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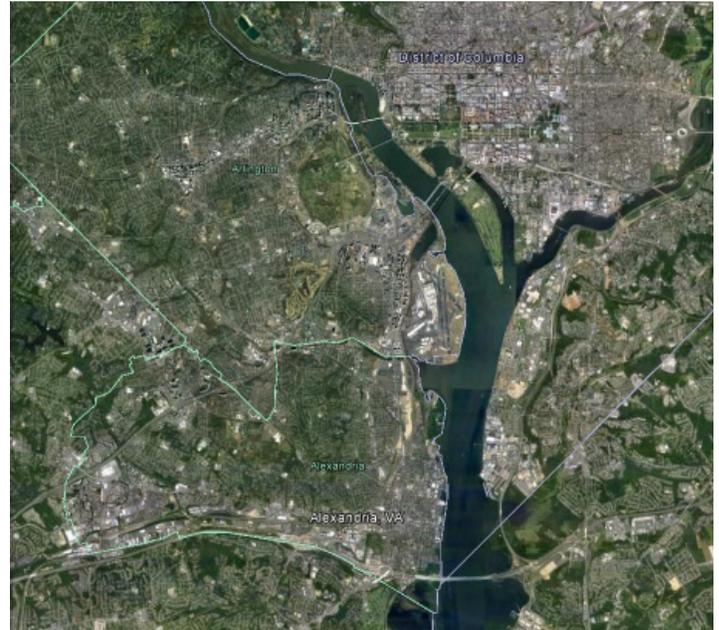
INTRODUCTION

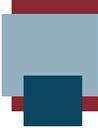
INTRODUCTION

The City of Alexandria, Virginia, is located on the Potomac River, just six miles from Washington, DC. With its population nearing 140,000, this desirable community contains many distinctive neighborhoods. While Alexandria's largely built environment makes new development and/or redevelopment both challenging and expensive, the city's unique character and its proximity to federal government, defense, technology and contracting jobs continue to make it one of the hottest real estate markets in the United States.

As a result, for more than a decade, local increases in housing and housing-related costs have outstripped household income growth. While the area median income (as determined annually by the U.S. Department of Housing and Urban Development (HUD)) rose from \$82,800 to \$103,500 (a total of 25%) between 2000 and 2010, within the city monthly fair market rental housing costs for a two bedroom apartment grew from \$1,034 to \$1,624 (a total of 57%) during the same period, while the average assessed value of a residential condominium (including cooperatives) increased from \$106,875 in 2000 to \$269,695 in 2010 (152%), after peaking in 2006 at \$364,286.

Although the increase in the price of sales units has moderated somewhat since the 2007-08 decline of the housing market, constraints on credit, more stringent homebuyer qualification guidelines, a general sense of financial insecurity and limited supply due to so many existing homes being underwater (with owners unable to sell and move up) have reduced opportunities for low- and moderate-income purchasers.





While many households have responded to the economic challenge of rising housing costs by simply spending more of their income on housing than is considered “affordable” (approximately 30% of gross income) and/or have opted to share limited housing resources in order to remain in the city, the cost of housing in Alexandria has caused other residents to leave to seek greater affordability in the exurbs, or discouraged potential new resident households from considering locating in the city, all resulting in a diminishment of the social and economic diversity long a core community value. These trends among low and moderate and middle income households have implications for Alexandria’s long term sustainability, too, if the city becomes a place where only the affluent can choose to live.

The Office of Housing’s annual survey of multifamily rental properties, which tracks market rent trends and assesses affordability within the local housing sector each January, confirms a shocking loss of affordability due to rapidly rising rents between 2000 and 2011. In survey data posted on the City’s website, the number of rental units affordable to households with incomes at 60% of the Washington area median, was 6,416 in 2011 compared to 18,218 units in 2000.

While there have been incremental gains in long term committed affordable units over the past few years thanks to City financial support for preservation, significant portions of Alexandria’s market affordable apartment stock have simply had rents rise out of affordability due to demand. Investors seeking to buy income producing multifamily properties in the Washington metropolitan area and owners or developers who wish to maximize the return of existing properties through renovation and repositioning or through wholesale redevelopment threaten much of what remains. In the Beauregard Plan area alone, the demolition of nearly 2,500 market affordable and workforce rental units is proposed.¹ While at least 800

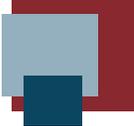
¹ The market-driven increases in rent in Beauregard during the development of the Plan provide a good illustration of the City’s challenges with regard to its market affordable stock. From the time the Plan process began in 2010 through its approval in May 2012, the number of apartments affordable to households with incomes at or below 60% AMI dropped from approximately 2,300 to just over 800.



committed affordable and workforce units (as well as other housing related benefits like relocation assistance) will be provided through the Plan, the cost of providing dedicated and deeply subsidized housing units ultimately limits the number that can be developed and maintained over time without substantial third party leverage. In addition, the pending expiration of affordability requirements at some assisted properties elsewhere in the city will lessen current affordable housing options, without owner action and/or city intervention.

To counter the loss of so much affordable housing, the City has staked significant financial, technical and staffing resources to work with nonprofit and private partners to acquire and preserve and/or produce long term affordable housing. Among the tools developed by the City is authority to issue general obligation bonds to support affordable housing projects with bond debt serviced with funds raised through a dedicated penny earmarked for this purpose from each dollar levied for real estate property taxes. While the dedicated tax revenues were reduced by the City in FY 2010 and again in FY 2011 due to fiscal constraints, the monies leveraged by these revenues between 2006 and 2008 effectively supplemented resources in the Housing Opportunities Fund, which is a combination of City General Fund, Housing Trust Fund (voluntary developer contributions), and federal HOME funds. Through this initiative, which was implemented at the height of the real estate market, the City helped preserve and/or produce approximately 299 dedicated units of affordable housing which are secured with restrictive covenants of 40 years or more at a total cost of around \$22.5 million.

General obligation bond funds have been combined with other housing funds to support ARHA public housing redevelopment efforts involving approximately 160 new, rehabilitated, or acquired and rehabilitated, replacement public housing units. A small portion remaining is now planned to be provided to seed early buy down of existing units in Beauregard as committed affordable units when tenants must be relocated for the first phase of demolition (around 2014).



Even before externally-driven market conditions and recent federal budget cuts forced reductions in local affordable housing investment, Alexandria recognized that leveraging non-City resources and identifying or developing other tools to promote affordable housing were critical to creating sustainable affordable housing programs. In June 2006, following a joint work session with the Planning Commission on affordable housing issues, City Council appointed the (AHIWG), led by two Council members and comprised of various stakeholders including affordable housing advocates, land use counsel, nonprofit and private developers, including ARHA, lenders, city residents and participants from City housing programs, to study and make recommendations regarding how Alexandria might strengthen its affordable housing efforts by creating or leveraging new resources and tools.

Over the course of two years, AHIWG reviewed every housing program and activity, and provided multiple recommendations to enhance affordability and impact. While the collapse of the national financial markets in 2008 limited the Group's initial, aspirational goals to expand City monetary resources to support future affordable housing activity, AHIWG's final report suggested additional study and development of non-City financial resources and/or other zoning and land use tools to further affordable housing development. Chief among these was a Housing Master Plan process to draft an affordable housing element for the City's Comprehensive Plan to guide future affordable housing efforts in order to achieve a wider distribution and range of affordable housing options throughout Alexandria.

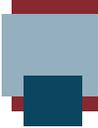
The Housing Master Plan (HMP) process, led by the Office of Housing with cooperation and support from the Department of Planning & Zoning, was launched in April 2010. An advisory group, consisting of the City's standing Affordable Housing Advisory Committee (AHAC) and other stakeholders selected to represent particular housing interests and constituencies, has served as primary consultant for the Plan, along with members of the community who have participated in public meetings and presentations or who have interacted via materials posted on the City website. The Housing Master Plan process has included substantial public outreach, including



engagement of special needs groups and the community at large. While the first several HMP meetings, including a half day bus tour to view affordable housing projects in the city, provided a great deal of educational and background information regarding City housing initiatives and policies, subsequent meetings presented resources and potential tools that might be implemented to increase affordable housing.

At an allocation exercise held in January 2011 to culminate the learnings and discussions sponsored during the public part of the HMP process, advisory group and community members in attendance were able to implement the resources and tools that had been discussed to locate, or relocate, affordable housing development within the city. Participants were assigned to groups based on their place of residence to achieve a diversity of perspectives within each group. Interestingly, the five groups independently reached consensus regarding several principles to guide future affordable housing development and inform HMP recommendations. These included creating mixed-income development to maintain community diversity; achieving a greater geographic distribution of affordable housing and housing types throughout the city; developing affordable housing near transit and other amenities, including employment, schools, shopping and services; and focusing affordable housing efforts in areas with the greatest potential for increased density and mixed use development, including Potomac Yard, the Eisenhower Valley, Landmark/Van Dorn and Beauregard. Participants acknowledged that increased accessibility within Alexandria's new housing stock was an important goal given the city's aging demographic. The group also noted that identifying and facilitating partnerships to maximize resources is critical to implementing the Plan.

To accomplish the goals outlined in the HMP over the short, mid and long terms will require financial resources as well as potential legislative changes at the state level, along with systemic changes at the local level to elevate the primacy of affordable housing development in every step of the interdepartmental review process, the Development Special Use Permit process, and small area planning processes. In addition, the City will have



to implement land use and planning tools that achieve affordable housing both incrementally and on a larger scale. Housing and other City staff will need to be more proactive in helping to identify potential third party public and private financial resources to increase project leverage, and in facilitating partnerships among public, private and nonprofit entities to maximize affordable housing development. It is anticipated that a growing community of local advocates will ensure that affordable housing is a priority of the City's planning and elected leadership.

The Housing Master Plan effort, like other recently completed or concurrent citywide master planning initiatives around City strategic planning, green building, transportation, and aging, reflects the value that the community and its political leaders place on affordable housing as an essential element to Alexandria's land use planning, its economic sustainability, its quality of life, and its diversity. In the past few years, many national and regional studies have reported that a jurisdiction's ability to maintain an appropriate jobs-housing balance which enables individuals to live affordably near their places of employment is critical to attracting a variety of businesses to locate within a community and/or to positively influence decisions by employers to continue local operations because they can recruit and retain workers within a reasonable geographic or commuting distance.

Affordable housing choice is particularly critical and challenging for employees of service based businesses such as hotels, restaurants, hospitals and retail centers. When transportation cost is considered along with housing cost, proximity to work and or to affordable public transportation, impacts the pools of potential employees at all employment levels. If employees must drive long distances to afford housing, traffic, road congestion and air quality are increased, negatively impacting the general quality of life for all. Hours spent "in transit" reduce more productive use of time, including time at home with family or in activities which benefit the community. When first responders and those on whom the local government or school system depend to provide critical services have limited affordable housing choice, the implications for the community (and



both tangible and intangible opportunities for community investment by these key stakeholders), are amplified.

An October 2011 report from George Mason University's Center for Regional Analysis (CRA) directly links housing affordability and a healthy jobs-housing balance to economic sustainability by staking the metro area's future economic growth on its ability to produce enough suitable housing to accommodate the large number and range of jobs anticipated to come to the region over the next twenty years. The lack of adequate housing options near jobs will also result in significant "leakage" of potential economic activity out to distant communities from which workers must commute in order to find affordable housing. The Alexandria Economic Development Partnership confirms that consumer revenue lost because local employees shop, spend and invest outside Alexandria should be a real concern to the City and its business community.

Of course, the timeline for implementing change, developing tools, leveraging resources and meeting goals as articulated in the Housing Master Plan must be balanced with the human and financial resources the City can responsibly provide, given competing demands for its services and programs. Few investments make as big an impact on how a community is shaped as the preservation or production of sustainable affordable housing because that determines what human capital is available. As one stakeholder so eloquently articulated at the inaugural Housing Master Plan meeting in April 2010, "when we talk about the number of units and what's been lost, let's not forget that what we are really talking about is people."