

# Affordable Housing Washington, D.C.

A ULI Advisory Services Panel Report

July 7–13, 2019



**ULI** Urban Land  
Institute



# Affordable Housing Washington, D.C.

Creating Housing Affordability  
West of Rock Creek Park

A ULI Advisory Services Panel Report

July 7–13, 2019



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# About the Urban Land Institute

**THE URBAN LAND INSTITUTE** is a global, member-driven organization comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission of providing leadership in the responsible use of land and creating and sustaining thriving communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 80 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. In 2018 alone, more than 2,200 events were held in 330 cities around the world.

Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at [uli.org](https://www.uli.org). Follow ULI on Twitter, Facebook, LinkedIn, and Instagram.

**COVER PHOTO:** Paul Angelone/ULI

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# About ULI Advisory Services

**THE GOAL OF THE ULI ADVISORY SERVICES** program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 700 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfield redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's advisory services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and are screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda for a five-day panel assignment is intensive. It includes an in-depth briefing day composed of a tour of the site and meetings with sponsor representatives, a day of hour-long interviews of typically 50 to 100 key community representatives, and two days of formulating recommendations. Long nights of discussion precede the panel's conclusions. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. A written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's five-day panel assignments are able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

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# About the ULI Terwilliger Center for Housing



*The design of the San Francisco mixed-income building on the left (388 Fulton Street) was influenced by the homeless shelter located across the street on the right.*

**ESTABLISHED IN 2007**, the Terwilliger Center works to advance best practices in residential development and public policy and to support ULI members and local communities in creating and sustaining a full spectrum of housing opportunities, particularly for lower- and moderate-income households. To accomplish these goals, the center conducts research, performs analysis, provides expert advice, and identifies and works to promote adoption of innovative and impactful development practices and public policies.

This panel is part of a series the center will support, focusing on overcoming critical barriers to housing development in cities around the country. In addition to assisting the cities selected, the findings of these panels will be incorporated into toolkits being created.





*Panelists, ULI staff, and the sponsor team.*

## Acknowledgments

On behalf of the Urban Land Institute, the panel would like to thank Mayor Muriel Bowser for sponsoring this panel to help achieve her initiative to increase housing affordability and more equitably distribute the city's growth. Thank you as well to Polly Donaldson, John Falcicchio, and Andrew Trueblood for your leadership and for spending so much time with the panel. A special thanks should go to Yari Greaney, Joy Jackson, and Marie Whittaker for putting together the briefing materials, the interview lists, and all the details necessary in making the week a success.

The panel would like to thank the ULI Foundation, which provided significant financial support for this panel.

In addition, thanks go to the University of the District of Columbia's David A. Clarke School of Law for hosting the panel for the Tuesday interviews. And thank you to the Woodrow Wilson High School for hosting the panel's final presentation. Finally, the panel would like to thank the more than 80 residents, business and community leaders, and representatives from Rock Creek West, the District, and the Washington, D.C., region who shared their perspectives, experiences, and insights with the panel over the week.





# Contents

2

**ULI Panel and  
Project Staff**

3

**Background and  
the Panel's Assignment**

7

**Introduction**

9

**Study Area and  
Surrounding Context**

13

**Goal: Create  
More Housing**

20

**Goal: Streamline  
and Improve the  
Development Process**

26

**Goal: Gain  
Community Support**

29

**Conclusion**

31

**Appendix: Mixed-Use,  
Mixed-Income Study Site  
Pro Forma**

32

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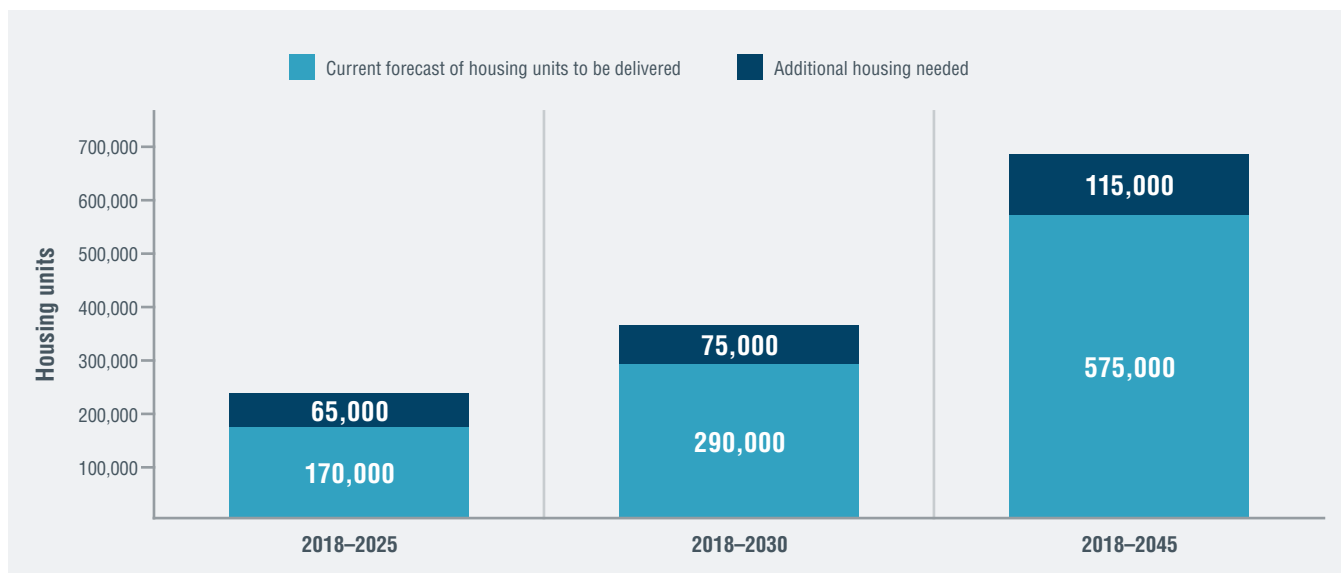
## Background and the Panel's Assignment

**THE DISTRICT OF COLUMBIA** and surrounding areas have experienced significant growth in population and jobs over the past 20 years. The District is richer and whiter, less inclusive, and more segregated. Policy experts believe these changes can be partially attributed to the city's lack of affordable housing, including affordable family-sized units, for low- and middle-income families.

In 2019, Mayor Muriel Bowser set the goal of producing a net increase of 36,000 housing units within Washington, D.C.'s city limits by 2025. Of those 36,000 units, 12,000 would be set aside for low-income households. The District's Office of Planning, Department of Community Development, and sister agencies are developing a Framework for Housing Equity and Growth that will lay out a road map for how and where new housing can fit into the city's fabric.

The number of units set by the mayor is based on an analysis conducted by the Metropolitan Washington Council of Governments (COG) to ensure an equitable distribution of housing. COG's analysis showed about 115,000 additional housing units beyond projected growth needed by 2045 based on employment projections anticipating the region's growth by about a million jobs, thus requiring about 690,000 new housing units. However, only 575,000 are anticipated to

## Housing Growth between 2018 and 2045



Sources: Round 9.1 Cooperative Forecasts and COG estimates.

be constructed. Although 36,000 units represent the housing shortfall specifically within the District, an additional 79,000 units would need to be built in surrounding jurisdictions, showing the regional nature of the housing crisis.

The mayor asked the Urban Land Institute to conduct an Advisory Services panel to address the current challenging conditions in the Rock Creek West (RCW) planning area, which is one of 10 planning areas across the District. Rock Creek West encompasses 13 square miles in the northwest quadrant of the District of Columbia. It is bounded by Rock Creek on the east, Maryland on the north and west, and the Potomac River and Whitehaven Parkway on the south. RCW primarily consists of Ward 3 but also includes portions of Wards 2 and 4.

Existing conditions, density, attitudes, and demographics in RCW will make incorporating a fair and equitable share of housing units more challenging than might be the case in other areas of the city. For the purpose of this panel assignment, ULI analyzed opportunities to create 2,500 new affordable housing units in this area. District agencies are currently conducting community outreach and further analysis to establish housing production targets for each of the planning areas in the District.



The panel's study area is within the Rock Creek West planning area.

## The Panel's Assignment

Washington, D.C., has a housing affordability problem—those that pay more than 30 percent of their monthly gross income on housing are cost burdened—and the District also has a population that is expected to grow, both with new residents moving in and older residents wishing to age in place. Mayor Bowser has long described the shortage of affordable housing as a *citywide problem that requires a citywide solution*, which includes bringing more affordable housing options to RCW.

Specifically, the panel was asked to address the following questions:

1. Identify and prioritize the barriers to new production of housing—market rate and affordable—with corridors of more dense development (prioritization of barriers should include a gauge of the tractability of the issues).
  - a. What will be the additional cost to produce affordable housing in Rock Creek West?
  - b. What type of support for additional housing could be galvanized among residents?
  - c. What other needs should the city be planning for to support 2,500 additional households, in particular lower-income households?
2. Outline specific tools, policies, and changes that will enable the District to overcome cost barriers and development capacity constraints.
  - a. Are there zoning and land use changes that would enable increased affordable housing production in Rock Creek West?
  - b. What role should inclusionary zoning, rental vouchers, accessory apartments, and affordable dwelling units play?
  - c. Are there new tools, policies, or approaches that would fill policy gaps?
3. Develop a strategy and generalized timeline including the rollout of any policy or zoning changes that will lead to the production of 2,500 affordable units in Rock Creek West by 2025.
  - a. Develop neighborhood typologies in Rock Creek West that could be suitable for development of units, including appropriate approaches to development.
  - b. Identify strong potential sites for affordable housing developments, and outline the steps necessary to successfully develop the project.
4. Identify significant barriers that need to be addressed.
  - a. Identify opportunities to increase residents' engagement with and support for affordable housing in Rock Creek West.
  - b. Outline key steps that would help overcome housing discrimination barriers to achieve fair housing goals and foster inclusive, cohesive, diverse communities with a focus on disadvantaged resident groups, including very-low-income families, returning citizens, and other populations that are known to face housing discrimination, and enabling them to join the Rock Creek West community.

## Summary of the Panel's Recommendations

It was evident to the panel during its interviews with community stakeholders and tour of the area that Rock Creek West is a desirable place to live, with multiple transit corridors, high-quality schools, and retail. However, the abundance of single-family homes comes with a hefty price tag for purchasing land, even land that could be slated for inclusionary zoning. The panel's recommendations address the needs to reform both zoning rules and the development process, as well as community engagement and communication to allow the current residents of RCW to feel included in the process and invested in the outcome.

The panel's recommendations center on these three goals:

- Create more housing;
- Streamline and improve the development process; and
- Gain community support through outreach, marketing, and education.

# Explanation and Glossary of Housing Affordability Terms

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Affordable housing has many definitions and is subject to perceptions. Often, the multitude of definitions and opinions creates confusion when people are attempting to both study and solve issues of housing affordability in any given community or geography. Many definitions of affordable housing refer to a percentage of area median income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD). Other definitions are careful to delineate between “affordable” and “workforce” housing—often defined as between 80 and 120 percent of AMI.

Throughout the study process, the panel consistently heard about the District’s housing affordability problem, particularly in RCW, where many single-family homes are valued at over \$1 million. However, the panel also perceived that a lack of clarity and agreement exists about the definition of affordable housing, which is causing poor communication, misunderstandings, and misaligned goals relative to the topic. Accordingly, the panel recommends defining the terminology related to housing affordability, distinguishing between capital-A *Affordable*, which often refers to housing affordable to households with incomes under 80 percent of AMI, and lowercase-a *affordable*, which can also be referred to as *workforce housing*.

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The following glossary includes terms used throughout this report and in discussions of the topic of affordable housing:

**Affordable housing:** The term is widely used to refer to housing that is subsidized or rent regulated and that is occupied by a household that is less than 120 percent of the AMI (see later). The term used in this manner can be limiting—growing numbers of households are within a range of incomes and live in unsubsidized or unregulated market-rate housing but have a problem with “housing affordability” (see later).

**Area median income (AMI):** The median household income of each metropolitan statistical area adjusted for family size. HUD publishes AMIs annually. AMI is used to determine the eligibility of applicants for most housing assistance programs.

**Extremely low-income housing:** According to federal regulations, a household whose income does not exceed the higher of the federal poverty level or 30 percent of AMI (see earlier).

**Housing affordability:** Refers to the ability or the lack thereof of a household to meet its housing expenses with a reasonable and sustainable share of its income, generally spending no more than 30 percent of gross income on housing costs, without regard to the household’s income or whether the household lives in subsidized, rent-regulated, or market-rate housing.

**Low-income housing:** According to federal regulations, a household whose income is between 30 and 80 percent of AMI (see earlier), adjusted for family size.

**Mixed-income housing:** Mixed-income has a twofold meaning. In accordance with federal housing policy, HUD defines a mixed-income building as “comprised of housing units that [are] affordable to different levels of AMI, typically with some market-rate housing and some housing that is available to low-income occupants below market-rate.” In accordance with widely held housing industry practice, a mixed-income neighborhood consists of a variety of household incomes and opportunities for meaningful interaction, including parks, schools, and shopping.

**Moderate-income housing:** According to federal regulations, households whose incomes are between 81 and 95 percent of AMI. The government may establish income ceilings higher or lower than 95 percent of AMI on the basis of an analysis of prevailing levels of construction costs, fair market rents, or unusually high or low family incomes.

**Naturally occurring affordable housing:** Generally, housing that is affordable to low-income and moderate-income (see earlier) households that is not currently federally subsidized or rent regulated. These are buildings that over time are lower in rent due to their age, which makes them less competitive with newer buildings.

**Permanent supportive housing:** Generally, extremely low-income housing (see earlier) combined with social services to assist vulnerable populations such as those that are chronically homeless and disabled (e.g., addiction, psychological or physical).

**Preservation:** Generally, providing the necessary physical improvements and financial capital to enable a currently occupied rental property to remain affordable (see earlier) and in decent condition for a sustained period of time. Preservation programs can also target owner-occupied housing, thereby providing assistance to homeowners that allows them to make improvements to their homes and to remain in them.

**Public housing:** Rental housing owned and operated by local housing authorities that primarily serves extremely low-income (see earlier) households. Roughly 2.6 million people live in the nation’s 1.1 million public housing units. Very few public housing units have been built in recent years.

**Very low-income housing:** According to federal regulations, a household whose income does not exceed 50 percent of AMI (see earlier), adjusted for family size.

**Workforce housing:** Generally, housing that is affordable (see earlier) to households earning between 80 and 120 percent of AMI (see earlier). In high-cost areas, incomes may be as high as 150 percent of AMI or low-cost areas may be as low as 60 percent of AMI. Some definitions exclude owner-occupied housing.

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Source: ULI Terwilliger Center for Housing.



PAUL ANGELONE/ULI

## Introduction

**THIS PANEL** was specifically charged with studying and providing guidance and recommendations as to how best to produce affordable and low-income units in RCW. The mayor's call for additional housing spread across the city poses significant challenges in Rock Creek West. The intention of this panel is to understand the dynamics of the area and propose actionable policies and practices to accomplish the mayor's goal of placing a fair and equitable share of the planned increase in affordable and low-income housing in Rock Creek West. Some of the panel's recommendations could be applied District-wide.

Several additional items to better understand the panel's recommendations are introduced throughout this report. These include the capital requirement of the mayor's initiative, the price of housing, and the overall lack of housing throughout the District and the region.

### Capital Requirement

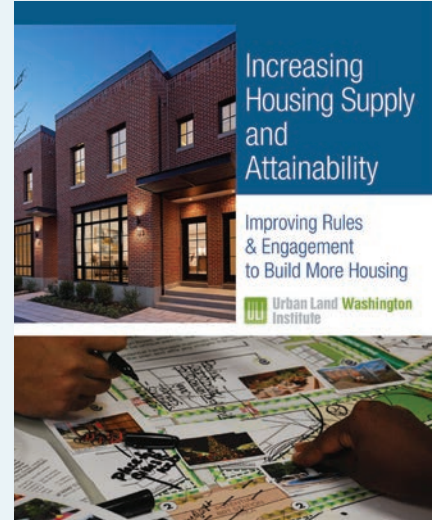
The mayor's plan to build 36,000 new units will require a significant amount of capital. The all-in cost (land, design, construction, etc.) of developing any rental unit in the District is about \$400,000 to \$500,000 per unit based on panel interviews and the panel's mixed-income case study. At \$400,000, producing the units called for by the plan would require about \$14.2 billion. For Rock Creek West only, assuming a cost of \$400,000 and 2,500 units, the capital required would be about \$1 billion.

Although a meaningful portion of this capital could be obtained in the form of loans, the equity required is, in the opinion of the panel, beyond the capacity of the city government without the assistance and involvement of the federal government and the private-sector real estate and investment communities. In addition, the use of a private-sector real estate capitalization model in which modest amounts of government or public-sector funds are leveraged with substantial amounts of private investment capital and market-rate loan proceeds can allow for the production of a significant number of residential units (both market rate and with affordability covenants) with limited government and public funds.

## RECOMMENDATIONS IN OTHER CITIES

ULI has been asked to conduct panels addressing similar questions in other cities, most recently in Collier County, Florida, and in Dallas, Texas. Examples of recommendations from these and other previous efforts include the following:

- **Adopt a smart code that differentiates between different types of areas.**
- **Establish an enhanced minimum wage ordinance.**
- **Raise awareness, educate, and communicate with the community about housing affordability.**
- **Use affordable housing production as an opportunity for African American leadership and ownership in an area in which the population has been excluded historically.**
- **Introduce an incentive-based inclusionary zoning program.**
- **Leverage public and institutional assets.**
- **Invest strategically in community revitalization.**



*ULI Washington, the local district council, identified regional approaches to increase housing affordability. More information can be found at [washington.uli.org](http://washington.uli.org).*

## Pricing

Housing is essentially a commodity and for any commodity, pricing is a function of supply and demand. During periods of undersupply, prices will rise as consumers compete for product; during periods of oversupply, prices decline as producers compete for customers. During the interview process a number of people expressed their skepticism of this concept, noting that prices in the city had continued to increase despite significant construction of new units.

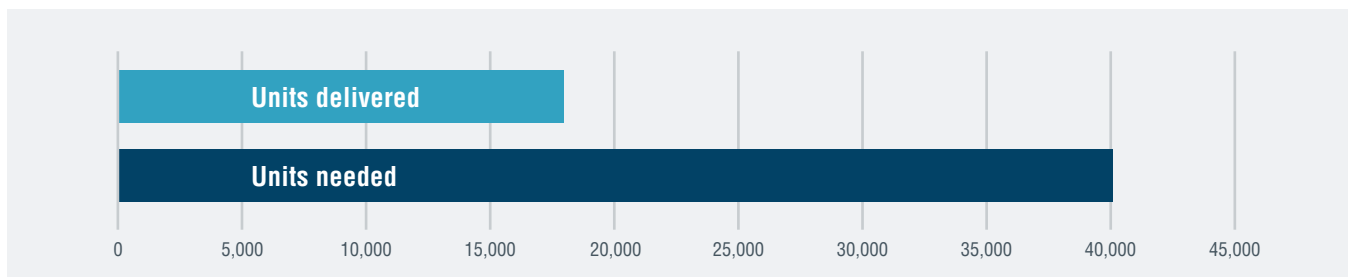
Although it is true that a decrease has not occurred in the city's pricing for housing, even in the face of significant development, the issue is not the number of units delivered, but the relationship between supply and demand. Between 2010 and 2017 the District had a population gain of about

92,250 people, but only 18,000 units were delivered. So even though a significant number of units were delivered, the deficit in available housing units actually increased. Until supply and demand for housing are brought into balance, increases in pricing will continue.

## Lack of Housing

It is important to note that addressing the need for affordable housing for low-income residents will not resolve the issue of an overall lack of housing in the city. Even if every low-income family is provided housing, until a balance exists in the remaining housing supply, people will be left out. The only solution for this dilemma is for the government and the private sector to work together to produce sufficient housing of all price ranges.

### Housing Production Gap between 2010 and 2018



**Sources:** U.S. Census Bureau; Office of the Deputy Mayor for Planning and Economic Development; ULI.

**Note:** Average household size is 2.28 persons with a population growth of 92,250 people.





## Study Area and Surrounding Context

**ROCK CREEK WEST** is home to a significant number of foreign diplomatic outposts, cultural and historic resources, educational institutions, commercial districts, and the city's largest concentration of detached single-family homes.

Residential uses represent the largest single land use in RCW, accounting for about 37 percent of total acreage. Of this, 80 percent is developed as single-family detached homes, 10 percent semi-detached homes, and 10 percent apartments and condominiums. The vast majority of single-family homes are owner occupied. As a result of the significant presence of single-family homes, densities in most of RCW are well below the citywide average.

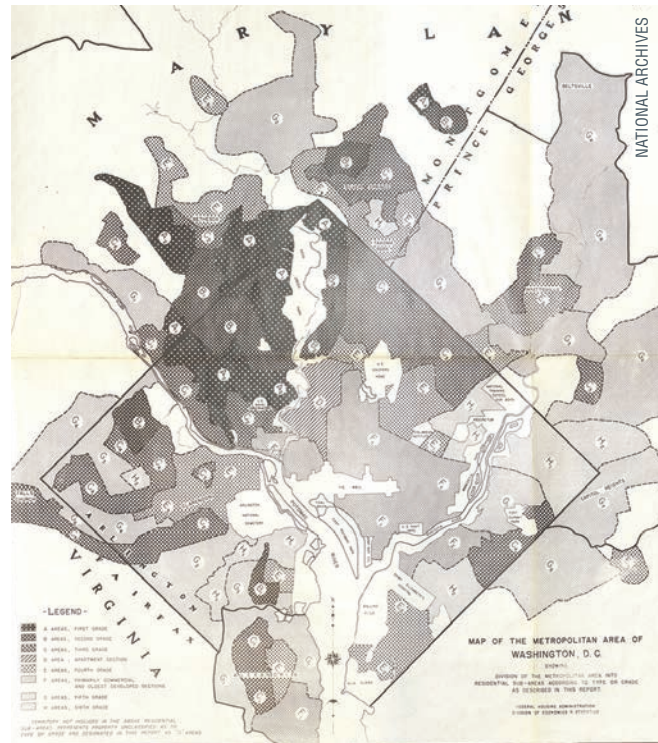
Rock Creek West is 80 percent white and has the highest average family income, average net worth, home values, and percentage of homeownership in the city. Rock Creek West also has the lowest percentage of low-income families and affordable and low-income housing in the city.

The RCW area has a history of exclusivity and exclusion whose legacy is inconsistent with today's attitudes, norms, and practices. In the 1880s, deed restrictions excluding

African Americans and Jews were the norm. Racially mixed communities like Reno City were physically removed to promote exclusivity. Immediately after World War II, an influx of African Americans from the South settled in Ward 8 in Southeast Washington where they were able to purchase homes without the deed restrictions and bias then common in the RCW area. The then mainly white population in Ward 8 largely exited, often migrating to the RCW area.

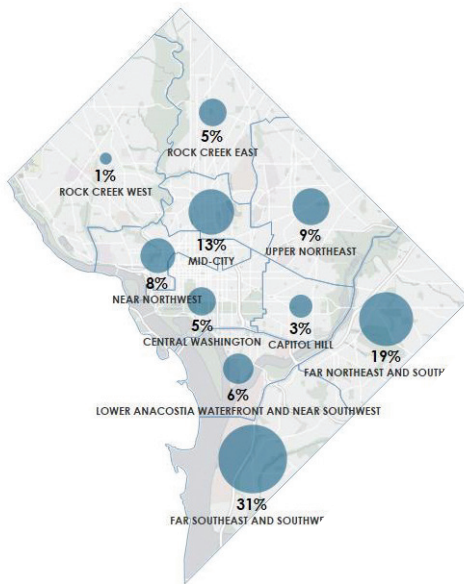
Although redlining and deed restrictions became illegal, the RCW area remains the city's wealthiest and most exclusive area with the highest home prices and barriers to entry. This includes the rent-controlled units that could present an opportunity for housing affordability. However, these units are not covenant protected.

The panel learned that some in RCW see such units as their fair and equitable share of affordable housing. About 16 percent of the District's rent-controlled units are located in Ward 3, yet only 2 percent of the District's total housing vouchers are used there. This is similar for Ward 2, but Ward 4 has only 9 percent of the District's rent-controlled units and 6 percent of the overall vouchers. Conversely, Wards 7 and 8 have 13 and 15 percent of the District's rent-controlled units, respectively, but have 25 and 36 percent of the District's total housing vouchers.

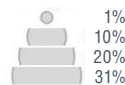


Federal Housing Administration's 1937 grades for the Washington, D.C., region.

## Distribution of Subsidized Affordable Housing, 2018



Percent affordable housing by comprehensive plan planning area



Total affordable housing units=50,871

Affordable housing units shown represent an inventory of subsidized affordable housing available in the District as of September 2018

D.C. OFFICE OF PLANNING

The percentage of affordable housing in each of the 10 planning districts. The Rock Creek West area has the least affordable housing.

## Vouchers and Rent-Controlled Units

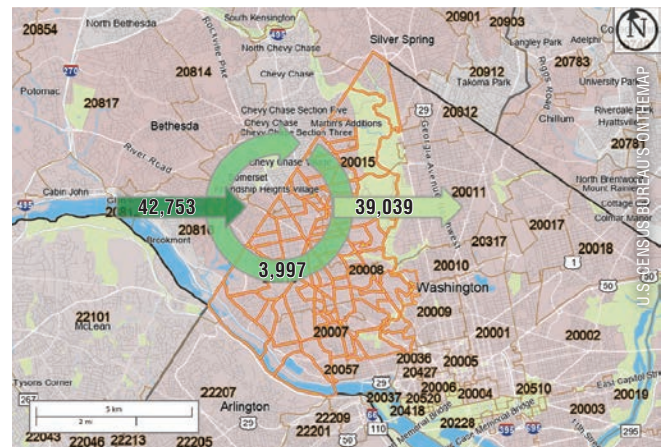
Ward	Approximate total vouchers*	Percentage	Rent-controlled units	Percentage
1	602	5%	13,034	16%
2	219	2%	12,297	16%
3	196	2%	12,818	16%
4	750	6%	7,022	9%
5	1,772	14%	7,027	9%
6	1,442	11%	4,827	6%
7	3,085	25%	10,144	13%
8	4,477	36%	11,976	15%
<b>Total</b>	<b>12,543</b>	<b>100%</b>	<b>79,145</b>	<b>100%</b>

Sources: DCHA 2018 Oversight and Performance Hearing, Committee on Housing and Neighborhood Revitalization Responses to Pre-Hearing Questions, DC Office of Planning; ULI.

\*Includes approximate Housing Choice Voucher Program (HCVP) and Local Rent Supplement Program recipients. No data available on project-based/sponsor-based HCVP subsidy. Two percent of HCVP recipients do not have geographic data or are not located in a ward boundary. DCHA 2018 Oversight report has different, approximate total households that benefit from the HCVP. The Oversight report notes that DCHA manages more than “approximately 10,000 households” with HCVP and “over 11,000 households.” This table conservatively uses 10,000 total households in the HCVP.

Between 1,000 and 1,500 housing units are expected to be produced within the RCW area by 2025 even without the mayor’s initiative. Even with this production, however, the area will still need between 1,000 and 1,500 units to keep up with the mayor’s targeted goal. Political will to ensure a fair and equitable distribution across the District is required.

The RCW area is also characterized by vibrant commercial corridors, most notably Wisconsin and Connecticut avenues and MacArthur Boulevard. Five Metrorail stops are in RCW: Woodley Park (5,495 Metro exits), Cleveland Park (3,433 Metro exits), Van Ness/UDC (5,142 Metro exits), Tenleytown (6,058 Metro exits), and Friendship Heights (7,480 Metro



Of the some 40,000 commuters who come and go from RCW each day, about 4,000 work in the area where they live.

exits). Neighborhood commercial nodes exist around each of these stops with a mix of uses including retail, office, entertainment, educational, and residential. The number of Metro exits reinforces the more neighborhood than regional nature of each of these areas.

Many of these commercial districts have not been built out to the level of density or building height that is allowed as of right under the D.C. zoning ordinance. Neither are these retail districts generally known as job centers, as evidenced by their not having strong daytime populations.



*New multifamily construction near Wisconsin Avenue, N.W.*



PAUL ANGELONE/JULI

## Goal: Create More Housing

**THE HIGH COST OF LAND** in RCW requires innovative ways of thinking and approaches to make housing more affordable for people with a wider variety of income levels and backgrounds. Construction costs rise about 6 percent a year, and current estimates place new units between \$400,000 and \$500,000 per unit in all-in development cost. The economics do not work in favor of low moderate-income to moderate-income housing without subsidy.

Additional barriers to construction include the risk of high-cost litigation, height maximums, and parking minimums. Investors also take on significant risks to begin such projects, in both risking and raising capital to break ground. The panel has included recommendations to ease the development process and litigation and zoning barriers to make producing more housing units in RCW a more streamlined process that will be easier to execute. This includes ensuring that a person with authority is designated to facilitate that construction of housing to meet the mayor's fair and equitably distributed housing initiative.



DAVID GREENSFELDER/JULI

*A multifamily residence built over the former Sears department store.*

The following recommendations are discussed in this section:

- Intensify commercial corridors to create new housing.
- Create permanent shared-equity homeownership opportunities.
- Monitor and improve the inclusionary zoning process on an ongoing basis.
- Undertake a proactive land-acquisition strategy.
- Promote development of accessory apartments.
- Make better use of publicly owned properties.
- Upzone specific areas near transit within a half mile of Metrorail stations and a quarter mile of bus corridors.
- Allow gentle density increases in all RCW neighborhoods.
- Consider master-leasing existing housing on a trial basis.

In addition, any increase in available housing should be accompanied by a strategy to bring underused housing online so families looking for homes will be able to find them easily.

## Intensify Commercial Corridors to Create New Housing

RCW has long included retail as part of the neighborhood's charm and character, but longtime residents expressed some trepidation to the panel that the desirability of the area as a prime destination for shopping and dining had faded in recent years, as other parts of the District attracted higher-end retail clients. Tenant turnover has increased, and beloved institutions have closed, particularly in the Woodley Park and Cleveland Park areas.

The panel recommends focusing on corridors as a key to invigorating neighborhoods and solving housing shortfalls. Adding additional retail options will benefit the retail scene by adding quantity and variety, and the greater availability could increase the opportunity for local merchants to rent a storefront, further deepening the character of the area.

A retail mix, by necessity, must be calibrated for local conditions, taking into account demographics, community vision and resources, capabilities of property owners and prospective tenants, real estate market conditions, and the limitations of the current zoning codes.



*Opportunities exist to intensify the commercial corridors in Rock Creek West.*

The panel also recommends allowing building heights to be maximized along the major commercial corridors. The current single-story buildings in RCW retail corridors, such as Cleveland Park or Chevy Chase Circle, indicate an underdeveloped opportunity in today's environment. Housing should be built over the retail.

In addition, placing more retail in vibrant mixed-use corridors ensures a steady source of sales. More residential units and office space translate into more demand for retail. Given the work/live combination of the area, stores can rely on an 18-hour window for sales, rather than the more condensed sales period that retailers have in commercial-only or residential-only areas.

The panel recommends using density bonuses to direct developer behavior. A density bonus incentivizes developers to create a project in line with the District's goals (in this case, adding retail and mixed-use housing), and in turn the developer benefits by getting a bigger project with more buy-in from the city. Density bonuses have had success in shaping retail spaces elsewhere, including creating well-designed retail space at Broadway Valdez in Oakland and preserving key retail nodes in downtown San Jose.

## Create Permanent Shared-Equity Homeownership Opportunities

Under current conditions, homeownership is out of reach for most of the District's residents. As designed, the current affordable housing programs are "leaky buckets," in which subsidies can disappear and conditions can change, leaving families in precarious positions.

The panel recommends that the city partner with shared-equity providers to create affordable, permanent homeownership opportunities for low-income households, such as co-operative units.

By doing so, the RCW area, along with current and future residents, will benefit from shared-equity homeownership. Shared-equity homeownership provides a greater likelihood of attaining and sustaining homeownership, and it builds wealth among lower-income families, which historically include families of color and other demographics that have faced longstanding obstacles to homeownership and thus have been denied the chance to build wealth.

For neighborhoods, shared-equity homeownership ensures the public investments are more effective and translate into stronger, safer, and higher-quality communities in which to live. For the residents, homeownership can correlate to greater educational and job attainment.

## Monitor and Improve the Inclusionary Zoning Process on an Ongoing Basis

Changing economic conditions necessitate ongoing review and adjustment of the inclusionary zoning (IZ) process. The city's ability to examine and modify IZ regulations could yield additional housing opportunities, especially in areas like RCW that have high land costs and demand for more housing. The city should also be aware if zoning regulations are curtailing desired development.

The panel recommends that the city periodically review IZ regulations, policies, and administrative procedures to ensure they are economically feasible, appropriately targeted, and effectively managed for impact. Effective IZ regulations must take into account the development feasibility, tenant targeting, and cost burden, and doing so could lead to more housing opportunities in high-cost areas like RCW.

## Undertake a Proactive Land-Acquisition Strategy

Land costs in RCW have made the barrier to entry too high for many moderate- and lower-income residents. To combat the high land costs, the panel recommends that the city purchase and set aside land for affordable housing development. Using the District Opportunity Purchase Act (DOPA) is an excellent way to acquire properties. This land can be transferred



*Owen Place, N.E., in Washington's Trinidad neighborhood has diverse housing types, including multifamily dwellings, rowhouses, accessory dwelling units, and pop-ups.*

or leased to third parties to preserve or create 100 percent affordable housing. This was recently done at the 3218 Wisconsin Avenue Cooperative through a loan by the Local Initiatives Support Corporation—a Community Development Financial Institution—since more traditional funding sources do not typically provide financing for this type of project.

Acquired land and properties can also be held by a community land trust. The Douglass Community Land Trust is a recent example of a successful partnership established to preserve affordable housing east of the Anacostia River in Washington, D.C., and the Rondo Community Land Trust in St. Paul, Minnesota, is preserving affordable retail as well as building affordable housing.

## Promote Development of Accessory Apartments

To achieve the goal of creating more homes in the predominantly single-family-zoned area in RCW, the panel recommends the city promote the development of accessory dwelling units (ADUs). ADUs were included in the D.C. zoning code in 2016 and are also known as “granny flats,” carriage houses, and garage conversions.

Through conversation with stakeholders, the panel identified a number of challenges and issues with the complexity of



*This detached single-family home has an ADU with a separate entrance.*

the process (including the paperwork) of developing ADUs that the city can be address, such as the following:

- Managing unit development;
- Construction costs;
- Access to financing;
- Licensing and zoning processes and costs; and
- Designating a city liaison to guide homeowners through the process.

The panel recommends further engaging with stakeholders for specific input on the ADU development process and then coming up with incentives and mechanisms to streamline the permitting, licensing, and zoning process for development, with the goal of incentivizing and creating a faster, better process for homeowners who want to convert part of their existing home into an ADU.

RCW currently has 17,700 single-family homes. If 14 percent of those homes created an ADU, RCW would be able to provide 2,500 new homes. ADUs would be unlikely to alter the character or feel of the neighborhood. As many residents focus on aging in place, an ADU would allow residents to bring a caregiver to live in their home or allow them to downsize while still living in their same neighborhood.

The panel recommends that the city facilitate homeowners connecting with contracting, permitting, licensing, and zoning advisers and supports, or work with nonprofits already organizing to support those interested in developing ADUs. The city can also explore creating subsidies or incentives to promote ADU development. Success using this model has been achieved in Boston, Portland, and Los Angeles.



*A detached ADU.*



## ADUs in Boston, Portland, and Los Angeles

Other cities have used effective models for promoting the development of ADUs by providing new financing options.

- **In Boston**, the Additional Dwelling Unit Loan Pilot Project provides interest-free loans of up to \$30,000 for accessory apartments remodeling projects with no monthly payments. The loans do not become due until the owner transfers ownership or undertakes a cash-out refinance.
- **In Portland, Oregon**, a nonprofit administered the Place for You program, offering homeowners a 380-square-foot one-bedroom accessory apartment at no cost in exchange for providing rent-free housing for a person or family formerly facing homelessness for five years.
- **In Los Angeles**, the Second Dwelling Unit Pilot Program encourages the development of accessory apartment units by streamlining permitting processes, providing technical assistance to homeowners, providing financing options, and promoting accessory dwelling units through an architectural design competition. The county will provide a maximum subsidy of \$75,000 per new unit or \$50,000 per rehabbed unit to build accessory apartments in the form of a forgivable loan tied to a commitment to rent the accessory apartments to a family or individual that was formerly facing homelessness or to participate in the housing choice voucher program.

## Make Better Use of Publicly Owned Properties

Because of the high cost of land in RCW, developable sites have a relatively limited inventory. One way to create more affordable homes is to make better use of publicly owned properties in the area, such as libraries.

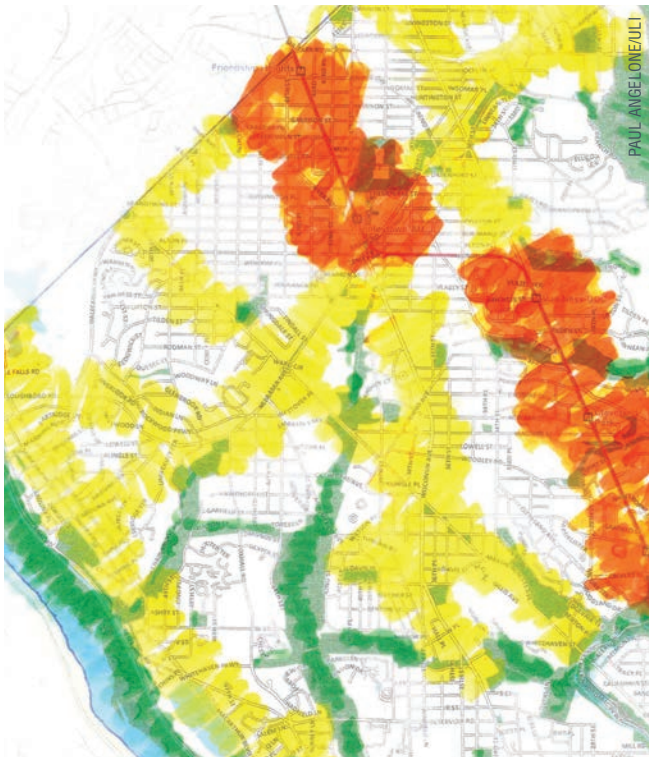
Achieving housing affordability goals for this area will likely require creative approaches and partnerships. RCW has an inventory of parcels that represent untapped opportunities to develop affordable and mixed-income housing and would be especially helpful given the high acquisition costs that prevail throughout the area. Making use of publicly owned property could facilitate the creation of 100 percent affordable housing or mixed-income housing with a significantly higher proportion of affordable units.

The panel recommends that the city create a comprehensive strategy to maximize the use of the city's publicly owned and off-market properties to develop affordable and mixed-income housing. The strategy could include the following:

- Entering into public/private partnerships between city agencies and affordable housing developers;
- Requiring that new public facility developments or redevelopments include affordable housing components whenever feasible; and
- Creating a process for receiving unsolicited bids for more intense use of publicly owned parcels.



*The Tenley-Friendship Neighborhood Library was a missed opportunity to build affordable housing. Parts of the structure were built with reinforced steel to support vertical construction on the roof. Any new housing here would likely require mitigation for the loss of the Janney Elementary School playground.*



*This map depicts approximate areas within a half-mile radius of Metro rail stations (red) and within a quarter mile of Metrobus corridors (yellow), plus parks (green) and water (blue).*

The panel identified several areas in RCW that would be ideal for such public/private partnerships, including the newly remodeled Tenley-Friendship Library and the Chevy Chase Neighborhood Library, which will likely be remodeled in the near future. By co-locating affordable housing and community facilities, the city would create efficient and effective service delivery platforms to support household well-being and economic opportunity.

## Upzone Specific Areas near Transit

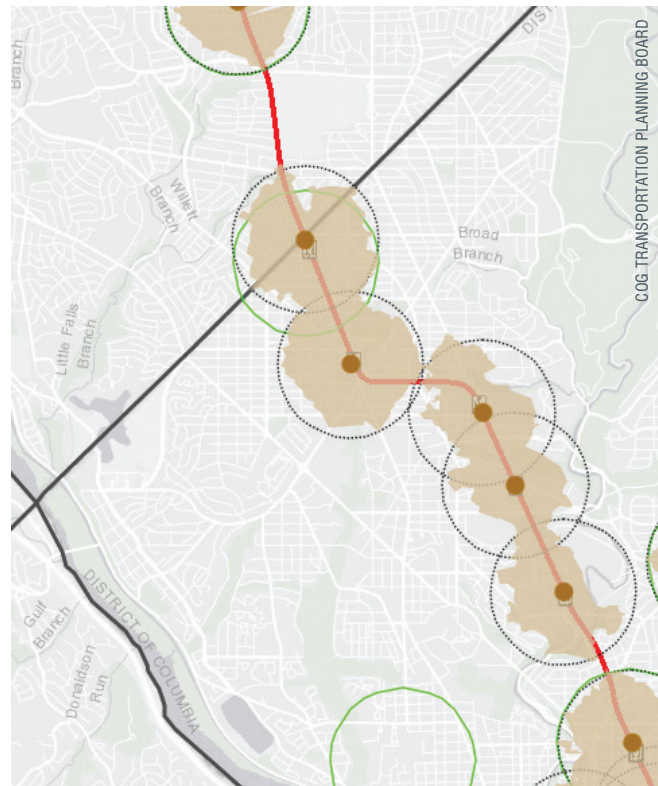
Stakeholders in RCW conveyed concern that additional density could alter the character of the neighborhood, much of which is zoned for single-family homes, which make up 80 percent of RCW's land area. They also had concerns about parking and access to major transit lines.

Upzoning, the process of changing the single-family zoning designation to include multifamily or other zoning designations, would add homes to RCW, and the panel recommends that the upzoning be concentrated along the major transit corridors. Specifically, the panel recommends that the city consider upzoning specific areas near transit, within a half-mile of

Metro rail stations and a quarter-mile of major bus corridors, which include Wisconsin Avenue, Connecticut Avenue, and MacArthur Boulevard. Form-based code, as discussed further in the next recommendation, would enable any upzoning to more gradually taper from the corridor to more residential areas.

Research by ULI and other entities shows the significant economic and social benefits of mixed-use development around mass transit nodes. Research also shows that increasing density along high-traffic corridors is less impactful to the community overall but provides the same benefits to the site-specific apartments afforded to the existing residents. Residents of market-rate and affordable rental apartments are some of the highest-demand users of public transportation, which also holds true in the Washington, D.C., region. Making more commutes feasible via walking or public transportation reduces the motor vehicle traffic on ancillary neighborhood streets.

Finally, increased unit density drives down the cost of construction, lowering the cost per unit and making the affordable housing option more feasible, even in higher-cost neighborhoods like RCW.



*This walkshed analysis map shows that an easy 10-minute walk (shaded areas) does not always neatly fit into a half-mile radius (dashed circles). The green circles represent COG activity centers; the orange dots are Metro rail stations. (The activity center at bottom center represents the Georgetown neighborhood, which does not have a Metro station.)*

## Allow Gentle Density Increases in All RCW Neighborhoods

To achieve the goal of building more housing and invigorating the RCW neighborhoods with attractive, successful retail options, the panel recommends adding “gentle” density along the major corridors, Metrorail stations, commercial districts, residential districts, cultural and religious institutions, and educational institutions. This densification is intended to work with the upzoning proposed earlier by the panel to transition from more intensive uses near the corridors with Metrorail and Metrobus lines to those areas outside.

Existing neighborhoods have room to add housing that could be directed to the 30 to 80 percent AMI workforce. Even the aspects of RCW that are suburban in nature can still find areas in their commercial corridors for low- to mid-rise mixed-use development, including multifamily units. The panel recommends targeting certain major corridors such as Wisconsin Avenue, Connecticut Avenue, and MacArthur Boulevard. Both Connecticut and Wisconsin avenues have direct access to multiple Metrorail stations, and all three corridors have bus routes to major transportation and work centers. Adding gentle density along the transportation corridors would allow the existing character of the single-family neighborhoods to be retained without major disruptions or changes.

## Consider Master-Leasing Existing Housing on a Trial Basis

Stakeholders conveyed concerns to the panel about landlord-tenant relationships, including those involving residents participating in one of the city’s affordable housing programs. Such friction, either between landlords or between residents, creates additional hurdles for low-income individuals and

difficulties that make some landlords reluctant to continue participating in the program. Even though the city has outlawed housing discrimination on the basis of source of income, many residents transitioning to independent housing require additional support services and can sustain periods of adjustment that present additional hurdles.

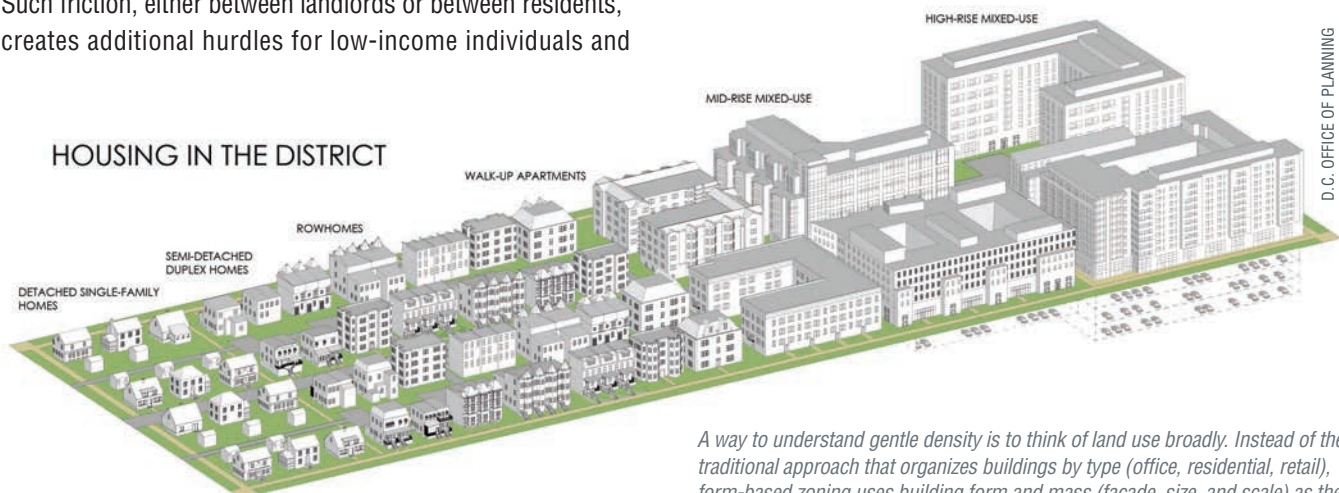


*Master leasing by the city is a way to manage the process for housing those who are unhoused and severely cost burdened.*

The panel recommends that the city act as a master lessor, either directly or through a nonprofit partner, and sublet units to lower-income tenants. By shouldering the burden as a landlord, the District could make affordable units available quickly, enabling it to scale the placement of applicants more readily. This approach could be especially well suited for rent-controlled units, in which annual rent increases are capped.

The panel notes that for the city’s role as master lessor to be effective, all parties will need to communicate clearly about roles and expectations. As a landlord, the city or its nonprofit partner must be ready to respond quickly to any issues that arise. This would help address some of the poor perceptions of connecting voucher holders to rent-controlled and other rental properties within RCW.

Similar programs have worked well elsewhere to provide housing for those who otherwise would not have been able to obtain it, which is an important part of the city’s goals.



*A way to understand gentle density is to think of land use broadly. Instead of the traditional approach that organizes buildings by type (office, residential, retail), form-based zoning uses building form and mass (facade, size, and scale) as the organizing principle. This provides the opportunity to step gently from less intensity to more intensity.*



## Goal: Streamline and Improve the Development Process

**SIGNIFICANT UNCERTAINTY** from a time and cost standpoint exists for development in Rock Creek West because of the barriers to development, reaction from current residents, and risk of litigation. The panel has come up with several recommendations designed to streamline and improve the development process in RCW, which will take into account community concerns while still prioritizing creation of affordable housing units in the area. Such recommendations should make it easier for developers, the city, and current and future residents. As highlighted earlier in the report, building 2,500 new housing units will require at least \$1 billion. The federal government—and the private sector in particular—will be required to be partners to address the region's affordable housing crisis.

The recommendations discussed in this section include the following:

- Create Small Area Plans.
- Create zoning regulation that incorporates key provisions of the typical planned unit development (PUD).
- Address the amount of litigation related to development.
- Modify parking requirements.
- Review historic preservation.

### Create Small Area Plans

The risks and uncertainty of development in RCW must be addressed in a way that both promotes development and includes community concerns. The panel recommends that the city create Small Area Plans, which comprise a process for getting community input and buy-in to a strategy for intensification along major commercial corridors in individual neighborhoods. Because of this community buy-in and support, Small Area Plans should be considered with great weight in the decision-making process. The Comprehensive Plan's Framework Element should be the baseline of this planning effort.

By addressing community concerns with neighbors in advance of new development and translating the agreed-upon development strategy into a Small Area Plan, the city can recommend creating by-right zoning, which would ensure no ambiguity exists about what is allowed, so that developers can proceed without risk of litigation or retaliation. This reduces the risk of uncertainty, lowers development costs, and encourages intensification. The city undertook this strategy for the Hill East Waterfront, the area adjacent to the Anacostia River in Southeast Washington, D.C. The Small Area Plan enabled the Office of Planning to engage with the community before the private sector proposed development options for the site.



*The Parks at Walter Reed, which is currently under development, was informed by a Small Area Plan with extensive public engagement.*

The panel recommends the Friendship Heights neighborhood as a location for the first Small Area Plan. Friendship Heights has its own Metrorail station and zoning consistent with downtown Washington, D.C., along the Wisconsin Avenue corridor, and is bisected by the D.C.-Maryland border. It is also home to the Washington Metropolitan Area Transit Authority bus garage and the Fox 5 headquarters, which is slated for relocation, a Pepco substation, and significant underused parking at the Mazza Gallerie and Lord & Taylor sites.

Additional locations for Small Area Plans include Tenleytown, Glover Park, Cleveland Park, Woodley Park, Chevy Chase Circle, and the Palisades. These plans will help determine application of form-based code and increases of gentle density for these transit-rich and walkable corridors through community engagement outside of contentious public meetings for site-specific zoning changes. Finally, the Nebraska Avenue Complex should undergo a Small Area Plan in the event the land is transferred from the federal government to the District government.

## Create Zoning Regulations That Incorporate Key Provisions of the Typical PUD

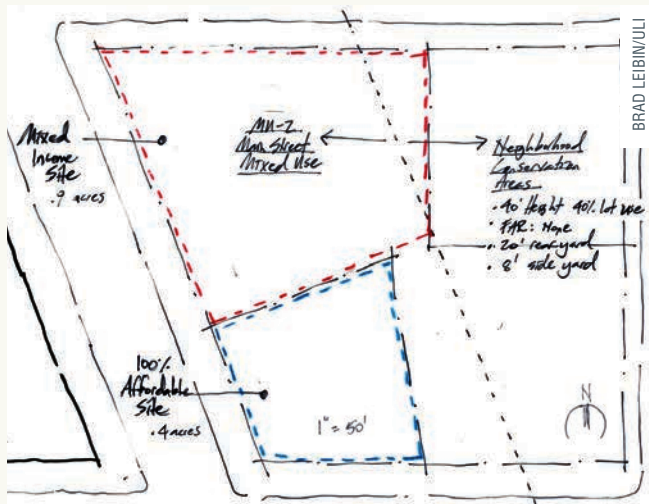
The use of PUDs has exposed the city and developers to a series of lawsuits and uncertainty in the development process. It has also caused additional delays, and interviewees spoke of the PUD process as a deterrent to new development.

The panel recommends creating zoning regulations that would incorporate key provisions of typical PUDs. For example, the city could include details about height, affordable housing unit bonuses, parking minimums and maximums, and unit size in the city's zoning regulations. In addition, the clarity provided with updated zoning regulation would alleviate the need for PUDs as the primary means for providing community benefits and make the city's land use regulation more legally defensible. Small Area Plans should be the primary way to inform how site-specific locations should be used.

## Modify Parking Requirements

Current city law imposes parking requirements on lots throughout RCW. The amount of parking required is reduced by 50 percent in proximity to Metrorail stations and certain bus routes. Applicants can seek a special exception from parking requirements, but such an exception requires additional steps through the permitting process. The panel recommends that the city eliminate minimum parking requirements. Eliminating or reducing the parking requirements would lower the cost of housing, which would make it more tenable for affordable housing developments in high-cost areas like RCW.

# Mixed-Use, Mixed-Income Case Study



The red outline is the mixed-income project and the blue outline is the 100 percent affordable project. Because of zoning constraints, a portion of the mixed-income project would require Board of Zoning approval since it does not fully fit within the higher-density zoning. This need could open the project to litigation and delays. For this reason, the panel assumes four levels of residential space over the podium.

The panel created a case study representing a prototypical site within the RCW area along a major transportation corridor and a short distance from a Metrorail station. The case study assumes that the site is zoned for mixed use and is near a Neighborhood Conservation Area. In addition, the panel assumes that the site is mostly development-ready, meaning no significant demolition or environmental remediation is required.

The panel designed two buildings—one a mixed-income building and the other a 100 percent affordable building. Both buildings include retail. To lower the complexity of the pro forma, the panel focused on the mixed-income project (“the Project”). The Project includes about 122 units—a mix of studios, one bedrooms, and two bedrooms—17,500 square feet of retail, common areas, and 29 underground parking spots that would be developed over a 36-month period. The total development cost for the Project would be about \$45.5 million with a subsidy required of about \$7.6 million to cover the development cost gap.

Depending on the structure of the subsidy, some of this might creatively be recaptured by the city (e.g., tax increment financing, land swaps, or acting as a joint venturer). The Project as envisioned with lower height limits could create about \$47 million to \$57 million in value, generate some \$2.8 million in net operating income annually, and help meet the goals of the mayor’s initiative to build more housing.

To view the panel’s pro forma for the Project, see the appendix, page 31.

Understanding the distinction between how developers and users look at land cost is important. Developers need to assume a profit great enough to attract capital, so a development pro forma will solve for a “residual land value.” A residual land value is the amount left over to spend on land after all other expenses of development have been taken into account. These expenses include soft costs (design, permits, etc.), site work, vertical development costs (i.e., the building), financing costs, and the developer’s entrepreneurial profit.

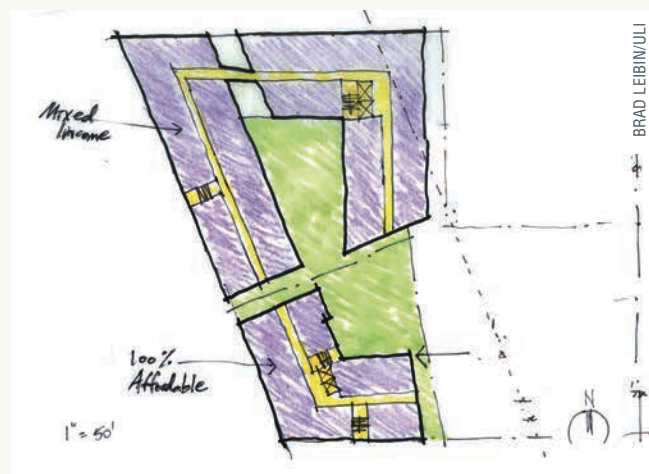
A common method for establishing “great enough profit” is to solve for a spread between what a project sponsor assumes a completed, stabilized project will sell for (the “exit cap rate”), and the project’s return on cost (the net operating income divided by total costs, or the “development cap rate”). Different sponsors look for different spreads between the development cap rate and the exit cap rate, but solving for a 200–300 basis point spread is not uncommon.

In this case and to be conservative, the panel has adjusted the subsidy line item to solve for a less than 200 basis point spread and a \$0 developer fee. At 125 basis points spread, the project would generate a high enough resale value to justify the risk to allow for the developer to both not take a developer fee and expect a great enough profit to justify leveraging about \$15 million in equity to borrow \$29 million.

The panel found as follows:

- In a new multifamily development like the Project, every dollar of rent received offsets about \$16 of construction costs. The panel initially proposed including three-bedroom units in the Project, but the lower per square foot rents they generate increased the subsidy required for land from \$6.9 million to \$8.5 million. To justify building three-bedroom “family housing” units, either net operating income will need to increase by allowing additional units to be built or a higher rent subsidy from the city will be required or both.
- Land costs are a large driver of the cost to develop new buildings. The city and other institutional partners such as American University, George Washington University, or faith-based organizations could better leverage their land—or acquire land through programs like DOPA—to enable affordable housing creation. This land cost reality points to the benefit of incentivizing creation of ADUs or subdividing existing single-family homes to create more residences.
- Zoning should match how development footprints can be built in today’s real estate market, enabling “gentle density” increases along major transportation corridors. Providing great weight to Small Area Plans would enable zoning to match both the community’s desires and District-wide housing goals. This zoning approach also allows for by-right development without the need to reserve funds for litigation.

- Parking added nearly \$1.6 million to the total development costs for the project. This increases the need for project subsidy and reduces the overall area that could be used for retail or common space on the ground floor.
- A 100 percent affordable project may be less risky to develop since subsidies are more likely through programs like Low Income Housing Tax Credits or the District’s Housing Protection Trust Fund.



Top: The ground floor includes retail and common space. Above: The upper floors are a mix of apartment sizes and common areas (hallways, stairways, etc.).

The trend of moving away from surplus parking options is based on changing demographics. Younger generations are moving away from car ownership, and older generations opt to age in place in areas like RCW, which have high walkability scores and where one does not need to rely on a car to get around.

Other cities have had success with changing or doing away with parking minimums, including Buffalo, Minneapolis, Hartford, and Mexico City. As cities around the world step up to the challenges presented by climate change, the panel expects to see an acceleration of the movement away from

parking requirements and toward improved pedestrian environments. This is an opportunity for Washington, D.C., to demonstrate meaningful leadership in this movement.

The panel also recommends the city evaluate the cost for on-street parking. With the right pricing, on-street parking will be easier to find, so cars will no longer have to drive around searching for parking. Proceeds from charging for parking can be used to support an array of improvements, such as higher-frequency transit, better lighting, sidewalks, bike lanes, or other amenities a neighborhood chooses.



PAUL-ANGELONE/ULI

*H Street, N.E., is intensifying the retail corridor, and some of the new construction has not added any new parking. This has allowed for lower development costs and increased the walkability of the corridor.*



## Address the Amount of Development-Related Litigation

The city is sustaining a great number of lawsuits related to development that prevent and delay development and add additional costs. Some of these lawsuits are brought by parties who may not have standing as a nearby resident or property owner. Although residents may have a broad right to sue when they believe their personal property rights are at risk, limiting those parties to those who have clear standing and a demonstrable interest is important.



DANIEL LOBO/FELICKR

*The former Fannie Mae headquarters is being redeveloped as the City Ridge mixed-use project. This project likely could have provided more affordable units, but it was developed by-right because of litigation concerns.*

The panel recommends several changes to reduce the quantity and scope of litigation related to development in RCW. Specifically, the panel recommends the following:

- Revise local and federal ordinances and laws to require that parties filing lawsuits have standing and demonstrable interest.
- Create a legal defense fund to counter the economic power of wealthy residents filing lawsuits against affordable housing.
- Consider establishing a requirement for the plaintiff to post a legal bond before land use-related litigation.

The panel notes that any change to the current litigation process should also be managed for unintended consequences of increasing barriers to judicial process. Whatever policy is pursued should consider the implications to cases with merit, particularly from those with more limited resources or who have historically been left out of the process.

## Review the Historic Preservation Process

RCW is home to many historic buildings and neighborhood landmarks, which add charm and character to the area and a sense of pride for many of the residents. However, in some instances, the historic preservation process is being used as a tool to block and slow development.

The panel recommends that the city review its historic preservation code, processes, and practices to ensure that these ordinances are not being used to block development. Greater administrative discretion, an improved ordinance, and a streamlined process would help address this inappropriate use. In addition, the city should consider the recognition of cultural and historical resources of historically marginalized populations, such as cultural communities, communities of color, and immigrant communities, as of equal value with those of majority white populations.

This means that sites with historical significance but without a significant building or architectural resource should also be considered in the historic preservation designation process. The intention of this practice is to ensure that history of all city residents is honored and acknowledged. It also means that the history of these marginalized communities is not used as a way to stop or slow development that would repair, provide restorative justice, or invest in these communities.



GOOGLE MAPS

*Some of the few remaining rowhouses of the former African American neighborhood that was cleared for Fort Reno Park.*



## Goal: Gain Community Support

**THE PANEL** heard consistent feedback from stakeholders in RCW that not enough has been done about messaging, education, and promotion with regard to the mayor's plans to create more housing. The city needs to do more to communicate and galvanize support for the additional housing in RCW.

The panel heard consistent feedback from stakeholders in RCW that not enough has been done about messaging, education, and promotion with regard to the mayor's plans to create more housing. The city needs to do more to communicate and galvanize support for the additional housing in RCW.

The following recommendations are discussed for this goal:

- Create a marketing and education campaign to communicate a vision to stakeholders and create political will for support.
- Address the history of race and class in understanding current housing dynamics and engage the community to confront such biases.
- Engage the faith community.

## Create a Marketing and Education Campaign

To support and encourage the development of housing and preempt criticism and community backlash, the city's leadership must present its plan in a very public way with repeated opportunities for local conversations. The city should advocate for and support programs and projects that encourage growth and include the active engagement of supporters and RCW residents to leverage messaging.

The panel recommends that the city's messaging include the following components in advocating for more housing in RCW:

- Explain the explicit and implicit racial bias in current zoning and housing plans.
- Discuss current and projected future need for additional housing units in general.
- Focus on the city's need for more units that are affordable to the middle-income and workforce population, with household income between 30 and 80 percent of AMI.
- Emphasize that the *housing shortage is a citywide problem that requires a citywide solution*. RCW, like other parts of the city, needs to play its part in providing housing for the city's workforce of police, fire, health, and support service employees.

The panel recommends that the education and public relations campaign should include the following:

- Educate the community and promote programs through social media campaigns and community engagement.
- Actively work to destigmatize rental housing in general and workforce and affordable housing specifically.
- Actively support, advocate for, and celebrate new projects that add desired housing supply.
- Work with local academics to develop a social media or static exhibit that can be used in public spaces as an educational tool.

## Address Race, Class, and Housing

The panel recommends the city use the history of housing and race in the city as a way to engage people in a problem-solving discussion now. Washington, D.C., is not alone in having a long history of racialized housing policy that contributes to current inequalities and neighborhood structures. The panel believes that it is incumbent upon the current and future administrations to advocate for policies that correct current inequities.

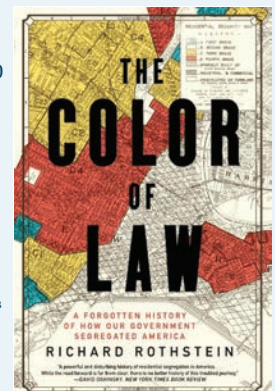
The panel recommends the following activities to increase social cohesion and community support in correcting racial and class disparities in the city's housing:

- Create a quarterly book club focused on community conversations about topics of immediate interest and relevance to the city's affordable housing and development goals. Mayor Bowser would promote the book club, and neighborhood and advocacy groups could lead discussions.
- Hold more social gatherings so that people have an opportunity to meet.
- Better understand how owners are treated in comparison to renters in city processes to address inequities.
- Enlist a speakers bureau to focus conversations with community groups around issues related to affordable housing and the city's goals.
- Use consistent language around race, racial disparities, and affordable housing; incorporate these concepts into the policy work of the city in every department, program, and project.

### Readings on Race, Class, and Housing

Suggestions for the book club include the following:

- ***Just Mercy***, Bryan Stevenson
- ***White Fragility***, Robin D'Angelo
- ***The New Jim Crow***, Michelle Alexander
- ***Picking Cotton***, Erin Torneo, Jennifer Thompson-Cannino, Ronald Cotton
- ***The Color of Law: A Forgotten History of How Our Government Segregated America***, Richard Rothstein



## Engage the Faith Community for Housing Production

Faith organizations in the city share values and have demonstrated their commitment to advancing their missions through housing and using their land to facilitate development. Doing so would also be a resource to their faith institutions for a sound financial future. The panel recommends that the city engage the faith community with the goal of increasing housing in RCW. A number of faith-based organizations in RCW own high-cost, underused land, and many have unfunded deferred maintenance on their existing buildings. A partnership with these institutions would be beneficial to both parties.

This recommendation will require a designated person in the city government with the authority to cross department lines, look for problems in the system, provide the mayor and the council with recommendations on how to address those problems, and hold people accountable for their failure to work to achieve the goals of the mayor's initiative. This person's work would include creating a system for providing assistance to citizens whether they are homeowners who want to install an ADU or developers trying to get through the permitting and inspection process.

Specifically, the panel recommends that the city engage with affordable housing developers, such as DC Local Initiatives Support Corporation, MiCasa, and Enterprise Community Partners' Faith-Based Development Initiative and with organized faith networks including Good Faith Communities Coalition, Greater Washington District of the Baltimore Washington Conference United Methodist Church, and Washington Interfaith Network to advance the conversation to identify specific parcels and opportunities for affordable housing development.



*Faith-based organizations own land and could partner with developers to build housing affordable to a mix of incomes on their properties.*



## Conclusion

**THE PANEL** agrees with Mayor Bowser that Washington, D.C., has both a *housing shortage* and a *housing affordability problem*. This will require the construction of more homes to meet demand. The following recommendations outlined in this report would help add 2,500 units to RCW. These new units would bring new residents and add vitality to the neighborhood and allow RCW to provide its fair and equitable share of affordable housing to remedy the citywide problem.

Of the panel's recommendations, the panel believes the following are ready for immediate action:

- Creating and implementing a communication plan and a community education plan.
- Promoting the immediate development of ADUs and the creation of an ADU assistance program. The city can also review ADU rules and regulations with a goal of simplifying and streamlining the process as well as consider increasing incentives to encourage the production of ADUs.
- Beginning conversation with the faith community around the use of its land to provide for the development of low-income housing and to discuss how the faith community can assist in advocacy efforts.
- Establishing a schedule of meetings and programs to provide for public discussion of the issues of race, institutional bias and the impact of racially biased programs, both historical and present, on access to housing.

- Ensuring that the city provides personal assistance to navigate the system, especially in those areas that the city has already identified where it needs to streamline the process. A person with the appropriate authority needs to be designated to ensure that facilitation of construction of affordable housing meets the mayor's initiative.

Several other matters were considered by the panel but were not deemed suitable for recommendation at this time because they would not be required to build the additional 2,500 units:

- The declaration of a state of emergency to address the lack of affordable housing;
- The elimination of single-family zoning; and
- Increasing school size.

Ultimately, Washington, D.C., has the opportunity and the tools to be a leader in creating more affordable homes for families, and the panel believes that the recommendations outlined in this report can help the mayor, the council, and the District achieve that goal. Without immediate action to significantly increase the number of housing units, available housing will continue to decrease and will become less affordable to a majority of the District residents.

# Appendix: Mixed-Use, Mixed-Income Study Site Pro Forma

The following figure includes the back-of-the-envelope analysis conducted by the panel. A pro forma developed for a true project would be much more detailed and have additional options. This is intended to illustrate how a developer would view the development potential of a site.

## Mixed-Use, Mixed-Income Study Site

Land and project data		Profitability summary	
Gross floor area (sq ft)	123,838	Profit (high end)	\$9,079,025
Site size (sq ft)	39,204	Profit (low end)	-\$11,832
Floor/area ratio	3.16	Return on cost	6.25%

Operating income and expenses			
Type	Size/unit (gross sq ft)	Rent/sq ft/year	Leasing commission
Residential studio (loaded)*	563	\$43.35	
Residential 1 bedroom (loaded)**	825	\$39.27	
Residential 2 bedroom (loaded)***	1,200	\$33.15	
Residential amenity	10,600	\$0.00	
Retail (shop space)	17,600	\$48.00	\$163,680
Parking	10,000	\$0.00	
<b>Total</b>	<b>123,838</b>	<b>\$4,813,410</b>	<b>\$163,680</b>

Vacancy	5%	-\$240,670	
Management	2%	-\$96,268	
Residential expenses	40%	-\$1,587,444	
Reserves	1%	-\$48,134	
<b>Net operating income</b>		<b>\$2,840,893</b>	

Total development costs	Cost/sq ft	Budget	
Land and options	\$302.78	\$11,870,006	
Structure (new) hard costs	\$200.90	\$24,879,058	
Site improvement costs	\$15.00	\$588,060	
Soft costs		\$7,890,135	
Contingency and local hire premium costs		\$6,306,829	
Subsidy and other reimbursements		-\$7,660,223	
<b>Subtotal: hard and soft costs</b>		<b>\$43,873,865</b>	
Financing costs†		\$1,592,256	
<b>Total: development costs including finance</b>		<b>\$45,466,121</b>	

Source: ULI.

\*33 units, rents are \$4.25/sq ft to account for load factor (hallways, common area, etc.).

\*\*51 units, rents are \$3.85/sq ft to account for load factor (hallways, common area, etc.).

\*\*\*38 units, rents are \$3.25/sq ft to account for load factor (hallways, common area, etc.).

†The project would have \$15,913,142 in equity (35% of total development cost) from the developer and \$29,552,978 in debt (65% of total development cost).

# About the Panel

## Philip Payne

### Panel Chair

Charlotte, North Carolina

Payne is a pragmatic idealist who believes that it is possible to do good while doing well. For nearly 30 years, he has worked to produce and maintain multifamily rental housing that is affordable to the workforce. During this time, he has served in various roles at a number of real estate companies, including being chairman of a public company, chief financial officer of both a private and public company, and a board member and Audit Committee chairman for two public companies.

He has extensive experience and expertise in the areas of development, acquisition, rehabilitation, management, operation, financing, tax, and legal issues of multifamily housing. He is the cofounder and chairman of the Lotus Campaign, which connects those that are unhoused with participating landlords with available rental units. He also serves as a principal in Ginkgo Residential, which provides workforce housing in Virginia, North Carolina, and South Carolina. He is a trustee of the Urban Land Institute, the founding chairman of its Responsible Property Investment Council, and the current chair of ULI Charlotte. He is also a member of the National Multifamily Housing Council. Payne holds both a BS in psychology and a JD from the College of William & Mary.

## David Greensfelder

Albany, California

As a developer, a consultant, and an experienced corporate real estate executive, Greensfelder has driven more than 325 projects spanning 6.3 million square feet with an aggregate acquisition and construction value exceeding \$700 million (finish market value estimated at well over \$1.25 billion). During the Great Recession, he built a \$100 million development pipeline (development cost) with a finished market value of nearly double that amount, helped a client acquire a publicly traded competitor, and developed plans to reposition over 1 million square feet of retail and mixed-use projects valued at over \$115 million.

Greensfelder Commercial Real Estate develops retail and mixed-use projects, provides inception to completion fee-based project management services, and consults on market strategy, economics, and land use for institutional and private clients across the United States and on retail real estate for financial institutions. Before forming his own firm, Greensfelder was director/vice president and principal of LandMark/NewMark's Northern California office, managed relationships with Fortune 25 companies such as CVS, oversaw acquisition and development of retail/residential mixed-use projects, led acquisition and development programs for programmatic joint ventures with publicly traded REITs, and successfully oversaw real estate strategy and implementation for national promotional and daily needs retailers.

He is the author of ULI/PwC's *Emerging Trends in Real Estate*® 2019 Retail and Last Mile sections, is a sought-after speaker at national and regional conferences, and lectures



at UC Berkeley's Fisher Center for Real Estate and Urban Economics and Haas Graduate School of Business, USC's Lusk Center for Real Estate Development, and ULI and ICSC education programs. He serves on Bay Area-based Satellite Affordable Housing Associates' (former chair of the Real Estate Development Committee, and member of the Executive Committee) and the Center for Creative Land Recycling's (Finance Committee) boards of directors, is an active ULI member, is an active UrbanPlan volunteer where he works with high school students in their senior year economics and civics curriculum and acts as an UrbanPlan for Public Officials instructor. He is on ICSC's P3 National Steering Committee, is a former ICSC state officer, and is a founding member of the Oakland Retail Advisory Group. He graduated from Pitzer College (Claremont Colleges) with a degree in business economics.

## Keith Harris

Oak Park, Illinois

Harris is a principal of CKG Advisors LLC, an investment and advisory firm focused on the multifamily industry. Before CKG, he was senior vice president of the Bozzuto Group responsible for institutional capital raising and client relations. Harris's more than 30 years of experience in real estate includes acquisitions, dispositions, asset management, lending, property management, and partnership structuring.

He spent 14 years at the Laramar Group, most recently as chief investment officer responsible for the firm's property investments and client capital management. As the CIO, Harris managed acquisition and disposition activity, capital raising, client relations, and portfolio management. During his tenure at Laramar, he was responsible for investment transactions for more than 30,000 apartment units valued at about \$3 billion.

Harris also spent 12 years with Heitman Capital Management and JMB Realty Corporation as senior vice president. At Heitman/JMB, he managed the disposition of over \$2.9 billion of real estate representing over 28,000 apartment units and more than 7.5 million square feet of office, industrial, and retail properties. Harris also acquired or made joint venture investments in more than \$165 million of apartment and office properties. Before Heitman/JMB, Harris was with the Balcors Company.

He is a member of the National Multifamily Housing Council, a vice chair of ULI's Multifamily Green Council, a member of PREA, and immediate past chairman of the board of directors of the not-for-profit Over the Rainbow Association. Harris has a BA in economics from Carleton College.

## Brad Leibin

Oakland, California

Leibin offers unique expertise in design, housing affordability, and prefabrication, coupled with a deep commitment to making a positive impact on the world. He has guided the design and construction of hundreds of affordable and market-rate homes for a wide range of residents—formerly homeless individuals, low-income families, tech workers, and more—in a variety of urban contexts. He helps lead David Baker Architects (DBA)'s prefabricated (modular) multifamily housing efforts as well as DBA-LAB, which is the firm's research, postoccupancy-evaluation, and pro bono arm.

Leibin was project architect for Pacific Pointe, a 100 percent affordable family housing development in the new Hunters Point Shipyard neighborhood of San Francisco. He is currently leading a 300-unit modular project in Silicon Valley, as well as Brady Block, a 600-unit mixed-use development that reimagines a full city block in downtown San Francisco.

## Brian Rajan Nagendra

Philadelphia, Pennsylvania

Nagendra has 15 years' experience in community development finance and community economic development. He was the assistant director of the Catalyst Funds and part of the Capital Innovation team at Living Cities, where he managed Living Cities' \$75 million impact investment portfolio and led fundraising, sourcing, due diligence, and underwriting for the Catalyst Funds.

Previously, Nagendra ran deal development, underwriting, structuring, portfolio management, and fundraising for City First Enterprises Impact Investing Fund, a \$10 million fund that financed 350 affordable housing units and leveraged an additional \$50 million in private and public capital. At the Community Builders, an affordable housing developer and manager focused on comprehensive community revitalization, he served as a project manager. At the Brookings Metropolitan Policy Center Urban Markets Initiative, he coordinated a pilot funding program for new information tools to address urban policy problems and tested alternative metrics to identify new economic development opportunities. He serves as the treasurer on the board of directors for Wacif ([wacif.org](http://wacif.org)), a nonprofit community loan fund supporting small businesses based in Washington, D.C.

Nagendra has a BA in public policy from Brown University and an MBA from Georgetown University McDonough School of Business with a focus on real estate, finance, and community development.

## Christopher Ptomey

Washington, D.C.

Ptomey has served as executive director of the ULI Terwilliger Center for Housing since 2018. The center focuses on advancing residential development and housing affordability through research, local and national convenings and consultations, and the Jack Kemp and Robert Larson awards programs, which highlight exceptional residential development projects and public-sector housing initiatives. In addition to his work at ULI, Ptomey serves on the boards of the Grounded Solutions Network and the National Housing Conference.

Before joining the Center, Ptomey led Habitat for Humanity International's U.S. government relations and advocacy team for more than a decade. From 2001 to 2006, he represented the state of Texas as federal liaison for the Texas Department of Housing and Community Affairs, and from 1995 to 2000, he served as a senior legislative assistant to Rep. Michael (Mac) Collins of Georgia. Ptomey holds degrees from Haverford College (BA in philosophy) and the Antonin Scalia Law School at George Mason University (JD), and is licensed to practice law in Tennessee.

## Chris Riley

Austin, Texas

Riley served on the Austin City Council from 2009 until 2015. He has since earned a master's degree in urban placemaking and management from Pratt Institute.

Previously, while working as an attorney, Riley cofounded the Downtown Austin Neighborhood Association and served as its president for five years. He also served on numerous city boards and commissions, and chaired both the Planning Commission and the Downtown Commission.

Riley is currently working on developing a small multifamily infill project in downtown Austin. He serves as president of the board of Bike Austin and also serves on the boards of a number of other nonprofits, including the Downtown Austin Neighborhood Association, Austin B-Cycle, and the local chapter of the Congress for the New Urbanism.

## Heather Worthington

Minneapolis, Minnesota

Worthington was appointed to the position of director of long range planning in September 2017. Previously she was the first deputy county manager appointed in Ramsey County in June 2010, where she led the Economic Growth and Community Investment service team. She was the overall project manager for the cleanup and redevelopment of the Twin Cities Army Ammunition Plant, the state's largest Superfund site, as well as leading the redevelopment of the former West Publishing site in downtown St. Paul.

With more than 20 years of leadership in local government organizations, including city administrator of Falcon Heights, Minnesota, and assistant city manager of Edina, Minnesota, Worthington is committed to seeking authentic community engagement and leading racial equity efforts to strengthen communities that have experienced disparities and disinvestment. She holds a master's degree in public administration from Hamline University, a BA in history/historic preservation from Michigan State University, and a certificate for the State and Local Executives Program from Harvard University's Kennedy School of Government.



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