

MEMORANDUM

TO: District of Columbia Zoning Commission

FROM: Jeff Utz
Meghan Hottel-Cox

DATE: November 23, 2020

SUBJECT: Z.C. Case No. 20-18 – 1319 South Capitol Street SW (the “**Property**”) –
Design Review Project (the “**Project**”) Impact on the Surrounding Community

The Project increases the housing supply in an area with increasing demand, which will have a net positive impact on the surrounding community, and will not create displacement or negative rental impacts on the surrounding community. The Project will provide approximately 310 residential units, including 25 affordable units, which complies with the Inclusionary Zoning (“**IZ**”) requirements. The Project will also include family-sized units and the developer is working to allocate the Project’s IZ units to such housing type. The Project is directly in line with the District’s calls for increased housing, as noted in the DC Housing Equity Report issued by the Mayor and the Office of Planning.¹ The Mayor established a goal of production of 36,000 new residential units by 2025, with 12,000 of those being affordable. The Housing Equity Report notes that Ward 6, in particular, is an area in need of additional housing and affordable housing.

The persons in opposition appearing at the Project’s Zoning Commission hearing made allegations that the Project should be required to provide 2/3 of the total units as affordable units (either “workforce” or “deeply affordable” units) in order to be considered not inconsistent with the Comprehensive Plan and to prevent negative impacts on the community through alleged increases to rents, displacement and gentrification. These opponents allege that the addition of a new residential development that “only” complies with the IZ regulations but does not go farther, creates negative impacts on the surrounding community due to higher land prices, displacement, strained housing affordability levels, and gentrification. However, the D.C. Court of Appeals has already concluded the opposite. In *Cole v. DC Zoning Commission*, the Court found that “mitigation of the potential displacement of low-income residents through gentrification and market pressures is taken into account in the Zoning Commission’s IZ regulations. Thus, in

¹ *Housing Equity Report: Creating Goals for Areas of our City*, DC Office of Planning, October 2019, available at <https://planning.dc.gov/sites/default/files/dc/sites/housingdc/publication/attachments/Housing%20Equity%20Report.pdf>.

directing that the applicant ‘shall,’ ‘[f]or the life of the project,’ as a condition of approval of the PUD, reserve not less than the indicated percentage of the residential gross floor area ‘as inclusionary units pursuant to [the Commission's IZ regulations],’ the Commission did act to mitigate the impact of market-rate residential development on the availability of affordable housing in the area.”² Therefore, the Project’s compliance with the IZ regulations is sufficient to address the opponent’s arguments. The Applicant has also gone above the typical IZ requirements by working to provide many of the affordable units in family-sized units and by providing family-sized units in general, in an effort to make the Project and its surrounding resources and facilities available to families.

To study the impacts of the Project on the surrounding area, the Applicant commissioned a study from RCLCO, which is attached as Exhibit E. The study concludes that (1) new housing in all price ranges helps to mitigate increasing prices and rents; (2) the neighborhood surrounding the Nationals Ballpark has already experienced increases in property values and rents that will likely continue whether or not the development occurs; (3) the neighborhood surrounding the Nationals Ballpark has already experienced decelerated displacement of vulnerable populations, and any displacement cannot be tied to increases in new, rental inventory; and (4) the Project will not result in any direct displacement and will deliver many positive impacts that contribute to DC’s equitable development goals.

Some of the opposition letters also cited a Minneapolis-based study to allege that the production of new residential development in general would cause a negative impact on the surrounding community. However, that study and comments are not borne out by significant studies in the District regarding the impact of increased housing on rents and on communities, including a study by the District of Columbia’s Chief Financial Officer. Attached as Exhibit F are four studies that provide important research and context on the impact of new housing on the surrounding communities with two specific to the unique circumstances of DC:

- “The Impact of an Increasing Housing Supply on Housing Prices, The Case of the District of Columbia 2000 – 2018” by Bethel Cole-Smith (Howard) and Daniel Muhammad (Office of Revenue Analysis), issued by the CFO of DC in April 2020. This study concludes that without the housing growth, rents would be more than 5% higher than current rents in the District, and if housing is not increased as planned by the Mayor for 36,000 new units, rents will go even higher.
- “Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas” by Brian Asquith, Evan Mast, and Davin Reed, Upjohn Institute Working Paper 19-316, December 2019. This study confirms that new buildings decrease rent by 5-7% relative to locations slightly farther away or developed later because new buildings absorb many high-income households.

² *Cole v. DC Zoning Commission*, 210 A.3d 753, 762 (D.C. 2019).

- “Strategies for Increasing Housing Supply in High-Cost Cities – DC Case Study” by Pamela Blumenthal, John R. McGinty, and Rolf Pendall, Urban Institute, August 2016. This detailed analysis of the DC Metro region notes that housing prices are higher because we have not kept up with the demand for additional housing in DC, which causes housing costs to be higher.
- “Inclusionary Zoning and Housing Market Outcomes” by Emily Hamilton, Mercatus Working Paper, September 2019. This study concludes that IZ increases the cost of market-rate housing but does not reduce production. While the Project complies with IZ and concentrates IZ in family-sized units, as requested by the community, this study indicates that higher IZ levels would make the market rate rents higher.

The RCLCO study regarding the Project and these additional studies provide evidence that the Project will not have a negative impact on the surrounding community and the District’s housing crisis, and instead will provide much needed housing, including family-sized affordable housing, in a manner that is consistent with the Comprehensive Plan’s call for equity and inclusion. The Project’s compliance with the IZ regulations, including the family-sized units, address the potential impact on the surrounding community, similar to the *Cole* case. Therefore, the Project has addressed the adverse impact on the surrounding community.