



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



Testimony of Polly Donaldson, Director of the Department of Housing and
Community Development

DC Zoning Commission Case # 04-33G – Inclusionary Zoning Amendments

Good evening Zoning Commissioners. I am Polly Donaldson, Director of the
Department of Housing and Community Development (DHCD). As you know,
DHCD administers the Inclusionary Zoning (IZ) program. Once zoning laws
determine the IZ set-aside and income targets, DHCD ensures that IZ works day-in
and day-out. DHCD's responsibilities are diverse and generally include:

- determining maximum rents and prices;
- specifying income limits;
- maintaining a database of registered households;
- conducting the lottery (the IZ selection process to choose renters and
buyers);
- monitoring properties for ongoing compliance; and
- recording IZ covenants.

DHCD is taking measurable steps to ensure the District's IZ housing is delivered
efficiently and effectively for two key reasons: to bolster the District's broader
goal of providing affordable housing at all incomes, and so that the IZ program
serves as one of the pathways to the middle class.

For additional context, the IZ program is one of many in a continuum of
affordable housing programs designed to address the range of affordable housing
needs for low- and moderate income households. Most of the District programs,
as well as federal funding sources, produce housing for income levels ranging
from below 30 percent of Median Family Income (MFI) to 50 percent of MFI. The
District-based programs and sources include those within DHCD, the DC
Department of Behavioral Health, the DC Department of Human Services and the
DC Housing Authority.

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The IZ program produces low- and moderate-income housing, thereby freeing up local and federal subsidies to target lower income households, which are the most vulnerable households. Further, the District's Affordable Housing Tracker shows that only 11 percent of the units in the District's housing production pipeline are targeted for households earning between 60 and 80 percent of MFI. The vast majority of IZ units are produced in this income bracket, which demonstrates why IZ plays a crucial role in filling the gaps in affordable housing needs.

In the past fiscal year, DHCD has focused efforts and resources to improving its administration of the IZ program to ensure that more District residents benefit from affordable unit availability. Our recent and upcoming improvements include the following:

1. *Expanding the number of partner community-based organizations (CBOs):* CBOs in the District are the main access to the IZ program's "front-door." They offer the mandatory, introductory IZ orientation, counsel prospective homeowners, and calculate household income for program eligibility. Because the number of available IZ units *and* the pipeline of upcoming units have increased, DHCD more than doubled the number of partner CBOs from a year ago throughout the District. With increased CBO support, more households can participate in the IZ program, helping fulfill their housing needs.
2. *Improving the lottery:* DHCD conducts a *random selection* of program registrants to choose potential renters and buyers in accordance with IZ program regulations. The number of average days that program participants spend in the selection process was cut by more than half (52 percent) for both rental and for sale units.
3. *Publishing revised administration regulations:* In the coming months, DHCD will release updated regulations for the IZ program. These rules will offer housing providers greater flexibility in finding and selecting interested, eligible households and will ensure a pool of eligible households. These changes may include:

- a. permitting independent marketing as an alternative to a DHCD lottery;
- b. allowing IZ unit owners to hire a real estate broker to sell their homes;
- c. requiring prospective IZ unit purchasers to complete homeownership counseling and submit a mortgage pre-qualification letter *prior* to registering for the IZ program;
- d. requiring households to re-register every year to ensure updated and accurate household information;
- e. formalizing pre-lottery registration; and
- f. reducing the minimum household size for units with three to six bedrooms and eliminating all maximum household sizes.

DHCD supports the Office of Planning's recommendations, specifically the continued use of the current income limits, for the following reasons:

- First, the 50/80 percent split is consistent with the Council's Inclusionary Zoning Implementation Act of 2006, which specifies that the IZ program shall provide housing opportunities for low-income households up to 50 percent of MFI and for moderate-income households up to 80 percent of MFI.
- Second, the affordability split not only ensures that housing opportunities will be created for low-income households but that *homeownership* opportunities also will be created. Low-income households include individuals who can reap the same intrinsic and wealth-building benefits of homeownership accrued to other professions and income levels.
- Third, the aforementioned administrative changes are setting the program on the right course; however, shifting the income targets would complicate the path to implementing those improvements.
- Finally, adjusting the maximum rents for *current* income targets can provide small adjustments in the rent levels. This can help more households afford IZ units without changing the income targets and can be implemented in such a way as to minimize any impacts

In conclusion, I am very proud of DHCD's efforts to both improve the performance of the IZ program and seek further improvements. We are committed to delivering an IZ program that matches available housing opportunities with interested, eligible households. We look forward to working with our partner agencies to ensure that the IZ program fits neatly into the continuum of housing opportunities so all families who want to live in the District of Columbia can do so. In a city as prosperous as ours, this is a goal we must, and we will, fulfill.

Thank you, that concludes my testimony and now I turn it over to Director Shaw.