



INCLUSIONARY ZONING ANNUAL REPORT FOR FISCAL YEAR 2024



DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
COLLEEN GREEN, DIRECTOR

WE ARE
WASHINGTON
DC GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

Table of Contents

A Letter from Director Colleen Green.....	3
FY2024 Inclusionary Zoning Annual Report.....	4
Figure 1 - Number of Permitted New Residential Units.....	7
Map 1. Geographic Distribution of Inclusionary Developments and Number of IZ Units.....	9
Review of the Inclusionary Zoning Program in Fiscal Year 2024.....	10
Figure 2 - IZ Developments and Units Produced by Fiscal Year (2011-2024).....	10
Figure 3 - IZ Unit Types vs Current IZ Household Registrations by Size.....	12
Figure 4 - IZ Units Produced vs. IZ Registered Household Preference.....	13
Figure 5 - IZ Units Produced by Median Family Income (MFI) Level.....	13
Figure 6 - IZ Unit Maximum Income Level vs. Household Registration Income Level.....	14



Rooftop Terrace, Margarite, 1280 Union Street NE



Indoor Lounge, The 202, 202 Florida Avenue NE

Cover image - Front View, J. Coopers Row, 1318 South Capitol Street SW

A Letter from Director Colleen Green

Greetings District residents,

On behalf of Mayor Muriel Bowser and the staff at the DC Department of Housing and Community Development (DHCD), I am pleased to share the Inclusionary Zoning Annual Report for Fiscal Year 2024.

As we continue making strides toward Mayor Bowser's goal of 12,000 new affordable units by 2025, the demand for affordable housing remains a key priority for many District households.

Inclusionary Zoning (IZ) is one of the District's programs that produces affordable housing. This program does not require District or Federal funding but relies on private developers to create mixed-income communities as part of market-rate housing. This tool helps create affordable housing in highly desirable areas, near amenities such as public transportation, jobs, restaurants, and grocery stores.

Since 2009, IZ regulations require that new development projects in the city, with some exceptions, set aside at least eight (8) to ten (10) percent of their residential floor area for affordable rental or for-sale units.

For Fiscal Year 2024 (FY2024), the IZ program produced 144 new affordable housing units. To date, the program has produced nearly 2,504 IZ units.

IZ units are comprised of both affordable rental and homeownership options. Our network of community-based organizations is ready to assist prospective tenants and homebuyers with orientation classes and registration to determine their eligibility for an IZ unit.

Again, we submit the findings in this report to offer insight into the affordable housing opportunities made possible by the IZ program for District residents.

Colleen Green
Director

FY2024 Inclusionary Zoning Annual Report

Each year, DHCD is required to submit a report to the Council of the District of Columbia and the Zoning Commission on the impact of the IZ program by responding to 10 specific questions.¹ In answering these questions, this report primarily discusses data from FY2024 but makes comparisons to the program’s production of units in previous years and projections for the program’s future growth.

The report concludes that the numbers of IZ units produced each fiscal year has generally increased compared to previous years.

1. Number of IZ Units² produced at each targeted income level:

In FY2024, 144 IZ units were produced. The table below details the breakdown of units produced at each median family income (MFI) level.

MFI Level	FY2024 IZ Units Produced	% of All Units Produced in FY2024
80% MFI	28 units	20%
60% MFI	91units	63%
50% MFI	25 units	17%
TOTAL	144 units	100%

At the close of FY2024, 2,504 IZ units had been produced since program inception. The table below details the breakdown of units produced at each targeted income level.

MFI Level	Total IZ Units Produced since Program Inception	% of All Units Produced since Program Inception
80% MFI	1,245 units	50%
60% MFI	725 units	29%
50% MFI	531 units	20%
30% MFI	3 Units	<1%
TOTAL	2,504 Units	100%

¹ DHCD is required to submit an annual report responding to 10 questions in accordance with D.C. Official Code § 6-1041.09 of the IZ Act.

² Unless otherwise specifically provided, the capitalized terms used in this report have the same meaning as defined in the IZ Regulations. Inclusionary Units are also referred to as IZ units in this report.

2. Number of IZ Units produced for sale:

In FY2024, 21 IZ units were produced for sale (15% of all IZ units produced in FY2024). Since program inception, 423 for-sale units have been produced (17% of all IZ units produced).

3. Number of IZ Units produced for rent:

In FY2024, 123 units were produced for rent (85% of all IZ units produced in FY2024). Since program inception, 2,081 rental units have been produced (83% of all IZ units produced).

4. The median income of the households that purchased³ or rented⁴ IZ Units:

In FY2024, the median income of households that:

- purchased IZ units was \$71,000; and
- rented IZ units was \$63,232.

5. The number of IZ Units purchased or rented by DHCD, other District agencies, or third parties for resale to eligible households:

During FY2024, DHCD purchased two 80% MFI IZ units and made them available for re-sale through the IZ lottery process as 50% MFI units. Other District agencies or third parties did not purchase any IZ resale units.

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 eligible households.

Subsidies for IZ Purchases in FY2024			
Source	Number of Households	Total Subsidy	Average per Recipient
Home Purchase Assistance Program (HPAP)	4	\$338,100	\$67,620
Employer Assisted Housing Program (EAHP)	3	\$60,000	\$12,000
DC Open Doors	0	\$0	\$0
Federal Home Loan Bank	0	\$0	\$0

³ New IZ units closing in FY2024.

⁴ Both new and renewing IZ unit renters with income certifications in FY2024.

Purchases in FY2024 included the sale of IZ units that became available during the fiscal year, previous fiscal years and resales. In FY2024, 4 of 38 purchasers (11%) closing on an IZ unit received an HPAP subsidy. Three of the 4 HPAP recipients used EAHP. None of the IZ purchasers received funds from DC Opens Doors or the Federal Home Loan Bank (FHLB).

7. The average rent for occupied IZ rentals and sales prices for IZ Units that sold in FY24 based on number of bedrooms:

Average monthly rent in FY2024:⁵

Type of Unit	50% MFI	60% MFI	80% MFI	Average Rent
Co-living	\$807	\$997	-	\$902
Studio	\$929	\$1,171	\$1,609	\$1,236
1-bedroom	\$960	\$1,155	\$1,664	\$1,259
2-bedroom	\$1,134	\$1,380	\$1,961	\$1,492
3-bedroom	-	\$1,788	\$2,186	\$1,987
4-bedroom	-	-	-	-

Average for-sale price in FY2024:⁶

Type of Unit	50% MFI	60% MFI	80% MFI	Average Sales Price
Studio	\$140,300	-	\$226,633	\$205,050
1-bedroom	\$133,067	\$167,800	\$219,053	\$176,965
2-bedroom	\$177,200	\$184,500	\$273,011	\$236,147
3-bedroom	\$250,439	\$231,700 ⁷	\$423,449	\$352,371
4-bedroom	\$276,200	\$343,300	\$477,700	\$360,125

8. The number of waivers or alternative compliance requested and granted in FY2024:

The Zoning Commission and the Board of Zoning Adjustment (BZA) did not approve alternative compliance for any Planned Unit Development (PUD) in FY2024.

⁵ Both new and renewing IZ tenants with an income certification in FY2024. Where “-” appears, there were no units.

⁶ Initial IZ unit sales closing in FY2024. Where “-” appears, there were no units.

⁷ The 3-bedroom 60% MFI average sales price is lower than the 3-bedroom 50% MFI average sales price because there was only one data point, which happened to be a condo. The 50% MFI sales include both condos and higher-priced townhomes.

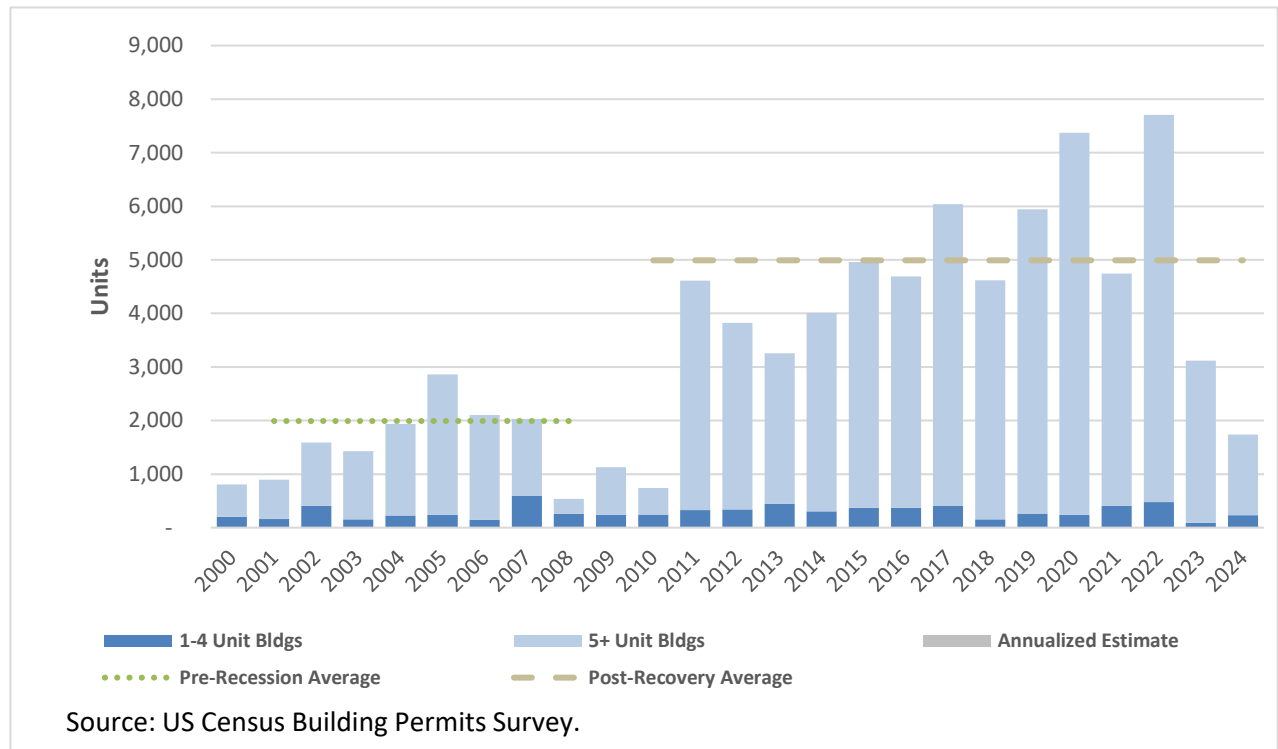
9. Analysis of how much bonus density was achieved for each development in which IZ units were required:

DOB approved CIZCs for 44 developments in FY2024, all of which were multi-family developments. Of the 44 multi-family developments, all were either matter-of-right (meaning they complied with all zoning requirements), received some zoning relief from the BZA, or were subject to a ZC Design Review. Of the 44 developments, 40 of them received bonus density (averaging 17.1%). The other 4 developments did not receive bonus density. Not all developments receive bonus density, and the reasons are site specific. Some examples include developments with large sites that only build on one small portion of the site or those that may be subject to historic preservation guidelines.

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

There is no conclusive evidence that IZ requirements have had an adverse effect on the production of housing in the District. While not as many new units were permitted in FY2024, as in recent years, mostly due to economic downturn and a decrease of investment interest.

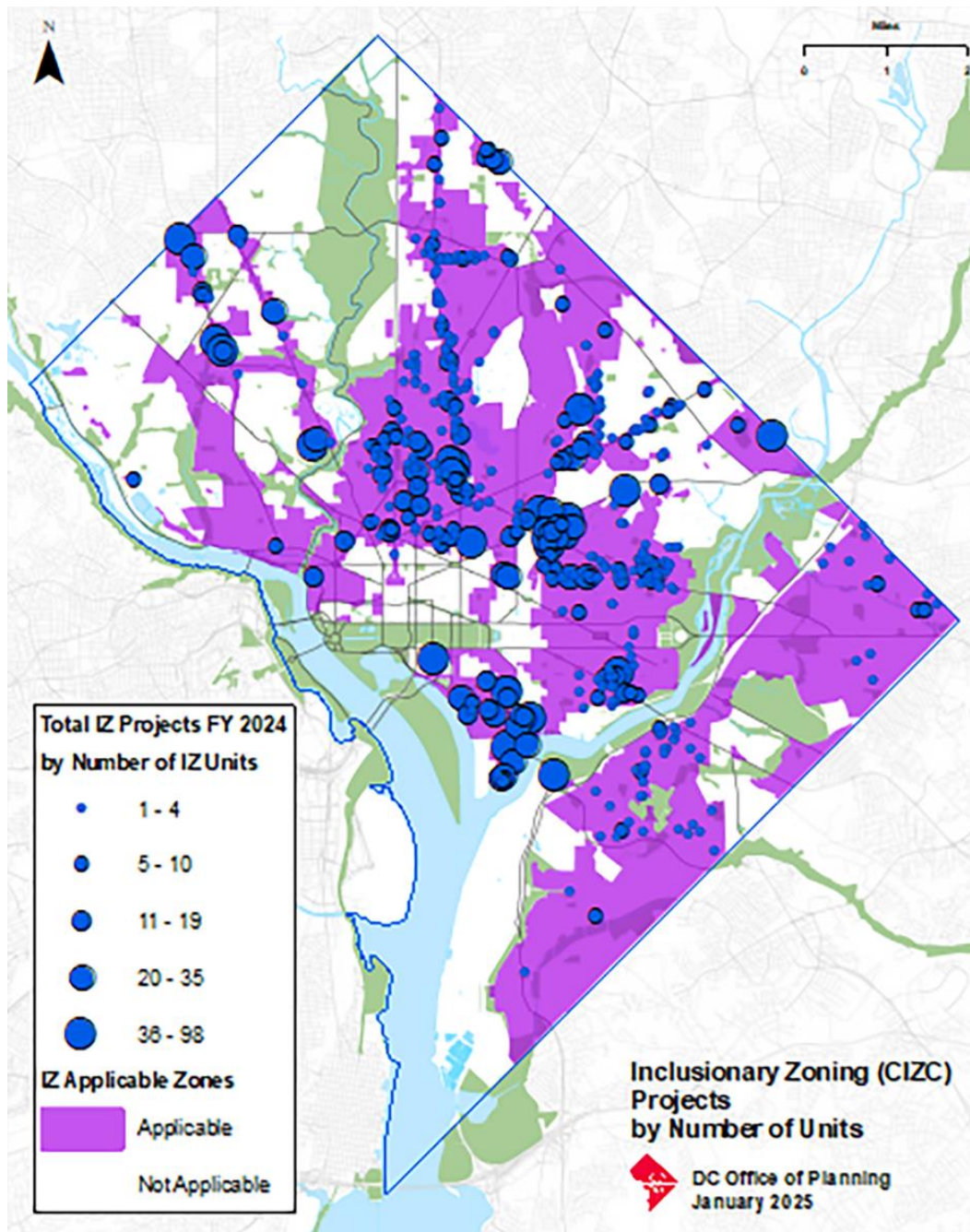
Figure 1 - Number of Permitted New Residential Units



Since the construction of IZ units is tied to the pace of new development, this indicates that developers are not developing fewer buildings because of IZ Regulations. In addition, there were 4 projects which voluntarily chose to opt in to IZ during FY2024. As of the end of the fiscal year, there are a total of 70 developments that voluntarily have 1 or more IZ units. Developments choose to opt-in to IZ to receive the benefit of bonus density which allows more units than normally permitted by zoning regulations to be developed.

IZ developments range in both size and location across the District, from small buildings without a mandatory requirement, that choose to opt in to IZ, to large developments containing 98 IZ units and 492 total units. Map 1 highlights the location of IZ units throughout the District and suggests that the program is not adversely affecting housing production in any one area of the city.

Map 1. Geographic Distribution of Inclusionary Developments and Number of IZ Units⁸



⁸ CIZCs signed by the Zoning Administrator as of 9/30/24 as part of the building permitting process.

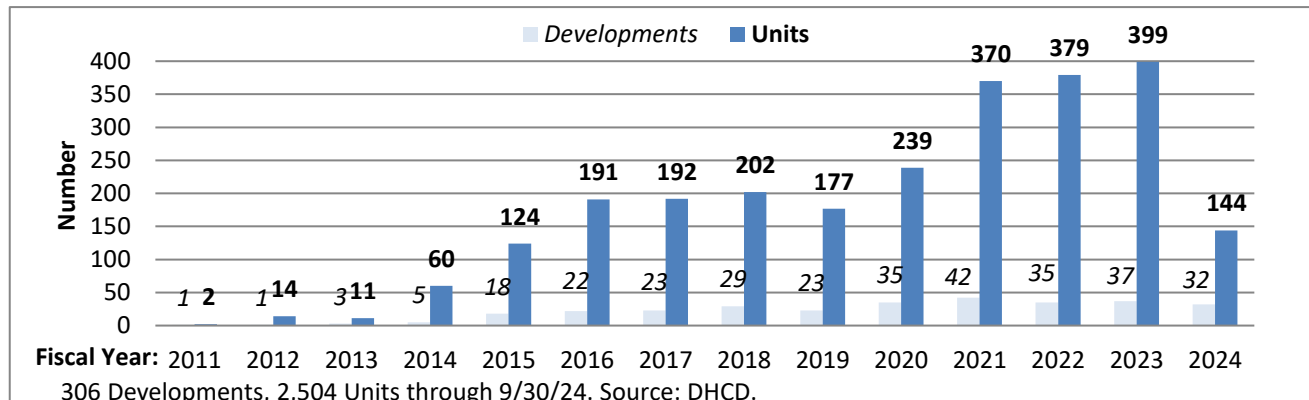
Review of the Inclusionary Zoning Program in Fiscal Year 2024

The IZ⁹ program is one of many tools the District of Columbia uses to create both rental and for-sale units. The IZ Annual Report for Fiscal Year (FY) 2024¹⁰ from the Department of Housing and Community Development (DHCD) marks the conclusion of the fifteenth complete fiscal year since the program began in August 2009. This report provides an analysis of the IZ program for FY 2024 with some additional information from 2009 to September 30, 2024, and was drafted in coordination with the DC Office of Planning (OP) and the DC Department of Buildings (DOB).¹¹

In FY2024, the IZ program produced 144 IZ units¹². The number of IZ developments and units produced by fiscal year (Figure 2) has generally increased since the program began. However, the decrease in units produced for FY2024 could be due to the production of smaller buildings that in recent fiscal years.

For FY2024, there were fewer large developments (100+ units) producing IZ units than in previous fiscal years. Most of the IZ units produced were from developments with less than 80 total units; only five developments produced more than 100 units. In FY2023, there were nine developments that produced more than 100 units.

Figure 2 - IZ Developments and Units Produced by Fiscal Year (2011-2024)



⁹ The IZ program was developed based on the Inclusionary Zoning Implementation Amendment Act of 2006, effective March 14, 2007 (D.C. Law 16-275; D.C. Official Code § 6-1041.07) (IZ Act) and Mayor’s Order 2008-59, Delegation of Authority - Inclusionary Zoning Implementation Act of 2006, 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 (IZ Regulations). The Final Rulemaking for implementation was published in the *D. C. Register* on December 11, 2009. The current IZ administrative regulations were published as Final Rulemaking in the *D.C. Register* on December 29, 2017 and may be found at <https://www.dcregs.dc.gov/Common/NoticeDetail.aspx?NoticeId=N0065229>.

¹⁰ The 2024 fiscal year was October 1, 2023, through September 30, 2024.

¹¹ DOB is formerly part of the Department of Consumer and Regulatory Affairs (DCRA). DHCD consulted with OP and DOB to confirm data and analysis of the IZ program for this report.

¹² The tabulation of IZ units produced annually is based on the first Notice of Availability (NOA) issue date submitted by the developer to DHCD. The NOA notifies DHCD when IZ units are ready for occupancy. The production numbers provided throughout this report do not include financially subsidized affordable housing developments that are exempt from IZ administrative and reporting rules (per Title 11, Subtitle C, Section 1000.6(a) of the zoning code).

In residential and commercial buildings that use penthouse space for purposes other than mechanical uses, either an area equal to a percentage of the square footage of the habitable penthouse space must be set aside as IZ affordable to households at 50% median family income (MFI)¹³ or, in lieu of affordable units, payment can be made to the Housing Production Trust Fund (HPTF). Of the 252 residential developments with habitable penthouse space from 2016 through the end of FY2024, 142 developments have opted to set aside the required square-footage for affordable units while 110 developments have made HPTF payments instead. In FY2024, 9,134 square feet of IZ housing units at 12 developments were permitted¹⁴ for construction due to habitable penthouse space.

Non-residential buildings with habitable penthouse space are also required to make payments to the HPTF. During FY2024, \$5,302,218 was collected from both residential and non-residential properties, for a total¹⁵ of \$32,420,778 since 2016.

Fiscal Year	HPTF Penthouse Payments Collected
FY2016	\$50,144
FY2017	\$2,677,602
FY2018	\$3,608,123
FY2019	\$4,088,828
FY2020	\$5,710,473
FY2021	\$3,597,474
FY2022	\$4,390,158
FY2023	\$2,995,758
FY2024	\$5,302,218
TOTAL	\$32,420,778

¹³ In FY2024, MFI 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 \$154,700, and is adjusted for household size. (<https://www.huduser.gov/portal/datasets/il.html>). MFI was previously referred to as Area Median Income or AMI.

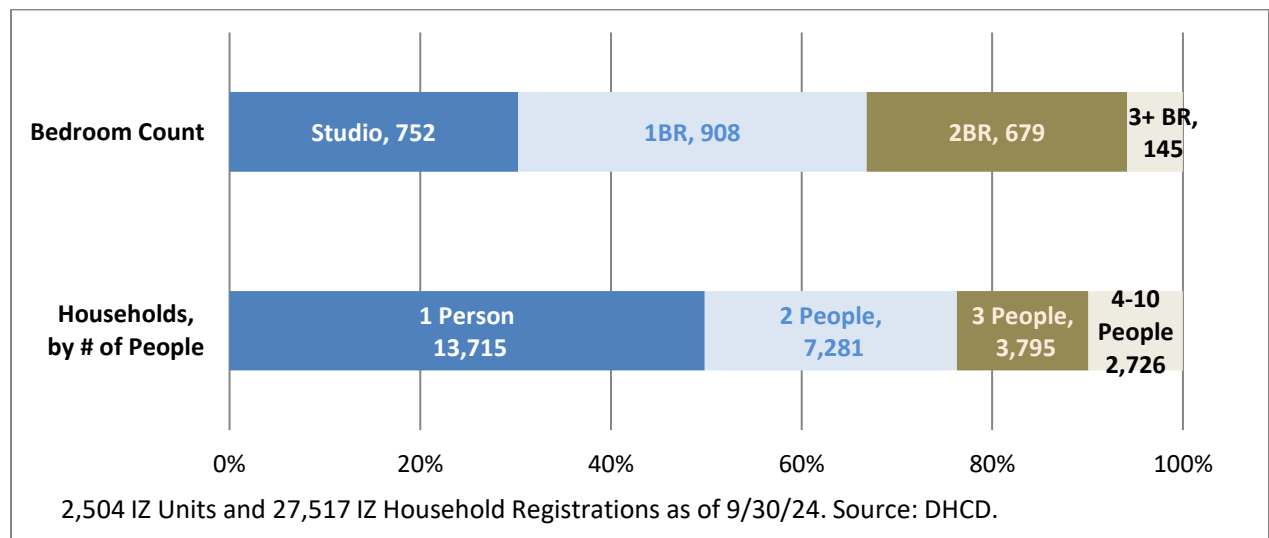
¹⁴ Permitted meaning developments that received Certificates of Inclusionary Zoning Compliance (CIZCs) signed by the Zoning Administrator during this time frame as part of the standard building permit process for Inclusionary Developments. This means that the building permits were approved. However, the units are not available for occupancy until construction is complete and an NOA is received by DHCD.

¹⁵ If a payment is made, the payment amount is calculated by DOB and is based on the square footage of the habitable penthouse space, assessed value of the property, square footage of the property, and permitted floor area ratio. At least one half of the amount due must be paid before issuance of the building permit and the balance is due before issuance of the certificate of occupancy.

Developments not otherwise subject to IZ can opt-in to the program and take advantage of the bonus density the IZ regulations allow.¹⁶ In FY2024, 4 developments opted into IZ, resulting in 1 IZ unit at each development for a total of 4 additional IZ units under development. Since the regulations became effective, 73 developments have opted in, adding 92 total IZ units.

Figure 3 shows the total number of IZ units produced broken down by number of bedrooms since program inception: 30% are studios, 37% have one bedroom, and 27% have two bedrooms. As also seen in Figure 3, one-person households account for 50% of all registrations. Two-person households are 26% of all registrations. Households with 3 people are 14% of all registrations, and households with 4 or more people only account for 10% of all registrations. IZ regulations require a minimum of one person per bedroom.¹⁷

Figure 3 - IZ Unit Types vs Current IZ Household Registrations by Size



In FY2024, 123 of the 144 IZ units produced are rental units; 21 units (15%) are for-sale units. The ratio of rental units to for-sale units is in line with the preference of most registered households; 96% of all registered households prefer rental units only (Figure 4). During FY2024, it took an average of 119 days for a unit to be leased once it became available to

¹⁶ See Title 11, Subtitle C, Section 1001.8 of the zoning code.

¹⁷ The IZ Regulations outline the unit size eligibility based on the bedroom count of the unit and the number of people in a household. From the beginning of the program through August 31, 2017, the regulations provided both minimum and maximum household sizes for each unit size. Effective December 29, 2017, the revised IZ Regulations lowered the minimum occupancy for three- and four-bedroom units and did not provide maximums. Maximums after September 1, 2017 are property-specific and determined by local housing code as well as fair housing practices. However, the typical maximum formula used by rental properties is two people per bedroom plus one additional person. For example, in a two-bedroom unit, there could be two people for each bedroom (or four people) plus one additional person, for a total maximum of five people in the two-bedroom rental unit.

registered households.

Figure 4 - IZ Units Produced vs. IZ Registered Household Preference¹⁸

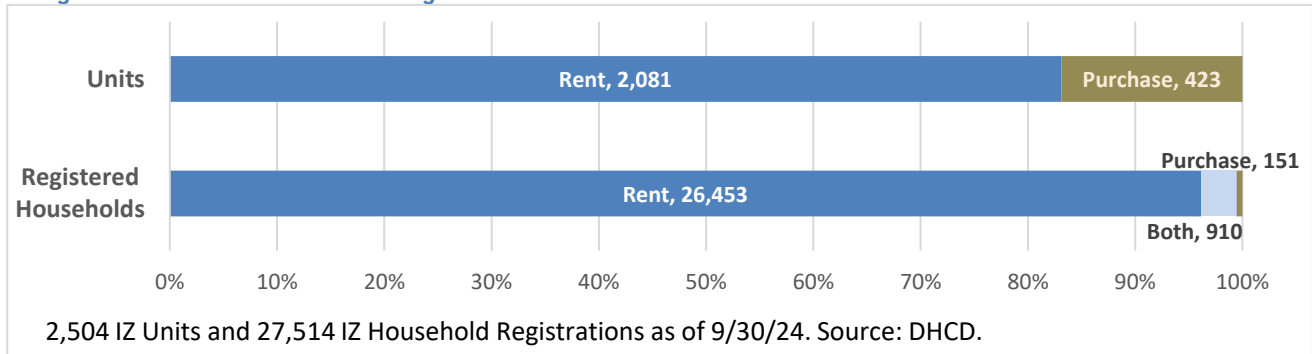
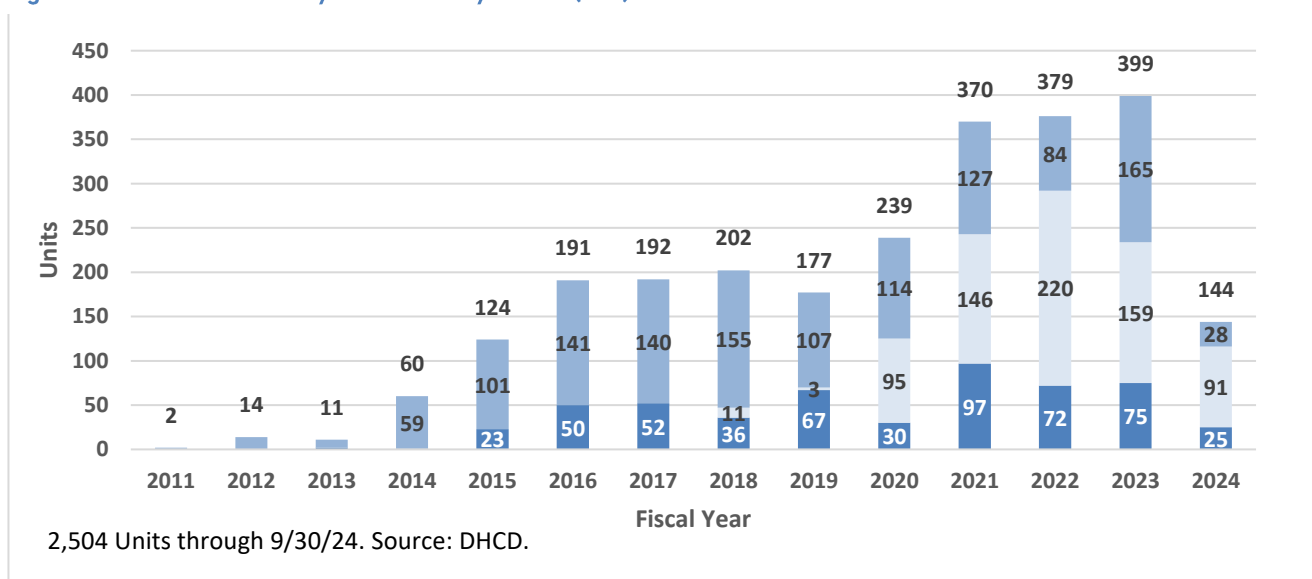


Figure 5 illustrates the production of IZ units by median family income (MFI) level through FY2024. Due to the 2017 Zoning Commission (ZC) changes in MFI levels, a higher percentage of 60% MFI units are being produced. Prior to the ZC changes, both rentals and sales units were produced at 50% MFI and 80% MFI. The 2017 ZC changes require most rentals to be produced at 60% MFI and most sales units to be produced at 80% MFI.

Figure 5 - IZ Units Produced by Median Family Income (MFI) Level



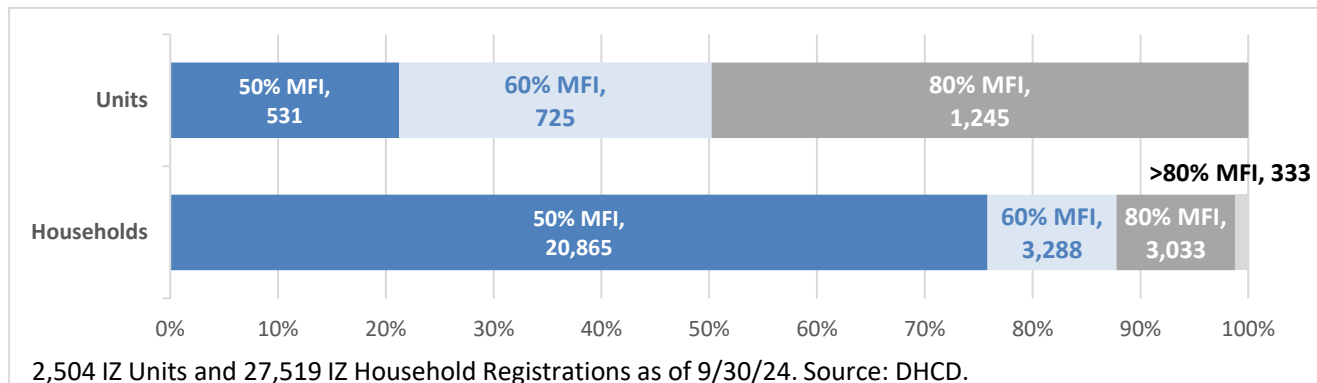
During FY2024, IZ units were reserved in three income categories: for households earning up to 50% MFI, up to 60% MFI, and up to 80% MFI. Of the 144 units produced in FY2024:

¹⁸ Reported numbers represent all units produced as of the end of FY2024. Of produced units, 2,504 (83 percent) were rental units and 423 (17 percent) were for sale. Registered households are those listed in the DHCD IZ database as seeking an IZ unit. Of the 27,517 registered households, 26,453 (96 percent) are eligible only to rent, 910 (3 percent) are eligible to either rent or purchase, and 143 (1 percent) are only interested in purchasing.

- 28 units (20%) were for 80% MFI households (14 rental and 14 for-sale).
- 91 units (63%) were for 60% MFI households (86 rental and 5 for-sale).
- 25 units (17%) were available for 50% MFI households (23 rental and 2 for-sale).

While demand for affordable units exceeds supply at all income levels (Figure 6¹⁹), the imbalance is especially acute at the lowest income levels. However, the IZ program is not the primary tool to create housing at the lowest income levels. Units at 30% MFI are generally created through financing provided by the federal and local funding, HPTF, low-income housing tax credits, and/or rental subsidies.

Figure 6 - IZ Unit Maximum Income Level vs. Household Registration Income Level



In FY2024, DHCD purchased two IZ units as part of a pilot program in which DHCD purchases IZ units and Affordable Dwelling Units (ADUs²⁰) to preserve and increase the affordability of the units. In this pilot, two 80% MFI units were purchased by DHCD and made available in the IZ lottery process as a 50% MFI unit. DHCD purchases IZ units and ADUs in very limited circumstances, typically when an individual owner is unable to re-sell the unit after demonstrating use of pre-determined best efforts, which require multiple means of advertising and providing availability to households on the IZ registration list. To prevent the IZ unit or ADU from remaining vacant or becoming market-rate, DHCD can purchase units and then offers the unit for sale to residents at a lower MFI level.

¹⁹ In Figure 6, 60 percent MFI households are those who make over 50 percent MFI up to and including 60 percent of MFI. However, 60 percent MFI units are available to a broader range of households (those earning 60 percent MFI or below, which includes lower MFI households if those households meet the minimum income requirements for the unit or have a voucher or other rental assistance they can bring with them to the IZ unit).

²⁰ Affordable Dwelling Unit (ADU) is an umbrella term applied to for-sale and for-rent homes that are locally restricted for occupancy by households whose income falls within a certain range. ADUs are generally offered at a below-market rate. ADUs do not include developments that are federally restricted (for example, developments funded by the Home Investment Partnership Program (HOME), Low Income Housing Tax Credits (LIHTC) or Community Development Block Grant (CDBG)). Also, it does not include developments funded through the District's Housing Production Trust Fund (HPTF).