



To: *The Honorable Councilmember Anita Bonds*

From: *District of Columbia Association of REALTORS® (DCAR) & Manna, Inc.*

Re: *Improving the District of Columbia's Inclusionary Zoning Program - Ownership*

Date: *March 26, 2015*

Dear Councilmember Bonds,

This letter is on behalf of the District of Columbia Association of REALTORS® (DCAR) and Manna, Inc. DCAR serves as the state-level association representing more than 2,600 residential and commercial REALTORS®, property managers, title attorneys and other real estate professionals who are licensed in the District of Columbia. DCAR is also a voice for many homeowners, buyers, sellers, renters and landlords throughout the entire DC metro region. Manna, Inc. is a nonprofit affordable housing developer, educator, and property manager with over 33 years of experience. Manna has created over 1,000 homes for lower-income, first-time homebuyers and has helped many thousands more purchase homes. Our two organizations have a number of shared goals, including helping low and moderate income persons acquire quality housing, building assets for families through homeownership and creating healthy and vibrant communities.

DCAR and Manna believe the Inclusionary Zoning Program (“IZ Program”) can be one of many affordable housing solutions for District residents, creating units that are sorely needed to face the District’s affordable housing crisis. DCAR and Manna thank the Council for its interest in improving the IZ Program, as well as all of the DC government agencies that have a hand in administering the program and setting/changing regulation. Considering the past two Proposed Inclusionary Zoning Regulations (“IZ Regulations” or “Regulations”) affect not only real estate professionals involved in Inclusionary Zoning transactions, but also the future homeowners they are providing services on behalf of, DCAR and Manna would like to offer a number of additional comments and recommendations based on extensive review and actual experiences with affordable homeownership in DC.

At the heart of our recommendations is the creation of homeownership opportunities for low-to-moderate income families that meet families’ needs and help them grow economically. We particularly hope Councilmember Anita Bonds as Chairperson of the Council’s Committee on Housing and Community Development will work with DCAR and Manna on collaborative solutions for improving the ownership side of the IZ program and ensuring the regulations move forward in a timely and efficient manner.

Overarching Recommendations

- Strive to make DC's IZ Regulations as simple and transparent as possible. Generally, if any of the Regulations are too onerous and burdensome for any of the involved parties, the value of the IZ program is compromised.
- Implement additional review and oversight from the Council, as it is a highly specialized affordable housing tool that needs to be examined specifically and judiciously. We believe that this would greatly benefit the IZ program.
- Annually gather the practical experiences of those who use the program or similar programs (like for-sale Affordable Dwelling Units) in order to make ongoing improvements.

Initial sales of IZ units

- The current Lottery Process is extremely burdensome for sales of IZ units and the minimal number of units actually sold through it is proof of it not functioning effectively. We **strongly** recommend: (1) the Regulations specifically indicate the Lottery process will be NOT be used for sales transactions for clarity, and (2) the difference between the Registration process and Lottery process be clarified.
- Marketing plans approved by DHCD should be the sole method for real estate professionals and developers helping to sell IZ units.
- Create a voluntary certification for REALTORS® in the IZ program to help identify buyers and ensure real estate professionals understand IZ sales transactions and the difference between IZ for-sale units and traditional homeownership. We suggest DHCD look into online options for such a course and allow REALTORS® to use this certification in their marketing.

Issue for IZ purchasers

- Provide homebuyer education that clearly explains the difference between IZ ownership and traditional ownership, including the resale process, inability to take out an equity loan, etc.
- Create a list of banks that will lend to those purchasing an IZ unit; as not all banks will provide mortgage financing for an IZ unit, this will speed up the sales process.
- Simplify the income verification process by requiring the same documentation that HPAP requires, or allowing the first-trust lender to verify income. The more streamlined the process is, the less likely there will be settlement delays.

Issues for IZ owners

- Simplify the resale formula. The algorithm in the current Regulations for Maximum Resale Price is entirely too complicated and nearly impossible for even the most experienced real estate professionals to understand or explain.
- Allow IZ owners to simply deed their property to anyone they choose. The “*Sale by Heirs*” section of the proposed IZ regulations is unclear and seems to indicate that any heirs must meet the income guidelines of the unit; we believe this provision will deter households from purchasing IZ units.
- Find adequate solutions to escalating condo fees and special assessments. This issue has plagued ADU owners living in market-rate buildings in DC, other jurisdictions with expensive housing markets and will also impact the IZ program.

- Revisit how improvements are calculated into resale value of an IZ unit. Current ADU owners are held to the same improvement guidelines and they should be surveyed to assess the guidelines' impact on owners' choice to maintain or upgrade their units. These are costs that will be passed along to the next buyer or the District.
- It is extremely important for DHCD to have the proper support to provide for the administration of the Inclusionary Zoning program. Until a solid foundation has been set for getting it working efficiently, DC should prioritize dedicated resources.
- DHCD could focus on outreach and education for helping the public understand the IZ program and how to use it. DCAR and Manna would be happy to participate in any such efforts.

In conclusion, DCAR and Manna are confident we share many of the same goals, as well as a commitment to the vitality of the citizens of the District of Columbia, as do our government officials. We would be glad to answer any questions and hope to continue working with all of the government entities charged with structuring and administering the IZ program in the future.

Thank you for your consideration of our views.

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¹ The Greater Capital Area Association of REALTORS® (GCAAR) is DCAR's local-level REALTOR® Association representing nearly 9,000 REALTORS® in both DC & neighboring jurisdiction Montgomery County.