

Testimony of Monica Warren-Jones

District of Columbia Council Zoning Commission

Hearing on Case No. 04-33G [Inclusionary Zoning]

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Good evening, Chairman Hood and members of the Commission. My name is Monica Warren-Jones. I am testifying today in my capacity as the Director of Capital Solutions for the Washington DC Office of Enterprise Community Partners. Enterprise is a national financial intermediary that provides financing and expertise for creating homes and facilities to benefit low- and moderate income people.

With my experience in real estate finance and development, I support nonprofit and for-profit partners by providing strategic solutions using Enterprise products and services including grants, debt, equity, and new markets tax credits for development and preservation of sustainable housing and community facilities.

Since 1982, Enterprise has raised and invested over \$18 billion in equity, loans and grants to help build or preserve over 340,000 affordable homes across the United States. This includes over \$400 million in capital provided to preserve or produce over 10,000 affordable rental and ownership homes in Washington, D.C. The District's housing market is truly our market.

Today, Enterprise is committed to providing opportunity to 1 million families by 2020 through quality affordable housing with connections to good schools, jobs, transit and health care.

I'm here this evening to express support for the Campaign for Inclusionary Zoning recommendations on changes to District's Inclusionary Zoning (IZ) program. My testimony will focus in three areas:

- 1) IZ's role in **reducing concentration of poverty and increasing access to opportunity** for residents, especially at lower income levels.
- 2) Why setting IZ **rental units at 60% AMI** – the Office of Planning's Option 1B -- better responds to the current and future needs of District residents.
- 3) **Stretching the market responsibly** – with current incentives, the economic cost of rental development at 60% vs 80% AMI is relatively close in either direction. Since demand is so much stronger at lower income levels, that's where we should lean in to have more impact.

1) IZ Reduces Concentration of Poverty and Increases Access to Opportunity

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Inclusionary Zoning is an important national best practice because it integrates housing affordability at the neighborhood level. IZ is designed to reduce the concentration of poverty, which is critical to improving quality of life for all residents.¹

More than 750 IZ units have been produced or are currently in the pipeline. IZ continues to be an important, productive program as part of the District’s overall portfolio of housing tools.

We have some experience to demonstrate who has benefited from the program. The Campaign’s analysis shows that 77% of rental units in that pool of 750+ units were set at 80% AMI:

Most IZ Units Are Moderate-Income Rentals			
Percent of IZ units Includes matter-of-right, PUDs, and subsidized affordable units that count for IZ compliance			
Affordability	Ownership	Rental	Total
50% AMI	7.5%	4.8%	12.3%
80% AMI	10.2%	77.5%	87.7%
<i>Total</i>	17.6%	82.4%	100.0%

Source: Campaign for Inclusionary Zoning presentation. IZ-compliant production with filed Notices of Availability as of June 2015, DC Office of Planning set-down report on case no. 04-33G.

We support current recommendations to change the current approach, both by expanding the zones where IZ applies, and by changing the income targeting to split by tenure (rental vs. ownership).

¹ See James Coleman, *Equality of Educational Opportunity* (1966); Wililam Julius Wilson, *The Truly Disadvantaged* (1987.)

Still, if we are truly serious about using housing affordability tools to decrease the concentration of poverty in the District, we must aim for better income targeting than the program does today. As I'll discuss in a moment, households below 80% AMI experience the most severe housing cost burden and projected demand.

The good news is, for those District residents who live in the units, IZ also increases access to amenities and infrastructure in higher-cost neighborhoods – including schools, transportation choices, jobs and health care options among others.

If we're equally serious about providing greater access to opportunity, then our goals for IZ should respond to serve the District residents with the greatest need to the greatest extent possible.

This is important because data from the Office of Planning and other regional publications shows that the greatest demand for rental housing is below 80% AMI.

2) Setting IZ Rental Units at 60% AMI Responds Better to Resident Demand

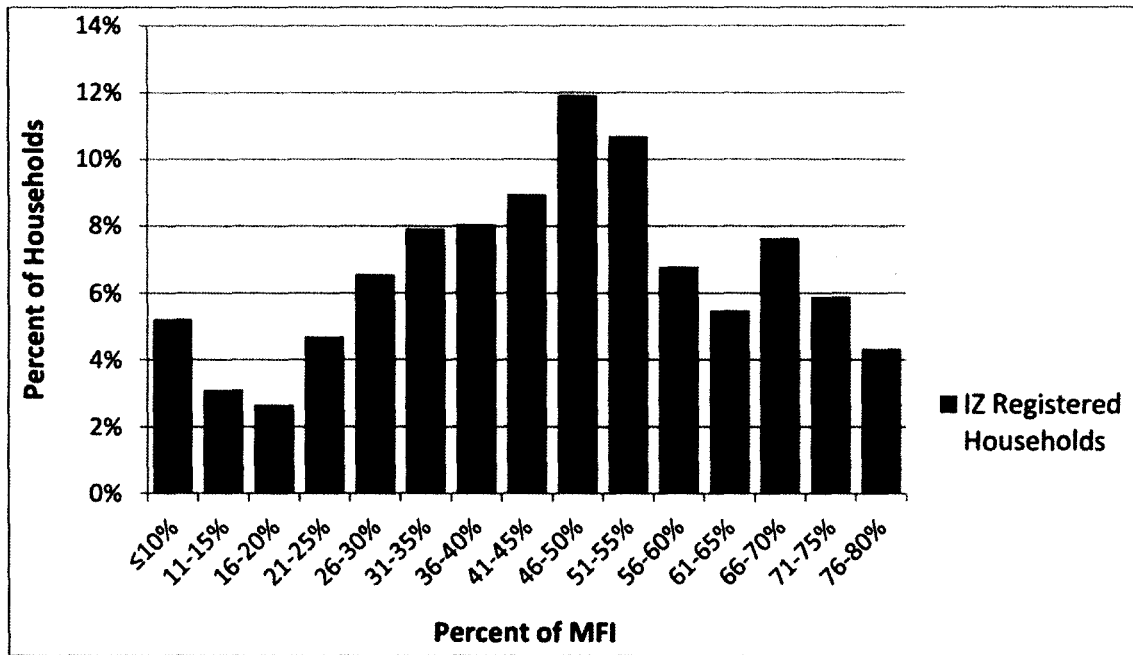
The Campaign's analysis shows that the share of households with severe cost burden is more than 3x higher between 50-60% AMI than at higher income levels – 16.3% vs 5.2%:

Rental Units at 60% AMI Meet More of the District's Affordable Housing Need			
Income Level	Maximum Income 2- person household	Severely Rent Burdened Households	
		Share	Number
50-60% AMI	\$52,400	16.3%	1,660
70-80% AMI	\$69,900	5.2%	311

Source: DCFPI analysis of 2014-2013 American Community Survey.
Margin of error: 50-60% AMI: ±0.7%; 70-80% AMI: ±0.5%.

As well, page 13 of the OP Technical Appendices shows much greater demand at almost all income bands below 80% AMI. OP says this is based on marketing efforts, but the results are consistent with our regional understanding of current housing demand. This table reflects higher demand at 60% compared to 80% AMI. Therefore, it makes sense for the IZ program to target 60% for rental.

Figure 13: Distribution of Registered Households by MFI



Source: DHCD

Enterprise is one of more than 15 regional members of the Greater Washington Housing Leaders Group, which examines housing affordability supply and demand, promotes cross-sector collaboration and investment, and supports systems change to achieve greater regional economic competitiveness and sustainability.

Members of the Leaders Group commissioned a report by author Rick Cohen, titled “Call The Question.” This report reviews current housing cost burden and future demand for housing affordability by jurisdiction and income band.

The first table of the report comes from an analysis done by the Urban Institute and the Metropolitan Washington Council of Governments and focuses on severe cost burden – that is, households paying more than 50% of their incomes for rent – below 80% AMI. As this table shows, the District has 41,000 current renters with severe cost burden – the most in the region.

TABLE 1
Households at or Below 80% AMI with Severe Cost Burden, 2009-11

	Total	Renter	Owner
DC	53,600	41,000	12,700
Montgomery	50,600	26,700	23,900
Prince George's	51,500	25,100	26,300
Arlington	10,700	8,700	2,000
Alexandria	7,700	6,200	1,400
Fairfax/Fairfax City/Falls Church	44,900	23,900	21,000
Prince William/Manassas/Manassas Park	17,500	9,100	8,400
Loudoun/Fauquier/Clarke/Warren	14,100	6,500	7,700
Washington Region	250,700	147,200	103,600

Notes: Data are rounded to nearest 100. Severely cost-burdened households are those paying more than 50 percent of gross income for housing costs.
Source: American Community Survey, 2009-11.
Prepared by NeighborhoodInfo DC (www.NeighborhoodInfoDC.org), 5/13/2015.

Many of these residents are at significantly lower income bands than IZ is designed to serve. But for IZ to meet more of the pressing market need and demand (and by market I mean District residents), it should target units – especially rentals – below 80% AMI.

This is why we support Option 1B, which targets rentals at 60% AMI. This option provides the most assurance that IZ units will meet its goals for neighborhood inclusion, access to opportunity, and reducing severely cost-burdened DC households.

3) Stretching the Market Responsibly – Why 60% AMI is the better option presented for rental

As the District further creates value for landowners and developer partners, the public should realize its fair share of the benefits of that newly created value.

Again, looking at OP's technical appendices, page 19 (Figure 17) – the impact on land values by zone seems to slightly favor Option 1B across the board. The differences are not very big, in either direction.

Figure 17: Summary Impact Analysis by Zone Ranked by Total Development Capacity

Rank	Zone	Square Feet Development Capacity	Percent of Capacity	Current IZ on 2009 Pre-IZ Land Values		OP 1A on Current Land Values		OP 1B on Current Land Values	
				Rental	Ownership	Rental	Ownership	Rental	Ownership
1	C-2-A	24,705,367	18%	-0.4%	-4.9%	-4.6%	0.0%	-4.0%	4.9%
2	CR	24,360,707	18%	18.9%	4.1%	-3.2%	-4.1%	-1.9%	0.0%
3	C-3-A	23,210,803	17%	16.9%	7.5%	2.4%	-2.5%	3.1%	0.0%
4	R-5-A	13,296,429	10%	-5.4%	-7.7%	-6.8%	0.0%	-5.2%	7.2%
5	R-5-D	9,464,705	7%	-0.1%	-4.2%	-5.4%	0.0%	-4.2%	4.8%
6	C-2-B	7,998,179	6%	15.1%	7.6%	-8.5%	-2.6%	-7.9%	0.0%
7	R-5-B	7,303,141	5%	-1.2%	-5.2%	-5.0%	0.0%	-3.8%	5.2%
8	C-3-C	6,886,802	5%	13.7%	0.4%	-4.2%	-4.2%	-3.0%	0.0%
9	C-2-C	3,807,195	3%	-3.9%	0.4%	1.1%	-1.2%	2.2%	0.0%
10	W-3	3,609,595	3%	18.9%	4.1%	-3.2%	-4.1%	-1.9%	0.0%
Sub-Total		124,642,923	92%						

Source: DC Office of Planning.

Red outline reflects zones that are proposed to change; other zones are presented for evaluation purposes.

The 2015 Washington DC regional AMI is \$109,200. We estimate rents to be:

80% AMI = \$2,184 per month

60% AMI = \$1,638 per month

For a development project costing tens of millions of dollars, the difference in income for around 8% of its units is not trivial – but is also offset by additional public policy benefits, such as bonus density and reduced parking requirements, all of which are targeted to benefit the landowner and the developer.

For severely cost-burdened residents, especially at lower income levels, access to an IZ unit reducing their rent burden can mean the difference between having to make toxic choices about rent, food, clothes and medicine. I am willing to bet a dollar that the 80% vs 60% difference in revenue for IZ units won't cause a market rate building owner to have to make toxic choices. Unhappy perhaps, but not toxic.

Stretching our market responsibly is an effective, prudent approach to expanding opportunity for residents with severe cost burden. The relative cost/benefit of targeting rental units at 60% AMI responds better to market/resident need and demand without wildly changing the economics of IZ development deals in either direction.

Enterprise appreciates the significant amount of thought and effort that has gone into the review process for Inclusionary Zoning, by all sides. We support the program as a critical part of the District's tool-box and commitment to greater housing affordability, and hope our unique perspective and role in the marketplace contributes to your consideration of our recommendations and views.

Thank you for allowing me to testify today.