

**Testimony of Robert Pohlman**  
**Executive Director, Coalition for Nonprofit Housing & Economic Development**  
**Before the District of Columbia Zoning Commission**  
**on**  
**Case 04-33: Inclusionary Zoning**  
**July 28, 2005**

Good evening My name is Robert Pohlman. I am the Executive Director of the Coalition for Nonprofit Housing & Economic Development, and I am here this evening to testify on behalf of my organization in favor of the Campaign for Mandatory Inclusionary Zoning's (CMIZ) proposal which is pending before this Commission We have played an active role over the past three years working on this issue

The Coalition is made up of over ninety organizations, both non-profits and for-profits, that are engaged in the production and preservation of affordable housing and neighborhood based economic development. In addition to six years with the Coalition, I served for 23 years in DC Government in a variety of positions including Controller, Deputy Director and Director of the DC Department of Housing and Community Development and as Deputy Mayor for Finance and Chief Financial Officer of the District I also serve on the Board of Directors of Manna, Inc , an affordable housing producer in the District of Columbia, and on the Affordable Housing Advisory Board of the Federal Home Loan Bank of Atlanta

I want to address several provisions of the Campaign's mandatory inclusionary zoning proposal that have been questioned by previous witnesses.

**1. The requirement that half of the affordable for-sale units be set aside for households with incomes up to 50 percent of Area Median Income (AMI).**

I support this requirement and believe it is achievable This city should make every effort to make homeownership available to lower income residents, and if selling prices are set at levels affordable to people at 50 percent of AMI (which they will be under CMIZ's proposal), there is no reason they cannot purchase and become successful homeowners Further, to help ensure this outcome, there should be an effective city agency (or a third-party under contract to the city) charged with certifying incomes and buyer eligibility to purchase, similar to what has been done in Montgomery County, Maryland. Such an agency could connect prospective lower income buyers with additional resources, such as the District's Home Purchase Assistance Program and the DC Housing Finance Agency's below-market mortgage financing These programs are proven tools for enhancing the ability of low income buyers to purchase Mi Casa, Inc , a provider of homeownership for low income families in the District, maintains that at the high median incomes we have in this area, it is very realistic for households at 50% of AMI and even lower to purchase a home, if it is priced at the affordability standards called for in the Campaign's mandatory inclusionary zoning policy

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**2. The requirement that for sale inclusionary zoning units must remain affordable for 20 years and be resold within that time period only to other income eligible buyers, with a recapture provision for a portion of equity gain for sales after the control period.**

### **Length of Affordability**

Nationwide we are paying the price for outdated policies that in the past did not require housing to remain affordable for sufficient periods of time. With the dramatic rise in housing prices, we see this changing as many jurisdictions are lengthening their housing affordability control periods. Why is this happening? For obvious reasons – if a once-affordable unit is sold in today's market, it is lost forever, as far as affordability is concerned. Many of the units we will gain through IZ will be smaller units. This will attract younger buyers with smaller household sizes, including many singles. There are many people in DC only for the short term. The purpose of IZ is not to build the wealth of these short time homebuyers at the expense of the taxpayer and with the result that the affordable unit is lost forever. It's not that anyone doesn't want lower income homebuyers assisted by government programs to build wealth through equity gains on their homes – we'd love to see that happen – and in fact a good deal of equity gain is allowed under the Campaign's proposal (which I will comment on in a moment). But allowing unlimited, short-term equity gain is not reasonable and equitable, if it comes at the price of losing affordability forever.

The arguments that a requirement to resell an affordable home at an affordable price doesn't allow for the creation of wealth, creates second class homeowners and is administratively unworkable are simply wrong.

### **Wealth Creation**

First, as to the creation of wealth. Homebuyers under the Campaign's IZ proposal will when they sell get back all of the principal they have paid on their mortgages plus any capital improvements. That certainly is preferable to paying rent and never seeing the money again. But beyond that, they are allowed to realize what could become very substantial equity gains under the Campaign's proposal. Homeowners who choose to resell during the 20 year control period may do so at a price then currently affordable to households at the same level of median income at which the home was purchased. That means they would get to keep the appreciation on their home equal to the growth in the region's AMI – a number that has consistently gone up much faster than inflation. In addition, homebuyers under IZ realize all the tax advantages of homeownership – a \$5,000 first time homebuyer tax credit in the District, a tax deduction for interest payments and property taxes, plus most importantly a level mortgage payment for the length of the mortgage – rather than rising rents. After the control period when the homeowner sells, they realize half of the equity gain on the sale above a base price that also allows for equity gain.

### **Impact on Homeownership**

I'd like to address the misconception that without the ability to realize full equity gain on your own home, a homeowner somehow becomes less of a real homeowner and correct

the mistaken impression that Limited Equity Cooperatives – a good example of homeownership with affordable resale restrictions – don't work well. Our Coalition conducted a study of DC's limited equity coops (LECs), a copy of which I have attached to my testimony, which demonstrates that LECs in DC are providing very affordable housing and the great majority are in stable or excellent financial condition. This result was achieved despite the failure of the DC government to provide most LECs with ongoing technical assistance or support.

### **Administrative Workability**

Let me address the issue of administrative workability – both for the management of the home buying and selling functions for those who benefit from IZ and the administration of the technical aspects of inclusionary zoning that impact on developers. Administrative mechanisms for handling these matters can and do work in other jurisdictions. I've already mentioned in my testimony the need for an effective agency to assist prospective homebuyers. Similarly, there must be staff dedicated to advising developers in advance on what the requirements may be for a particular site and to handle exceptions and monitoring to make sure that requirements are followed. This need is not new – there are other programs that the DC government sponsors that require similar functions – the Housing Production Trust Fund has affordability requirements, the Low Income Housing Tax Credit Program requires strict reporting and monitoring; the Anacostia Waterfront Initiative legislation and pending inclusionary development legislation require an administrative mechanism to ensure they operate according to the law. I have for some time now recommended that the city create a specialized unit of government, possibly within an agency, to carry out these functions. This can and should be done. Having said that, it is important that the guidelines for mandatory inclusionary zoning be as transparent and straight forward as possible – which I believe favors adopting the Campaign's proposals rather than the more complicated formulas proposed by the Office of Planning.

### **3. The Compatibility of IZ with other Affordable Housing Programs**

How compatible is inclusionary zoning with other affordable housing programs? I have already mentioned that homebuyers who purchase inclusionary zoning units can be assisted by all of the affordable housing programs that other low income homebuyers receive. On the production side, the same is true for affordable housing producers. They can use CDBG, HOME, Housing Production Trust Fund and other program dollars to build affordable housing, but now with the added benefit that their projects can, where available, achieve additional density and additional affordable units. Nonprofits and other affordable housing producers have extreme difficulty competing for properties. The Campaign's IZ proposal ensures that whoever purchases or substantially rehabs properties must produce affordable units. Together with the efforts of affordable housing producers, this should result in more affordable housing being built – with that housing more widely disbursed throughout the city.

Thank you for this opportunity to testify.