**500.4 The Zoning Commission shall refer all map amendment applications to the Office of Planning, which shall provide a report to the Zoning Commission that includes whether the application or petition is:**

(a) **Not inconsistent with the Comprehensive Plan;**

(b) **Consistent with the purpose of the map amendment process;**

(c) **Appropriate for the applicability of Expanded IZ of Subtitle X § 502; and**

(d) **Generally ready for a public hearing to be scheduled.**

The title of § 501, APPLICATION/PETITION REQUIREMENTS, of Chapter 5, MAP AMENDMENTS, of Subtitle X, GENERAL PROCEDURES, is proposed to be amended as follows:

#### **501 APPLICATION ~~OR~~ PETITION REQUIREMENTS**

Section 501, APPLICATION/PETITION REQUIREMENTS, of Chapter 5 MAP AMENDMENTS, of Subtitle X, GENERAL PROCEDURES, is proposed to be amended as follows:

501.1 An application ~~or~~ **or** petition for a map amendment shall meet the requirements of Subtitle Z § 304.

A new § 502 is proposed to be added to Chapter 5, MAP AMENDMENTS, of Subtitle X, GENERAL PROCEDURES, to read as follows:

**502 APPLICABILITY OF EXPANDED INCLUSIONARY ZONING**

**502.1 The requirements of this section and the requirements of Subtitle C, Chapter 10, Inclusionary Zoning shall apply to a lot subject to a map amendment:**

- (a) **From a zone that allows a lower maximum residential FAR to a zone that allows a higher maximum residential FAR than the existing zone, both exclusive of IZ bonus density;**
- (b) **From a PDR zone to an R, RF, RA, MU, D, CG, NHR, or ARTS zone;**
- (c) **From any zone with a prescribed residential FAR to a D zone without a prescribed residential FAR; or**
- (d) **From unzoned to an R, RF, RA, MU, D, CG, NHR, or ARTS zone.**

**502.2 Notwithstanding Subtitle X § 502.1, a PUD application with a related map amendment shall not be subject to the requirements of this section.**

**502.3 Notwithstanding Subtitle X § 502.1, the requirements of this section shall not apply to a map amendment to an HE, SEFC, StE, USN, or WR zone.**

**502.4 Notwithstanding Subtitle X § 502.1, the requirements of this section shall not apply if the Zoning Commission determines Expanded IZ would not be appropriate for a lot subject to a map amendment after reviewing a report from the Office Planning.**

**502.5 In approving a map amendment subject to the requirements of this section, the Zoning Commission shall determine the increase in maximum allowed residential FAR using the criteria of either Subtitle X §§ 502.6 or 502.7, as applicable.**

**502.6 The increase in permitted residential FAR gained through a map amendment subject to Subtitle § 502.1(a) shall be calculated as follows:**

- (a) **For a map amendment to a zone that has an IZ FAR bonus density, the difference between the new zone’s maximum permitted residential IZ FAR (inclusive of twenty percent (20%) IZ FAR bonus density) and the existing zone’s maximum permitted residential FAR (exclusive of twenty percent (20%) IZ FAR bonus density);**
- (b) **For a map amendment where the new zone does not have an applicable IZ FAR bonus density, the difference between the new zone’s maximum permitted residential FAR and the existing zone’s maximum permitted residential FAR (exclusive of twenty percent (20%) IZ FAR bonus density); and**

**(c) For computation purposes of this subsection, the R-1 and R-2 zones shall have an FAR equivalent to 0.4, the R-3 zones shall have a FAR equivalent to 0.6, and RF-1 zones shall have an FAR equivalent to 0.9.**

**502.7 The increase in permitted residential FAR gained through a map amendment subject to Subtitle § 502.1(b), (c), or (d) shall be considered 2.51 FAR.**

**502.8 The increase in permitted residential FAR gained through a map amendment as determined by the Zoning Commission shall be stated in the order.**

**502.9 A zone resulting from a map amendment subject to the requirements of this section shall be indicated on the Zoning Map with a plus (+) symbol.**

## **II. Proposed Amendments to SUBTITLE C, GENERAL RULES**

**Section 1003, SET-ASIDE REQUIREMENTS, of Chapter 10, INCLUSIONARY ZONING, of Subtitle C, GENERAL RULES, is proposed to be amended as follows:**

1003.1 **Except as provided in Subtitle C § 1009.3,** ~~A~~an Inclusionary Development which does not employ Type I construction as classified in Chapter 6 of the District of Columbia Building Code (Title 12-A DCMR) to construct a majority of dwelling units and which is located in a zone with a by-right height limit, exclusive of any bonus height, of fifty feet (50 ft.) or less shall set aside for Inclusionary Units the sum of the following:

- (a) The greater of ten percent (10%) of the gross floor area dedicated to residential use excluding penthouse habitable space or seventy-five percent (75%) of the bonus density utilized; and
- (b) An area equal to ten percent (10%) of the penthouse habitable space as described in Subtitle C § 1500.11.

This set-aside requirement shall be converted to net square footage pursuant to Subtitle C § 1003.4.

1003.2 **Except as provided in Subtitle C § 1009.4,** ~~A~~an Inclusionary Development which employs Type I construction as classified in Chapter 6 of the District of Columbia Building Code (Title 12-A DCMR) to construct a majority of dwelling units, or which is located in a zone with a by-right height limit, exclusive of any bonus height, that is greater than fifty feet (50 ft.), shall set aside for Inclusionary Units the sum of the following:

- (a) The greater of eight percent (8%) of the gross floor area dedicated to residential use excluding penthouse habitable space or fifty percent (50%) of the bonus density utilized; and

- (b) An area equal to eight percent (8%) of the penthouse habitable space as described in Subtitle C § 1500.11.

This set-aside requirement shall be converted to net square footage pursuant to Subtitle C § 1003.4.

1003.3 Except as provided in Subtitle C §§ 1003.5 and 1003.6, Inclusionary Units resulting from the set-asides required by Subtitle C §§ 1003.1 ~~and~~, 1003.2, **1009.3 or 1009.4** shall be reserved for households earning equal to or less than:

- (a) Sixty percent (60%) of the MFI for rental units; and
- (b) Eighty percent (80%) of the MFI for ownership units.

1003.4 The square footage required to be set-aside for Inclusionary Units pursuant to Subtitle C §§ 1003.1 ~~and~~, 1003.2, **1009.3 or 1009.4** shall be converted to net square footage based on the ratio of net residential floor area to gross residential floor area. For purposes of this chapter, “net residential floor area” means:

- (a) For flats and multiple dwellings, the area of a unit that is bounded by the inside finished surface of the perimeter wall of each unit including all interior walls and columns; and
- (b) For all other types of dwelling units and penthouse habitable space, the gross floor area.

**Section 1005, DEVELOPMENT STANDARDS REGARDING INCLUSIONARY UNITS, of Chapter 10, INCLUSIONARY ZONING, of Subtitle C, GENERAL RULES, is proposed to be amended as follows:**

1005.1 Where the set-aside requirement of Subtitle C §§ 1003 **or 1009** (excluding any set-aside requirement satisfied by providing a contribution to a housing trust fund pursuant to Subtitle C § 1006.10) is eight hundred fifty (850) square feet or more, the first Inclusionary Unit shall be a unit with at least two (2) bedrooms, and subsequent Inclusionary Units shall be allocated such that:

- (a) The percentage of all Inclusionary Units that are studios shall not exceed the percentage of all market-rate units that are studios; and
- (b) The percentage of all Inclusionary Units that have only one (1) bedroom shall not exceed the percentage of all market-rate units that have only one (1) bedroom.



**Section 1006, OFF-SITE COMPLIANCE WITH INCLUSIONARY ZONING, of Chapter 10, INCLUSIONARY ZONING, of Subtitle C, GENERAL RULES, is proposed to be amended as follows:**

1006.1 The Board of Zoning Adjustment is authorized to permit some or all of the set-aside requirements of Subtitle C §§ 1003 or **1009** to be met by off-site construction upon proof, based upon a specific economic analysis, that compliance on-site would impose an economic hardship.

**Section 1007, RELIEF FROM INCLUSIONARY ZONING REQUIREMENTS, of Chapter 10, INCLUSIONARY ZONING, of Subtitle C, GENERAL RULES, is proposed to be amended as follows:**

1007.1 The Board of Zoning Adjustment is authorized to grant partial or complete relief from the requirements of Subtitle C §§ 1003 **or 1009** upon a showing that compliance, whether on-site, off-site, or a combination thereof, would deny an inclusionary development owner economically viable use of its land.

1007.2 An application from an inclusionary development owner for a variance from the requirements of Subtitle C §§ 1003 **or 1009** shall not be granted unless the Board of Zoning Adjustment has determined that the applicant cannot comply with the provisions of Subtitle C § 1006 based on evidence provided by the applicant, and has voted to deny an application for relief pursuant to this section or Subtitle C § 1006.

**A new § 1009 is proposed to be added to Chapter 10, INCLUSIONARY ZONING, of Subtitle C, GENERAL RULES, to read as follows:**

**1009 EXPANDED INCLUSIONARY ZONING REQUIREMENTS**

**1009.1 The modified set aside requirements of this section shall apply only to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map.**

**1009.2 The increase in FAR as referenced in Tables C §§ 1009.3 and 1009.4 shall be determined by Subtitle X § 502.8.**

**1009.3 An Inclusionary Development which does not employ Type I construction as classified in Chapter 6 of the District of Columbia Building Code (Title 12-A DCMR) to construct a majority of dwelling units and which is located in a zone with a by-right height limit, exclusive of any bonus height, of eight-five feet (85 ft.) or less shall set aside for Inclusionary Units the sum of (a) and (b):**

**(a) The gross floor area dedicated to residential use, excluding penthouse habitable space, as set forth in the following table:**

**TABLE C § 1009.3 SET ASIDE FOR INCLUSIONARY UNITS**

<u>Increase in FAR</u>	<u>0.25-0.50</u>	<u>0.51 – 1.00</u>	<u>1.01 – 1.50</u>	<u>1.51 or Above</u>
<u>Set Aside Requirement</u>	<u>14%</u>	<u>16%</u>	<u>18%</u>	<u>20%</u>

**(b) An area equal to ten percent (10%) of the penthouse habitable space as described in Subtitle C § 1500.11.**

**This set-aside requirement shall be converted to net square footage pursuant to Subtitle C § 1003.4.**

**1009.4 An Inclusionary Development which employs Type I construction as classified in Chapter 6 of the District of Columbia Building Code (Title 12-A DCMR) to construct a majority of dwelling units, or which is located in a zone with a by-right height limit, exclusive of any bonus height, that is greater than eighty-five feet (85 ft.), shall set aside for Inclusionary Units the sum of (a) and (b):**

**(a) The gross floor area dedicated to residential use, excluding penthouse habitable space, as set forth in the following table:**

**TABLE C § 1009.4 SET ASIDE FOR INCLUSIONARY UNITS**

<u>Increase in FAR</u>	<u>0.25-0.50</u>	<u>0.51 – 1.00</u>	<u>1.01 – 1.50</u>	<u>1.51 – 2.00</u>	<u>2.01 – 2.50</u>	<u>2.51 or Above</u>
<u>Set Aside Requirement</u>	<u>10%</u>	<u>12%</u>	<u>14%</u>	<u>16%</u>	<u>18%</u>	<u>20%</u>

**(b) An area equal to eight percent (8%) of the penthouse habitable space as described in Subtitle C § 1500.11.**

**This set-aside requirement shall be converted to net square footage pursuant to Subtitle C § 1003.4.**

**1009.5 Notwithstanding Subtitle C §§ 1009.3 or 1009.4, the square footage set-aside shall be reduced by twenty percent (20%) if an Inclusionary Development meets one of the following criteria:**

**(a) One hundred percent (100%) of Inclusionary Units are reserved for households earning equal to or less than fifty percent (50%) of the MFI; or**

**(b) Fifty percent (50%) of Inclusionary Units are three (3) bedroom or larger units.**

**III. Proposed Amendments to SUBTITLE F, RESIDENTIAL APARTMENT (RA) ZONES<sup>2</sup>**

**Section 200, DEVELOPMENT STANDARDS, of Chapter 2, DEVELOPMENT STANDARDS RESIDENTIAL APARTMENT (RA) ZONES, of Subtitle F, RESIDENTIAL APARTMENT (RA) ZONES, is proposed to be amended as follows:**

**200.5 Notwithstanding Subtitle F § 200.4, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the RA-5 zone.**

**IV. Proposed Amendments to SUBTITLE G, MIXED-USE (MU) ZONES<sup>3</sup>**

**Section 200, DEVELOPMENT STANDARDS, of Chapter 2, DEVELOPMENT STANDARDS FOR MIXED USE ZONES – MU-1 THROUGH MU-10 AND MU-15, of Subtitle G, MIXED-USE (MU) ZONES, is proposed to be amended as follows:**

200.4 The Inclusionary Zoning (IZ) requirements, and the available IZ modifications to certain development standards and bonus density, shall apply to the MU zones, **except the MU-4/NO zone**, as specified in Subtitle C, Chapter 10, Inclusionary Zoning, **except as provided in Subtitle G § 200.5 and in the zone-specific development standards of this subtitle.**

200.5 Notwithstanding Subtitle G § 200.4, ~~except for new penthouse habitable space as described in Subtitle C § 1500.11, the Inclusionary Zoning requirements and modifications to certain development standards and bonus density of Subtitle C, Chapter 10 shall not apply to the MU-4/NO zone~~ **the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the MU-4/NO zone.**

**V. Proposed Amendments to SUBTITLE I, DOWNTOWN ZONES**

**Section 502, DENSITY – FLOOR AREA RATIO (FAR) (D-1-R), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

502.3 Residential density in the D-1-R zone is not subject to the Inclusionary Zoning requirements or bonuses of Subtitle C, Chapter ~~9~~**10**.

**502.4 Notwithstanding Subtitle I § 502.3, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-1-R zone.**

**502.4 502.5** A building in the D-1-R zone does not...

<sup>2</sup> The proposed revisions to Subtitle F are based on the proposed zoning text of Z.C. Case No. 19-27, which the Zoning Commission took proposed action on July 28, 2020.

<sup>3</sup> The proposed revisions to Subtitle G are based on the proposed zoning text of Z.C. Case No. 19-27A, which the Zoning Commission took proposed action on July 28, 2020.

**Section 516, DENSITY – FLOOR AREA RATIO (FAR) (D-3), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**516.3** **Notwithstanding Subtitle I § 516.2, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-3 zone.**

~~516.3~~ **516.4** The maximum non-residential FAR of a building...

~~516.4~~ **516.5** The density of a building in the D-3 zone constructed...

**Section 531, DENSITY – FLOOR AREA RATIO (FAR) (D-4-R), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**531.5** **Notwithstanding Subtitle I § 531.4, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-4-R zone.**

~~531.5~~ **531.6** The maximum permitted non-residential FAR...

**Section 539, DENSITY – FLOOR AREA RATIO (FAR) (D-5), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**539.3** **Notwithstanding Subtitle I § 539.2, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-5 zone.**

~~539.3~~ **539.4** The maximum permitted non-residential FAR...

**Section 547, DENSITY – FLOOR AREA RATIO (FAR) (D-5-R), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**547.4** **Notwithstanding Subtitle I § 547.3, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-5-R zone.**

~~547.4~~ **547.5** Any lot in Square 370 shall be exempt...

~~547.5~~ **547.6** The maximum permitted non-residential density...

~~547.6~~ **547.7** A building fronting on a designated primary...

**Section 555, DENSITY – FLOOR AREA RATIO (FAR) (D-6), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**555.3** **Notwithstanding Subtitle I § 555.2, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-6 zone.**

~~555.3~~ **555.4** The maximum permitted non-residential FAR...

**Section 562, DENSITY – FLOOR AREA RATIO (FAR) (D-6-R), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**562.4** **Notwithstanding Subtitle I § 562.3, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-6-R zone.**

~~562.4~~ **562.5** Any lot in Square 455 shall be exempt...

~~562.5~~ **562.6** The maximum permitted non-residential density...

~~562.6~~ **562.7** A building in the D-6-R zone fronting...

**Section 569, DENSITY – FLOOR AREA RATIO (FAR) (D-7), of Chapter 5, REGULATIONS SPECIFIC TO PARTICULAR DOWNTOWN (D) ZONES, of Subtitle I, DOWNTOWN ZONES, is proposed to be amended as follows:**

**569.3** **Notwithstanding Subtitle I § 569.2, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the D-7 zone.**

~~569.3~~ **569.4** The maximum permitted non-residential density...

~~569.4~~ **569.5** A building in the D-7 zone fronting...

## **VI. Proposed Amendments to SUBTITLE K, SPECIAL PURPOSE ZONES**

**Section 500, GENERAL PROVISIONS (CG), of Chapter 5, CAPITOL GATEWAY ZONES – CG-1 THROUGH CG-7, of Subtitle K, SPECIAL PURPOSE ZONES, is proposed to be amended as follows:**

**500.7** **Notwithstanding Subtitle K § 500.6, the requirements of Subtitle C, Chapter 10, Inclusionary Zoning, shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the CG-1 zone.**

**Section 1002, INCLUSIONARY ZONING (NHR), of Chapter 10, NORTHERN HOWARD ROAD (NHR) ZONE, of Subtitle K, SPECIAL PURPOSE ZONES, is proposed to be amended as follows:**

**1002.4 Notwithstanding Subtitle K § 1002.3, the set aside requirements of Subtitle C § 1009 shall apply to Inclusionary Developments located on a lot with a plus (+) symbol on the Zoning Map in the NHR zone.**

~~1002.4~~ **1002.5** Inclusionary units resulting from the set-aside required...

~~1002.5~~ **1002.6** A minimum of twenty-five percent...

~~1002.6~~ **1002.7** Any non-residential penthouse habitable space...

~~1002.7~~ **1002.8** Any affordable housing generated in excess...

## **APPENDIX II – COMPREHENSIVE PLAN WRITTEN ELEMENTS**

### **501 Housing Goal**

501.1 The overarching goal for housing is: Develop and maintain a safe, decent, and affordable supply of housing for all current and future residents of the District of Columbia. 501.1

502.3 As noted in the Land Use and Framework Elements, the city already has the land resources to meet this demand. But land alone is not enough to ensure the production of housing. And housing production alone does not guarantee that a portion of the new units will be affordable.

502.4 A multi-pronged strategy is needed to facilitate production, address regulatory and administrative constraints, and ensure that a substantial number of the new units added are affordable to District residents. Many of the basic tenets of this strategy were established by the 2006 Comprehensive Housing Strategy and are reiterated in the text box on the following page. 502.4

#### **503.4 Policy H-1.1.3: Balanced Growth**

Strongly encourage the development of new housing on surplus, vacant and underutilized land in all parts of the city. Ensure that a sufficient supply of land is planned and zoned to enable the city to meet its long-term housing needs, including the need for low- and moderate-density single family homes as well as the need for higher-density housing. 503.4

#### **503.5 Policy H-1.1.4: Mixed Use Development**

Promote mixed use development including housing on commercially zoned land, particularly in neighborhood commercial centers, along Main Street mixed use corridors, and around appropriate Metrorail stations. 503.5

### **504 H-1.2 Ensuring Housing Affordability**

504.1 The District of Columbia faces numerous affordable housing challenges. It has both a disproportionate share of the region's poorest residents and the region's most rapid decline in the availability of housing to serve these residents. In 2005, the median income for a family of four for the region was \$89,300, but it was just \$55,750 in the District. In fact, about three-quarters of the city's households earn below the regional median income, while at the same time housing prices in the city are increasing at a faster rate than almost any jurisdiction in the metropolitan area. The share of District renters who paid more than 30 percent of their incomes for housing jumped from 39 percent in 2000 to 46 percent in 2004. The share paying more than 50 percent of their incomes climbed from 18 percent to 23 percent.

504.5 The District also has been pursuing legislative and regulatory measures that require affordable housing in new development. For many years, the city has had a policy requiring developers seeking commercial density bonuses to provide affordable housing or pay into the Housing Production Trust Fund. In addition, a pending inclusionary zoning ordinance would require affordable units within future market-rate residential development of 10 units or greater. The foundation for these actions was created by the previous Comprehensive Plan and is carried forward in this Element. 504.5

504.6 Policy H-1.2.1: Affordable Housing Production as a Civic Priority

Establish the production of housing for low and moderate income households as a major civic priority, to be supported through public programs that stimulate affordable housing production and rehabilitation throughout the city. 504.6

504.7 Policy H-1.2.2: Production Targets

Consistent with the Comprehensive Housing Strategy, work toward a goal that one-third of the new housing built in the city over the next 20 years should be affordable to persons earning 80 percent or less of the area wide median income (AMI). Newly produced affordable units should be targeted towards low-income households in proportions roughly equivalent to the proportions shown in Figure 5.2. 504.7

504.8 Policy H-1.2.3: Mixed Income Housing

Focus investment strategies and affordable housing programs to distribute mixed income housing more equitably across the entire city, taking steps to avoid further concentration of poverty within areas of the city that already have substantial affordable housing

504.12 Policy H-1.2.5: Workforce Housing

In addition to programs targeting persons of very low and extremely low incomes, develop and implement programs that meet the housing needs of teachers, fire fighters, police officers, nurses, city workers, and others in the public service professions with wages insufficient to afford market-rate housing in the city. 504.12

504.14 Policy H-1.2.7: Density Bonuses for Affordable Housing

Provide zoning incentives to developers proposing to build low- and moderate-income housing. Affordable housing shall be considered a public benefit for the purposes of granting density bonuses when new development is proposed. Density bonuses should be granted in historic districts only when the effect of such increased density does not significantly undermine the character of the neighborhood. 504.14



### **Appendix III – Public Roundtable Summary of Comments**

OP held a virtual public roundtable discussion about the Expanded IZ concept proposal on July 15, 2020. Below is a summary of both the testimony and written comments that were received from the public.

#### Housing Policy

- Proposal will help bring more affordable units to the District, it would encourage more housing production, and would create more integrated affordable housing.
- Proposal is too limited in scope and the Zoning Commission should look at reevaluating the existing IZ program since it has produced too few affordable units.
- New affordable housing is needed across the District especially in high cost areas, which historically has not seen the construction of significant new affordable housing.
- HFEG affordable housing production goals do not go far enough to ensure adequate affordable housing development.
- Existing IZ program should be expanded to take advantage of the economic value that is created by map amendments and also by the updated Comprehensive Plan that will provide additional incentives for map amendments.
- Increased land values created by the proposed Comprehensive Plan and the FLUM should be invested in affordable housing production.
- Implementation should be done carefully as no single program, funding source, or policy can address all the District's affordable housing needs. Expanded IZ should be implemented where it does not hold back the production of housing that is both market rate and affordable.
- Severe housing cost burdens are faced by very low-income District households, who are most likely to be African American. At the same time the District has significant shortfalls in housing that is affordable to households earning 50 percent of MFI and below.
- Housing development must be rooted in anti-racism. The status-quo is that the overwhelming majority of units must be market-rate, which is unaffordable.
- Many African Americans have been displaced because of gentrification and this will continue to occur if more is not done to ensure that the city is inclusive for all regardless of race or income.
- Median income for African Americans is \$42,000 and for Whites is \$134,000. Though African Americans are nearly 50 percent of the city population they are not sharing in this city's prosperity. African American median income dropped from 2007 – 2017.
- Concentration of affordable housing in areas south and east of the Anacostia River is the result of long-term discriminatory housing policies and laws and systemic racial inequality.
- Small units being produced lead to less stable communities because there are fewer options for families, and growing families are less likely to stay in a community. Additional IZ family-sized three- and four-bedroom units are needed.

#### Applicability

- Support for and against Expanded IZ applying to map amendments from a PDR zone to a zone that allows residential use.

- Comprehensive Plan has strong policies for preserving the District’s scarce PDR zones. Zoning Commission will have to weigh PDR rezoning requests. Residential rezoning may be appropriate at PDR locations close to transit hubs or in conflict with nearby land uses.
- Concern that Expanded IZ would only apply to owner-initiated map amendments. It should apply to all map amendments, including those started by ANCs and community organizations.
- Consider making Expanded IZ apply to PUDs, even if the requirement is a reduced amount. Concern that developers will continue to provide the minimum amount of IZ units in PUDs.
- Concern that if Expanded IZ is applied to PUDs it would limit the ability of the Zoning Commission to evaluate comprehensive benefit packages and would reduce the incentive to pursue a PUD.
- Consider sub-market specific set-aside requirements. High cost areas may be able to have higher set-aside percentages.
- Concern that Expanded IZ would not apply to low density residential areas as many of these areas are high cost.
- Recommend exempting Expanded IZ from applying to map amendments in areas south and east of the Anacostia River (Far Southeast and Southwest and Far Northeast and Southeast Planning Areas) because these areas have a disproportionate share of the District’s affordable housing. It would disincentivize developers to pursue mixed income, market rate and middle-income housing in these areas given the market. Developers would continue to limit the type of development in these areas to fully or highly subsidized projects or continue to forego investment altogether.
- Recommend exempting sites subject to LDAs as they have higher affordable housing requirements.
- Ensure that the Expanded IZ regulations are not overly complicated to make administration difficult.

#### Set-Aside Requirements

- Support for the proposed FAR formula for increased set-asides, as determined to be feasible by a future detailed financial analysis.
- Consider increasing the set-aside requirement beyond 20 percent based on a percentage that corresponds to FAR gained through a map amendment that is beyond 2.5 FAR.
- Existing IZ set-aside requirements between 8 and 10 percent are too low and Expanded IZ should not be based on these starting points.
- Consider feasibility of set-asides higher than 20 percent. The proposed 20 percent set-aside requirement does not reflect the District’s strategy to address lack of housing affordability.
- The set-aside requirement should be one-third market rate, one-third workforce, and one-third deeply affordable.
- Consider implementing a 30 percent Expanded IZ requirement and consider higher requirements that are greater than 50 percent for neighborhoods with longstanding diversity.

- Expanded IZ requirement that is not at least 30 percent is a form of structural racism and housing discrimination. OP must correct the failed policies of IZ requirements on the lives of African Americans by increasing the Expanded IZ to 30 percent.
- Support for applying a 20 percent set-aside requirement to PDR changes, as determined by a financial feasibility assessment.
- Concern that the 20 percent set-aside requirement could concentrate affordable housing in former industrial areas.
- Recommend that the set-aside calculation be based on IZ FAR in both the existing and proposed zones instead of just the proposed zone.
- Consider a blended approach, with higher affordable housing requirement for only the additional density gained through the map amendment.
- Recommend creating a 50 percent MFI option for IZ rental units using a formula that reduces the required IZ floor area by a proportionate amount to reflect the costs of deep affordability.
- Recommend creating an option to develop three- and four-bedroom IZ units through Expanded IZ.
- Developers still have a choice of pursuing a PUD, developing matter-of-right under existing zoning or applying for a variance from the set-aside requirement if set-asides over 20 percent are too high.

#### Economic Analysis

- Multiple individuals and organizations would like to vet the financial feasibility of the set-aside requirements to ensure the public benefits are balanced with the private benefits of the upzoning.
- Degree of the density bonus should offset the cost of the new IZ requirement and incentivizes landowners to request the upzoning because of additional value captured by the property owners.
- Run a set of prior-approved projects through the model to see what levels of IZ would be possible under the scenarios. It would help show how any proposed thresholds would generate community benefits relative to increased FAR, compared to what occurred in those projects.
- Modeling should consider the various financing tools available for both market rate and affordable development, and their respective requirements and limitations. Investors and syndicators for housing affordability projects like to see substantial affordability far exceeding a 20 percent affordable housing set-aside to participate in the transaction.
- Economic analysis should include an estimate of the “soft costs” in addition to the hard costs such as construction costs, land value, etc. The analysis should include the economic value of uncertainty or time spent on the approval and entitlement process with Expanded IZ. Also, consider any marginal cost increases associated with Expanded IZ. Concern that the Expanded IZ requirements will discourage developers from seeking map amendments and that any cost/benefit analysis of the proposal needs to include not only hard but soft costs.
- Need to see a calculus of the number of units that might be produced at a full range of AMI thresholds, and how that would affect the cost of units at higher end to pay for the subsidy.

### Additional Considerations

- Create a new matter of right density bonus at the full PUD density in exchange for at least 20 percent affordable units at 60 percent of MFI or below. The affordability term should be the life of the development, which would allow the use of Low Income Housing Tax Credits, with between 20 to 100 percent of the units in the development at affordable levels. Recent court rulings have shown that there are significant risks and costs associated with discretionary upzoning processes, which means affordable housing developers are staying away from these projects.
- Consider making existing IZ apply to zones that are currently exempt:
  - NC-6 zone is currently exempt, but with a maximum lot occupancy requirement of 75 percent there is some additional density available without requiring increasing height requirements.
  - Central Washington is exempt, which has resulted in a significant lost opportunity to create affordable housing.
- Consider community land trusts and limited equity cooperatives.
- Consider increasing the matter-of-right height limit for Inclusionary Developments that do not use Type I construction because stick-built construction has enabled less expensive construction in much higher buildings.