

**Government of the District of Columbia  
Office of the Chief Financial Officer**

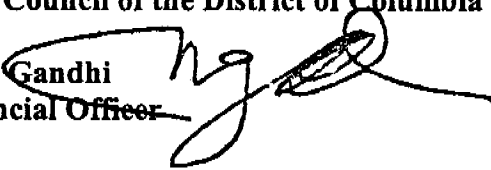


**Natwar M. Gandhi**  
Chief Financial Officer

2006 DEC -4 PM 12:44  
CHAIRMAN CROPP

**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** DEC 4 2006

**SUBJECT:** Fiscal Impact Statement: "Inclusionary Zoning Implementation Act of 2006"

**REFERENCE:** Bill 16-779 (Committee Print, November 20, 2006)

**Conclusion**

Funds have not been budgeted in the FY 2007 through FY 2010 budget and financial plan to implement the proposed legislation. The proposed legislation would result in a negative fiscal impact of \$3 million for the FY 2007 through FY 2010 period. The proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

**Background**

The proposed legislation would implement the Inclusionary Zoning Regulations adopted by the Zoning Commission for the District of Columbia (Chapter 26 of Title 11 of the D.C. Municipal Regulations). The general intent of mandatory Inclusionary Zoning (IZ) regulations is to provide affordable housing by requiring developers of qualifying new housing construction to set aside a certain percentage of new units for households below specified income levels.

The proposed implementing legislation would also amend parts of the D.C. Official Code and certain Acts to establish procedures to resolve disputes in the IZ program, to allow for requests for relief from the program's requirements, to allow for program-related fines to be deposited into the Housing Production Trust Fund, and to exempt the transfer of property to a qualifying household from the transfer tax on real property. In addition, the proposed legislation would require the Mayor to submit an annual report on the progress of the IZ program to the Council and the Zoning Commission.

The D.C. IZR would apply to developments that are mapped within the Inclusionary Zoning Overlay, that have 10 or more dwelling units, and that meet certain other requirements as

specified in the proposed regulations. The proposed D.C. IZR would also authorize certified projects to use bonus density (additional gross floor area) of up to 20 percent. At least four District entities – D.C. Housing Authority, Office of Planning, Department of Consumer and Regulatory Affairs, and Office of Administrative Hearings – would have some responsibility in implementing the IZ program.

When there is a District financial subsidy (through land, grants, or other funds) for a residential property, the minimum affordable units required is 20 percent. The proposed legislation would not affect the District's current affordable housing requirements for District-subsidized residential properties. Because the affordable housing set-aside requirements for buildings that receive public funding are greater than the IZ set-aside requirements, the residential units receiving public funding will not necessarily be affected by the IZ requirements. If a District subsidized property sought an inclusionary zoning density bonus, it would still be required to meet the higher standard. In this case, the District would have to consider the value of the IZ density bonus as part of its calculation of District subsidy.

### Financial Plan Impact

Funds have not been budgeted in the FY 2007 through FY 2010 budget and financial plan to implement the proposed legislation. There are three District entities expected to have a fiscal impact from implementing the proposed legislation. The Office of Planning estimates that one Full-time equivalent (FTE) will be necessary to develop reports, track progress, and perform other duties in the IZ program. The Office of Administrative Hearings (OAH) estimates that one FTE will be required to handle hearings resulting from infractions in the IZ program.<sup>1</sup> Finally, the District of Columbia Housing Authority (DCHA) is expected to have responsibility for developing and administering the IZ program waiting list and for determining program eligibility. Implementation costs are likely to vary over time, with heavier costs expected in the earlier years for the initial set up of the waiting list and possibly lower costs in the outyears as the program matures.

The fiscal effects of the proposed legislation will have to be included in an approved budget and financial plan before the legislation can be implemented.

<b>Estimated Impacts to the Financial Plan</b>					
(\$ in thousands)					
<b>Item</b>	<b>FY 2007*</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>4 - Year Total</b>
Unbudgeted Operational Costs – Office of Planning	\$41	\$83	\$84	\$86	\$294
Unbudgeted Operational Costs – DCHA	\$360	\$720	\$720	\$720	\$2,520
Unbudgeted Operational Costs – OAH	\$25	\$50	\$50	\$50	\$175
<b>Net Annual Impact</b>	<b>\$426</b>	<b>\$853</b>	<b>\$854</b>	<b>\$856</b>	<b>\$2,989</b>

\*Note: Costs for FY 2007 are for six months.

<sup>1</sup> The OAH estimate is based on a review of the Montgomery County Moderately Priced Dwelling Unit (MPDU) program infractions. Although the initial number of infractions may be lower, it is expected that OAH will need about 20% of an Administrative Law Judge (ALJ) unit to handle the expected caseload when the IZ program is functioning.