



September 27, 2021

Chairman Anthony Hood
Zoning Commission of the District of Columbia
441 4th Street, NW, Suite 200S
Washington, DC 20001

Re: ZC 21-05 - IZ-XL Phase 2 – Consideration of the IZ Exemption for the Conversion of Non-Residential Buildings to Residential Use

Dear Chairman Hood and Members of the Zoning Commission:

Basis for the Exemption for Conversions

As the Commission considers the pending change to the IZ regulations regarding the exemption for conversions, we urge the Commission to bear in mind that the original reasons for the exemption are just as relevant today as they were in 2007 when the IZ regulations were first adopted. A fundamental premise of IZ was to at least partially offset the financial burden of IZ with a benefit. A straight conversion does not allow for the use of bonus density, so the exemption was needed. Also, there was an understanding that market forces will generally favor the retention of non-residential use.¹ For that reason, subjecting conversions to IZ will further tip that balance toward the retention of non-residential use. In the current market with an extreme oversupply of office, the balance still favors office. One of the key ways to address the oversupply issue is to incentivize conversions, not discourage them by removing the current exemption.

Many Conversions are Captured by the Current Regulations

The Commission should also remain aware that many conversions trigger IZ requirements under the existing regulations. First, any existing building that is expanded through the use of bonus density will trigger IZ not only for the addition but also for the existing building. This is the case regardless of the size of the addition. It is consistent with the underlying premise of IZ that the IZ bonus is available only as an offset for the burden of providing affordable housing.

Second, any addition that increases the size of the existing building by 50% or more also triggers IZ for the existing building AND the addition. Three recent examples of conversions that triggered IZ for both the existing building and the addition are Madrona Apartments at 2213 14th Street, the former Washington Club at 15 Dupont Circle (now the Ampeer), and the Whitman Walker redevelopment at 1357 R Street NW (now the Liz).

¹ The Office of Planning recent validated this approach in a 2020 report on residential conversions:
<https://planning.dc.gov/commercial-residential-conversions>

If the addition is less than 50% of the existing building and does not use any bonus density, only the addition is subject to IZ. The addition is essentially evaluated separately from the existing building when no bonus is used, because the regulations recognize that the existing building has not generated any bonus for the project. Again, this reflects the concept that the IZ bonus and the IZ burden are linked.

The only type of conversion that is not captured under the current regulations is one that involves either no addition (so no use of bonus density) or a small addition that is less than 50% of the GFA of the existing building and does not create at least ten units. **For these projects, the retention of the existing non-residential use must be evaluated against the costs and potential benefits of conversion.** Since the construction costs for conversion are significant, particularly when there are no economies of scale, increasing the conversion costs by applying IZ in either scenario further reduces the likelihood of a conversion. That is the situation we urge you to avoid.

Conclusion

There is a profound need for more affordable housing, but the Zoning Commission's tools are limited and must be used with great care. The strong foundation for the original exemption for building conversions remains fully relevant today.

Sincerely,



Neil Albert
President and CEO