

AFFORDABLE HOUSING COMPONENT OF THE PROPOSED PUD AND ZONING MAP AMENDMENT APPLICATION – Z.C. CASE NO. 04-36

PROPOSED UNIT TYPES

The existing Dorchester House Apartment building is predominantly one bedrooms, secondarily efficiencies and the remainder two-bedrooms. Based on the current design, the addition will be predominantly two bedrooms with a few efficiencies and one-bedrooms. The addition is intended to broaden the offering of apartment types. The affordable housing component will be accommodated in both the existing Dorchester House Apartment building and the addition. The mix of units will reflect the mix in the property as a whole. Based on the units in the existing and proposed building, we anticipate the following mix of apartment types:

<u>Type</u>	<u>Number</u>	<u>Percentage</u>
EFF	83	15.2%
1BR	306	56%
2BR	157	28.8%

The existing apartments range in size from 511 to 1,157 square feet. Following the mix of apartment types and using average apartment sizes in the existing building, the affordable housing component should include the following mix of apartments:

<u>Type</u>	<u>Number</u>	<u>Percentage</u>
EFF	4	13.8%
1BR	17	58.6%
2BR	<u>8</u>	27.6%
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The definition of 'affordable' varies from program to program. The definition used in a recent publication of the Office of Planning states that affordable housing should be affordable by households with incomes not exceeding the 'low-income' limit by household size under the Section-8 program of the Department of Housing & Urban Development (HUD). "Low-income" is defined by HUD as not more than eighty percent of the median family income, with further adjustments for certain areas and conditions. The adjustments for the Washington metropolitan area are significant, lowering the figures to approximately sixty-five percent of the median family income. HUD publishes annually a calculation of median family income for the metropolitan area and adjusts the low-income figures for different family sizes. The figures for 2006, for example, are as follows:

-----INCOME LIMITS-----

STATE: DISTRICT OF COLUMBIA

Washington, DC--MD--VA--WV PMSA

FY 2006 MFI: 90300

PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
LOW-INCOME	41700	47700	53650	59600	64350	69150	73900	78650

ZONING COMMISSION
District of Columbia
CASE No. 04-36
EXHIBIT No. 106

The Section-8 program subsidizes qualifying tenants by paying rent in excess of thirty percent of the household income. Therefore, for rental housing to qualify as affordable under the HUD standard, the rent charged should not exceed thirty percent of the HUD low-income limit. A further adjustment is required to account for occupancy limits. The city's Human Rights Act set standards for the number of persons in each type of apartment, fewer than which would be presumed to be evidence of discrimination. Those standards are as follows:

<u>Type</u>	<u>Maximum Occupants</u>
EFF	2
1BR	3
2BR	5

In order to calculate affordable rent by apartment type, first the apartment type must be correlated with the likely number of occupants, then the number of occupants will yield the applicable income limit by family size, and thirty percent of the applicable income limit will yield the maximum rent. That calculation is as follows.

<u>Type</u>	<u>Occupants</u>	<u>Income Limit</u>	<u>Monthly Rent</u>
EFF	1	41,700	1,043
EFF	2	47,700	1,193
1BR	2	47,700	1,193
1BR	3	53,650	1,341
2BR	4	59,600	1,490
2BR	5	64,350	1,609

Annually, as HUD publishes a new calculation of median household income for the metropolitan area, affordable rents will be adjusted by the same procedure. In order to calculate a single rent for each unit type, the rents correlating with the most likely number of occupants are averaged by unit types. The resulting rents by unit types for 2006 are as follows:

<u>Type</u>	<u>Monthly Rent</u>
EFF	1,118
1BR	1,267
2BR	1,550

DESIGNATION OF AFFORDABLE UNITS

The anticipated affordable units are listed below:

<u>Type</u>	<u>Addition</u>	<u>Existing</u>
Efficiencies	423	239, 519, 812
One-Bedrooms	407	133, 229, 242, 307, 323, 425, 438, 518, 543, 622, 631, 723, 730, 804, 837, 910
Two-Bedrooms	220, 303, 409, 501, 607, 723	245, 603

The affordable units designated have the same mix of units (efficiencies, one-bedrooms and two bedrooms) as the property as a whole (existing structure plus addition) and are distributed between the existing structure and addition in proportion to the number and type of units within the old and new parts of the building. The affordable units are on all floors and have all the different exposures in the building.

The designation of affordable units will be adjusted from time to time in response to changing circumstances. For example, if the income of a tenant initially qualified for an affordable unit increases materially above the Section 8 income limit, the tenant will not be required to vacate the apartment. Instead, a comparable unit will be substituted as an affordable unit. Similarly, if a designated affordable unit in the existing structure is occupied at the time the affordable housing program takes effect, a vacant unit most closely matching the designated unit will be substituted as an affordable unit. The proffer of affordable housing is the rentable square footage distributed throughout the existing and new structures as described above.

TERM OF AFFORDABLE HOUSING COMPONENT

Following the guidelines of the Office of Planning, the obligation to offer affordable rental housing units will expire twenty years after approval of the re-zoning and PUD, but with the additional provision that no subsequent increases in rent will exceed ten percent per year. The ten percent limitation on subsequent rent increases will prevent there being a large-scale displacement of tenants at one time and will extend affordable housing for more than twenty years.

The program will begin upon completion of the new structure. When vacancies arise, they will be leased at affordable rents as defined above. In addition, to the extent not in conflict with the Human Rights Act, the landlord will affirmatively seek as new tenants those who contribute to the fabric of the neighborhood, such as police officers, schoolteachers, and long-time employees of local retailers and public-service organizations. The landlord will solicit references from the local civic, business, religious and social-service organizations. Larger families will be given preference.

Tenants will be qualified as to income on application, demonstrating they have sufficient household income to afford the rent but do not materially exceed the low income limits under the Section-8 program. Tenants in affordable units will be re-qualified as to income annually. If a tenant's income in subsequent years exceeds the Section-8 limit, the tenant will be allowed to remain in the apartment but at market rent.

The formula to compute affordable rents is based on thirty percent of family income. It should be noted, however, that the rent figure is inclusive of utilities. If utilities are separately metered, the rent is reduced by an allowance for anticipated utilities expense to be borne by the tenant. For the existing building, most utilities are included in the rent. For the proposed building, and to the extent that utilities become separately metered because of major improvements, the affordable rent will be adjusted by an allowance for utilities. The District of Columbia Housing Authority, for example, produces a table for utility allowances under the Section-8 program.

DISCUSSION OF POTENTIAL OCCUPANTS OF THE AFFORDABLE UNITS

The affordable housing provided under this program matches the needs of the city's workforce. The salaries for police officers and teachers, which are in part public information, can serve as examples. The starting salary of a rookie police officer in 2006 is \$44,611 per year. That figure is a base rate, which is increased by three percent for the evening shift and four percent for the night shift. The police department figures that after eighteen months of service a starting police officer will earn about \$48,800 per year. Comparing that information with the table of income and rents on the preceding page, it is clear that a beginning police officer living alone or with a non-working spouse could afford an efficiency apartment. After a few years on the force, an officer living alone or with a non-working spouse and one or two children could afford a one-bedroom or two-bedroom apartment. If the officer's spouse worked part-time or full-time, bringing in only half the officer's salary, the household would not qualify for the affordable housing set-aside because the family income would be too high!

The salaries for schoolteachers range from \$38,434 to \$75,366, which is for a ten-month year. Many starting teachers supplement their income with summer employment (or with graduate level education, which bolsters earnings). A reasonable estimate of part-time summer employment is \$3,600 (six weeks at \$15 per hour). A first-year teacher with a bachelor's degree and fifteen hours of graduate study would, with some summer work, earn about \$42,150. Referring to the table of income and rents on the preceding pages, it is clear that a beginning teacher living alone or with a non-working spouse could afford an efficiency apartment. After a few years of experience and/or additional education, a teacher living alone or with a non-working spouse and one child could afford a one-bedroom apartment. If the teacher's spouse worked part-time or full-time, bringing in only half the teacher's salary, the household would not qualify for the affordable housing set-aside because the family income would again be too high.

The existing Dorchester House apartment building is subject to rent control. (The addition will be exempt.) Under the rent control law, each apartment has a rent ceiling, which is the maximum rent that can be charged. Most of the apartments in the existing building have ceilings higher than the market rent, but about forty-five apartments are limited by the rent control law to rents well below market. Using the methodology set forth above and working backwards from the rents currently being charged, the rent-controlled rents correspond with incomes that on average are about equivalent to affordable housing computed at fifty percent of median family income. In order to avoid double counting of affordable housing units, the apartments subject to rent control will not be counted among the affordable housing units provided in connection with the PUD project.