Docket Item #2
Text Amendment #2025-00004
Amendment to RMF/Residential Multi-Unit Zone

Issue: (A) Initiation of and (B) Public Hearing and consideration of a Text Amendment to the Zoning Ordinance to amend the RMF/Residential multi-unit zone to comply with updated Virginia Housing Development Authority lending policies related to long-term affordability.	Planning Commission Hearing:	May 6, 2025
	City Council Hearing:	May 17, 2025

Staff:
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Bill Cook, Urban Planner william.cook@alexandriava.gov

Staff recommendation: Staff recommends that the Planning Commission INITIATE and recommend APPROVAL of the text amendment.

I. SUMMARY

Staff propose a text amendment to the RMF zone to align with Virginia Housing (VH) lending requirements that limit the level of affordability allowed to remain following an event of an uncurable default where VH, as the senior lender, assumes ownership and operation of the property.

II. BACKGROUND

Rationale for Proposed Text Amendment

The City imposes income and rent restrictions through zoning (the Residential Multifamily Zone, Section 7-700, and other rezoning policy) and development conditions. Six Alexandria affordable housing projects with land use approvals (Sanse + Naja, Witter Place, Samuel Madden North, Ladrey, Elbert Avenue, Parkview II) plan to use (or may use) financing that includes a form of financing not used before on projects in the City. These include 4% tax credits and tax-exempt bonds issued by Virginia Housing (VH). The VH underwriting requirements regarding survivability of affordability are new.

While many safeguards are in place within the underwriting and legal frameworks involved in these transactions allowing the City to intervene (e.g., notice and cure to allow the City to make payments on behalf of a borrower; rights of first refusal that enable the City to designate a project to be transferred to another entity) which make the likelihood of default very remote, complying with the letter of VH's affordability guidelines is essential to assure its potential investors that VH would have maximum flexibility to provide the anticipated return should a project not perform as proposed. In this worst-case situation, where VH takes over a project, under their guidelines all units could be converted to market rate rents, except for 20% that would be allowed to remain affordable at 60% AMI.

III. DISCUSSION OF PROPOSED TEXT CHANGES

To comply with VH underwriting requirements for the six City projects that have development approvals, an interdepartmental staff group comprised Office of Housing, Planning & Zoning and the City Attorney's Office, working in consultation with Virginia Housing's lending team, propose a text amendment to acknowledge the possibility of default as narrowly as possible.

Staff propose an amendment to the Zoning Ordinance Article III Section Residential Zone Regulations Section 3-1406 RMF/Residential multi-unit zone to address projects where affordability is tied to use of the zone.

Going forward, a discussion regarding the requirements will be incorporated in the staff reports associated with development that is likely to use VH financing. Proposed DSUP condition language also addresses this issue. In addition, staff will work with developers to mitigate the potential loss of affordability in future projects by structuring the project phases to distribute affordable units in a way to fall under the 20% survivability cap, if possible.

IV. RECOMENDATION

Staff recommends initiation and approval of the proposed text amendment.

Staff: Tony LaColla, AICP, Division Chief
Sam Shelby, Principal Planner
Bill Cook, Urban Planner

Attachment: Proposed Zoning Text Amendment #2025-00004

3-1406 Floor area ratio.

The permitted floor area ratio of a development in the RMF zone shall be as follows:

(A) *Permitted.* The maximum permitted FAR shall not exceed .75.

(B) *Special use permit.* The floor area ratio may be increased to an amount not to exceed 3.0 if the applicant commits to providing committed affordable housing in the building or project which is the subject of the permit application in compliance with the following requirements:

(1) The committed affordable housing shall be equivalent to at least one third of the increase in the floor area ratio above the maximum permitted in section 3-1405(A).

(2) An affordable housing plan and a relocation plan shall be submitted consistent with published city standards for such plans.

(3) Rents payable by households for the committed affordable units shall not, on average, exceed the maximum rents allowed under the Federal Low-Income Housing Tax Credit program for households with incomes at 40 percent of the area median income for the Washington D.C. Metropolitan Statistical Area. Average rents payable by households for the committed affordable units may be increased up to the maximum rents allowed under the Federal Low-Income Housing Tax Credit program for households with incomes at 50 percent of the area median income for the Washington D.C. Metropolitan Statistical Area subject to the submission of a revised affordable housing plan. Any existing housing assistance payment contract in effect as of March 16, 2019 and any extension thereof or new contract which maintains the material aspects of the existing contract shall be deemed to be in compliance with this subsection.

<u>(4) If the Virginia Housing Development Authority or successor is the first lienholder of the permanent loan and if there is a foreclosure by the Virginia Housing Development Authority and it is the successful bidder and becomes the successor in interest, then the committed affordable housing units required may be reduced to no less than 20 percent of the originally approved units at 60 percent of the area median income for the Washington D.C. Metropolitan Statistical Area. Under no other circumstances will a reduction in the committed affordable units be allowed or considered.</u>

(C) *Continuum of care facility.* The maximum permitted floor area ratio is .75 and a maximum of 50 percent of the floor space of the proposed development may be residential use. Except that, if a special use permit is approved pursuant to the provisions of section 3-1406(B), the maximum floor area ratio may be increased to an amount not to exceed 3.0 and a maximum of 70 percent of the floor space of the proposed development may be residential use.