



Testimony before the District of Columbia Zoning Commission

Regarding
**Case 20-02: Text Amendment for Concept
to Expand IZ Requirements for Certain Map Amendments**

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Via Virtual Platform

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Chairman Hood and members of the Commission:

Good afternoon. Thank you for providing the opportunity to participate at today's hearing.

My name is Melissa Bondi, and I am speaking today on behalf of Enterprise Community Partners. Enterprise is proud to deliver capital, develop programs, and advocate for policies to create and preserve well-designed homes that people can afford, in inclusive and connected communities.

In the District of Columbia, Enterprise has helped to create or preserve 14,000 homes. Our additional impact includes:

- generating more than \$580M in tax revenue
- creating more than \$950M in wages for workers
- investing more than \$780M in support, through Low-Income Housing Tax Credit and New Markets Tax Credit projects, debt through our Community Development Financial Institution and our Bellwether-Enterprise platform, and grant dollars via HUD Section 4 capacity building grants for community-serving nonprofit organizations.
- owning/operating nearly 3,000 affordable rental homes across the city.

As a partner to the District and many housing providers and community organizations, we are committed to devoting our resources, and leveraging them with public and private sector tools and investments, including the kinds of zoning concepts under consideration today.

Summary of our recommendations:

- We support the Office of Planning's Expanded IZ concept, as an optional alternative to providing housing affordability at greater levels, including in locations consistent with the Comprehensive Plan Framework elements and proposed chapter and map amendments;
- We support Expanded IZ specifically as a means of capturing a greater share of land values to produce the tangible community benefit of greater affordable homes across the District
- We appreciate OP's intention in providing additional provisions in exchange for 3+ Bedroom units, or for 50% MFI level units. Expansion of both of these types of housing is desirable. We did not test the specific incentive/compensation levels across multiple scenarios and cannot

evaluate the specific scenarios proposed at this time; we recommend monitoring these incentives to see how they are employed.

Expanded IZ: Support for Concept

As a member of the Housing Priorities Coalition, we have expressed our support for the concept of an Expanded IZ approach in the District for more than a year. We applaud the Office of Planning's desire to fulfill goals in the Comprehensive Plan Framework elements that would increase the preservation and production of high quality, committed affordable housing to better meet the needs of District residents. It is important that District policies create substantial new committed affordable housing stock across a portfolio of solutions, and that can be applied in every ward in the city.

It is also important to pursue tools that help to meet the racial equity housing goals¹ of the Comprehensive Plan Framework Elements. This includes, but is not limited to, ensuring more affordable units are produced in areas of high amenities with greater connection to opportunity. It includes making the concerted effort to expand meaningful housing choices for low-income District residents, who may wish to live in locations that are historically and currently very difficult to access.

We also support sound initiatives that better recapture for public benefit a fair share of the increased land value created by public investment that creates those amenities. Land values continue to rise as the District remains a very desirable location to build. Leveraging that value for dedicated benefits like onsite committed affordable housing is an effective way to accomplish multiple Framework Elements' goals.

Finally, as a by-right option, this alternative provides new tools to achieve substantial housing in parcels otherwise not included within the conventional IZ program, and without using local tax dollars to subsidize. The affordability is provided through conversion of high land values into community benefits onsite.

Testing Pro Forma Scenarios

We appreciated the Office of Planning's development of a pro forma model to test scenarios for establishing thresholds of contribution for Expanded IZ. Earlier this year we tested the shares of increased FAR under the Office of Planning memo scenarios against the FAR dedicated to committed affordable units.

We provided feedback earlier this year after consulting with construction managers, contractors, and our development teams. Like any good model, OP's provides flexibility to assess potential projects for viability, with many opportunities to test tolerances across a wide set of variables. We acknowledge that the model is not intended to be a guarantee of future conditions or reflect every possible condition for a given parcel. We found the model structure and inputs to be generally robust, considering current market conditions and pricing.

While Enterprise did not test every one of the options for the sliding scale contribution against actual DC projects, our review found they fall within reasonable tolerances for contributions on the basis of building size and construction type.

¹ "Comprehensive Plan Equity Crosswalk Overview," DC Office of Planning, 2020: https://plandc.dc.gov/sites/default/files/dc/sites/Comprehensiveplan/page_content/attachments/Comp%20Plan%20Equity%20Crosswalk_June2020.pdf

Enterprise also talked with our equity investors and syndicators for housing affordability projects, to assess their interest in this concept. We heard consistently that they would want to see substantial committed affordability (far exceeding 20% onsite) in order to participate in the transaction. This suggests to us that Expanded IZ may have meaningful viability for those developers who do not rely on LIHTC and other financing mechanisms to support greater depth and production of affordability. This is encouraging, as it could bring additional capacity to the market to develop mixed-income projects without use of finite resources of tax credit financing and support.

Most housing projects where Enterprise is a partner will contribute substantially more than 20% committed affordable homes. We will take advantage of federal and District-based capital financing programs and our loan products to make deals work at greater commitments to low-income residents. Having a new tool to capture a greater share of the land value through increased building envelope, and then devoting a substantial share of that envelope back to committed affordable homes, could make the difference in the viability of some of our projects, too, including increasing the units we could deliver.

Pursuing Solutions to Address Gaps and Inequities

As an *amicus* brief partner on the Park Morton/Bruce Munroe case decided earlier this year by the Court of Appeals, we remain concerned about the viability of Planned Unit Development proposals that offer substantial affordable housing. While the Comprehensive Plan amendment process remains underway, the PUD process under the 2006 Plan is uncertain at best for all stakeholders.

DC DHCD estimated in its October 2019 Housing Equity Report that the projected gap in meeting the city's affordable housing product goal was more than 5,000 units.² While new construction is not the only housing solution, this sector cannot make meaningful progress on closing the gap between affordable housing supply and demand without reliable, sustainable means to produce more units.

This is especially true if the District intends to address the legacy of racial inequity that manifests in land use and housing policy here, and across the country. We agree with Mayor Bowser's goals to not only expand the supply of committed affordable housing, but also that more of the future supply should be sited in communities to bring parity to its distribution across the city.³

Equitable access to high amenity areas has been restricted through decades of inertia on discriminatory land use practices. The proposed Comprehensive Plan Amendment Act includes changes to the Future Land Use Map (FLUM) for expanded development potential to mitigate this inequity. Expanded IZ is a value-capture tool that would leverage the increased potential to produce greater levels of housing affordability in high cost (and high land value) communities.

Finally, we recognize that Expanded IZ is not proposed as a mandatory program. It is a new alternative for developers' consideration as they assess potential sites and projects. It is reasonable that in some cases, Expanded IZ may not be the best choice for any specific site, or for the performance targets of any one investor, developer, or project. It is most important that the program works well for enough applicants that they choose this option, and leverage land value to recapture through the community benefit of affordable housing. Evaluation of the program should include these metrics to assess in real time how the market responds to the option, and what may make the program more effective over time.

² DC DHCD "Housing Equity Report," October 2019, Figure 6: https://housing.dc.gov/sites/default/files/dc/sites/housingdc/page_content/attachments/Housing_Equity_Report_10-15-19.pdf

³ Ibid.

Utilization of Expanded IZ as proposed should help to achieve important Comprehensive Plan Framework Element priorities that require new tools for affordable housing production. We hope it will also attract more developer capacity to the construction of new, high quality homes affordable to District residents who wish to have housing stability and more sustainable quality of life in all Wards of the city.

Thank you for the opportunity to share our views. Please contact us if you have any questions through my email, MBondi@EnterpriseCommunity.org. We appreciate your consideration.