



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**



SPECIAL PUBLIC MEETING ON:

**Zoning Commission Case Number 15-15
Application of
JBG/Boundary 1500 Harry Thomas, LLC &
JBG/Boundary Eckington Place, LLC
for a Consolidated Planned Unit Development for
1500 Harry Thomas Way, N.E. and
1611-1625 Eckington Place, N.E.**

**TESTIMONY OF POLLY DONALDSON
DIRECTOR**

Before the
District of Columbia Zoning Commission
Anthony Hood, Chair
Monday, August 8, 2016
6:30 P.M., Room 220-South

Judiciary Square
441 4th Street, N.W.
Washington, D.C. 20001

Good evening Chairman Hood and members of the Zoning Commission (Commission). I am Polly Donaldson, Director of the DC Department of Housing and Community Development (DHCD or Department). I come before you today to testify on the affordable housing offering outlined in Zoning Commission Case 15-15 for the development of 1500 Harry Thomas Way, N.E. and 1611-1625 Eckington Place, N.E. (Project).

DHCD strongly supports the creation of deeply affordable housing units, including those targeted to households at 60% of the Area Median Income (AMI). In fact, DHCD already marshals existing local and federal resources to create and preserve affordable housing for this income range. Inclusionary Zoning (IZ) is one piece in a broader affordable housing strategy. IZ targets income levels that have high housing cost burdens (50% of AMI) and levels that affordable housing programs do not typically serve (80% of AMI).

DHCD SUGGESTS USING AN “IZ PLUS” ARRANGEMENT

However in this case, DHCD strongly urges the Commission to approve an affordable housing offering that adheres to IZ affordability levels *and* goes beyond matter-of-right IZ requirements, creating deeper levels of affordability within the scope and compliance of IZ law and regulations. DHCD suggests an “IZ plus”

arrangement; that is, the applicant should provide half of the IZ units at 80% of AMI and half of the IZ units at 50% of AMI. This model exceeds the applicant's *original* proposal of devoting only 20% of its affordable housing component to 50% of AMI.

You received our two letters dated July 22, 2016 and July 28, 2016 reflecting the Department's objection to the proposed affordable housing plan for the Project. The consolidated planned unit development (PUD) proposed a residential component as affordable housing to be set aside for households earning up to 60% of AMI, which some view as exceeding IZ requirements through affordability levels that are lower than the statutorily required 80% AMI. However, by creating an affordability level outside of the statutory 50% and 80% IZ levels, the applicant's proffer at 60% of AMI would require it to be exempt from IZ requirements, which DHCD views as problematic, as explained in our letters.

WAIVER WILL NOT SERVE THE DISTRICT'S INTERESTS

To reiterate our concerns, DHCD's position is that the applicant's requested waiver will circumvent the District's IZ program and will not serve the District's interests for these reasons:

1. ***First, providing affordable units outside of IZ AMI levels thwarts existing IZ law, regulations, procedures, and compliance.*** Allowing developers to create customized affordable housing programs will allow them to negotiate each and every point. This will create many opportunities to circumvent the IZ program standards that DHCD has worked hard to develop.

One simple example of IZ standardization is the use of a DHCD-managed program registry, something that could not be leveraged in the case of a waiver. Other examples include:

- a clear, regulations-based lottery process; and
- a District-wide collection of partner community organizations that know the regulations and counsel prospective renters on the process.

2. ***Second, many developers would prefer to avoid some or all of the IZ standards, so granting a waiver in this case would encourage developers of future projects to adopt a similar strategy in the name of “deeper affordability.”*** In fact, the precedential principle must be carefully assessed, because granting an IZ waiver for *one party* based on factors not expressly stated in IZ regulatory

exemptions will obligate the District to accommodate waivers for *all applicants*.

CLEAR MESSAGE TO SEND

DHCD implores the Commission to send this clear message alongside District agencies: Projects not involving government subsidies, write-downs, other statutorily-required affordable housing requirements must comply with IZ.

Instead of granting waivers or exceptions, DHCD recommends that the Commission work *within* the statutory and regulatory parameters to require either more IZ units than required by law *or* IZ units at deeper affordability levels. For these reasons, DHCD opposes the applicant's requested waiver from IZ.

With that understanding, DHCD strongly urges the Commission to approve an affordable housing offering that provides units at IZ affordability levels *and* goes beyond matter-of-right IZ requirements. DHCD reached out to the applicant and suggested an "IZ plus" arrangement, and it was DHCD's understanding that the applicant was amenable to this 50/50 split approach and having the units administered under the IZ program. The Department was subsequently informed that the applicant did not agree to the arrangement and the applicant now asserts a two-option affordable alternative plan: maintaining the proposed 60% of AMI option or complying with IZ law by proffering a 50/50 split approach.

In conclusion, DHCD acknowledges that the Commission recently voted to modify the IZ program by targeting rental IZ units to 60% of AMI. That said, DHCD will continue to enforce and advocate for compliance with the IZ program in its current form until new regulations are in effect. DHCD's view is that PUD applicants should *not only* comply with IZ but be encouraged to also offer extra or more deeply affordable IZ units. Many cases before the Commission already offer just that.

Thank you for your time and attention. I am available to answer questions that the Commission may have.