

# Streamlining IZ applications will open more affordable units faster

*Since 2006, D.C. has required developers to include a small number of affordable units in new residential buildings through a policy known as Inclusionary Zoning (IZ). The FY2027 Budget Support Act (BSA) can fix a serious administrative problem in this policy by changing the way units get rented. Even then, a larger conversation is needed about whether IZ is delivering on its intended mandate.*

## What the BSA can do

Many IZ units sit empty because of Department of Housing and Community Development (DHCD)'s complicated tenant referral and income verification processes. The FY 2027 BSA can allow property owners to screen tenants and verify incomes directly, rather than routing the process through DHCD, mirroring federally subsidized housing programs. This change could significantly reduce the time it takes to lease affordable units.

## What we found

We identified serious administrative failures in the IZ program, with DHCD's verification processes leaving affordable IZ units vacant for an average of 13 months. This means eligible tenants go without homes, and housing providers lose income. A shift to owner-driven certification—a process already used for LIHTC properties—could significantly reduce lease-up times to 30–60 days.

But paperwork is the easier fix. Over 17 years, IZ has produced fewer than 300 affordable units per year, concentrated in a handful of neighborhoods. In some cases, IZ has hampered projects and reduced the overall housing supply, pushing development toward larger, high-end buildings with smaller units.

## Why it matters

Every month a unit sits vacant is a month a family goes without affordable housing. The administrative reform is a meaningful step, but the program's track record raises harder questions about whether IZ, can deliver affordable housing at the scale the District needs. Inclusionary Zoning should complement the housing supply, not undermine project feasibility.

## Recommendations

*The D.C. Policy Center recommends the Council consider the following in addition to the change in administrative process:*

- Create tiered set-aside requirements based on neighborhood market conditions, reducing IZ obligations in weaker markets where it could make it impossible to build new projects.
- Automatically suspend IZ requirements during construction downturns to keep new units coming online when the market is already struggling.
- Adopt a longer-term plan to phase out mandatory IZ in favor of other more scalable tools: nonprofit acquisition and preservation, operational rent subsidies, and portable targeted vouchers for the lowest-income households.



A city that works requires fiscal discipline, economic growth, and effective government services. Following the release of the D.C.'s 2027 budget proposal, experts from the D.C. Policy Center are sharing key insights for policymakers to consider as they review the budget proposal and prioritize investments.

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