

Housing Contributions Work Group Meeting
April 4, 2019
DRAFT 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.

The process will result in a report to City Council. While staff hopes to secure consensus among workgroup members, all viewpoints and opinions will be reflected in the report. The workgroup's findings will serve as a baseline for future review and analysis of whether the City should consider an inclusionary zoning housing policy.

Developer Considerations

[Stan Slotter of Paradigm](#) and [Austin Flajser of Carr Companies](#) shared their perspectives as developers in the City regarding the challenges (costs) and opportunities to providing affordable housing.

Stan Slotter noted the importance of setting clear expectations regarding affordable housing contributions so that developers could factor this expectation into land negotiations up front. He indicated the City's current procedures regarding affordable housing contributions were relatively straightforward. He also encouraged creative thinking on how affordable housing could potentially be provided more affordably off-site.

Participant Comment: Can the negotiation process be more collaborative?

Speaker Response: The City can reduce permit fees and/or allow more density. Where land is more valuable, for example near transit, density increases have the potential to generate more affordable housing.

Participant Comment: Does the analysis change with construction type?

Speaker Response: If density bonuses push you to another construction type, then they may not be as effective.

Participant Comment: The City Council needs to set priorities. Open space, arts, green building contributions all compete with affordable housing.

Participant Comment: The City should consider tax abatement to encourage more affordable housing.

Participant Comment: Water and sewer and property taxes deliver the most uncertainty to proformas. Tax abatement may not be necessary, but PILOT (payment in lieu of taxes) would be helpful to counteract unexpected changes to net operating income (NOI).

Participant Comment: Many jurisdictions find it difficult to prioritize community benefits.

Staff Response: Nobody wants to pit community benefits against each other.

Austin Flajser noted the importance of recognizing the specific economic realities of each project and that “a one size fits all” policy would not work. Affordable housing requires collaboration and incentives (in particular, additional height and density). The timing of City costs is important because of carrying costs incurred before a project starts earning revenue.

Participant Comment: By-right development programs sometimes generate higher returns over higher-density project loaded with community expectations.

Participant Comment: Can we discuss other creative ideas and tools to encourage affordable housing? All conversations lead back to additional incentives or relief.

Participant Comment: Consistency in policies and procedures might be desirable, but a variety of options might be necessary.

Q&A and Feedback

Participant Comment: The City wanted to add a statement in the 2013 Housing Master Plan (HMP) that said that 5% of all density associated with master plan amendments and rezonings would be affordable housing. However, the prior workgroup indicated that master plans have different priorities (e.g. Potomac Yard is focused on the new Metro station and Eisenhower West is focused on infrastructure and open space) and that the City should not establish a blanket minimum requirement for affordable housing in rezoning applications that involve additional density. The language that was ultimately included in the HMP was “watered-down language” that reflected that affordable housing expectations should be tailored to each small area plan depending on community priorities.

Staff Response: The 2019 Workgroup is encouraged to revisit this position.

Table Exercise

Tamara Jovovic explained the purpose of the table exercise and community benefits summary table (attached). The table illustrates the range of affordable housing contributions pledged through the development process during the past five years along with a summary of other provided community benefits. She encouraged the workgroup to provide guidance on how the City should approach affordable housing contributions associated with rezoning and master plan amendment applications, including what criteria should be used to evaluate projects.

Report Outs

Table 1:

- View CDDs and Euclidean zones differently when evaluating affordable housing contributions
 - Factors to consider:
 - Whether site is vacant or home to an operating (revenue generating) business
 - Zoning FAR and expected/anticipated FAR are not the same

- Need a new base above which the affordable housing policy kicks in, not the existing zoning
- Consider broadening 7-700 to apply, under certain circumstances, to projects in zones with a 50' height limit
- Zoning relief/trade-offs for other proffers (retail, open space, etc) are needed to encourage affordable housing
- Issue of competition for use of bonus density as incentive to generate community benefits
- Next steps: will options be presented to City Council?

Table 2:

- No one (affordable housing policy) size fits all.
- Table could not reach consensus
- Figure out trade-offs (zero sum game) and what makes sense for community

Table 3:

- How do we incentivize affordable housing? Under economic realities of costs.
- Identify priorities in SAP. Developers will work together with City collaboratively.
- Make it easier for City to get revenue to support affordable: do not charge \$9.00/sqft on commercial development as impact fees/community benefit payments.
- Eliminate community benefit payments for affordable projects.
- Under standard zoning, projects are limited by FAR and density. Consider eliminating density requirements. You can get more units/acre which could lead to more AH.
 - But that is where the opportunities lies (since the added value of the additional units would not have been reflected in the underlying land value)
- Can 7-700 apply to commercial development?

Table 4:

- Do not overlook the positive revenue impacts of new development for the City.
- Potentially a 5% affordable housing contribution could work; this would bring certainty to the development process.
- Need flexibility on the back end of a project to account for potential changes in costs. "Certainty with flexibility"

Table 5:

- Projects are site and context specific. No one size fits all.
- Consider other tools: TIFs or public-utility model
 - If rents exceed target, then get higher contributions later. If not, then lower expectations. Benefits would fluctuate.