AFFORDABLE HOUSING ADVISORY COMMITTEE
LOCATION: ROOM 2000
CITY HALL
THURSDAY, NOVEMBER 3, 2011, 7:00PM

AGENDA

1.	Consideration of the Minutes a. Consideration of Minutes of October 6, 2011 meeting b. Ratify Minutes from September 8, 2011 meeting	7:00 p.m.
2.	Mount Vernon Village Center Affordable Housing Plan	7:05 p.m.
3.	Discussion of the Draft Strategic Plan on Aging, 2012-2016	7:25p.m.
4.	Discussion of the Beauregard Plan	7:45 p.m.
5.	Virginia Housing Trust Fund Update	8:05 p.m.
6.	Report from the Alexandria Redevelopment and Housing Authority (ARHA)	8:15 p.m.
7.	Report from the Alexandria Housing Development Corporation (AHDC)	8:10 p.m.
8.	Information Items: a. Housing Trust Fund Financial Summary for September 2011 b. Housing Opportunities Fund Financial Status for September 2011 c. Homeownership Programs Report for September 2011	8:15 p.m.
9.	Announcements and Upcoming Housing Meetings a. City Council Work Session Commission on Aging's Strategic Plan – 12/13/2011	8:20 p.m.
10.	Adjournment	8:25 p.m.

AFFORDABLE HOUSING ADVISORY COMMITTEE

Minutes of the Meeting of October 6, 2011

Members Present		**Staff Present**	**Guests Present**
Michael Butler	Rick Liu	Helen McIlvaine	Doug Owens
Michael Caison	Carter Fleming	Shane Cochran	Mary Ann Griffin
Patrick McCreesh	Dmitri Warren	Eric Keeler	
	Mildrylin Davis (non-voting)	Jon Frederick	

The October meeting of the Affordable Housing Advisory Committee was held in Conference Room 200 at Alexandria City Hall, in Alexandria, VA. The meeting was called to order at 7:14 by Michael Caison, Chair.

1. The Minutes of the meeting September 8, 2011 were reviewed by the AHAC. Michael Caison asked that the minutes be amended to include statements he made at the meeting pertaining to AHAC taking a formal position on the Beauregard Planning Process. He provided written copy of the proposed amendment and read the text to the committee. Due to a lack of members present for a quorum, the minutes were approved as committee as a whole with the amendment provided by Michael Caison. (Amended minutes attached).

2. Mary Ann Griffin provided perspectives on affordable housing from the Alexandria Commission on Aging. The City of Alexandria is experiencing a large growth in the elderly population. An aging strategic plan was recently developed for the City by Just Parker, Inc, which has significant synergies with the Housing Master Plan. The plan was developed through two town hall meetings with an attendance of over 400 people, with people both young and old.
    a. The number one identified need in the City was communication and outreach, as many people did not know the services that exist. The number two identified need was affordable housing, in particular affordable assisted living.
    b. Currently there is no affordable assisted living facility in the city. The nearest affordable assisted living facility is Birmingham Green, which requires 65 miles roundtrip travel. Due to the longer travel time many of the beds do not fill up. AHAC was asked to consider whether there is a different model from Birmingham Green where assisted living could be located in the City and the elderly could age in place.
    c. Ms. Griffin discussed with AHAC the issue of accessory dwelling units, which are currently prohibited in the City. Ms. Griffin explained this might help relieve the tight housing market in the City and potentially enable more affordable housing.
    d. Ms. Griffin discussed the potential of raising the threshold for the rent relief program, as well as the real estate tax relief program, as it would help the elderly afford to age in place.
    e. Ms. Griffin discussed the "Village" concept, which began in Boston's Beacon Hill neighborhood, where a subscriber network of residents pay dues in exchange for services. It is an organic concept but could work well in Alexandria

3. Reports from the Office of Housing
   a. Mt. Vernon Village Center – Staff informed AHAC the developer had withdrawn the Affordable Housing Plan for this project and would opt for a cash contribution.

   b. Old Town Commons – The Staff informed AHAC that the Office of Housing was considering providing loans to potential Moderate Income Homeownership Program (MIHP)and Employee Homeownership Incentive Program (EHIP) buyers for the future condominiums at Old Town Commons. Staff did not provide a formal recommendation because they were wrestling with the issue of the security of the City's loan in the event a deposit was provided for a contract that did not proceed to closing. Staff stated that the deposit assistance recommendation would go forward to Council only if this issue was resolved satisfactorily. The City is considering paying half the deposits ($5,000 per person) through MIHP and EHIP monies, but would be unsecured do to the timing of the development. None of the AHAC staff disagreed with this approach, although the Staff mentioned they would continue to update the AHAC as things progressed.

      The developer, EYA, needed to reach 12 contracts in order to commence construction of the parking garage that goes under the units and six contracts were executed in the first weekend of sales. In addition, the Alexandria Redevelopment Housing Authority (ARHA) units need to be constructed by December 2013 in order to receive tax credits

   c. Budget Transfers – It was noted that as the MIHP program had slowed down this year, the Homeownership Assistance Program (HAP) has picked up greater than normal interest. Staff requested that $350,000 from the MIHP be moved to the HAP to accommodate increased demand. Patrick motioned to approve, Carter seconded. The motion passed without dissent.

4. Report from the Alexandria Redevelopment Housing Corporation (ARHA) – Doug Owens provided an update on the recent activities of ARHA, and items of note were the West Glebe Open House (which was well attended), and the green maintenance plans worker program being installed at West Glebe. Also reported on were the sales figures for Old Town Commons.

5. Beauregard Planning Area Update – The Staff went through the Beauregard plan and pointed out the properties that would be demolished and rebuilt, and the towers that would remain untouched. The Staff provided information on the planning commission and City Council joint work session on September 19, 2011. Staff's proposed goal was that 10% of the new units (677) be maintained as affordable which would have an estimated cost of $83 million. Staff explained that various funding sources would be needed to meet this goal. Some of the funding sources include: increased tax revenue from the project, developer contributions, HOME, CDBG, and tax credits. Staff noted that while the removal of the market affordable units would be staggered over a period of time, it would still represent a large drop. Chair of AHAC asked AHAC whether a resolution should be written to be presented at the next Beauregard Stakeholder group meeting on 10/17/2011. The staff and committee members had a roundtable discussion regarding what this resolution would say.

6. Meeting was adjourned at 9:00pm.

Minutes prepared by Rick Liu

AFFORDABLE HOUSING ADVISORY COMMITTEE

Minutes of the Meeting of September 8, 2011

Members Present		**Staff Present**	**Guests Present**
Michael Caison, Chair	Rick Liu	Eric Keeler	Doug Owens
Bill Harris	Carter Flemming	Helen McIlvaine	
Sonya Sacks	Michael Butler	Jon Frederick	
Laura Lantzy	Mildrilyn Davis (non-voting)		

The September meeting of the Affordable Housing Advisory Committee was held in Conference Room 3 at 421 King Street, Alexandria VA. The meeting was called to order at 7:05 PM by Michael Caison, Chair.

1. The Minutes of the meeting July 7, 2011 were approved by unanimous consent with minor spelling corrections.

2. Reports from the Office of Housing:
    a. Beauregard Plan – Office of Housing Staff gave an overall summary of the proposed Beauregard Planning Area and impact on specific development sites.
        i. Based on the current proposal as many as 9,400 dwelling units and up to 2.8 million square feet of non-residential space would become available at build-out when new and existing development is combined. Staff explained that if approved build-out would likely occur over a 25-30 year timeframe.

        ii. In 2010, the Beauregard Planning Area contained 4,843 market affordable rental units which represented 40% of the City's market affordable units. In 2011, the number of market affordable rental units in the planning area was reduced to 2,822 due to market rent increases. However, these 2,822 market affordable units represented 44% of the City's total market affordable units.

        iii. Specific sites which are currently expected to have some level of (re)development would include; The Hamlets (JBG) 130 acres, Southern Towers 46 acres, Home Properties 23 acres and Duke Realty 19 acres.

        iv. Helen McIlvaine – discussed the history of the planning area and the current citizen based initiative. Six (6) developers have been active participants in the process with infrastructure and transportation concerns dominating the conversations.

        v. A joint working session is scheduled for September 19th with the various citizen groups and is expected to produce various recommendations to be submitted to the City for consideration.

        vi. Various stakeholders have asked that the plan take into account the current stock of market rate affordable units in the planning area. Statistics for the area indicate that 78% of the rental housing stock was considered Market Rate Affordable in 2010, representing 40% of all of the Market Affordable units and 30% of all affordable housing stock in the City.

vii. Further discussions centered on the home ownership needs and the concerns of the long-term residents in the area as well as the level of involvement of the various housing advocacy organizations.

3. Assisted Housing Transactions - Mildrilyn Davis, highlighted several recent transactions that could impact the existing affordable housing stock.
    - Old Towne West (Phase I & II) was resold;
    - Parkwood Court – sold; affordability remains controlled until 2014
    - New Brookside – repaid the existing bond financing; remaining affordable
    - Brent Place - repaid the existing bond financing; remaining affordable under tax credit program

4. Green Revolving Loan Fund (EECBG) – The Staff described the existing Federal loan program a 5-year, low interest loan available to eligible City homeowners (up to 100% of AMI) for qualified improvements up to $5,000. In addition, a portion of the EECBG funds are being used to improve energy efficiency at the 284 unit Arlandria Chirilagua Housing Corporation property.

5. Arlandria Chirilagua Housing Corporation (ACHC) – Mildrilyn Davis reviewed the City's report and recommendations concerning the operations and physical needs of the ACHC included in the June 2011 docket before the City Council.

6. Report from the Alexandria Redevelopment Housing Corporation (ARHA) – Doug Owens (ARHA) provided an update on the recent activities of ARHA and the progress in acquiring the remaining replacement units pertaining to the 16 units from the James Bland Redevelopment Project.

7. Report from the Alexandria Housing Development Corporation (AHDC) – Michael Caison, (Chair) provided an update in the search of a new Executive Director. Mr. Caison also provided an update on the recent acquisition of the three apartment complexes previously owned by RPJ Housing Corporation.

8. Staff provided an update on the financial status of the City's Housing Trust Fund and Housing Opportunities Fund.

9. Homeless Services Coordinating Committee Letter to the Mayor and City Council- Staff reviewed the request for the Council's attention to the homeless and discussed how it could dovetail into the current Housing Master Plan.

10. Staff discussed the draft Strategic Plan on Aging, 2012-2016 and its scheduled hearing date in October 2011 with the City Council. Committee members requested a presentation on the report from the Commission on Aging or staff at the next meeting.

11. Following the Staff announcements the meeting adjourned at 8:45 PM.

12. See Addendum provided by AHAC Chair, Michael Caison

Minutes prepared by Michael Butler.

Addendum to Meeting Minutes

There was a discussion at the conclusion of the meeting regarding the Beauregard Small Area plan and the impact to affordable housing in the City. Given the substantial impact to the amount of affordable housing, there was discussion of whether the committee should take a position, and the proper steps. It was determined that this topic would be addressed at a future meeting.

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 3, 2011

TO: AFFORDABLE HOUSING ADVISORY COMMITTEE

FROM: MILDRILYN STEPHENS DAVIS, DIRECTOR, OFFICE OF HOUSING

SUBJECT: CONSIDERATION OF AN AFFORDABLE HOUSING PLAN FOR MT. VERNON VILLAGE CENTER

ISSUE:

Consideration of the Affordable Housing Plan for Mt. Vernon Village Center

RECOMMENDATION:

That the Affordable Housing Advisory Committee approve the Affordable Housing Plan submitted by the Mt. Vernon Village Center Applicant.

BACKGROUND:

The developer proposes to construct a mixed use development at 3809-3843 Mount Vernon Avenue on the site currently anchored by the MOM's Grocery Store and CVS. The site is currently zoned CDD#6 which will allow up to a 3.0 floor area ratio (FAR) or a total of 637,578 sq. ft. of development. As proposed, the project will consist of two buildings that combined will contain an estimated 478 dwelling units and approximately 53,000 GFA of retail space.

DISCUSSION:

The applicant has requested the use Section 7-700 of the City's zoning code for this project which allows an increase in the height and/or density of a project in exchange for on-site affordable housing units. In this instance the applicant is only asking for a bonus height under 7-700. The increased height allowed by the use of Section 7-700 will result in approximately 71,000 square feet of development all of which is within the allowable density of the project. In exchange for the bonus height and the use of the voluntary contribution as defined in the Developer's Housing Contribution Policy Work Group (June 2005), the applicant in cooperation with the Office of Housing has submitted an affordable housing plan that will provide twenty-eight (28) affordable set-aside rental units within the project. This exceeds one-third of the estimated additional units made possible by the bonus height (23-24 units) with the additional units being provided in lieu of the voluntary cash contribution associated with the non-bonus units. The affordable set-aside units bedroom size will be proportional to the project as a whole and will have affordable rents as defined in Section 7-700 (30% of maximum income limits used by the U.S. Department of Housing and Urban Development for the Housing Choice Voucher Program) for a period of 30 years.

The Arlandria Small Area Plan recognized the importance of maintaining affordable housing options as redevelopment occurred. The affordable housing plan provided by the applicant is consistent with the Arlandria Small Area Plan and is supported by City Staff. This project demonstrates how compliance by a developer with the bonus density and height provisions of Section 7-700 of the City's Zoning Ordinance can be an effective tool to provide a substantial number of affordable housing opportunities for low and moderate income households (including City workers, seniors, and individuals with disabilities) within a mixed-income model.

The recommended conditions of affordable housing plan are as follows:

1 The developer shall provide 28 affordable set-aside rental units, with the mix of units to include an equivalent percentage of each type of unit as in the whole project to the satisfaction of the Director of Housing. The portion of the affordable units applicable to each building shall be provided as each building is occupied.

2. Rents payable for the set-aside units shall not exceed the maximum rents (taking into account utility allowances) affordable at 30% of maximum income limits used by the US Department of Housing and Urban Development for the Housing Choice Voucher Program (HUD 80%) for a period of 30 years from the date of initial occupancy of each affordable unit. The owner shall re-certify the incomes of such households annually.

3. Once an income-eligible household moves into a unit, that unit will be considered an affordable unit until the household's income increases to more than 140% of the then-current income limit. At that time, the over income household shall be allowed to remain, but the next available unit of comparable size (i.e., with the same number of bedrooms, den space and/or approximate square footage) must be made available to a qualified household. Once the comparable unit is rented, the rent of the over-income unit may then be increased to market rate in accordance with any lease restrictions.

4. Applicants receiving Housing Choice Voucher (Section 8) assistance will not be denied admission on the basis of receiving Section 8. Section 8 payments will be treated as income for the purpose of determining minimum income eligibility.

5. The set-aside units shall be of the same size, floor plan and with the same amenities as other similar units in the development. Concentrations of affordable units will be avoided.

6. If the market rents are less than anticipated, the affordable rents as defined above (as adjusted for allowances) will continue to be used as the affordable rents; however, in the event the differential between the market rents and the affordable rents falls below $150, the affordable rents shall be reduced to maintain a differential of at least $150 at all times.

7. Occupants of the affordable rental units shall be charged a parking fee equivalent to no more than the cost of the sticker and any commonly applied management fee for one parking space per unit. Normal charges shall apply with regard to any additional parking spaces rented by such occupant.

8. The developer shall provide the City with access to the necessary records and information to enable annual monitoring of compliance with the above conditions for the 30-year affordability period.

9. Amendments to the approved Affordable Housing Plan must be submitted to the Affordable Housing Advisory Committee for consideration, and require final approval from the City Manager.

09/07/2011

The Economic Impact of a Housing Trust Fund on the Virginia Economy

CHMURAECONOMICS&ANALYTICS

The one-time construction activities from the Virginia Housing Trust Fund can inject $1.0 billion into the economy of the Commonwealth of Virginia between 2012 and 2022. When all construction projects are completed, the ongoing economic impact will be $331.0 million per year, and will support 1,778 jobs in the state. The revenue projections were derived from model that assumed a $10 million fund allocation per year for 10 years from the state.

Prepared for **Campaign For A Virginia Housing Trust Fund**

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Background

The Campaign for a Virginia Housing Trust Fund was established earlier this year by five statewide housing organizations, including the Virginia Housing Coalition, the Virginia Coalition to End Homelessness, Habitat for Humanity Virginia, Housing Opportunities Made Equal (HOME), and Virginia LISC. These groups are working together to expand affordable housing opportunities in Virginia. The Campaign is soliciting support from public, non-profit and for profit organizations as well as individuals throughout the state. The activities of the Campaign include research, education, influencing, and developing public policy that supports its goals.

To increase the access by Virginians to affordable housing options, the Campaign strongly endorses establishing the Virginia Housing Trust Fund (VHTF). The trust fund will have a consistent and dedicated revenue stream, and will be used to help develop affordable housing solutions. Chmura Economics & Analytics (Chmura) has provided an analysis for the economic impact of such a trust fund on the Virginia economy.

The economic impact from the creation and implementation of the VHTF can come from two phases: (1) the one-time impact resulting from the construction activities created by the support of the fund, and (2) the ongoing operations tied to housing (infrastructure) stock due to the trust fund's implementation. For phases (construction and ongoing sales), the direct, indirect, and induced impacts[1] in spending and job creation are estimated in this document. Chmura uses IMPLANPro® models[2] to simulate the construction and ongoing economic impact of housing construction and subsequent sales. Since the exact size of the Virginia Housing Trust Fund was undetermined at the time of this report, Chmura applied a $10 million trust fund allocation per year for 10 years as a benchmark. The economic impact of a trust fund of a different size can be estimated proportionally. For example, the impact of a trust fund of $20 million per year can generate twice the economic impact as that from a $10 million trust fund per year.

Economic Impact of the One-time Construction Phase

In order to model the impacts from the one-time construction phase due to the construction of housing infrastructure, Chmura applied some basic assumptions to create a scenario for estimating construction-related economic impacts. These assumptions are explained below:

[1] Direct impact is defined as the primary economic activity generated by the project under consideration. Indirect impact is the secondary economic activity generated by the project via demand for products from suppliers. An example of an indirect impact is a construction company that purchases equipment and materials from area suppliers. The induced impact is economic activity generated when the workers at the construction projects spend their income as consumers (such as at retail, restaurants, and doctor's offices) in the region.

[2] *IMPLAN Professional* was created in the 1970s by the Forestry Service and is widely used by economists to estimate the impact of specific events on regional economies.

The following assumptions are made about the size of the Virginia Housing Trust Fund:

- It will receive a $10 million fund allocation per year for 10 years from the state of Virginia.[3]
- Beginning in the third year, in addition to the annual fund allocation of $10 million, the repayment of loans in the amount of $150,000 per year will also be added to the fund. As a result, the VHTF will grow each year for a total of $105.4 million in 10 years (Table 1).
- Eighty percent of the fund will be used for the development of new and rehabilitated housing, and 20% will be used for rental assistance, housing counseling, grants and other related programs.[4]
- Money from the VHTF will be used to leverage other investments in affordable housing. A study has found that trust funds in other states have attracted investment from other sources, with total investments amounting to seven times the value of the trust fund.[5] As a result, the $105.4 million invested in the trust fund over 10 years can leverage a total investment of $590.2 million in affordable housing
- Each year's fund allocation will be invested over a two-year time period.

On the construction side, it is assumed that the development cost is $150,000 per unit in 2011 dollars, with $125,000 being construction cost, and $25,000 being soft cost such as architecture and finance expenses. [6] The unit development cost is expected to escalate at 2.5% per year.[7] Based on these assumptions, the housing fund can build 3,477 total residential units in eleven years during the construction phase (see Table 1).

Table 1: Housing Trust Fund and Construction Outlay by Year

	Housing Trust Fund Per Year	Construction Cost ($Million)	Number of Units
2012	$10.0	$28.0	187
2013	$10.0	$56.0	364
2014	$10.2	$56.4	358
2015	$10.3	$57.3	354
2016	$10.5	$58.1	351
2017	$10.6	$58.9	347
2018	$10.8	$59.8	344
2019	$10.9	$60.6	340
2020	$11.1	$61.5	336
2021	$11.2	$62.3	333
2022		$31.4	163
Total	**$105.4**	**$590.2**	**3,477**

Source: Virginia Housing Coalition

[3] For convenience, it is assumed that the 10-year period starts in 2012 and ends in 2021.
[4] Source: Virginia Housing Coalition.
[5] Source: "State Housing Trust Fund," by Housing Trust Fund Project of the Center for Community Change.
[6] The cost figure is a weighted estimate for modest rental and ownership units. Source: Virginia Housing Coalition.
[7] The average increase in the consumer price index (CPI) from 2000 to 2010 is 2.5%.

It is estimated that the construction activities as a result of the VHTF will generate a total one-time economic impact (including direct, indirect, and induced impacts) of $1.0 billion in Virginia from 2012 to 2022, supporting 5,893 jobs over the entire period (see Table 2).[8] Of the total economic impact, $572.9 million will be direct spending by investment resulting from the VHTF, with direct jobs amounting to 2,877 from 2012 to 2022 in the state.[9] The indirect impact in Virginia will total $228.5 million and support 1,562 jobs during the construction phase in industries supporting construction, such as site preparation and truck transportation. The induced impact is expected to total $220.8 million with 1,454 jobs in the state during the construction period, benefitting firms in consumer service-related industries such as restaurants, hospitals, and retail stores. From 2012 to 2022, the annual average impact from construction activities will be $92.9 million in Virginia that will support 536 jobs per year.

Table 2: Economic Impact of Housing Trust Fund Construction in Virginia, 2012-2022

		Direct	Indirect	Induced	Total Impact
Total	Spending ($Million)	$572.9	$228.5	$220.8	$1,022.2
(2012-2022)	Employment	2,877	1,562	1,454	5,893
Annual Average	Spending	$52.1	$20.8	$20.1	$92.9
(2012-2022)	Employment	262	142	132	536

Source: VHC, Chmura, and IMPLAN 2009

Economic Impact of Ongoing Operation

The economic impact of the ongoing operation of the VHTF comes from the apartment rentals of the housing development, as well as the household spending by residents in the planned housing developments.[10] Since new units will be available each year for residential use, this section analyzes the economic impact in the year 2023, when all construction activities are complete. The economic impact by individual year is listed in Appendix 2.

To estimate the operational impact of the Virginia Housing Trust Fund, Chmura assumes that two-thirds of the housing unit will be apartments and the remaining are single family houses, town houses, and condominiums that are sold.[11] The apartment rental rate was estimated to be $931 per month in 2009 dollars.[12] In addition, it is assumed that the family income in the development will be 60% of the state median family income. In 2009, the median family income in the state is estimated to be $72,193.[13] As a

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[8] Please see Appendix 2 for the annual breakdown of the economic impact of the construction phase.

[9] The direct spending, $572.9 million, is smaller than $590 million because not all supplies and services necessary for the construction will come from Virginia firms. Chmura used the IMPLAN model to estimate the percentage of construction spending that is used to purchase goods and services from outside firms.

[10] Since these residents will likely live elsewhere in Virginia, the ongoing economic impacts of VHTF should not be interpreted as “new’ money to Virginia. The ongoing impacts, however, can shift from locality to locality. Appendix 2 shows the tax revenue summary excluding household spending.

[11] Source: VHC.

[12] Source: U.S. Census American Community Survey 2005-2009.

[13] Ibid.

result, the average family income in the development is estimated to have been $43,316 in 2009. Taking out state and federal taxes, their disposable income is estimated to have been $34,999 per family in 2009.[14] To determine the economic impact of household spending from those living in the development, their disposable income is distributed into major spending categories such as food, closing, transportation, and health care based on the latest Consumer Expenditure Survey.[15]

The total annual economic impact (direct, indirect, and induced) of the ongoing operations of the VTHF is estimated be $331 million (measured in 2023 dollars) which can support 1,778 jobs in Virginia. In terms of the direct impact, the apartment rental income and direct household spending can reach $172.0 million while supporting 936 permanent jobs per year starting in 2023. An additional indirect impact of $77.8 million and 381 jobs will benefit other Virginia businesses that support the apartment rental and household spending sectors. The number of jobs created due to the induced impact will amount to 461 per year with associated annual spending of $81.3 million. This induced impact is mostly concentrated in consumer related industries such as restaurants, doctor's offices, and retail establishments.

Table 3: Annual Economic Impact of Housing Trust Operations (2023 Dollars)

		Direct	Indirect	Induced	Total
Apartment	Spending ($Million)	$38.6	$10.5	$5.4	$54.5
	Employment	171	49	31	251
Household Spending	Spending ($Million)	$133.3	$67.3	$75.9	$276.5
	Employment	765	332	430	1,527
Total Ongoing Impact	**Spending ($Million)**	**$172.0**	**$77.8**	**$81.3**	**$331.0**
	Employment	**936**	**381**	**461**	**1,778**

Source: Chmura and IMPLAN 2009

Tax Revenue for State and Local Government

Both the construction and ongoing operation of the VHTF are expected to generate tax revenue for state and local governments of Virginia. In order to be conservative, only tax revenue from the direct impact is estimated.[16] Since the exact locations of the VHTF projects are unknown, state average tax rates on property; personal property; meal; and business professional and occupational license (BPOL) taxes are used to calculate local tax revenues.

During the construction phase, individual and corporate income taxes are estimated to total $6.7 million and $2.5 million over the construction phase from 2012 to 2022 (Table 4).[17] Local governments in Virginia can collect $872,791 in BPOL tax from money spent on construction. On an annual average

[14] The Federal effective tax rate (including income and payroll taxes) is assumed to be 14.2% in 2011. Source: Congressional Budget Office: Effective Federal Tax Rates Under Current Law, 2001 to 2014. Virginia income tax is assumed to be 5%.
[15] The latest Consumer Expenditure Survey is for 2009. Source: Bureau of Labor Statistics.
[16] This approach is recommended by Burchell and Listokin in *The Fiscal Impact Handbook*.
[17] The following tax rate assumptions are used: state individual income tax rate of 5% and state corporate income tax rate of 6%. Source: Virginia Tax Department.

basis, state government can receive $836,024 per year, while local governments can receive $79,345 per year from construction activities.[18]

Table 4: Tax Revenue from Construction

	Local Taxes	State Taxes	Total Taxes
BPOL	$872,791	N/A	$872,791
Individual Income	N/A	$6,663,375	$6,663,375
Corporate Income	N/A	$2,532,889	$2,532,889
Total (2012-2022)	**$872,791**	**$9,196,264**	**$10,069,055**
Annual Average (2012-2022)	**$79,345**	**$836,024**	**$915,369**

Source: Chmura

The ongoing operations of the VHTF will also generate significant tax revenue for state and local governments. From households living in this housing, local government can collect property, personal property, sales, meal, admission, and BPOL taxes. Chmura uses the Consumer Expenditure Survey to estimate the percentage of household spending that is on meals, retail sales, and entertainment. Chmura then applies the state average tax rate to estimate tax revenues for those items. For property taxes, Chmura uses the construction cost of the residential units as the assessed value of the property. For personal property tax, Chmura assumes each household has an average 1.1 vehicles with an assessed value of $5,100 in 2011.[19]

When all construction is completed in 2023, the ongoing operation of the housing developments and associated household spending can bring $8.0 million per year to local governments in Virginia. The largest item is the estimated property tax at $6.2 million, followed by personal property tax at $980,971 per year. Other taxes include $375,444 for local sales tax, $199,941 for local meal tax, $265,794 for BPOL tax, and $54,782 for admission tax.[20]

Table 5: Tax Revenue from Ongoing Operation (2023)

	Local Taxes	State Taxes	Total Taxes
Property	$6,159,574	N/A	$6,159,574
Personal Property	$980,971	N/A	$980,971
Sales Tax	$375,444	$1,501,774	$1,877,218
Meal Tax	$199,941	N/A	$199,941
Admission Tax	$54,782	N/A	$54,782
BPOL Tax	$265,794	N/A	$265,794
Individual Income	N/A	$2,290,763	$2,290,763
Corporate Income	N/A	$1,438,643	$1,438,643
Total Taxes	**$8,036,506**	**$5,231,180**	**$13,267,686**

Source: Chmura Economics & Analytics

[18] Please see Appendix 2 for tax revenue by year.
[19] Prior economic studies by Chmura used $8,500 per vehicle. Since the household income in the development is about 60% of state average, it is assumed that vehicle value in the development is proportional to household income.
[20] Please see Appendix 2 for tax revenues by year.

The state government also benefits from individual income taxes as a result of the ongoing operation of the VHTF, at $2.3 million and $1.4 million per year after construction is complete in 2023. State sales tax is estimated to be $1.5 million per year. Total state tax revenues can reach $5.2 million per year in 2023.

The summarized annual and cumulative tax revenues for local and state governments from 2012 to 2023 are shown in Table 6. Combining local and state tax revenues, starting from 2020, the annual tax revenues from the Virginia Housing Trust Fund will exceed the state investment of $10 million per year. By the year 2023, the cumulative local and state tax revenues are estimated to reach $49.9 million and $41.1 million, for total cumulative tax revenues of $91.0 million in twelve years.[21]

Table 6: Summary of Local and State Tax Revenues ($Million)

	Annual Local Taxes	Annual State Taxes	Annual Total Taxes	Cumulative Local Taxes	Cumulative State Taxes	Cumulative Total Taxes
2012	$0.04	$0.44	$0.48	$0.04	$0.44	$0.48
2013	$0.51	$1.15	$1.67	$0.56	$1.59	$2.15
2014	$1.36	$1.71	$3.06	$1.91	$3.30	$5.21
2015	$2.19	$2.26	$4.44	$4.10	$5.56	$9.65
2016	$3.01	$2.81	$5.81	$7.10	$8.36	$15.47
2017	$3.82	$3.35	$7.16	$10.92	$11.71	$22.63
2018	$4.62	$3.88	$8.50	$15.54	$15.59	$31.13
2019	$5.42	$4.41	$9.83	$20.96	$20.00	$40.96
2020	$6.20	$4.94	$11.14	$27.16	$24.94	$52.10
2021	$6.98	$5.46	$12.44	$34.15	$30.40	$64.54
2022	$7.71	$5.47	$13.18	$41.85	$35.87	$77.72
2023	$8.04	$5.23	$13.27	$49.89	$41.10	$90.99

Source: Chmura Economics & Analytics

[21] Please see Appendix 1 for the tax revenue summary excluding household spending.

Appendix 1: Tax Summary Excluding Household Spending

In the scenario below, the $10 million annual investment by the state of Virginia continues over the period shown and household spending is not counted as part of the ongoing operations of the new housing. In this case, the associated local and state taxes are estimated to exceed the $10 million investment by the year 2025.

Summary of Local and State Tax Revenues (Excluding Household Spending, Funding over 10 years, $Million)

	Annual Local Taxes	Annual State Taxes	Annual Total Taxes	Cumulative Local Taxes	Cumulative State Taxes	Cumulative Total Taxes
2012	$0.04	$0.44	$0.48	$0.04	$0.44	$0.48
2013	$0.42	$0.95	$1.37	$0.46	$1.38	$1.84
2014	$1.08	$1.10	$2.18	$1.54	$2.48	$4.02
2015	$1.73	$1.25	$2.98	$3.27	$3.73	$7.00
2016	$2.37	$1.40	$3.77	$5.64	$5.13	$10.77
2017	$3.01	$1.56	$4.56	$8.64	$6.69	$15.34
2018	$3.63	$1.71	$5.34	$12.28	$8.40	$20.68
2019	$4.26	$1.86	$6.11	$16.54	$10.25	$26.79
2020	$4.87	$2.00	$6.88	$21.41	$12.25	$33.66
2021	$5.48	$2.15	$7.63	$26.89	$14.40	$41.30
2022	$6.09	$2.30	$8.39	$32.98	$16.71	$49.69
2023	$6.69	$2.46	$9.15	$39.67	$19.17	$58.83
2024	$7.29	$2.62	$9.91	$46.96	$21.78	$68.74
2025	**$7.89**	**$2.77**	**$10.66**	**$54.85**	**$24.56**	**$79.40**
2026	$8.39	$1.83	$10.22	$63.24	$26.39	$89.62
2027	$8.99	$1.96	$10.95	$72.22	$28.35	$100.58

Source: Chmura

Appendix 2: Detailed Impact Tables by Year

Construction Impact by Year

Year	Spending ($Million in Current Dollars)				Employment			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
2012	$27.2	$10.8	$10.5	$48.5	154	84	78	316
2013	$54.4	$21.7	$20.9	$97.0	301	164	152	617
2014	$54.8	$21.8	$21.1	$97.7	296	161	150	607
2015	$55.6	$22.2	$21.4	$99.2	293	159	148	601
2016	$56.4	$22.5	$21.7	$100.6	290	158	147	595
2017	$57.2	$22.8	$22.0	$102.1	287	156	145	589
2018	$58.0	$23.1	$22.4	$103.5	284	154	144	582
2019	$58.8	$23.5	$22.7	$105.0	281	153	142	576
2020	$59.7	$23.8	$23.0	$106.4	278	151	141	570
2021	$60.5	$24.1	$23.3	$107.9	275	149	139	564
2022	$30.4	$12.1	$11.7	$54.3	135	73	68	277
Total	$572.9	$228.5	$220.8	$1,022.2	2,877	1,562	1,454	5,893
Annual Average	$52.1	$20.8	$20.1	$92.9	262	142	132	536

Source: Chmura

Operation Impact by Year

Year	Spending ($Million in Current Dollars)				Employment			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
2012	$0.0	$0.0	$0.0	$0.0	0	0	0	0
2013	$7.2	$3.3	$3.4	$13.9	50	20	25	95
2014	$21.8	$9.9	$10.3	$42.0	148	60	73	282
2015	$36.9	$16.7	$17.4	$71.0	245	100	120	465
2016	$52.6	$23.8	$24.8	$101.2	340	139	167	646
2017	$68.8	$31.1	$32.5	$132.5	435	177	214	826
2018	$85.7	$38.8	$40.5	$165.0	528	215	260	1,003
2019	$103.3	$46.7	$48.8	$198.8	620	253	306	1,179
2020	$121.5	$54.9	$57.4	$233.8	712	290	351	1,353
2021	$140.3	$63.5	$66.3	$270.1	803	327	395	1,525
2022	$159.9	$72.3	$75.6	$307.8	892	364	439	1,695
2023	$172.0	$77.8	$81.3	$331.0	936	381	461	1,778

Source: Chmura

Taxes From Construction Activities (Current $)

	BPOL	Individual Income	Corporate Income	**Total Local Taxes**	**Total State Taxes**
2012	$50,033	$361,205	$102,604	**$50,033**	**$463,809**
2013	$100,067	$722,410	$205,208	**$100,067**	**$927,617**
2014	$100,817	$727,828	$206,747	**$100,817**	**$934,575**
2015	$102,318	$738,664	$209,825	**$102,318**	**$948,489**
2016	$103,819	$749,500	$212,903	**$103,819**	**$962,403**
2017	$105,320	$760,336	$215,981	**$105,320**	**$976,317**
2018	$106,821	$771,172	$219,059	**$106,821**	**$990,232**
2019	$108,322	$782,009	$222,137	**$108,322**	**$1,004,146**
2020	$109,823	$792,845	$225,216	**$109,823**	**$1,018,060**
2021	$111,324	$803,681	$228,294	**$111,324**	**$1,031,974**
2022	$56,037	$404,549	$114,916	**$56,037**	**$519,466**
Total	**$1,054,702**	**$7,614,198**	**$2,162,890**	**$1,054,702**	**$9,777,088**
Annual Average	**$95,882**	**$692,200**	**$196,626**	**$95,882**	**$888,826**

Source: Chmura

Taxes from Ongoing Operations (Current $)

	Real Estate Tax	Personal Property Tax	Sales Tax	Meal Tax	Admission Tax	BPOL Tax	State Sales Tax	Individual Income Tax	Corporate Income Tax	**Total Local Tax**	**Total State Tax**
2012	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**
2013	$330,646	$52,659	$20,154	$10,733	$2,941	$14,268	$80,615	$122,968	$77,226	**$431,400**	**$280,810**
2014	$975,808	$155,407	$59,478	$31,675	$8,679	$42,107	$237,913	$362,906	$227,912	**$1,273,155**	**$828,731**
2015	$1,609,956	$256,401	$98,131	$52,260	$14,319	$69,472	$392,526	$598,747	$376,025	**$2,100,538**	**$1,367,298**
2016	$2,237,848	$356,399	$136,403	$72,641	$19,903	$96,566	$545,613	$832,262	$522,676	**$2,919,760**	**$1,900,551**
2017	$2,859,412	$455,389	$174,289	$92,817	$25,431	$123,387	$697,157	$1,063,423	$667,850	**$3,730,725**	**$2,428,431**
2018	$3,474,583	$553,361	$211,786	$112,786	$30,902	$149,933	$847,143	$1,292,207	$811,531	**$4,533,350**	**$2,950,881**
2019	$4,083,303	$650,305	$248,889	$132,545	$36,316	$176,200	$995,556	$1,518,592	$953,705	**$5,327,558**	**$3,467,852**
2020	$4,685,521	$746,214	$285,596	$152,093	$41,672	$202,187	$1,142,383	$1,742,559	$1,094,360	**$6,113,283**	**$3,979,302**
2021	$5,281,192	$841,080	$321,904	$171,429	$46,970	$227,891	$1,287,615	$1,964,090	$1,233,486	**$6,890,466**	**$4,485,192**
2022	$5,870,278	$934,898	$357,810	$190,551	$52,209	$253,310	$1,431,241	$2,183,173	$1,371,074	**$7,659,056**	**$4,985,488**
2023	$6,159,574	$980,971	$375,444	$199,941	$54,782	$265,794	$1,501,774	$2,290,763	$1,438,643	**$8,036,506**	**$5,231,180**

Source: Chmura

Appendix 3: Impact Study Glossary

IMPLAN Professional is an economic impact assessment modeling system. It allows the user to build economic models to estimate the impact of economic changes in states, counties, or communities. It was created in the 1970s by the Forestry Service and is widely used by economists to estimate the impact of specific event on the overall economy.

Input-Out Analysis—an examination of business-business and business-consumer economic relationships capturing all monetary transactions in a given period, allowing one to calculate the effects of a change in an economic activity on the entire economy (impact analysis).

Direct Impact—economic activity generated by a project or operation. For construction, this represents activity of the contractor; for operations, this represents activity by tenants of the property.

Overhead—construction inputs not provided by the contractor.

Indirect Impact—secondary economic activity that is generated by a project or operation. An example might be a new office building generating demand for parking garages.

Induced (Household) Impact—economic activity generated by household income resulting from the direct and indirect impact.

Multiplier—the cumulative impacts of a unit change in economic activity on the entire economy.

About the Virginia Housing Coalition

The Virginia Housing Coalition is a 501(c)(4) organization whose mission is to improve access to safe and affordable housing by promoting housing assistance from federal, state, and local sources for low and moderate income Virginians. Through the VHC, representatives of local and regional groups can identify housing issues of common concern and develop effective strategies to address them. VHC leaders serve as recognized spokespersons on issues relating to housing for lower-income Virginians, giving voice to housing, community, and economic development concerns in policy debates at the state and federal levels.

Virginia Housing Coalition

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Virginia Housing Coalition

Proposing: A Virginia Housing Trust Fund

An Introduction to a Virginia Housing Trust Fund

Purpose: Housing trust funds are perpetual sources of funding designed to alleviate housing costs by providing funds to affordable housing projects as well as by providing incentives to developers to create affordable housing and mixed-income communities. During the 2006 General Assembly session, House Bill 92/Senate Bill 277 sought to establish the Virginia Housing Trust Fund as a means to assist Virginians in times of soaring housing costs. Housing Trust Funds are a tried and tested mechanism to support affordable housing. Trust Funds are already in place in 37 states.

Source of funding: The most important feature of a Housing Trust Fund is that it is supported by a dedicated stream of revenues. It is critical to ensure that the Fund will be a consistent and reliable source of funding for affordable housing. This is important because of the long lead times involved in the planning and development of affordable housing. A dedicated source of revenue removes the Fund from the uncertainties of the annual appropriations process. A previous state housing initiative, the Virginia Housing Partnership Fund, failed to achieve its goal for this reason.

The Virginia Housing Coalition (VHC) is flexible on the source of funding but committed to the concept of a dedicated source. One example is the proposal that the VHC advanced in the 2006 Session that focused on the recordation tax. Under that proposal, the Virginia Housing Trust Fund would receive $.02 of $.25 per $100 that the state collects through the state recordation tax, a tax placed on real estate transactions. Revenue from the recordation tax has increased dramatically in recent years due to rising housing costs. Funding would only be allocated to the Trust Fund in years that tax collections surpassed $200,000, so the Trust Fund would only receive funding when the housing market was strong. In the past three years, this collection method would have yielded the following funding for the Virginia Housing Trust Fund:

- FY 03: $20.1 million
- FY 04: $23.8 million
- FY 05: $42.2 million

Uses of funding: The funds generated for the Virginia Housing Trust Fund could be used for a variety of purposes. A primary focus would be to enable families to move toward homeownership. Incentives would also be offered to developers to encourage them to create affordable housing and mixed-income communities. Loans and grants could be given to fund affordable housing projects across Virginia. Additionally, matching funds could be granted to local housing trust funds to assist localities in their own affordable housing efforts.

Virginia Housing Coalition: The Virginia Housing Coalition is a statewide membership organization open to all individuals and organizations interested in housing issues. Members include representatives from housing, community development and homeless advocacy nonprofits, public housing agencies, regional coalitions, financial institutions and corporations, legal and realty firms, community action agencies, and interested individuals. Members receive newsletters and other materials on hearings, legislation, state and federal funding opportunities, housing needs, and new ideas relating to housing for all Virginians without adequate housing.

A Virginia Housing Trust Fund
Questions & Answers

Q. What would a Virginia Housing Trust Fund do?

A. A Virginia Housing Trust Fund would receive funds from the state to use in alleviating the cost of housing for Virginians.

Q. Where would the funding come from?

A. The Trust Fund would receive a small portion of the state recordation tax, which is a tax placed on real estate transactions. The Trust Fund does not require a tax increase; instead, it relies on an allocation of an existing revenue source.

Q. Who would be helped by a Housing Trust Fund in Virginia?

A. A broad range of Virginians who are working in lower wage jobs or living on limited or fixed incomes. Some examples are:

- Young families purchasing their first home
- Seniors in need of home repairs or supportive housing
- Persons with disabilities who need affordable, accessible housing
- Single parents struggling to support their children
- Families who cannot afford to live where they work
- Persons living in overcrowded or substandard housing
- Persons at risk of homelessness

Q. How would the funds be used?

A. The Virginia Housing Trust Fund would use revenue to provide incentives to encourage developers to build affordable housing and mixed-income communities, stimulate innovations such as transit oriented housing that will help to reduce traffic congestion, and provide matching funds to local housing trust funds so localities could pursue their own affordable housing goals.

Q. Who would administer the Virginia Housing Trust Fund?

A. The Department of Housing and Community Development would establish the policies and procedures for the Trust Fund, as well as manage the allocations and project selections. The Virginia Housing Department Authority would administer the funds, which includes loan underwriting, servicing, and asset and fund management.

Q. Why does Virginia need a housing trust fund?

A. Housing costs in Virginia are rising at a much more rapid pace than incomes, causing the lack of affordable housing to affect more and more Virginians—including an ever-increasing portion of the middle class. As workers are forced to live further from where they work, their commutes increase, as does traffic congestion, road deterioration, and pollution. Solving Virginia's housing woes would help alleviate Virginia's transportation problem. Thirty-four states in America, including West Virginia, North Carolina, South Carolina, and Georgia, have demonstrated their concern for this matter by establishing housing trust funds.

Q. How can I help Virginia establish her own housing trust fund?

A. Support legislation that would establish the Virginia Housing Trust Fund. Talk with your State Delegate and Senator about housing issues in your area and why a Trust Fund is needed.

Q. What is the Virginia Housing Coalition?

A. The Virginia Housing Coalition (VHC) is a group of individuals and organizations dedicated to solving Virginia's housing problems. Through efforts such as supporting a Virginia Housing Trust Fund, VHC seeks to make affordable housing a reality for all Virginians.

Housing Trust Fund Programs Financial Status

As of September 30, 2011

Balance as of August 31, 2011		**3,476,427**

Revenues for September 2011		
Contributions	0	
Loan Repayments		
Community Lodgings, Inc. (CLI)	2,288	
Employee Homeownership Incentive Program (EHIP)	64	
Moderate Income Homeownership Program (MIHP)	165	2,581
Fees offsetting expenditures	64	**2,581**

Expenditures for September 2011		
Employee Homeownership Incentive Program (EHIP)	10,000	
ARHA Set-Aside (James Bland 16 replacement units)	542,563	
Homeownership Counseling	6,140	
Housing Opportunities Fund - *see attached report*	0	
Moderate Income Homeownership Program (MIHP)	0	
Rental Accessibility Modification Program (RAMP)	0	**(558,703)**

Balance Available Before Outstanding Commitments/Reservations		**2,922,886**

Outstanding Commitments/Reservations as of September 30, 2011		
ARHA Set-Aside (James Bland 16 replacement units) - 50% *contributions*	444,090	
ARHA Set-Aside (James Bland 16 replacement units) - *other HTF revenue*	271,245	
Employee Homeownership Incentive Program (EHIP)	100,364	
HOME/HOF Match	233,098	
Homeownership Counseling	104,850	
Housing Opportunities Fund - *see attached report*	602,648	
Moderate Income Homeownership Program (MIHP)	743,868	
Rental Accessibility Modification Program (RAMP)	7,190	**(2,507,352)**

Unreserved Balance as of September 30, 2011		**415,534**

Housing Opportunities Fund Financial Status

As of September 30, 2011

	HTF	General Fund	HOME	TOTAL
Balance as of August 31, 2011	**602,648**	**310,610**	**1,514,041**	**2,427,299**
September 2011 Expenditures				
ARHA Set-Aside (James Bland 16 replacement units)		(10,610)		
Balance Available Before Outstanding Commitments	**602,648**	**300,000**	**1,514,041**	**2,416,689**
Outstanding Commitments				
Alexandria Housing Development Corporation (AHDC)		150,000		150,000
				0
Unreserved Balance as of September 30, 2011	**602,648**	**150,000**	**1,514,041**	**2,266,689**

HOMEOWNERSHIP PROGRAMS REPORT
September 2011

	September 2011				***Total FY 2012 as of September 30, 2011***			
	Loans Committed	Amount and Source of Committed Loan Funds	Loans Settled	Amount and Source of Settled Loan Funds	Loans Committed	Amount and Source of Committed Loan Funds	Loans Settled	Amount and Source of Settled Loan Funds
HAP	6	$290,000 - HOME	5	$238,500 - HOME	10	$488,500 - HOME	8	$388,500 - HOME
MIHP	0	0	0	$0	0	0	0	0
EHIP	1	$10,000 - HTF	3	$27,500 - HTF	4	$37,500 - HTF	3	$27,500 - HTF

Loan Balances as of September 30, 2011:

HOME HAP	$ 481,322	*Grants*
CDBG HAP	$ 38,717	
MIHP	$ 743,868	*Housing Trust Fund*
EHIP	$ 100,364	