



Testimony Before the Planning Commission on Inclusionary Zoning

Christopher B. Leinberger, Professor and Chair, Center for Real Estate and Urban Analysis

The Real Estate Center at GWU has conducted research across the country into the major metropolitan development trend of this era, increased walkable urbanism and the need for increased affordable housing. The country, led by metro Washington, is trending toward increased housing and other real estate product demand creating more higher-density, walkable urban development. This reverses the late-20th century trend toward low-density drivable sub-urban development, i.e., sprawl. For the District the trend toward walkable urbanism is a very positive trend, reversing employment and population growth about in 2005, and leading us to a dramatic rebound that has resulted in the District's emergence from bankruptcy, a stellar bond rating today, allowing for rebuilt schools and parks and more social service spending.

The downside is, of course, a lack of affordability. GWU's research shows that @70% of this lack of affordability is due to high land prices. This situation is particularly ironic since in the metro Washington area, only 4.2% of the land is considered walkable urban, a Walk Score above 60, and only 2.2% above a 70 Walk Score. We have proven that increased Walk Score above 70 increases office rents by \$1/year, rental apartment and retail rents by \$0.80/year and housing prices by \$20. The District is in much better condition in the metro area regarding walkable urban land: the District has 53.1% of our land above 60 Walk Score and 39.9% above 70. This explains why the recovery of the District over the past 10 years has been so robust: what the market wanted in the late 20th century, drivable sub-urban development, hurt the District. What we have in abundance, walkable urban neighborhoods, has been our key strategic advantage.

So it is a supply-side problem, we do not have not enough high-density walkable urban land that results in the high housing price premiums, both in the District and the metro area.

There are short-term strategies to address this affordable housing and long-term strategies. Inclusionary zoning is a proven short-term way of addressing affordability and the District's

ZONING COMMISSION
District of Columbia

CASE NO. 04-336

EXHIBIT NO. 213

ZONING COMMISSION

District of Columbia

CASE NO. 04-336

EXHIBIT NO. 213

inclusionary percentage has to increase. I am not going to comment on the details of the two proposed IZ plans, many others have run the financial models, which GWU has not done.

However, a key issue is the need for a grandfathering of existing projects that are in the pipeline with land priced based upon the current IZ system. There is a need for a 3-4 year window for those projects to come on line while future projects can benefit from lower land prices that will hopefully result from the new IZ regulations.

The long-term solution is having more high-density walkable urban land. In essence, allow for more high-density zoned land to reduce the cost of land, addressing the root of the affordable housing challenge: high land prices. Providing increased density has been used in the past to offset the costs of the existing IZ zoning and I am suggesting the same for this new and deeper affordable housing allowance being proposed.

It may seem like we are in the middle of an unprecedented housing boom, since it is so easy to see the many cranes across the skyline. However, GWU research shows that in spite of the housing boom the District has enjoyed over the past 5 years, we are still under-producing housing units compared to household growth by nearly 50%, driving up rents. The metro area is also under-producing by about a third. And this is while we are at or near peak of this housing recovery, which will certainly dramatically drop when the next recession hits, which it certainly will.

GWU is suggesting that a grandfathered implementation of any new IZ regulations be linked to the increased density and conversion of drivable land use into walkable urban in the upcoming Comprehensive Plan. Bringing more walkable urban land into the housing market will mitigate the current land price premiums. The huge land price premiums we have today are telling the market to create more walkable urban land and real estate product; the District should do just that. The long-term supply-side solution to housing affordability is to increase the supply of walkable urban land (of course, the demand side of the equation is higher incomes, including increased minimum wage), done in conjunction with short-term inclusionary zoning.