

**BEFORE THE
ZONING COMMISSION OF THE DISTRICT OF COLUMBIA**

Public Hearing

on

Chapter 26 – Inclusionary Zoning (IZ)

Petition filed by the Coalition for Smarter Growth, et al.,
to amend
Chapter 26, Inclusionary Zoning (IZ) (Z.C. Case No. 04-33G)
and
Alternative Text Recommended by the Office of Planning

Testimony
of
C. Michael Skena
Vice President, MRP Realty

3050 K Street NW, Suite 125
Washington, DC 20003

April 14, 2016
6:30 p.m.

Good evening and thank you to Chairman Hood and members of the Zoning Commission for the opportunity to testify. My name is Michael Skena, Vice President of Development at MRP Realty, and a DC resident. At MRP, our leadership team has worked together in the Mid-Atlantic region in various capacities for over 25 years. We've been actively involved in the entitlement, development, and construction of over 9,000 residential units in the region, including 1,400 units over the past three years. We have another 4,000 units in our residential pipeline.

Because of that experience, MRP is a strident supporter of affordable housing as in order for a city and region to grow and thrive economically, it must provide housing that is accessible to all income levels. A housing affordability crisis typically arises when the demand for housing in a specific area outstrips its supply, thereby increasing housing prices. We've all been witness to the externality of higher housing prices resulting from DC's continued attractiveness to businesses, consumers and residents. MRP is a strong believer that an increase in supply, that is, constructing more units, is the best tool in the affordable housing toolbox to meet a housing shortage and lower housing prices.

We also agree that inclusionary zoning, when implemented correctly, is another critical tool in that toolbox, one that preserves affordable housing across that entire city, not just in areas that experience less demand than others. In its prior implementation, you and the DC Council successfully balanced the mandate of affordability with the economic compensation of increased density without arresting development despite an increase in building costs because of the IZ regulation.

What the Applicant has proposed is additional regulation, lowering the AMI to 60% across the entire District, without a significant offset in cost or increase in bonus density. That is, in the Applicant's proposal, there is only a stick and no carrot.

Understanding that every project is unique and the impact of IZ is not linear, we examined the financial models of our two most recent projects in the District, Elevation at the corner of New York and Florida Avenue, and Dock79 on Potomac Ave just south of the ballpark, and compared the impact that the Applicant's proposal would have had on each. In each instance, lowering the AMI to 60% from 80% would have required an additional density bonus in order to achieve the same yield on cost and rates of return (assuming that density could be successfully utilized). A reduction in either metric would have resulted in those projects not being capitalized and financed. If the Applicant's proposed changes have a similar effect on other projects in the District-wide pipeline, the consequence would be a dramatic reduction in the number of developments moving forward.

We urge the Zoning Commission to carefully consider the impact that the Applicant's proposed changes to IZ would have on the overall housing supply. By increasing regulation without a commensurate offset, the District risks reducing the development of new housing units which will have a permanent impact on the supply of housing in this city and lead to continued pressure on housing prices.