

City of Alexandria

HOUSING MASTER PLAN

HOUSING ECONOMICS

September 16th, 2010

Presented By:

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"ICE BREAKER" QUESTION #1

- **What is the Area Median Income (AMI) for a 2-person household in Alexandria?**
 - a. \$51,550
 - b. \$66,272
 - c. \$82,840
 - d. \$103,500

"ICE BREAKER" QUESTION #2

- **Based on HUD affordability standards, how much can that 2-person household pay in monthly rent?**
 - a. \$1,087
 - b. \$1,243
 - c. \$1,657
 - d. \$2,071

"ICE BREAKER" QUESTION #3

- **Based on an FHA loan standards, what is the maximum that a 2-person household can afford for an ownership unit?**
 - a. \$204,000 (\$163,250 condo)
 - b. \$291,500 (\$250,750 condo)
 - c. \$364,250 (\$323,500 condo)
 - d. \$437,000 (\$431,250 condo)

“ICE BREAKER” QUESTION #4

- **Please select the “best” investment scenario, assuming the risk level is the same for all choices.**
 - a. Spend \$100 to generate a \$200 return
 - b. Spend \$500 to generate a \$700 return
 - c. Spend \$1,000 to generate a \$1,300 return

"ICE BREAKER" QUESTION #5

- **What is the average land value for a single apartment unit in Alexandria?**
 - a. \$40,500
 - b. \$55,500
 - c. \$73,750
 - d. \$118,750

"ICE BREAKER" QUESTION #6

- **What is the average land value for a single condominium unit in Alexandria?**
 - a. \$49,250
 - b. \$79,750
 - c. \$100,750
 - d. \$136,000

"ICE BREAKER" QUESTION #7

- **What is the average land value for a single townhouse unit in Alexandria?**
 - a. \$264,250
 - b. \$294,500
 - c. \$328,000
 - d. \$337,250

"ICE BREAKER" QUESTION #8

- **How much can a developer generally expect to pay to build a surface lot parking space?**
 - a. \$1,000
 - b. \$2,000
 - c. \$3,000
 - d. \$4,000

"ICE BREAKER" QUESTION #9

- **How much can a developer generally expect to pay to build an above-ground parking structure parking space?**
 - a. \$7,500
 - b. \$10,000
 - c. \$12,500
 - d. \$15,000

"ICE BREAKER" QUESTION #10

- **How much can a developer generally expect to pay to build an under-ground parking structure parking space?**
 - a. \$29,000
 - b. \$32,000
 - c. \$35,000
 - d. \$38,000

RENTAL AFFORDABILITY

- **Affordability Defined By HUD, Based On Prevailing Incomes Within The Specific Region (Washington DC Metro Area)**
- **“Low/Very Low Income”**
 - 50% of Area Median Income (AMI)
 - \$41,420 for a 2-person HH
 - \$1,036 per month in rent
- **“Affordable”**
 - 60% of AMI
 - \$49,704 for a 2-person HH
 - \$1,243 per month in rent
- **“Workforce”**
 - 80% of AMI
 - \$66,272 of Income

Question #1 – 100% AMI for 2-person HH

Answer: c. \$82,840

Question #2 – Rental affordability

Answer: d. \$2,071

RENTAL AFFORDABILITY

- **Rental Affordability Thresholds**
 - 50% - \$1,036
 - 60% - \$1,243
 - 80% - \$1,657
 - 100% - \$2,071

- **Average Rent Rates In Alexandria**
 - 2-Bedroom Units
 - Based on 2010 Housing rent rate survey
 - \$1,300 per month in Fairlington/Bradlee
 - \$2,440 per month in Eisenhower East
 - No market units affordable to 30% AMI
 - 13% (1,300 units) affordable to 60% AMI

AVERAGE 2-BEDROOM UNIT MONTHLY COST

SMALL AREA	RENT
Alexandria West	\$1,610
Braddock Road Metro	\$2,118
Eisenhower East	\$2,440
Fairlington_Bradlee	\$1,300
King Street Metro_Eisenhower Ave.	\$1,963
Landmark_Van Dorn	\$1,549
North Ridge_Rosemont	\$1,300
Northeast	\$1,518
Old Town	\$1,414
Old Town North	\$1,620
Potomac West	\$1,430
Potomac Yard_Potomac Greens	\$1,550
Seminary Hill	\$1,530
Southwest Quadrant	\$1,480
Taylor Run	\$1,323

RENTAL SUPPLY VS. DEMAND

Percent AMI Annual HH Income Rent Level	Under 30% \$24,850 \$621	30% - 50% \$41,420 \$1,036	50% - 60% \$49,704 \$1,243	60% - 80% \$66,272 \$1,657	Above 80% \$66,272+ \$1,657+	TOTALS
EFFICIENCY						
Supply	130	2,108	202	455	0	2,895
Demand	599	605	290	702	1,470	3,665
Difference	(469)	1,503	(88)	(247)	(1,470)	(770)
1 BEDROOMS						
Supply	883	3,985	3,644	4,542	1,153	14,207
Demand	2,259	2,282	1,092	2,647	5,542	13,820
Difference	(1,376)	1,704	2,553	1,896	(4,389)	387
2 BEDROOMS						
Supply	735	0	1,387	4,415	3,900	10,437
Demand	1,764	1,782	852	2,067	4,329	10,793
Difference	(1,029)	(1,782)	535	2,348	(429)	(356)
3+ BEDROOMS						
Supply	450	0	0	846	344	1,640
Demand	1,137	1,146	548	1,331	2,786	6,948
Difference	(687)	(1,146)	(548)	(485)	(2,442)	(5,308)
TOTAL						
Supply	2,198	6,093	5,233	10,258	5,397	29,179
Demand	5,758	5,814	2,781	6,746	14,126	35,225
Difference	(3,560)	279	2,452	3,512	(8,729)	(6,046)

OWNERSHIP AFFORDABILITY

- **Defined By City, But At Different Thresholds Than Rental Housing**
- **“Affordable”**
 - 80% AMI
 - \$66,272 for a 2-person HH
- **“Workforce A”**
 - Eligible for City assistance
 - 100% of AMI
 - \$82,840 for a 2-person HH
- **“Workforce B”**
 - Not eligible
 - 120% of AMI
 - \$99,400 for a 2-person HH

Question #3 – Ownership affordability

Answer: b. \$291,500 (\$250,750

condo)

OWNERSHIP AFFORDABILITY

WHAT CAN I AFFORD?

	Fee Simple	Condominium
AFFORDABLE (80% AMI)		
FHA	\$233,164	\$192,452
Conventional	\$342,322	\$290,022
WORKFORCE "A" (100% AMI)		
FHA	\$291,455	\$250,743
Conventional	\$427,903	\$375,603
WORKFORCE "B" (120% AMI)		
FHA	\$349,718	\$309,006
Conventional	\$513,442	\$461,142

OWNERSHIP AFFORDABILITY

- **Fee Simple Units Not Affordable**

- Average single family value - \$712,350
- Average townhouse/rowhouse value - \$536,900
- Approximately 2,200 of 20,900 units affordable at 120% of AMI
- 1,200 units at 100% of AMI (5.7%)
- 600 units at 80% AMI (3.1%)

- **Condominium Units Provide Alternative**

- Average garden condominium value: \$268,500
- Average high-rise condominium value: \$249,950
- Approximately 6,000 of the City's 19,200 condos affordable at 80% AMI
- Approximately 6,200 of the total priced above 120% AMI affordability

OWNERSHIP AFFORDABILITY

- **However...**
 - Citywide turnover approximately 4%
 - Severely limiting what is “on the market”
 - Many households do not maximize buying potential
 - Condo units pricing does not include condo fees
 - Condo units predominantly efficiencies or 1-bedrooms

OWNERSHIP SUPPLY VS DEMAND

INCOME CATEGORY	Below				TOTAL
	80%	80% to 100%	100% to 120%	Over 120%	
INCOME RANGE	Less than \$66,272	\$66,272 to \$82,840	\$82,840 to \$99,408	More than \$99,400	--
Supply					
Condo	5,944	3,778	3,213	6,071	19,006
Fee Simple	603	538	998	18,435	20,574
Total Supply	6,547	4,316	4,211	24,506	39,580
Total Demand	15,810	6,140	6,025	22,300	50,275
Difference	(9,263)	(1,824)	(1,814)	2,206	(10,695)

- Includes approximately 7,000 units currently being used for rentals
- Removed those households uninterested or unlikely to become homeowners
 - Preference and extremely low incomes
- Follows reported current lending levels of 90% FHA and 10% conventional

WHO DEVELOPS AFFORDABLE HOUSING?

- **Private Sector/Developers**
 - Developer contribution/housing trust fund
 - Bonus density
 - Personal preference
- **Non-Profits**
 - ARHA, AHDC, RPJ, Wesley, CLI, etc...
 - Mission-related
 - Create opportunities
- **Each Has Strengths And Drawbacks**
 - Efficiency
 - Capacity
 - Flexibility
 - Permanence
 - Interest/Desire

WHAT IS “HOUSING ECONOMICS?”

- **Relationship Of Supply And Demand Deals With Markets**
 - Establishes pricing
 - Impacts location decisions of consumers
 - Is a component of the development process
- **Return On Investment More Direct Influence**
 - Development heavily impacted by risk/reward measurements
 - Cost to build (especially locally) substantial undertaking
 - Investors demand return for equity stake
 - ROI primary factor in “Go/No Go” decisions

WHAT IS “HOUSING ECONOMICS?”

■ Opportunity Cost Makes Development Projects Relative

- What does deal “A” return compared to deal “B”
- Housing vs. retail vs. office vs. industrial...
- DC vs. Baltimore vs. Richmond vs. Chicago...
- What other investments are available to me?

Question #4 – “Best” Investment

Answer: a. \$100 to return

\$200

City of Alexandria

Small Area Plans

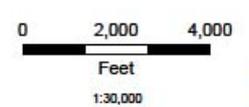
January 1, 2010

Legend

Small Area Plan

Name

-  Alexandria West
-  Braddock Road Metro
-  Eisenhower East
-  Fairlington/Bradlee
-  King St Metro/Eisenhower Av
-  Landmark/Van Dorn
-  North Ridge/Rosemont
-  Northeast
-  Old Town
-  Old Town North
-  Potomac West
-  Potomac Yard/Potomac Greens
-  Seminary Hill
-  Southwest Quadrant
-  Taylor Run
-  Rivers/Lakes

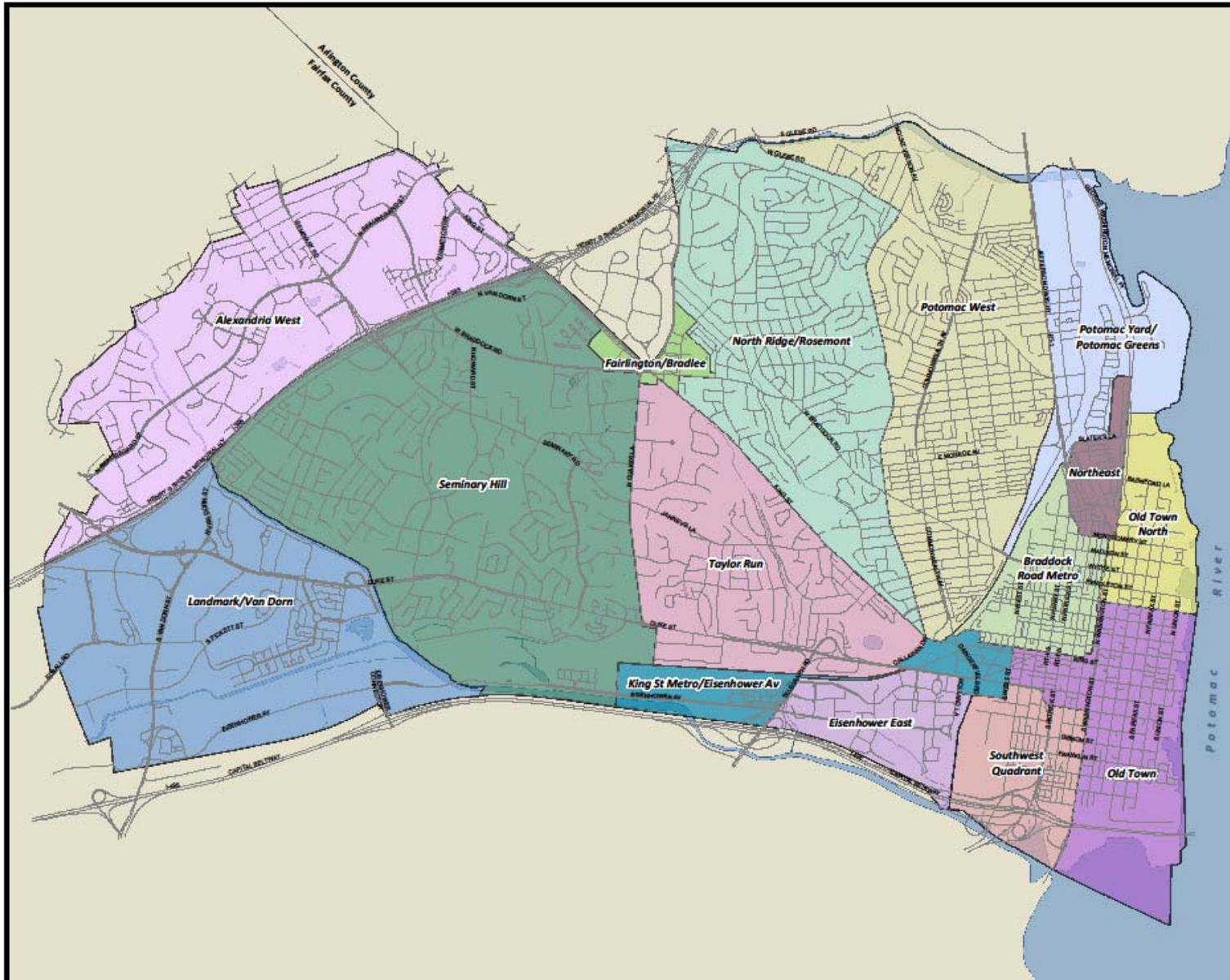


This map was produced by the GIS Division of the Department of Planning and Zoning, City of Alexandria, Virginia

Mapping Method:
Coordinate System: NAD83 StatePlane Virginia North
Projection: Lambert Conformal Conic
Map Scale: 1:30,000

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Map Produced:
01-01-2010



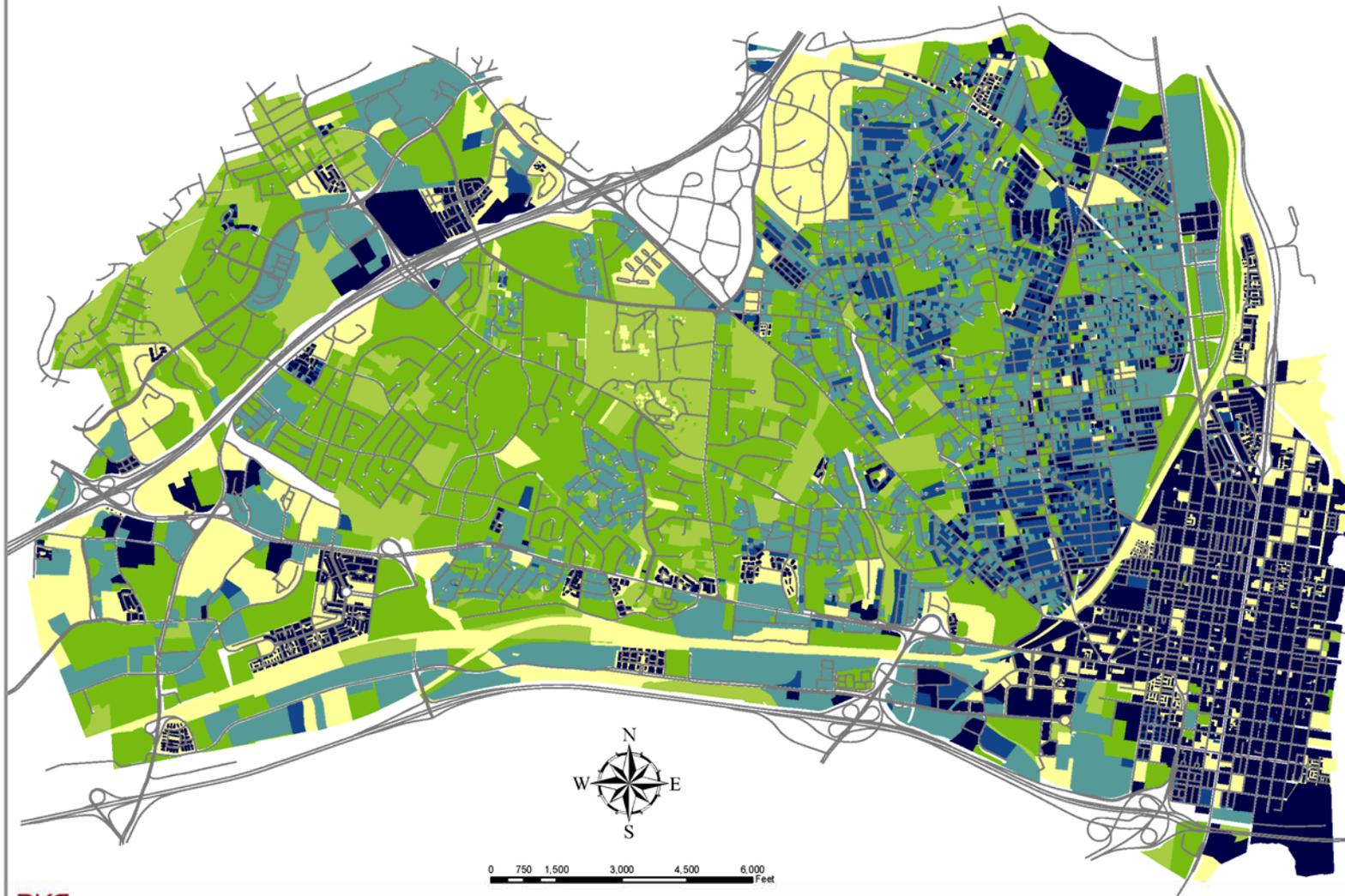
PRICING OF LAND

RANGE OF LAND VALUE PER UNIT

	Lowest Cost		
	Value	Small Area	Zone
Apartment	\$39,730	Taylor Run	RB
Condominium	\$49,270	Alexandria West	CL
Attached Single Family	\$164,458	Landmark/Van Dorn	RB
Detached Single Family	\$230,539	Alexandria West	R-8

	Highest Cost		
	Value	Small Area	Zone
Apartment	\$213,885	Old Town	CD
Condominium	\$540,159	Old Town	W-1
Attached Single Family	\$602,835	Old Town	W-1
Detached Single Family	\$991,665	Old Town	RB

Assessed Land Value Per Acre



- Legend
- Value Per Acre
- Greater than \$3,200,000
 - \$2,400,001 - 3,200,000
 - \$1,600,001 - 2,400,000
 - \$800,001 - 1,600,000
 - Less than \$800,000
 - Not Calculated

Source: Assessor's Database 2010
City of Alexandria



0 750 1,500 3,000 4,500 6,000 Feet

RKG
Prepared by RKG Associates, Inc.

City of Alexandria ~ 2010 Housing Master Plan

Map 3

PRICING OF LAND

■ Influences

- Physical location
- Zoning (development density)
- Surrounding development
- Access to transit*

Question #5 – Average apartment land value

Answer: b. \$55,500

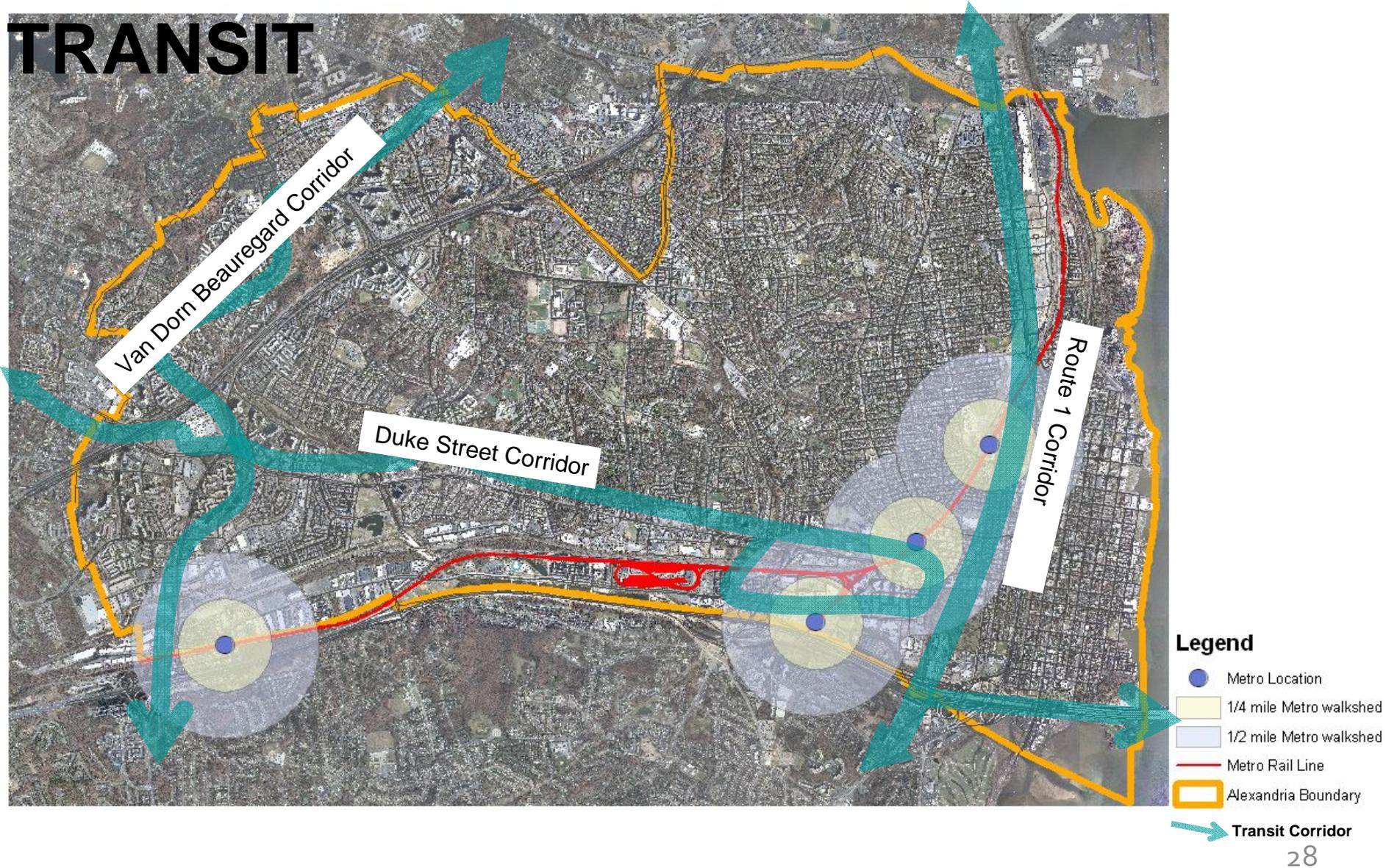
Question #6 – Average condominium land value

Answer: c. \$100,750

Question #7 – Average townhouse land value

Answer: a. \$264,250

IMPACT OF LOCATION - TRANSIT



City of Alexandria Residential Zoning (By-Right Development)

	Single Family	Townhome	Condo	Stacked Townhome	Duplex	Apartment
R-20	2.18	--	--	--	--	--
R-12	3.63	--	--	--	--	--
R-8	5.45	--	--	--	--	--
R-5	8	--	--	--	--	--
R-2.5	8	--	--	--	--	--
RA - Multifamily	8	22	22	22	22	27
RB - Townhouse	8	22	22	22	22	--
Medium Density Apartment	--	27	27.2	27.2	--	35
RC - High Density Apartment	--	27.2	27.2	27.2	22	54.45
RD - High Density Apartment	--	--	100	--	--	100
RM - Townhouse	8	30	30	30	30	27
RS - Townhouse	--	15	15	15	--	--
RT - Townhouse	--	9.5	9.5	9.5	--	--
Commercial Residential - Low	8	9	100	9	17.4	100
Commercial Residential - Medium	8	9	100	9	17.4	100
Commercial Residential - High	8	9	100	9	17.4	100
Commercial Residential - Old Town North	8	30	30	30	17.4	--
Waterfront Mixed Use	8	30	30	30	17.4	30
Commercial Low	8	22	22	22	17.4	27
Commercial Community	8	22	22	22	17.4	27
Commercial Service Low	8	22	22	22	17.4	27
Commercial General	8	22	22	22	17.4	27
Commercial Downtown	8	35	35	35	30	35
Commercial Downtown - Old Town North	8	35	35	35	17.4	35
Office Commercial	8	22	22	22	17.4	54.45
Office Commercial Medium - 50	8	27.2	54.45	27.2	17.4	54.45
Office Commercial Medium - 100	8	27.2	54.45	27.2	17.4	54.45
Office Commercial High	8	30	54.45	30	17.4	54.45

IMPACTS OF CONSTRUCTION

■ Housing Type

- Construction costs per square foot varies by housing type
- Single family (\$175/sf) highest price; apartment (\$100/sf)
- Size of unit can influence average cost as well
 - Economies of scale

■ Building Materials

- Costs within housing type can range (not as variable)
- Luxury market units generally carry premium materials/fixtures
- External – Brick vs. siding vs. stucco...
- Internal – Formica vs. granite

IMPACTS OF CONSTRUCTION

■ Building Height

- Taller buildings require different construction techniques
 - Stick frame vs. steel and masonry; up to 50% increase in unit costs

■ Amenities

- Costs must be absorbed in price of units
 - Pools, laundries, exercise rooms, community buildings, etc.

■ Parking

- Surface parking cheapest, but consumes most land
- Above-grade parking vs. below-grade parking

Question #8 – Surface lot space cost

Answer: b. \$2,000

Question #9 – Above-grade space cost

Answer: d. \$15,000

Question #10 – Below-grade space

CONSTRUCTION TYPE – HIGH-RISE



- **>100 DU/Acre****
- **> 65 Feet Tall**
- **Underground – Structured Parking**

** For discussion purposes only

CONSTRUCTION TYPE – MID-RISE



- **100-150 DU/Acre****
- **50-65 Feet Tall**
- **Underground – Structured Parking**

** For discussion purposes only

CONSTRUCTION TYPE - TOWNHOUSE



- **20-40 DU/Acre****
- **30-45 Feet Tall**
- **Surface Parking**

** for discussion purposes only

AFFORDABLE HOUSING ECONOMICS

■ **Benefits**

- Tighter supply translates into almost automatic success
- Can lead to faster lease-up/sell out period
- Short-term positive impact on cash flow
- Access to financial incentives (i.e. VHDA, LIHTC)

■ **Drawbacks**

- Returns substantially less cash flow in the long-term
- Strong markets neutralize benefits
- Harder to finance

■ **Level Of Impact Variable**

- Stand-alone vs. interspersed
- Share of total project
- Incentives available

AFFORDABLE HOUSING ECONOMICS

- **Interspersed Affordable Housing Less Flexible**
 - Stand alone projects allow developer to customize unit size, materials...
 - Interspersed affordable units need to conform to project standards
 - However, interspersed units carry indirect benefits as well
- **Share Of Units Designated Affordable Impacts ROI**
 - Every unit converted from market-rate to affordable reduces the income
 - “Gap” of affordability for certain development substantial
 - However, most incentive programs have minimum affordability requirements
- **Access To Incentives “Eases” The Impact**
 - Low Income Housing Tax Credits

TRADE OFFS IN AFFORDABLE HOUSING

- **Considerations**

- Density
- Transportation
- Open Space Requirements
- Parking Requirements
- Community Amenities (streetscape, pocket parks, public art, schools, recreation centers, infrastructure, etc)
- Design
- Environmental Objectives (sensitive land, LEED Design)
- Preservation of Resolution 830 units

- **Resources Are Limited, So Prioritization Is Key**

REHAB VS NEW DEVELOPMENT

■ **New Construction Only One Facet**

- City has substantial supply of aging housing (SF to MF)
- Those properties most affordable tend to be in need of rehabilitation and/or modernization
- Condo conversions has impacted rental affordable housing supply
- Market impacts on affordability reduced
- Redevelopment vs. rehabilitation

■ **Rehabilitation Costs Can Match/Exceed New Construction**

- Property acquisition costs are substantial
 - Almost exclusively functioning assets
- Rehabilitation costs have ranged from \$56 to \$112 PSF
 - New construction costs for apartments can range from \$100 to \$200 PSF
- Recent City investment ranges from \$45,000 to \$148,000 per unit

DISCUSSION QUESTION

Given what you've seen tonight, should the City's future affordable housing policies respond to geographic cost disparities within community planning areas relative to developing affordable housing?

For example, focusing programs and resources in areas where affordable housing is most achievable.

DISCUSSION QUESTION

If we took such an approach, how would we achieve an equitable distribution of affordable housing throughout the City?

- o Should an equitable distribution of affordable housing matter?**
- o How would we define equitable?**
- o What exactly are we worried about relative to the geographic distribution of affordable housing?**

DISCUSSION QUESTION

If land is one of the biggest factors contributing to affordable housing, what role, if any, should the City play in acquiring land for this purpose?

- o What steps should be taken, if any?**
- o Would it be financially prudent to do this? If so, when would be most appropriate to use this approach?**

DISCUSSION QUESTION

On the list of approaches the City could use to achieve new affordable housing, which ones would you most support? Rate on a scale of 1 to 10, with 10 being the most supported approach.

- o Land**
- o Developer**
- o Development Regulations**
- o Density Bonuses**
- o Alternative Construction**

DISCUSSION QUESTION

On the list of priorities the City uses to negotiate developer contributions, where should affordable housing issues fall?

- o Transportation**
- o Open Space, Parks & Recreation**
- o Public Safety**
- o Affordable Housing**
- o Parking Requirements**
- o Community Amenities (i.e. streetscaping)**
- o Design**
- o Environmental Objectives (sensitive site**

planning,

DISCUSSION QUESTION

Should the City's policies directed toward affordable housing development, apply to all levels of affordability? For example, should our programs for new development try to address the needs of households below 30% of area median income (AMI) the same as households above 80% of AMI? Should one size fit all or should different policies and strategies address the best opportunities for each income group?