

Testimony of Sean Cahill
Senior Vice President
Property Group Partners
Before the District of Columbia Zoning Commission
Honorable Anthony Hood, Chair

Public Hearing

on

CASE NO. 04-33G (Amendments to Chapter 26, Inclusionary Zoning)
Jerrily R. Kress Memorial Hearing Room
441 4th Street, N.W., Suite 220-South
Thursday, April 14, 2016
6:30 p.m.

Good evening Chairman Hood, members and staff of the District of Columbia Zoning Commission. I am Sean Cahill, Senior Vice President, Property Group Partners (PGP) and I have spent over 30 years as a developer in the District. I am also the Immediate Past President of DCBIA. I am here tonight representing PGP to show support for the recommendations of the Office of Planning's February 25 report. As you have heard tonight, the private sector supports affordable housing programs in the District and we are an essential partner in producing affordable units.

PGP is a fully integrated real estate company with over forty years of experience building premier properties and luxury landmarks. Our major project – Capitol Crossing - is one of DC's largest private development projects. It will transform 7-acres of land above I-395 to become 5 mixed-use buildings covering 2.2 million square feet.

The immutable fact we are faced with as we attempt to improve the city's Inclusionary Zoning program is that the cost to build continues to grow. So, in order to create affordable housing all over this city – as the IZ program is intended – the project financing and/or land value gap that exists in the Applicant's proposal must be mitigated to avoid making projects unworkable or negatively impact affordable housing production. The Applicant's proposal lowers AMI to 60%, creating a \$1.6 million financing gap on a typical 100 unit. This will require District subsidies or support to avoid shelving projects.

While the market is very active right now, there will be slow periods and a downturn in the market will only increase the negative effect on project costs and/or land value. The City also needs both large and small development projects. Without a focus on finding ways to address financing gaps inherent in Inclusionary Zoning requirements, many projects will not be executed because they cannot get financed. Some of the projects will be changed to commercial rather than residential; others may be downsized.

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We know that the Mayor is focused on creating pathways to the middle class and DC needs middle income housing. IZ, that serves households earning 80% of AMI, is the only city program that target people, like teachers, fire fighters and police officers.

Through the input of many developers, OP and the Applicant worked over the last year to create a more viable proposal. PGP believes that the February 25 proposal from the DC Office of Planning is the more practical approach, and we urge the Commission to support that proposal. We also agree with the recommendation to delay implementation of any changes so as not to negatively affect the current market and projects under review.

At its core, affordable housing is about supply. Rents rise because there is not enough housing for all the people who want it and with over 1,000 new residents continuing to move to DC each month, the long term solution is to increase the housing supply. We look forward to working with the Office of Planning to revise the Comprehensive Plan in order to increase density and add more housing units. We hope that the Zoning Commission will support the recommendations of the February 25 OP report.

Thank you for the opportunity to testify.