

Housing 2040 Master Plan

**Financial Tools for Affordable Housing
AHAAC**

May 14, 2025

Review of Financial Tools

Funding Sources and Programs

Explore funding sources and programs used for the creation of affordable housing

Tax Relief

Explore the potential for tax relief to be extended to affordable housing projects and operators under specific criteria

Fee Relief

Explore the potential for fee relief and waivers for rehabilitation and redevelopment of affordable housing projects

Loan Consortium

Explore the potential for the development of an independent entity that would bring together the City, lending industry, and private investors to provide loans for affordable housing

City Land

Explore the potential for use of City owned land for affordable housing projects

Primary City Funding Sources for Housing

Meals Tax

Since July 2018, **one percentage point of the meals tax** in the city is dedicated and allocated to the general fund for affordable housing. This action established an affordable housing category in the Capital Improvement Program (CIP).

Capital Improvement Plan (CIP) Cash Capital

As of 2020, **\$1 million** has been allocated annually in the CIP for affordable housing as part of the City's response to the development of Amazon HQ2. City Council has also allocated additional funding on a budget year basis.

Penny Fund

Since July 2005, **the Penny Fund** dedicates one penny from each dollar of property tax revenue and allocates it to the general fund for affordable housing.

Housing Trust Fund

Since the late 1980's the **Housing Trust Fund** has been a dedicated funding source that supports the expansion and preservation of affordable housing options in the city through developer contributions and loan repayments.

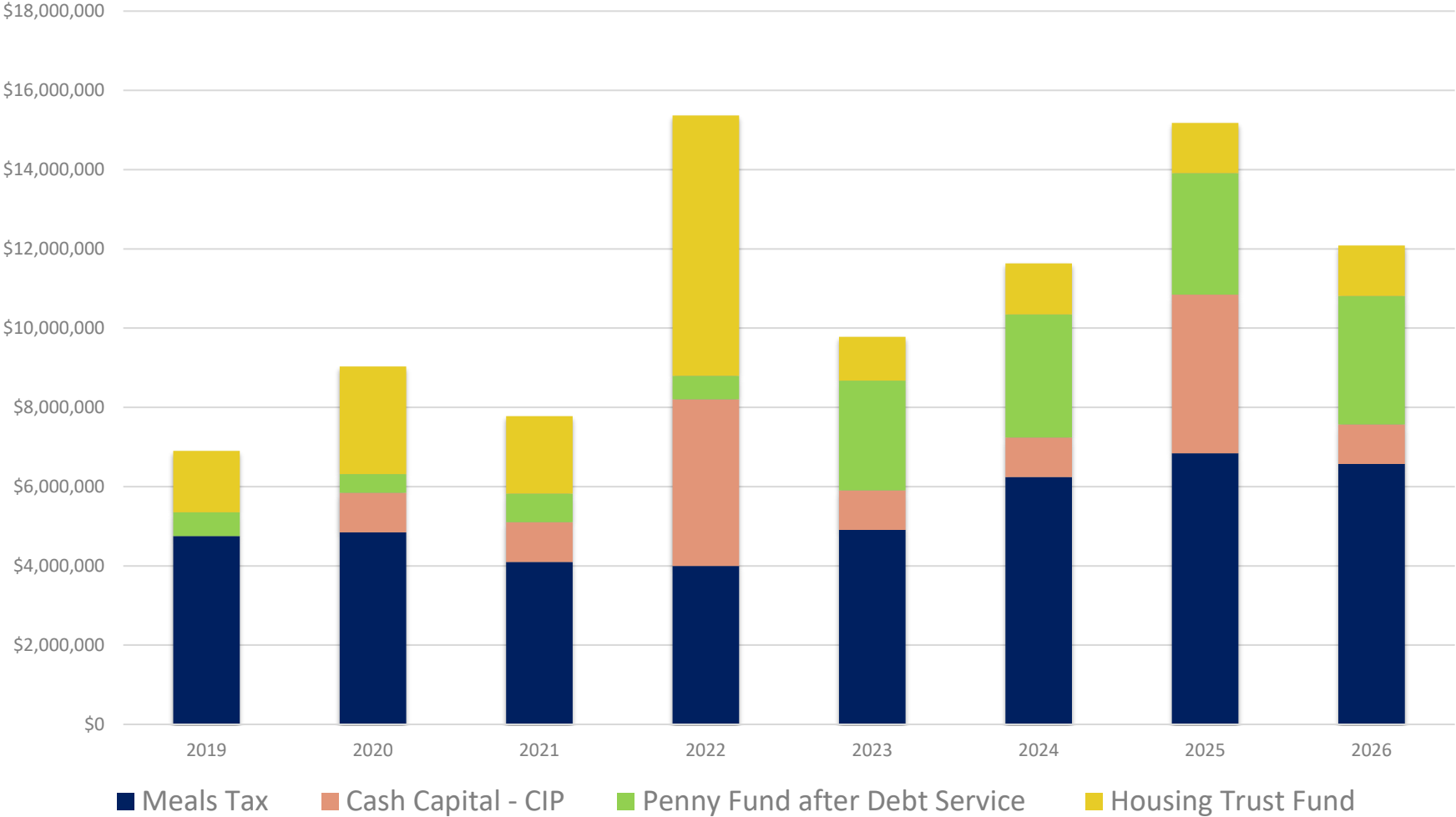
HOME Investment Partnerships Program

Federal annual grant provided on a formula basis by HUD to provide affordable housing, particularly for low- and very low-income households. **HOME** can be used for new rental and homeownership construction or rehabilitation, downpayment assistance, and/or tenant based rental assistance.

Community Development Block Grant

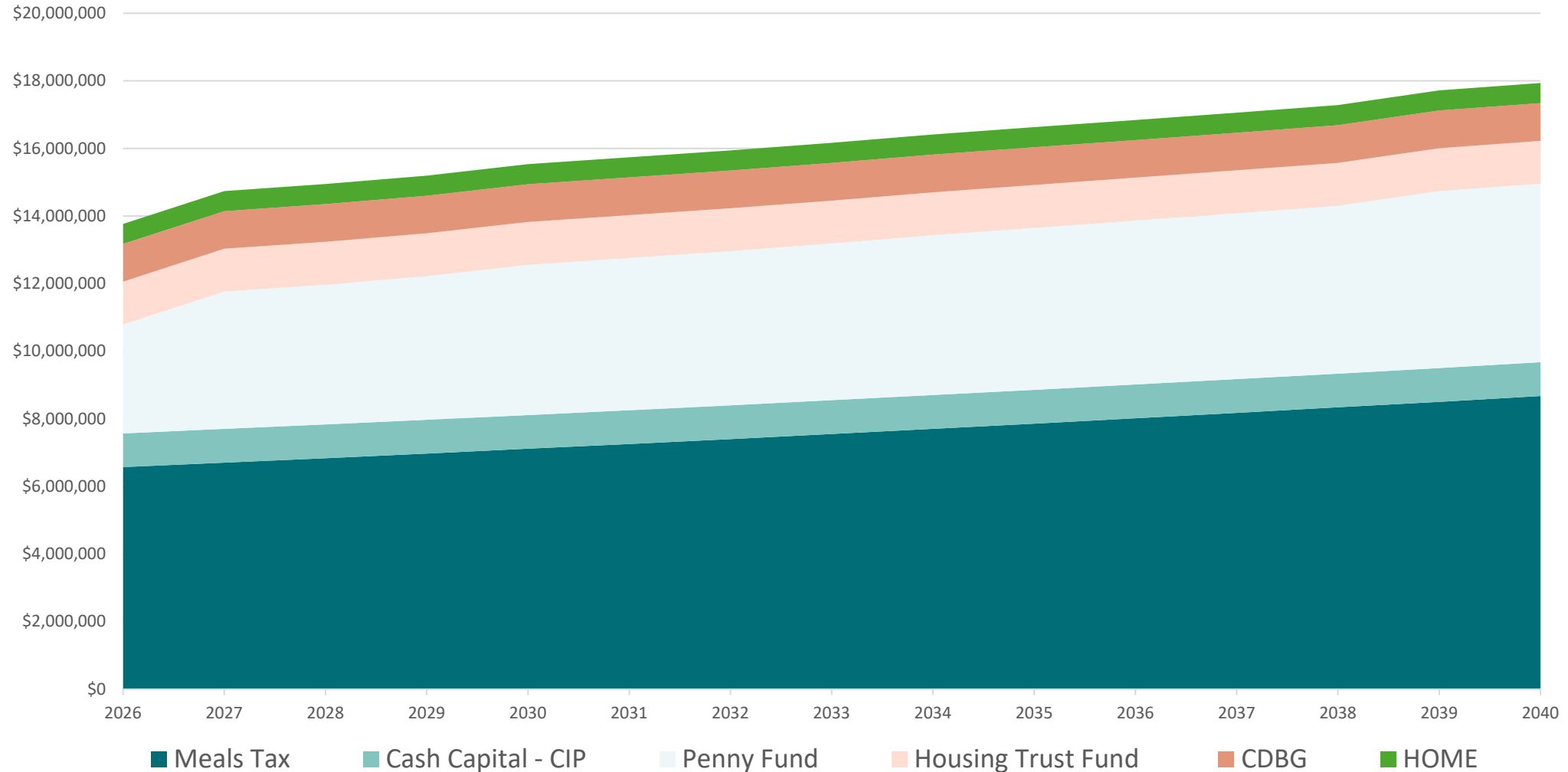
Federal annual grant provided on a formula basis by HUD to entitlement communities. Eligible projects include rehabilitation of affordable housing and the provision of loan guarantees; **CDBG** cannot be used to fund new housing construction.

Trends in City Funding for Housing



Every **\$1** in City investment leverages **\$4-5** in other sources

Projected City Funds Through 2040



Project Examples



Sansé

The Sansé, the first phase of the Sansé & Naja project will bring 416 new rental units affordable at 40-80% AMI along with new open space, community serving commercial space and City flex space to the Arlandria Chirilagua community. Designed in response to the housing needs identified in the 2019 Arlandria-Chirilagua Small Area Plan, the project will include a range of family-sized units and 104 units at 40% AMI. The project is anticipated to be delivered in 2026/2027.



Waypoint at Fairlington

The Waypoint at Fairlington serves as an example of the City's faith-based affordable housing partnerships. Delivered in 2022 on an underutilized portion of the Fairlington Presbyterian's parking lot, the community provides 81 rental units affordable at 40-60% AMI.

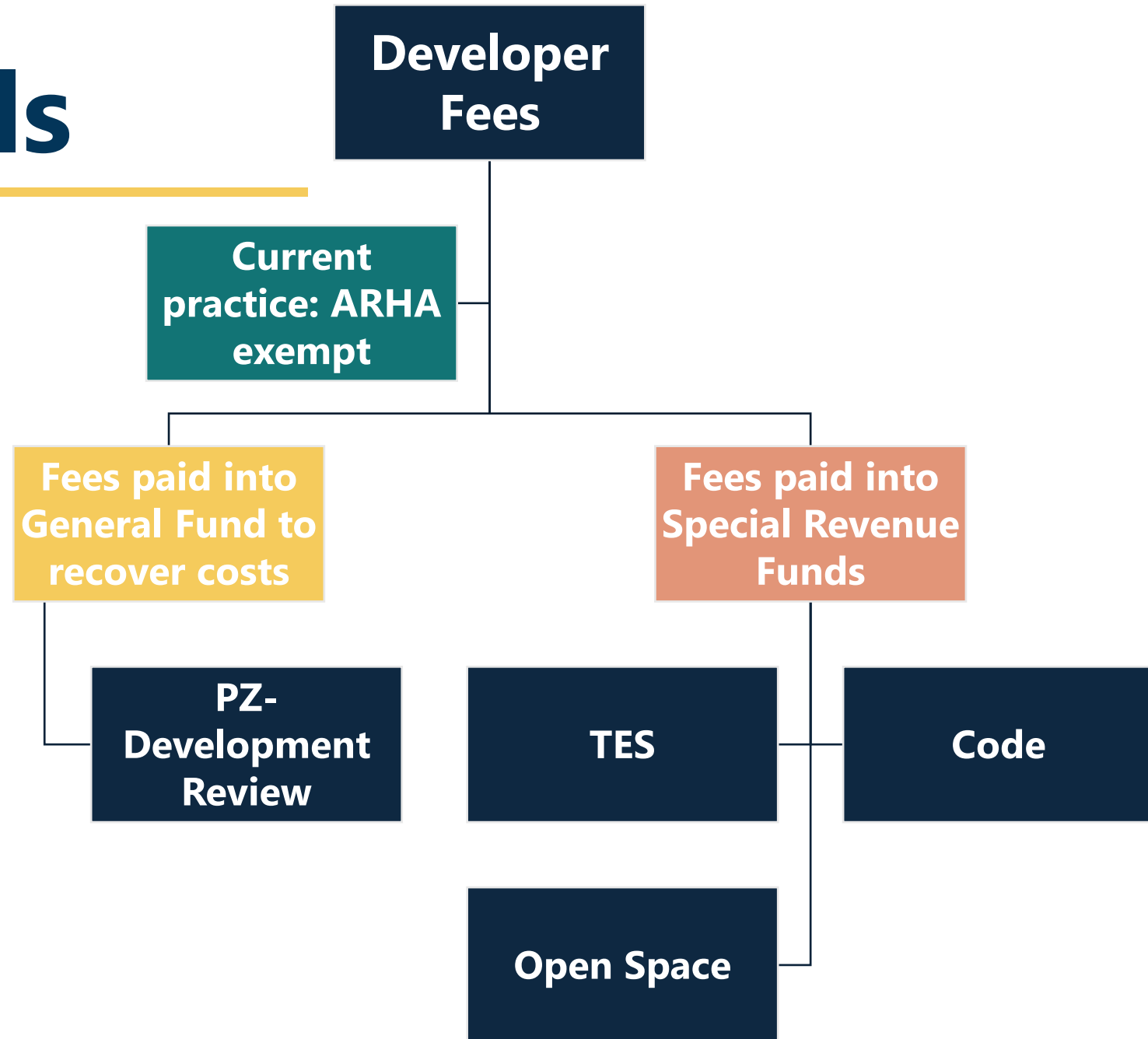


Samuel Madden

The two-phased Samuel Madden Homes Redevelopment Project will provide 532 rental units, community-serving retail, an ALIVE Food Hub, and a new home for the Hopkins Housing early childhood education center. The mixed-income community will include 326 affordable and workforce units ranging in affordability from 30% to 80% AMI, including 66 replacement units, and 206 market-rate units.

Financial Tools

**Current approach
to developer fees:**



Financial Tools – Developer Fees

Developer Fees	Est. Average Cost Per Unit	Type of Revenue
Building Permit Fee	\$3,360	Special Revenue Fund
P&Z Filing Fee	\$280 (estimate*)	General Fund
Site Plan Fee	\$340 (estimate *)	General Fund
Sanitary Sewer Connection Fee	\$11,020	Special Revenue Fund
Water Tap Fee	\$910	Special Revenue Fund
Right of Way (ROW) Fee	\$90	Special Revenue Fund
Small Area Plan Fee	TBD	General Fund
Virginia Erosion and Storm Water Management (VSPM) Fee	\$40	Special Revenue Fund
Crown Cover Tabulations Fee	\$100	Special Revenue Fund
Water Quality Fee	\$100	Special Revenue Fund
Other Fee	\$300	
Estimated Total Fees	\$15,000	

**actual filing fees vary based on size of development and number and type of application submissions/revisions*

Financial Tools

Potential approaches to developer fee relief:

- Partial exemption for AH projects based on income levels
- Partial exemption for AH projects based on fee type

Benefits:

- Reduced development costs
- Less City financial assistance needed

Financial Tools

Current approach to tax relief:

- ARHA 51% ownership=100% exempt
- AH projects are assessed based on rent restrictions (discount currently being applied is based on NOI)
- City provides real estate relief and assistance program for elderly and disabled persons

Financial Tools – Hypothetical examples of tax assessments

Hypothetical 100-unit Building (assumes 1 BR)	Scenario 1: Market Rate	Per Unit	Scenario 2: Mix of Market Rate and Affordable	Per Unit	Scenario 3: 100% Affordable	Per Unit
Market rate, 80%, 60%, 40% and 30% AMI	Market rate		25, 10, 50, 10, and 5		0 , 20, 50, 20, and 10	
Gross Potential Rent (Maximum Possible Total Annual Rent)	\$3,000,000	\$30,000	\$2,355,180	\$23,552	\$2,103,360	\$21,034
Miscellaneous Income (Parking, Pet Rent, Storage, Other Fees)	\$500,000	\$5,000	\$500,000	\$5,000	\$200,000	\$2,000
Total Gross Potential Income	\$3,500,000	\$35,000	\$2,855,180	\$28,552	\$2,303,360	\$23,034
Vacancy and Collection Loss (8% for Scenarios 1 and 2 and 2% for Scenario 3)	(\$240,000)		(\$188,414)		(\$42,067)	
Net Operating Income (NOI)	\$1,906,000	\$19,060	\$1,312,766	\$13,128	\$1,080,646	\$10,806
Cap Rate (Loaded with Tax Rate)	6.635%		6.635%		7.635%	
Fair Market Value (FMV)	\$28,800,00	\$288,000	\$19,800,000	\$198,000	\$14,200,000	\$142,000
Estimated Taxes= (NOI/Cap Rate)*Tax Rate	\$326,880	\$3,269	\$224,730	\$2,247	\$161,170	\$1,612

Financial Tools – Examples of 2025 tax assessments

Property	Owner	Type	Units	2025 Tax Assessed	Assessed/Unit	AMIs: Market Rate, 80%; 60% (+ Set-Asides); 50%; 40%
The Nexus	AHDC	New Construction	74	\$10,5000	\$141,892	0, 0, 37, 29, 8
The Waypoint	Wesley	New Construction	81	\$9,755,00	\$120,432	0, 0, 37, 35, 9
Square at 511	AHDC	Preservation	196	\$30,223,00	\$154,199	0, 98, 98, 0, 0
The Blake	Private	New Construction	300	\$87,718,000	\$292,393	295, 0, 0 (5 set-asides), 0, 0
Notch 8	Private	New Construction	253	\$78,037,000	\$308,447	241, 0, 0 (12 set-asides), 0, 0
Carlyle Place	Private	New Construction	326	\$102,963,000	\$315,837	313, 0, 0 (13 set-asides), 0, 0
Porter Del Ray	Private	New Construction	276	\$97,966,000	\$354,049	279, 0, 0, 0, 0
The Sinclair	Private	New Construction	212	\$65,930,000	\$310,991	212, 0, 0, 0, 0

Financial Tools

Potential approaches explored for tax relief:

- Exemption for AH projects
- Partial exemption for AH projects based on income levels

Considerations:

- Based on current assessment policy, 30-40% AMI units effectively already receive tax relief because of reduced net revenue based on operating expenses, the cap rate, and the affordability mix
- For new AH development projects: taxes do not start until occupancy; impact of tax relief can be planned for
- For AH preservation projects: impact of tax relief is immediate

Benefits:

- Increase borrowing power
- Lower gap funding need

Financial Tools

Approaches to tax and developer fee relief in the Commonwealth:

Local Tax Program	Alexandria/ARHA	City of Richmond	City of Charlottesville
Tax Relief			
Seniors - 65 years old elderly/disabled	X	X	X
Residential – Single Family			X
Multifamily – New Construction	X	X	Under Development
Rehabilitation – Substantial Renovation			Under Development
Redevelopment (not private)	X	X	Under Development
Commercial/Industrial Areas		X	X
Developer Fee Relief			
Residential – Single Family			X
Multifamily – New Construction	X	X	X
Rehabilitation – Substantial Renovation			X
Redevelopment	X	X	X
Commercial/Industrial Areas		X	

- City of Richmond uses tax rebates to support revitalization and rehabilitation of commercial areas, mixed-use development, and affordable housing

- Modeled after Richmond, City of Charlottesville is developing tax rebate program to support revitalization and rehabilitation of commercial areas and mixed-use development, and preservation multifamily affordable housing

Financial Tools

City Land for Affordable Housing:

Current approach:

- City parcels have been leveraged and combined with other land acquisitions

Underway:

- Staff review and mapping of city land to identify possible future opportunities



Sansé



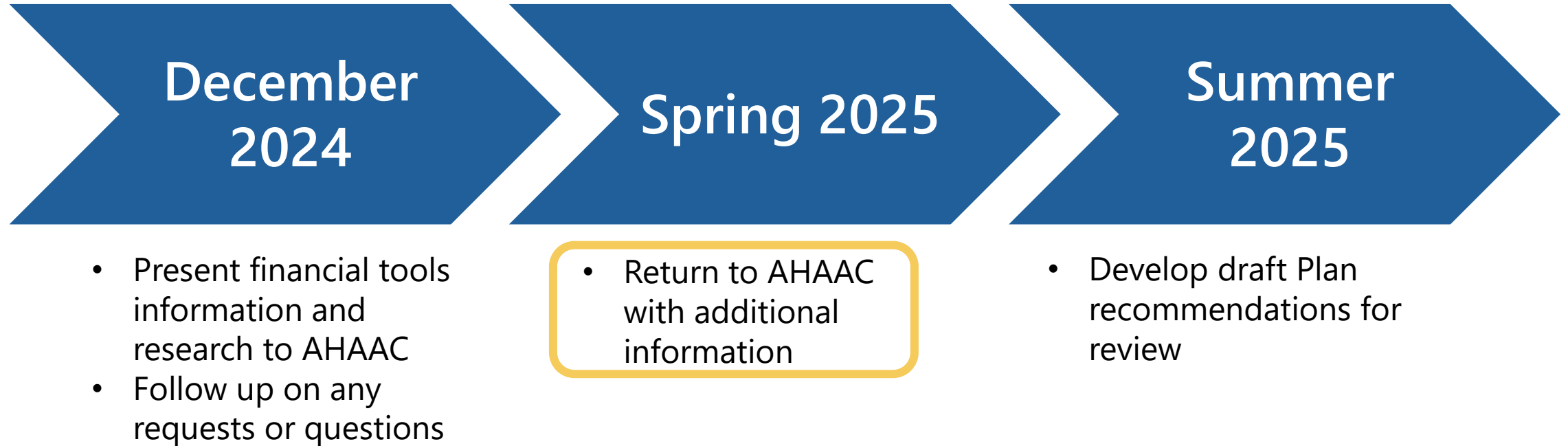
Jackson Crossing



Seminary Road

Financial Tools

Next Steps and Project Timeline:



Questions?

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For more information, visit:

alexandriava.gov/HousingPlan#Housing2040Projects

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