HOUSING CONTRIBUTION POLICY BRIEFING – AHAAC

OFFICE OF HOUSING | AUGUST 27, 2020

City of Alexandria,
Virginia

PROCESS—TIMELINE

Spring 2019

- **Workgroup meetings**
- **Education and goal setting**
- **Topical discussions**

Summer/ Fall 2019

- Stakeholder meetings and discussion
- Released draft recommendations
- Lack of consensus

Winter 2019/ Spring 2020

- Housing Summit
- Research and third-party case study analysis confirmed draft recommendations
- Inclusionary zoning feasibility analysis

Summer 2020

- Comparative review of housing contribution and IZ findings
- Stakeholder briefings (ongoing)

Fall 2020

- Planning Commission worksession: September 1
- City Council worksession: September 22
- TBD stakeholder engagement

HOUSING CONTRIBUTIONS WORKGROUP

HCWG—WHAT WE HAVE HEARD

- Range of perspectives and insights
- Establish clear housing expectations and/or goals through small area planning process and priorities for community benefits—trade offs/relief needed to provide more affordable housing
- Set consistent expectations early so that developers can factor cost of contribution into land value; land values reflect density envisioned in underlying SAPs
- Explore other tools to incentivize affordable housing
  - Non-financial: Tax abatement, PILOTs, TIFs, and fee waivers for affordable housing
  - Regulatory: changes to Section 7-700; incentives for senior housing
- No "one size fits all" contribution policy, but all can do some
  - Allow for flexibility if market/project dynamics change: "Certainty with flexibility"

HCWG—WHAT WE HAVE HEARD CONT.

- Range of opinions regarding role commercial development can play in expanding housing affordability
- Economics of commercial to residential conversions and senior housing projects are different from rental projects
- Significant demand for greater affordable housing options for seniors, including assisted living and memory care
  - Commission on Aging support for Fairfax County's 4% voluntary policy

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STAFF DRAFT RECOMMENDATIONS

1. Adopt heightened contribution requirements for rezonings pursuing residential density above levels envisioned in underlying SAP

2. Adopt senior housing contribution policy

3. Adopt commercial to residential conversion contribution policy

Sec. 7-700 remains important tool.

4. Memorialize existing affordable housing contribution procedures and practices: **Legislative authority required**

Section 7-700

Monetary contributions

Senior housing & conversion policy

Rezonings w/ density above SAP

DRAFT RECOMMENDATION 1

Adopt heightened contribution requirements for rezonings pursuing residential density *above levels envisioned in underlying SAP*

Section 7-700 (bonus density)

Additional Density Sought

Density Anticipated in SAP

By-right density

COMMERCIAL: Commercial contribution (consistent with current rates)

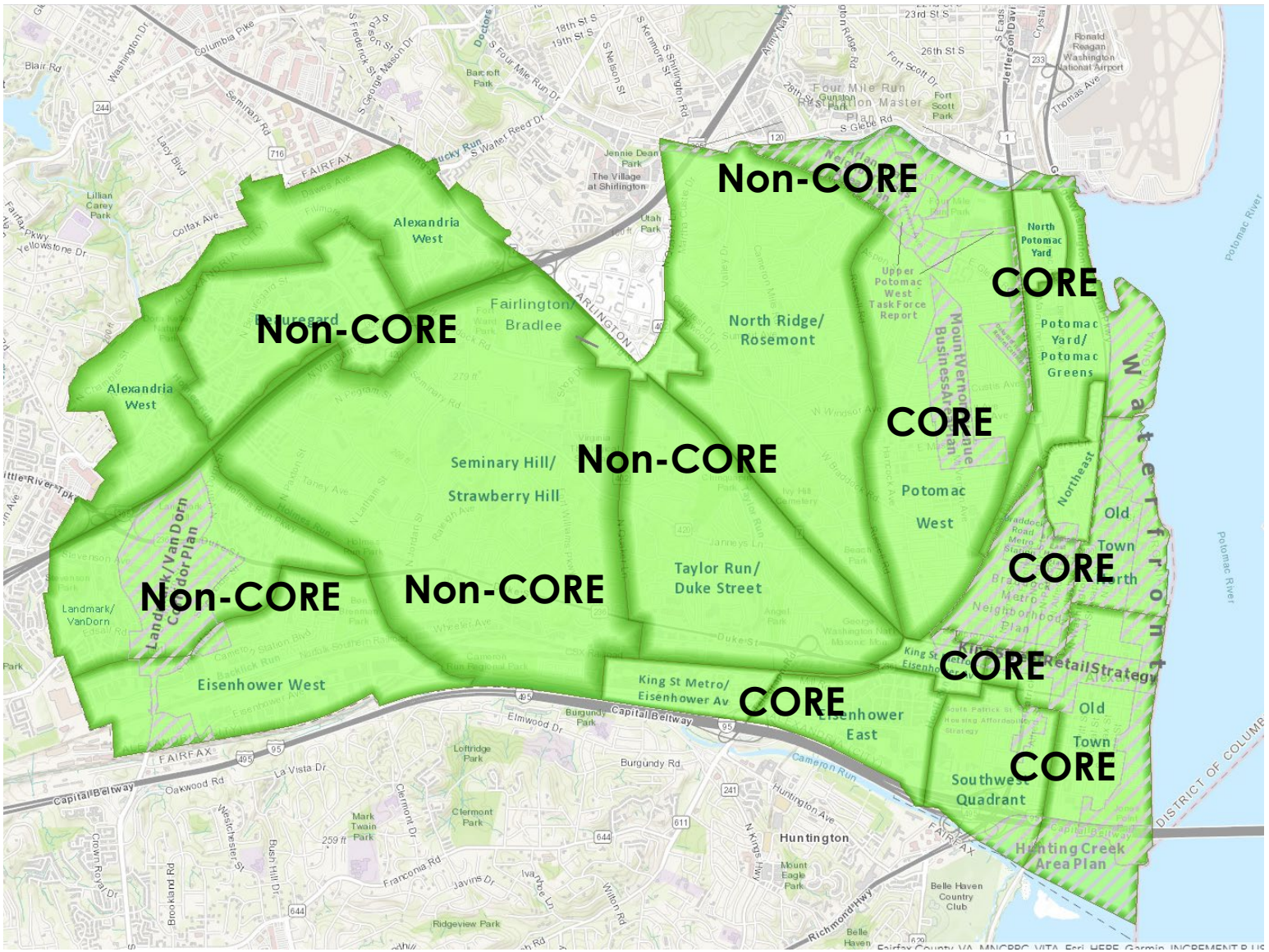
RESIDENTIAL: On-site units (or contribution of equivalent value)

Core Markets: 10% of increase in residential development

Non-Core Markets: 8% of increase in residential development

* Flexibility may be considered on a case-by-case basis, no lower than 5%, subject to a third-party financial analysis.

Markets


Non-CORE
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Alexandria West
Fairlington/ Bradlee
North Ridge/ Rosemont
North Potomac Yard
Upper Potomac West Task Force Report
Potomac Yard/ Potomac Greens
Alexandria West
Seminary Hill/ Strawberry Hill
Potomac West
Northeast
Old Town North
Taylor Run/ Duke Street
Landmark/ VanDorn
Eisenhower West
King St Metro/ Eisenhower Av
Eisenhower East
Old Town
Southwest Quadrant
Huntington
Hunting Creek Area Plan
Waterfront
Potomac River
Capital Beltway
FAIRFAX
ARLINGTON
DISTRICT OF COLUMB

RECOMMENDATION 2

Adopt senior housing contribution policy for all projects *other than rezonings pursuing density above levels envisioned in underlying SAP*

RESIDENTIAL: On-site units (or contribution of equivalent value)

Assisted Living/Memory Care: 2%* of units permitted under existing zoning (min 1 unit) at AG level or units of equivalent value

Independent Living: 2%* of units permitted under existing zoning (min 1 unit) at 60% discount on housing, services, and fees, or units of equivalent value

*Propose to exclude floor area associated with affordable units. No contribution anticipated on any ancillary commercial uses.

RECOMMENDATION 2 (cont)

Adopt senior housing contribution requirements for *rezonings pursuing density above levels envisioned in underlying SAP*

RESIDENTIAL: On-site units on increase (or contribution of equivalent value) + on-site units on base

Assisted Living/Memory Care: 3%* of units permitted through increase in density (min 1 unit) at AG level (or equivalent value) + 2% of units on base

Independent Living: 3%* of units permitted through increase in density (min 1 unit) at 60% discount on housing, services, and fees, or units of equivalent value + 2% of units on base

* Flexibility may be considered on a case-by-case basis, no lower than 2%.

RECOMMENDATION 3

Adopt commercial to residential conversion contribution policy

RESIDENTIAL: New building conversion contribution (proposed at $1.53 in 2020 dollars per converted square foot) or equivalent on-site contribution

* Options to convert into units and delay contribution until stabilization; Credit for prior contributions

RECOMMENDATION 4

Memorialize existing affordable housing contribution procedures and practices

Seek City Council approval to pursue legislative authority to make voluntary housing contribution policy mandatory.

CONSIDERATIONS

- Provides greater certainty and consistency in development and planning while allowing for flexibility, subject to third-party analysis
- Recognizes differentials in submarkets
- Memorializes past contribution precedents
- Proposes incentives for senior housing

- Some reduction in monetary contribution when units are provided; larger reductions curtailed if voluntary contributions on base are made mandatory
- Developers' caution: potential reduction in other community benefits

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INCLUSIONARY ZONING FEASIBILITY STUDY

PURPOSE

INCLUSIONARY ZONING (IZ) FEASIBILITY ANALYSIS:

Conducted to evaluate economic feasibility and impact of IZ on affordable housing production in city versus an updated housing contributions policy

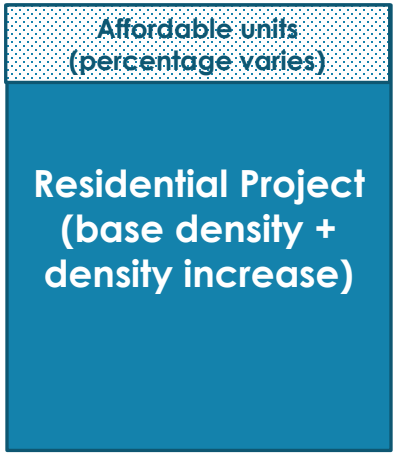
- ✓ Enhance consistency, clarity, and certainty in development and planning
- ✓ Promote housing equity by expanding housing opportunity and affordability across city where development is occurring
- ✓ Achieve regional housing commitments by requiring all development to do more

FUNDAMENTALS

Inclusionary zoning are housing ordinances/policies that require a share of new residential construction to be affordable to low/moderate-income households.

- Can be mandatory or voluntary
- Traditionally involve incentives (density increases or other incentives)
- Individual program parameters vary, including AMIs served and terms of affordability

HOW IZ TYPICALLY WORKS:



FUNDAMENTALS

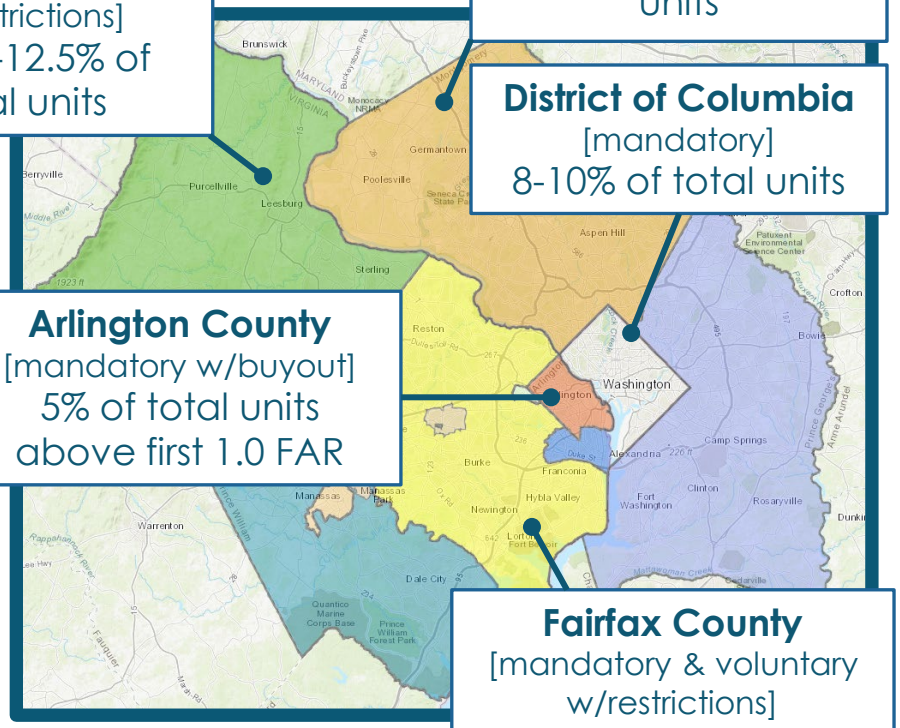
Affordable housing programs vary across region

- City's existing Sec. 7-700 (bonus density and height program) is a form of inclusionary zoning

Loudoun County
[mandatory w/restrictions]
6.25%-12.5% of total units

Montgomery County
[mandatory]
12.5%-15% of total units

District of Columbia
[mandatory]
8-10% of total units

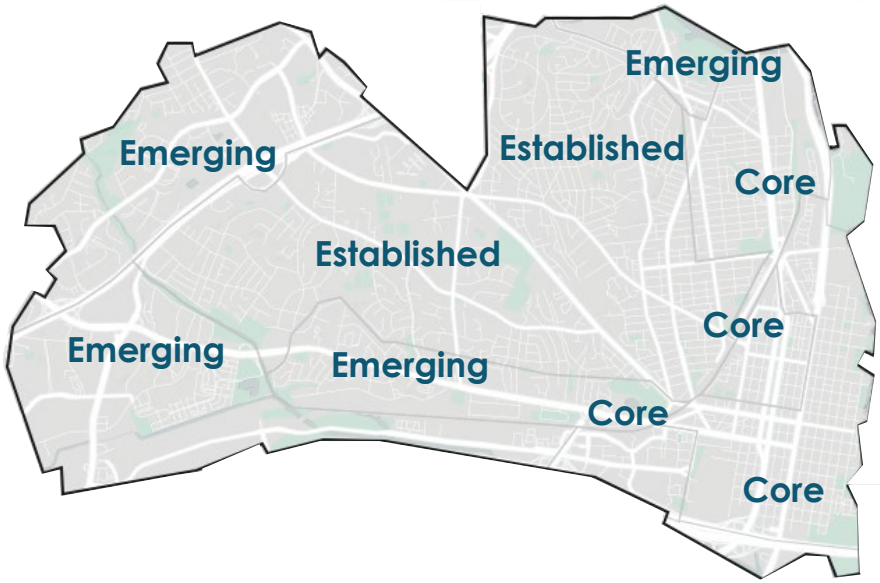


Arlington County
[mandatory w/buyout]
5% of total units above first 1.0 FAR

Fairfax County
[mandatory & voluntary w/restrictions]
6.25%-12.5%-20% of total units

ASSUMPTIONS

- Non-pandemic market conditions
- Three submarkets
- Three product types + rental and ownership
- Modeled FARs



IZ FINDINGS

Inclusionary zoning ≈ **Section 7-700 + existing and proposed housing contribution policies**

1. IZ works where there is an **increase in density and/or a tax incentive**.

Minimum density increases needed vary by product type and market.

2. IZ works best with **"unplanned" rezonings** that involve an increase in density above what was envisioned in the underlying small area plan.

Minimum density increases needed vary based on underlying development rights and small area plan site recommendations.

SUPPORTABLE REQUIREMENT

in rezonings

UNPLANNED REZONINGS

Supportable requirement at 60% AMI (percentage of total units)	Density increase required
5%-6%+ *	30%-60%+ *
*depends on starting FAR	

Additional Density Requested (feasible w/ 30%-60%+ increase)

Density Anticipated in SAP

By-right density

PLANNED REZONINGS

Supportable requirement at 60% AMI (percentage of total units)	Density increase required
5%+	150%

Density Anticipated in SAP

By-right density

EVALUATION CONSIDERATIONS

- Does it enhance certainty and consistency in developer expectations?
- Does it increase production of affordable units?
- Does it promote housing equity?
- Does it align with existing small area plan priorities and agreed upon community benefits?
- Does it result in a reduction in monetary contributions?
- Is it consistent with current legislative authority?

IZ FINDINGS ➡ PROPOSED APPROACH

Inclusionary zoning ≈ **Section 7-700 + existing and proposed housing contribution policies**

Adopt a **Phased Inclusionary Zoning Policy**:

All new Small Area Plans and major Master Plan Amendments would require that <u>no less than 8%/10% of new residential density</u> granted as a result of the SAP/MPA be committed affordable.

PROPOSED APPROACH

Market-based approach w/phased implementation

Implement near-term affordable housing contribution policy changes

Seek legislative authority to require housing contributions

Adopt phased roll out of new policy as new SAPs are developed and existing SAPs undergo substantial amendments involving density

CONSIDERATIONS:

- Some reduction in monetary contribution when units are provided
- Developers' caution: potential reduction in other community benefits

NEXT STEPS:

- HCWG follow-up meeting to be scheduled
- Planning Commission and City Council worksessions

Discussion and Questions