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November 25, 2024

BY IZIS

Mr. Anthony J. Hood, Chairman
D.C. Zoning Commission
One Judiciary Square
441 4th Street, N.W.
Second Floor
Washington, D.C. 20001

Re: Applicant's Post-Hearing Submission
Z.C. Case No. 24-09
Petition for Text Amendments to Subtitle C, §1006.6(c) and
Subtitle X, §101 ("Petition")

Dear Chairman Hood and Members of the Commission:

On behalf of The Wesley Theological Seminary of The United Methodist Church ("Wesley"), we respectfully submit this Post-Hearing Submission which provides responses to requests and questions from the Commission at the November 18, 2024 Public Hearing.

Based on the post hearing submissions specifically requested and the careful consideration of that information, Wesley respectfully requests the Commission to move this process forward by taking favorable Proposed Action on December 19. Wesley is committed to continue to work with the ANC's, OP and the Commission as we move forward with the Campus Plan phase of the process with an acceptable Ward 3 offsite IZ proposal. For now, however, Wesley needs the assurance that a text amendment will provide the necessary authority to allow that to happen.

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OP PROPOSED INCLUSIONARY ZONING TEXT AMENDMENT

1006.10 Wesley Theological Seminary shall provide off-site IZ located in Ward 3 as an enforceable condition to its 2022-2032 Campus Plan further processing to construct a dormitory, provided that the requirements of Subtitle C, §§1006.1 - 1006.3(a)-(g), may be waived by the Zoning Commission for the off-site IZ. Depending on construction type, **the off-site IZ provided shall be no less than Subtitle C, §1003.1 [8%] or §1003.2 [10%] requirements**, as applicable, and subject to the requirements of Subtitle C, §§1006.5 - 1006.9. (Emphasis and brackets added).

At the public hearing, Wesley stated its general acceptance for the language above proposed by the Office of Planning to add a new Subtitle C, §1006.10 to confirm the applicability of the minimum IZ requirements. At the same time, the OP proposal does not appear to provide any flexibility for implementing this unique and targeted off-site IZ program successfully or ability to respond to Commission and ANC desires for enhanced affordability or other special circumstances.

Although, this has been referred to as an “exemption” from IZ, in this case it is not an exemption, but more accurately a very specific and limited provision to facilitate the substitution of an equivalent enforceable Ward 3 off-site IZ program. Specifically, the highlighted language sets forth a minimum standard of “not less than” the 8 or 10 % level of IZ required depending on the construction type of the project. Also, the text continues to apply at least the established minimum standards for income affordability and other restrictions.

At the text amendment phase, Wesley opposes and the Commission should reject imposition of a higher standard of off-site IZ to be provided. Setting a higher standard would be premature until the Commission can evaluate the off-site IZ program that Wesley will present during the separate Campus Plan proceedings. Prejudging the appropriate level of IZ would be based on incomplete information and circumstances, and limit the Commission’s discretion in the Campus Plan case to determine the appropriate level and affordability level of the proposed IZ program. Several of the Commissioners expressed interest in considering options for increased affordability that would not be possible under a pre-determined fixed IZ requirement. It is conceivable that imposing an arbitrary higher standard could create a requirement that Wesley would find impossible to meet or be contrary to ongoing negotiations with OP and the affected ANCs. The “not less than” standard will maintain the currently established minimum standards of the Zoning Regulations, but allow the Commission to consider a higher standard if appropriate during the contested case public hearing process.

PRELIMINARY INCLUSIONARY ZONING ANALYSIS

The proposed text amendment requires Wesley to present a well-documented and enforceable Ward 3 off-site IZ program for public review and Zoning Commission approval in the Campus Plan case. Wesley has intentionally not attempted to provide a proposed plan in this rulemaking. However, this preliminary analysis will provide the Commissioners with background and context as the basis for future consideration.

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New Dormitory – Inclusionary Zoning Analysis	
Proposed Total Gross Floor Area	299, 244 sf
Net Residential Gross Floor Area	236,116 sf
Required IZ Set-Aside @ 8% (Type 1 Construction)	18,889 sf
Proposed IZ Off-Site Equivalent @ 10%	23,612 sf
Unrealized 20% IZ Bonus Max 1.08 FAR = 8,205 sf Max 1.80 FAR = 59, 849 sf	8,205 – 59,849 sf
Unrealized Wesley IZ Exemption (90/659 beds = 13.6%)	32,112 sf ¹
Estimated Value/Cost of Proposed 10% IZ @ \$300/sf	\$7,083,600 ²

The proposed new dormitory will be Type 1 construction which will require a minimum of 8% IZ. Unlike every IZ project, Wesley has not requested any IZ Bonus density which is provided for in the Zoning Regulations for the purpose of supporting the feasibility of providing IZ units. This makes compliance more difficult. Further, Wesley has not included in these preliminary calculations, the applicability of the IZ exemption for the anticipated 90 beds (approximately 13.6% of the net residential space) that will be exclusively occupied by its students, faculty and staff.

PRIVATE ON CAMPUS HOUSING DEVELOPMENT TREND

Nationwide, private and public colleges and universities are increasingly turning to private developers like Landmark to build and operate on campus dormitories for their students. Demand for on campus housing is increasing, but colleges and universities are unable or unwilling to meet that demand. For the college and university, this private on campus development model offers many advantages, including capital preservation, decreased debt, reduced risk, and income generation. Additionally, these private development projects generate substantial tax revenue from otherwise tax-exempt properties and institutions. Unlike Wesley, the proposed dormitory will not be tax-exempt and generate substantial D.C. tax revenues for the long-term.

¹ Housing developed on behalf of a local college or university exclusively for its students, faculty or staff is exempt from IZ. Subtitle C, §1001.6(c). It is anticipated that Wesley students, faculty or staff will occupy 90 of the 659 beds in the New Dormitory or approximately 13.6% of the residential area.

² The operation of IZ units after construction are generally break-even based on the reduced income level and operating costs. As a result, the value of IZ units is estimated at \$300/sf construction cost.

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There are hundreds of examples of private on campus housing development, but Wesley offers only a few of the most recent projects:

1. **Penn State University:** Penn State recently entered into a development with Greystar Student Housing (a Landmark competitor) to construct and operate 1,500 beds on campus under a ground lease of the underlying land.

2. **Purdue University, Fort Wayne:** In late October 2024, ground was broken by Gilbane Development Company for a privately developed 600 bed on campus student housing project scheduled to open in August 2026. In addition to housing Purdue students, beds will be available to students enrolled at other local colleges and universities.

3. **University of Utah:** In November 2024, the University trustees approved a private partnership with American Campus Communities for an on campus ground lease and development of 1,450 beds.

4. **University of Maryland:** In July 2024, Campus Apartments and Mosaic Development Partners broke ground on a private on campus graduate student housing project with 465 units and 741 beds to be occupied for the fall of 2026.

AFFORDABLE HOUSING ANALYSIS FOR LOCAL JURISDICTIONS

In the limited time available, Wesley provides the following analysis on how local jurisdictions handle affordable housing. We have asked for and would welcome additional input from the Office of Planning.

Prince George's County: PG County does not require affordable housing.

Arlington County: Arlington County's affordable housing program requires that 5% of the gross floor area ("GFA") above a 1.0 Floor Area Ratio ("FAR") be set aside for affordable housing. For example, in the case of a 300,000 square foot building on a 100,000 square foot lot, 200,000 square feet would be above the 1.0 FAR threshold, resulting in a required 10,000 square feet set aside of affordable housing. If the affordable housing is provided off-site but nearby, the requirement increases to 7.5%, although the ordinance does not define "nearby." For off-site housing located elsewhere, the requirement rises to 10%. Bonus density may also come into play, as the program incentivizes on-site units where possible. A cash contribution is offered as a third option, but there are very few examples of off-site affordable housing being implemented under this program. As such, the County does not have sufficient data to determine the cost of off-site affordable housing units.



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Montgomery County: Montgomery County rarely negotiates off-site affordable housing agreements, as the cost is often less favorable for applicants. When such agreements do occur, the cost of off-site affordable units is determined through negotiations between the sending and receiving parties, as the County does not establish a fixed cost due to the unique public benefits and circumstances of each project. The County evaluates alternative location agreements with a preference for maintaining consistency in housing types, such as ensuring row dwellings on both the sending and receiving sites. Key considerations include whether the alternative location offers greater value than on-site affordable housing, increases the total number of affordable units, or provides more bedrooms within the same number of units. Additionally, alternative locations must be in planning areas where at least 45% of U.S. Census tracts have a median household income of at least 150% of the countywide median. Affordable housing requirements generally mandate 12.5% of a project, increasing to 15% in higher-cost areas like Bethesda.

Thank you for the Commission's patience with this Petition and request to take Proposed Action on December 19.

Very truly yours,

GREENSTEIN DELORME & LUCHS, P.C.

John Patrick Brown, Jr.

Lyle M. Blanchard

CERTIFICATE OF SERVICE

I hereby certify that on November 25, 2024, the foregoing Applicant's Post-Hearing Submission was filed in IZIS and delivered via electronic mail to the following:

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Note: As a courtesy, the Certificate of Service includes all the Parties in the related Z.C. Case No. 23-08(1).