



D.C. POLICY CENTER
The Wilkes Initiative for Housing Policy

Performance Oversight Hearing on

Department of Housing and Community Development

Committee on Housing, Chairperson Robert White

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Testimony of Emilia Calma

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Good morning, Chairperson White and members of the Committee. My name is Emilia Calma and I am the Director of the Wilkes Initiative on Housing Policy at the D.C. Policy Center, an independent nonpartisan think tank advancing policies for a strong, vibrant and compelling District of Columbia.

I am here to testify on DHCD's Inclusionary Zoning program. My testimony draws from a forthcoming D.C. Policy Center report, *Breaking the scarcity-subsidy cycle: A new housing vision for the District of Columbia*. This report examines structural barriers to housing development, evaluates the performance of current affordable housing policies, and proposes 24 recommendations for a new housing framework aimed at increasing housing supply, reducing costs, and improving government function. As part of this work, we studied the D.C.'s Inclusionary Zoning program and interviewed housing stakeholders who participate, or could participate, in it.

How Inclusionary Zoning is supposed to work

D.C.'s Inclusionary Zoning (IZ) program was designed to leverage private development to deliver affordable units. In exchange for setting aside a percentage of units at below market rate, developers may receive a density bonus of up to 20 percent.¹

In theory, IZ can deliver affordable units at zero cost to the government. In practice, however, IZ produced few units, increased market rents, and diminished overall housing production. Existing units take a long time to lease as the program operates with its own rent rules and verification processes that are difficult to implement.

IZ increases market rents and can prohibit production altogether

Income from IZ units do not cover their proportional share of operating expenses and this gap increases over time as insurance, taxes, and utilities climb faster than allowable rent increases.² The gap created by below-market rents is absorbed elsewhere in the project through higher rents for market-rate tenants³ and thinner margins for developers, which, in turn, can make projects harder to finance. These dynamics narrow feasibility and bias production to larger buildings, smaller unit types, and high-end amenities. Projects that might otherwise provide more diverse housing options, including family sized units, become more difficult to finance. In weaker submarkets, IZ requirements can render projects infeasible altogether.

¹ The current program requires 8 to 12.5 percent of residential floor area in new developments of 10 or more units to be set aside for affordable units (defined as costing no more than 38 percent of household income, sometimes up to 50 percent) targeted to households earning between 50 and 80 percent of Area Median Income (AMI).

² Allowable rents are tied to the Area Median Income and not market conditions that shape operating costs.

³ Hamilton, E. (2021). Inclusionary Zoning and Housing Market Outcomes. *Cityscape: A Journal of Policy Development and Research*. Available at

<https://docs.huduser.gov/archives/portal/periodicals/cityscpe/vol23num1/ch6.pdf>

Compounding income losses from IZ units, DHCD sets IZ maximum allowable rents at levels hundreds of dollars a month lower than other programs such as LIHTC.⁴ In addition, the IZ program does not allow energy modeling to determine appropriate utility allowances, leading to lower operating income for housing providers despite energy efficiency upgrades.⁵

Administrative processes increase vacancy and losses

IZ centralizes tenant screening and eligibility at DHCD. The verification process can take months, or even more than a year to complete.⁶ During this time, IZ units remain vacant while housing providers wait for DHCD referrals, document reviews and income certification. Providers report excessive paperwork, repeated document requests, and unclear timelines. Property owners bear the cost of prolonged vacancy but have no authority to accelerate lease-up. Prospective tenants wait while the unit sits empty.

⁴ 60 percent MFI rent levels for IZ and LIHTC properties are as follows:

	IZ	LIHTC
Studio	\$1,520	\$1,722
One Bedroom	\$1,610	\$1,845
Two Bedroom	\$1,940	\$2,214
Three Bedroom	\$2,270	\$2,557

The difference between these rents will almost certainly increase when the 2026 LIHTC rents are released on May 1st.

LIHTC rent levels taken from Novogradac Rent and Income Limit Calculator, found here <https://rent-income.novoco.com/free/calculator>

IZ rent levels are taken from DHCD’s website, found here <https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/2026%20Inclusionary%20Zoning%20Maximum%20Income%2C%20Rent%20and%20Purchase%20Price%20Schedule.pdf>

⁵ Utility allowances are what tenants are expected to pay in utilities and are taken out of rent amounts, so that housing costs do not exceed 30 percent of a tenant’s income. IZ utility allowances are more than twice that of LIHTC programs and the IZ program does not allow energy modeling to determine appropriate utility allowances. Utility allowances are as follows:

	IZ	LIHTC
Studio	\$160	\$68
One Bedroom	\$241	\$106
Two Bedroom	\$322	\$148
Three Bedroom	\$404	\$186

⁶ One report from DHCD claimed that it took an average of 119 days to lease an IZ unit, or over three months. Inclusionary Zoning Annual Report for Fiscal Year 2024. (2024). Department of Housing and Community Development. Available at <https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/FY%202024%20Inclusionary%20Zoning%20Annual%20Report.pdf>

However, an investigative report from the same year from the D.C. auditor reported that DHCD took an average of 13 months to fill IZ units. Stronger DHCD Oversight Needed for Inclusionary Zoning Program to Reach Housing Goals. (2024). Office of the D.C. Auditor. Available at https://dcauditor.wpenenginepowered.com/wp-content/uploads/2024/11/Inclusionary.Zoning.Audit_.11.20.24.pdf

Unlike LIHTC properties, which rely on owner-driven certification subject to audit, IZ requires case-by-case administrative processing.

From a provider's perspective, the combination of below-cost rents and prolonged vacancy risk makes IZ something to avoid, not embrace.

IZ produces limited units in limited geographies.

In 17 years of operation, IZ has produced less than 300 affordable units per year,⁷ a fraction of what is needed to stabilize rent growth. Production is limited by zoning, as IZ requires multifamily zoning which is limited to a small portion of the city.⁸ Additionally, units are only produced when market production is strong. When development stops or slows, IZ does as well. For these reasons, IZ is an extremely limited affordability tool which achieves a symbolic political purpose.

Short term reform: modernize IZ to reduce friction and reflect market realities

The District should modernize IZ by reducing administrative friction, introducing flexibility, and recalibrating requirements to market realities. Specifically, we recommend the following:

1. Update IZ processes and rules to match federal levels

- a. Permit owner-driven income verification, modeled on LIHTC compliance procedures. Housing providers would verify eligibility at initial occupancy and annually thereafter, subject to DHCD audit. DHCD would conduct annual desk reviews of a sample of certifications and on-site audits of 10-15 percent of properties annually. This reform would reduce lease-up times from approximately 13 months to 30-60 days, significantly improving program efficiency.⁹

⁷ There is conflicting information on the number of IZ units. The Department of Housing and Community Development's IZ database notes 4,802 units (<https://octo.quickbase.com/nav/app/bi9iqv4v7/action/appoverview>) whereas a newsletter circulated by the Office of Planning in March of 2023 noted the delivery of 2,000 units. (<https://content.govdelivery.com/accounts/DCWASH/bulletins/350c1be>).

⁸ Over half of all IZ units are concentrated in Wards 5 and 6, where zoning allows for higher-density development. Conversely, very few units have been created in low-density, single-family-zoned areas like Wards 3 and 4, where exclusionary zoning severely limits the potential for multifamily housing development.

Sayin, Y. (2020). Appraising the District's Rentals. D.C. Policy Center. Available at <https://www.dcpolicycenter.org/publications/appraising-districts-rentals/>

⁹ In LIHTC properties, owner-driven certification systems allow units to be leased up in much less time than IZ units. The city centralizes tenant screening and eligibility at DHCD for IZ, inserting itself directly between landlord and tenant in ways that add delay but not necessarily value. Local Housing Solutions (2025).

- b. Set maximum allowable rents and utility allowances to the levels used by LIHTC. This reform would not change affordability levels, but would increase the viability of projects by not restricting operating income significantly below federal levels.
- c. Allow flexibility on designated MFI levels, as long as affordability targets are met. Units can be designated at any affordability level between 30 percent MFI and 80 percent MFI, as long as the combined average stays at or below 60 percent MFI. This approach gives housing providers flexibility which can help with feasibility and financing.¹⁰

2. Suspend IZ automatically when permits fall below defined thresholds

Create a clear, predictable framework to protect supply during market downturns. If quarterly multifamily permits fall below 625 units (2,500 annually) for two consecutive quarters, IZ requirements would automatically suspend for a year. When permits rise above 750 units quarterly (3,000 annually) for two consecutive quarters, IZ would resume. This mechanism increases housing production and avoids requiring discretionary political decisions during sensitive market periods.¹¹

3. Conduct mandatory feasibility reviews

Require periodic independent reviews of set-aside percentages, income targeting, and geographic coverage to ensure alignment with economic conditions. Reviews would provide recommendations to the Zoning Commission and Council on adjustments to maintain program effectiveness without undermining feasibility.

Long-term reform: phase out mandatory IZ and replace it with more effective tools

Given IZ's structural tradeoffs, the District should plan to eliminate mandatory IZ over a defined transition period and replace it with more scalable, transparent, and efficient mechanisms.

1. Fund Nonprofit Acquisition and Preservation

Use capital dollars or tax-exempt debt plus modest subsidies to help nonprofits acquire existing rental buildings and record long-term affordability covenants at 50 to 80 percent

"Inclusionary Zoning." Available at <https://www.localhousingolutions.org/housing-policy-library/inclusionary-zoning>

¹⁰ This approach is used by LIHTC to make mixed-income housing.

Low-Income Housing Credit Average Income Test Regulations. (2022). Department of the Treasury. Available at <https://public-inspection.federalregister.gov/2022-22070.pdf>

¹¹ Similar automatic suspension provisions have been implemented in other jurisdictions during economic downturns. For instance, several California cities suspended or reduced IZ requirements during the 2008-2010 recession to maintain housing production.

of AMI. This approach can deliver units in months, at a fraction of new-construction subsidy costs.

2. Scale Operational Subsidies and "Inclusionary Conversions"

Instead of requiring a percentage of new development to be made affordable, the District should reduce rents using operational grants to make a percentage of existing building rents affordable. This approach would:

- Pay ongoing subsidies to owners of existing buildings who agree to cap rents well below market under long-term covenants
- Allow developers to convert existing market-rate units to long-term affordable housing in exchange for the right to build additional density
- Pair this with modest regulatory relief (density bonuses, expedited permitting, parking reductions)
- Create affordable housing without requiring new construction, making each dollar more effective

D.C. has already piloted versions of this (e.g., Cash-for-Covenants); these concepts can be scaled dramatically and could produce more affordable units per dollar invested while reducing regulatory burden on new development.

Why reform matters

D.C.'s affordability challenge stems fundamentally from insufficient housing supply and structural barriers that impede supply. An IZ mandate does not address the housing supply problem, it exacerbates it. Reforming IZ by simplifying verification, and adjusting IZ requirements to economic conditions would yield measurable improvements in both program efficiency and housing outcomes:

- Faster lease-ups: reducing average vacancy from 13 months to 30–60 days
- Fewer abandoned projects: reducing project cancellations by aligning IZ requirements with market strength
- Greater geographic and unit diversity: creating more affordable units in more places with preservation and operational subsidies
- Increase housing supply: automatic suspension mechanisms to maintain production when it matters most

Importantly, the city's real leverage lies in land-use and regulatory reform that lowers costs for all housing, and in direct, transparent tools that preserve and buy down rents in existing buildings. Phasing out IZ and replacing it with abundant by-right zoning, preservation funds, and operational subsidies would deliver more affordable homes, in more neighborhoods, at far lower cost per unit and with far less collateral damage to the housing market overall.

Thank you for the opportunity to testify. I welcome any questions from the Committee.