Successful Strategies to Preserve and Promote Affordable Housing in High-Priced Markets: An Alexandria, VA Case Study

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Session Outline

- **Planning Ahead**
  - Context
  - Policy & Political Will
  - Planning & Zoning Tools
  - Community Buy-in

- **Housing Policy In Action**
  - Meeting the Demand
  - Public Private Partnerships (P3s)
  - Structuring the Deal

- **Private Sector P.O.V.**
  - Making the numbers work
  - Case Study
  - Structuring the Deal
  - P3s
  - Lessons Learned
Regional Context

Regional Context

- ~15 sq. miles.
- ~153,000 population
- $108,000 AMI
- Bordered by Arlington, Fairfax, & Potomac River
- Proximate to DC & MD
- Historic Downtown
Planning for Growth

Growth Capacity in Recent Plans

Beauregard 2012
- 9.7 million sf

Landmark/Van Dorn 2009
- 13.9 million sf

Arlandria 2003
- 1.7 million sf

Oakville/Rt 1 2015
- 2.8 million sf

Potomac Yard North 2017
- 7.5 million sf

Potomac Yard South 1999
- 3.8 million sf

Braddock Metro 2008
- 3.6 million sf

Waterfront 2012
- 800,000 sf

Eisenhower West
- 9.3 million sf

Eisenhower East 2003
- 8.9 million sf

Land use mixes are flexible; charts show one potential mix.
Planning for Growth
Where you plan matters!

What are the constraints?

- Enabling Legislation
- Dillon Rule vs. Home Rule
- Proffers
- Developer Contributions
Where There’s a Will, There’s a Way!

Political Will Makes all the Difference!

Show Me the Policy!

- Resolution 830 (1981)
- Housing Master Plan (2013)
Planning & Zoning Tools

Zoning Ordinance

- Section 7-700 (Bonus Density Provision)
- Section 8-200 (Optional Parking Ratio for affordable housing)

Citywide Master Plan (Comprehensive Plan)

- Small Area Plans (SAPs)
- Housing Master Plan
In exchange for affordable units allows:

- Bonus density up to 20* and/or
- Bonus height (up to 25’ in areas without a 50’ or lower height limit) 1/3 of bonus units (or equivalent) must be committed affordable
- Or reduction in required parking

* Provision pending increasing to 30%
Section 7-700

- Affordable offsite units permitted if equivalent in value
- Cash in lieu of units permitted if mutually agreed to
- More than 20% bonus permitted if authorized by Small Area Plan
  - Approved in 2015 Eisenhower West Small Area Plan
  - Proposed in Old Town North and North Potomac Yard Small Area Plans (June 2017)
Affordable housing is among the community benefits that the City seeks in Small Area Plans

- Beauregard (approved): commitment to preserve 800 affordable units with 50% serving very-low income households; relocation coordination hired; placement into Southern Towers affordable units underway

- Oakville Triangle (approved): 65 units (mostly studios) affordable at 60% AMI approved for Triangle site to accommodate likely future workers; other projects in Route 1 area will follow the Housing Master Plan and contribution formula

- Eisenhower West (approved): A range of affordable housing options throughout Plan area; co-locate housing with a municipal facility; permit bonus densities of 30% or more particularly where taller heights are allowed
Planning Beauregard

- Nature/pogrophy
- Proximity to I-395
- Housing choices dispersed throughout the Plan area
- Open space corridors
- Existing stream valley
- Transit Corridor
- WINKLER BOTANICAL PRESERVE
- North Park Main Street

LEGEND
- Proposed Buildings
- Existing Buildings
- Dedicated Transit
- Shared Transit Traffic

Note: Proposed building footprints for illustrative purposes only.
The Braddock Metro Neighborhood Plan identified sites for redevelopment and created a community vision for the future.
The Braddock East Master Plan was created to provide guidance for the potential redevelopment of nine blocks of public housing (owned by the Alexandria Redevelopment and Housing Authority (ARHA)) that is located within the larger Braddock Metro Neighborhood.
The James Bland development is an 8.5 acre site within the Braddock East comprised of five City blocks.

**Previous Zoning:**
RB Zoning (medium-density residential townhouse)
- 194 public housing units
- 22.9 units/acre

**Current Zoning:**
Zoned CDD #16
- 379 units: 65% market-rate (245 units);
  35% public housing (134 units)
- 45 units/acre
Braddock East – James Bland

Charles Houston

- Market Rate units
- ARHA units

N Patrick St

Alfred St

17th

18th
Community Engagement & Buy-in

Plans become successful with Community Engagement, Participation, Buy-in, and Education!

- Highlights the complexity and challenges
- Educates the community
  - Affordable vs. Workforce vs. Public Housing
- Aids to combat NIMBYism
PROMOTING MIXED-INCOME COMMUNITIES: SUCCESSFUL STRATEGIES IN ALEXANDRIA, VA
City of Alexandria, Office of Housing

- Develops policy for affordable housing
- Provides loans and technical assistance to nonprofit and private developers
- Negotiates affordable units in market-rate properties through the development process
- Provides home purchase assistance, home rehabilitation loan programs, and rental accessibility grants
- Provides landlord-tenant services
- Housing Authority is a separate entity
## Area Median Incomes

### 2016 AMI (Area Median Income)

<table>
<thead>
<tr>
<th>Household Size/AMI</th>
<th>1-Person</th>
<th>2-Person</th>
<th>3-Person</th>
<th>4-Person</th>
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</thead>
<tbody>
<tr>
<td>30% AMI</td>
<td>$22,850</td>
<td>$26,100</td>
<td>$29,350</td>
<td>$32,600</td>
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<tr>
<td>40% AMI</td>
<td>$30,440</td>
<td>$34,760</td>
<td>$39,120</td>
<td>$43,440</td>
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<tr>
<td>50% AMI</td>
<td>$38,050</td>
<td>$43,450</td>
<td>$48,900</td>
<td>$54,300</td>
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<tr>
<td>60% AMI</td>
<td>$45,660</td>
<td>$52,140</td>
<td>$58,680</td>
<td>$65,160</td>
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<tr>
<td>80% AMI*</td>
<td>$60,880</td>
<td>$69,520</td>
<td>$78,240</td>
<td>$86,880</td>
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<tr>
<td>100% AMI</td>
<td>$76,100</td>
<td>$86,900</td>
<td>$97,800</td>
<td>$108,600</td>
</tr>
</tbody>
</table>

Sources: 2016 HUD Income Limits for 30% and 50% AMI for Washington-Arlington-Alexandria, DC-VA-MD HUD Metro Fair Market Rent Area; FY 2016 Multifamily Tax Subsidy Project Income Limits for 60% AMI; and Office of Housing for 40% AMI and Mathematical 80% AMI (figures have not been rounded)

*Mathematical
Housing Affordability Challenge: Incomes Are Not Keeping Pace with Housing Costs

2000-2016 TRENDS

Hourly wage needed to rent in Alexandria in 2016 (rent assumed to equal 30% of income):

1 Bedroom ($1,587): $30.52
2 Bedroom ($1,975): $37.98

Increase in HUD Median Income in Washington Metro Area: 31%
Increase in Average Rent for 2-Bedroom in City: 91%
Increase in Average Assessed Value of Residential Property in City: 174%

Source: City of Alexandria, Office of Housing and Office of Real Estate Assessments, 2016
Housing Affordability Challenge: Loss of Market Affordable Housing

2000-2016 TRENDS

Source: City of Alexandria, Office of Housing, 2016
2013 Housing Master Plan

- Housing Choice for all— incomes, tenure, ages, and abilities
- Active partnerships with nonprofit and private developers
- Priorities for distribution and preservation of affordable units
- Social and cultural diversity through mixed-income communities
- Healthy and growing economy requires affordable housing
2,000 units with new affordability by 2025

Source: City of Alexandria, Office of Housing, October 1, 2016
Affordable Housing Takes a Village: City works closely with Developers, Lenders, and Service Providers
### Major Funding Sources for Housing

<table>
<thead>
<tr>
<th>Sources (new dollars)</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$3,114,000</td>
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<tr>
<td>(Includes dedicated revenue non-debt service and NSF)</td>
<td></td>
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<tr>
<td>Housing Trust Fund (HTF)</td>
<td>$1,615,000</td>
</tr>
<tr>
<td>(projected developer contributions and program income)</td>
<td></td>
</tr>
<tr>
<td>Federal grants</td>
<td></td>
</tr>
<tr>
<td>- Community Development Block Grant (CDBG)</td>
<td>$670,000</td>
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<tr>
<td>- Home Investment Partnerships Program (HOME)</td>
<td>$357,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,756,000</strong></td>
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</table>

- In FY17 budget, City Council approved use of $5.2M in bonding authority to develop affordable housing.
How Affordable Housing Is Developed + Preserved

- Voluntary monetary contributions to the Housing Trust Fund from private developers
- Section 7-700 (bonus density and/or height) to provide “set-aside” rental and homeownership units within market-rate developments
- Loans to non-profit affordable housing developers
- Voluntary Developer Contributions of homeownership units within for-sales market-rate developments
- Preservation and replacement through redevelopment
Voluntary Monetary Contributions

<table>
<thead>
<tr>
<th>Development Category</th>
<th>Tiers</th>
<th>2017 Rates per Sq. Ft.</th>
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</thead>
<tbody>
<tr>
<td>Non-residential</td>
<td>n/a</td>
<td>$1.96</td>
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<tr>
<td>Residential</td>
<td>Tier 1 (by right)</td>
<td>$2.61</td>
</tr>
<tr>
<td>Residential</td>
<td>Tier 2</td>
<td>$5.22</td>
</tr>
</tbody>
</table>

- Rates adjusted annually using Consumer Price Index for Housing
- Paid when projects are completed (when Certificate of Occupancy is issued)
- The Alexandria Housing Affordability Advisory Committee (AHAAC) considers loan applications for projects and makes recommendations regarding their approval to City Council

Exemptions:
- Religious, public, municipal uses, and ARHA
- Residential uses < 5 units
- New construction and additions < 3,000 sq ft
- Parking except for single-owner garages
Voluntary Monetary Contributions

Since 1993, the Housing Trust Fund has received $33 Million in cash contributions. Currently, $24 Million has been pledged.

Housing Trust Fund helps fund:
- The development and preservation of affordable housing
- Leverages state and private funding
- Housing counseling services
- Mini-RAMPs (rental accessibility projects)
- Rebuilding Together Alexandria projects
- Homeownership programs
- AHDC operational support
Section 7-700 (Bonus Density and/or Height) to Provide “Set-Aside” Units

Changes since 2013 to Sec. 7-700:
- More than 20% bonus permitted if authorized by small area plan (Eisenhower West SAP)
- 1/3 of bonus units (or equivalent) must be committed affordable
- Affordable offsite permitted if equivalent value
- Cash in lieu of units if mutually agreed to
- Current consideration to allow up to 30% increase
Loans to Non-Profit Developers for New Construction and Rehabilitation

- Lynhaven Apartments
- Chatham Square
- Jackson Crossing
- The Station at Potomac Yard
Jackson Crossing: The Impact of the City Dollar...

- Leveraged the City’s Housing Opportunity Fund (developer contributions)
  - 78 units @ 60% AMI for 60 years
  - $24.5 million total development cost
    - $12.2 M LIHTC
    - $8.0 M First trust debt
    - $1.1 M Deferred developer fee
    - $2.5 M City loan
    - $720 K City land note
  - City investment = $41K/unit
Homeownership Units Within For-Sales Market-Rate Developments

- Old Town Greens
- Cambria Square
- Cameron Station
- Kensington Court
Preservation + Replacement Through Redevelopment

- **Beauregard Small Area Plan**
  - 800+ Committed Affordable and Workforce Housing Units by 2035
  - Targeting 40% - 70% AMI households
  - Represents a $218 million community benefit

- **Resolution 830**
  - 1981 Memorandum of Understanding between City and Alexandria Redevelopment and Housing Authority (ARHA)
  - In the event of redevelopment, 1150 Public Housing units will be replaced
  - ARHA plans to redevelopment 5 sites (including former administrative building)
    - Totaling 305 housing units
City-Funded Units Since FY07

- The Station at Potomac Yard – 64
- Beasley Square – 8 (senior)
- Jackson Crossing – 78
- Arbelo/Lacy/Longview – 119
- Beverly Park – 33
- ParcView – 120
- 612 Notabene and 607 Notabene (in progress) – 17
- Lynhaven Apartments – 28
- Alexandria Crossing/West Glebe – 84
- Quaker Hill – 60
- Miller Homes (James Bland replacement) – 16
- St. James Plaza (in progress) – 93
- Gateway at King and Beauregard (in progress) – 74
- Ramsey Homes (permanent loan & redevelopment application approved) – 52
- Carpenter’s Shelter (permanent loan & redevelopment application approved) – 97
- Church of the Resurrection (predevelopment loan approved) – 113
Current Opportunities

- Enhanced bonus density, including through small area plans; proposal to increase to up to 30% density bonus
- Increased focus on more deeply subsidized units
- Redevelopment of church properties and a homeless shelter
- Route 1 South Corridor Plan to develop strategy to preserve and expand the affordability of 3 properties with expiring affordability terms
Continued Challenges

- Loss of market affordable units
- Expiring affordability terms for committed affordable properties/units
- Decline in federal funding (CDBG and HOME)
- Changing regional demographics
- Long-term employment trends
- NIMBY

Will there be sufficient resources to take advantage of the opportunities ahead?
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About EYA

- Founded in 1992 with the vision of building innovative urban neighborhoods
- EYA Team – Fully integrated – acquisition, land development, construction, and sales
- 39 Communities, and over 4,500 homes in premium locations around the region
- More than 300 National & Regional Awards
  - Marvin Hall of Fame Award for Design Excellence (2016)
  - Developer of the Year (Maryland Building Industry Association, 2016)
  - National Housing Quality Gold (2015)
  - America’s Best Builder (2000, 2009)
  - ULI Award of Excellence (Winner 1998 / Finalist ’97, ’99, ’02, ’06)
  - Project of the Year Grand Award (NAHB)
  - 100 Best Places to Work (Professional Builder)
  - Numerous Best in American Living Awards (NAHB)
- Transit-oriented walkable communities: “life within walking distance®”
What is Mixed Income Housing?

Any project that includes a mix of housing that is affordable to multiple income levels:

- Mandate Drive: e.g. Inclusionary Zoning
- Finance Driven: e.g. LIHTC, HUD
- Seller-Driven: e.g. Public-Private Partnerships
Free Land is Not Enough

<table>
<thead>
<tr>
<th>Typical Development Costs</th>
<th>3BR/2BA HOME</th>
<th>1,500 SqFt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architecture/Engineering/Misc Consultants</td>
<td>$18,000</td>
<td></td>
</tr>
<tr>
<td>Legal/Entitlement/Review</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Site Development Costs</td>
<td>$55,000</td>
<td></td>
</tr>
<tr>
<td>Unit Construction Costs</td>
<td>$135,000</td>
<td>$90 per SqFt</td>
</tr>
<tr>
<td>Contingency (5%)</td>
<td>$6,750</td>
<td></td>
</tr>
<tr>
<td>Settlement &amp; Transfer Costs</td>
<td>$2,500</td>
<td></td>
</tr>
<tr>
<td>Administration, Insurance, G&amp;A</td>
<td>$6,200</td>
<td></td>
</tr>
<tr>
<td>Loan Fees</td>
<td>$2,335</td>
<td>1%</td>
</tr>
<tr>
<td>Interest</td>
<td>$15,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>Permits &amp; Fees</td>
<td>$12,000</td>
<td></td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>$2,200</td>
<td></td>
</tr>
<tr>
<td>Marketing, Advertising &amp; Sales</td>
<td>$7,500</td>
<td>6%</td>
</tr>
<tr>
<td>Total Development Costs excl Land &amp; Profit</td>
<td>$272,485</td>
<td></td>
</tr>
</tbody>
</table>

Required Income at 3.5x $77,853 71% of AMI
Factors for Success

- **Design**
  - Complete integration of units
  - Indistinguishable by income level
  - Efficient size to control costs
  - Finish level consistent with price point
  - Appropriate ratio of income levels

- **Financing**
  - Use new market rate land value to replace affordable and public housing
  - Reduced fees, allocation of soft costs and LD
  - Fannie/Freddie pre-

- **Marketing**
  - Sell the location and lifestyle
  - Focus on consistent quality
  - Buyers comparison shop home & program
  - Equal or greater sales effort & expense

- **Implementation**
  - Community orientations for all residents
  - Integrated HOA’s and Condo boards
  - Appropriate fees
Lessons Learned

- **Workforce Housing must be sold**
  - Workforce housing = market rate buyer
  - Units and program must be financeable
  - Flexibility in program requirements and sales strategy

- **Keep restrictions simple & clear**
  - Household size / Bedroom count
  - Residency requirements
  - First time home buyer
  - Control periods / covenants

- **Moderate income buyers have unique needs**
  - Household size
  - Financial capacity
  - Preparation / training
Old Town Commons  Alexandria, VA

Location: Old Town Alexandria, VA  
Three blocks to Braddock Metro 

Units:  
373 total, 159 T/H, 86 M/F, 134 affordable rentals  

Unit Size: 1 BR flats to 4 BR luxury townhomes  
Site Size: 8.5 acres
Public Housing Financing Plan

**Project**

Create 218 * new ARHA units
(+/- $55 MM)

Glebe Park
84 ARHA units
(+/- $15 MM)

James Bland
134 ARHA units
(+/- $40 MM)

**Financing**

Total Project Funding
(+/- $55 MM)

Market Rate
Land Value
(+/- $23 MM)

Low Income
Housing Tax Credits
(+/- $32 MM)

* 16 ARHA Units located off site funded by City of Alexandria
Partner Commitments

**EYA**
- Advance all pre-development costs ($4.2MM), repaid in part at each closing
- Commit to fund half of the Glebe Park bridge loans

**ARHA**
- Commit to fund half of the bridge loans
- Escrow all land payments until project completion

**City**
- $5.6MM loan to pay off HUD note
- $1.44MM Alexandria Crossing land loan
- $1.33MM Land Acquisition for City Park