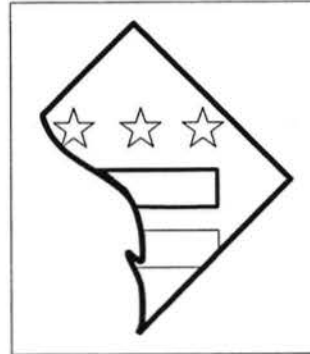


Inclusionary Zoning

Design & Flexibility Process for
Washington DC

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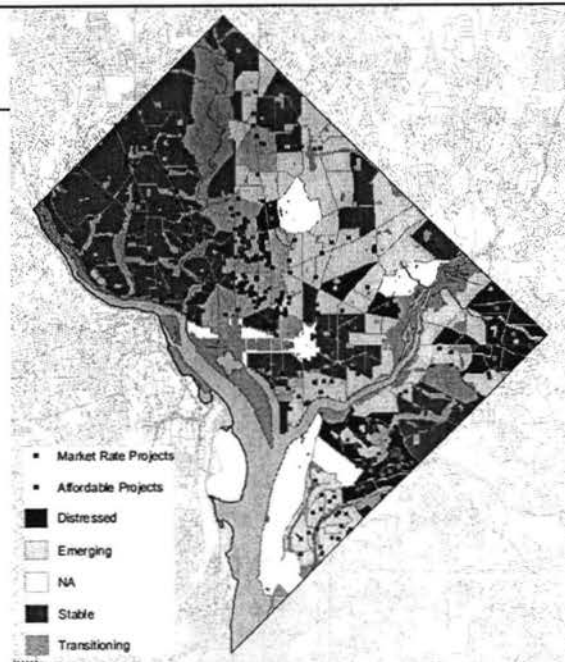
Presentation to the DC Zoning Commission
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Affordability Distribution

Recent Market Rate
and Affordable
Projects Cluster in
Different
Neighborhoods

Market rate
Affordable



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Inclusionary Zoning

Four Components of Design

- Household Incomes Targeted
- Percent Affordable Units Required
- Bonus Density Analysis
- Flexibility & Relief Process

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TARGET INCOMES	PERCENT AFFORDABLE	BONUS DENSITY	FLEXIBILITY & RELIEF
Household Incomes Targeted			

Choosing 50% & 80% AMI

- Demonstrated Need
- Published Standards
- Dovetail with Other DC Programs

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TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILITY & RELIEF

Demonstrated Need

Distribution of DC Households by Median Household Income, 1990 - 2004

Household Income	Percentage of Households		
	1990	2000	2004
Less than \$10 000	16.5%	14.9%	13.4%
\$10 000 to \$19 999	15.4%	11.2%	9.9%
\$20 000 to \$29 999	16.8%	12.2%	10.8%
\$30 000 to \$39 999	13.1%	11.6%	10.8%
\$40 000 to \$49 999	9.6%	8.8%	9.3%
\$50 000 to \$59 999	7.0%	7.5%	6.9%
\$60 000 to \$74 999	7.4%	8.4%	8.6%
\$75 000 to \$99 999	6.4%	9.0%	9.3%
\$100,000 to \$124,999	3.0%	5.4%	6.9%
\$125 000 to \$149,999	1.6%	3.0%	4.2%
\$150,000 Or More	3.1%	8.0%	10.1%
Median HH Income	\$30 727	\$40,127	\$53 359
HH Earning Less than \$30 000	48.7%	38.2%	34.0%
HH Earning Between \$30 000 - \$74 999	37.0%	36.3%	35.5%
HH Earning More than \$75 000	14.2%	25.4%	30.5%

Source: U.S. Census, ESRI Business Information Solutions, 2004 Estimates, Economics Research Associates

As a percent of population incomes below \$60,000 are declining, while incomes greater than \$60,000 are increasing

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TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILITY & RELIEF

2005 AMI by Occupation

2005 Area Median Family Income
Family of 4 = \$ 89,300

Family Size	50% of AMI		80% of AMI	
	Income	Sample Job Description	Income	Sample Job Description
1	\$ 31,250	Pharmacy Technician	\$ 50,010	Graphic Designer
2	\$ 35,700	Medical Technician w / 1 child	\$ 57,150	Dietician w / 1 child
3	\$ 40,200	Dental Assistant w / 2 children	\$ 64,300	Pharmacist w / 2 children
4	\$ 44,650	Security Guard & Home Care Aide w / 2 children	\$ 71,440	Shipping Clerk & Rehab Counselor w / 2 Children
5	\$ 48,200	Maid & Veterinary Assistant w / 3 children	\$ 78,580	Payroll Clerk & Computer Operator w / 3 Children

*Source: 2005 HUD AMI, HPTF HH size Calculations, 2003 Bureau of Labor Statistics

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Other DC Programs

- Down Payment Assistance through HPAP
- Mortgage Financing through DC HFA
- Real Estate Tax Abatement



Percent Affordable Units Required

Considerations

- Producing Affordable Units
- Impact of Construction Type
- Competition for Land in Commercial Zones



TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILITY & RELIEF		
Percent of Affordable sf/Units Required		
Development Type	Minimum % of MofR	% of Bonus
■ Row-House	10%	75%
■ Low-Rise	10%	75%
■ High-Rise	8%	50%
The percentage of affordable required is the greater of the minimum % of the matter-of-right FAR build-out or the % of bonus density achieved		
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TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILITY & RELIEF		
Lower & Higher Density Zones (for IZ)		
	Residential Zones	All Other Zones
Lower Density Zones	R-1 to R-5-B	C-1 and C-2-A
Higher Density Zones	R-5-C to R-5-E	C-2-B to C-3-C, CR, W-1 to W-3, and SP-1 to SP-2
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Incomes Targeted by Construction Type

Development Type	50% of AMI	80% of AMI
■ Row-House	50% of Req	50% of Req.
■ All Low-Rise	50% of Req.	50% of Req.
■ High-Rise		
• Residential Zones	50% of Req.	50% of Req
• Commercial & Mixed Zones		100% of Req.



Other IZ Programs

Jurisdiction	Type	Incentives	Trigger	AMI Target	Units Created
San Francisco, CA - 2002	Mandatory 10% to 12%	None @ 10% 12%, S E	10 units	60%, rental, 100%, sale	90 done, 745 pipeline
Boston, MA - 2000	Effectively Mandatory	None	10 units needing variances	50% up to 80% AMI, 50% up to 120% AMI	200 completed
Cambridge, MA - 1988	Mandatory 15%	30% bonus density	>10,000 SF of housing	80% of AMI	131 completed
Montgomery County, MD - 1979	Mandatory 12.5%-15 0%	15% - 22% bonus density	50 units	65% of AMI	11,000 completed



TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILITY & RELIEF

Summary of Requirements by Zone Types

■ Residential Zones

- Income targets evenly split
- Required sf decreases as zones become more intensive and construction-type changes

■ Commercial & Mixed-Use Zones

- Income targets evenly split in lower density zones; targeted only to 80% AMI in others
- Required sf decreases as zones become more intensive and construction type changes

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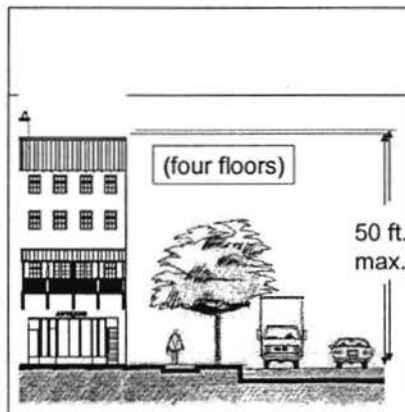
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TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILITY & RELIEF

Lower-Density Examples



R-5-B Zone:

- Stick-built Construction
- Affordable Requirement: the greater of 10% of Matter of Right FAR, or 75% of Bonus Achieved
- 50/50 Split between 50% & 80% of AMI

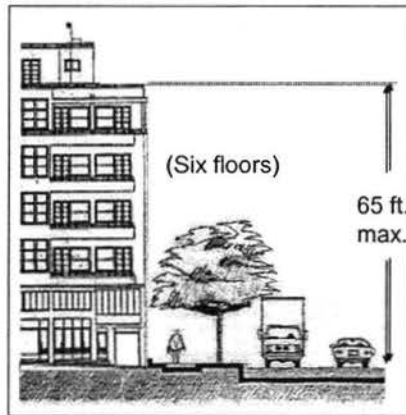
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Higher-Density Examples



C-2-B Zone:

- Steel / Concrete Construction
- Affordable Requirement: the greater of 8% of Matter of Right FAR, or 50% of Bonus Achieved
- All Units at 80% of AMI

Bonus Density Analysis

20% Bonus Density

- Availability
 - Achievable in Most Zones Without Height or Lot Occupancy Changes
 - Only Minor Adjustments in Others
- Efficiency
 - More Efficient than PUDs
 - Provides > public benefit with < bonus density
- Effectiveness
 - Economic Value of Bonus Balances IZ Requirements

Bonus Availability

Many zones including all residential zones have the capacity to use a 20% density bonus

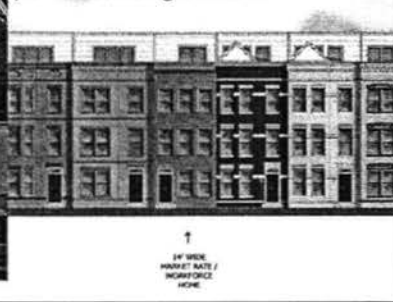
Base Zone	Zoning Constraints				MAX Possible Density(1)		
	Zoning FAR	Lot Occupancy	Zoning Height	# of Floors for Base FAR	Max # of Floors	FAR	%Change
R-5-A(2)	0.90	40%	40	3.0	3.0	1.20	33%
R-5-B	1.80	60%	50	3.0	4.0	2.40	33%
R-5-C	3.00	75%	60	4.0	5.0	3.75	25%
R-5-D	3.50	75%	90	5.0	8.0	6.00	71%
R-5-E	5.00	75%	90	7.0	8.0	6.00	20%
C-1	1.00	60%	40	2.0	3.0	1.80	80%
C-3-A	4.00	100%	65	4.0	5.0	5.00	25%
C-3-B	5.00	100%	70	5.0	6.0	6.00	20%
C-3-C	6.50	100%	90	7.0	8.0	8.00	23%

IZ Adjustments to Certain Zones

■ Lot Size Adjustments R-3, R-4, R-5-A



Upper-Carrollburg HOPE VI



Source: Eakin/Yountenlab

IZ Adjustments to Certain Zones

Certain zones will require adjustments lot occupancy and height to achieve the bonus density

Base Zone	Zoning Constraints			IZ Adjustments & Bonus Permitted			
	Lot Occupancy	Zoning Height	Zoning FAR	Lot Occupancy	Height	FAR w/Bonus	%Change
CR	75%	90	6.00	80%	100	7.20	20%
C-2-A	60%	50	2.50	75%	50	3.00	20%
C-2-B	80%	65	3.50	80%	70	4.20	20%
C-2-C	80%	90	6.00	90%	90	7.20	20%
W-1	80%	40	2.50	80%	50	3.00	20%
W-2	75%	60	4.00	75%	80	4.80	20%
W-3	75%	90	6.00	75%	110	7.20	20%
SP-1	80%	65	4.00	80%	70	4.80	20%
SP-2	80%	90	6.00	90%	90	7.20	20%

Assumes 11' Floor-to-Floor



Economic Analysis

Major Assumptions

- Maintain Project Return
- IZ Bonus does not Increase Land Value
- Linear Relationship between IZ Bonus and Revenue Gap
- Bonus Density does not Increase Hard Costs



TARGET INCOMES

PERCENT AFFORDABLE

BONUS DENSITY

FLEXIBILTY & RELIEF

Development Inputs

Model Inputs

Low-Rise

High-Rise

■ Value of land:

\$40 - \$90/gsf

\$40 - \$150/gsf

■ Hard Costs:

\$90 - \$120/gsf

\$140 - \$200/gsf

■ Revenue:

\$375 - \$425/msf

\$475 - \$800/msf

■ % Profit:

18% - 23%

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TARGET INCOMES PERCENT AFFORDABLE BONUS DENSITY FLEXIBILTY & RELIEF		
Valuing Affordable Units		
■ 30% of Income Limits ■ 30 Year Conventional Mortgage ■ 5% Down payment ■ 6.75% Mortgage Rate		
Purchase Prices		
Unit Type	50%AMI	80%AMI
Studio	\$107,050	\$168,600
1-Bedroom	\$121,650	\$192,100
2-Bedroom	\$136,300	\$215,650
3-Bedroom	\$151,100	\$239,300
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Five Development Types Tested

- 20 Unit Row-House
- 25 Unit Low-Rise Condominiums
- 25 Unit Low-Rise Rental
- 150 Unit High-Rise Condominiums
- 200 Unit High-Rise Rental



Comparing IZ Impact

Different levels of affordability and percent required had different impacts on development.

High Rise Condominium

	Base Case	CMIZ	OP Proposal	OP Scenario 1	OP Scenario 2
IZ Units		18	16	16	19
Return on Cost	21.2%	20.1%	20.9%	21.5%	20.3%
IRR	30.3%	27.3%	28.0%	28.6%	27.5%
Land Impact		- 3.4%	-0.9%	NA	- 2.9%



Model Basics

High-Rise Condo in Commercial District

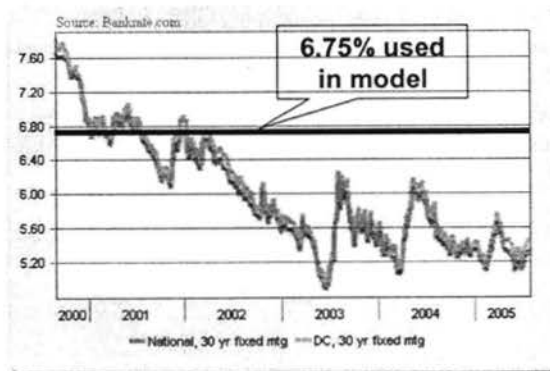
■ Costs	Market Avg.	IZ Avg. 80%AMI
• Land	\$91,500	\$76,000
• Hard Costs	\$183,000	\$183,000
• Parking	\$28,000	\$28,000
• Soft Cost	\$70,000	\$66,000
• <u>Cost of Sales</u>	<u>\$26,000</u>	<u>\$25,000</u>
• TOTAL TDC	\$398,500	\$378,000
■ Revenue		
• Total Unit Sales	\$488,000	\$467,500
■ Profit	\$89,500	\$89,500
■ Return on Cost	22%	24%

Differences From Report Due to Rounding

Model Sensitivity

Interest Rates

- Over the Past Five Years 30-Year Mortgage Rates have Varied between 4.9% and 7.8%
- Current Rate is 5.84% (90 Basis Points lower than model)



Approval Process

■ Zoning Administrator

- Minor Adjustments and Building Type-Change
 - ★ < ½ off-site but same census tract with premium
- After HPRB Decision
 - ★ Moderate proportional flexibility

■ Board of Zoning Adjustment

- | | |
|--|---------------------------|
| • Moderate proportional flexibility | Consent |
| • ≥½ off-site but same census tract with premium | Consent |
| • Units outside census tract with premium | Economic Hardship |
| • Buyout | Economic Hardship |
| • Full Relief. | No Practical Economic Use |



Approval Process

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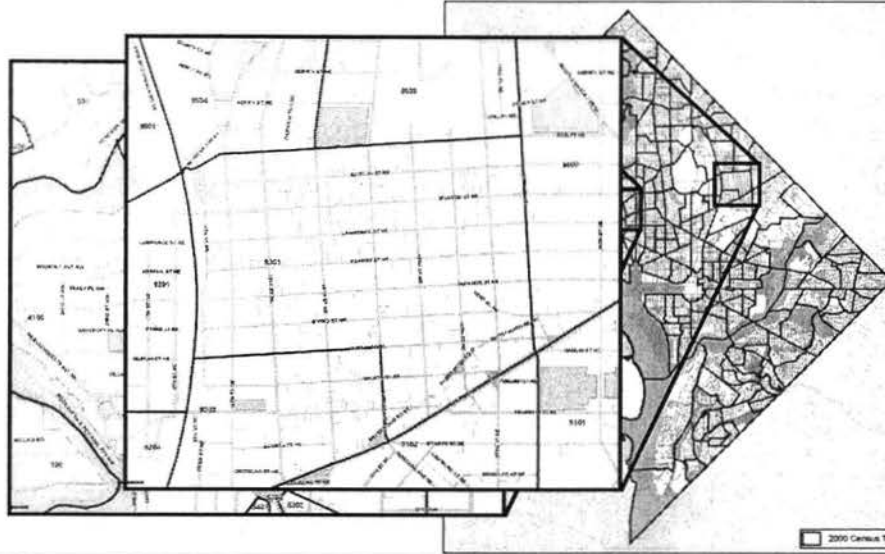
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Off-Site Compliance



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Summary Recommendations

Major Aspects

- 10 Unit Expansion / New Construction
- 20% Bonus Density
- Off-Site Flexibility with a Premium
- Limited Administrative Flexibility
- BZA Hearings
 - Consent
 - Economic Hardship

	Residential Zones	All Other Zones
Lower-Density	10% of Matter of Right or 75% of Bonus Achieved	10% of Matter of Right or 75% of Bonus Achieved
	Half at 50% of AMI – Half at 80% of AMI	Half at 50% of AMI – Half at 80% of AMI
Higher-Density	8% of Matter of Right or 50% of Bonus Achieved	8% of Matter of Right or 50% of Bonus Achieved
	Half at 50% of AMI – Half at 80% of AMI	All Affordable Units at 80% of AMI

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OP & Campaign Proposal Differences

- Higher-Density & Commercial Development have Lower Requirements.
- Off-Site Flexibility within Limited Area
- Differences in Minimum % AU
- Control Period

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Next Steps

- Comprehensive Housing Strategy Task Force
- Empowering Legislation & Budget
 - Income Certification
 - BZA Flexibility
 - Monitoring
 - Enforcement
 - Real Estate Tax Abatement
- Choosing Areas Where IZ Required
 - Neighborhood Character Impact
 - Infrastructure Impact

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Summary Recommendations

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