

Housing Contributions Work Group Meeting
May 2, 2019
DRAFT Meeting Summary

Welcome & Introductions

Helen McIlvaine, Director of the Office of Housing, welcomed meeting attendees. She explained that the focus of the third meeting would be on commercial to residential building conversions and senior housing projects and encouraged participants to attend the fourth meeting during which the Work Group will be discussing recommendations.

Tamara Jovovic presented a summary of what the Work Group had discussed during the first two meetings. These were:

- The importance of:
 - City Council establishing priorities for community benefits—trade offs/relief needed to provide greater affordable housing
 - Establishing clear expectations and/or goals through small area planning process
 - Setting and communicating consistent expectations so that developers can factor cost of contribution into land value up front
- Explore other tools to incentivize affordable housing
 - E.g. tax exemption/abatement, PILOTs, TIFs, “public-utility model”
 - Consider changes to Section 7-700
 - Allow bonus height in zones with 50’ cap under certain circumstances
 - Permit application on commercial-only development in exchange for heightened contribution
 - *Note: Section 7-700 is not always practical/financially feasible if it pushes a project from stick-built to concrete/steel*
- No “one size fits all” contribution policy
 - Each project is different depending on community context, market dynamics, environmental/site conditions, construction type, etc
 - One option: Consider creating a menu of policy options to reflect different economic realities
 - Allow for flexibility if market/project dynamics change
 - “Certainty with flexibility”
- When estimating value of additional density, assume land value already reflects some portion of density envisioned in small area plan
 - Identify an alternate base (higher than base in existing zone) as a starting point for heightened affordable housing expectations in rezoning applications
- Different opinions regarding the role commercial development could play in expanding housing affordability
 - Bonus density for commercial development
 - No increased expectations = recognize the critical role commercial development plays in expanding the City’s overall tax base and avoid constraints
- There is some baseline amount every development expects to provide—have conversation early
 - Many developers are willing to brainstorm on what it would take to help expand housing affordability in their projects
- Do not charge affordable housing projects community impact fees

- Such projects cannot afford these costs and end up having to borrow the money from the City

Developer and Other Considerations

Ken Wire, Principal with Wire Gill, LLP presented his perspectives on the economics of building conversions. He noted such projects vary dramatically with respect to what they were prior to conversion, the challenges with the actual conversion process, whether they could convert by right (without Planning Commission and/or City Council review) and whether they utilized bonus density/height or provided a voluntary contribution. He discussed The Oronoco, 200 Stovall Street, Crowne Plaza, and Park Center Drive. He explained that the existing structure of a building will dictate whether 7-700 is a feasible tool. In some instances, due to the underlying design of a building (for example, depth), the rents in the converted project will approximate more closely workforce affordable (80% AMI) rents than luxury level rents. Requiring a contribution in building conversions may reduce the likelihood of the conversion itself. Carefully calibrating the affordable housing contribution expectation may result in a contribution without bonus density or height. He noted the lack of nexus between a commercial building conversion and affordable housing as compared to the redevelopment of an existing residential building. He urged the Work Group to consider how the bonus density/height tool could be modified to encourage its use.

Terri Lynch, Director of the Division of Aging and Adult Services at the City's Department of Community and Human Services, spoke about the estimated demand for senior affordable housing as well as the City's current and anticipated senior resources, including affordable housing and senior programs. Between 3,350 and 3,906 seniors are estimated to have incomes at or below 60% AMI; one third of these have incomes at or below 30% AMI. More than 300 seniors are on ARHA's waitlist. Some seniors are living doubled up while others are forced to move out of the City in search of affordable housing options. DCHS currently contracts with two providers to extend a limited amount of home-care services to very-low income households to help them age in place.

Bob Eiffert, the Commission on Aging (COA) designee on the Work Group, shared his remarks which included the following:

- There is a need for affordable housing and assisted living for lower income older adults. The COA has strongly advocated for those needs.
- In recent assisted living development projects in Alexandria, the COA has pushed for the maximum number of units for the lowest income older adults who require the state Auxiliary Grant (AG) to pay for the cost of care. The current AG payment is \$1,486/month. The subsidy provided by developers who provide AG beds comes at a tremendous cost.
- The COA also notes that the Fairfax County Health Care Advisory Board has a long-standing policy of requesting 4% of new assisted living units for AG recipients.
- The COA would like to see the City establish something similar, potentially by allowing a special increase in density or floor area ratio for those units to help offset part of the cost of building and maintaining them.
- The COA would also be open to having the developer contribution apply to units for individuals with incomes above the AG rate but below 60% of area median income, as

long as the value of the contribution is equivalent to that for the AG units. Such a policy would ultimately provide for more affordable units available to a broader population group. There is need for housing, care and assisted living options for seniors at all income levels.

Participant Comment: Do we need a different tool for senior housing projects? For example, at the Sunrise Senior Living project on North Washington Street, the AG units were ultimately not counted towards the project's FAR. That made the contribution more financially feasible for the provider.

Staff Response: That is the Fairfax County's approach: affordable senior housing units are not counted against the project's maximum permitted development.

Staff Comment: A greater range of affordability of senior housing options is clearly needed. However, figuring out what the range should be and how eligibility would be evaluated is not as clear cut. The cost of services drives the contribution value and is variable, including over the resident's tenure.

Bobby Zeiller, Vice Chairman and Chief Development Officer of Silverstone Healthcare, LLC and its affiliate Silverstone Senior Living, presented his perspectives on the economics of senior housing projects. The senior housing industry has evolved such that it views senior living as a continuum of care starting with age-restricted housing through independent living, assisted living, and memory care. This model allows for residents to age in place through hospice or until nursing care is required (assisted living facilities are not licensed in the State of Virginia to administer certain medications). In his view, most residents move to independent living when they anticipate needing assisted living in the near- to mid-term.

Several factors are unique to senior housing. These include:

- Construction type (senior housing providers are restricted to building with non-combustible materials, such as concrete, in multistory projects; this elevates construction costs)
- Commercial kitchen and amenity space requirements (in senior housing projects up to 50% of space is allocated to such uses while the units themselves are smaller than traditional rental units)
- Variability in operating costs
 - Operating costs depend on the level of care needed by each resident; this can make AG units difficult for providers as the cost of the subsidy is uncertain due to fluctuations or intensification in a resident's level of care over time while the level of subsidy provided through the program remains static. A contribution based on a set discount would provide greater certainty.
 - Operating costs are very susceptible to changes in the labor market due to the labor-intensive nature of the product type and regulations regarding staffing
- Respite care (providers also provide short-term care for individuals who are recovering from an illness, surgery or injury)

Mr. Zeiller added that shared units are sometimes preferred by residents, in particular, by those with cognitive impairment; Silverstone's experiences has shown that such residents may do better in a more social and communal setting. He also noted that Fairfax County recently created

a new zone for continuum care facilities which establishes a set affordable housing contribution in lieu of the County's Health Care Advisory Board's 4% voluntary contribution policy. He reiterated that greater certainty in the contribution value would be desirable.

Participant Comment: Providing a set percentage of units in exchange for FAR that does not count against the permitted development is less advantageous than bonus density that allows two additional units in exchange for each affordable unit.

Participant Comment: Does it make sense to secure a contribution that could be allocated as needed across eligible residents?

Staff Comment: There is a lot of pent up need. There are residents at Ladrey and Annie B. Rose that might be better served in an affordable assisted living unit. There are few AG units locally to serve low-income seniors.

Participant Comment: Non-profit providers also provide affordable independent living options in the region. What is the need for that product type?

Staff Comment: There is a substantial demand for that type of housing as well. The industry is moving towards "aging in your community" rather than "in place" and that housing for seniors is increasingly designed to act as service-enriched housing.

Participant Comment: Senior affordable housing projects frequently require some degree of project-based vouchers since resident incomes typically fall short of those needed to cover tax credit rents affordable at 40-60% AMI.