

Testimony to Zoning Commission

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Commission Members –

I am Ernie Marcus of Marcus Asset Group, an LSDBE firm in the District, and a resident of Ward 4. In a number of different capacities, I am involved in affordable and market rate housing in the District, both for-sale and rental. I am a Certified General Appraiser in the District and perform a considerable number of reports for DCHFA, non-profit housing providers and tenant groups, as well as private developers. In this role I review LIHTC projects, rent-controlled apartments, market rate housing and mixed-income for-sale and rental housing. Secondly, as a partner in Triangle Ventures, I am involved in the ground up development and substantial rehabilitation of for-sale and rental housing in the District, including mixed-income condominiums. Our focus is on public-private partnership developments.

I am in favor of providing a framework in which developers must provide affordable housing in new developments and, under specific circumstances, substantial rehabs, but have some concerns over some provisions in the proposals put out by OP and CMIZ. Broadly, if the program is not fair and predictable with workable incentives, I am concerned that the IZ regulations could decrease housing activity and hurt the production of housing, particularly when the market returns to a more normal level of production and appreciation. The following touches on just a couple of my concerns.

The economics of providing affordable housing at a specific site vary widely based on a myriad of factors so that an inflexible and/or cumbersome process could be a roadblock to desired development. Factors that impact some sites but not others might include

- Physical underground issues such as underground subway tunnels, poor soil bearing capacity or contamination, the presence of rock, the need for deep sheeting and shoring etc.
- size and shape issues in that sites below a certain size can be much more expensive to both construct vertical improvements and underground parking and the efficiency of each floor can be significantly impacted.
- Physical issues can make producing smaller sized units impossible because of access, light and air issues etc. If an affordable 1 bedroom unit can sell for only so much then the larger sized unit will have a greater impact on the developer in comparison to a smaller unit.
- The relevance of these factors is twofold (1) a project may not be able to be built to the currently allowed FAR much less accommodate additional density (2) the factors can vary significantly impact the profit margin of the developer so that the impact of providing affordable units is much greater for impacted sites.

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Another factor I'd like to touch on is the selection of affordable units. The size, unit mix, finish and location within the project can have a significant impact on the cost to the developers. I would urge flexibility on these points.

Finally, I'd like to point out the general confusion over the setting of prices of affordable dwelling units which I have observed. There is no set way to look at this and how you treat the use of HPAP funding, VPAP, existing debt, ratios etc. can have a major impact on the supportable price. Manna has been developing much expertise on these issues.

In summary, I would urge the Commission to enact amendments that ensure fairness and predictability for the real estate community.