

**Housing Contributions Work Group Meeting**  
**March 7, 2019**  
**Meeting Summary**

**Welcome & Introductions**

Helen McIlvaine, Director of the Office of Housing, welcomed meeting attendees. She explained that the purpose of the Work Group is to examine whether the City's affordable housing contribution procedures effectively address and capture value generated through existing and emerging land use trends, specifically rezonings, master plan amendments, commercial to residential building conversions, and senior housing projects. An important goal of this process is to provide greater clarity, consistency, and certainty with respect to the City's affordable housing contribution policies. She noted the City Council's interest in ensuring that development yielded the maximum benefit for housing affordability and said the group's recommendations would likely form the baseline.

The Work Group process is envisioned to comprise three meetings which would culminate in a report to City Council in July. Ms. McIlvaine noted the range of interests represented on the Work Group and introduced Michelle Krockner as the group facilitator. She then asked meeting attendees to introduce themselves.

**Work Group Fundamentals**

Michelle Krockner, facilitator of the Work Group, discussed ground rules for the process and noted the discussion items for the meeting.

**Affordable Housing Demand and Supply, Policies, Procedures, Planning and Zoning Tools, and Development Review Process**

Tamara Jovovic, Housing Planner, provided a [presentation](#).

**Q&A and Feedback**

*Comment:* Assisted living facilities are not available for low-income people. A distinction needs to be made between those seniors who require affordable housing and those seniors who require affordable housing as well as medical care. Auxiliary Grants provide some funding (\$1,486/month) but it is not enough to incentivize private developers to set aside beds<sup>1</sup>. The unsubsidized cost of such housing is \$7,000 - \$8,000+/month. The City needs to provide deeply subsidized units and not just Auxiliary Grants.

*Comment:* Considering affordable housing is a part of the City's development review process, affordable housing is viewed as one of the community benefits that developers are expected to provide. However, there are many other community benefits (open space, transportation improvements, etc.) and each development project has to prioritize the community benefits that are most valued and relevant for that project. One approach to consider is how to increase affordable housing production by enacting policies that decrease production cost. Is it by allowing more height or more density? Is this through improved design?

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<sup>1</sup> One recommendation that was raised subsequent to Meeting #1 was the need to advocate for increasing the cap on the Northern Virginia AG monthly supplemental assistance to encourage more senior housing providers to use the funding mechanism.

*Response:* Housing Virginia is exploring that topic via a session on May 22<sup>nd</sup> called, “Housing Innovation”. It is an all-day conference in Richmond.

*Question:* Can this process explore exempting affordable housing development projects from contributing to community amenity funds? For example, the Carpenter Shelter redevelopment project will pay \$22,000/unit into community amenity funds. This impacts the cost of development for projects that provide affordable housing and may decrease the number of units that can be constructed.

*Response:* The Virginia General Assembly just approved enabling legislation to allow localities to exempt affordable housing development projects from contributing to community amenity funds. The City already has the authority to do so.

*Response:* Would private developers provide affordable housing if those units did not have to pay into community amenity funds? What non-financial tools does the City have?

*Question:* What is driving the schedule of this Housing Contributions Work Group process? The topics to be discussed are very complex and there are only two more meetings. That is not enough time. What is the deliverable from this process?

*Response:* This effort is being conducted now at the direction of City Council and will serve as a baseline for evaluating the potential future adoption of an inclusionary zoning policy. All feedback received will be shared in the report to City Council. The report will help inform the Office of Housing’s workplan for FY20 and future years.

*Comment:* Reduce the soft costs of development in order to incentivize affordable housing. In the past, a development application fee City cost \$300/unit. Now the fee is \$6,000/unit.

*Question:* What is the main challenge for developers of affordable housing to provide more units?

*Response:* Economics. For a private market-rate developer, providing affordable housing units will result in increased rents for market-rate units.

*Response:* There are so many fees that developers are expected to provide and so many community interests that compete with each other depending on the project’s location. Green building versus architecture versus open space versus bikeshare versus transportation management versus sanitary sewer fees, etc. What encourages affordable housing are incentives such as increasing the bonus density allowance from 20% to 30% and the new Residential Multifamily Zone.

*Comment:* The City does not provide property tax relief for affordable housing developments.

*Response:* The City now assesses property taxes in a way that is responsive to NOI (net operating income) so rental property owners can use that information to appeal their property tax bill if it does not appropriately capture a project’s constrained rental income. Affordable housing projects have been successful in receiving lower tax assessments as a result.

*Comment:* Reducing the parking requirement for affordable housing has proven to be a successful incentive for affordable housing providers.

**Next Steps**

The next two meetings will be held on April 4<sup>th</sup> and May 2<sup>nd</sup>. Discussion topics include rezonings, senior housing projects, and master plan amendment/land use changes and building conversions. The Work Group will be provided with reading materials in advance of the next meeting.