

Overview

The Beauregard Small Area Plan states that dedicated affordable and workforce housing will be provided within the Plan Area, subject to available funding. Many of those units will take the form of dedicated set aside rental units. This document provides a formula to be used to calculate the cost of each affordable and workforce housing unit. In addition, this document provides a description of each variable listed in the formula and the manner in which each variable will be calculated.

Buydown Formula:

$$((\text{Gross Market Rent} - (\text{Gross Affordable Rent} - \text{Utility Cost})) * 12) \div \text{Capitalization Rate}$$

Gross Market Rent: Gross Market Rent will be provided by each applicant on a dollar per square foot basis (\$/Sq. Ft.). Existing buildings and projects for which the City exercises its right to buy down units at a time after the final CO is released and the building is leased will provide the current average market rate rent for each unit type (efficiency, 1BR, 2BR, and 3BR) within the building. New construction projects will provide the current comparable market rent for the type of product to be constructed within a comparable market area. Unit types that the City elects not to use as committed affordable units (i.e., "luxury units"), based on size, amenities, and/or location within the building, will be excluded from the calculation of average market rents. In order to calculate the monthly gross market rent for each unit type the \$/Sq. Ft. will be multiplied by the average size for the unit type to be bought down. The City will use market rent data from the City Apartment Survey and/or industry sources to verify the gross market rents provided by the applicants for new construction projects.

Gross Affordable Rent: The Office of Housing will publish the affordable monthly rents each year based on annual data updated and published by the U.S. Department of Housing and Urban Development, the Virginia Housing Development Authority, or another source utilized by the City and industry for the purposes of determining the proper rent for affordable housing

Utility Cost: The Office of Housing will publish a utility cost sheet for each bedroom size each year. This cost will be used both in the calculation of the buydown at the time of the initial buydown and as part of the ongoing monitoring of previously purchased affordable units within the Beauregard Plan Area. At the City's discretion the Utility Cost Sheet may or may not be the same as the utility cost published annually by the Alexandria Redevelopment and Housing Authority. If the City is buying down an existing unit in which utilities are included as part of the rent and no separate utility cost (via a separate billing system) is billed to residents, no utility cost deduction will be included as part of the buydown formula for those units.

Capitalization Rate: The capitalization rate will be based on the most recent publication by CBRE for Washington, DC market Infill/Urban Stabilized Multihousing. New construction product will be based on the average capitalization rate for a Class A stabilized building and existing units will be based on the average capitalization rate for a Class B stabilized building. In the event the City would buy-down existing units that have not been renovated the capitalization rate will be based on a Class C stabilized building. Another source that is mutually agreed upon by the City and the Applicant may be used to calculate the buy down cost.

Example: Buydown of New Construction One Bedroom Apartment Unit at 60%AMI

1. Gross Market Rent: (Information to be provided by Applicant verified by City)

- a. 1BR Market Rent = \$2.65/Sq. Ft.
- b. Average 1BR Size = 700 Sq. Ft.
- c. Monthly Market Rent = \$1,855

2. Gross Affordable Rent: The following Table was provided by the Office of Housing

2012 Maximum Rent Limits				
%AMI	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom
30%	\$564	\$605	\$726	\$839
40%	\$753	\$806	\$968	\$1,118
50%	\$941	\$1,008	\$1,210	\$1,397
55%	\$1,035	\$1,109	\$1,330	\$1,537
60%	\$1,129	\$1,209	\$1,452	\$1,677
75%	\$1,411	\$1,512	\$1,814	\$2,096
80%	\$1,505	\$1,613	\$1,935	\$2,236

3. Utility Cost: The following utility costs for new construction projects are based on a cost study conducted by Allen Associates at The Station at Potomac Yard in 2010 after lease up and stabilization.

BR Size	Monthly Utility Cost
Efficiency	\$35
1 BR	\$55
2 BR	\$67

4. Capitalization Rate: The Average Capitalization Rate for Apartments in the Mid-Atlantic Region as of Quarter 4 2011 is 4.20%.

5. Formula: $((Gross\ Market\ Rent - (Gross\ Affordable\ Rent - Utility\ Cost)) * 12) \div Capitalization\ Rate$

- $(\$1,855 - (\$1,209 - \$55)) = \701
- $\$701 * 12 = \$8,412$
- $8,412 \div 4.20\% = \$145,284.97$
- 2012 60% AMI 1-BR new construction unit cost = \$200,285