



**Testimony of Natalie Avery
Executive Director, Friendship Heights Alliance**

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District of Columbia Zoning Commission
441 4th St NW #200
Washington, DC 20001

Members of the Zoning Commission, thank you for the opportunity to testify today. My name is Natalie Avery, and I serve as Executive Director of the Friendship Heights Alliance, a cross jurisdictional place leadership organization working in both the District and Montgomery County to support vibrancy and community building in Friendship Heights. In keeping with our role as a Business Improvement District, my testimony does not take a position on the proposed map amendments. Instead, I will share research, analysis, and community insights that may be helpful as you evaluate the proposal.

Through four years of outreach, we have consistently heard that residents, workers, and businesses want a Friendship Heights where people at different income levels and life stages can live, work, and participate in neighborhood life. For many decades, very few apartments and townhomes have been built in Friendship Heights. Thus one of the only entry points for many households is a single family home averaging more than 1.5 million dollars. As a result, people of different incomes and ages now have fewer opportunities to live in one of the region's most transit rich and well served neighborhoods.

There is strong agreement on the importance of creating dedicated affordable homes so that more people can live in this community of opportunity. We recognize the view that added height and density should come with expectations for affordable units and that there's a widespread belief that IZ Plus will make that possible. Yet it remains essential to ground these expectations in a clear understanding of project feasibility. Through extensive engagement, we have heard that stakeholders want more than revised rules; they want real projects that deliver new housing, including below market rate homes that allow people with a broader range of incomes to live in Friendship Heights. Recent experience in the neighborhood and region underscores why this feasibility focus matters.

Several local examples illustrate the point. Somerset Development is pursuing an all affordable project reliant on complex, multi layered financing. Donohoe Development has advanced a project with thirty percent affordable units through the District's HANTA program. The Lisner Louise Dickson Hurt Home delivered 93 deeply affordable senior units through creative financing and public investment. Regionally, WMATA's joint development projects have produced nearly 1,500 homes in the past three years, more than half of them dedicated affordable, through a combination of public land contributions that offset transit

infrastructure replacement and other costs, as well as public and private financing tools. Achieving the affordable housing in these projects has resulted from the use of layered financial resources, including WMATA's partnership with Amazon, which offered low interest financing to development partners. These cases show that deep affordability comes from layered financing and public investment, not zoning requirements alone.

To better understand feasibility under IZ plus, we analyzed the pro forma model that the Office of Planning developed in 2021, updating the inputs with 2025 construction and financing conditions. The changes over that period are significant. Our analysis showed construction costs have increased by at least 25 percent, equity return requirements have risen from 12 to 18 percent and cap rates have increased, meaning buildings are valued at lower multiples of income. Yet, during the same period, market rents increased by only 7 percent. These dynamics help explain why multifamily construction has slowed so dramatically across the District at a time when more housing is urgently needed.

We hope that current market conditions improve, but even in very optimistic scenarios, increases in project value do not keep pace with rising costs. This points to a structural issue: under many conditions, a 20 percent IZ requirement is only feasible if market rents for the non IZ units rise significantly. This is noteworthy because concerns about high rents in new buildings often coincide with support for very high inclusionary zoning requirements. Acknowledging this tension is important, as it helps clarify why feasibility challenges continue to surface.

Our intention today is to put these findings on the record to support your deliberations. The community has made clear its desire for a more inclusive, mixed income neighborhood, and understanding the economic conditions that shape feasible development is essential to achieving that goal. Inclusionary Zoning programs must be grounded in real data and informed by up to date, detailed financial modeling. We would welcome the opportunity to work with the Office of Planning and others on additional feasibility analysis to identify requirements that encourage development and pair them with financing tools that support deeper affordability without stopping projects from moving forward or pushing market rate rents to unsustainable levels.

In closing, we believe that when diverse stakeholders approach the need for a wider range of housing options as a shared challenge, the conditions for success grow significantly stronger. Friendship Heights has enormous potential to help the city meet its housing challenges and to demonstrate what thoughtful, inclusive growth can achieve. With the right balance of ambition, practicality, and creative financing strategies, plans for new homes and new affordability can move from aspiration to reality.

Thank you for the opportunity to share this analysis.

Yours sincerely,



Natalie Avery

Executive Director, Friendship Heights Alliance