

1 GOVERNMENT OF THE DISTRICT OF COLUMBIA

2 Zoning Commission

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9 Public Hearing

10 Case No. 04-33G [Amendments to Chapter 26,

11 Inclusionary zoning.]

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15 6:30 p.m. to 9:55 p.m.

16 Thursday, March 3, 2016

17

18 Jerrily R. Kress Memorial Hearing Room

19 441 4th Street, N.W., Suite 220 South

20 Washington, D.C. 20001

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16 JONATHAN ROGERS

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18 Other:

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20 CLAIRE ZIPPEL

21 ELISSA SILVERMAN, Council Member

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1 P R O C E E D I N G S

2 CHAIRPERSON HOOD: Good evening, ladies and
3 gentlemen. This is the public hearing of the Zoning
4 Commission for the District of Columbia. Today's
5 date is March the 3rd, 2016. We're located in the
6 Jerrily R. Kress Memorial Hearing Room.

7 My name is Anthony Hood. Joining me are Vice
8 Chair Cohen, Commissioner Miller, Commissioner May,
9 and Commissioner Turnbull, the Office of Zoning
10 staff, Ms. Sharon Schellin, Office of Planning staff,
11 Ms. Steingasser. Oh, and we have our director, Mr.
12 Shaw and Mr. Lawson and Mr. Rogers. Okay?

13 Excuse me. This proceeding is recorded by a
14 court reporter. It's also webcast live. Notice of
15 today's hearing was published in the D.C. Register
16 and copies of that announcement are available to my
17 left on the wall near the door.

18 The hearing will be conducted, excuse me, in
19 accordance with Provisions of 11-DCMR-3021 as
20 follows: preliminary matters, presentation by the
21 petitioner, reports of other government agencies,
22 report of the ANC if applicable. We have a number in
23 the record, organizations and persons in support,
24 organizations and persons in opposition.

25 The following time constraints will be

1 maintained in this meeting and the petitioner has 60
2 minutes, organizations five minutes, individuals
3 three minutes.

4 The Commission intends to adhere to the time
5 limits as strictly as possible in order to hear the
6 case in a reasonable period of time. The Commission
7 reserves the right to change the time limits for
8 presentations if necessary and at no time shall be
9 seated.

10 The staff will be available throughout the
11 hearing to discuss procedural questions. Please turn
12 off all beepers and cell phones at this time so not
13 to disrupt these proceedings.

14 At this time the Commission will consider any
15 preliminary matters. Does the staff have any
16 preliminary matters?

17 MS. SCHELLIN: No, sir.

18 CHAIRPERSON HOOD: Let me just say that we
19 are expecting a few councilmembers possibly and we
20 have -- this is a special -- we may take a few things
21 out of order. So if you are presenting and I ask you
22 to just put it in the parking lot for a minute, I
23 like to use that, I would ask you to put it in the
24 parking lot and just hold tight. Our councilmembers,
25 as we all know, are very busy like all of us are, but

1 they have like maybe 30 meetings in the evening. I
2 may be over exaggerating but they have a number of
3 meetings where the citizens of this city expect their
4 presence. So I would ask you indulge us at that
5 time, and then we have a panel after we hear from our
6 petitioners.

7 So I think, Ms. Schellin, do we have anything
8 further?

9 MS. SCHELLIN: No, sir.

10 CHAIRPERSON HOOD: Okay. I would like the
11 Coalition for Smarter Growth to come first. I think
12 that's the order, and then there's a special panel
13 that we will hear from, from the government. And
14 then we will get to the public.

15 MS. CORT: I'm, myself and Claire Zippel are
16 representing the Coalition for -- or the Campaign for
17 Inclusionary Zoning.

18 CHAIRPERSON HOOD: Okay. Okay.

19 MS. CORT: And my --

20 CHAIRPERSON HOOD: Campaign for Inclusionary
21 Zoning.

22 MS. CORT: Campaign for Inclusionary zoning.
23 So I'm here on behalf of the Campaign for
24 Inclusionary Zoning with Claire Zippel from D.C.
25 Fiscal Policy Institute. My organization is

1 Coalition for Smarter Growth. And we want to thank
2 the Commission for its interest in this case. We
3 know that you've been talking about it for a long
4 time, as have we. And we're here really because the
5 District of Columbia is facing an affordable housing
6 crisis of historic significance, and D.C.'s economy
7 and as its population grows and housing prices rise,
8 low-income D.C. residents have stagnant -- many have
9 stagnant incomes that are left struggling to pay for
10 their housing.

11 In this environment the District -- maybe we
12 should -- we won't take up the 60 minutes so we'll
13 get set up here.

14 CHAIRPERSON HOOD: Again, Ms. Cort, if
15 Councilmember Silverman or somebody comes in --

16 MS. CORT: Yes.

17 CHAIRPERSON HOOD: -- I may have to interrupt
18 you. Okay. Thank you.

19 MS. CORT: We would be pleased to see the
20 councilwoman.

21 In this environment the District must take
22 action to sharpen each tool in the City's affordable
23 housing tool box, especially inclusionary zoning.
24 And with that, it's the only tool by design that
25 creates affordable homes in high cost neighborhoods.

1 The D.C. Council and Mayor Bowser have taken
2 important steps to tackle D.C.'s urgent affordable
3 housing needs, appropriating a record level of
4 funding for affordable housing this fiscal year. The
5 D.C. council recently passed a resolution calling for
6 a stronger inclusionary zoning program. As more and
7 more families struggle to pay the rent and market
8 rate residential construction continues at a rapid
9 pace, the sooner inclusionary zoning is revised to
10 work better for D.C.'s low-income residents, the
11 better -- the greater the impact.

12 Today, we're going to present the case for
13 adopting Office of Planning's proposal, Option 1B
14 from the setdown report. The option, Option 1B,
15 would make all inclusionary rental units affordable
16 at 60 percent of median family income, and
17 inclusionary zoning for sale units affordable at the
18 80 percent AMI level.

19 First we'd like to talk a bit about why
20 inclusionary zoning is important to the city. Then
21 we will walk through why making IZ rental units
22 affordable at 60 percent AMI is aligned with the
23 City's needs, and why continuing to produce 80
24 percent AMI rentals is not a good use of inclusionary
25 zoning. We'll also show that targeting different

1 income levels for rental and ownership units is a
2 national best practice.

3 Next, we will talk about the economics. It
4 is important to understand that in most of the city
5 inclusionary zoning is given more bonus density than
6 what's needed to offset today's affordability
7 requirements. This has created a windfall for many
8 land owners and developers. Option 1B reclaims some
9 of the added value for deeper rental affordability.
10 The approach is used by Office of Planning, take this
11 gift as given, posited that any surplus value cannot
12 be recaptured. Yet, even using this approach
13 analysis shows Option 1B will have only a modest
14 impact on rental developments within a normal range
15 of price fluctuations that are likely to be well
16 tolerated by the City's robust rental market.
17 Finally, we will speak to some of the more technical
18 proposed changes.

19 So from this vantage point we started this a
20 very long time ago. Inclusionary zoning production
21 is taking off, indicating that now is the time to
22 consider a policy realignment. Nine hundred IZ units
23 are in line, or are soon to be completed. Thousands
24 more are anticipated as inclusionary zoning works
25 alongside the City's 25 year record high in

1 residential construction.

2 At this point I want to introduce Claire
3 Zippel, Housing Policy Associate for the D.C. Fiscal
4 Policy Institute. Claire will provide the bulk of
5 the testimony to guide you through how to improve
6 inclusionary zoning.

7 MS. ZIPPEL: Thanks, Cheryl. And thank you,
8 Commissioners.

9 So by contributing to economically diverse
10 neighborhoods, inclusionary zoning is unique among
11 D.C.'s affordable housing programs. And so it
12 warrants special attention to ensure that the
13 potential of this program is maximized. Inclusionary
14 zoning creates affordable homes in high-cost, high-
15 opportunity, neighborhoods where production using our
16 limited subsidy dollars would be nearly impossible.
17 The program expands low-income families' opportunity
18 to live near jobs, transit, and good schools. A
19 growing body of research prominently from Harvard
20 University's Equality of Opportunity Project, shows
21 that improving low-income family's access to high
22 opportunity neighborhoods has long-term positive
23 effects on health, family outcomes, and lifetime
24 earnings.

25 So because the inclusionary zoning program

1 improves the geographic diversity of our affordable
2 housing stock and provides low-income families the
3 opportunity for geographic mobility, the program is a
4 critical part of ensuring that D.C. is compliant with
5 HUD's new affirmatively furthering Fair Housing rule.
6 The new rule directs jurisdictions participating in
7 HUD programs to take proactive steps to reduce
8 disparities in housing choice, respond to
9 disproportionate housing needs, and reduce patterns
10 of housing segregation.

11 So let us spend a minute talking about the
12 City's affordable housing needs and how Option 1B
13 will best ensure inclusionary zoning, helps those who
14 are truly struggling to afford rent and get buy in
15 the city.

16 D.C. renters at 60 percent AMI -- you'll have
17 to excuse me. I am aware the new terminology is now
18 MFI for Median Family Income, but it's a force of
19 habit for me, so they mean -- they will mean the same
20 thing.

21 So D.C. renters at 60 percent AMI are
22 significantly challenged by our city's high housing
23 costs. They also don't have access to many high
24 opportunity high-cost D.C. neighborhoods. In fact
25 based on a submarket analysis of fair market rents

1 that the D.C. Housing Authority does, we can see that
2 renters at this income level have access to only 18
3 of 56 district neighborhoods because of cost.

4 By contrast renters at 80 percent AMI are
5 unlikely to be severely burdened by housing costs,
6 and largely don't experience the severe geographic
7 restrictions common among low-income households. For
8 these reasons continuing to produce rental units at
9 80 percent AMI as Office of Planning's final proposal
10 would do, is not ultimately useful.

11 So examining severe rent burden gives us a
12 picture of what kinds of households are most
13 challenged. Severely rent burdened households are
14 those that spend half or more of their income on
15 housing. The Joint Center for Housing Studies,
16 Enterprise Community Partners, and the National
17 Housing Conference all examine severe housing cost
18 burden as a measure of the most serious housing
19 needs. This is also the most appropriate measure of
20 need for urban markets where it's not uncommon for
21 households up to 120 percent AMI to spend more than
22 30 percent of their income on housing, which is the
23 traditional measure of cost burden.

24 So the consequences of severe cost burden are
25 severe. Low-income households have little

1 discretionary spending to cut back on to pay for
2 housing, so as a result research shows that low-
3 income families who are severely rent burden cut back
4 on necessities like food, transportation, health
5 care, and retirement savings. It's then even harder
6 for these households to invest in activities that
7 would increase their economic mobility.

8 So let us look at who is severely rent
9 burdened in D.C., and I'll pause very briefly to
10 refresh our memories on what amount of income is
11 meant by various AMI levels by family size.

12 So you can see here that for a single person
13 at 80 percent of AMI income would be just over
14 \$61,000, compared to a single person at 60 percent
15 AMI, which is about \$46,000 a year.

16 So this chart shows the share of renter
17 households paying half or more of their income for
18 housing. So these are the severely rent burdened
19 households. So I'll give a minute to look at the
20 slide. So as you can see, the rate of severe rent
21 burden accelerates rapidly as you move down the
22 income ladder, and it's very uncommon for renter
23 households near 80 percent AMI.

24 So by contrast, thousands of households at or
25 below 60 percent AMI are in urgent need of affordable

1 rental housing. So we can see that in this chart.
2 It shows in blue, the number of severely rent
3 burdened households, and the traditionally rent
4 burdened households or not rent burdened households
5 are in gray.

6 The large number of households at or below 60
7 percent AMI struggling to pay rent and get by, is why
8 D.C. comprehensive housing strategy task force
9 recommended that the majority of the city's housing
10 resources be directed to families at this income
11 level. Reflecting the tremendous need at that income
12 level, three fourths of the households waiting for
13 inclusionary zoning units, that's those who are
14 registered for the IZ lottery are at or below 60
15 percent AMI.

16 Proposal 1B will direct all new IZ rental
17 units to these households. Proposal 1B will also
18 open up housing opportunities in neighborhoods
19 families at 60 percent AMI would otherwise never
20 really have access to because of the cost of living
21 in these neighborhoods.

22 Proposal 1B is also consistent with national
23 and regional best practices in inclusionary zoning
24 program design. Affordability gaps occur at
25 different income levels for rental and for ownership,

1 so most jurisdictions target a lower income for
2 rentals and a slightly higher income level for
3 ownership units in their inclusionary zoning
4 programs. This table compares inclusionary zoning
5 programs from the Washington region and from across
6 the country. You can see that IZ rental units are
7 typically targeted to households 50 to 65 percent AMI
8 with a slightly wider range for the ownership units.

9 Splitting income targeting by tenure as
10 proposal 1B does, tailors D.C.'s Inclusionary Zoning
11 Program to the specific needs of renter and ownership
12 households, and aligns the program with the
13 approaches used successfully across the country.

14 Today, most Inclusionary Zoning units are 80
15 percent AMI rentals. This table uses data presented
16 in some of the Office of Planning's working groups.
17 Yet households, renter households at that income
18 level are rarely severely cost burdened. Remember we
19 saw earlier that only nine percent of renters, 60 to
20 80 percent of AMI are severely cost burdened compared
21 to 24 percent.

22 CHAIRPERSON HOOD: If you can hold that spot
23 for me? I greatly appreciate it and I'm sorry but we
24 have Council Member Silverman who is here. We're
25 going to bring her right up so she can get out to

1 that community meeting that she has to go to, because
2 I know if I was at the community meeting I would be
3 waiting for her also. So we're going to bring her up
4 at this time.

5 Take your time, Council Member. Whenever
6 you're ready.

7 MS. SILVERMAN: It's quite a change, Mr.
8 Chair, to be testifying instead of being on the dais
9 so.

10 CHAIRPERSON HOOD: I understand. I've been
11 on the other side too, so, as recent as yesterday.

12 MS. SILVERMAN: My apologies to everybody.
13 Well, good evening.

14 CHAIRPERSON HOOD: Good evening.

15 MS. SILVERMAN: Thank you so much to the
16 Zoning Commission for allowing me to testify. I am
17 Alyssa Silverman and I am an at-large D.C. Council
18 Member. And I am here tonight to strongly encourage
19 the Zoning Commission to vote in favor of the
20 recommendations for improvements to inclusionary
21 zoning that are being presented by the Coalition for
22 Smarter Growth and other inclusionary zoning
23 advocates.

24 Specifically I want to encourage you to vote
25 in favor of the recommendation to lower the maximum

1 income level for rental units to 60 percent of area
2 median income. Study after study has shown that our
3 city has a critical shortage of affordable housing
4 units, especially for people whose income falls below
5 60 percent of AMI. This shortage forces people who
6 work in the District to move to neighborhood states
7 and face long commutes to work every day. It's not
8 good for our city, it's not good for our
9 neighborhoods, and it's not good for our environment.
10 It forces families who stay in the District to spend
11 the majority of their income on rent. And it is
12 contributing to our growing number of people
13 suffering from homelessness.

14 Tonight you are going to hear that making the
15 proposed changes to the IZ program would cause
16 developers to slow or stop their plans to build in
17 the District, and that it would cause projects
18 currently in development to slow down. At this point
19 no one, Mr. Chair, no one has shown me evidence of
20 this.

21 In fact last year we set a 25 year record
22 high for residential construction and 10,000 new
23 rentals are expected to come online by 2018. It
24 seems to me the market is active enough to tolerate a
25 regulatory change. And when the IZ program was first

1 introduced, projects in the pipeline at that time
2 were not required to meet IZ requirements, so it
3 doesn't appear those are valid arguments against the
4 changes proposed in this application.

5 You will also hear that IZ requirements drive
6 down land value. There is evidence, however,
7 especially in high-rise zones, that developer are
8 actually seeing values of their land increase in
9 excess of what the bonus density is designed to
10 provide. At this point the District receives nothing
11 for creating that inflative value. It seems to me
12 that lowering the income targeting to a level that
13 meets a serious community need is a good exchange for
14 increasing the value of a property.

15 I also disagree with the argument that the
16 proposed changes should be rejected because DHCD, the
17 Department of Housing and Community Development,
18 should continue improving its administration of the
19 current program before making any changes to it. As
20 a representative of our city I find this argument
21 particularly troubling. Our local government should
22 be able to do two things at once. There are still
23 problems with the administration of inclusionary
24 zoning, and I personally find that very frustrating.

25 However, improving that administration

1 shouldn't be thrown off by making simple changes such
2 as lowering the income targeting. And if it is, we
3 have a much bigger problem than our IZ program. I am
4 also troubled by the Office of Planning's
5 recommendation to expand the allowance of off-unit
6 sites. Our off-site units, excuse me. And ask that
7 you be very careful about changing this section. The
8 point of the IZ program is to ensure we have
9 production of affordable units in high opportunity
10 neighborhoods, in our most desirable neighborhoods,
11 near transportation.

12 If we're going to allow off-site provision of
13 these units we need more than a 20 percent increase
14 in the number of units and we need to ensure the goal
15 of providing affordable units close to jobs,
16 services, educational opportunities, and
17 transportation.

18 Like everything else about governing in the
19 District, and I can speak about that now with
20 authority, our zoning code is complex. I know you
21 agree that changes to the code should not be made
22 quickly, or without adequate thought and study. I
23 certainly support that.

24 Inclusionary zoning, though, has been
25 studied. It has been proven to produce new

1 affordable units in neighborhoods where they are
2 badly needed. It is also our best option for
3 ensuring that our lower income neighborhoods have
4 access to the same opportunities, education, jobs,
5 and services, that people in our high opportunity
6 neighborhoods have. And at this point we have no
7 evidence that it has negatively affected the City's
8 growth or production of other housing units.

9 I know that the work you do on the Commission
10 is complicated and you will hear differing opinions
11 from a lot of people tonight. I believe in this case
12 you have the opportunity to help address one of the
13 most serious problems our city faces right now. You
14 can help increase the number of affordable housing
15 units in areas of our community where they are sorely
16 needed.

17 Thank you very much for allowing me the
18 opportunity to speak with you tonight, and I look
19 forward to learning your decision in this case.
20 Thank you.

21 CHAIRPERSON HOOD: Thank you very much,
22 Council Member Silverman. Let's see if we have a few
23 questions for the Council Member. Any? Anybody?
24 Any questions? Vice Chair Cohen. You have time for
25 a few questions?

1 MS. SILVERMAN: Sure.

2 CHAIRPERSON HOOD: Okay.

3 MS. COHEN: Thank you for your testimony.
4 The one area that I'd like you to address is rental
5 and homeownership. They obviously have different
6 impacts on neighborhoods as well as impacts on
7 financing. And I just would like to hear your
8 opinions on the homeownership issue because I think
9 that's a bit harder to implement at lower incomes.

10 MS. SILVERMAN: In terms of changing the
11 program to lower targeting --

12 MS. COHEN: Yeah.

13 MS. SILVERMAN: -- for home ownership?

14 MS. COHEN: Yeah.

15 MS. SILVERMAN: Well, I know that
16 homeownership has been more difficult in terms of
17 finding applicants that are qualified in IZ. But I
18 still think that -- I think about IZ holistically in
19 terms of all the other goals we have in terms of our
20 city, in terms of education reform, for example. We
21 know that having socio economic diverse classrooms,
22 and that means having people of different income in
23 different neighborhoods is vitally important.

24 In terms of homeownership I do agree, we have
25 to look at the program, but I still think it's

1 important to give people homeownership opportunities
2 in areas throughout the City. I think it benefits
3 our neighborhoods, it benefits our schools, and it
4 benefits our city as a whole.

5 MS. COHEN: Thank you.

6 CHAIRPERSON HOOD: Any other questions up
7 here? Oh, Commissioner Miller. I'm sorry.

8 MR. MILLER: Thank you, Mr. Chairman. And
9 thank you, Council Member, for coming down here to
10 testify. I appreciate your advocacy and I appreciate
11 everything that you said in your statement. At this
12 point I think I agree without -- I mean, I'm open to
13 hearing all of the arguments that are going to be
14 made by the public here and I look forward to hearing
15 it. But I'm starting out with everything that you
16 said and I appreciate your coming down here to
17 testify and I think it's a --

18 I think this is a very important program.
19 Got off to a shaky start but is working well now.
20 But we see these cases, these PUD cases come forward
21 on an individual basis and we can tell that the 80
22 percent AMI levels for these multi-family rentals,
23 it's virtually market rate. Most of the developers
24 who we ask that question to admit that it's virtually
25 market rate and so we're not meeting the need that we

1 have in this city. And when we've asked, would you
2 consider proffering a lower percentage for some of
3 those units beyond the minimum that's -- you know,
4 beyond what's required as a minimum in the IZ, often
5 they have. They have done that and it might be
6 because that bonus density is providing more, or the
7 values of the city, the plan values of the city are
8 just so high that they can't afford it.

9 So I look -- I appreciate, again, I
10 appreciate your testimony and I look forward to this
11 case. I'm happy this case has finally gotten here
12 and I look forward to us proceeding with it, Mr.
13 Chairman.

14 CHAIRPERSON HOOD: Okay.

15 MS. SILVERMAN: Thank you, Commissioner
16 Miller.

17 CHAIRPERSON HOOD: Okay. Any other --

18 MS. SILVERMAN: Thank you for your remarks.

19 CHAIRPERSON HOOD: Any other questions?
20 Council Member, if you could leave your testimony?
21 We'll make our copies. But we appreciate you taking
22 time to come down and testify.

23 MS. SILVERMAN: I would like to add in one
24 other thing, Mr. Chairman, is that the -- I'm not
25 sure everyone -- hopefully the Commission is aware,

1 but that counsel passed a resolution. I believe it
2 was unanimously passed to support the recommendations
3 and improve IZ.

4 CHAIRPERSON HOOD: Okay.

5 MS. SILVERMAN: Thank you.

6 CHAIRPERSON HOOD: All right. Thank you very
7 much for taking time out of your busy schedule. If
8 you can leave us a copy of your testimony.

9 MS. SILVERMAN: I will leave that.

10 CHAIRPERSON HOOD: Yes. Thank you. Okay.
11 You remember where you left off? Okay.

12 MS. ZIPPEL: Thank you, Chairman Hood, and
13 thank you Council Member Silverman.

14 So I think where I left off was how much more
15 tremendous the need for affordable rental units as
16 Commissioner Miller just mentioned, is at the lower
17 income levels compared to the income level that's
18 currently targeted by most inclusionary zoning rental
19 units.

20 So furthermore, in support to some of the
21 quantitative data presented on the past couple of
22 slides, we also have some remarks from Office of
23 Planning who wrote, actually in its setdown report
24 that housing at the 80 percent AMI level is very
25 close to available rental market supply, especially

1 for smaller units and the existing housing stock.
2 The Class B housing stock.

3 Furthermore, the urban institute actually
4 predicts that the District will have a surplus of
5 4,300 rental units affordable to people at 80 percent
6 AMI by 2020 as lots of new residential construction
7 relieves pressure on the market.

8 So for these reasons we think that an
9 inclusionary zoning program that continues to produce
10 a majority of rental housing at 80 percent AMI is not
11 ultimately useful for our city. Unfortunately,
12 Office of Planning's final proposal does not much
13 change the status quo.

14 So today some zones must produce only 80
15 percent AMI units, as you all know, and some must
16 produce half the 50 percent AMI and half at 80
17 percent AMI. So Office of Planning's proposal, as I
18 understand it from their final report, is to add two
19 additional zones that must split their units, the
20 required units between 50 and 80 percent AMI to three
21 zones, two of which are high development capacity
22 zones and the set-aside would be eight percent of the
23 gross floor area.

24 However, under this proposal the vast
25 majority of inclusionary production would still be at

1 the income level where need is smallest. So based on
2 present development activity, under this proposal
3 two-thirds of inclusionary zoning production would
4 continue to be 80 percent AMI units, and the increase
5 in 50 percent AMI units would small. So again, based
6 on present activity if 200 inclusionary zoning rental
7 units are produced each year Office of Planning's
8 proposal would increase the number of 50 percent AMI
9 rentals from 37 to 55 units out of 200. By contrast
10 under Option 1B all 200 rental units would be
11 affordable to families at 60 percent AMI.

12 And Office of Planning's proposed
13 administrative changes, while promising, also falls
14 short of bringing inclusionary zoning units closer to
15 within reach for those currently on the lottery
16 waiting list. Their proposal, which I'm sure they
17 will talk about in more detail tonight is to
18 administratively freeze the maximum rents, so issue
19 the same maximum rent schedule each year.

20 As AMI rises relative to this rent, the idea
21 is that a broader and broader swath of people would
22 be able to afford the units. We think that's setting
23 the maximum rent as a smaller percentage of the
24 income is, again, very promising and something that
25 we had in our original proposal. However, it cannot

1 take the place of changing the eligibility of
2 requirements.

3 For instance, retaining the 80 percent AMI
4 maximum income could mean that a household at 80
5 percent AMI could win an inclusionary zoning lottery
6 over a household at 60 percent AMI and could take the
7 place of a person with a much lower income who may
8 continue to be severely rent burdened. The only way
9 to ensure that the 60 percent AMI and under majority
10 of households who are now waiting for inclusionary
11 zoning units will in fact have access to them, is to
12 change the income targeting of the program.

13 And finally, the administrative change to
14 keep rents the same is just not the same as the clear
15 and binding policy change. It would take until 2021,
16 until the gap between rent and AMI reaches Office of
17 Planning's target to where maximum rents are 27
18 percent of the targeted income. So this means we
19 would have to count each year on not only the current
20 but possibly the next administration to stick to an
21 administrative path that ultimately they are not
22 bound to. A policy decision by the Zoning Commission
23 is needed so that there will be no doubt.

24 So I think -- I hope that we've shown that
25 adopting proposal 1B will better meet the affordable

1 housing needs of D.C. residents and will align our
2 program with national best practices. I believe we
3 can also show that the proposal will adversely affect
4 residential development in the city.

5 When inclusionary zoning was first adopted it
6 created significant value in the market. The program
7 provided bonus density to developments intended to
8 offset the cost of setting aside some affordable
9 units. We now know, thanks to a model developed by
10 the Office of Planning, that in most parts of the
11 city the value of that bonus density has turned out
12 to be far more than what is needed to offset the
13 affordability of requirements. This has provided a
14 windfall to many projects. So it's now time for the
15 District to reclaim that windfall so that we can
16 achieve the affordability that D.C. residents truly
17 and urgently need.

18 So I will show some analysis using this
19 impact model, again developed by Office of Planning.
20 So again, I'm sure they can explain it better than I
21 can when they give their presentation. But so the
22 model basically works by holding all development
23 inputs constant and including developer return, and
24 measures the change in what developers are willing to
25 pay for the land and still achieve the same return.

1 So this way this model provides an approximation of
2 how zoning policy changes would affect the market.

3 This table shows the top 10 zones in order of
4 future development capacity. It shows the cumulative
5 impact of changes in zoning policy on land value. So
6 in this table the baseline is today's --

7 MS. COHEN: Excuse me. Is this in any place
8 that you submitted for the record? It's not in the
9 package we just got today.

10 MS. ZIPPEL: It's not?

11 MS. COHEN: It's in the testimony? It's in
12 the testimony apparently.

13 MS. ZIPPEL: I apologize. It seems I --

14 MS. COHEN: Oh, no, don't apologize. It's
15 here.

16 MS. ZIPPEL: -- only printed the first couple
17 of slides of my presentation. So.

18 MS. COHEN: That's okay.

19 MS. ZIPPEL: But it is in my written
20 testimony.

21 MS. COHEN: Thank you.

22 MS. ZIPPEL: It is on page 11. So in this
23 table, again, apologies for the confusion.

24 MS. CORT: Table 4.

25 MS. ZIPPEL: Table 4. The baseline is

1 today's rental market absent any value added or
2 reduced by inclusionary zoning and absent any value
3 or reduced by recently eased parking requirements
4 from the ZRR. So for instance, in the CR zone in the
5 first column, shows that today's inclusionary zoning
6 program makes land 19 percent more valuable than if
7 inclusionary zoning were not in affect. This means
8 that the program is currently increasing land values
9 even after taking existing affordability requirements
10 into account.

11 When we add in the ZRR parking --

12 MR. MAY: Can you run through that again?

13 MS. ZIPPEL: Sure. Sure. All right. So if
14 we take, as the baseline, a market in which there's
15 no inclusionary zoning, so no additional development
16 rights.

17 MR. MAY: Now, is that the first column?

18 MS. ZIPPEL: No, that would be like the zero
19 level.

20 MR. MAY: This is the zero level. Okay.

21 MS. ZIPPEL: This is the zero level. Yes.

22 MR. MAY: All right.

23 MS. ZIPPEL: So the first column shows the
24 effect on that zero level of adding in our current
25 inclusionary zoning program.

1 MR. MAY: All right. Can you talk directly
2 to the numbers that you're showing there and the
3 columns that you're showing there?

4 MS. ZIPPEL: Sure. So, if land let's say
5 starts out at \$100 a unit, for instance, in the C-R
6 zone in market where we don't have inclusionary
7 zoning --

8 MR. MAY: Right.

9 MS. ZIPPEL: -- what today's market would be
10 like without it, we then add an inclusionary zoning.
11 That land is then worth \$119.

12 MR. MAY: Or 118.9.

13 MS. ZIPPEL: A hundred and eighteen point
14 nine. Excuse me.

15 MR. MAY: You rounded, you know, I was
16 like --

17 MS. ZIPPEL: Rounding. I know you can't
18 round.

19 MR. MAY: Well, I mean, I can round but I'm
20 just trying to match up exactly with what you're
21 saying, so.

22 MS. ZIPPEL: Yes, apologies.

23 MR. MAY: Okay.

24 MS. ZIPPEL: So then the second column again
25 is the cumulative effect. If we look at that

1 increase or decrease of current inclusionary zoning,
2 plus the change in value from ZRR parking, which by
3 reducing cost has made it easier to do many
4 developments.

5 So the third column then shows the effect of
6 Option 1B on the first two columns. So for instance
7 we can see that if we add proposal 1B on top of the
8 value we've currently added or reduced in the market
9 through our zoning policies, for instance in the C-R
10 zone we still retain a net increase of 16.6 percent
11 in the land value.

12 And looking at these top 10 zones by
13 development and capacity as a whole, you can see that
14 even when we deepen rental affordability to 60
15 percent AMI, seven of the 10 zones retain a net
16 positive affect. And in other zones there are small
17 negative impacts that are well within the range of
18 normal price fluctuations that developers typically
19 anticipate when they plan a project. So --

20 MS. COHEN: That's a key point. So let's
21 slow down so everybody is on the same page.

22 MS. ZIPPEL: Sure.

23 MS. COHEN: What does that negative value
24 mean to a developer?

25 MS. ZIPPEL: Sure. So I think there are

1 folks in the room who will -- public witnesses who
2 will testify today who know more about development
3 than I do. I don't have development experience. But
4 it's my understanding that the typical contingency
5 that is used when you set out your pro forma for a
6 project that this would not eat into your contingency
7 and certainly would not surpass it. But again, I
8 will defer to those who will speak later with more
9 expertise than I have.

10 MS. CORT: A typical contingency would be
11 five to 10 percent of the project. You would expect
12 variation.

13 MS. ZIPPEL: Thank you. So I think this
14 table shows us that if we make the reasonable
15 assumption that the value of the existing bonus
16 density can be used to offset deeper affordability,
17 then option 1B can be achieved without depressing
18 land values to the extent that development is
19 affected; is significantly affected.

20 By contrast Office of Planning has taken a
21 different approach to this analysis. Their approach
22 is formulated so that the tremendous value added in
23 much of the city is developments and land owners to
24 keep. So their approach takes the net value added by
25 today's inclusionary zoning as given as no longer

1 available to be used to achieve more affordable
2 housing. It does that by only comparing impact on
3 present land values, which as we have seen in many
4 parts of the city have already been inflated by
5 inclusionary zoning and ZRR parking changes. Yet,
6 even using this approach proposal 1B has only modest
7 effects on present land value.

8 So this table again shows the cumulative
9 effect of zoning policy changes. However, there is a
10 different baseline in this table. This table uses
11 the baseline that Office of Planning uses, which is
12 where we set today's market as the zero. So any
13 value with that we've added or subtracted that we saw
14 in the previous table is now set to zero. We sort of
15 assume that it's already been absorbed by the market.

16 MS. CORT: But I'll note, but not the ZRR
17 parking reduction savings that come out of,
18 especially as you can see, the high density zone. So
19 that's not -- we haven't -- even Office of Planning
20 wouldn't say that we've lost that already. They have
21 a different argument for that. But that's why that's
22 there. You can see, that's the value we get. Once
23 we implement the ZRR, I think in September, then that
24 will be the new cost savings given to those zones
25 because of the reduced parking requirements.

1 MS. ZIPPEL: Sure. And my apologies. This
2 table now on the slide is Table 5 on page 12 of our
3 written statement.

4 So as Office of Planning does, we've
5 separated out ZRR parking and today's market, which
6 has already, under this baseline would have already
7 incorporated any value added or reduce would be the
8 baseline. So the first column shows today's market
9 is zero, then ZRR parking benefits the zones in the
10 first column by the percentages shown. And then we
11 can also look at what happens when we apply Option 1B
12 to today's market, plus ZRR parking, compared to the
13 impacts that Office of Planning's proposal would have
14 on today's market. So presently under values, again
15 which have already, in most parts of the city really
16 benefitted by current inclusionary zoning.

17 So you can see that on present land values,
18 Option 1B combined with ZRR parking changes, has
19 effects no greater than negative five percent in any
20 of the top five -- sorry. The top 10 zones by
21 development capacity. And again, that's well within
22 the price swings that developers typically expect
23 when they plan a project.

24 And it's also important to note that Office
25 of Planning's proposal would have a similar affect, a

1 similar impact. You can see in Zone C-2-B, which is
2 in the third column, present land value would decline
3 under Office of Planning's proposal by 4.5 percent.
4 This is comparable to the maximum impact that
5 scenario -- or sorry, that Option 1B would have of
6 negative 4.7 percent in R-5-D.

7 So I hope that these two methods of analysis
8 have shown that proposal 1B puts the value created by
9 inclusionary zoning in much of the city to work for
10 the needs of D.C. residents, and has only modest
11 effects even assuming that that windfall has already
12 been given away and absorbed by the market.

13 And two technical changes, because the effect
14 of any policy change will vary by zone, we do propose
15 two modifications to Option 1B. This will better
16 equalize the new requirements with the value of the
17 existing of the existing bonus density in R-5-A and
18 will reduce impact to present land value in C-2-B.

19 And finally, we will briefly address one
20 issues that Office of Planning raised in its final
21 report, that targeting a lower income level for
22 rental and a higher income level for ownership will
23 bias the market against rental development. But the
24 District's rental market has significant inertia and
25 the tremendous amount of planned investment in D.C.'s

1 rental market indicates high confidence in this type
2 of development. According to Delta associates, over
3 10,000 market rate Class A rentals are in D.C's 36
4 month pipeline, representing a significant share of
5 the \$3 billion invested in the region's Class A
6 rentals last year. Therefor the strength of the
7 rental market is unlikely to be significantly slowed
8 by proposal 1B.

9 And finally, any unique project -- and
10 project unique impacts of the transition from current
11 inclusionary zoning regulations to Option 1B can be
12 addressed in two ways. Developments currently in the
13 pipeline can comply with current requirements, and
14 new projects going forward would be subject to the
15 new rules. This grandfathering, so to speak, was
16 able to successfully address transition challenges
17 when inclusionary zoning was first adopted.

18 And because any regulation may impact some
19 parties more significantly than others, the zoning
20 code already contains a safety valve provision that
21 allows projects that can demonstrate economic burden
22 of requirements to apply for relief from the Board of
23 Zoning Adjustment.

24 So we've shown that making inclusionary
25 zoning rental units affordable to households at a

1 maximum of 60 percent of Area Median Income is
2 aligned with our City's needs, and that continuing to
3 produce rental units that can be occupied by
4 households up to 80 percent AMI is not a good use of
5 inclusionary zoning. And we've also shown that
6 proposal 1B reclaims some of the value added to many
7 developments by the program for the affordability
8 levels that the city tries and urgently needs. And
9 even if we assume that that value is developers' to
10 keep, developers' and land owners' to keep, Option 1B
11 will have only a modest impact that is likely to be
12 well tolerated by the City's strong rental market.

13 So thank you for your attention in this part
14 of the presentation and I will now hand it over to
15 Cheryl who will address some of Office of Planning's
16 other more technical proposals. Thank you.

17 MS. CORT: I'd like to just briefly go
18 through -- can you forward the slide -- a number of
19 the other proposals that were in Office of Planning's
20 report. And first of all, the one I think which has
21 gotten the most attention, which is the matter of
22 right off-site compliance. Currently it's only --
23 it's structured for a BZA economic hardship showing.

24 The proposal that Office of Planning has put
25 forward is to allow a matter of right option through

1 -- and it's an administrative matter of right option
2 for affordable space to go off site if it's within
3 half a mile of the on-site. And if the increase in
4 the affordable amount of square footage is 20 percent
5 we could support the direction of this proposal with
6 a couple of changes. We think that 20 percent is not
7 enough. Our intent is to get most things on-site,
8 but I think that creating a little bit more
9 flexibility could yield some important benefits if
10 it's close by, and if we are getting substantially
11 more affordability. So we would suggest that we make
12 that a 50 percent increase in affordable space off-
13 site within that half mile, and also look at having
14 an administrative approval process for the off-site
15 location to ensure fair housing.

16 That's I think one of the most contentious
17 issues outside of income targeting, and so that's our
18 position as the campaign. We know that others we've
19 talked to have different views. Secondly, we wanted
20 to mention the expansion of Mayor's right to
21 purchase. We are -- we support that proposal as
22 proposed by Office of Planning. But we actually
23 think that the main point that we'd like to see the
24 Zoning Commission make in this, is that the Office of
25 Planning was agnostic, decided to not state further

1 how those units might be used, and left it up to the
2 legislative process to address what would happen with
3 that purchase option by the mayor or her designee.
4 The act actually prohibits the leasing of for sale
5 units. And we would ask the Zoning Commission to
6 express this intent that this provision is actually
7 trying to copy Montgomery County's position which
8 enables the mayor, or on their case, the Housing
9 Opportunity's commission, or qualified non-profits to
10 purchase units in order to, say, layer on additional
11 subsidies or adapt the unit for say, people with
12 disabilities who are a part of their program, to
13 serve people at lower incomes who have special needs.

14 And this has been successfully exercised in
15 Montgomery County for decades and it's something that
16 we would like to take advantage of here, but we can't
17 do it under the current action taken by the
18 legislation. And so it would be helpful if the
19 Zoning Commission expressed its intent with this
20 option for the mayor or her designee to purchase a
21 unit. To say that it's because there's an
22 opportunity to either resell that unit, which is
23 fine, or to lease that unit. And obviously there are
24 rules related to how condos lease their units, and
25 that's fine. It's done every day. It's done every

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1 day in Montgomery county. And so we would ask if the
2 Zoning Commission could also express its intent with
3 achieving the kinds of housing opportunities that
4 we've accomplished in Montgomery County.

5 And lastly, we wanted to mention some of the
6 flexibility measures that have been requested on
7 extended vacancies and high condo fees. We are
8 sympathetic to the intent there, but basically we
9 think that it's a little too flexible. We need
10 clarification about how and when you would do that
11 and it's just a little too -- you put at risk, those
12 units if you're not clear about what would be the
13 steps you would take when you have those problems.

14 For instance, on extended vacancies we
15 appreciate that there could be, for some reason that
16 no one can explain, why a unit isn't moving, isn't
17 leasing. And so we would ask that we have a very
18 long extended vacancy period of say like 365 days
19 before we would consider doing something like placing
20 someone of a higher income in that unit, while also
21 retaining the restrictions, use of restrictions on
22 that unit.

23 And the other provision around high fees is
24 something that DHCD has already been working on and
25 has a policy. And that is in the -- that is

1 actually, part of it is alluded to in the zoning text
2 amendment and so we appreciate that and we think
3 that's the right direction. We do think there needs
4 to be a little bit more clarification when we're
5 going to actually decide that that unit is too
6 expensive to really be helpful. And it's not spelled
7 out in the zoning text amendment, and it's not too
8 difficult to change that, that basically after 100
9 percent of median family income, at that point, only
10 at that point basically, would you sell the unit and
11 then recapture the subsidy that was existing in that
12 unit.

13 So that's -- there are just some simple
14 clarification things that we think could be cleaned
15 up. And lastly, something that actually did not sort
16 of show up in the report, but is in the zoning text,
17 is something that we are definitely supportive of,
18 which is that any increase in FAR that is done by the
19 BZA be counted towards the bonus density that would
20 be obligated for IZ requirements. We'd actually like
21 to also include -- we know there has been some zoning
22 text amendments where that's also the case, where
23 density has been increased but wasn't necessarily
24 captured with IZ. And then as we looked towards the
25 Comprehensive Plan in the future, that any increases

1 there that we looked towards capturing that at any
2 increase in density also would be subject to IZ
3 requirements and counted as bonus density.

4 So overall that is our case that we wanted to
5 make with you. Basically what's most important here
6 is that we think that we should follow through on
7 Office of Planning's Option 1B, to set all rental IZ
8 units at 60 percent median family income, and all for
9 sale units at 80 percent AMI, and that we think that
10 this is the best way to address the true affordable
11 housing needs in our city. It's consistent with
12 national best practices, and that the existing bonus
13 density value will address the -- already provides
14 the capacity for the industry to deal with slightly
15 lower income targeting. And even if we set aside the
16 20 percent bonus density that has already been given
17 to properties, that there's essentially a very small
18 impact on present land values.

19 So that is our case. Thank you very much for
20 your attention and your interest in this issue.

21 CHAIRPERSON HOOD: Okay. Thank you very
22 much. To the Campaign, I want to thank you all for
23 all the work that has went into it, for the time that
24 has went into it, and also I want to thank you all
25 for going around the city and talking to some of the

1 ANCs. I see some of the letters. I know you all
2 helped. I know the office did what I asked and sent
3 someone out because I want to make sure our grass
4 root elected officials were involved in the process.
5 And I understand, I've heard that you are all out
6 doing it. I'm not sure if everybody exactly
7 understood everything that was going on from some of
8 the letters, but we can get into that a little bit
9 later. So, I appreciate all the work that's been
10 done by the campaign, and the work that you all have
11 done. So, we really appreciate that.

12 Let's open it up, though, and see if we have
13 any questions. Let's go with -- start with Vice
14 Chair Cohen.

15 MS. COHEN: Thank you, Mr. Chairman. Now you
16 did participate, both the Coalition and the D.C.
17 Fiscal Policy Institute, the Working Group, the
18 Inclusionary Zoning Working Group. Apparently it was
19 not unanimous. Can you give me a little bit of
20 background as to your view of this group and how it,
21 you know, enacted with each other?

22 MS. ZIPPEL: Thank you, Commissioner Cohen.
23 So the Office of Planning Stakeholder Working Groups
24 put together a diverse range of, I can imagine almost
25 all of the sort of institutional organizational

1 partners in the city who would be affected by any
2 change to inclusionary zoning, including members of
3 the development community, affordable housing
4 advocates, affordable housing providers, and
5 organizations that provide counseling and assistance
6 to low-income people in search of housing.

7 So with such a diverse group of participants,
8 as you can expect, there was not a consensus around
9 what was the best approach to take, which I think was
10 to be expected. But I do feel that the discussions
11 were productive and that everyone who is a party to
12 those discussions really recognized that the historic
13 need for affordable housing in our city.

14 And, Commissioner, the other thing I want to
15 appreciate is that we were allowed to work with a
16 spreadsheet that was developed by Office of Planning
17 with the input of all the stakeholders. I mean, a
18 lot of these meetings were about getting input into
19 creating a good model with good assumptions. And
20 then we could actually -- then we, as in Claire,
21 could actually tinker with it and look at different
22 scenarios. A lot of scenarios were tested by Office
23 of Planning, but then any stakeholder basically also
24 had the opportunity to look at this. And that was
25 very helpful because we had developers working with

1 us who were looking at assumptions as well and giving
2 good input on that. And so there was a lot of good
3 back and forth that made it a better model, and also
4 gave us the opportunity to run some of our own
5 analysis as well.

6 MS. ZIPPEL: Sure. And I'll just add very
7 briefly that I have suggested to Office of Planning
8 that they make this model available to other
9 jurisdictions because it is so extensive and would be
10 so useful, not only to us in gauging impact, but
11 possibly to other jurisdictions as well.

12 MS. COHEN: Yeah, I was very impressed with
13 the work that was done. However, so I assume that
14 all the assumptions have been agreed upon, it's just
15 how you view those assumptions.

16 MS. CORT: I don't know if they've all been
17 agreed upon but there was a lot of input and there
18 were changes made based on input from various
19 observers, you know, I've talked to when the
20 developer is working with us, who still has a lot of
21 questions about a number of very specific and very
22 technical assumptions in the model. But in fact I
23 think there will be some testimony to that affect as
24 well. But basically this was not a -- I don't think
25 it was ever intended to be a consensus process. We

1 disagree with the final report coming out of Office
2 of Planning. We're actually a little surprised. We
3 thought we were headed down the 1B path previously,
4 and then there was sort of a change in direction. I
5 don't know. It seemed like, I don't know, I'm a
6 little bit surprised with where Office of Planning
7 ended up.

8 MS. COHEN: All right. Let me just ask
9 another -- what would you challenge in their
10 assumptions then? What are some of the areas that
11 you are not supportive?

12 MS. ZIPPEL: So I think again that the other
13 public witnesses can speak to sort of some of the
14 assumptions in the model. But I think at its core we
15 have a difference of opinion of whether or not it is
16 a correct approach to see the value of the existing
17 bonus density as being on the table so to speak, in
18 terms of being able to be applied towards deeper
19 affordability. And so I presented analysis, assuming
20 that that's the case. Office of Planning assumes
21 that it does not, and I think our feeling is that
22 just because developments have come to expect this
23 value that's been added by the bonus density does not
24 mean that we, as a city, are now not allowed to ask
25 for anything more. Especially something that's so

1 important to the needs of so many of our residents.

2 MS. CORT: I do know also that the parking
3 savings was also contested. Of course, someone who
4 has been advocating for reducing parking requirements
5 for years was elated to be able to make such a direct
6 connection. It's really this moment to make that
7 direct connection between reduced parking
8 requirements and increasing affordability.

9 MS. COHEN: The Office of Planning brought up
10 conflicts with the Comprehensive Plan. Can you
11 address those, please?

12 MS. CORT: That was related to the -- we had
13 originally -- I originally sort of added 10 feet to
14 every zone. And in order to -- that was something of
15 a straw man to get the ball rolling and I think it
16 did its job. So basically, Office of Planning has
17 stated that it's too difficult to broadly apply
18 significant changes to height or lot occupancy.
19 There would have to be a very fine tuned approach,
20 and that it's just suited to -- too complicated, in
21 order to conform to the existing Comp Plan. And so
22 they suggest, why don't we look at this when we look
23 at the new Comp Plan.

24 So we basically took the position, okay,
25 we're not going to be fighting about whether or not

1 we can get five feet here or 10 feet there. We're
2 going to look at the existing economic model and see
3 if it basically is essentially feasible to set forth
4 greater affordability. And, you know, even if you
5 don't take the 20 percent -- even if we lose that --
6 even if we've already given away that 20 percent
7 bonus density, the analysis that Claire has conducted
8 using the Office of Planning's model show that the
9 parking benefits are tremendous and that we don't
10 really have any significant negative impact on land
11 value.

12 MS. COHEN: But the parking benefits are
13 really related to how close a property is to transit.
14 So it's --

15 MS. CORT: I'd actually suggest that that's -
16 - I don't think that that's the -- I think that would
17 be like going from a one to a two, to a one to three,
18 not to a one to six. So the benefits to development
19 to be near transit, meaning that they could produce a
20 parking ratio of one to six as a matter of right is
21 not actually what's modeled in here. It would be a
22 one to three ratio. So, in fact there's more benefit
23 that could be realized, more cost savings that could
24 be realized than are actually accounted for in the
25 model.

1 MS. COHEN: Did you do a reverse analysis of
2 how much the average project is cost to developer to
3 retain affordability throughout the life of a
4 project? Did anybody come up with those figures at
5 all? Because again, you have a very -- well, I think
6 a very generous pro forma for cost of operating the
7 project. But keeping rents at a fixed amount for,
8 what is it, three years, you know, I don't know if
9 anybody has done that analysis.

10 MS. ZIPPEL: No. I mean, I think the model
11 that we have looks at the development timeline so
12 only sort of assumes that the project will be cashed
13 out when it opens. I think that's correct.

14 MS. COHEN: Cashed out meaning? Can you be
15 more explicit for the --

16 MS. ZIPPEL: Meaning that the return will be
17 achieved, that the hurdle rate will be passed in the
18 period between predevelopment and when the project
19 opens.

20 MS. COHEN: When you went out to explain to
21 the ANCs, your proposal, your favorite proposal, they
22 may be here, many of them, to comment, but was there
23 a one or were they just generally concerned about
24 affordability? Did they understand what you were
25 trying to accomplish, because sometimes if the other

1 side doesn't go out and explain their side it's not a
2 level playing field, let's say.

3 MS. CORT: Well, it was striking how
4 receptive ANCs were when I started talking to them,
5 calling them up, and e-mailing them, and we went out
6 and presented a lot of ANCs. ANCs across the board
7 are deeply concerned about affordable housing, and
8 they know that inclusionary zoning sure doesn't seem
9 very affordable basically. And so they want to know
10 why aren't we demanding 30 percent area median
11 income? Why aren't we demanding 50 percent area
12 median? So we said -- and in fact some of the ANCs
13 went against what we had suggested to them, which is
14 all rentals at 60 percent AMI. A number of them
15 actually adopted their own, and some I think are here
16 to speak to that tonight, they think everything
17 should be at 50 percent AMI, for instance.

18 MS. COHEN: All right. Because I think it's
19 extremely important to explain to people the costs to
20 each party participating in this -- in development.

21 MS. CORT: Right.

22 MS. COHEN: So. All right, I think those are
23 my questions and I guess I'll have an opportunity in
24 closing. Thank you.

25 CHAIRPERSON HOOD: Okay. Who would like to

1 go -- Commissioner Miller.

2 MR. MILLER: Thank you, Mr. Chairman. And
3 thank you both for your presentation here tonight and
4 all the work that you've done on this proposed text
5 amendment and on -- and for your advocacy for
6 inclusionary zoning for over a decade.

7 I think it's important to recognize that
8 where you are now is not where the original
9 application was. Whether it's because of new
10 information or your participation in the working
11 groups you originally had, as I recall, a 50 percent
12 AMI level for rental, and a 70 percent AMI level for
13 homeownership. You had increased set-asides beyond
14 the eight to 10 percent.

15 Now, I think it was 12 percent or more. And
16 then you had the increased height or density to try
17 to compensate. So you've backed away from, as Option
18 1B, by the Office of Planning in July, backed away
19 from the increased height or density. You're
20 maintaining the ownership at 80 percent AMI, and
21 you're not going down to 50 percent AMI on the
22 rental, and you're not doing the increased set-
23 asides. In fact, tonight I learned that you -- to
24 counter a negative, a minor negative plan value in
25 one of the scenarios you're proposing a slightly

1 reduced set-aside.

2 So I think that really shows that you've been
3 trying to work with the arguments that have been made
4 by the development community and the Office of
5 Planning about the effect on land values and your
6 sensitivity to that. But I wonder if you did any
7 modeling of, for example, the 70 percent AMI level
8 for homeownership. Did it show -- why aren't you
9 still advocating that? Why aren't you still
10 advocating the 50 percent AMI? Is it just as a
11 strategic position to take that this is the Office of
12 Planning's position as of last July and that's a more
13 politically sound position to take? Or are there
14 other reasons?

15 MS. ZIPPEL: Thank you, Commissioner Miller.

16 So I think one of the main constraining
17 factors in how we've been able to think about any
18 proposed policy change is the idea of Office of
19 Planning that more bonus density isn't available.
20 And again, zoning and the Comprehensive Plan are not
21 my wheelhouse. And it is Office of Planning's
22 wheelhouse. So I ultimately I think we decided that
23 to take Office of Planning's expertise on their
24 interpretation of the Comprehensive Plan, we hope
25 that future versions of the Comprehensive Plan will

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1 allow increased density so that we can increase the
2 set-aside, or make other improvements to the program.
3 But we did do financial analysis of our original
4 proposal and Office of Planning does, I believe in
5 their final report, that showed that without adding
6 additional density there really is a much more
7 significant negative impact you see of our original
8 proposal on land values. And I think that that
9 ultimately, you know, we firmly believe in taking a
10 balance because again, I mean, if we are adversely,
11 you know, impacting the volume of development we're
12 not getting more inclusionary zoning units. So the
13 interests, you know, are sort of in synch in that way
14 in terms of, you know, wanting to ask for as much as
15 we can without really pushing to the extent that it
16 is counterproductive for us achieving more
17 affordability.

18 That said, we would love to see 50 percent
19 AMI rental, 70 percent AMI ownership. I think that
20 you know, the analysis we've shown indicates that,
21 you know, there is obviously need there too, as there
22 is for 60 percent AMI rentals. But that on balance
23 we've really tried to think and be diligent and to be
24 comprehensive and really try to find something that
25 works for everyone.

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1 MR. MILLER: Well, I appreciate that
2 comprehensive and balanced approach. And I wonder if
3 you could speak to, quickly, just a couple points.
4 One the council member made about, and Office of
5 Planning -- I think she made it in response to the
6 Office of Planning's report, that the administrative
7 regulations to fix certain things in the current IZ
8 program will have to wait now for this whole case to
9 be resolved. I think that that's crazy since we've
10 been waiting a long time for these administrative
11 fixes. And this process may take a while and we can
12 always do further administrative changes if there are
13 changes in the text.

14 But I wonder if you could speak -- if you
15 have a position on that issue. If you know what I'm
16 talking about. If you don't know what I'm talking
17 about, that's okay.

18 MS. CORT: I mean, the program is still --
19 it's not perfect, but it is tremendously improved
20 administratively from where we started. And so
21 that's why we were confident to really push -- you
22 know, pursue this in terms of looking at the
23 fundamental policy because we have a functioning,
24 basically successful program in place. But it still
25 has challenges but things have gotten better. We

1 think by setting all rentals at 60 percent AMI will
2 help the lottery perform much better because it will
3 meet the needs of the people on the lottery list
4 right now and it will meet the felt need in the city
5 that we just don't see at 80 percent AMI that you
6 just have that very many people who are seeking out
7 subsidized housing.

8 MS. ZIPPEL: And I will just briefly say that
9 we really do have a lot of confidence in DHCD's
10 ability to implement any change that may come out of
11 this case. They've already -- and again, I'm sure
12 they can talk more in detail about the progress
13 they've made. But the time it takes from when a unit
14 comes online to when its occupied has already been
15 cut in half, and that's, you know, even given you
16 know, the significant increases and the volume of
17 number of units coming online that we've seen. So
18 while any policy change is going to be -- there is
19 going to be a transition period where administrative
20 changes will need to be made. DHCD and Director
21 Donaldson are highly competent. They now have a
22 fully staffed inclusionary zoning program, so we're
23 confident in their ability to implement this change.

24 MR. MILLER: And finally, could you speak to
25 the issue raised in the Office of Planning's February

1 26th report that says that your proposal would
2 require legislative statutory changes and that's -- I
3 guess their proposal does not. I think you made a
4 good case as to why your proposal --

5 MS. CORT: Right. Well, it's an impediment
6 that was preemptively removed because we already have
7 a resolution several months old from the D.C. Council
8 calling for bringing down income targeting and
9 improving inclusionary zoning.

10 And so I mean, you know, it's submitted to
11 the record and we had a council -- a sitting council
12 member come and testify to this. I don't think that
13 that should be a reason for us not to make the
14 program really work.

15 MR. MILLER: Well, I agree, obviously. And
16 that was the process that was used in the last
17 decade, where you had a council resolution that
18 supported what was then being debated, to have a
19 voluntary program or a mandatory program, and all
20 voluntary program or mandatory program. And the
21 council passed a resolution, the Zoning Commission
22 did its thing very well, Mr. Chairman.

23 MS. CORT: Oh, and the chairman, I think that
24 Chairman Mendelson might also be testifying tonight.

25 MR. MILLER: An then the council did have to

1 go back and do implementation legislation. So I
2 appreciate your testimony. Thank you very much.

3 MS. CORT: Thank you, Commissioner.

4 CHAIRPERSON HOOD: I'm going to ask that we
5 hold our questions, colleagues, as our chairman of
6 the council comes, who I know is very busy. We may
7 have a few questions so I'm going to ask that he gets
8 his self together and come on up and we don't want to
9 hold you, but we may have a few questions for you.

10 MR. MENDELSON: Okay.

11 [Pause.]

12 CHAIRPERSON HOOD: Mr. Chairman, whenever
13 you're ready.

14 MR. MENDELSON: Okay. I do not have prepared
15 remarks. I do have some notes and I just handed in a
16 copy of the resolution that the council had adopted
17 last year together with a reprint of the committee
18 report. It's not the complete committee report. It
19 doesn't include the attachments.

20 And my purpose here really is limited. It's
21 because I wanted to present the resolution and make a
22 couple of very brief remarks. I do want to note that
23 a colleague of mine, Alyssa Silverman, is here. I
24 think she's already spoken.

25 CHAIRPERSON HOOD: Yes, she has.

1 MR. MENDELSON: I don't know if any other
2 colleagues are here, but I did want to recognize her.

3 The important thing with the resolution that
4 we adopted last year is on page 2, Section 3, in
5 which -- what the council said, and this is a sense
6 of the council resolution. So it was a statement of
7 the council, often times a sense of the council
8 resolution, Mr. Miller probably knows this, is
9 introduced and it's held and then it's voted on.
10 This actually was referred to committee. The
11 committee as a whole held a hearing. There was a
12 committee report that accompanied the resolution so
13 there was more thought and deliberation with regard
14 to this resolution.

15 And as I said, the operative section is
16 Section 3, where it states that for the reasons set
17 forth, and it is the sense of the council that the
18 Zoning Commission and the Mayor must revise the
19 inclusionary zoning regulations to accomplish the
20 following objectives.

21 One, increase the number of inclusionary
22 zoning units produced overall. Two, increase the
23 number of units produced that are affordable for
24 lower income households. Three, set maximum rent,
25 purchase price, and eligibility thresholds in a

1 manner that ensures affordability for an adequate
2 pool of applicants. Four, achieve greater
3 affordability by lowering the upper affordability
4 limits for moderate income households. Five, ensure
5 that the zoning density bonus needed to support the
6 cost of IZ units is available and usable by allowing
7 greater flexibility within the parameters of the
8 Comprehensive Plan, and offering additional bonus
9 density as necessary to compensate for increased
10 affordability. And six, clarify the intended role
11 for qualified non-profits. The Mayor and the
12 District of Columbia Housing Authority in exercising
13 the right of first refusal to purchase and then rent
14 units to low-income and very low-income residents.

15 The Zoning Commission and the Mayor should
16 act with care and thoroughness in their review of the
17 existing regulations, the market, and all possible
18 alternatives when determining the best course of
19 action to achieve these objectives.

20 So that was the operative language. I wanted
21 to make a couple of points around this. This
22 resolution has been introduced last year in April,
23 and it was approved on June 2nd. At the time that
24 the resolution was introduced there was a lot of
25 discussion. Some of you may be aware of this,

1 primarily from the development community, that IZ was
2 a failure, that we weren't seeing units being
3 produced, that it was counter-productive to the
4 production of housing in the District. That's how I
5 recall a lot of the discussion around at the time
6 that the resolution was introduced.

7 We held a hearing and what was remarkable to
8 me about the hearing was that nobody came in and said
9 that. There were several developers who came in.
10 They talked about ways that the inclusionary zoning
11 could be improved. In my view it's a function of
12 balance. It's economics. You know, how do you
13 improve it, because at some point the tradeoffs and
14 cost and benefits outweigh one or the other in a way
15 that may not be desirable. So we got some of that
16 testimony, but there was nobody who came in and said
17 it was a failure. And in fact I remember, and it's
18 in the report, that Lisa Mallory from the Building
19 Industry Association, testified in support.

20 Now that doesn't mean that she liked it
21 exactly the way it was or that she was saying that
22 she supported the kinds of changes that might be in
23 the petition before you, but they were in support of
24 inclusionary zoning in the District of Columbia.

25 So I wanted to make that point. I also want

1 to say that the council considered several issues.
2 First, that the IZ regulations need to be addressed,
3 and that's what you're doing. And second, that there
4 is this question of balance. And the council did not
5 decide that. We heard testimony but we didn't begin
6 to decide that. We don't know what the right levels
7 are in terms of the 80 percent AMI, 50 percent AMI,
8 something in between, how much density bonus -- bonus
9 density should be.

10 So we didn't get into the details, but we did
11 recognize that there needs to be this finding of a
12 correct balance. And this is the place to do it with
13 the testimony that you're receiving. Third, that
14 while the need is greatest for individuals and
15 families below 50 percent AMI, that there's also a
16 need for workforce; affordable housing for workforce.
17 And those are people who aren't making -- who are not
18 making 80 percent AMI, but have got jobs, decent
19 jobs, and are finding affordability difficult in the
20 District.

21 And finally, that while IZ has produced
22 hundreds of units if you look back over the years,
23 that an equally -- maybe I shouldn't say equally.
24 But an also important value is that with inclusionary
25 zoning you get economic diversity. So this isn't

1 just about producing units, but it's about having
2 economic diversity in projects across the city. And
3 that that's what IZ does that other programs may not.

4 So that concludes the points I wanted to
5 make. And thank you for allowing me to testify like
6 this.

7 CHAIRPERSON HOOD: Okay. Thank you, Mr.
8 Chairman. We appreciate you taking the time out of
9 your very busy schedule to come down to provide us
10 testimony. But let's see if we have any questions.
11 Vice Chair Cohen.

12 MS. COHEN: Yes, we do. Even if I didn't
13 have a question I would make one up just so that I
14 could ask you a question.

15 MR. MENDELSON: This is like turnaround for
16 yesterday.

17 CHAIRPERSON HOOD: Hold on, before you go on,
18 I've got to come back in 30 days so I'm not going to
19 ask a whole lot.

20 MS. COHEN: No, I appreciate your comments
21 with regard to balance. It's extremely important.
22 That's actually why we're here tonight. But one of
23 the other issues I just want to bring to your
24 attention is the balance with regard to size of units
25 as well because we want to retain our families in

1 this city and provide opportunities, obviously, for
2 families to access better schools and you know,
3 retail and services. And that, to me, also is an
4 issue that comes into play because what we're seeing,
5 a lot of development is smaller units for singles.

6 So I just wanted to raise that that's another
7 balancing point as well, that we have to be able to
8 take into account the cost of larger units versus
9 what is preferred often in affordability or units for
10 seniors, which are also important. So I don't know
11 if I'm asking you a question. Really, I'm not but I
12 wanted to just say that I was.

13 MR. MENDELSON: Well, I appreciate that. I
14 don't know if you were present yesterday after the
15 Office of Zoning hearing, when the Office of Planning
16 was present.

17 MS. COHEN: No, not -- no, I had to leave.

18 MR. MENDELSON: The hearing went on for a
19 while because there was a witness who testified about
20 he alleged that affordable housing seems to be skewed
21 towards singles and not families. And I actually put
22 that question to the Director of the Office of
23 Planning. It is an issue.

24 The council did not weigh in on that point
25 when it considered its resolution. But it is an

1 issue whether the affordability is skewed toward
2 individuals and overlooking families.

3 MS. COHEN: Obviously housing is one of the
4 most complex issues that we're faced with today. So
5 this is an important step. But I guess I also want
6 to put a plug in because I have the opportunities.
7 The most important step is also to have significant
8 budget authority for affordability, to reach
9 affordability. And that's more in your court than in
10 mine. So just keep that in mind that if we're going
11 to address the needs of all families in a city,
12 especially large families and those making less than
13 50 percent of median, we need subsidies. Thank you.

14 MR. MENDELSON: Yes.

15 CHAIRPERSON HOOD: Any other questions of
16 Chairman Mendelson?

17 MR. TURNBULL: Yeah, Mr. Chair. Thank you.

18 CHAIRPERSON HOOD: Mr. Turnbull.

19 MR. TURNBULL: Thank you, Mr. Chairman, for
20 coming down tonight.

21 MR. MENDELSON: Sure.

22 MR. TURNBULL: I just had one question on
23 your point number six of the council's vote
24 clarifying the role for qualified nonprofits to the
25 mayor. Would you be -- do you see an expanded role

1 for the Mayor's office to buy units, purchase units
2 in order to get this ball rolling in areas where
3 we're having problems?

4 MR. MENDELSON: I don't know that that's --

5 MR. TURNBULL: Or is that something that
6 would need further study then?

7 MR. MENDELSON: I don't know that I could
8 speak for the council on this.

9 MR. TURNBULL: Yeah.

10 MR. MENDELSON: Since we only spoke to this
11 as a point of flexibility or --

12 MR. TURNBULL: Yeah.

13 MR. MENDELSON: -- or an issue where there
14 needs to be flexibility. If the mayor is to buy
15 units, that would probably be a budget issue and we
16 would look at that when the budget is before us.

17 The council has been very supportive
18 financially of affordable housing.

19 MR. TURNBULL: Yeah.

20 MR. MENDELSON: We've increased what we're
21 putting into the Housing Production Trust Fund to
22 \$100 million last year. I expect we'll do that
23 again. And we're putting money into affordability in
24 other ways, such as through the homeless -- you know,
25 the initiatives to reduce homelessness with local

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1 rent support. So, there are a lot of ways that we're
2 putting dollars in and this could be another way,
3 that is the mayor buying units as you asked. But I
4 don't know, I can't say right now --

5 MR. TURNBULL: Yeah.

6 MR. MENDELSON: -- whether the council would
7 support that.

8 MR. TURNBULL: Okay. Thank you.

9 MR. MENDELSON: Sure.

10 MS. COHEN: I'm sorry, I should know this
11 answer but unfortunately I don't. Under Home Rule do
12 we have the ability to provide tax abatements? We
13 do, in public housing, have payments in lieu of
14 taxes. But can we provide tax abatements in the City
15 of Washington, D.C.?

16 MR. MENDELSON: Yes, and we do all the time.

17 MS. COHEN: For affordable housing?

18 MR. MENDELSON: If we wanted to. And in fact
19 yes, we do. We have a revised process. Let me
20 remind you the council is a political body, so we
21 have a process where if somebody proposes or seeks a
22 tax abatement we ask the chief financial officer to
23 do what's called a Tax Abatement Financial Analysis,
24 a TAFA.

25 And then sometimes we disapprove the tax

1 abatement. Usually we approve it, whether the TAFA
2 says it's necessary or not. That's a long way of
3 saying yes, the council can do abatements.

4 MS. COHEN: In many cities they have taken
5 that up as another tool to help with the reduction of
6 affordability.

7 MR. MENDELSON: Yes.

8 MS. COHEN: So I just would, from your point
9 of view, would the council be willing to tax abate?

10 MR. MENDELSON: Well, we've done it so we
11 would. I mean, typically these have come to us with
12 a project that's not 100 percent affordable. And
13 typically the project has other subsidies in it. It
14 may have subsidies from the Housing Production Trust
15 Fund. It may have what they call Lytec (phonetic)
16 financing. And so there are already quite a number
17 of subsidies in there.

18 And what we're supposed to do is to look at
19 the economics to see whether there still needs to be
20 an abatement in order for the project to work
21 economically. That's what the TAFA is about. And as
22 I said, we have approved tax abatements for
23 affordable housing projects.

24 MS. COHEN: Thank you, sir.

25 MR. MENDELSON: Sure.

1 CHAIRPERSON HOOD: Any other questions? Mr.
2 Chairman, is this the most that has been put in the
3 Housing Production Trust Fund. You mentioned 100
4 million. Is this the most that's been done at one
5 time?

6 MR. MENDELSON: I think it is. In fact I --
7 not think, I know that 100 million the Housing
8 Production Trust Fund is the most that we've put in.
9 I think the last year that Vince Gray was Mayor it
10 was around 72, 73 million. And I think that was more
11 than it had been previously.

12 But as I said, we're funding affordability in
13 other ways as well in addition to the Housing
14 Production Trust Fund.

15 CHAIRPERSON HOOD: Okay. All right. Any
16 other questions up here?

17 Mr. Chairman, I only asked you one question.
18 So we really appreciate you -- I only asked you one
19 question. So we really appreciate you coming down to
20 -- I'm being facetious from yesterday.

21 MR. MENDELSON: Yes.

22 CHAIRPERSON HOOD: But I really appreciate
23 you coming down to testify in front of us. Thank you
24 very much for coming down.

25 MR. MENDELSON: Thank you. Thank each of

1 you.

2 CHAIRPERSON HOOD: Okay. Let's see where we
3 were. We were asking questions of the campaign.
4 Let's see, Commissioner Turnbull.

5 MR. TURNBULL: Thank you, Mr. Chair. I don't
6 have too many. I want to again thank you for all
7 your efforts on this and the work that you've put in
8 and I think as you originally referred to it as a
9 strawman, and at times it looked like a brick man.
10 It looked pretty -- it had a lot of aspects to it
11 which right off the bat looked a little bit tough to
12 deal with. But it looks like there's a lot of effort
13 been put into this and I think the whole Comp Plan
14 issues are too varied to talk about, but I appreciate
15 all your effort on this.

16 And I think the Zoning Commission, I think
17 we've been in the last, within the last year, we've
18 been very -- as a group I think we've been very good
19 at being able to get bonus 50 percent units, AMI
20 units on a lot of the PUDs that have come before us.
21 I think a lot of applicants, when they look at what
22 they're asking for for bonus and what they're getting
23 in the zoning upgrades, I think they've come to the
24 realization when a couple of us had said, gee, can't
25 you reach deeper into your pocket and look at 50

1 percent?

2 We've been finding that's been not as hard to
3 get as what we first thought. We've been seeing a
4 lot of developers and applicants realize that this a
5 win/win. So I think we're going in the right
6 direction even by doing this, and I think we're
7 seeing that this is not going to be as, I'm not going
8 to say, not as difficult as we think, but I think
9 we're going to see not as much pushback, hopefully,
10 as what may have been out there originally. But
11 because I think, at least as I say, within this last
12 year the amount of cases that we've had and we've
13 been asking for a little bit of increases, we've been
14 able to get those. So I thank you for your efforts
15 on this also.

16 The off-site units, and I think as the
17 Council Member Silverman's letter, she is basically
18 in the same camp, saying that we really do need more;
19 more percentage. If you're going to have off-site
20 you've really got to up the percentage. Fifty
21 percent, I'm not sure what the real number is. But
22 obviously it's greater than what the OP report is
23 saying.

24 The costs I always get leery about when I see
25 costs. We get pro formas. I know I've seen more pro

1 formas on the BZA than I care to even think about and
2 I think if I get two or three developers put forth
3 pro formas on the same project they would all be
4 different. So costs are always something that I
5 struggle with because depending upon what you're
6 included in it, some people are heavy on this,
7 they're heavy on that, they leave out this. So, I am
8 appreciative of all the costs, but I like to step
9 back and really get a -- I know there's costs that
10 are generated here from the Office of Planning.

11 So, but we need to be careful about some of
12 these costs because I think some things might be
13 included, some things might not be included. But you
14 were talking about on the matter of right. Yours was
15 like a 50 percent increase off-site within a half
16 mile.

17 MS. ZIPPEL: Yes.

18 MR. TURNBULL: Am I correct on that?

19 MS. ZIPPEL: Right. Yes.

20 MR. TURNBULL: A half mile. So the half mile
21 is basically relating back to the project, where it
22 is, and to a note, to a transportation hub, and
23 that's the whole thrust of what you're getting at,
24 that it should be within the half mile.

25 MS. CORT: Correct. And the IZ regulations

1 actually provide for an off-site compliance provision
2 through the BZA within the same census tract. And
3 when we actually -- I sort of went through that
4 exercise looking at a census tract. Census tracts
5 are just basically, it's kind of impossible.

6 MR. TURNBULL: Yeah.

7 MS. CORT: So, if we think that sometimes on
8 a rare occasion it might be a good thing to do this
9 off-site provision, then let's set up something that
10 is going to still maintain the goal of creating that
11 opportunity in the same neighborhood, essentially.
12 But giving a little more flexibility.

13 MR. TURNBULL: Well, is a half mile too far?

14 MS. CORT: I mean, a half mile is very easy -
15 - is a typical distance to walk.

16 MR. TURNBULL: It's a walkable -- yeah, it's
17 easy. It's a walkable distance.

18 MS. CORT: From a transit planning
19 perspective.

20 MR. TURNBULL: Yeah. Yeah. Okay. From your
21 original application to where we are now with 1B, it
22 was quite a dramatic -- but as you've already talked
23 about, we've already mentioned the Comp Plan and
24 those issues. And you've only got a few points that
25 you've added that you'd like to see some things that

1 are basically in the last report, OP's 1B report.

2 So for the most part you're fairly satisfied
3 with where 1B is, as I --

4 MS. ZIPPEL: Yes, I think that's correct. I
5 think our main objective at this point, given all the
6 economic analysis that we have that, as you said, is
7 approximations but is what we have to work with --

8 MR. TURNBULL: Right.

9 MS. ZIPPEL: -- shows that rentals at 60
10 percent AMI, ownership units at 80 percent AMI, works
11 economically and is aligned with our needs and there
12 are some modifications on some of the more technical
13 aspects, including off-site. Some of the
14 flexibilities. But yes, largely we think Option 1B
15 is the best action we can take to improve this
16 program.

17 MR. TURNBULL: Okay. Thank you. That's it
18 for me. Mr. Chair.

19 CHAIRPERSON HOOD: Okay. I think what we're
20 going to do, because we have some more time
21 schedules, Commissioner May if you and I -- we may
22 call you all back up later towards the end and be
23 able to ask a few questions. But we want to hear
24 from the government witnesses and then we'll get to
25 the public.

1 Okay. So I'm going to ask our Deputy Mayor
2 Kenner, if you can come forward. Director Donaldson,
3 Director Shaw, and since I'm saying Director,
4 Director, Assistant Director Rogers. Is that
5 correct? Oh, Mr. Rogers. And who else is coming?

6 MS. SCHELLIN: [Speaking off microphone.]

7 CHAIRPERSON HOOD: I'm sorry?

8 MS. SCHELLIN: Just the four of them.

9 CHAIRPERSON HOOD: Just the four? Okay. And
10 I know we have some time frames so we wanted to get
11 you in here before 8:30. And we appreciate you being
12 patient with us. So whoever wants to get started,
13 Deputy Mayor, you may begin.

14 MR. KENNER: I'll start. Good evening,
15 Chairman Hood, Members of the Zoning Commission. My
16 name is Brian Kenner. I am the Deputy Mayor for
17 Planning and Economic Development. Thank you very
18 much for the opportunity to talk to you about the
19 District's IZ program, and discuss with you the
20 Mayor's commitment to affordable housing in the
21 District of Columbia.

22 As Deputy Mayor there are three things that
23 the Mayor has tasked me with doing, creating jobs,
24 growing tax revenue, and perhaps most importantly
25 producing and preserving more affordable housing for

1 D.C. residents. In fact, Mayor Bowser has had a very
2 strong commitment to affordable housing. In just a
3 little bit over a year we have moved quickly on many
4 fronts to expand our tools to address the growing
5 needs in our city.

6 I'd like to briefly highlight a few key
7 examples of how this administration has used every
8 available tool to address the spectrum of affordable
9 housing. Last year the Mayor committed \$100 million
10 to the Housing Production Trust Fund, and I can tell
11 you that that is our goal for 2017 as well.

12 But this money is useless if we don't do
13 something with it. As DHCD Director Donaldson next
14 to me has said in the past, we have to do more with
15 more. And under Polly's leadership we are putting
16 those dollars to work producing, protecting, and
17 preserving affordable housing in all eight wards.

18 To date we have produced over 2,500
19 affordable housing units housing over 5,500 D.C.
20 residents. The Mayor realizes that in addition to
21 production we need a strong approach to affordable
22 housing preservation. So she has asked Director
23 Donaldson to head up a Preservation Strike Force.

24 They have been meeting for the last few
25 months and have come up with some short-term

1 recommendations, and they will be working over the
2 next few months to finalize some of the more longer
3 term recommendations. And we appreciate, we have a
4 few members of the Washington, D.C. Council that are
5 on that strike force as well, so we appreciate their
6 input.

7 Realizing that in addition to money the
8 District can leverage the value of its land to
9 produce affordable housing. Mayor Bowser, while she
10 was in Council, championed legislation that required
11 the sale of most District owned land for residential
12 development to include 30 percent affordable units,
13 30 percent of the affordable units targeted to
14 household earning 30 and 50 percent of the area
15 median income.

16 Last year we applied the spirit of this law
17 to a few projects to ensure that they were able to
18 meet the 30 percent requirement, such as the 965
19 Florida Avenue project.

20 As it relates to housing for those most in
21 need, the Bowser Administration has committed to
22 closing D.C. General and ensuring that homelessness
23 is rare, brief, and nonrecurring. To this end the
24 District moving forward with viable -- is moving
25 forward with viable locations for affordable, short-

1 term housing opportunities for homeless families in
2 all eight wards of the District, an unprecedented
3 action in the District of Columbia.

4 And because the Mayor recognizes that the
5 affordable housing and housing affordability is one
6 of the most critical issues affecting the residents
7 of the District, we have taken the unprecedented step
8 of having the Deputy Mayor, myself, as well as two
9 directors testify tonight on how we can propose to
10 strengthen the inclusionary zoning requirements in
11 the District and make a best practice for the
12 country.

13 We realize that while IZ is dependent upon
14 the private market and will never produce more than a
15 portion of the District's needs for affordable
16 housing, it is a vital tool to ensure both a spectrum
17 of affordability as well as geographic diversity
18 exists.

19 We also realize that there are some real
20 trade-offs that require a thoughtful and balanced
21 approach. We have heard from a variety of
22 stakeholders with various perspectives on the costs
23 and benefits. One thing is certainly for sure, which
24 is that during many of the stakeholder engagement
25 opportunities that myself, Director Shaw, and

1 Director Donaldson have had over the past few months,
2 I know for sure that I've heard just a variety of
3 responses to inclusionary zoning. And something I'm
4 very confident in, which is that there is no
5 consensus on inclusionary zoning. I know full well
6 that we are not doing necessarily as much as some
7 people want, and we're doing too much compared to
8 what other people want.

9 But we felt like it was important to be able
10 to put our heads together, to be able to call people
11 together, most importantly, and propose something
12 that we think, again not from a consensus
13 perspective, but something that we think is a
14 compromise that we can be proud of.

15 In short we have heard that the more units
16 that are produced in the deeper of the affordability,
17 the more we need to find ways of moderating the
18 financial impact in order to ensure we do not slow
19 down the critical production of housing in the
20 District. And by ensuring DHCD was at the table for
21 many of these conversations we have also ensured that
22 the zoning proposal aligns with the administration of
23 the program, and hopefully have found some win/win
24 opportunities to improve the process for everyone
25 from developers to residents.

1 Finally, I cannot emphasize enough my
2 agency's commitment to creating and utilizing data to
3 inform our decision making. With that in mind we
4 have many tools to invest in affordable housing, and
5 now we have the means also to track and measure our
6 progress. I'm pleased to say the District is well on
7 its way to surpass the goal of 10,000 new and
8 preserved units of affordable housing by 2020 laid
9 out by the Comprehensive Housing Strategy Task Force
10 report, Bridges to Opportunity. In fact, we expect
11 to exceed that goal by as much as 50 percent with
12 over 15,000 affordable units in the pipeline.

13 Once again, thank you for this opportunity
14 and I would now like turn it over to Director
15 Donaldson who will discuss in greater detail, IZ's
16 role in the broader housing strategy and some of the
17 administrative reasons behind the recommended changes
18 to the zoning. She will be followed by Director Shaw
19 of the Office of Planning and as Senior Housing
20 Planner, Art Rogers, who will go into the zoning
21 recommendations that will strengthen the IZ program.
22 Thank you.

23 MS. DONALDSON: Thank you, Deputy Mayor.
24 Commissioners, thank you very much for the
25 opportunity to testify today.

1 I am Polly Donaldson, Director of the
2 Department of Housing and Community Development. As
3 you know, DHCD administers the Inclusionary Zoning
4 Program. Once zoning law is determined the IZ set-
5 aside and income targets, DHCD ensures that IZ works
6 day and day out. DHCD's responsibilities are diverse
7 and generally include determining maximum rents and
8 prices, specifying income limits, maintaining a
9 database of registered households, conducting the
10 lottery, which is the IZ selection process to choose
11 renters and buyers, monitoring properties for ongoing
12 compliance, and recording IZ covenants.

13 DHCD is taking measurable steps to ensure
14 that the District's IZ housing is delivered
15 efficiently and effectively for two key reasons.
16 First, to bolster the District's broader goal of
17 providing affordable housing at all income levels,
18 and second so that the IZ program serves as one of
19 the pathways to the middle class. For additional
20 context the IZ program is one of many in a continuum
21 of affordable housing programs that the District has
22 that are designed to address the range of affordable
23 housing needs for low and moderate income families
24 and households.

25 Most of the District's programs, as well as

1 Federal funding sources, produce housing from income
2 levels ranging from below 30 percent of median family
3 income, MFI, to 50 percent of MFI. These District
4 based programs and sources include those within DHCD
5 and our colleague agencies, the D.C. Department of
6 Behavioral Health, the D.C. Department of Human
7 Services, and the D.C. Housing Authority.

8 The IZ program produces low and moderate
9 income housing, thereby freeing up local and federal
10 subsidies to target lower income households, which
11 are the most vulnerable households. Further, the
12 District's affordable housing tracker shows that only
13 11 percent of the units in the District's housing
14 production pipeline are targeted for households
15 earning between 60 and 80 percent of MFI.

16 The vast majority of IZ units are produced in
17 this income bracket, which demonstrates why IZ plays
18 a crucial role in filling the gaps in affordable
19 housing needs. In the past fiscal year DHCD has
20 focused efforts and resources to improving its
21 administration of the IZ program, to ensure that more
22 district residents benefit from affordable unit
23 availability.

24 Our recent and upcoming improvements include
25 the following. First, expanding the number of

1 partner community based organizations or CBOs. CBOs
2 in the District are the main access to the IZ
3 program's front door. They offer the mandatory
4 introductory IZ orientation, they counsel prospective
5 homeowners, and calculate household income for
6 program eligibility. Because the number of IZ units
7 and the pipeline of upcoming units have increased,
8 DHCD more than doubled the number of partner CBOs
9 from a year ago throughout the District. With
10 increased CBO support more households can participate
11 in the IZ program in helping fulfill their household
12 needs.

13 Second, improving the lottery. DHCD conducts
14 a random selection of program registrants to choose
15 potential renters and buyers in accordance with IZ
16 program regulations. The number of average days that
17 program participants spend in the selection process
18 was cut by more than half, or by 52 percent for both
19 rental and for sale units during the past year.

20 Third, publishing revised administrative
21 regulations. In the coming months DHCD will release
22 updated regulations for the IZ program. These rules
23 will offer housing providers greater flexibility in
24 finding and selected interested eligible households
25 and will ensure a pool of eligible households. These

1 changes may include permitting independent marketing
2 as an alternative to a DHCD lottery, allowing IZ unit
3 owners to hire a real estate broker to sell their
4 homes, requiring prospective IZ unit purchasers to
5 complete homeownership counseling and to submit a
6 mortgage prequalification letter prior to registering
7 for the IZ program.

8 Fourth, requiring households to reregister
9 every year to ensure updated and accurate household
10 information.

11 Fifth, formalizing pre-lottery registration.
12 And then finally reducing the minimum household size
13 for units with three to six bedrooms and eliminating
14 all maximum household sizes.

15 DHCD supports the Office of Planning
16 recommendations, specifically the continued use of
17 the current income limits for the following reasons.
18 First, the 50/80 percent split is consistent with the
19 Council's Inclusionary Zoning Implementation Act of
20 2006, which specifies that the IZ program shall
21 provide housing opportunities for low-income
22 households up to 50 percent of MFI, and for moderate
23 income households up to 80 percent of MFI.

24 Second, the affordability split not only
25 ensures that housing opportunities will be created

1 for low-income households, but that homeownership
2 opportunities also will be created. Low-income
3 households include individuals who can reap the same
4 intrinsic and wealth-building benefits of
5 homeownership accrued to other professions and income
6 levels.

7 Third, the aforementioned administrative
8 changes are setting the program on the right course.
9 However, shifting the income targets would complicate
10 the path to implementing these improvements.

11 Finally, adjusting the maximum rents for
12 current income targets can provide small adjustments
13 in the rent levels. These can help more households
14 afford IZ units without changing the income targets
15 and can be implemented in such a way to minimum any
16 impacts.

17 In conclusion I'm very proud of DHCD's
18 efforts to both improve the performance of the IZ
19 program and seek further improvements. We are
20 committed to delivering an IZ program that matches
21 housing opportunities with interested, eligible,
22 households. We look forward to working with our
23 partner agencies to ensure that the IZ program fits
24 neatly into the continuum of housing opportunities so
25 that all families who want to live in the District of

1 Columbia can do so. In a city as prosperous as ours,
2 this is a goal we must, and we will, fulfill.

3 Thank you. That concludes my testimony and
4 now I turn it over to Director Shaw.

5 MR. SHAW: Good evening, Chairman Hood,
6 Members of the Zoning Commission. My name is Eric
7 Shaw and I'm the Director of the D.C. Office of
8 Planning. I sit before you this evening to discuss
9 the District's Inclusionary Zoning Program. I thank
10 the Commission for its consideration and its
11 commitment.

12 Our report and recommendations are the result
13 of collaboration with the Deputy Mayor for Planning
14 and Economic Development, the Department of Housing
15 and Community Development, Department of Consumer and
16 Regulatory Affairs, and members of the working group
17 comprised of housing advocates, including the
18 applicant, DCBIA and developers of all types of
19 housing.

20 Our analysis is based on the comprehensive
21 review of the current program and a collective effort
22 to identify revisions to zoning regulations and
23 implementation that will strengthen the IZ program to
24 achieve deeper affordability, facilitate the
25 program's administration, and keep residential

1 development in the District healthy.

2 As you've heard from the Deputy Mayor and
3 from Director Donaldson, IZ has specific role to fill
4 and a broader comprehensive housing strategy. And
5 given the need for affordable housing in the District
6 I commend the applicant for challenging us to think
7 about how IZ could do more within that strategy.

8 IZ's main goal is furthering diverse
9 neighborhoods and the research suggests and our
10 analysis confirms, that the program is best at
11 achieving moderate levels of affordable housing in
12 high cost areas of the city where it's prohibitively
13 expensive to financially subsidize.

14 Unlike other affordable housing programs
15 which subsidize a subset of residential development,
16 IZ has the impact on most major residential
17 development within the city. Our review, the
18 technical analysis of the Comprehensive Plan, and the
19 potential economic impact required, and we gave
20 careful consideration to the broader impacts changes
21 may have. Otherwise the changes to IZ could become
22 an impediment to the pace of residential development
23 at a time when new supply is critical to meet the
24 needs of the strong demand for living within the
25 District.

1 In closing, OP is heading into the
2 Comprehensive Plan update process and that will offer
3 an opportunity to revisit and potentially address the
4 constraints identified in our public hearing report
5 towards IZ, leveraging greater affordability. The
6 Comp Plan process will look at our rate of growth,
7 our capacity to meet that growth, and the form it
8 will take across many neighborhoods of the city, all
9 in the context of growing a more inclusive city. I
10 think that it's highly unlikely this process will add
11 to and further inform our discussion here tonight on
12 how IZ can best serve the District's need for
13 affordable housing.

14 The amendment process is scheduled to take
15 place at approximately 18 months and I envision
16 returning to the Commission upon its completion.

17 Once again, I thank the Commission for its
18 consideration and its commitment to weighing the
19 various issues. I'm confident the hearing process
20 and your deliberations will settle on the best course
21 for IZ under the current Comprehensive Plan. And
22 with that I turn it over to Art Rogers who will walk
23 you through our process.

24 MR. ROGERS: Good evening and thank you,
25 Chairman Hood and Members of the Zoning Commission.

1 My name is Art Rogers. I'm the Senior Housing
2 Planner for the D.C. Office of Planning and I thank
3 you for the opportunity to present the Office of
4 Planning's recommendations for amending the
5 District's Inclusionary Zoning Regulations.

6 First, I would like to thank all the
7 representatives of the listed organizations who
8 participated in our working group. Our goal was to
9 bring the applicant together with DHCD, the industry
10 representatives, developers, real estate brokers, the
11 housing counselors, and others with direct working
12 knowledge of the IZ program to review the program,
13 its performance, targets and the impact on
14 development.

15 All told we had 6 meetings over the summer
16 and fall, culminating with a meeting on February 18th
17 to discuss OP's final recommendations. Their
18 participation was extremely useful in narrowing all
19 the possibilities to a precise set of recommendations
20 and OP thanks them for all their work.

21 Notably I do want to amend our report. We
22 accidentally left out DCBIA and Lisa Mallory and their
23 participation, and so you'll see the slide corrects
24 that, but.

25 Next, I would like to touch upon briefly

1 Director Donaldson's testimony and present the
2 Commission a fairly comprehensive list of all the
3 tools and funding sources that the District uses to
4 address the affordable housing problem. The slide
5 illustrates that IZ is one of the few programs that
6 targets moderate income households earning between 60
7 and 80 percent of the median family income, and only
8 11 -- as we said, only 11 percent of the affordable
9 units in the pipeline target that group. This was
10 instructive to help us understand where IZ could fit
11 best in the broader spectrum and continuum of the
12 affordable housing need.

13 All inclusionary zoning programs across the
14 country include these basic core components that you
15 see on this slide. Each has an important role to
16 play and while the Zoning Commission largely controls
17 those that are highlighted here, it is the first
18 three that define the affordability requirements. So
19 the target household incomes, the percent of the
20 square feet that are required, and establishing a
21 housing cost that the households who would be
22 occupying the units will pay.

23 The balance between the bonus density and the
24 other incentives has to take into account all three
25 of these measures of -- or parts of the affordability

1 the program delivers. I'll go into more detail
2 regarding our review and how they interact, but the
3 goal is the same, to leverage and maintain the
4 strength of the private market rate development to
5 develop the affordable units in high cost areas of
6 the city and help diversity the District's
7 neighborhoods.

8 So first, who is served by their program?
9 I'm going to go over these slides, I think,
10 relatively quickly. You've seen a lot of this
11 information already, but in generally we target both
12 50 and 80 percent of AMI and we adjust those targets
13 for the denser commercial zones where they generally
14 just target 80 percent of AMI. This was by design
15 and back in 2006, based on concerns of the impact of
16 the program on impeding the residential development
17 that was just starting to take off in the District at
18 the time.

19 And you know, the recommendations that we are
20 making are, the first and main one is to maintain
21 those current targets of 50 and 80 percent of AMI.
22 There is the demonstrated need of the households who
23 are between 60 and 80 percent. There is a lack of
24 tools to address those needs. As we've mentioned,
25 there is the legislative consistency and the

1 administrative continuity.

2 Our recommendation is to expand the number of
3 zones that would serve both 50 and 80 percent of AMI
4 to include the C-2-B, the C-3-A, the S-P-1, and the
5 W-2, along with the C-2-B-1 as well. I think the key
6 thing about these is adding the C-3-A and the C-2-B
7 are some of the most productive zones when it comes
8 to inclusionary zoning. And so we'll be able to
9 expand the ability to reach 50 percent of AMI
10 households by doing so.

11 Similarly this slide summarizes the percent
12 of square footage required to be affordable, and how
13 those requirements vary by factors such as zoning,
14 the bonus density achieved, and the type of
15 construction that's used. When quantified by units
16 IZ is averaging about 10 and a half percent of the
17 project totals, which compares very closely to
18 programs across the country. So even though we vary
19 by square footage of eight to as much as 12 and a
20 half percent, when we actually look at the unit
21 counts we are performing very closely to what other
22 jurisdictions do with their programs.

23 OP's recommendation to maintain the balance
24 between affordability requirements and bonus density
25 is that the percent of square feet required tied to

1 the bonus density be eliminated in the zones that we
2 are now requiring to reach both 50 and 80 percent of
3 the AMI.

4 Now, before I move on to cover OP's review of
5 the bonus density and consistency with the
6 Comprehensive Plan, I want to provide the Commission
7 detail in what DHCD is doing with regards to
8 establishing the housing costs that IZ tenants will
9 pay. OP tested the IZ requirements and the balance
10 of bonus density in 2006. We used an assumption of
11 30 percent of the income limits being contributed
12 toward the housing costs.

13 But our review with DHCD of the program
14 performance and best practices across the country led
15 us to conclude that we need to broaden the range of
16 households who can both afford the unit and income
17 qualify. It is not a zoning change but OP included
18 it in our view of the balance between affordability
19 and bonus density, and its ability to reach lower
20 incomes without shifting the targets, combined with
21 the ability to phase in over time, were very valuable
22 benefits to improving the program.

23 This slide illustrates for the Commission,
24 just how the adjustments in the price schedule or the
25 rent schedule will broaden the depth of affordability

1 and the households we can reach by doing so. You'll
2 see that for instance for the units that are set
3 aside at 80 percent of AMI, the shift in the rent
4 schedule will change the depth of affordability and
5 the households served from 63 percent of the MFI down
6 to 57 percent of the MFI.

7 So now how can we balance these impacts of
8 requiring deeper affordability with the bonus
9 density? When the program was designed in 2006, the
10 20 percent bonus density and the changes to height
11 and lot occupancy were consistent with the
12 Comprehensive Plan, and through our review we've also
13 determined that they are theoretically and based on
14 the hundred or so projects that have gone through the
15 process, the vast majority of the projects do receive
16 the bonus density.

17 However, our recommendation broadly is to
18 make no change other than to the C-2-C, which was
19 omitted back on 2006 by accident, from receiving a 10
20 feet in additional height. Our review of the
21 applicant's proposal of the 22 percent bonus density
22 was not achievable in most of the zones, and the
23 envelope changes to enable that were not consistent
24 with the current Comprehensive Plan.

25 In addition, they were not really realistic

1 with the requirements for light and air, particularly
2 the changes to lot occupancy.

3 And then finally, one of the challenges is
4 that even a small increase in height to access that
5 bonus density in some of the zones triggers a much
6 more expensive form of construction. We have to go
7 from a stick-built wood frame construction, maybe on
8 top of a ceiling concrete ground level, to steel and
9 concrete throughout the whole project. And that
10 increases the cost of the project, the construct, the
11 hard costs of the project, by about 25 percent to 50
12 percent.

13 So this map just, and this slide, just
14 summarizes where we are making the changes across the
15 District, and you'll see, it's a little bit hard to
16 see on the monitor but you'll see that again the C-2-
17 B and the C-3-A are in areas of the city where
18 there's a lot of development interest up 14th Street,
19 U Street, and in other parts of the city, along with
20 the W-2, for instance, along the waterfront.

21 So long-term we think that those are areas
22 could be quite productive for the program.

23 I now want to go into some of our other
24 recommendations as to improve the program. We're
25 proposing, as has been previously mentioned, that we

1 do expand the ability to move the units off-site
2 within a half mile radius with a requirement that the
3 overall requirement be increased by 20 percent. We
4 think this maintains the goal of a diverse
5 neighborhood and access to the amenities of those
6 neighborhoods, and it also increases production.

7 Based on the discussion of expanding it to 50
8 percent, I would only caution that it's very
9 difficult to test the potential for that. You have
10 two different properties in two different locations,
11 they have different land values, different rents,
12 different construction costs, and I think it would be
13 better to test at 20 percent and see if that actually
14 does something, than suddenly jump to 50 percent.

15 We all are also recommending a 20 percent
16 reduction in the requirement, provided that all the
17 units are set aside at 50 percent of AMI. This is
18 more to address the concerns that in certain
19 neighborhoods the control price is very close to
20 what's available in the surrounding market, and it
21 would make it difficult to market those units when
22 the potential occupant could go across the street and
23 buy an existing home for roughly the same price.

24 And then again, as has been mentioned
25 previously already, treat variances to that increased

1 FAR as bonus density.

2 There are other recommendations that I think
3 are necessary to improve the program. These are
4 largely categorized as providing greater clarity,
5 particularly for DCRA and their work with the
6 developers on what the requirements are, and some
7 corrections and omissions.

8 Most notable of this is the addition of the
9 Hill East Zones, which in the Hill East Zone it says
10 it has an inclusionary zoning requirement, but it was
11 never established what that requirement was. And so
12 we're basically proposing that the Hill East Zones 1
13 through 4 have similar targets to comparable zones in
14 other parts of the city. So, for instance, the H-E-1
15 is similar to the C-2-A. And so that would have a
16 similar target as C-2-A.

17 There are amendments we're proposing to
18 clarify the applicability. How existing structures
19 that are being expanded are treated, and to eliminate
20 loopholes when there are properties of consecutive
21 lots. We are expanding the mayor's right to
22 purchase, and we're providing updated definitions.

23 I think the most critical one of that is the
24 definition of bedroom which led to some
25 implementation problems. And then clarifying how IZ

1 units are distributed across a project. That might
2 be of mixed tenure, mixed phases, and so on and so
3 forth. And then releasing the IZ unit owner when
4 changes in fees threaten the affordability. And this
5 is essentially taking DHCD's established policy on
6 this that they've used for the affordable dwelling
7 units done by PUDs and done by land dispositions, and
8 applying it to the IZ. And it would require the
9 applicant go to DHCD and demonstrate that the
10 conditions and the increase in fees is threatening
11 the affordability.

12 And it provides two options for relief,
13 either selling the unit at the current control price,
14 but to a higher income. Or selling it at market and
15 the difference between the control price and the
16 market price would be contributed to the Housing
17 Production Trust Fund.

18 So in conclusion, you've heard from the
19 Deputy Mayor, Director Donaldson, and Director Shaw
20 that in general we felt that given implementation was
21 relatively new and needs further development, further
22 improvement, we are recommending that the approach be
23 just expanding the requirements of 50 and 80 percent
24 to certain zones. We are maintaining the targets
25 because of the demonstrated need, I think, and

1 achieving the depth of 50 percent units for
2 ownership.

3 And then finally improving the administration
4 between making the major policy changes and then the
5 Office of Planning provided by the Comprehensive Plan
6 to take another look. That concludes my testimony.
7 Thank you.

8 CHAIRPERSON HOOD: Okay. We all finished?
9 Okay. Okay. First of all, let me thank each of you
10 for coming down. This shows the commitment to have
11 the Deputy Mayor and directors, as well as Mr.
12 Rogers. I gave you the title Director also, but --

13 MR. ROGERS: Thank you.

14 CHAIRPERSON HOOD: -- this shows a commitment
15 of the administration in coming down to provide us
16 testimony, give us input. So it was greatly
17 appreciate by us. All the expertise that you have,
18 especially by my colleagues and myself, that you have
19 on this topic.

20 But let me just pause for a moment to do an
21 assessment. And I hate to do this because I know
22 it's 8:30. I'm looking at my list. I can kind of
23 add up, I can do a little math. One thing I do not
24 like to do is -- because I'm not sure how long our
25 questions are going to go. I've been told there are

1 quite a few questions for this panel. I'm not sure,
2 colleagues, and I want to have this discussion with
3 my colleagues now as opposed to waiting until 10:00
4 and then everybody is mad with me.

5 So let's have this discussion now. How long
6 we're going to go. Let's come up with another date
7 if we need be, because when I look at the list who
8 want to testify, and I hate to do this to the public,
9 have to come back a second time, but this went on a
10 lot longer than I thought because of the things and I
11 want to apologize for those who came tonight. We do
12 want to hear your testimony. You may have to come
13 back another night, which I believe is possibly going
14 to happen when I do the math and I look at how many
15 people signed up, and the questions that I know that
16 may come from my colleagues to this panel here.

17 The date that we have is April the 14th.
18 April the 14th. And I think, depending upon -- I'm
19 going to do another assessment at 9:00 because I want
20 to be fair to the public, and I know we could go on
21 to about 11:30 or so, but I want to be fair and give
22 everybody a fresh start. Kind of goes synonymous.
23 I've heard that before. But anyway, give everybody a
24 fresh start on the 14th, and then we'll start off
25 with the public because we should have finished all

1 of our questions tonight. So everything that we hear
2 from that point on will be from the public, and then
3 maybe some follow-up questions to the Campaign from
4 us, because I know Commissioner May and myself did
5 not have a chance to ask questions.

6 I just want to make sure that those,
7 especially in the public, could come back on the 14th
8 of April.

9 MS. COHEN: Mr. Chairman.

10 CHAIRPERSON HOOD: Hold on, let me -- I'm
11 kind of just asking. If somebody has a serious
12 problem, but I mean, are we all agreeable because I'm
13 going to do another assessment at 9:00. Okay,
14 because here's the thing. I don't want to wait and
15 tell you at 9:00 and then we -- I think that's just
16 being fair. I don't want to wait until late at night
17 and say, look, we're not going to hear from you
18 tonight. No, I don't want to do that. I don't
19 operate like that.

20 Let me go to the Vice Chair first, and then
21 I'll come to you, Commissioner.

22 MS. COHEN: No, I just know that it would be
23 helpful of course if Commissioner May and yourself
24 ask questions of the applicant. Then I was going to
25 suggest that we ask our illustrious directors and

1 Deputy Mayor to come back on the 13th to go to the
2 public, and the ANC commissioners, because we did
3 postpone, if you recall I think, a hearing because
4 the staff needed additional time. So that would be
5 my proposals to go directly to public.

6 CHAIRPERSON HOOD: I think what might be more
7 advantageous is that the public hears -- and I'm just
8 throwing this out there. We're getting ready to tie
9 this up for 200, so 9:00 we'll do the assessment.
10 But I think what's more advantageous is that a lot of
11 people want to hear whether the government has to
12 say, and from our questions. And then when they come
13 down, maybe they maybe can readjust some of their
14 testimony.

15 I don't know. I think, for me, that may be
16 more -- I see Mr. Otten. When me and Mr. Otten agree
17 it gets scary.

18 [Laughter.]

19 CHAIRPERSON HOOD: So I can tell you that I
20 think that may be the best way to move, but let me
21 hear from you, Commissioner Miller.

22 MR. MILLER: Thank you, Mr. Chairman. I can
23 go either way. I was going to make the same
24 suggestion that the Vice Chair was indicating, that
25 have the public who is down here testify and then

1 come back and have the government and the applicant
2 come back for our questions. But I'll defer to your
3 judgment on the questions.

4 CHAIRPERSON HOOD: Okay. Mr. Turnbull, you
5 want to weigh in on that?

6 MR. TURNBULL: No, I can go either way too,
7 but I think your way makes a lot of sense too.

8 CHAIRPERSON HOOD: And does the public kind
9 of -- just show of hands. I don't need any comments.
10 Just show of hands and -- okay, well, the public
11 looks like they want to go. Bear with me, it's
12 getting late.

13 Okay. The show of hands is if you agree with
14 the process that I said, that we ask our questions of
15 the government and then you all can hear the
16 responses and maybe make some adjustments in April to
17 the comments that you're hearing.

18 Okay. Okay. I assume that that's pretty
19 unanimous. And I do know that there's a schedule
20 that needs to be met. Deputy Mayor, I know that
21 there's a schedule that you need to meet.

22 MR. KENNER: Yeah, I mean, I personally have
23 probably maybe 20, 25 minutes or so to still be here.
24 So I'm more than happy to answer questions in that
25 time.

1 CHAIRPERSON HOOD: Okay. So any objections,
2 Commissioner May, to going that fashion?

3 MR. MAY: I would rather deal with this panel
4 right now and finish that up and then -- I mean, it's
5 unfortunate that people have to come back, but you
6 know, we have many, many hearings that run multiple
7 nights and that's kind of what we have to do
8 sometimes.

9 CHAIRPERSON HOOD: So why don't we do this?
10 Why don't we say no, so we don't have to do another
11 assessment at 9:00, why don't we say, we will not go
12 to public witnesses tonight for those who may want to
13 leave, but for those who may want to stay and hear
14 some of our questions and comments, why don't we say
15 now we will not hear from the public tonight. We
16 will hear from them on April the --

17 MS. SCHELLIN: Fourteenth.

18 CHAIRPERSON HOOD: April the 14th at 6:30,
19 and we will start with the public April the 14th at
20 6:30. Okay? Is that fair? Okay. All right.

21 If you have any questions or anything, please
22 see Ms. Schellin, because I think that's the --
23 that's the rule on the chair and that's how we're
24 going to move because I heard from my colleagues.
25 Okay.

1 [Pause.]

2 CHAIRPERSON HOOD: Okay. Who would like to
3 get us started? Vice Chair?

4 MS. COHEN: Oh, we're not going to go back to
5 the applicant list?

6 CHAIRPERSON HOOD: I think you all have
7 finished, right? Yeah, they're done. They're --

8 MS. COHEN: So the applicant for your --

9 CHAIRPERSON HOOD: No, no, no, no, we'll take
10 care of that. We'll do that April.

11 MS. COHEN: Oh, okay. Thank you.

12 MR. MAY: So can I make a suggestion? If we
13 all have questions for Deputy Mayor Kenner, maybe we
14 take care of him first; that we all ask questions of
15 him first?

16 CHAIRPERSON HOOD: Let's do that first.

17 MS. COHEN: Okay. Then I'm going to defer to
18 Commissioner May.

19 MR. MAY: So you don't have questions for the
20 Deputy Mayor? Yeah, you do.

21 MS. COHEN: I do. First of all, I actually
22 want to say that the package that we got recently
23 from your staff was excellent. I still have
24 questions on assumptions. But on the other hand it
25 was complete.

1 I would like to see additional information.
2 That's what I'm going to go into now. But also I
3 want to thank you for the symposium the other night
4 in historic preservation. There was some very
5 inspirational speakers. So thank you for that. And
6 I often don't thank people, so I'm pleased to be able
7 to do that finally.

8 One of the things that I would like you to go
9 into, and maybe you want to delegate it. But I think
10 the issue of land value is extremely important. And
11 I want everybody to be on the same page. So I would
12 like you or someone, to explain what land value means
13 to the inclusionary zoning program so that we know
14 what the negative values do, and how that impacts on
15 everything else. So I don't know who the proper
16 person is.

17 MR. KENNER: Commissioner, if you're
18 referring to it, which I think you are, in the
19 context of the model because I think that's the same
20 --

21 MS. COHEN: Yeah. I'm -- yes. I'm sorry,
22 yes.

23 MR. KENNER: That's the same sort of --

24 MS. COHEN: That's the only place that it
25 really was --

1 MR. KENNER: -- standardizing place, right.

2 MS. COHEN: Yeah.

3 MR. KENNER: I would probably hand that over
4 to the architect of the model to best explain that,
5 which would be Mr. Rogers. And I think, again, what
6 you're looking for is just an almost definitional,
7 just sort of how where we start with and then how the
8 individual impacts impacted and what does that mean.
9 Is that fair?

10 MS. COHEN: Yeah, because I just don't think
11 you need a PhD to understand it, but I think you do
12 need, again, the explanation as you see it and how it
13 differs from the applicant, if it does.

14 MR. ROGERS: Well, I think in terms of what
15 land value does for the IZ program is it's basically
16 the power of the bonus density to balance whatever
17 affordability requirements you're trying to reach.
18 So, and what we found in 2006 and what we found now
19 is as construction costs change, that land value
20 becomes a smaller percentage of the total cost of the
21 project. And because the land value becomes a
22 smaller percentage of the total cost of the project,
23 the bonus density doesn't quite get you the same
24 depth of affordability as it does in a lower density
25 type project.

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1 So for instance, in a four or five story
2 building the percentage of the total development
3 costs of land is higher than when you are doing
4 eight, nine, 10 story buildings. And so again, the
5 power of that bonus density to balance the
6 affordability requirements is not as great in those
7 high rise construction areas.

8 MS. COHEN: One of the things that I was very
9 concerned about again, is the -- well, I don't know
10 if these are all yours. Let me see which -- okay.
11 Okay. Let's talk about, on page 16 of your, I think,
12 appendix, we talked about nonresidential. How does
13 that impact the affordability? Does it offset it?
14 Does it add to it? You mention it I'd like you to
15 explain it for the Commission. Page 16 of 35, I
16 think it is.

17 MR. ROGERS: Yeah, so this was trying to
18 measure what would be the impact in the production of
19 square footage and affordable square footage and
20 units. What we tested in in the model was a straight
21 100 percent residential project. And what we're
22 trying to illustrate here is that when the project
23 includes a variety of uses, the requirement of the
24 bonus density has a -- creates more units than just
25 the minimum eight percent or 10 percent requirement

1 does.

2 The 50 percent or the 75 percent of the bonus
3 density gets more units. When you eliminate that it
4 will reduce the number, overall, the number of units
5 the program will produce. But we do get deeper
6 affordability in the exchange.

7 MS. COHEN: Now, have you done an analysis, I
8 asked this of the applicant, of how much does it cost
9 a developer to subsidize a unit at the various
10 affordability levels? Have you done that analysis?

11 MR. ROGERS: In the past I've done a graph
12 that shows when you have 20 percent bonus density and
13 you're going to target these incomes versus those
14 incomes. If your goal is to maintain a balance
15 between the affordability requirements and what you
16 can provide in bonus density and other compensating
17 things, like building permit fees or whatever it
18 might be, the more you target lower incomes the fewer
19 units you get and still maintain a balance.

20 And if the Commission wants I can provide
21 that graph that I have produced in the past.

22 MS. COHEN: No, I think that's helpful. I
23 think it's helpful for people to see that there is a
24 cost and it's just a matter of how that cost is
25 offset to the developer and to the citizens of the

1 city.

2 I have a lot --

3 CHAIRPERSON HOOD: Vice Chair, can I just
4 interrupt?

5 MS. COHEN: Of course you can.

6 CHAIRPERSON HOOD: So you're going to provide
7 that to us? I mean, you probably have in the past.

8 MR. ROGERS: Yes. Yeah, we can provide that.

9 CHAIRPERSON HOOD: Okay. I'd like to see
10 that.

11 MS. COHEN: I am going to suggest, because I
12 have a lot of you know, more technical issues, so
13 that I will pass it along but promise to come back to
14 me, to the other commissioners who may have the
15 Deputy Mayor in mind.

16 The only thing, I have just one question, and
17 that's really off script. But the chairman knows, I
18 often go off script.

19 On the affordable commitment that you're
20 making on behalf of the Mayor, you do know that we
21 need billions of dollars. And you do know 100
22 million isn't really that much money.

23 MR. KENNER: Unfortunately I do. I do know
24 that you know, we and I think we are no different,
25 unfortunately, than Chicago and New York and San

1 Francisco, being high cost cities, maybe not Chicago
2 as much, but Boston and so forth, that we are
3 fighting in many ways, an uphill battle as it relates
4 to affordable housing. I mean, you know, I think
5 that we, in the District of Columbia, and I know that
6 fewer cities, having talked to some other housing and
7 economic development officials in other cities, I
8 mean, they do marvel a little bit at our \$100 million
9 commitment even though it is a small commitment in
10 the grand scheme of things, but that we have
11 allocated on a consistent basis, money to support
12 affordable housing. That is something that people do
13 give us some credit for.

14 But we do, again, know that we are not
15 meeting as many of the goals as we'd like to meet.
16 You know, affordable housing as Art's -- or really as
17 the slide that we put together talks about, we have
18 income needs, or we have affordable housing needs at
19 a variety of different income spectrums. And, you
20 know, I think that the Mayor and Director Donaldson
21 and Director Zeilinger have made a very strong
22 commitment around some of the lowest affordability
23 levels, zero to 30 percent, trying to eliminate
24 family homelessness in particular in the District of
25 Columbia. We know that sort of when you get

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1 somewhere between 50 and 80 percent that the
2 inclusionary zoning tends to be a good tool to be
3 able to address that.

4 And something else that, you know, that I
5 hear and I know that being a little bit involved with
6 the previous Affordable Housing Task Force, excuse
7 me, in 2011 and '12, is that you know, that there's
8 income pressure. So if you're at 100 percent of AMI
9 and you can't find units, you know, you tend to kind
10 of go down. And when you rent down like that or when
11 you buy down like that you just put increasing
12 pressure on those people who can't go down, and where
13 there's not enough supply because that supply gets a
14 little bit more limited.

15 So Commissioner, very much I feel we do
16 understand that 100 million is not sufficient to deal
17 with it and you know, we are hopeful and I appreciate
18 your comment to the Chairman, which is that we are
19 probably going to be in this upcoming budget, trying
20 to propose some additional resources to support that.

21 MS. COHEN: I would suggest that the people
22 of Washington, D.C., wouldn't mind taxing themselves
23 on a bond issue if that's possible, for affordable
24 housing. I see it everywhere. And I probably talk
25 to the same people you do in different cities. I

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1 don't think that we're doing enough and I think our
2 residents are willing to step forward and help out.

3 CHAIRPERSON HOOD: On the line of questioning
4 from the Vice Chair, I think you mentioned in your
5 comments, Deputy Mayor, that the administration was
6 also going to try to find another 100 million to go
7 in FY-17. Do you think that may carry out? And I
8 know I'm asking you some questions that further out,
9 projecting out, but do you think the administration
10 will continue that or will they try to find even
11 more?

12 MR. KENNER: You know, and I will defer also
13 to Director Donaldson who, you know, again I want to
14 give her a lot of kudos in that I think that this,
15 over the past year, we've actually not only been able
16 to get \$100 million allocated, but I think Director
17 Donaldson has done a fantastic job of making sure
18 that we actually get that money out to people.

19 CHAIRPERSON HOOD: Okay.

20 MR. KENNER: Which has also been a challenge,
21 I think, in previous times. But you know, everything
22 needs to be balanced, right? I mean, we've certainly
23 -- those of us on this panel here, I think, feel
24 affordable housing in particular as a sensitive point
25 that we want to put additional resources to. If you

1 put the Deputy Mayor for Education up here you better
2 believe that what she hears is school construction,
3 and the fact that we need to be modernizing our
4 schools and providing, you know, quality learning
5 environment. You put the Deputy Mayor for Public
6 Safety up here you better believe he's going to be
7 talking about police force and body cameras to be
8 able to protect people.

9 And so I think you have a sympathetic
10 audience here as it relates to trying to -- in
11 pushing for additional resources. You know, we all
12 just came from our internal budget meetings with the
13 Mayor and, you know, it's going to be, as it always
14 is, it's a tight budget. And so we will continue to
15 advocate for additional affordable housing resources.

16 CHAIRPERSON HOOD: Okay. And I do have some
17 additional questions but I think the rest of them can
18 be answered by the other panel.

19 MR. KENNER: Sure.

20 CHAIRPERSON HOOD: Any other questions of the
21 Deputy Mayor? Commissioner Miller.

22 MR. MILLER: Thank you, Mr. Chairman. I
23 don't know if it's specifically directed to the
24 Deputy Mayor, but I also did want to thank the Deputy
25 Mayor, DMPED, DHCD, and OP and the Mayor for all the

1 work that they have done on affordable housing and on
2 this particular case, inclusionary zoning, and all of
3 the data that you've provided which has been helpful
4 for our understanding and help the petition to
5 understand how we might go forward.

6 I guess I would want to know -- the Office of
7 Planning in its July setdown report had an Option 1B.
8 That is essentially what the petitioner has embraced
9 with -- and along with some of the other changes that
10 you all are proposing now, some of the clarifying and
11 correcting changes. Maybe with a couple
12 modifications.

13 So I guess, and they did it for the same
14 reasons why you, in July, proposed Option B. It was
15 because the vast majority of inclusionary units being
16 produced right now, I think it's over 87 percent or
17 something, is at the 80 percent AMI level, whereas
18 three quarters of the folks waiting on the IZ
19 inclusionary waiting list are at the 60 percent AMI
20 level. And I guess I would want, in terms of a
21 further submission, more information reacting to what
22 the proposal currently is. Not the original
23 proposal. More reaction to why we shouldn't go with
24 what the Office of Planning proposed in July of last
25 year, which is what the petitioner is proposing now

1 because it is all IZ rental units will be produced
2 where they are most needed, at the 60 percent AMI
3 level, as opposed to the 87 percent level.

4 Your proposal, I assume, will lower that
5 number, that percentage. But it's still going to be
6 the vast majority of IZ units produced are going to
7 be at the 80 percent AMI level under your proposal,
8 even with the changes. Is that correct?

9 MR. KENNER: That's correct. I think one
10 thing I would add is, in our review process,
11 particularly with the housing counseling agencies who
12 their job is to do the outreach, they said that you
13 know, the 80 percent of AMI households are sort of
14 unused to seeking help. And so they're not
15 necessarily aware of the program.

16 And so one of the issues was actually
17 expanding the marketing to those households so they
18 are aware of the program. There is the need out
19 there. You know, roughly two out of five households
20 between 60 and 80 percent of AMI are housing cost
21 burdened, or even severely burdened. It is smaller,
22 obviously, than the households at lower incomes. But
23 there was the -- there is the demand out there but it
24 was getting them aware that the units were available.

25 Once DHCD handed over -- went through the

1 lottery list and then handed over the opportunity to
2 the developer, they had the marketing tools to reach
3 those households and get the units leased up. And so
4 that was another reflection that there was the need
5 and the demand for rental units at those income
6 levels.

7 MR. MILLER: So I guess I'm somewhat
8 disappointed that -- I would appreciate it if you
9 would reconsider going back to your own Option B
10 proposal because I think it's just going to produce
11 more units at the level where the most need is at the
12 city. Your own data shows that the 80 percent is
13 almost at market rate. There still will be 80
14 percent required under the petitioner's proposal for
15 homeownership. And there should be more marketing.
16 And then I appreciate all the improvements that DHCD
17 has made and continues to make and improving the
18 program going forward, whether it's existing program
19 with your amendments, or with an additional
20 amendments.

21 But I just, in going forward, I would like
22 more of a narrative that responds directly to the
23 petitioner's current proposal, which was essentially
24 the Office of Planning's July 2015 Option 1B
25 proposal, and why we shouldn't go that route because

1 that's -- you all did a very good job of convincing
2 me in July that that was a good option to go. So I'm
3 not convinced that it -- I haven't been persuaded
4 that we should back down from that. So if you want
5 to give more information, it doesn't have to be
6 tonight, but I think we just need more of a
7 presentation that doesn't deal with the Comp Plan
8 issue because that's off the table. That's not part
9 of their proposal to increase density. And maybe
10 something with you all look at next year as part of
11 your Comp Plan process.

12 But so I would appreciate having that
13 information going forward. I appreciate all the work
14 that you've done and hopefully we'll get to a good
15 outcome. Thank you.

16 CHAIRPERSON HOOD: Okay.

17 MR. MILLER: You wanted to respond, but I
18 just --

19 CHAIRPERSON HOOD: In response. Okay.
20 Commissioner May.

21 MR. MAY: All right. So I have multiple
22 questions but just for the Deputy Mayor, the one
23 question I have is, I was puzzled by one of your
24 statements which was that you're convinced that
25 there's no consensus on affordable housing, or on

1 inclusionary zoning and that some -- many are for
2 more, and some are not, or something like that. I
3 mean, I was confused by that. There are people who
4 are against affordable housing or against
5 inclusionary zoning?

6 MR. KENNER: No, sorry. Just, there were
7 people who in the various sort of stakeholder
8 meetings that we went to, those people who differed,
9 I think, in terms of the IZ proposals that we were
10 discussing. So, no, no one was against on the list
11 of the stakeholders, no one was against affordable
12 housing or IZ. I just think there was not consensus
13 amongst which proposal to move forward with.

14 MR. MAY: Okay. All right. That's a little
15 bit easier to understand.

16 MR. KENNER: Sorry.

17 MR. MAY: Because it was -- that's why I
18 wanted that clarification. I mean, I don't have
19 further questions for you but I am a little bit
20 puzzled that -- because, you know, the feeling that I
21 get from hearing your testimony as a group is that
22 you know, there are lots of things that are happening
23 in the realm of affordable housing and you're working
24 really hard and a lot of good things are happening.
25 And it's almost like we shouldn't worry about it.

1 And boy, what we get all the time is this
2 drumbeat of how problematic the situation is right
3 now and how IZ is an under-utilized tool. So it is a
4 little surprising. I mean, I appreciate the fact
5 that you, you know, you understand that \$100 million,
6 while it's a lot of a money, it doesn't buy nearly
7 enough housing to fix the problem, you know, in the
8 foreseeable future.

9 But here's one that you know, inclusionary
10 zoning is something that isn't coming out of the tax
11 payer pockets, and it's not bond money, or it's not,
12 you know, it's tapping an economic engine that
13 already exists. And it just seems to me that there
14 would be more of an emphasis on ways to tap that.

15 And if you get to the point where you're
16 tapping it so much that it actually throttles back
17 the development a little bit, well you know, maybe
18 then you'd have to adjust. I don't know. I mean, I
19 find it very puzzling because I feel like, you know,
20 the house is on fire and you know, we're using a
21 garden hose on it and you know, it isn't going to put
22 the fire out.

23 MR. KENNER: Yeah. I mean, you know,
24 something that I think we all sort of collectively,
25 when going through sort of this process, is that you

1 know, IZ is one tool. IZ is a tool that you know, I
2 think to the previous Commissioner's comment, will
3 always be difficult in terms of getting us three-
4 bedroom units and four-bedroom units for affordable
5 housing, because it's about the private production of
6 affordable housing. So we're not going to be able to
7 necessarily target that.

8 We know for a fact that we have income needs
9 at a variety of different AMI levels. And I think
10 that our goal in going through this process, hearing
11 from a variety of different stakeholders, and I
12 assume you'll hear more this evening or whenever the
13 next meeting is, about the variety of different sort
14 of viewpoints that are out there on the existing not
15 only the applicant's position but our position. I
16 think that you'll hear that there are potential
17 ramifications for every decision that's made around
18 inclusionary zoning.

19 So you know, I think that I certainly don't
20 want you to hear that we think that this is a
21 nonchalant issue because I do not believe that we
22 collectively would be here if it was a nonchalant
23 issue. We all also believe that we do need to do
24 some things to strengthen the existing inclusionary
25 zoning program. And in the same way we need to make

1 sure that we are able to balance the variety of needs
2 that are out there. And so that's the proposal that
3 we put forward.

4 MR. MAY: Okay. Thank you. And that's -- I
5 will have more questions but Mr. --

6 CHAIRPERSON HOOD: Yeah, I think we all do.
7 We're just trying to accommodate the Deputy Mayor
8 right now. Commissioner Turnbull.

9 MR. TURNBULL: Yeah, thank you, Mr. Chair. I
10 really don't have any questions directly for the
11 Deputy Mayor but I want to thank him for coming here
12 tonight and I want to thank the rest of the panel.
13 But I would agree with my colleagues and especially
14 Commissioner Miller. I guess what I'm surprised at
15 is the amount of hearings we've had. I mean,
16 basically we've heard from the proponent, from the
17 petitioners, asking -- looking for OP's 1B proposal.
18 And this is what I thought we were going to at some
19 point earlier in the year also.

20 But this basically says maintain the status
21 quo except for -- and the 50/80 split is a little
22 puzzling to me because basically, unless it's a city
23 private developer project going on, we get eight
24 percent at 80 percent AMI or MFI, whatever you want
25 to call it now. And this Commission has to fight to

1 get 50 percent. And the Vice Chair has got a special
2 pair of shoes she wears that's got 50 percent on it.
3 And she gets up and she leads us in fighting for the
4 50 percent on these projects.

5 And we've been able to get it. We have
6 developers that want to do the -- that will say,
7 okay, we're going to do it. And we'll get those
8 extra 50 percent units. But it's a fight. And when
9 I see this at 50, 80 percent to maintain it, I'm
10 like, what 50/80 split. Usually it's eight percent
11 at 80 percent AMI. Unless it's a special project
12 where it's got City money and it's a combined effort
13 to get the different units of affordability. We're
14 getting 80 percent AMI.

15 So I'm not sure the 50/80 percent, what it's
16 serving us. I don't think it's going to -- I don't
17 see the benefit of what we're getting. We have so
18 many people that come before us that are basically
19 crying. I mean, they're telling us, this is useless.
20 We can't afford this. Why are you doing 80 percent?
21 It's basically market rate.

22 I mean, go to Ward 7, Ward 8. You name the
23 wards where people are saying, we can't afford that.
24 The city is being gentrified. The people who grew up
25 in the city are being kicked out and they're moving

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1 away. They've got no place to go. So I'm puzzled.
2 I mean, we just heard Council Member Silverman. We
3 heard Chairman Mendelson read to us from the council
4 order telling me what they want to do and how they
5 want to get forward, they want to move ahead.

6 And I see this proposal before me and I would
7 echo the comments of Commissioner Miller. It's like,
8 we're disappointed. I'm struggling. I'm struggling
9 to understand where we're going, why we can't get to
10 the 1B proposal and solve a major diversity issue and
11 the residents of this city. This is a great city and
12 we've got so many great people that want to stay
13 here, live here, raise their families here. And as I
14 say, thank God the Vice Chair is out there fighting
15 tooth and nail for it. And I just think we ought to
16 get a little bit closer on this somehow. And I wish
17 you guys could come back and look at your proposal
18 and see if there's some room to move because we're --
19 the Zoning Commission gets hit with this all the time
20 and we're struggling. I said, we're fighting and
21 we're trying to do our best, but we need help. We
22 really do need the effort to get to where the people
23 want us to be.

24 CHAIRPERSON HOOD: Okay. Vice Chair Cohen,
25 another question, then we're going to --

1 MS. COHEN: Not really. I think Commissioner
2 Turnbull channeled me very well and he's very
3 generous.

4 MR. KENNER: And your shoes too.

5 MS. COHEN: So, thank you.

6 CHAIRPERSON HOOD: I would echo Commissioner
7 Turnbull's comments. But I also know that -- and I'm
8 glad Ms. Director Donaldson and others are here
9 because I plan on tapping into their brain to help me
10 fully understand a lot of this. I'm not as versed as
11 the Vice Chair, in this subject. And maybe this one
12 only. And Commissioner Miller.

13 But I do know that some years ago, and not
14 really knowing there was a development and some
15 people may know who was here, maybe about nine or 10
16 years ago, I was pushing for 30 percent of the AMI.
17 And the developer looked at me like I was crazy. But
18 I do know, we do hear a lot of that. There's a lot
19 of people who come down, and the Vice Chair has
20 championed that. And we've all got behind on that.

21 So if there is some wiggle room, let's try to
22 find it. I understand that you all have done your
23 analysis and you figured out. But there's some
24 wiggle room where we can come closer together to
25 maybe drop some of the new MFI, I didn't know it was

1 MFI until tonight. But I start seeing it recently.
2 But if we could try to figure that out and there's
3 some wiggle room because for me it's about a
4 balancing act. And I know we have some folks who are
5 experts, much more than I am on this subject. But
6 for me it's about balancing it. Make sure it works
7 and I've said this when we first started the campaign
8 some years ago, is that if what we do, what this
9 Commission does this time, if it doesn't work, let's
10 not get long-winded. Let's come back and let's try
11 to make it work. That's the goal, to make it work.

12 So with that, Mr. Deputy Mayor, thank you for
13 coming down. We appreciate you --

14 MR. KENNER: Thank you for letting us
15 testify.

16 CHAIRPERSON HOOD: We appreciate you sitting
17 here taking your time. Hopefully the other three
18 panel members will be able to stay for a little
19 while. Director Donaldson, Director Shaw, Mr.
20 Rogers. But we appreciate you taking the time and
21 also sticking with us. We appreciate that. Thank
22 you.

23 Okay. Who would like to start us off first
24 with the panel? Vice Chair Cohen?

25 MS. COHEN: Actually, I was going to suggest

1 Commissioner Turnbull. He's on a roll.

2 I had some questions. It seems like they
3 were pretty technical and thank you, Art, for
4 answering some of them. But I think you got the gist
5 of what everybody is asking and that has to do with
6 why not 60 percent, and the obstacles that are
7 presented there.

8 One of the things that would be very helpful
9 is when you talked about the projects under
10 construction and those that are presently in the
11 pipeline. I hope you can provide us with the actual
12 list because that might trigger our memory on some of
13 the issues that we faced, and that, you know, we were
14 either successful or unsuccessful and again, you
15 know, we do expect these annual reports so this kind
16 of will help us evaluate what we've accomplished or
17 not.

18 One of the issues that of course I'm
19 concerned with, as is everybody, is the ability to
20 encourage home ownership. Again, I sort of was
21 raised with homeownership being the American dream,
22 and that American dream fell on its face in many,
23 many parts of the country. A lot of it had to do
24 with, of course, buying a larger home than was needed
25 or you know, no dock -- I think a lot of it was

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1 mortgage bankers who got very aggressive in their
2 underwriting.

3 So I'd like some more information on the
4 protections of people in the homeownership and the
5 condo ownership because I'd hate to see anybody lose
6 their home after accomplishing it. And I think HPAP
7 and the Housing Authority through Section 8 project
8 based has a lot of information you can share with us,
9 underwriting.

10 Again, I am very concerned because what
11 happened is when the market corrected it
12 overcorrected. And the credit scoring now that --
13 banks, and I'm pleased to see that you have
14 relationships with various bankers. But I think
15 they, you know, over corrected the market and not
16 everybody is eligible. But that may be the argument
17 for the 80 percent as opposed to a 70 percent
18 homeownership AMI. I am an old-timer, so I can't
19 change that quickly.

20 One of the things that I think is extremely
21 important, I know you're working to reducing the
22 number of months that there is a particular unit
23 that's unfilled and that's pushed back, obviously,
24 from developers. But go to the source. People who
25 are not making the increase in income that is

1 required to keep pace with the market are really like
2 the post office workers, the retail workers. They
3 read their -- what they get from their unions, the
4 teachers, the nurses, they have associations and
5 organizations. Those are the people that are
6 desperate. And at a starting salary you cannot
7 afford anything in this city as your own
8 documentation, your own data indicated.

9 Again, you're saying a lot of people just
10 don't know about what's going on. And again, some of
11 these people make 80 percent. Some may be truck
12 drivers and the transit workers. Those are the
13 places that, you know, need to be included and I can
14 tell you from my own past life that going to their
15 unions can be very successful.

16 I already kind of whined about small units.
17 I don't know how you can, if it's possible, and if
18 not, you know, you may want to provide us with a
19 model as to why we're not getting those larger units.
20 Now I know it's building type, but again, I'm of the
21 opinion that using the higher construction type is
22 longer sustainability. But, you know, I really defer
23 to my architect colleagues and my chairman to tell me
24 if that's, you know, true or not true. And I wanted
25 to make sure that your cost of \$168 a square foot

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1 includes greening those buildings because that's
2 another area where we get so much pushback from
3 developers.

4 And then maybe, you know, your own sister
5 agency, what are they called now, DOEE, can be of
6 help there.

7 I think those are much of my comments.
8 Director Donaldson, I think also what's going to be
9 helpful to us, I asked this at one of our trainings,
10 is to actually have an idea of how much money is
11 spent on affordable housing with regard to not only
12 the trust fund, but home, and CDBG, and vouchers,
13 local ones, HHSVA. That will help us kind of put
14 into perspective so that we're not always fumbling;
15 that we'll feel a little bit more comfortable in
16 knowing that I am a bit of a chicken little.

17 I mean, well, I'm not because there is a
18 desperate need that, you know, we all realize. But I
19 would like to have that information. And also, one
20 of my concerns is going through the public housing
21 waiting list, not everybody who applies, the rent
22 burden people may also be eligible for some of these
23 lower income units, 50 percent which we don't see
24 being built. And I think that's it. Thank you, Mr.
25 Chairman.

1 CHAIRPERSON HOOD: Thank you, Vice Chair.
2 Commissioner Miller.

3 MR. MILLER: Thank you, Mr. Chairman. I
4 really don't have any specific questions. I want to
5 -- I want the executive to provide a response to the
6 Campaign for Inclusionary Zoning proposal as it
7 exists before us today, and I don't know if you have
8 a copy of their statement in the data that they have.
9 But if there's anything that's incorrect in there, or
10 that you want to rebut in there, I just found it very
11 persuasive and it aligns with your Option B proposal
12 back from the OP setdown report in July and it aligns
13 with many of DHCD's housing programs and where the
14 need is greatest.

15 And so I just want to see a further response
16 to actually what is before us now in some future
17 submission from the executive. And I would love to
18 see that you go back to it. Or something close to
19 that because that is what we hear down here. I know
20 you do too, in terms of going around the city. What
21 you hear the need, where the need is.

22 So, but if there's any data in their
23 presentation that needs to be corrected and so that
24 they can make adjustments, because I think they
25 clearly tried to use your data on the land values to

1 come up with a reasonable balanced proposal that is
2 far from where the original application was, and was
3 responsive to the suggestions that you've made along
4 the way. So that's what I'm looking for in the
5 future. I really don't have any specific questions.
6 I don't know if you have -- if you want to say
7 anything now, like if you're ready to go with your
8 Option B proposal, we can just call it a night.

9 CHAIRPERSON HOOD: Okay. Were you going to
10 respond, directly, anybody? Okay. Mr. Turnbull?

11 MR. TURNBULL: I really don't have any other
12 comments. I think I maybe went on too long before.
13 But I guess I would just go back to that counsel --

14 MS. DONALDSON: Not at all.

15 MR. TURNBULL: Not at all. Okay. I just
16 want to go back to the council resolution that the
17 chairman referenced. And he talked about how many of
18 the residents are below 80 percent AMI. He made
19 reference to Section 3. Section 3-2 talks about
20 increase the number of units produced that are
21 affordable for lower income households. And number 4
22 says achieve greater affordability by lowering the
23 upper affordability limits for moderate income
24 households.

25 Both have got to be key elements that we need

1 to be looking at. And I understand where you're
2 coming from on certain aspects. But I think the
3 petitioners, I think Ms. Cort and Ms. Zippel made
4 some -- and echoing Commissioner Miller's comments, I
5 think we need to go back and look at what they said
6 and I think we need -- you were talking about a
7 balance. We need a balance, and I think right now 1B
8 sounded like we thought it was fairly balanced, but I
9 think we need some more thought. And if you people
10 could go back and really take another look at this I
11 think I would appreciate it.

12 CHAIRPERSON HOOD: Okay. Commissioner May.

13 MR. MAY: Yeah. Just a couple of questions.
14 So, Director Donaldson, the -- you testified that
15 only 11 percent of the units that are in the housing
16 pipeline are targeted for 60 and 80 percent
17 affordability levels. And I'm curious about the
18 context for that. I mean, only 11 percent makes it
19 seem like it's a small number, but it could be a very
20 large number compared to the actual demand for
21 housing in that -- you know, in those brackets. And
22 so I'm wondering, I mean, what is the larger context
23 here and how critical is that need that IZ is
24 currently filling?

25 MS. DONALDSON: Right. That was in reference

1 also to other sources of affordable housing as well.
2 So the trust fund, for example, as I'm sure all of
3 you know, has designated buckets of AMI. I still use
4 that term as well. So, and it's a 40/40/20 split.
5 So 40 percent of the trust fund by statutory
6 requirement must go to under 30 percent AMI
7 households. Forty percent must go between 31 and 50
8 percent of AMI. And then the remaining goes, which
9 is 20 percent of the total trust fund, goes between
10 51 and 80.

11 So that is, in terms of what's being produced
12 -- and we've had to, in this past year, calibrate
13 that to adhere more. So we were very intentional,
14 for example, in DHCD's RFP that was released in 2015,
15 results, selections were announced this past January.
16 We adhere to those buckets more than had been done
17 and actually even compensated for that middle range
18 that doesn't have automatic subsidies such as Section
19 8 or local rent supplement program, but has to be
20 done creatively in terms of developing the pro formas
21 and such.

22 So that is in reference to what we're
23 producing as a city in terms of that. Of course in
24 IZ the percent of AMI is at a different end. And I
25 think as the chart that Art showed, that showed the

1 whole continuum of housing, and where IZ's role in
2 the tool kit, the total District tool kit, and the
3 request for, that Commissioner Cohen made for, you
4 know, what's IZ's percent of the overall resources
5 that we dedicate to housing, and what need is that
6 meeting that isn't addressed by any other program.
7 And we'd be happy to amplify more on that and really
8 show how that chart, which is a graph to kind of show
9 what buckets are being addressed, if you will, by
10 what programs, to put some dollar figures to that if
11 that would be helpful.

12 And in some ways again show what is
13 underlying, what we presented here tonight is the
14 option, is that the IZ program is not intended for --
15 I mean, it's targeted to a specific AMI classes, and
16 what we're trying to do is increase the affordability
17 by adjusting the rents and the rent increases, and
18 that that is at a cost to the development package,
19 but that that is the way that we thought that we
20 could better adjust the income and the affordability
21 requirements without a major change to the AMI
22 status. So that was the intent behind that. I hope
23 that answers your question.

24 MR. MAY: Only partially. What I really
25 don't -- I mean, I appreciate all of the charts and

1 the information that Mr. Rogers presented, and that
2 shows part of the picture. But, you know, seeing a
3 list of the names of the different programs that are
4 targeted for the different income levels doesn't
5 really correspond to how many dollars are going into
6 those, or how it's addressing the specific housing
7 unit need associated with those. So you could have
8 20 in one column and five in another, and the five
9 might be meeting the need in that segment better than
10 the 20 in the other one just because of the
11 distribution of the need.

12 So I think that's what I really am struggling
13 with, is you know, what is the actual need in these
14 segments, and how do these -- you know, is this
15 really the right tool to address those? I mean, you
16 know, and we may well -- you may be able to
17 demonstrate that what we really need is a whole lot
18 more. Even though the vast majority of IZ produced
19 affordable housing is winding up in the 80 percent
20 column. Maybe, you know, maybe that's only meeting
21 you know, a very small portion of the overall need,
22 and that really is where we need to focus on it. In
23 which case then maybe the thing that we should be
24 thinking about is doing more than 8 percent at 80
25 percent. Maybe we need to be doing 10 or 12, or

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1 something like that.

2 So it's, you know, it's connecting it to the
3 actual need that is the thing that I'm missing. And
4 maybe it's, you know, it's in what you presented but
5 it's a lot to absorb in a relatively short period of
6 time. So if you can illuminate further or point to
7 me two charts that you've already submitted, I think
8 that's helpful.

9 MS. DONALDSON: Yes, I can do that.

10 MR. MAY: Okay.

11 MS. DONALDSON: Thank you.

12 MR. MAY: So I understand, 30 -- I'm sorry.
13 Just so I understand the terminology better, housing
14 cost burdened is, I mean, you're burdened at 30
15 percent and you're severely burdened at 50 percent?

16 MS. DONALDSON: That's correct. Yes.

17 MR. MAY: Okay. So the old formula of
18 spending no more than -- or maybe it's -- I don't
19 know, when I first had to pay my own rent I was told
20 30 or 33 percent was the norm. Is that not the norm?

21 MR. ROGERS: So 30 percent, from a policy
22 standpoint was established back in the 1980s.

23 MR. MAY: Yeah.

24 MR. ROGERS: As for almost all federal
25 programs.

1 MR. MAY: Uh-huh.

2 MR. ROGERS: And so, yeah, as you look at the
3 higher income households they average more like 22,
4 25 percent of their income going toward housing.

5 MR. MAY: Right.

6 MR. ROGERS: So.

7 MR. MAY: Right. But I mean, what it reminds
8 me of is just that, you know, the situation when I
9 was, you know, young and I mean, I was not earning a
10 whole lot of money and it was a struggle to, you
11 know, keep that percentage in line with my income as,
12 you know, underpaid -- I mean, I won't even tell you
13 what I was doing right out of college. But, and I
14 did my time in nonprofits and, you know, things like
15 that. So I didn't make a whole lot of money.

16 But what it makes me wonder about is actually
17 who is being served by 80 percent AMI housing. I
18 mean, when we were talking about that and we're
19 talking about people being not as heavily burdened as
20 they are in these other brackets, I mean, are we
21 really serving the portion of the community that is
22 perhaps not earning very much right now but has a
23 very bright future for what they might be earning? I
24 mean, are we helping, you know, recent college
25 graduates who aren't quite making enough to make it

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1 in Washington because Washington is an expensive
2 place to live? Or are we addressing a broader
3 segment of the community? Do we know enough about
4 the demographics of who's served at this different
5 income levels?

6 MR. ROGERS: Yeah. We can provide more
7 information on that if you would like.

8 MR. MAY: Yeah.

9 MR. ROGERS: I would point out on page 5 of
10 our appendices, we provide the income limits and the
11 type of job, and the type of size of household.

12 MR. MAY: Yeah, right.

13 MR. ROGERS: That gives you a better sort of
14 a qualitative feel for the types of --

15 MR. MAY: Got it.

16 MR. ROGERS: -- households we're trying to
17 serve.

18 MR. MAY: Okay.

19 MR. ROGERS: With the program.

20 MR. MAY: Okay. I think that's it for my
21 specific questions.

22 CHAIRPERSON HOOD: I really appreciate the
23 panel's discussion here this evening. My questions
24 may be a little different. I come from a different
25 source of expertise on this subject, but I just know

1 that I want to get there. So I mean, I understand
2 there are a lot of factors that go into the tool kit.
3 I understand that. Let me ask you this, Ms.
4 Donaldson, and I hear this a lot up here. And I hear
5 this quite a bit at our hearings from colleagues and
6 stuff.

7 But let me ask you this, I hear that if we
8 increase the supply we will limit -- we will cut back
9 on the demand and things will then become affordable.
10 Maybe it hasn't been long enough for me to realize
11 that but I don't understand that direction because it
12 doesn't seem to be -- and I've been here 17 years.
13 And it doesn't seem to be going in that direction.
14 So is that a true statement of your expertise and --

15 MS. DONALDSON: A supply I think as defined
16 by not just producing new, but also preserving
17 existing and ensuring that anything new that is built
18 does address affordability needs like an IZ program
19 in that way.

20 We have been losing units, certainly on the
21 preservation side. And we are intending to reverse
22 that trend and to use some public resources to help
23 leverage private resources to make that happen. In
24 other words, what the 100 million has done, if I can
25 digress for one moment, the commitment on the part of

1 the mayor and the counsel to this 100 million as an
2 annual infusion into the trust fund is something that
3 other institutional investors, not just banks but
4 also pension funds and such are -- it's consistency.
5 It's saying that we are there and that the
6 government's gap financing piece will be there.

7 But to your question on, you know, how are we
8 influencing supply. I mean, I think it comes back in
9 part to what Art said about if there is pressure at
10 the 80 to 100 percent of AMI competition for units or
11 not enough units there, it pushes down and creates
12 additional competition where the supply is not
13 sufficient so that yes, you know, the average price
14 for a one-bedroom has risen. Doesn't mean there
15 aren't any units available under -- you know, one-
16 bedrooms under 1,000 or at 800. It just means there
17 aren't as many and that the geographic distribution
18 isn't where it should be.

19 I think part of what the investment in
20 something like the trust fund, the increased
21 investment in the local rent supplement program, the
22 use of other tools on that list of tools, what that
23 is doing is trying to change the mix of the supply.
24 And so that it is in creating opportunities for those
25 who are at the very lowest income levels, but also

1 those in that -- the AMI levels between 30 and 50
2 where there are no special rent subsidies, for
3 example. It has to be built in to the development
4 package and it has to be done by collaboration
5 between government and private developers in that way
6 to increase that supply.

7 We've been very intentional over the past
8 year of communicating that. Anyone who applied to
9 our RFP knew that that was a priority and a criteria
10 upon which their proposals would be scored. And that
11 was done intentionally to say, communicate, this is
12 an area of the market that we need to address. And
13 we need to do it not just in certain pockets of the
14 city, but across the city.

15 CHAIRPERSON HOOD: Okay.

16 MS. DONALDSON: So that's part of where
17 that's going. I mean, again, I think attaching
18 resources to the graph that showed the various
19 resources across AMIs will -- showing dollar amounts
20 and showing units produced will certainly help, I
21 think, in terms of clarity on that as well.

22 CHAIRPERSON HOOD: Okay. And I understand
23 that, and I hear that. I just, I guess, I'm just
24 trying to figure out when eventually are we going to
25 get to that point because we approve a lot of

1 different developments, and I know there are other
2 things in the toolkit to make things affordable and
3 reduce the affordability, make it affordable. But it
4 seems like, I always use this example. If something
5 costs \$700,000 and for example and we do a
6 conversion, the conversion in the \$700,000 so you're
7 doubling your money. That's what I see that's
8 happening. And I'm not saying that that's the way to
9 go about it.

10 So I'm just trying to figure out, how do we
11 actually really get to the affordability. But
12 anyway, that's a whole other issue that I'm going to
13 have to grapple with.

14 Now, I understand, I heard from the Deputy
15 Mayor that you're really getting those dollars out in
16 the housing production. How are you doing that? You
17 may have explained it earlier, but how are you
18 actually getting that out?

19 MS. DONALDSON: When I became director at the
20 Department in early in January 2015, one of the first
21 things I noted in an actual -- you know, I asked the
22 staff for an org chart, right. We had a number of
23 vacancies at various managerial levels. We have
24 terrific program staff and such. But at the
25 managerial level there were a number of vacancies.

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1 Particularly in the Development Finance Division.

2 Those vacancies have been filled with very
3 talented managers who are overseeing and supervising
4 the process. Our RFP process this year I think was
5 one of the smoothest. There are probably folks that
6 could testified to that here today in terms of both
7 time frame and also in terms of having an electronic
8 application for the first time, so that information
9 is readily accessible. We were able to move faster.
10 We were able to move smarter. We worked with our
11 colleague agencies in specifically some of the
12 targeted areas such as producing permanent supportive
13 housing, which is a key part of the Homeward D.C.
14 Ending Homelessness Plan of the administration.

15 That kind of collaboration. That kind of
16 work together. That kind of changing process but
17 also having it managed, I think has made a difference
18 and we're looking to build on that. We got out twice
19 the amount of money out the door, if you will,
20 commitments out the door, than the previous year.
21 And we're looking to build on that. And I'll be, I'm
22 sure, testifying to that tomorrow at our performance
23 oversight hearing with Chairman Bonds and others.
24 So, but thank you for letting me warm up on that.

25 But it's really, it's key. You can't just

1 appropriate funds and then not be able to get them
2 out the door.

3 CHAIRPERSON HOOD: Also, I didn't have a
4 chance yet to ask my questions, and Commissioner May
5 of the Campaign. But I hear often, and I think I
6 understand it, but I hear often about the
7 affordability tied to parking spaces. And that's a
8 big issue for me in this city.

9 I don't know who can answer this. Maybe
10 Director Donaldson or Mr. Shaw, or Mr. Rogers, or
11 somebody. Help me understand how that works. I
12 believe how it works, if you don't build the parking,
13 I understand that. How do we get the affordability
14 when we start talking about parking space? And this
15 is a question actually that I'm going to ask the
16 Campaign because I heard them mention it earlier. So
17 if you can help me with that. Help me understand
18 that.

19 MR. ROGERS: So the idea of reducing the
20 parking requirements was that sites that didn't
21 pencil out when they were required to do two levels
22 of parking, now might actually work and become
23 feasible when they're only required to do one level
24 of parking.

25 And because below-grade parking is incredibly

1 expensive, you know, you're -- and I've heard a wide
2 range of numbers per parking space, how much it
3 costs. But the idea is yeah, so again if the zoning
4 requirements were previously requiring two levels of
5 parking and you suddenly reduce it down to one,
6 that's a value to somebody. And the idea was that it
7 would expand the supply by making these previous
8 sites that couldn't be developed in the short-run, it
9 would expand the supply because all of a sudden they
10 would get developed, there would be an interest in
11 developing them, and that would expand the
12 competitive supply and then rents would moderate
13 because of the additional supply.

14 CHAIRPERSON HOOD: Okay. All right. I did
15 have a question, going back to the burden. On page
16 3, which actually this chart is very helpful, 30
17 percent of the AMI. So now I really understand what
18 all went into that when I asked for the 30 percent of
19 the AMI some years ago. I really appreciate this IZ
20 fitting it in the larger strategy.

21 Down below you have a, I guess there's a
22 footnote. Only 11 percent. And I think Commissioner
23 May started talking about the burden. Can you
24 explain that whole language of housing cost burden
25 and severely burdened? Can you tell me the

1 difference, what's -- what did you say? Severely
2 burdened. Burdened and severely burdened. Whatever
3 that was. I'm not sure if you or Director Donaldson
4 could --

5 MR. ROGERS: Sure. When a household has to
6 pay more than 30 percent of their income on their
7 housing costs, the sort of national level policy is
8 that they -- or classification for them really is, is
9 that they are burdened by their housing costs. When
10 those housing costs rise to 50 percent of their
11 income, which I think a lot of us would, you know,
12 wonder how that's possible even to live that way, but
13 when that burden rises to 50 percent of their income
14 they are considered to be severely burdened by their
15 housing costs. Typically, those are special needs
16 populations, elderly, those kind of things.

17 CHAIRPERSON HOOD: Okay. I think that's all
18 the questions I have for now, and if I have any more
19 I will ask somebody. But any other questions up
20 here?

21 Okay. We actually didn't have as many
22 questions as I thought we had but still about 9:30,
23 and it's also snowing. So it's not sticking yet. So
24 I've been checking on that. So we don't want to get
25 stuck, because we can finish the hearing if we get

1 stuck. So let's -- any other questions, Vice Chair
2 Cohen?

3 MS. COHEN: Yeah, I just feel badly for
4 Director Shaw for not getting a question so do you
5 want to add to anything?

6 MR. SHAW: I'm fine. And you? No, part of
7 this is -- I said this in my oversight testimony, and
8 I just want to make it clear that from day 1 of all
9 of us being in the office, in office, we've been
10 working on this issue. And I know that Deputy
11 Director Steingasser said this report is out there.
12 The Zoning Commission really wants to hear it. Where
13 are we going with this?

14 And I think all the way up to the Mayor,
15 we've had a number of meetings with her given
16 direction from the community and from our leadership
17 on where to go. And I think critically asking the
18 question of, where does this fit in within our larger
19 universe of -- so I say that I charge Art with making
20 sure that this was in line. Once again, not
21 inconsistent with the Comprehensive Plan, but in line
22 with our comprehensive policy. And that's where
23 we've tried to approach this and where we're going.

24 And we also understand that the Comprehensive
25 Plan is coming up, and we have been working very

1 closely already to, as the consolidated plan is under
2 way, as we think about density, as we look at PUDs,
3 as we do analysis of all this work, of where we're
4 going to have to understand revisions or amendments
5 in the area elements and in the city-wide elements to
6 meet these moments.

7 We understand that having green buildings has
8 a potential to create additional affordability. So
9 we're going to be thinking holistically integrated,
10 and really trying to understand that there are a lot
11 of different ways to achieve affordability and how we
12 can create a clear line around sort of policy, place,
13 and time to meet those goals.

14 CHAIRPERSON HOOD: Okay. Any other questions
15 up here?

16 Okay. We want to thank you all for coming
17 down and providing the testimony. We greatly
18 appreciate it and we appreciate you taking the time
19 and staying with us. Appreciate it. Thank you very
20 much.

21 I'm going to ask the Campaign to come back if
22 you don't mind. Commissioner May and I didn't have
23 any questions. I mean, didn't have a chance to ask
24 questions and I want to thank you all for indulging
25 us on that.

1 That's if you don't mind coming back to --
2 you want to come back? Oh, you're just waiting.
3 Waiting for Mr. Rogers to move out the way. Oh,
4 okay.

5 [Pause.]

6 CHAIRPERSON HOOD: Commissioner May, you want
7 to start us off? Okay.

8 MR. MAY: So, I mean, one of the things I'm
9 struggling with is we seem to have gotten a couple of
10 different interpretations of the economic impact,
11 what we received from the Office of Planning and
12 their submission and what you've testified to. And
13 I'm wondering if you want to, I mean, give your
14 version of what the differences that I'm seeing. Are
15 they just seeing different numbers or are they not
16 taking into consideration things that you are or vice
17 versa? I mean, what's the difference from your
18 perspective?

19 MS. ZIPPEL: Sure. Thank you, Commissioner
20 May.

21 I think that so Office of Planning uses one
22 type of approach. We have also modeled that
23 approach. It's in our written testimony. And so
24 those numbers are actually the same numbers. This is
25 Table 5. So we have the same numbers from Office of

1 Planning. Whenever we did any analysis with the
2 model we kept all of their inputs and just changed
3 what was sort of, of concern in terms of the policy
4 change. So I think given that it seems that the main
5 difference is interpretation in terms of what the
6 market can tolerate and whether or not the rental
7 market is vulnerable to policy changes, I think
8 that's the -- that's how much.

9 I don't want to read too much into Office of
10 Planning's interpretation. But I think we view the
11 rental market as being very strong, as we've seen.
12 We have 10,000 new, you know, market rate rental
13 units that are in the pipeline. It's tremendous
14 record high. So it seems that you know, if land
15 prices that have already been inflated, go down by
16 say, five percent, that the market is flexible.
17 Developers are very smart people. They do it for a
18 living and sort of we're confident in their ability
19 to still make those deals work. And Office of
20 Planning might have a different interpretation of
21 whether they're able to tolerate that.

22 MR. MAY: Okay. All right. So another thing
23 I'm curious about. We have seen some information in
24 the press lately about -- and I think this came up
25 earlier in someone's questions, basically suggesting

1 that more housing, affordable or not, is going to be
2 good for affordable housing because it, you know, as
3 new housing comes online, I don't know, the older
4 housing stock becomes more affordable and I'm
5 wondering if that, you know, whether you share that
6 perspective or if -- I mean, if either of you share
7 that perspective because it's -- I mean, you know, in
8 theory it's an easy concept to understand. In
9 practices I, you know, crummy basement apartments are
10 going for a couple thousand dollars a month. So I
11 don't know really what -- whether that, you know, if
12 the demand is so high that it doesn't really have an
13 effect in Washington, maybe that's one explanation.
14 But maybe it's not. Maybe it is perfectly
15 reasonable.

16 I mean, I wonder if you can talk to that
17 theoretical trend. I know this is kind of -- it's
18 slightly off topic but it does sort of, it begs the
19 question of whether we're just better off letting
20 the, you know, the rental housing market go crazy and
21 just build as much as possible because it's going to
22 make, you know, the older housing stock more
23 affordable.

24 MS. ZIPPEL: Sure. I mean it is, it's a
25 really interesting idea and it's something that I

1 have been thinking a lot about as someone who, you
2 know, thinks all the time about housing and is a
3 housing nerd.

4 Yeah, so there is actually a really
5 interesting study that the legislative analyst's
6 office in California did that has sort of set off
7 like this wave of press, talking about this issue.
8 So I wouldn't have been able to get that study past
9 my professors in grad school. So put that aside.
10 There are some problems with it.

11 But I think sort of the main core is that,
12 you know, I think that it's very intuitive
13 economically, that in the long-term rate if you
14 increase supply, you know, people will sort
15 themselves up, essentially. People who can afford to
16 pay more, if there's housing stock that's appealing
17 to them that costs a little more and they can afford
18 it, that they'll move up. But I think it's hard to
19 sort of gauge. You know, there's probably some
20 really long-term effect. But we have people who need
21 affordable homes now. So it wouldn't be the only
22 solution.

23 And then, you know, we'd sort of have to
24 determine, you know, to what extent do people prefer
25 to pay as much as they can afford for housing to get

1 the best, newest, nicest, housing and you know, maybe
2 they would rather stay in a place that is, you know,
3 20 percent of their income and that, you know, is the
4 Class B instead of moving to Class A because they
5 want to pay private school tuition for their kids.
6 You know, so it seems like there are so many other
7 factors that it makes it really hard for, sort for
8 anyone to know, I think, one way or the other.

9 So I think what I'm comfortable saying is in
10 the long-term, yes, housing supply will help, but we
11 don't know how much.

12 MS. CORT: Well, yeah. I definitely, I mean,
13 there are basic economics of supply and demand that I
14 think that we can recognize. But when you have so
15 much demand it's hard to keep up. I think that
16 inclusionary zoning is interesting that it
17 essentially is a market tool. It's a strong market
18 tool that is actually increasing the amount of supply
19 by the bonus density. And at the same time doing a
20 policy intervention because the market is failing to
21 produce housing that's affordable to people who are
22 severely cost burdened.

23 And so, I think our discrepancy with the
24 administration at this point is how do we optimize
25 this tool to actually meet the need that it is

1 capable -- you know, how can it best meet out housing
2 needs. And so we just think there is -- we have
3 presented, I hope, a lot of really compelling
4 evidence that 80 percent AMI just simply doesn't seem
5 to be meeting a very felt need. In fact, I've talked
6 to housing counselors about this issue. What they
7 said is that they don't think that 80 percent AMI,
8 and they were here to come and testify, is who they
9 are really -- who are really shut out of the housing
10 market. They really see that more at 60 and 50
11 percent AMI and below.

12 If you talk to a marketer for a market rate
13 apartment project, they will tell you they can much
14 more quickly lease up an 80 percent AMI IZ unit than
15 you can through running through a lottery. And so
16 that's sort of I think what got into the report,
17 basically is that when I talk to leasing agents about
18 IZ they said, look, I could have leased these
19 tomorrow if you'd let me do it. I could find an 80
20 percent AMI person who is income qualified and put
21 them into this unit.

22 But what we're trying to do is maintain the
23 integrity of a lottery to bring people in who really
24 need the housing, who really need the assistance from
25 the city. And so going to direct marketing as the

1 regulations are going to move to will basically --
2 could undermine kind of making sure that we're
3 directing that assistance to the people who most need
4 it. But the best way to solve that problem is simply
5 to change the income targeting.

6 MR. MAY: Okay. That was a really
7 interesting answer to not exactly the question I
8 asked, but so now, but it's prompting other
9 questions. Or other things to think about. I'll put
10 it that way.

11 So, being a housing nerd, self-identified
12 housing nerd, I mean, have you spent time sort of
13 projecting what the future holds? In other words,
14 you know, we can see these -- you know, we've seen
15 these charts that project the number of district
16 residents coming and the number of housing units that
17 will be needed, and all these things into the future.
18 And have you tried to apply different IZ scenarios to
19 those kinds of projections to understand whether we
20 actually gain, you know, gain ground, hold our own,
21 you know, continue to lose ground at any particular
22 level of affordability? Has anybody actually
23 undertaken that?

24 I mean, what I'm trying to understand is, you
25 know, again it's this -- you know, we keep getting

1 these signals that the house is on fire and, you
2 know, we can't do enough to put it out. So how do,
3 you know, are we actually -- are there chances for
4 this program to really make a difference, or is this
5 just you know, a token?

6 MS. ZIPPEL: Thank you, Commissioner. So you
7 were correct, and the house is on fire. We need tens
8 of thousands of affordable units. It's true. I
9 mean, I think that this -- I think that one of the
10 advantages of this program is that it produces, as
11 the market produces, we know the rental market is
12 extremely productive right now. I expect it to
13 continue to produce because you know, D.C. has become
14 such a desirable place to live.

15 But I think what's really important and
16 unique about inclusionary zoning is not just sort of
17 the numbers, like the total volume of units produced.
18 It's where those units are produced.

19 And using our subsidy dollars we simply are
20 not able to produce units in these high opportunity
21 areas. As wonderful as it is, Director Donaldson was
22 talking about how our trust fund dollars were spent,
23 that is amazing and will help so many households, but
24 most of the new construction that was funded was east
25 of the river, simply because it is so expensive to

1 fund, through subsidy dollars, units in the high
2 opportunity areas where inclusionary zoning can
3 produce units.

4 So in terms of volume, any housing tool will
5 be dwarfed by the need. But in terms of creating
6 economically diverse communities, giving low-income
7 families access to those sort of opportunities, so
8 that they can climb the economic ladder, I think that
9 that is where sort of the true long-term impact of
10 this program will be felt.

11 MR. MAY: One last question. I mean, are
12 there actually any areas in the District where, I
13 don't know, I can't say that housing prices are not
14 rising. But are there areas where it's significantly
15 slower, and are they -- I mean, I guess, are those
16 all east of the river? Is that what you would find?

17 MS. ZIPPEL: Sure. I mean, I think it's fair
18 to say that some parts of the city are appreciated in
19 price more than others. So the Chief Financial
20 Officer for D.C. actually recently did a really cool
21 -- they have a blog called District Measured, which I
22 encourage everybody now that I'm on the record, to
23 look at.

24 But so what they did is actually --

25 MR. MAY: You're a multi-faceted nerd, I

1 think.

2 MS. ZIPPEL: Yes. So they actually looked at
3 home price appreciation by census tract. So I don't
4 know off-hand. I would guess that you know, areas in
5 Central D.C., transit accessible areas have been
6 hotter areas. You know, maybe with higher poverty
7 rates that are further from transit have appreciated
8 slower. But I would have to direct you to that
9 analysis for the specifics.

10 MR. MAY: All right. Thanks. I think that's
11 it.

12 CHAIRPERSON HOOD: Okay. Ms. Zippel and Ms.
13 Cort, you all have again done a fabulous job. And I
14 really want to thank you all for going out to the
15 different ANCs, because word did get back to me that
16 you were going out and making a presentation. I
17 didn't get into the conversations but then when I
18 started looking at the letters, I'm not sure what was
19 presented because was the -- what the Office of
20 Planning, was that presented, or was it your piece of
21 it was presented? Or was both of them presented,
22 because some of it is opposition and some of it is in
23 support. And it seems like it goes back and forth.
24 You know, there were various things that --

25 MS. CORT: Opposition.

1 CHAIRPERSON HOOD: Opposition to what? Yeah,
2 there was some opposition to 1C.

3 MS. CORT: There was one -- right. There was
4 1A and C. I think 13 or 14 --

5 CHAIRPERSON HOOD: Okay. 1C.

6 MS. CORT: -- submitted letters in support of
7 making IZ more affordable.

8 CHAIRPERSON HOOD: Okay. 1C was in
9 opposition. Okay. Let me just use 1C for example,
10 and I don't want to just use the one that's in
11 opposition, but it says, "ANC 1C covers the Adams
12 Morgan Ward 1 area as has been expressed by many ANCs
13 in their comments."

14 It goes on to say, "ANC 1C opposes the
15 adoption of the Coalition of Smarter Growth's
16 recommendations."

17 Okay. So you know --

18 MS. CORT: We didn't talk to -- I mean, I
19 reached out to them. They submitted -- they said,
20 hey, we heard about this thing. We don't know
21 anything about it, we're opposed, essentially.

22 So I did reach out to them. I didn't hear
23 back from them, but I did reach out to more than a
24 dozen ANCs and we had really positive response. I
25 mean, ANC's responses were really concerned that IZ

1 isn't as affordable as it should be. And an ANC
2 commissioner just left who wanted to give his very
3 detailed comments.

4 CHAIRPERSON HOOD: Yeah, I recognize that.

5 MS. CORT: He said he can't come back on
6 April 14th, it conflicts with his ANC hearing. He
7 tailored a very specific -- he was very interested
8 and very engaged in this question.

9 CHAIRPERSON HOOD: And he's from ANC 3F,
10 probably. Was he from 3F?

11 MS. CORT: I think so, yeah.

12 CHAIRPERSON HOOD: Yeah.

13 MS. CORT: Jonathan Bender.

14 CHAIRPERSON HOOD: Yeah. And I'm looking at
15 4B's letter. And I really went to the -- well,
16 anyway, I'll look at it again.

17 MS. CORT: I mean, it was easy to get on the
18 agenda. People were very receptive. People wanted
19 to talk about it. They wanted to weigh in.

20 CHAIRPERSON HOOD: Okay. I really didn't
21 understand 4B's letter. Chairman Ron Alston. Okay.

22 But anyway, I appreciate you all going out to
23 the ANCs. But let me ask you a more direct question.
24 In your testimony a little while ago, well a couple
25 hours ago now, you talked again about affordability

1 and parking. Help me understand that.

2 MS. CORT: Well, actually, I mean, maybe
3 Claire could explain the chart that talks about how
4 the cost savings has been measured by -- has been
5 modeled basically as part of the land value analysis
6 that Office of Planning did. And what's really
7 striking about it is that it shows significant cost
8 savings making -- that your project is much less
9 expensive. But basically we were surprised that
10 Office of Planning took the tact that it did in terms
11 of while there's a tremendous amount of cost savings
12 that was generated through this, they didn't really
13 necessarily take advantage of it, even in their own
14 proposal. But what I need to do is describe --

15 CHAIRPERSON HOOD: But I really want to
16 understand how that's connected and how we get to
17 affordability with the parking space. Help me out.
18 I hear it all the time, but my question is always the
19 same.

20 MS. ZIPPEL: Thank you, Chairman Hood. So I
21 think that what both Office of Planning and we have
22 modeled for reference, it's in their technical
23 appendix there on page 20. It's on page 12 of our
24 report and we have the same numbers. So if you look
25 at the effect that the ZRR parking changes has using

1 the land value model. So the land value model
2 basically measures what developers are willing to pay
3 for the land. So the idea is like, I suppose if your
4 project is very very expensive to build, you will pay
5 less for the land because you have X amount to put
6 into the project.

7 And so then if the costs of the development
8 is then reduced because you don't have to add
9 additional parking, you can then afford to pay more
10 for the land. So the reason why the increase --
11 sorry, am I clear? Does that make sense so far?

12 CHAIRPERSON HOOD: Yeah, I got you.

13 MS. ZIPPEL: Does that make sense?

14 CHAIRPERSON HOOD: I'm following you.

15 MS. ZIPPEL: Okay. Just want to make sure
16 I'm expressing myself well.

17 So then the reason why sort of the increase
18 in what developers can then afford to pay for the
19 land and still get the same project, relates to
20 affordability is because you can then add
21 requirements like deeper affordability that would
22 reduce what developers can pay for the land and still
23 end up with, with a small or a net positive effect.

24 So it kind of raises the baseline in what
25 we're sort of able to ask for because costs have

1 already been reduced.

2 CHAIRPERSON HOOD: Okay. Okay.

3 MS. CORT: We capture a portion of that
4 reduced cost in affordability. The reduced cost of
5 not having to -- the government is no longer telling
6 you to build X number of parking spaces, you can
7 build half of X. And so now your project is less
8 expensive, and so part of that savings could be spent
9 on more affordable housing.

10 CHAIRPERSON HOOD: Okay. Okay.

11 MS. CORT: But only --

12 CHAIRPERSON HOOD: I get it. I get it.

13 MS. CORT: Only if you do it right now before
14 the ZRR goes in affect. Or, I mean, that would be
15 the best time to do it.

16 CHAIRPERSON HOOD: Let me see. I might have
17 -- and let's talk about your increasing the -- we
18 support the proposal which says that increases the
19 FAR as a result of variances. Okay. No, that's
20 okay. I've got that.

21 Any other questions up here? Oh, Ms. Cort.
22 You said something that I really liked. How do we
23 optimize the tool? I wrote it down because you may
24 hear it again, because that is exactly what we need
25 to do.

1 MS. CORT: That is --

2 CHAIRPERSON HOOD: How do we optimize the
3 tool? I like that. So if you hear it again, you
4 don't mind me borrowing it because -- okay. Thank
5 you.

6 Okay. Any other questions up here? Again, I
7 want to thank you all for all the work you've done
8 and I want to thank those who came down tonight, who
9 we're going to hear from on April the what, Ms.
10 Schellin?

11 MS. SCHELLIN: The 14th.

12 CHAIRPERSON HOOD: April the 14th at 6:30.
13 We'll be starting with the public and I'm just going
14 to go down the list as it is at that time. So thank
15 you for all the work that you all have put into it.
16 We greatly appreciate it.

17 Anything else, Ms. Schellin?

18 MS. SCHELLIN: No, sir.

19 CHAIRPERSON HOOD: Okay. With that this
20 hearing will be reconvened on April 14th at 6:30.
21 Thank you.

22 [Hearing adjourned at 9:55 p.m.]

23

24

25