

ANC 3E TESTIMONY ON IZ REFORM, ZC CASE NO. 04-33G

Good evening Commissioners. My name is Jonathan Bender. I am the Chair of ANC 3E, and I am testifying tonight on behalf of my ANC.

I want to thank you for the opportunity to testify tonight on this important issue. I would also like to thank the Coalition for Smarter Growth for initiating this process, and the many other groups and individuals that have been involved with the process.

As you well know, housing costs are high in many places in the District, and low and moderate income households are increasingly priced out of housing. This is especially true within the boundaries of our ANC and surrounding areas. Aside from ADUs, the rules for which we supported reforming, IZ is one of the few avenues to increasing equity and diversity in our neighborhood.

Over the next few years, we expect more than 500 new housing units to be built within our ANC boundaries, potentially yielding a significant quantity of affordable housing through IZ. Our interest in IZ and IZ reform is thus strong.

IZ units were intended to be affordable to both moderate (80 percent of median family income (MFI)) and low income households (50 percent MFI). Yet, in practice, less than 20 percent of IZ units produced to-date are affordable at 50% MFI. IZ has for the most part, therefore, not served low income households.

ZONING COMMISSION
District of Columbia
CASE NO. 04-33G
ZONING COMMISSION
District of Columbia
EXHIBIT NO. 190
CASE NO. 04-33G
EXHIBIT NO. 190

By contrast, we understand that 80% MFI units are so close to market rents in many places in DC, especially for small units, that it is hard to rent them, presumably because many eligible tenants do not view the slight difference between subsidized and market rents as justifying the administrative burden of participating in the IZ lottery

In its July 3, 2015 setdown report in this matter, the Office of Planning (OP) recommended as one option that IZ rules be revised to require all IZ rental units to serve 60% MFI households and all IZ sale units to serve 80% MFI households. OP states that its preliminary economic analysis demonstrates that these revisions are economically feasible for developers.

We believe that requiring all rental IZ units to be offered at 60% MFI would constitute a net improvement over the current system. An even lower threshold might be implementable without materially decreasing the overall housing supply in DC, however, and it is vital that the ZC develop a full evidentiary record to determine whether such a lower threshold makes sense. We have, for instance, heard from a developer that some of the assumptions OP employed in its analysis are arguably too conservative. This is not something we have the technical wherewithal to evaluate, but, again, given the high stakes, we urge the Commission to scrutinize OP's analysis and any other analyses with utmost care.

I would like to turn now to a few other issues. First, we do not believe it is equitable or sound public policy to set different MFI thresholds for the same density bonus levels for IZ rental units versus IZ sale units. Moreover, doing so would create a non-market incentive to developers to shift production of overall housing units from rentals to ownership units, with unpredictable results for general welfare.

Second, we believe that all buildings subject to IZ requirements should be subject to a *minimum* of 10%, rather than 10% in some instances and 8% in others, unless the ZC finds upon careful re-examination that there continues to be a compelling factual and policy justification for the current system.

Third, we are concerned that the recent trend in development to favor small unit size may render IZ an unsuitable means to address the affordable housing needs of families, and we believe the ZC should address this problem in the instant proceedings if possible.

Finally, we are told that no developer to date has sought relief from IZ requirements in an individual case. If so, or even if only a handful of developers have sought relief, it is independent evidence that current IZ requirements are too low.

To recap:

1. ANC 3E respectfully urges the ZC to set the threshold for all IZ units offered, whether through rental or sale, to *no more than* 60% MFI. The ZC should, on the basis of a full evidentiary record and independent analysis, set the actual threshold to the *lowest* MFI level that would not materially decrease overall housing output.

2. We likewise urge the ZC to require that all buildings subject to IZ requirements produce *at least* 10% affordable units.

3. Finally, we urge the ZC to require that a significant portion of affordable units provided pursuant to IZ requirements are large enough to be occupied by families.

Thank you again for the opportunity to testify before you tonight, and I would be pleased to answer any questions.