



Office of the Director

August 24, 2018

**VIA ELECTRONIC DELIVERY**

Chairman Phil Mendelson  
Council of the District of Columbia  
1350 Pennsylvania Ave, NW  
Washington, DC 20004

Re: Framework Element of the Comprehensive Plan

In January, the Mayor introduced the “Comprehensive Plan Framework Element Amendment Act of 2018” to update this introductory chapter of the Comprehensive Plan. The Framework Element does not contain policies and actions. Its intent is to describe the key development trends affecting the city and to establish a contextual foundation for the policies and actions in the Citywide and Area Elements that follow.

During the Office of Planning’s Oversight hearings in February and March, and during the Comprehensive Plan hearing in March, various stakeholders expressed concerns that the Framework Element does not adequately address rising housing costs in the District and the displacement pressures that many residents experience as a result.

Following those comments from the public, the Office of Planning conducted an additional assessment of the Framework and would like to offer our findings to the Council to assist in its consideration of the proposed Framework Element legislation.

First, it is important to note that one of the Guiding Principles of the Comprehensive Plan, established in 2006 and located in the Framework Element, states:

218.3 10. The recent housing boom has triggered a crisis of affordability in the city, creating a hardship for many District residents and changing the character of neighborhoods. The preservation of existing affordable housing and the production of new affordable housing both are essential to avoid a deepening of racial and economic divides in the city. Affordable renter- and owner-occupied housing production and preservation is central to the idea of growing more inclusively.

In addition, the 2018 amendments to the Framework Element aim to better explain the forces that are creating serious affordable housing challenges. The following are relevant highlights from the bill:



- The addition of sections 203.2a (new), 204.10 (new), and 215.4a (new) provide a greater discussion of rising housing costs, with section 204.10 (new) identifying them as “perhaps the central challenge toward maintaining and growing an inclusive city.”
- Amendments to 203.6, 210.4, 223.12, 225.18, 228.1, 228.3, and 228.4 add a greater emphasis on the need for affordable housing, with the addition of Section 228 INVESTING FOR AN INCLUSIVE CITY, which defines affordable housing as a fundamental component of the infrastructure contributing to “an inclusive and resilient city.”

Over the last few months, the Office of Planning has crafted new language on housing and land costs. The language expounds on significant trends in the housing market and the impact on low- and middle-income residents. It contains facts and figures, which express the need for policies in the Land Use, Housing, and other Elements of the Comprehensive Plan that respond to the affordability challenges.

OP would recommend the insertion of the following text into section 205 LAND USE CHANGES, after sub-section 205.5:

NEW While there is room for growth under current zoning within the District through 2045, certain factors hinder the use of this land capacity. In some parts of the city, capacity is in the form of vacant land. However, investment often avoids these areas due to a real or perceived lack of public and private assets, such as transit, libraries, high-performing schools, and businesses. In other parts of the city, where the development market is stronger, unbuilt capacity often exists above one- and two-story retail buildings along commercial corridors. Here zoning would allow for four or five additional stories of development and represents a potential source of untapped housing supply. However, property owners weigh the value of current establishments against the costs and risks of entitlement and construction. In some cases, owners hold back supply until additional market demand drives housing prices high enough to exceed the value of the existing uses. In other cases, owners choose to build as-of-right, building less housing than they could due to the increasing risk of the entitlements process.

These land use patterns, described above, tend to restrict the pace of adding new housing and to narrow the range of available housing prices, which ultimately affects the District’s ability to grow in an inclusive manner.

Further, OP would also recommend the addition of the entirely new section below entitled HOUSING COST CHANGES to be inserted after the existing Section 205 LAND USE CHANGES and before Section 206 MOBILITY AND ACCESS CHANGES of the Framework Element:

#### HOUSING COST CHANGES

The rising cost of housing in the District is one of the most pressing and critical issues facing the city. Nationally, housing demand in many urban areas has grown significantly, reflecting an increased preference for urban living and creating affordability issues in other cities. In the District, market rate housing costs have steadily climbed as demand has increased with population growth. Since the economic recovery began in 2010, the median sales price of single-family homes increased 8.2 percent per year, while condominiums increased 3.3 percent per year,

and average rents increased 3.8 percent per year. For many lower income households, increasing housing costs have become difficult to afford in part because their income growth has not kept pace with increased costs. Many lower income residents are financially strained by housing costs, which can lead to housing insecurity and displacement from their neighborhood, or even the District. In addition, housing insecurity can have negative impacts on household health, school performance, job access, and other indicators of wellbeing.<sup>1</sup> Residents of color form a majority of lower-income households in the District and, therefore, face a disproportionate share of the problems caused by housing insecurity and displacement.

Cost increases are driven by several factors including: the strong and growing economy; migration into the city; increasing length of residency; growth of high paying jobs; increasing levels of educational attainment among newer residents; as well as, an increase of higher-income families having and raising children in the District. These economic and demographic factors have produced particularly strong demand for housing near metro stations and for family housing with two or more bedrooms. In general, increased demand has prompted rising rents for older housing units, conversions of rental units to ownership units, and increased demolition of older buildings in preparation for redevelopment. The result has been a reduced supply of less expensive housing units and a lower availability of “naturally occurring” affordable housing.

Between 2006 and 2016, the supply of rental housing units expanded dramatically. Most of these new units were higher-cost apartments affordable to households earning near and above median income. During this period, due to new construction and rising rents of existing supply, the total supply of rental units affordable only to those households earning more than 60 percent of the Median Family Income (MFI)<sup>2</sup> increased by almost 41,500. In contrast, the total supply of rental units affordable to households earning less than 50 percent MFI declined by a net number of approximately 11,800 units, receding from 72,000 units in 2006 to 60,200 in 2016. At the same time, there appeared to be a modest gain of 2,500 units affordable to households with incomes between 50 percent and 60 percent of the MFI.<sup>3</sup>

As the availability of affordable housing decreases, rising housing costs are causing more households to be severely burdened, which means their housing costs consume more than 50 percent of household income. In 2016, more than 48,000 households were severely burdened by rental housing costs, while another 30,000 rental households were burdened by housing costs consuming 30 to 50 percent of their income. Households that are burdened by housing costs must reduce expenditures on other necessities, such as food and health care. Further, households that are severely burdened by housing costs must often choose between a home that is in a desirable location—close to their community, jobs and/or services—and a home that is more affordable.

By comparison, the number of households burdened by ownership costs significantly decreased between 2006 and 2016. This decline is attributable to factors including older, lower-income

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<sup>1</sup> Theodos, Brett et al, “Family Residential Instability: What Can States and Localities Do?” The Urban Institute, May 2018.

<sup>2</sup> Median Family Income (MFI) is calculated by the U.S. Department of Housing and Urban Development (HUD) annually for each metropolitan area in the U.S. It is based on the Median Family Income and assumed to represent a family of four for the purposes of establishing income limits for affordable housing programs. Income limits are adjusted for household size. Sixty percent of the MFI was chosen for analytical purposes because it represents the typical upper income limit of affordable rental housing programs such as the Low-Income Housing Tax Credit (LIHTC) and Inclusionary Zoning (IZ).

<sup>3</sup> While there appeared to be an increase in units affordable to households earning between 50 and 60 percent of the MFI that would correlate with District affordable housing funding programs, the change was not statistically significant at 90 percent confidence interval.

households selling their homes to the growing number of younger households starting families; as well as high rates of foreclosure during the financial crisis that started in 2008. Lower- and middle-income households wishing to buy a home now have fewer options. This phenomenon may reinforce racial patterns of settlement in the District and/or create additional market pressure on the housing prices in eastern neighborhoods.

Increasing costs and a decreasing supply of naturally occurring affordable housing are affecting the types of households that are staying in the District. The table below illustrates the change in households by income in the District between 2006 and 2016. The table shows that the number of extremely low-income households earning less than 30 percent of the MFI increased by almost 8,400 households even as more of these households became severely burdened by rental housing costs. The table also shows a notable decline in low- and moderate-income households earning between 30 and 80 percent of the MFI. During the ten-year period, many residents sold or lost their homes, resulting in a decrease of 13,500 households in this income range. Finally, the table shows that the number of higher-income households, those earning more than 120 percent of the MFI, increased by almost 32,300 between 2006 and 2016.

Net Change in the Number of District Households by MFI: 2006 - 2016

MFI	<30%	30%-50%	50%-80%	80%-100%*	100%-120%*	>120%	Total
Households	8,362	(6,625)	(6,913)	2,795	875	32,290	30,784

Source: US Census ACS PUMS 1-Year Data, DC Office of Planning.

\*Change not statistically significant at the 90 percent confidence interval.

The patterns of household change have impacted the District’s neighborhoods in varied ways. For example, the greatest decline in the number of lower income households was in Capitol Hill and Upper Northeast, whereas the greatest increase in higher income households was in Central Washington. While the need for affordable housing affects the city as a whole, the discrete challenges vary at the neighborhood level.

The District has taken enormous strides toward strengthening its affordable housing infrastructure. The city has some of the strongest tenant protection provisions in the country, highest levels of per capita affordable housing investment, and some of the most innovative programs. Still, more systemic work is needed to address the impacts of rapid population growth in the District and across a region that is broadly lacking sufficient affordable housing.

Lastly, while the Framework Element does not contain policies and actions, it does set some basic ground rules for how the Comprehensive Plan is applied, particularly in discretionary land development proposals. During OP’s recent Council hearings, we discussed the vital role that Planned Unit Developments (PUDs) play in achieving a “commendable number or quality of public benefits” in exchange for “flexibility of development and other incentives, such as increased building height and density.”

Section 227 in the amended Framework Element seeks to clarify the relationship between the Comprehensive Plan and zoning, and how PUDs are used to achieve both consistent implementation of the Comprehensive Plan and city policy priorities, such as affordable housing. To further emphasize the

ability and intent to address affordable housing production and preservation through PUDs, OP would recommend inserting the following as a new section between proposed sections 227.4 and 227.5.

Specific public benefits are determined through each PUD application and should respond to critical issues facing the District as identified in the Comprehensive Plan and through the PUD process itself. In light of the acute need to preserve and build affordable housing described in Section 205a, the production of new affordable housing units [above and beyond existing legal requirements] and the prevention of displacement of on-site residents should be considered as high-priority public benefits in the evaluation of residential PUDs.

The Office of Planning hopes the information above assists the Council as it deliberates amendments to the Framework Element of the District's Comprehensive Plan. OP is ready to assist with any questions the Council may have.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eric D. Shaw".

Eric D. Shaw  
Director