

**BEFORE THE
ZONING COMMISSION OF THE DISTRICT OF COLUMBIA**

Public Hearing

on

Chapter 26 – Inclusionary Zoning (IZ)

Petition filed by the Coalition for Smarter Growth, et al.,
to amend
Chapter 26, Inclusionary Zoning (IZ) (Z.C. Case No. 04-33G)
and
Alternative Text Recommended by the Office of Planning

Testimony
of

**Bradley J. Fennell
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1100 New Jersey Ave SE, Suite 1000
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April 14, 2016
6:30 pm

Good evening Chairperson Hood, members of the Zoning Commission, and staff. My name is Brad Fennell. I am a Senior Vice President at WC Smith, where I have worked for nearly 30 years and a native Washingtonian. As co-chair of the DCBIA Policy Committee, I have been engaged in the working group with OP and the applicant and I'm pleased to testify.

As you may know, WC Smith is a 47-year-old, DC-based real estate company that builds and renovates a range of housing types. In the past 4 years, we have delivered more than 1,000 new units of housing, 400 of which offer affordability requirements. This includes two mixed-income communities: 2M Street and Sheridan Station.

We support efforts to create more affordable housing in DC, and we believe that the private sector is an important partner in that effort.

However, we are concerned that the proposed changes to the inclusionary zoning ("IZ") regulations reduce project revenue without providing additional density or offsetting the operating burden. Lowering the target income lowers rents and the lost revenue creates a financing gap that will make some projects unworkable. This will reduce housing production, which will in turn constrain the supply of housing and lead to rent increases.

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We believe that the February 25 proposal from the DC Office of Planning is a more sensible approach, and we urge the Commission to support that proposal. Please consider the following 8 points:

1. The applicant's proposal, without new density may impact project costs in such a way that projects will not move forward. ~~Under the~~ financial model, going from 80% to 60% AMI on a typical 100 unit project creates a financing gap of \$1.6M, a substantial adjustment to either the cost of the land or the costs of the proposed development. ~~_____~~
2. The negative effect of regulations that reduce revenue, thereby creating the financing gap, are often not visible. The projects that get scrapped don't come to the Zoning Commission or even make the Business Journal; they die at the negotiating table.
3. Some projects will be changed to commercial rather than residential; others may be downsized or value engineered.
4. Development is cyclical, and the market is very active right now, but we know there will be slow periods. A downturn would amplify the negative effect on project costs and/or land values.
5. DC needs middle income housing. IZ, that serves households earning up to 80% of AMI, is one of the only city program that target people, like teachers, fire fighters and police officers, who earn between 60 and 80% of AMI.
6. At its core, affordable housing is about supply. Rents rise because there is not enough housing for all the people who want it. Between 2009 and 2014, DC gained 67,000 new residents but only 17,000 housing units. The long term solution is to increase the housing supply.
7. To do this, we need to revise the Comp Plan to create opportunities to increase density to add additional housing units.
8. The implementation of any change to IZ requirements should be delayed so as not to affect the current market and projects under review.

Thank you for the opportunity to testify. I hope that you will support the recommendations in Option 1A of the February 25 OP report.