

Testimony Before the Zoning Commission:

Support for the Campaign for Mandatory Inclusionary Zoning proposal,
Case No. 04-33 "Text Amendments to Require the Provision of Affordable
Housing – Inclusionary Zoning"

By Leslie Steen
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Good evening Commissioners Thank you for this opportunity to testify.

I am Leslie Steen, a resident of the District of Columbia for 28 of the last 34 years. For the past eight years I have lived in the Van Ness area and prior to that I lived in Logan Circle. My profession is housing development. Six months ago to further the work of affordable housing, I became Vice President of Policy and Business Development for the Housing Partnership Network, a national membership organization of the largest nonprofit developers across the country. Prior to my current work, I was the founding President and CEO of Community Preservation and Development Corporation, a developer of multifamily housing. In the fifteen years under my leadership CPDC developed over 3,500 units of housing principally in this metropolitan area. I have been a developer of housing since the mid-1970's – market rate and affordable, homeownership and rental, and as a for profit and nonprofit. Over the past fifteen years I have specialized in rehabilitation of existing housing both in deteriorated neighborhoods and strong markets

Inclusionary zoning is one of the most important tools that exist today to provide our City with economic integration. Without it we will continue to concentrate low income households in less desirable locations. In the past decade, it has been clearly demonstrated with significant mixed income developments across the country that low income households prosper in mixed income environments and that the community as a whole is strong and healthy with a diversity of incomes. It is clear that where affordable housing is completely integrated into the market rate housing, it is indistinguishable and provides environments in which the low income households can prosper. A broadly applied and successful inclusionary zoning program is critical to achieve economic integration and to provide housing necessary to support the growth of our businesses.. To this end I support the implementation of a mandatory inclusionary zoning program.

Further, I am here to strongly support the proposal put forth by the Campaign for Mandatory Inclusionary Zoning. While I want to commend the Office of Planning on undertaking this initiative and their fine work, I submit that there are few areas in which their proposal is lacking. In particular I want to emphasize:

1. the need to include properties that are acquired, rehabilitated, and lost as affordable housing;
2. the ability of households to afford the inclusionary zoning rents and condo fees;
and

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3. the need to include households earning 50% of median income in high rise buildings.

Without covering the portion of the market that is existing, sold and rehabilitated, we will lose substantial opportunities to create and preserve affordable housing, and in particular, lose opportunities in built-out markets, such as the one in which I live off of Connecticut Avenue. We cannot ignore these rare openings in the market.

Thanks to the growth of jobs in this region, as well as the good government in the District of Columbia, the District has become an attractive, even compelling place to live. As a result, today we have rapid escalation of housing prices. This substantial rise in values is not caused by any actions of individual owners of properties. It is caused by the general environment. When sellers of properties seek to capitalize on these windfall values, we should take this opportunity to utilize some of that value to create affordable housing in our already built environment. These sales of properties are motivated by profitability and will happen whether or not a new zoning requirement is applied.

Many of the buildings that would be likely to sell have rents that are affordable to households of either 50% or 80% of median income.

With a 7.5% affordable housing requirement applied, the market will respond with a corresponding decrease in the sales price of the property -- a pure and simple economic reaction to the zoning right, or in this case, responsibility bestowed by the government. The reduced sales price will reflect the cost of creating affordable housing units, which is by far the cheapest way to create and preserve workforce housing.

Today in the District we have many buildings with rents that are still affordable to households at 80% and 50% of median income, but we are losing them very quickly. The application of inclusionary zoning to these properties would preserve at least some of the units that are already affordable. If we do not do it now, we will forever lose many relatively affordable units that exist today and it will be significantly more expensive to re-create them. Preservation as opposed to new construction is a much more cost effective means of providing affordable housing.

Once the inclusionary zoning units are created or preserved, the cost to operate those units will be no different than the cost of the other higher priced units. The allowable rents and condo fees will be more than sufficient to pay the operating expenses and capital expense associated with maintenance and rehabilitation of either a high rise or non-high rise. We will have achieved permanent preservation of affordable units.

For example, a household of three earning 80% of median income (\$64,296) and one earning 50% (\$40,185) can afford rents or condo fees of \$1,600 and \$1,000, respectively, when paying 30% of their income as rent/condo fee. Even a single person earning 80% or 50% of median income can afford rent or a condo fee of \$1,005 or \$781, respectively. This is sufficient to carry not only operating expenses but also any costs associated with rehabilitation for units made affordable under inclusionary zoning.

Income

	3 person	2 person	1 person
50%	\$40,185	\$35,750	\$31,255
80%	\$64,296	\$57,152	\$50,008

Affordable Rent

50%	\$ 1,005	\$ 894	\$ 781
80%	\$ 1,607	\$ 1,429	\$ 1,250

If operating expenses were to run at \$5,000 per year (typical high rise, new construction cost) with \$50,000 of debt for rehabilitation expenses on top of it, the rent/condo fee would be under \$600. Or in the extraordinary case of \$6,000 per year operating expenses (very high-end, high rise, new construction or substantial rehabilitation) and \$100,000 of rehabilitation, the rent/condo fee would still be under \$800

Operating Expenses**Average New Construction/Substantial Rehab High Rise Case**

Operating Expenses @ \$5,000 per unit per year	\$417
Debt from Rehab @ \$50,000 if needed	\$140
Rent Needed to Cover Costs	\$557

High-End New Construction/Substantial Rehab High Rise Case

Operating Expenses @ \$6,000 per unit per year	\$500
Debt from Rehab @ \$100,000 if needed	\$280
Rent Needed to Cover Costs	\$780

On other points in the zoning proposal, I would like to emphasize the need for certainty, consistency, and ease of administration. Lack of certainty, inconsistency, and complex and slow administration translate into risk. Everything possible should be done to eliminate alternative forms of compliance and negotiation to assure a level playing field and smooth operation with known financial impacts. Finally, extensive discretionary off-site development undermines the goal of economic integration that can be achieved by inclusionary zoning.

Please adopt mandatory Inclusionary zoning and the policies put forth in the Campaign's proposal

Again, thank you for the opportunity to testify.