

William C. Smith & Co.

1100 New Jersey Avenue SE
Suite 1000
Washington, DC 20003

p 202/371 1220
f 202/371 9410
www.wcsmith.com

August 8, 2005

Ms Carol Mitten
Chair
DC Zoning Commission
441 4th Street, NW
Washington DC 20001

DC Zoning Commission
August 11, 2005

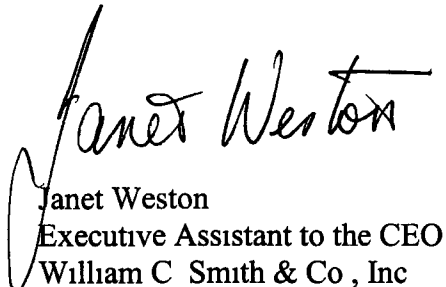
Re Zoning Commission Case 04-33

Dear Ms Mitten,

Please find enclosed 12 copies of the written testimony for Brad Fennell, Senior Vice President, William C Smith & Co

Please do not hesitate to contact me should you have any questions regarding the above

Yours truly,


Janet Weston
Executive Assistant to the CEO
William C Smith & Co , Inc

ZONING COMMISSION
District of Columbia
CASE NO. 04-33
EXHIBIT NO. 133

ZONING COMMISSION
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CASE NO.04-33
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My name is Brad Fennell and I am a senior vice president with William C. Smith & Co., a District based real estate firm which has provided quality housing communities in the District of Columbia for over 37 years. I oversee the development division of the company, and during my tenure I have been involved with the production of over 5,000 rental units, primarily moderate to substantial rehabilitation of existing buildings. We delivered a two-hundred and ten unit for-sale product during a time when housing starts were non-existent and today we have three for-sale projects in the pipeline. Historically, our projects have been developed in challenged neighborhoods and have required a great deal of coordinated effort to successfully complete.

Clearly, we are not here to testify in opposition to creating affordable housing. Creating affordable housing is central to our business and we embrace all efforts that promote and enhance the affordable stock while revitalizing the neighborhoods that make up this beautiful city. What we oppose is the presumption that mandatory inclusionary zoning can be made to work evenly across the many different neighborhoods and without regard to tenure. We are concerned about the layering of additional burden and regulation on already difficult to finance transactions. And, we are also concerned about the cost of compliance and the requisite reporting that will impose additional expense and challenge on an already complex process.

We have utilized a wide array of public financing including tax credits, CDBG and HOME funds. These subsidies generate funds that already come with affordable mandates. Properties financed through federal or district grants and loans should be exempted. We have also financed many of our projects with traditional debt and equity. Adding a layer of cost for compliance monitoring would result in increased costs for a project. In theory, the costs for the additional units are supported by the non-affordable units. In many markets, however, where it is not possible to simply raise the cost of the higher end units, moderate income families would bear the burden of these additional costs.

In rehabilitation projects where historical preservation, site constraints and or structural limitations exist, the inclusionary zoning problem is exacerbated. Without the ability to add density, there is no relief for a developer working with existing structures. Looking back over our body of work in the past decade, I can tell you with all confidence that mandatory inclusionary zoning would have increased our cost and hindered our ability to bring projects to market.

We would have had to forego projects we've accomplished with great success, and would therefore have contributed a much smaller number of affordable housing units to the DC market. And since each of our redevelopment projects also includes a community outreach component – from building playgrounds for the Parks & Rec department to adopting DC public schools to modernizing and maintaining community assets such as the Parklands/Turner public library – the city would also have lost those contributions.

It is companies like ours who are going to bear the burden of this legislation, and it will have unintended consequences as the market and variables change. It's easy to apply a formula on high end building, but there is a lot of production of other types of housing that is going on in the city, and that's what we're speaking to. We would like to continue to do substantial rehabilitation of challenged properties, but they're already challenging enough and layered with market risks without adding further complexities.

We believe the small amount of affordable housing gained through mandating inclusionary zoning, where the cost to produce is not made up with a density bonus, does not justify the disruption of the current delivery system. We are in a strong housing market right now, especially for condominiums, but it is a cyclical business, and it is not outside the realm of possibility that we could revisit the market of the early 90's, where developers were not interested in housing production, even without the burden of this additional legislation. Today's Washington Post, in fact, reports a cooling of the real estate market in the Washington metropolitan area.

We want to remove barriers to producing housing, not increase them. And we need the flexibility to react to changing real estate markets without being tied into legislation that would need to be rewritten with housing climate changes. We would like to see the city encourage the production of affordable housing with incentives. Increasing the Housing Production Trust Fund would be a good place to begin.

William C. Smith & Co. would like to continue producing affordable housing. We are a committed group of housing professionals, and we think we have a proven methodology for bringing a top quality product to the market. We ask that you take a very careful and thoughtful approach to this legislation, and consider the long term implications.

Thank You