

I am Michael Huke, Chief Executive Officer of the CIH Companies with over thirty years experience in residential real estate. Over the past several years, CIH has developed more than 2,300 condominium and cooperative, rental and single-family homes. In addition, CIH currently manages a portfolio of approximately 4,000 homes affordable for very-low to moderate income renters and home owners.

I would like to begin by suggesting a general note of caution in your considerations of the inclusionary zoning (IZ) proposals now before you.

My experience indicates that the successful production of affordable housing in high-cost markets inevitably requires some form of substantial public subsidy to make the economics work. IZ, however, attempts to avoid the cost of that public subsidy by shifting it to the housing market. To prevent any resulting slow down in residential development, IZ programs usually offer so-called density bonuses. But such bonuses are rarely structured as true incentives; instead, they are devised to provide just enough of a cost off-set to keep local housing markets humming – with any short fall absorbed by market-rate buyers. Unfortunately, market conditions change and the bonus formula, if it ever worked, breaks down. At which point, the humming stops and, in the absence of true incentives, little affordable housing gets built – as the experience of other jurisdictions so clearly demonstrates.

I would like to turn now to more specific comments regarding substantial rehabilitation in the current zoning proposals.

ZONING COMMISSION
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CASE NO. 04-33
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Applying inclusionary zoning requirements to properties that are undergoing substantial rehabilitation, simply will not work. There is typically no way to economically and practically expand the physical size of existing structures to accommodate density bonuses. In fact, given the smaller apartment sizes often found in older properties, units are often re-configured and combined in substantial rehab, reducing the number of available units within the existing building envelope.

Renovating older properties to make them competitive in price and features with new properties requires avoiding the complexity and costs of modifying basic structures. Attempting to add bonus-density units, then, would add excessive costs, delays and risk - undermining the economic feasibility of the project.

The application of IZ requirements will only retard major rehabs, resulting in the continued decay or demolition of older properties instead of their preservation and renewal as much needed additions to the District's stock of decent and affordable housing.

Thank you for your attention.