BEFORE THE ZONING COMMISSION OR
BOARD OF ZONING ADJUSTMENT OF THE DISTRICT OF COLUMBIA

Before completing this form, please review the instructions on the reverse side Print or type all information unless otherwise indicated. All information must be completely filled out

CASE NO.: 18731

Motion of: ■ Applicant ☐ Petitioner ☐ Appellant ☐ Party ☐ Intervenor ☐ Other ____

PLEASE TAKE NOTICE, that the undersigned will bring a motion to

Waive the requirements of Section 3113.8 and allow the enclosed letter into the record.

Points and Authorities

Please state each and every reason why the Zoning Commission (ZC) or Board of Zoning Adjustment (BZA) should grant your motion, including relevant references to the Zoning Regulations or Map and where appropriate a concise statement of material facts If you are requesting the record be reopened, the document(s) that you are requesting the record to be reopened for must be submitted separately from this form No substantive information should be included on this form

Please see the attached letter.

RECEIVED
D.C. OFFICE OF ZONING
2014 MAR 14 AM 2:15

CERTIFICATE OF SERVICE

I hereby certify that on this 1 4 day of March , 2 0 1 4

I served a copy of the foregoing Motion to each Applicant, Petitioner, Appellant, Party, and/or Intervenor, and the Office of Planning in the above-referenced ZC or BZA case via. ■ Mailed letter ☐ Hand delivery ■ E-Mail ☐ Other

BOARD OF ZONING ADJUSTMENT
District of Columbia
CASE NO. 18731
EXHIBIT NO 29

Signature:	[signature]
Print Name.	Christine Roddy
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Board of Zoning Adjustment
District of Columbia
CASE NO.18731
EXHIBIT NO.29

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March 14, 2014

ELECTRONIC DELIVERY

Lloyd Jordan, Chairperson
D C Board of Zoning Adjustment
441 4th Street, NW, Suite 200 South
Washington, DC 20001

Re. Case No 18731 Motion to Open Record to Provide Supplemental Information Requested by Office of Planning

Dear Chairperson Jordan and Members of the Board,

The Applicant asks that the Board use its authority under Section 3100 5 to waive the requirements of Section 3113 8 and accept this letter into the record of the above-referenced case The Office of Planning filed its report in this case on March 11, 2014, and noted that they required additional information to determine whether there was a practical difficulty justifying the provision of the duplex units on the third floor The Applicant would like to take this opportunity to supplement the record and provide the requested information

As the Board is aware, Horizon Hill Ventures is seeking variance relief from the number of stories permitted in the R-5-A Zone District This relief will allow the Applicant to provide duplex units on the third floors of Buildings 1 and 3 These units will function as single units but will comprise the third and fourth floors of the building, thus requiring relief from the three story limit The Applicant is faced with the challenge of providing enough units to make the project economically feasible while simultaneously providing a mix of unit types that are desirable for a transit-oriented affordable housing project

Some of the economic challenges the Applicant faces with this project are the high costs of financing the project, the construction costs of the project, and the process for awarding subsidies to affordable projects Each of these elements is outlined in more detail below

The financing structure for this deal is particularly expensive The project is being financed with low-income housing tax credits, tax exempt bonds, and funds from the Department of Housing and Community Development The complex nature of the financing carries with it fixed costs of over $1 million Specifically, this financing structure requires fees and other charges payable to DHCD for the use of its funds; fees to DCHFA as bond issuer, bond counsel, trustee fees, legal fees above real estate project norms because so many agencies are involved, and fees relating to the placement of low-income housing tax credits with investors The high number of participants involved in financing this project increases the costs of the transaction

In addition to the financing fees, the construction costs of a smaller project are proportionately greater than those costs of a larger project Attached is an exhibit comparing the expenses for simply renovating the existing building versus the expenses associated with providing additional units As demonstrated on the attached chart, the Applicant estimates the costs of redeveloping the existing 65 units is approximately $270,000 per unit, whereas the cost of developing the 110 unit project is $217,000 per unit, or 19+% less

Keeping costs low is important for obvious reasons; however, it is particularly important for affordable housing projects as the transaction and construction costs will dictate the level of subsidy the project requires. All affordable housing in the District requires capital subsidies; the lower the subsidy, the greater the likelihood the subsidy will be secured and the greater the number of affordable units that can be brought to market. The Department of Housing and Community Development ("DHCD") is expected to issue a Notice of Funding Availability ("NOFA") on April 2, 2014, outlining what its maximum subsidy for affordable projects, such as this, will be As a point of reference, DHCD's maximum subsidy in 2013 was $75,000 per unit Here, maintaining the existing unit count would require a subsidy of $90,000 per unit, which will far exceed the ceiling on DHCD's subsidies The subsidy, however, for the proposed 110 unit project is $68,000 per unit. Reducing the subsidy by $22,000 per unit not only makes the Applicant eligible for a DHCD subsidy, but it also increases the likelihood that the subsidy will be granted and it maximizes the amount of affordable housing that will be provided With 25,000 individuals on the District's waitlist for public housing, the District's primary interest in awarding the subsidies will be to accept those projects that proffer the most housing for the least subsidy

As demonstrated above, the Applicant must increase the unit count in order to make the project economically feasible due to financing fees, construction costs, and subsidy restrictions The precedent of relying on financial hardship as evidence of a practical difficulty is well established The District of Columbia Court of Appeals held in <u>Clerics of St Viator v. D.C Bd. of Zoning Adj.</u>, 320 A 2d 291 (D C. 1974) that the financial burden on the Seminary was a legitimate practical difficulty when evaluating the variance request More specifically, the Court found that the Board erred when it concluded that a variance could only be issued when the required hardship inhered in land as opposed to property, financial hardship was a sound basis for establishing practical difficulty

Also included in the NOFA will be a list of District priorities that will be considered when awarding subsidies In a speech on March 12, 2014, Michael Kelley, Director of DHCD, outlined the primary priorities that will be included in the NOFA· affordable units with multiple-bedrooms and transit-oriented affordable housing These priorities comport with the market research the Applicant has conducted on the desirable mix of units for its project The Applicant retained Green Door Advisors to conduct this analysis and while Green Door Advisors is finalizing its report, it has confirmed that the proposed mix of units is consistent with what is needed in the transit-oriented, affordable housing market In order to achieve the mix of units while simultaneously increasing the unit count, the Applicant must provide the duplex unit The duplex units allow the Applicant to increase the number of multi-bedroom units and add smaller units at the same time, providing the mix of units that is desirable The duplex units reconcile the dual objectives of increasing unit count and providing a mix of unit types Finally, they are consistent with the Mayor's goal of increasing the number of affordable housing units in the District In fact, the funding of this project will be drawn largely from the Housing Production Trust Fund, which the Mayor promotes precisely for this purpose All of this can be achieved within the existing footprint of the buildings as well as the height permitted in the R-5-A Zone District

The duplex unit also presents another favorable attribute· it provides affordable tenants with a housing type that traditionally is only available in market rate projects In order to provide this unit type, however, the Applicant has to construct it above the existing building It is not possible to retrofit the existing floorplans as duplex units because the existing building has a concrete frame The duplex units, by contrast, will be stick-built To provide those units on the lower floors would require ripping out the concrete frame, which would be cost prohibitive and impractical

In sum, the Applicant faces a practical difficulty in trying to meet competing demands within the confines of the existing structures As outlined in the pre-hearing statement, the buildings with the duplex units don't exceed height restrictions and will not have a negative impact on the community

Sincerely,

Phil Feola

Phil Feola

Christine Roddy

Christine Roddy

cc· Josh Dworken
James Edmondson

Certificate of Service

I hereby certify that a copy of the enclosed document was delivered by hand or by first-class mail on March 14, 2014, to each of the addresses below

Arthur Jackson
Office of Planning
1100 4th Street, SW
Suite E-650
Washington, DC 20024

ANC 8E
1310 Southern Ave (Room 043)
Washington, DC 20032

Sharece Crawford, ANC 8E04
1381Congress Street SE
Washington DC 20032

Christine Roddy

COMPARISON OF DEVELOPMENT PLANS FOR
CONGRESS HEIGHTS STATION
13th AND SAVANNAH STREETS, SE

PARAMETERS OF PROJECT WITH
CURRENT UNIT AND BUILDING CONFIGURATION

TOTAL UNITS	65		
2 BR		55	
3 BR		10	
COST OF REDEVELOPMENT		TOTAL	PER UNIT
ACQUISITION		5,200,000	80,000
ACQUISITION - RELATED		104,000	1,600
DESIGN AND RELATED		500,000	7,692
CONSTRUCTION		6,500,000	100,000
FINANCING		750,000	11,538
OTHER COSTS		4,500,000	69,231
ESTIMATED TOTAL		17,554,000	270,062

PARAMETERS OF PROJECT WITH
PROPOSED UNIT AND BUILDING CONFIGURATION

TOTAL UNITS	110			
STUDIOS		15		
1 BR		23		
2 BR		64		
3 BR		8		
COST OF REDEVELOPMENT		TOTAL	PER UNIT	
ACQUISITION		5,200,000	47,273	
ACQUISITION - RELATED		104,000	945	
DESIGN AND RELATED		638,000	5,800	
CONSTRUCTION		12,000,000	109,091	
FINANCING		1,050,000	9,545	
OTHER COSTS		4,900,000	44,545	
ESTIMATED TOTAL		23,892,000	217,200	
SAVINGS PER UNIT			52,862	19 6%

FINANCING DIFFERENCES	@ 65 UNITS	@ 110 UNITS	DIFFERENCE	INCREM COST/UNIT
TAX-EXEMPT BONDS THRU DCHFA	4,500,000	8,100,000	3,600,000	80,000
LIHTC EQUITY	6,000,000	6,780,000	780,000	17,333
HPTF FROM DHCD	5,850,000	7,550,000	1,700,000	37,778
OTHER	1,200,000	1,500,000	300,000	6,667
TOTAL SOURCES OF FUNDS	17,550,000	23,930,000	6,380,000	
HPTF FROM DHCD PER UNIT	90,000	68,636		
PER UNIT	270,000	217,545		141,778