Office-to-Affordable Housing Task Force Agenda 10/11/2018

1. Overview purpose of the Task Force – Andrew Trueblood, DMPED
   o Determine whether transitioning office to housing is feasible and could help address the affordable housing challenge, and if so, indicate an estimate of the magnitude of the benefit
   o Recommend legislative, regulatory, zoning, or policy changes to promote the transition, including to units with multiple bedrooms
   o Note the types of costs that the District and property owners would face with the transition, compare them to costs of other forms of affordable housing, and examine how to fund those costs

2. Short overview of proposed meeting topics – Andrew Trueblood, DMPED
   o October:
     ▪ Overview of commercial to residential conversion and modeling market costs (Gerry Widdicombe)
     ▪ Discuss affordable housing gap (Allison Ladd)
     ▪ Discuss practical (structural, regulatory, zoning, policy) challenges
     ▪ Discuss next steps, roles, and information needed
   o November:
     ▪ Refine financial modeling to determine per square foot costs at various affordability levels
     ▪ Compare to costs of funding new construction and rehabilitation of affordable housing through Housing Production Trust Fund
     ▪ Discuss the potential size of the market for conversion to determine the estimated magnitude of the benefit of transitioning office to affordable housing.
     ▪ Discuss potential funding sources or alternative approaches to addressing gap
   o December:
     ▪ Determine recommendations regarding how helpful the transition of office to housing space could be
     ▪ Begin outlining any policy and funding recommendations
     ▪ Determine any final analysis needed
   o January:
     ▪ Finalize policy and funding recommendations
     ▪ Make any recommendations about next steps or additional analysis

3. Presentation: Affordable Housing Financing – Andrew Trueblood, DMPED and Allison Ladd, DHCD
   o DHCD focus:
     ▪ Production and preservation of housing
Increasing second home ownership of HPAP
Transforming vacant properties for affordable housing
Regulatory and admin function of TOPA, rent control, etc.

- Manages about 12+ programs
- DHCD budget increased by $50M over the past four years
- TOPA acquisitions
  - $10M in HPTF
  - $10M in HPF
- Development Finance Division (DFD)
  - Affordable Housing Financing
  - Comprised of 18 staff members, manager, 2 deputy managers
  - Focus:
    - Looks at multi-family (5 units or more) for production and preservation
    - TOPA
    - Community facility funding
- Prioritized <50% AMI for new construction with HPTF
- How does the process work (3 ways to be selected)?
  - Consolidated RFP
    - Acceptance rate around 1/3 (8 in 24)
    - Demand usually higher than supply of funds
  - PADD Dispositions
    - DHCD owns about 90 properties
    - Vacant to Vibrant is disposing of these properties to build affordable housing
    - Hoping to close on 30 properties between now and end of 2018
  - Acquisition Financing for TOPA Projects
    - Electronic application
      - 2-3 months for DHCD to make awards
      - 6-18 months to close

- Funding sources (operating costs)
  - Local Rent Supplement Program (LRSP)
  - Annual Contributions Contract (ACC) (public housing operating subsidy)
- Funding Sources (Social Services (DHS/DBH)
  - Case Management Supportive Services Funds
  - DBH provided services for DBH-funded units
- Over the past four years, DHCD has closed on over $470M in deals: ~5,000 units

4. Presentation: Economics of office-to-housing transitioning – Gerry Widdicombe, DowntownDC

- DowntownDC BID, Golden Triangle, and DC Office Market
  - Downtown DC BID is 1 of 11 BIDs in DC
  - It is the largest of DC BIDs
  - Office Market
    - 30% of the privately rented office space
    - 40%, if you include federal office space
• 1% of the residents
• $45-$80/square foot for office
• $36-$48/square foot for residential
• 6.4M square feet of vacant office out of a total of 16M, which could be turned into 9,000 residential units
• High vacancy is because people are using less office space for their businesses
• Federal government agencies are leaving downtown and the District
• Foreigners are buying most of the office buildings
• $734/square foot for downtown buildings
  o Office rents reduce quickly as you move out of the core
• Less than 50 residential units in the DowntownDC BID
• 32M square feet in DowntownDC BID
• IZ does not apply downtown because bonus density is not available to grant
  o ZR16 allowed voluntary IZ in downtown area
  o Occupiable penthouse structures are allowed
  o $8M in fees over two years have gone to HPTF

☐ Affordable housing in downtown area
  • Wah Luck House
  • Judiciary House

☐ Office to residential conversions done in region and DC
  • All are at around $80/square foot
  • 4501 Ford Ave deal in Alexandria
    • Paid $23/square foot
    • Total $85/square foot
  • 2501 M St
  • 1255 25t St
    • Added residential onto the back of the building
  • Buzzard Point
    • Converted old warehouse building
    • 1900 ½ St
    • 2100 2nd St
  • 4000 Brandywine St
  • 4000 Wisconsin St
    • Fannie Mae headquarters

☐ Modeling to determine the net cost of DowntownDC BID’s legislation
  • Pilot program
  • Three scenarios: $10, $15, or $20/square foot tax abatement for 10 years
  • Model focuses on the conversion of Class B buildings

5. Discuss practical (structural, regulatory, zoning, policy) challenges – Steve Glaude and Andrew Trueblood facilitate
6. Discuss next steps, roles, and information needed – Steve Glaude and Andrew Trueblood facilitate.

**Committees to establish:** (Scope of the committees can be adjusted during the meeting)

- **Finance Committee** – Provide materials and present on the following topics in November:
  - Estimate costs of office-to-housing transition; compare to costs of new construction/rehabilitation through the Housing Production Trust Fund
  - Compare to costs of funding new construction and rehabilitation of affordable housing through Housing Production Trust Fund
  - Estimate the potential size of the market for conversion to determine the estimated magnitude of the benefit of transitioning office to affordable housing.

- **Practical Challenges and Solutions Committee** – Provide materials summarizing the following by November:
  - Structural challenges
  - Regulatory challenges
  - Zoning and policy challenges

  By December, provide materials and present on:
  - Potential funding sources or alternative approaches to addressing gap
  - Solutions to address structural, regulatory, zoning, and policy challenges

- **Next Steps:**
  - Breaking the problems down into two questions
    - How do the numbers pan out in terms of commercial financing and affordable financing housing?
    - What are the practical challenges that are “opportunities”?
  - Notes out to everyone on task force
  - Task force self-selects to indicate which committee they want to be on
    - **Scott (CNHED)** to receive that information
  - Need co-chairs for committees
  - Need to finalize dates for next few months