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Office of Zoning  
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Washington, DC 20001

### **Testimony on Case 20-02: Concept to Expand Inclusionary Zoning Requirements**

Good evening Chairman Hood and Members of the Zoning Commission. My name is Patrick McAnaney, here today representing Somerset Development Company. Somerset is a mission-driven for-profit developer that specializes in the preservation and production of affordable and mixed-income housing here in the District as well as Baltimore.

As a Ward 3-based affordable housing developer, we are strongly supportive of the Mayor's goal to add 1,990 affordable units to the Rock Creek West planning area in order to reduce historical patterns of segregation and provide greater access to opportunity for low and moderate income families. As such, we are in favor of OP's draft amendments to the Comprehensive Plan's Future Land Use Map (FLUM)—currently under consideration by the DC Council—that provide additional development capacity to help achieve this goal. However, to ensure that these land use changes effectively produce a large number of affordable units, any future revisions to the zoning map based on the updated Comprehensive Plan must require significantly higher affordability thresholds than the District's standard inclusionary zoning policy. Otherwise, providing additional development capacity by increasing allowable height and density will merely drive up the value of land in Ward 3 and make it harder to finance affordable housing projects. We are thus very supportive of the concept of Expanded Inclusionary Zoning, which will help to ensure that as much increased land value as possible is captured by the public and invested in affordable housing production.

Since this summer, we have worked with the Office of Planning to provide feedback on both the structure of their economic impact model, as well as the specific inputs the model uses to assess the impact of changes to Inclusionary Zoning on land values. We commend the Office of Planning for the hard work they have put in to analyzing the economic input of this proposed policy in order to ensure that we strike the appropriate balance between capturing additional value created from upzonings to invest in affordable housing and ensuring that this requirement does not eliminate the incentive to pursue such upzonings and cause a negative impact on housing supply. We believe that this approach does indeed strike that balance.

It is important to recognize that, because economic conditions are constantly changing, the economic impact analysis is going to be a constantly moving target. Interest rates go up and down, equity returns go up and down, rents go up and down, and construction costs go up and down. In just this year alone, we have seen how external shocks can cause tremendous and unexpected changes on the real estate market. As such, it is important to regularly update and reevaluate our inclusionary zoning policy to ensure that it stays in line with the market and reflects current economic conditions. It is also important to recognize that the economics of each project will vary slightly, so the goal of this model is to capture a more generalized impact of a generic pro forma project. Calibrating the policy to reflect the specifics of every unique project is simply not possible and would introduce far too much complexity into the system. As such, we do think the Office of Planning's overall approach to the economic impact analysis is correct.

In addition to supporting Expanded Inclusionary Zoning as a broad concept, we strongly encourage the Zoning Commission to adopt a second complementary tool to expand the production of affordable housing across the District: a matter-of-right bonus density incentive for projects that meet a minimum threshold of affordable units. Right now, given the significant risks and costs of discretionary upzoning processes, affordable housing developers are staying away from these projects. The recent DC Court of Appeals decision in the case of the Park Morton public housing redevelopment has confirmed for us that even affordable housing projects are at high risk of legal challenges to approved map amendments or Planned Unit Developments. Affordable housing projects operate with very thin margins and complex financing and timing requirements, and thus face especially high risks from delays during discretionary zoning change processes. As a result, the affordable housing projects we are currently working on in the District are all being done as matter-of-right. Until there is a non-discretionary review process where a certain level of bonus height and FAR is provided automatically in exchange for reaching a certain affordability threshold (perhaps 20%), we are not likely to pursue any projects that require further zoning changes.

Thank you for your time today, and I am happy to answer any questions you may have.