City of Alexandria, Virginia

MEMORANDUM

DATE: AUGUST 26, 2019

TO: THE HOUSING CONTRIBUTIONS WORKGROUP

FROM: HELEN S. MCILVAINE, DIRECTOR

SUBJECT: DRAFT HOUSING CONTRIBUTIONS SUMMARY RECOMMENDATIONS

Thank you for participating in the 2019 Housing Contributions Workgroup. We appreciate the candid and thoughtful insights, comments and feedback you have provided throughout this process. The workgroup was convened at the direction of City Council 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. A key goal was to provide greater clarity, consistency, and certainty with respect to the City's affordable housing contribution policies. The recommendations and subsequent contributions resulting from this process will be used as the baseline for an upcoming consultant assessment to inform whether the City should consider an inclusionary zoning housing policy in the future.

While staff hoped to attain consensus among workgroup members, it was not possible as members held a range of viewpoints based on varying interests. Staff has tried to identify recommendations and potential compromises which address these different perspectives, reflect market dynamics and development economics, and are informed by the housing policies, practices, and experiences of our neighboring jurisdictions. The draft recommendations provided for your review serve as a summary of the core of the report. The full report, scheduled to be released on September 24, will present the diversity of opinions shared during the process as was pledged at each group meeting.

We encourage you to provide feedback on the draft summary recommendations by September 6, if possible. Staff will be introducing the HCWG report and recommendations at the October 2 City Council legislative session and the October 3 Planning Commission public hearing. City Council will hold a public hearing on the report on October 19. As a stakeholder in this process, your attendance at these meetings is welcome, and there will be opportunities for you to present testimony at the two public hearings if you would like.

Thank you again for your continued involvement in this process.

ATTACHMENTS:
(1) Draft Summary Recommendations

STAFF:
Karl Moritz, Director, Department of Planning and Zoning
Eric Keeler, Deputy Director, Office of Housing
Tamara Jovovic, Housing Analyst, Office of Housing

Table 1—REZONINGS

Development Type	Current Procedures	Staff Recommended Procedures
Development permitted by-right	Commercial: Voluntary commercial contribution Residential: Voluntary Tier 1 residential contribution	**No change to current procedures** *Notes* In response to feedback, staff recommends contributions not be indexed (increased) at this time to align with the delivery of units; currently the City's policy is to index developer infrastructure contributions.
Development permitted w/special use permit or with a master plan amendment involving a change in land use	Commercial: Voluntary commercial contribution Residential: Voluntary Tier 2 residential contribution	**No change to current procedures** *Notes* In response to feedback, staff recommends: - contributions not be indexed (see above); - a new higher "Tier 2" commercial rate not be established for commercial development constructed with a SUP in recognition of the important role commercial development plays in supporting the City's tax base and in generating new jobs.
Development permitted through rezoning involving an increase in density and associated with a new SAP or amended SAP Major master plan amendment that involves an increase in density beyond that recommended in a SAP approved as of the effective date of this Policy	Commercial: Commercial contribution Residential: Negotiated (typically Tier 2 residential contribution or percentage of units at 60% AMI)	**Commercial: Required commercial contribution** **Residential: Required on-site contribution (or contribution of equivalent value)** <u>Base expectation</u>: 5% of increase in residential development at 60% AMI (for-sale requirement of equivalent value) <u>Goal</u>: Consistent with SAP or 10% [minimum 6% at 60% AMI with balance at up to 70% AMI] of increase in residential development (for-sale requirement of equivalent value) ▪ Flexibility may be considered on a case-by-case basis for redevelopment projects that have current income-generating uses. Factors to be considered may include the size, nature, estimated revenue and operations of the business(es); proposed use(s); and level of additional density being requested. <u>Stretch Goal</u>: 15% (includes leveraged units through public-private partnerships) *Notes* In response to feedback, staff recommends: - a new higher "Tier 2" commercial rate not be established for commercial development associated with additional density (see above); - the new policy be restricted to new and amended SAPs and major MPAs involving additional density in recognition of the fact that existing SAPs have already determined a community benefits package through the planning process. Initial draft recommendations had suggested the requirement apply to *all* rezoning applications seeking additional density. - the requirements for for-sale units to be of equivalent value depending on market conditions and comparables at the time of DSUP submission; - broadening the goal's level of affordability to include units

		affordable at up to 70% AMI; - providing flexibility on a case-by-case basis for redevelopment projects with existing income-generating uses in recognition that the economics of redevelopment can be particularly challenging if they involve operating on-site businesses.
All contribution rates referenced above are consistent with published Procedures Regarding Affordable Housing Contributions unless otherwise noted.		

Table 2—COMMERCIAL BUILDING CONVERSIONS

<table>
<tr><th>Development Type</th><th>Current Procedures</th><th>Staff Recommended Procedures</th></tr>
<tr><td>Permitted conversion w/building permit</td><td>No contribution expectations</td><td>No change to current procedures</td></tr>
<tr><td rowspan="2">Permitted conversion w/site plan, special use permit and/or with a MPA involving a change in land use that results in a multifamily or senior housing project</td><td rowspan="2">No established procedures.
Contributions offered, including on-site units at 60, 70, and 80% AMI.</td><td>Residential: New voluntary building conversion contribution (proposed to be $1.50 in 2019 dollars per converted square foot) or equivalent on-site contribution
▪ Previous affordable housing contributions would be credited towards any voluntary building conversion contributions
▪ Staff recommends contributions be permitted to be converted to units affordable at up to 70% AMI
▪ Staff recommends offering projects the option to provide monetary contributions up to 12 months after the project secures its final Certificate of Occupancy to allow time for project revenues to stabilize</td></tr>
<tr><td>Notes: In response to feedback, staff lowered the proposed new voluntary conversion contribution rate by one third (from the commercial rate of $2.24/square foot to $1.50/square foot) to reflect potential lower market rents and complexities in conversions.</td></tr>
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Table 3—SENIOR HOUSING PROJECTS

<table>
<tr><th>Development Type</th><th>Current Procedures</th><th>Staff Recommended Procedures</th></tr>
<tr><td rowspan="2">Development permitted w/special use permit or with a master plan amendment involving a change in land use</td><td rowspan="2">Voluntary contributions
(no precedents)</td><td>Commercial: Voluntary commercial contribution
Residential: Voluntary monetary contribution or voluntary on-site contribution
<u>Base expectation</u>: Residential Tier 1 and Tier 2 on senior housing, and Commercial contribution on commercial uses that are open to the public or operate independently from the senior housing facility under a lease or condominium arrangement
<u>Assisted Living/Memory Care Goal</u>: 1% of units permitted under existing zoning (minimum of one unit) at AG level or discounted units of equivalent value
<u>Independent Living Goal</u>: 1% of units permitted under existing zoning (minimum of one unit) at 70% discount on housing, services, and fees, or discounted units of equivalent value</td></tr>
<tr><td>Notes
In response to feedback:
- staff has reduced the proposed voluntary goal from 2% to 1%;
- staff recommends the adoption of a text amendment to exclude the floor area associated with senior affordable units from the project's overall floor area;
- staff recommends no contribution be anticipated on any ancillary commercial development if affordable units are provided.</td></tr>
<tr><td rowspan="2">Permitted development through rezoning involving increase in density</td><td rowspan="2">Contributions offered, including on-site units at 40% discount and at auxiliary-grant (AG) level of subsidy, and monetary contributions.</td><td>Residential: Required on-site contribution or monetary contribution of equivalent value
<u>Assisted Living/Memory Care base expectation</u>: 2% of units permitted through increase in density (minimum one unit) at AG level or discounted units of equivalent value
<u>Assisted Living/Memory Care Goal</u>: 3% of units permitted through increase in density (minimum one unit) at AG level or discounted units of equivalent value
<u>Independent Living base expectation</u>: 2% of units permitted through increase in density (minimum one unit) at 70% discount on housing, services, and fees, or discounted units of equivalent value
<u>Independent Living Goal</u>: 3% of units permitted under existing zoning (minimum of one unit) at 70% discount on housing, services, and fees, or discounted units of equivalent value</td></tr>
<tr><td>Notes
In response to feedback:
- staff has reduced the proposed goal from 4% to 3%;
- staff has introduced the new, lower base expectation of 2%;
- staff recommends no contribution be anticipated on any ancillary commercial development if affordable units are provided.</td></tr>
<tr><td colspan="3">All contribution rates referenced above are consistent with published Procedures Regarding Affordable Housing Contributions unless otherwise noted.</td></tr>
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Next Steps and Implementation
Next steps include the following:

- Update the Procedures on Affordable Housing Contributions based on City Council direction. The updated Procedures will provide a baseline for the upcoming assessment of the City adopting an inclusionary zoning policy, including seeking any necessary legislative authorities;
- Explore regulatory changes to further incentivize affordable housing production, including context-sensitive modifications to the bonus heights provisions of Section 7-700 and new exemptions to floor area maximums in exchange for affordable senior housing;
- Identify and evaluate financial tools and advocacy actions to further incentivize affordable housing production, including tax-related tools and the potential timing of contributions;
- Evaluate waivers for community amenity or infrastructure fees incurred by affordable housing projects; and
- Advocate for increase in Northern Virginia's monthly cap on supplemental assistance under the Auxiliary-Grant program.

Master Plan Amendments involving last use changes (but involving a rezoning)
During the HCWG process, it was agreed that, at this time, a new contribution requirement (tier) would not be established for commercial and residential development involving a land use change. However, as part of its implementation tasks, staff recommend that the City's Procedures be clarified to reflect how land use changes should be treated in the case of Coordinated Development District (CDD) applications in order to provide consistency. In cases where commercial development is being converted to residential, residential by-right density permitted under the CDD's underlying zoning (i.e., the zoning that preceded the CDD rezoning or the zoning designated to serve as the CDD's underlying zoning) should fall under the voluntary Residential Tier 1 contribution rate. Residential development that results from a conversion of approved non-residential uses and exceeds density permitted by-right should fall under the voluntary Residential Tier 2 contribution rate.