



District of Columbia Housing Finance Agency

815 Florida Avenue, NW Washington, DC 20001-3017

July 28, 2005

BY HAND

The Honorable Carol J. Mitten
Chair, Zoning Commission for the District of Columbia
Suite 210
441 4th Street, N W
Washington, D C 20001

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RE: Case No 04-33 Text Amendments to Require the Provision of Affordable
Housing – Inclusionary Zoning

Dear Chair Mitten:

I am Milton Bailey, Executive Director of the District of Columbia Housing Finance Agency (HFA). I submit this letter in support of the Mandatory Inclusionary Zoning proposal proffered by the Office of Planning (OP) in the District of Columbia.

The HFA is a self-supporting corporate instrumentality of the government, allowed under a statutory grant of authority from the Council of the District of Columbia to issue tax-exempt bonds to finance the purchase, rehabilitation and construction of affordable and mixed-income multifamily residential buildings and provide homebuyers with low-interest mortgages. Nonprofit, for-profit and 501c(3) developers take advantage of our loan programs using tax-exempt and taxable bonds, McKinney Act Savings Loan Funds and 4% Low-Income Housing Tax Credits

In the District of Columbia, the environment in which the HFA operates has changed since the 1990's. These sweeping economic changes include a rising demand for housing in the District together with increasing rents and home prices. These changes have contributed to the current acute shortage of quality affordable rental and ownership housing and has spurred an affordable housing shortage, which coupled with population shifts and fewer governmental resources to address citizens needs, make the HFA's work critically central to addressing these challenges

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Zoning Commission
District of Columbia

The economic momentum downtown and in the neighborhoods is exciting but at the same time frightening to many. Like many cities, the District is experiencing the pressures brought on by negative changes in national housing policies and the heightened fears of displacement among existing residents

During the past few years, citizens have raised again, and again, affordable housing as a serious concern. They have asked what is the city doing to ensure that housing remains affordable to our low-income citizens and how do we plan to create more affordable housing.

The answer is a comprehensive housing strategy, which the HFA believes must include mandatory inclusionary zoning as one component of a broad effort to address these affordable housing issues.

The HFA requires that developers producing multifamily rental housing set-aside a minimum of 20 percent of the total units for households at 50% of the area median income (AMI) or 40 percent at 60% of AMI to take advantage of the Mortgage Revenue Bond/Low Income Housing Tax Credit Program (MRB/LIHTC). In actual practice, financing structures with MRB/LIHTCs typically have a set-aside of 100% of the units in order to maximize the financial benefit to the developer that is realized on the prorated portion of affordable units

While the HFA's financing program can keep some of the city's housing stock affordable, developers have a choice whether or not to use our public financing tools. Mandatory Inclusionary Zoning will ensure that additional units developed with conventional financing will remain affordable to low to moderate-income residents. This helps and supports our mission, and we therefore strongly support the enactment of a Mandatory Inclusionary Zoning proposal as proposed by the Office of Planning.

With respect to the specifics being considered by the Zoning Commission, the HFA would like to point out that there are certain efficiencies to be gained by changing the targeted incomes and percent of affordable housing set-aside.

The current Inclusionary Zoning proposal provides that 20 percent of the "Bonus Density" is set-aside at some combination of below 50 percent or below 80 percent of AMI. **The HFA recommends that OP change their Inclusionary Zoning proposal to target incomes between 30 – 60 percent of AMI in Lower Density Residential and Commercial Zones and to 60 – 120 percent of AMI in Higher Density Residential and Commercial Zones.** These recommended changes aim to correspond with the OP model by zoning

district in order to respond to the increased cost by construction type and competing land uses in mixed-use zones.

The population that is largely served by the HFA's Multifamily MRB/LIHTC program is rental households between 30 and 60 percent of the AMI and the minimum set-aside is 20 percent of the total units or floor space of the apartment building. In the HFA's Single Family Mortgage Bond Program, the HFA largely serves households between 60 and 120 percent of the area median income.

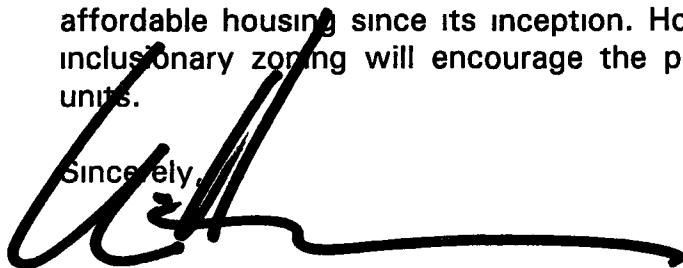
The development standards of OP's proposal only requires that the Inclusionary Zoning units be "indistinguishable from the outside, helping to minimize any aesthetic impact on the neighborhood". There are no requirements regarding the quality of the Inclusionary Zoning units versus the market rate units, often in practice developers set-aside inferior units as the affordable units. The federal MRB/LIHTC program does not allow such a practice; it requires that all affordable units be comparable to the market rate units.

These recommended changes also provide the following benefits.

- Support the Comprehensive Housing Strategy Task Force Recommendations that aim to achieve the Mayor's goal of adding 100,000 new residents to the District at different income levels
- Encourage the use of tax-exempt bond financing to more fully utilize the city's volume cap, which has been historically underutilized.

The HFA has established itself as a proficient and effective housing finance resource for the city, creating and preserving nearly 20,000 units of quality affordable housing since its inception. However, we believe that mandatory inclusionary zoning will encourage the production of even more affordable units.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'M. Bailey', is written over the word 'Sincerely,' and extends across the line of the name below.

Milton J. Bailey
Executive Director