



GOVERNMENT OF THE DISTRICT OF COLUMBIA



Department of Housing and Community Development **FY2015 Inclusionary Zoning Annual Report**

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1800 Martin Luther King Jr. Avenue, SE | Washington, DC 20020



FY2015 Inclusionary Zoning Annual Report

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Cover photo:

Kingston Condominium | 401 15th Street SE

Executive Summary

The Fiscal Year (FY) 2015¹ Inclusionary Zoning (IZ)² Annual Report from the Department of Housing and Community Development (DHCD) marks the conclusion of the sixth complete fiscal year of IZ implementation since the program began in August 2009. This report provides an analysis of the IZ program from 2009 to September 30, 2015 and was drafted in coordination with the Office of Planning.

Housing construction in the District of Columbia (District) continued to grow as demonstrated by the increased issuance of building permits. In the 2015 calendar year, 4,956 new units of housing were issued building permits, an 18 percent increase from the 2014 calendar year.

As the housing market grew, so did the number of IZ units. The 124 IZ units completed in FY2015 are significantly more than in previous years (71 in FY2014 and 2013, combined). The vast majority of completed IZ units are rentals reserved for households earning between 51 and 80 percent of the Area Median Income (80 percent AMI households)³. A majority of the households registered for the IZ program, however, tend to have a household income less than or equal to 50 percent of AMI (50 percent AMI households).

About Inclusionary Zoning

The IZ program supports the District's and DHCD's missions to produce and preserve affordable housing opportunities by requiring new rental or condominium buildings over 10 units, and renovations increasing an existing building's gross floor area by over 50 percent, to include a percentage of affordable units in exchange for a density bonus beyond what is allowed under existing zoning regulations.

The goals of the IZ program are to:

- create mixed income neighborhoods;
- produce affordable housing for a diverse labor force;
- seek equitable growth of new residents; and
- increase homeownership opportunities for 50 percent AMI and 80 percent AMI households.



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¹ The 2015 Fiscal Year is October 1, 2014 through September 30, 2015.

² The IZ program was developed based on the authority in §107 of the Inclusionary Zoning Implementation Amendment Act of 2006 (D.C. Law 16-275 (effective March 14, 2007), D.C. Official Code §6-1041.07) and Mayor's Order 2008-59, dated April 2, 2008. These documents mandated the adoption of a new Chapter 22 entitled "Inclusionary Zoning Implementation" of Title 14 (Housing) of the District of Columbia Municipal Regulations. The Final Rulemaking for implementation was published in the *D. C. Register* on December 11, 2009.

³ In FY 2015, the Area Median Income (AMI) for the Washington, D.C. metropolitan statistical area as published annually by the U.S. Department of Housing and Urban Development (HUD) for a family of four was \$109,200. Though based on HUD standards, the IZ statutory definitions of "low-income" and "moderate-income" differ from other definitions of these terms. (<https://www.huduser.gov/portal/datasets/il/il16/IncomeLimitsBriefingMaterial-FY16.pdf>).

FY2015 Annual Report (Legislative Reporting Requirement)

Each year DHCD is required to report to the Council of the District and the city's Zoning Commission on the impact of the IZ program by responding to 10 specific questions.⁴ In answering these questions, this report primarily discusses data from FY2015 but draws comparisons to the program's production of units in previous years and projections for the future growth of the program. The report concludes that FY2015 saw a significant increase in the number of IZ units produced and occupied by eligible households and that this production should continue to increase with little indication of any adverse effect on the production of housing in the District.

1. Number of IZ Units⁵ produced⁶ at each targeted income level:

In FY2015, 124 IZ units were produced. Twenty-three IZ units were set aside for 50 percent AMI households and 101 IZ units were produced for 80 percent AMI households.

At the close of FY2015, 211 IZ units had been constructed. Twenty-six of these units were designated for 50 percent AMI households, while 185 were reserved for 80 percent AMI households.

2. Number of IZ Units produced for sale:

In FY2015, 22 for-sale IZ units were produced. This is two-thirds of the 33 for-sale units produced in all program years to date. Eleven of these 33 units were sold by the end of FY2015.

3. Number of IZ Units produced for rent:

In FY2015, 102 IZ units were produced for rent. This is 57 percent of the entire production for all program years of 178 for-rent units. Forty of these 178 IZ units were rented during FY2015, in addition to 33 units that had been rented in prior years.

4. The median income of the households that purchased or rented IZ Units:

The median income of households renting IZ units in FY2015 was \$56,266; a minor increase from the FY2014 median of \$55,000. The median income of households purchasing units in FY2015 was \$59,768. Due to the small number of for sale units sold in FY2014, DHCD did not report the median income of those purchasers to avoid disclosing personal information.

⁴ DHCD is required to submit an annual report responding to 10 questions in accordance with §6-1041.09 of the Inclusionary Zoning Implementation Amendment Act of 2006 (D.C. Law 16-275, effective March 14, 2007), D.C. Official Code 2001 ed., as amended, §6-1041-01 et seq., as implemented in Inclusionary Zoning Implementation, District of Columbia Municipal Regulations, 2004 ed., as amended, §14-2200 et seq.

⁵ Unless otherwise specifically provided, the capitalized terms used in this report have the same meaning as defined in the Inclusionary Zoning Implementation regulations. Inclusionary Units are also referred to as IZ units in this report.

⁶ The tabulation of IZ units produced annually is based on the Notice of Availability issue date submitted by the developer to DHCD. The production numbers provided in questions 1–5 and 7 do not include financially subsidized affordable housing projects that are exempt from IZ administrative and reporting rules. Section 2602.3(f) of the zoning code exempts projects receiving subsidized financing through DHCD, the District of Columbia Housing Finance Agency, or the District of Columbia Housing Authority from the IZ administrative process, including IZ reporting requirements, provided they still set aside the IZ equivalent number of units that would stay affordable after the subsidy controls expire. These projects are eligible to receive bonus density from the IZ program enabling them to build more affordable units. Questions 6, 8 and 9 do include information on the subsidized affordable housing projects as it pertains to IZ.

5. The number of IZ Units purchased or rented by DHCD, other District agencies, or third parties for resale to low- (50 percent AMI) or moderate-income (80 percent AMI) households:

No IZ units were purchased or rented by any District agency or third parties for resale in FY2015.

6. The value of subsidies, if any, contributed toward the rental or purchase of units by DHCD, other District agencies, or third parties for affordability to low- (50 percent AMI) or moderate-income (80 percent AMI) households.

Among the 11 units sold in FY2015, five buyers used DHCD's purchase assistance subsidy, the Home Purchase Assistance Program, totaling \$200,525; an average of \$18,230 per unit. This per-unit subsidy amount is less than FY2014, as a smaller share of FY2015 purchasers used subsidies to help them purchase the units (46 percent of purchasers in FY2015 compared to 100 percent of three purchasers in FY2014). DHCD does not collect information regarding subsidies from other District agencies or third parties.

7. The average rent and sales prices for IZ Units based on number of bedrooms:

a. Average Rent in FY2015:

- Average rent price, studio: **\$1,332**
- Average rent price, one bedroom: **\$1,475**
- Average rent price, two bedrooms: **\$1,633**

b. Average For Sale price in FY2015:

- Average for sale price, studio: **\$169,000**
- Average for sale price, one bedroom: **\$220,420**
- Average for sale price, two bedrooms: **\$196,675**

Note that the average two bedroom sales price is lower than the average one bedroom sales price because half of the four two-bedroom homes sold in FY2015 were 50 percent AMI units and only one of five one-bedroom units was a 50 percent AMI unit. (The greater share of 50 percent AMI units reduces the average sales price.)



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8. The number of waivers or alternative compliance requested and granted in FY2015:

Fourteen projects were granted exemptions/waivers from IZ in FY2015; over three times as many as in FY2014 (four total in FY2014). All projects were exempted from IZ due to the projects receiving District and/or federal housing funding. While exempt from the IZ procedures, these projects are still required to provide affordable units based on the IZ regulations, as further described in footnote 6.

9. Analysis of how much bonus density was actually achieved for each development in which IZ Units were required:

Forty-one projects submitted Certificates of Inclusionary Zoning Compliance (CIZC) in FY2015. Twenty-seven of the 41 projects were multi-family developments that were either matter-of-right (meaning they complied with all zoning requirements) or received some zoning variance from the DC Board of Zoning Adjustment (BZA cases). Six of the 41 projects were Planned Unit Developments (PUDs)⁷, and the remaining eight of the 41 projects were in single-family zones.⁸

Twenty-three (85 percent) of the 27 multi-family development projects received an average of 20 percent bonus density.

Of the four projects that did not receive bonus density:

- two were in historic districts and involved additions to historic structures;
- one was the disposition and redevelopment of the West End Fire Station into a Low Income Housing Tax Credit Project (LIHTC); and
- one is the first phase development of a large parcel for which the final bonus density was not determined at the end of FY2015.

10. An assessment of whether the IZ Program has had any adverse effect on the production of housing in the District.

Since IZ took effect in August 2009, the number of projects filing CIZCs and proceeding to construction/completion has steadily grown. Table 1 below shows that the number of IZ units has increased in proportion to the number of private sector residential developments each year.

⁷ PUDs often receive substantial bonus density as a result of negotiations with the Zoning Commission. For example, one of the six PUDs received 500 percent bonus density, which brought the average bonus density for PUDs to 209 percent.

⁸ Bonus density in single-family zones is granted through an increase in the number of units permitted, which is highly dependent on the size of units and the developer's targeted market. Therefore, access to bonus density cannot be measured to the same degree as in multi-family zones.

Table 1. CIZC Applications by Fiscal Year⁹

	Projects	Total Units	Market Units	IZ Units¹⁰	50% AMI	80% AMI	ADUs¹¹
FY10	1	22	20	2	1	1	-
FY11	2	272	215	57	1	56	-
FY12	12	1712	1097	149	17	132	466
FY13	17	1115	649	104	25	79	362
FY14	29	1986	1491	189	38	151	306
FY15	41	3479	2057	349	95	254	1073
Totals	102	8586	5529	850	177	673	2207

Source: DHCD, May 2016

Table 1 also shows that the number of IZ units included in CIZCs filed in FY2015 is almost double those in FY2014.

Similarly, the U.S. Census reports that in calendar year 2015, the District approved new construction permits totaling 4,956 units of housing; an increase over calendar year 2014 of almost 20 percent.¹² Since 3,479 total units were included in CIZCs in FY2015 compared to 4,956 new construction permits issued in calendar year 2015, as shown in Table 1, approximately 70 percent of units issued building permits were subject to IZ.

The remaining 30 percent of units under construction are in projects that are exempt from IZ because:

- pre-development approvals were granted before the effective date of IZ;¹³
- locations are in areas where IZ does not apply (see Map 1);
- uses are exempt from IZ, such as dormitory or embassy housing; or
- projects are too small to trigger IZ.

IZ projects are now occurring in most neighborhoods across the District, as shown in Map 1. The locations of CIZC applications in most areas of the city and the numbers above suggest that IZ has not had any significant negative impact on residential development in the District.

⁹ Includes developments receiving exemptions, as described in question number 8 above, that must set aside IZ units after applicable subsidy periods expire.

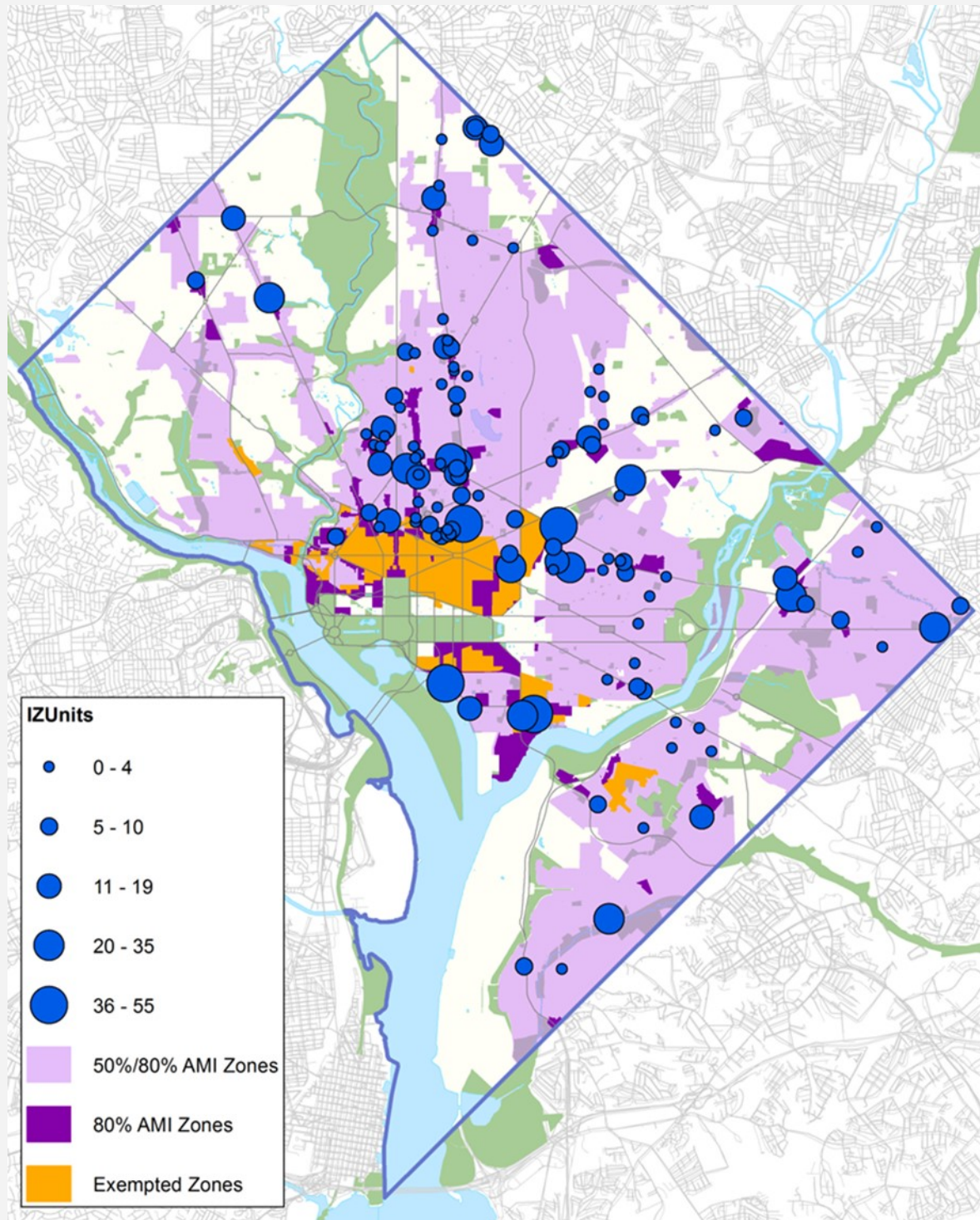
¹⁰ The number of IZ units in this table refers to those included in CIZCs filed in FY2015, as opposed to the number of units referred to elsewhere in this report, which refers to those produced in FY2015, as further described in footnote number 6.

¹¹ "ADU" is defined as affordable dwelling unit, and includes the units in properties receiving IZ exemptions, as described in question number 8 above. The ADU tabulation is added to the number of IZ units and market rate units to reflect the total number of units included in CIZCs issued in FY2015.

¹² <http://www.census.gov/construction/bps/txt/tb2u2015.txt>

¹³ The Final Rulemaking for IZ implementation was published in the *D.C. Register* on December 11, 2009.

Map1: Filed Certificates of Inclusionary Zoning Compliance



Source: DC Office of Planning, May 2016

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