



**Testimony of
Caroline Petti
Housing Subcommittee
Committee of 100 on the Federal City**

to the

COMMITTEE ON HOUSING AND NEIGHBORHOOD REVITALIZATION

November 16, 2017

I appreciate the opportunity to testify on the “Office to Affordable Housing Task Force Establishment Act of 2017” (Bill 22-0289) on behalf of the Committee of 100 on the Federal City. The Committee of 100 is the oldest non-profit planning organization in the District of Columbia. Founded in 1923, the Committee of 100 is dedicated to safeguarding and advancing historic distinction, natural beauty, and all that makes Washington, DC a desirable and inclusive place to live, work, and play.

Two years ago, the Committee of 100 formed a Subcommittee on Housing to work on finding solutions to the ever-shrinking availability of affordable housing. Most recent data shows that 38% of households citywide live in unaffordable housing, spending more than 30% of their income on monthly housing payments and utilities. At the same time, housing prices are escalating. The combination means that over 42,000 families have placed themselves on the District of Columbia’s Housing Authority’s waiting list for assistance and the number of homeless families and individuals is growing.

The housing affordability problem the city faces argues not only for doubling down on the current “tools” in the existing affordability “toolbox” but also for searching for creative solutions.

That is why we are here today to testify in support of the “Office to Affordable Housing Task Force Establishment Act of 2017”. Bill 22-0289 – introduced by Councilmember Robert C. White, Jr. with co-sponsors Silverman, Grosso, Cheh, Bonds, Todd, and Gray – would establish an “Office to Affordable Housing Task Force” to examine various issues associated with the transition of existing vacant commercial office space to affordable housing.

According to the most recent information available from the commercial real estate services firm Cushman and Wakefield, the total office vacancy rate (i.e., the amount of unoccupied space expressed as a percentage of total inventory) throughout the District of

Columbia is about 12.3%. With 13.3 million square feet of office space sitting vacant on the market, developers are becoming increasingly interested in repurposing the vacant space to residential and other uses.

The “Office to Affordable Housing Task Force Establishment Act of 2017” would establish a multi-stakeholder Task Force to examine and report findings on three issues:

- (1) Whether the transition of existing vacant commercial office space to affordable units would help address the District of Columbia’s affordable housing crisis;
- (2) A list of any legal, regulatory, or zoning changes, and the recommended funding mechanism to promote the transition of vacant commercial office buildings to affordable housing units; and
- (3) Any costs to the District of Columbia and property owners associated with recommended changes.

The Committee of 100 would suggest the following change to Item #2 on the list:

- (2) A list of any legal, regulatory, or zoning changes, and the recommended funding mechanism to promote the transition of vacant commercial office buildings to affordable housing units **(including family-sized affordable housing units consisting of two or more bedrooms);**

The need for affordable family-sized housing in the District of Columbia is particularly acute.

We would also suggest adding an additional item to the Task Force’s duties and findings report as follows:

- (4) Identify “lessons learned” from office to affordable housing transitions that have occurred or are occurring that could be applied to future transitions in the District of Columbia.**

Office-to-residential conversions have occurred in the District of Columbia and across the metropolitan region. Other U.S. cities facing affordable housing shortages have adopted successful transition programs. We could benefit from learning more about them.

Under B 22-0289, the Deputy Mayor for Planning and Economic Development would provide administrative support to the Task Force, the Task Force would solicit public input, and report its findings to the Mayor and the Council within 120 days of the appointment of all Task Force members.

Councilmember Jack Evans has introduced a separate but related bill, the “Mixed Use Neighborhood Conversion Incentive Act of 2017” (Bill 22-378). Bill 22-378 would authorize the Mayor to provide up to \$20 per square foot of real property tax abatements for up to ten years to office-to-residential conversions so long as 8% of the residential units are affordable to households making up to 60% of the Area Median Income. A hearing on this bill was held on October 20, 2017 before the Committee on Finance and Revenue.

While we applaud the goal of the Evans bill to facilitate the conversion of vacant office space to a portion of affordable housing, the Committee of 100 believes Bill 22-378 is premature and ill-advised for the following reasons:

1. It is not clear what level, or even whether, financial incentives are necessary to encourage conversions. Conversion activity is occurring in the District and elsewhere without the benefit of financial subsidy where space is sitting vacant on the market.

2. DMPED and the District's Office of Tax and Revenue have expressed concerns that the costs to the city in foregone tax revenue could significantly outweigh the benefits in produced affordable housing: one estimate suggests between 16 and 32 affordable units at a cost to the city of somewhere between \$1.5 and \$3 million/unit. This is as compared to approximately \$200K for a Housing Production Trust Fund unit.

3. The bill only covers office-to-residential-space conversions in the Golden Triangle and Downtown Business Improvement District areas while the need is more widespread. According to Cushman and Wakefield data, office space vacancy affects every area of the city. This is a city-wide problem in need of a city-wide solution.

The Committee of 100 believes Bill 22-0289 sets the best stage for thoughtful consideration of the issues involved in the successful transition of vacant office space to affordable housing.