

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 24, 2019
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER 
SUBJECT: SUBMISSION OF BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC) FY 2021 MEMO #3 – FISCAL IMPACTS OF AFFORDABLE HOUSING CONCERNS IN ALEXANDRIA

As part of the Budget and Fiscal Affairs Advisory Committee's (BFAAC) FY 2020 workplan, the committee had identified Affordable Housing as a topic on which they would produce a memo. Specifically, the committee commented that

“BFAAC recognizes the negative impact of a dwindling supply of affordable housing on quality of life for residents, economic development, and our ability to house providers of key City services within Alexandria, and applauds the efforts of Council, City staff and local partners to address this need. BFAAC will issue a report assessing the budget’s readiness to support affordable housing goals and exploring opportunities to maximize resources for affordable housing including creative or alternative approaches to financing.”

At the end of their FY 2020 calendar, BFAAC opted to move this memo to their FY 2021 session, so that committee members could review additional literature and finalize the memo. At their August 15, 2019 meeting, BFAAC approved this memo for submission to City Council. Subsequent to this approval, the committee approved additional technical changes to the memo at their September 17, 2019 meeting.

Attachments:

1. BFAAC Memo #03 – Fiscal Impacts of Affordable Housing Concerns in Alexandria

Cc: Morgan Routt, Director, Office of Management and Budget
Chair & Members of Budget and Fiscal Affairs Advisory Committee (BFAAC)

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 18, 2019

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: MEMO #3: FISCAL IMPACTS OF AFFORDABLE HOUSING CONCERNS
IN ALEXANDRIA

Background on the Lack of Housing Affordability and Its Effects

Housing affordability at all income levels is crucial for stable communities, and for businesses and the City alike to attract and retain employees. Yet, it is a growing and persistent challenge given declining federal support for housing and a dwindling supply of affordable units to meet demand.

Between 2000 and 2017, the number of market-affordable housing units in the city—those considered affordable without any subsidy—declined by 90 percent, from over 18,000 to less than 1800.¹ Between 2000 and 2018, the regional median income increased 42%, but the rent for a studio apartment in Alexandria increased 94 percent and for a one-bedroom, 102 percent.² 15,200 Alexandria households with incomes up to \$75,000 per year spend 30% or more of their income on housing (“cost burdened”), as do 6,900 households earning up to \$50,000 per year who pay 50% or more of their income toward housing (“severely cost burdened”). In response, the 2018 Alexandria Community Health Needs Assessment identified “housing that is affordable” as the top solution to improving the quality of life of the community, with 51 percent of survey respondents selecting this (twice as many as any other item).³

In turn, this challenge presents both costs and potential opportunities for cost savings. According to the Metropolitan Washington Council of Governments, the lack of housing affordable to a range of incomes has numerous costs on the environment (through longer commutes), children’s education, residents’ quality of life, and the region’s economy.⁴ Many of these effects can be observed in Alexandria. Housing cost burdens and the resulting housing instability may lead to frequent relocation and high student turnover rates in schools. While not directly observable,

¹ https://www.alexandriava.gov/uploadedFiles/housing/info/2017MarketAffordableReport_UpdatedJune2017.pdf

² Office of Housing, Housing Affordability Quick Facts. Available at https://www.alexandriava.gov/uploadedFiles/housing/info/2018_HousingAffordability_QuickFacts_Rev.pdf

³ <http://www.healthmattersalexandria.org/>

⁴ <https://www.opportunityhome.org/resources/stable-affordable-housing-drives-stronger-student-outcomes/> ; <https://www.opportunityhome.org/related-sectors/health/> ; <https://www.opportunityhome.org/related-sectors/civil-rights-housing/> ; <https://www.opportunityhome.org/related-sectors/economic-mobility-housing/>

these trends impose costs on city agencies' ability to provide needed services. Meanwhile, for the city's most vulnerable, the availability of supportive housing services can actually create cost savings through reduced utilization of health care and emergency services. Other efforts focused on housing affordability and stability may also yield savings elsewhere.

Particular Concerns for City Employees

Housing affordability is also a key component of competitiveness for recruiting and retaining city staff. Only 11 percent of city employees live in Alexandria. The annual salary needed to rent an average apartment in 2018 was \$68,320 for a one-bedroom and \$84,240 for a two-bedroom. This is higher than the annual salary of an ACPS teacher with a bachelor's degree; city firefighter; hotel front desk manager; city librarian or youth services manager; administrative assistant; or other similar positions.⁵ ARHA has provided apartments to police officers acting in a community policing capacity. However, City agencies may wish to consider potential partnerships with landlords where feasible and appropriate, while ensuring compliance with fair housing laws.

Areas Where Alexandria Does Well

While housing is in high demand, there are major challenges to expanding the city's housing stock. A recent analysis by MWCOG on the potential of adding 100,000 units to the region above projections by 2045 focused on three impediments: land use/regulatory structure; market forces; and community dynamics. Recognizing these limitations, according to housing experts there are a number of tools the City has effectively used to address housing affordability. While BFAAC does not endorse the use of set-asides, experts have pointed toward the meals tax as one such example.

Many successful approaches are zoning-related. Reducing parking minimums, increasing bonus density, offering impact fee waivers, and creating a residential multifamily zone all increase capacity. Additionally, the City has embarked on innovative local and regional partnerships. These include the expansion of Permanent Supportive Housing through the Carpenter's Shelter redevelopment, multiple affordable housing projects undertaken in conjunction with faith groups, and public-private partnerships. One particular best practice to consider replicating more frequently is co-locating affordable housing with public facilities, as is the case with the Potomac Yard fire station.

Areas for Improvement Based on Comparator Jurisdictions

The following additional approaches have been identified based on activities in other jurisdictions:

1. **Housing as a Capital Improvement Plan (CIP) issue.** Fairfax's CIP recently added consideration of parcels for colocation with housing, including nonprofit developer partnerships. Loudoun County is also considering this approach. Fairfax also newly funded a Housing Coordinator to interface with Planning and Zoning, and oversee housing CIP opportunities.
2. **Inclusionary zoning (IZ).** While under the same Dillon rule constraints, Arlington has maintained an IZ program. It is uncertain whether the IZ program would yield better results than currently achieved under voluntary developer negotiations.

⁵ https://www.alexandriava.gov/uploadedFiles/housing/info/2018_HousingAffordability_QuickFacts_Rev.pdf

3. **Accessory Dwelling Units (ADUs).** The District of Columbia, Arlington, Fairfax, and Montgomery County all have existing ADU programs. Implementation of an ADU policy would potentially expand housing supply. However, it is important to recognize the limited scale of these offerings as part of a comprehensive housing solution.
4. **Zoning for additional housing types, such as “Missing Middle” and microunits.** The District of Columbia, Montgomery County, and the City of Rockville are all exploring specific zoning practices for the “Missing Middle”: expanding the supply of housing types between the extremes of single-family homes and multifamily apartment complexes in order to create additional housing choices, particularly in transit-rich areas. Meanwhile, the District of Columbia has enabled the development of microunits: small apartments typically under 400 square feet. These units expand independent housing choices for financially constrained residents such as students and older adults.
5. **Public or community approaches to land ownership.** Since 2014, the District of Columbia has required that affordable units be included in any multifamily development taking place on city-owned or surplus land.⁶ Meanwhile, a nonprofit in the District of Columbia has formed a community land trust in Anacostia—a form of land ownership that maintains the viability of affordable units over time.⁷
6. **Additional zoning tools.** Arlington County has adopted the use of form-based codes⁸ in selected locations to streamline zoning requirements and reduce construction costs. Arlington and Montgomery counties both also permit Transfer of Development Rights (TDR) as a tool to preserve existing market-rate affordable housing by allowing bonus height in other locations within the jurisdiction. Both jurisdictions have also created affordable housing overlays in target neighborhoods. These are areas in which zoning and financial tools are available to preserve and expand market-rate affordable units.
7. **Workforce dwelling units.** In addition to making affordable units available as part of new housing development, Fairfax County has begun encouraging workforce units as well—reaching into higher income bands that remain housing cost-burdened.⁹

Other Considerations

Legislation passed in the 2019 General Assembly session will broaden the tools available to localities. Localities are now able to make exceptions to developer fees for affordable housing, based on their own definitions of affordability. Additionally, the Assembly liberalized earlier restrictions on the use of proffers. Localities may also implement real estate tax exemptions for affordable housing to reduce development costs, while keeping in mind revenue impacts. New affordable housing investments in the state budget are also worth monitoring.

Additional research would also help develop a more comprehensive approach to housing as part of the city’s overall development strategy. For example, it would be valuable for the city to better understand the relationship between housing turnover and student performance, as well as the impact on the educational environment when teachers live in the community they serve. Similar studies could be valuable across city agencies.

⁶ <https://ggwash.org/view/67742/montgomery-county-doesnt-have-enough-homes-will-it-use-public-land-to-help>

⁷ <https://ggwash.org/view/67224/anacostia-is-using-a-land-trust-to-maintain-affordable-housing>

⁸ <https://formbasedcodes.org/definition/>

⁹ <https://www.fairfaxcounty.gov/housing/rentalhousing/adu-and-wdu>