UPDATE TO THE AFFORDABLE HOUSING CONTRIBUTION

POLICIES AND PROCEDURES

OFFICE OF HOUSING

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UPDATE TO THE AFFORDABLE HOUSING CONTRIBUTION POLICIES AND PROCEDURES

I. SUMMARY

Updated affordable housing contribution procedures are proposed for Planning Commission review and City Council consideration to:

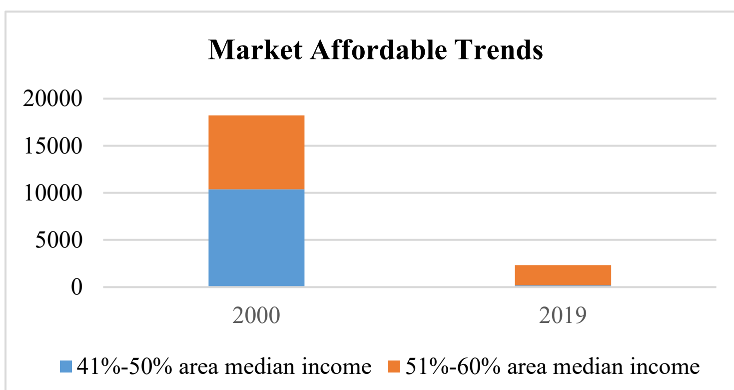
(1) Provide greater clarity, consistency, and certainty with respect to the City's affordable housing contribution policies and procedures; and
(2) Ensure the housing contribution policies and procedures effectively address the added value generated through current and emerging land use trends, including:
   a. applications involving the addition of density above the density envisioned in an underlying small area plan;
   b. commercial to residential building conversions; and
   c. senior housing projects involving independent living, assisted living, and memory care.

Staff recommends that Planning Commission review and City Council approve the implementation tasks and next steps identified in this report, including a recommendation that the City **seek legislative authority through the Virginia General Assembly to make affordable housing monetary contributions mandatory.**

It is noted that the analysis completed as part of this work will help to serve as a baseline against which the City's FY2020-21 assessment of inclusionary zoning can be evaluated.

II. BACKGROUND

1. Issue



The City of Alexandria faces an acute shortage of affordable housing with the current pandemic further highlighting the vulnerability of thousands of Alexandria households as they deal with housing insecurity and disproportionate health impacts due to sharing of housing resources. The growing demand for affordable housing—caused by stagnant wages, rising rents in a desirable real estate market (resulting in the loss of approximately 16,000 market-affordable units in the City since 2000), and a decline of federal funding to preserve existing affordable housing—pose challenges to the city's livability, economic competitiveness, social services network, and transportation system. A recognition of the link between economic development and housing affordability—first noted in the City's 2013 Housing Master Plan and a key component of Alexandria and Arlington's successful joint response to the Amazon HQ2 RFP—resulted in a regional housing study led by the Metropolitan Washington

Council of Governments (COG) which determined that, to fulfill the DMV's future economic development goals, an additional 75,000 new housing units must be produced by 2030, beyond those already forecast, to house the anticipated workforce needed to support upcoming economic growth.

In addition, an accompanying assessment by the Urban Institute, commissioned by the Greater Washington Partnership, determined that to meet housing affordability needs of future metro area workers and achieve economic growth, 75% of these additional units must be available at rents and sale prices affordable to households at low- and middle-incomes. In March 2020, City Council endorsed COG's 2019 Regional Housing Initiative Resolution, including its allocation to Alexandria of a goal to produce or preserve an additional 2,250 new committed affordable and workforce level units, beyond the goal set in the Housing Master Plan, by 2030. Mounting demand, coupled with an increased level of City investment required to support efforts to preserve and develop committed affordable units, underscores the necessity for Alexandria to explore all options to expand housing affordability through the development process and through study and consideration of additional financial and regulatory tools (i.e. "Zoning for Housing").

The 2019-2020 Housing Contributions Work Group (HCWG) process was charged with: (1) providing greater clarity, consistency, and certainty for all parties with respect to the City's affordable housing contribution policies; and (2) examining whether the City's affordable housing contribution procedures effectively address the added value generated through current and emerging land use trends, specifically applications involving the addition of density, master plan amendments (MPAs) involving land use changes, commercial to residential building conversions, and senior housing projects involving independent living, assisted living, and memory care. It was anticipated that the process would also help to create a baseline against which the City's FY20-21 assessment of inclusionary zoning could be evaluated. It is noted that an examination of master plan amendments (MPAs) involving land use changes—and the resulting new value yielded that might secure a contribution to affordable housing—has been deferred to allow further study and third-party financial analysis. There is some precedent for such an approach, and the HCWG will be reconvened if a recommendation for a proposed policy revision is deemed appropriate based on study findings.

2. Housing Contribution Workgroup

At the request of City Council and in response to the growing diversity of applications not addressed under the City's Procedures Regarding Affordable Housing Contributions (Appendix 1), a HCWG was convened in February 2019. Its membership was devised to ensure representation of development perspectives, housing interests, and stakeholder priorities. The HCWG included developers of multifamily rental, for-sale, and senior housing; land use counsel who practice in the city; the Alexandria Redevelopment and Housing Authority (ARHA); the Commission on Aging (COA); the Commission on Persons with Disabilities (CPD); the Planning Commission, as well as Planning/Development staff; the Alexandria Economic Development Partnership; and the Alexandria Housing Affordability Advisory Committee (AHAAC) whose members represent a range of housing stakeholder perspectives, including nonprofit housing service providers and developers (Appendix 2).

The 2019-20 HCWG served as a continuation of the City's tradition of consulting with the development community and housing stakeholders to review housing practices and development trends and identify opportunities to increase housing affordability through the development process. Prior groups have valued achieving consensus regarding policy goals and tools, including contribution rates and approaches. Past efforts have included:

1. The 2001 Affordable Housing Task Force addressed options for the development of affordable rental and owner-occupied housing through construction and rehabilitation and for assistance of eligible homebuyer, homeowner, and renter households through housing programs and subsidies.

2. The 2004-05 Developer Housing Contribution Policy Work Group provided feedback on the City's voluntary housing contribution procedures. The resulting policy recommendation established contribution rates for commercial, by-right residential, and residential development secured through a Special Use Permit, rezoning, and/or through an MPA. The procedures also developed the first generation of affordable housing requirements for Section 7-700 (the city's bonus density and height program).

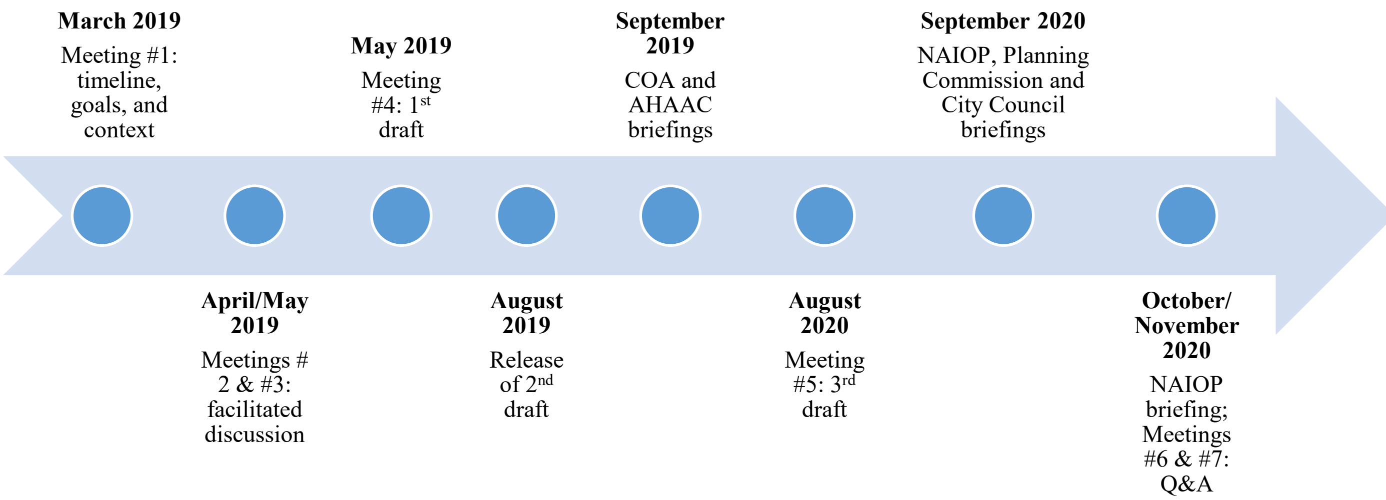
3. The 2008 Affordable Housing Initiatives Work Group (AHIWG) made a range of interim and longer-term recommendations including the development of the city's first Housing Master Plan (HMP); supporting efforts to preserve existing affordable and market affordable housing; and establishing a new task force to update the city's voluntary housing contributions procedures.

   Convened in 2011, the new task force—the Developer Housing Contribution Work Group (DHCWG)—recommended the annual adjustment of contribution rates based on inflation, and the elimination of the distinction in contributions on rental versus for-sale housing projects (recommendations adopted in December 2013). Of note to this report, while the group recommended several actions to refine Section 7-700, it did not propose a new bonus density formula to treat a portion of the additional density gained through a rezoning as bonus density for the purposes of affordable housing; it opted instead to continue to allow the public benefits provided in connection with a rezoning to be determined on a case by case basis taking into account the specific priorities associated with the development. The group urged that the issue of affordable housing in the context of rezonings be instead addressed by a policy statement incorporated in the HMP and subsequently approved the following:

   "when an application for a rezoning is proposed that increases the permitted density or otherwise adds value to the parcel being rezoned, the City should consider whether, among the variety of public benefits that may be under consideration, there should be a significant cash or in-kind contribution to affordable housing in excess of what would normally be provided with a Development Special Use Permit".

   The interpretation and application of this policy statement has varied widely. For further discussion on the implications of this policy approach on affordable housing contributions, see Section III Recommendations.

Housing Contributions Workgroup Process
Seven public meetings were held with the HCWG between March 2019 and November 2020, in addition to briefings conducted with the Commission on Aging (COA), the Alexandria Housing Affordability Advisory Committee (AHAAC), NAIOP, Planning Commission, and City Council.



The meetings featured speakers from the development community—including representatives from Paradigm, Carr Companies, Silverstone Senior Living, and Wire Gill, LLC—as well as from the Division of Aging and Adult Services at the Department of Community and Human Services and the Commission on Aging. Presentations were followed by facilitated table discussions structured to promote dialogue among stakeholders.

While staff hoped a consensus among workgroup members might be achieved in early summer 2019, that did not prove possible as members held a range of viewpoints reflecting their divergent interests (see discussion of *HCWG Themes*). In late summer 2019, staff prepared revised draft recommendations that it believed at the time to be reasonable compromises to address the different perspectives and which were informed by housing policies, practices, and experiences of neighboring jurisdictions. The recommendations were circulated to HCWG members for comment on August 26, but consensus was not attained following a series of briefings and individual feedback.

Engagement efforts with the HCWG were temporarily paused in the late fall and early winter of 2019 for the planning of the City's first Housing Summit (held in January 2020), and further delayed by the COVID-19 pandemic. Staff used this period to conduct additional research and hired a third-party consultant to evaluate its rezoning recommendations and their underlying assumptions to confirm the potential value yielded to support affordable housing contributions. Concurrent with this work and consistent with the approved FY20/21 Interdepartmental Workplan, staff also accelerated its workplan to undertake the planned Inclusionary Zoning Feasibility Study (see text box).

Inclusionary Zoning (IZ) Update: Consistent with the FY20/21 Interdepartmental Workplan, a study of the feasibility and desirability of Inclusionary Zoning was initiated in Spring-Summer 2020. Stakeholder consultation began in the Fall and will continue through Winter 2021. Public hearings are planned for Spring 2021.

While work continues, the housing contribution analysis and the IZ study (as well as analysis undertaken to develop affordable housing recommendations for the Eisenhower East Small Area Plan Update) have helped to inform each other's preliminary findings and methodologies.

HCWG meetings resumed in late summer 2020 and have continued through the fall. While opinions have continued to vary, stakeholders have acknowledged the evolutionary approach of the recommendations, indicated their agreement that compromises are necessary, and have affirmed that establishing certainty and consistency is important. Representatives from the development community reiterated their commitment to promoting housing affordability, but have underscored a potential need for flexibility in the contribution requirements for individual projects based on their specific economics. They identified unique site conditions, the anticipated expansion of the FEMA floodplain and likely design and construction requirements, ever-increasing construction costs, and the cost and complexity of redeveloping existing uses as key reasons underlying the need for flexibility. While they opined that new requirements might result in less housing, it is noted that there was general consensus among HCWG members regarding the assumptions that informed the proposed recommendations. At each meeting, staff reminded the HCWG that flexibility, if requested, would be premised on an independent review of a developer's certified proforma.

During the September 1 Planning Commission briefing, Commissioners noted that the research and analysis informing the recommendations and findings reflected the Eisenhower East housing contribution approach and requested more detailed information underlying the assumptions and recommendations in a future briefing.

During a briefing at the September 22 City Council Legislative Meeting, some Council members also requested more detailed information be provided regarding the underlying assumptions and recommendations.

Following the conclusion of the fall Work Group meetings, AHAAC provided a letter of support for the proposed recommendations (Appendix 3), and the COA endorsed the senior housing recommendations via email.

Housing Contributions Workgroup Themes
The following themes were conveyed through the HCWG process:

- *Importance of establishing priorities for community benefits:* Several HCWG members emphasized the importance of City Council establishing clear expectations for developer contributions, including for affordable housing, during the SAP process. According to several HCWG developer and land use counsel stakeholders, trade-offs and/or relief from other development requirements might be necessary to provide more affordable housing. Land use counsel participating in the process indicated that City expectations for heightened green building standards and public art, bikeshare and other developer contributions should be measured against heightened housing contributions. In Fall 2020 HCWG meetings, improvements to stormwater infrastructure were also cited in the list of potential trade-off items. Setting clear expectations for community benefits in SAPs can eliminate uncertainty during subsequent project negotiations. Most importantly, clear expectations regarding housing contributions and their costs help set land prices which take this consideration into account.

- *No-one-size-fits-all contribution policy:* While members espoused support for consistency in affordable housing procedures, some also emphasized the importance of flexibility. Development economics can vary considerably based on a project's development program, including factors such as the tenure of the project (for-sale versus rental), whether it involves redevelopment of an existing income-generating use, construction costs, the availability and terms of financial resources, and sub-market context, such as rents. Incorporating opportunities for flexibility may allow contributions to respond to each project's proforma, and/or allow a development to fulfill its housing contribution in a lower cost market. Implicit in the need for flexibility is a more transparent sharing of the development economics that underly project proformas and, should flexibility be requested, that the review is thorough and rigorous.

- *Discuss opportunities to expand housing opportunity in the earliest stages of the development process:* Development representatives encouraged staff to proactively brainstorm with applicants on "what it would take" to enhance housing affordability in their projects as early as the pre-concept stage before development programs have been finalized.

- *Recognize the importance of commercial development:* Land use counsel representatives reiterated the role commercial development plays in building the city's tax base, including generation of potential new financial resources for affordable housing, and urged the HCWG to not consider increasing contributions for commercial development. Of note, one member raised a counterproposal to permit bonus density for commercial-only development in exchange for a heightened affordable housing contribution.

- *Complexities of building conversions and senior housing projects:* Land use counsel and developers representing commercial to residential building conversion projects and senior housing projects underscored the construction and operating complexities of these project types. They noted that many commercial building conversion projects operate on thin margins due to the challenges associated with converting non-residential uses to habitable living space and functional amenities, and reported that requiring additional housing contributions might jeopardize their economic viability. One member raised the idea of delaying contribution payments until properties have stabilized cash flow.

  Developers explained that the economics of senior housing projects are different from rental projects due to design requirements (e.g. higher requirements for tailored amenity and open spaces) and construction typology (many multistory facilities automatically trigger the use of concrete and steel as part of their licensing). They also indicated that operating costs of senior housing facilities (which fund resident services, including food, care, and other programming) are highly sensitive to labor costs. In these projects, incorporating unpredictable levels of subsidized care (as residents age in place) as part of their affordable housing contributions can be challenging.

As part of this discussion, representatives from the Department of Community and Human Services' Division of Aging and Adult Services and the Commission on Aging (COA), spoke to the growing demand for more affordable housing options for seniors, including affordable assisted living and memory care, opportunities to "age-in-community", and homecare services. These needs are well documented in the City's 2019-2021 Age Friendly Plan for a Livable Community. While recent projects have provided two percent of their units as affordable at an auxiliary grant level, the COA initially voiced support for Fairfax County Health Care Advisory Board's long-standing voluntary policy, which recommends that four percent of senior units be affordable at the auxiliary grant level (see Section III.3.), and encouraged the HCWG to consider regulatory incentives to enhance senior affordable housing production in the city.

One potential regulatory incentive for projects not seeking additional density involves exempting the floor area associated with affordable senior units from a project's overall floor area. Such an incentive could be modeled after Sec.1-400(B)(3)(f)(1) which exempts space (up to 10,000 square feet) devoted to day care facilities and programs offering early childhood education, elder care and other related services. As part of the approvals for the Sunrise Senior Living project (DSUP 2016-00041) a second affordable senior unit was made possible by not counting the unit and its associated floor area against the zone's underlying maximum FAR requirements.

- *Explore other tools to incentivize affordable housing:* Members urged the City to evaluate other tools to promote affordable housing development, including financial tools, such as tax exemption and tax abatement, payment-in-lieu-of taxes (PILOTs), and tax-increment financing (TIFs); new or modified regulatory tools, including an amendment to modify the restrictions placed on the bonus height provisions in Section 7-700, a review of zones that include FAR and unit/acre density restrictions, zero parking requirements in areas with metro access and/or enhanced transit options, and expedited development review. Many of these tools are being explored by Planning and Zoning and Housing staff as part of the ongoing *Zoning for Housing* initiatives.

> Section 7-700 grants up to 30% in additional density and/or up to 25' of additional height in exchange for the provision of affordable housing.

III. RECOMMENDATIONS

Legal Authority

In Virginia, local control of land use is constrained by the Dillon Rule, which limits local municipalities' powers to those specifically conferred, those necessarily or fairly implied from a specific grant of authority, or those essential and indispensable to the purpose of government. Because of the Dillon Rule, municipal governments in Virginia have only those powers which the state legislature explicitly conveys or reserves to them, either through the Code of Virginia or through charters.

With respect to affordable housing, the City of Alexandria (and some other jurisdictions) under the Code of Virginia §15.2-2304, "may by amendment to the zoning ordinances … provide for an affordable housing dwelling unit program… [that] shall address housing needs, promote a full range of housing choices, and encourage the construction and continued existence of moderately priced housing by providing for optional increases in density in order to reduce land costs for such moderately priced housing." The City's primary approach under Code of Virginia §15.2-2304 has been a bonus density and height ordinance codified into Section 7-700 of the City's Zoning Ordinance, which requires the provision of affordable units when bonus density and/or height are granted through the special use permit process. In addition, the City Council approved a new Residential Multifamily (RMF) Zone in 2019 which allows increased floor area in exchange for the provision of new, and preservation of existing, deeply affordable housing.

Outside of the parameters of Section 7-700 and the RMF Zone, rezonings and text amendments to Coordinated Development Districts (CDDs) are the chief vehicles by which a specific project can achieve increased density. Projects receiving additional density, however, are not currently subject to a requirement for heightened affordable housing contributions. This approach has carried both risks and rewards: despite the relevant language in the HMP (see Section II.2.), contributions provided through the current "negotiation process" range widely from voluntary monetary contributions to varying percentages of on-site units.

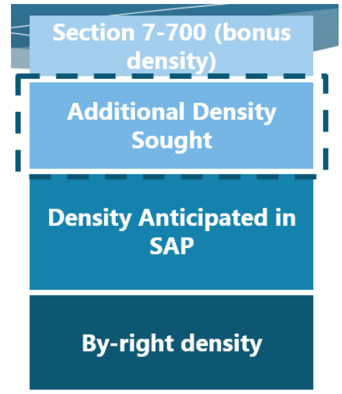
While less specificity (i.e., limited standardization of requirements) in the Zoning Ordinance can provide the City with more discretion to work towards the best outcome both for the City and the developer, with the potential to achieve more affordable housing than might be possible under a more specific ordinance, less specificity also means less certainty for all parties and can result in an outcome less favorable to affordable housing than possible with specific ordinance requirements. It also creates uncertainty among staff regarding contribution priorities, which should be understood by all prior to initial developer meetings. Staff's review of the voluntary contributions offered through applications submitted following the adoption of the HMP, in conjunction with its review of development and land use trends not addressed in the current procedures, have informed staff's recommendations to update the procedures and seek legislative authority at the state level to make voluntary contributions (the City's current practice) mandatory.

Intent of Recommendations
The intent of the proposed recommendations is to ensure continued consistency and clarity in the City's affordable housing contribution procedures and policies for new and emerging development trends; and to provide greater certainty in the City's expectations.

As described above, the early HCWG meetings involved robust discussion and debate during which staff recorded many of the key themes. In the absence, however, of a clear consensus on the recommendations, staff proposes the following recommendations as a reasonable compromise among divergent positions. The recommendations establish clear parameters regarding the City's expectations for affordable housing contributions while allowing for limited flexibility to amend those expectations in response to economic constraints confirmed through an independent, transparent review process.

1. Applications Seeking Additional Density

The proposed recommendations apply to applications—rezonings and CDD text amendments—that involve an increase in residential density beyond that recommended in relevant small area plans approved as of the effective date of these recommendations (see graphic). They do not preclude or replace the use of Section 7-700, which can be, and has been, paired with rezoning applications.



The recommendations are tiered to reflect economic distinctions between the two prevailing submarkets in the city (see text box and Appendix 4): *Core Markets* (mature markets with established market fundamentals [defined by rents and for-sale prices], typically proximate to transit and/or commercial corridors); and *Emerging Markets* (markets that are maturing). These market designations are fluid and are anticipated to evolve as market conditions change (i.e. an emerging market may become a core market). The character of submarkets will be re-evaluated at least every five years by staff.

Core Submarkets:

- North Potomac Yard
- Potomac Yard/Potomac Greens
- Potomac West, including Mount Vernon Avenue Business Area Plan and Oakville Triangle and Route 1 Corridor Plan Areas, and excluding the Arlandria Neighborhood Area Plan
- Northeast
- Old Town North
- Braddock Road Metro Station, including Braddock Metro Neighborhood Plan and Braddock East Master Plan Areas
- Old Town, including Waterfront Area Plan and Hunting Creek Area Plan Areas
- Southwest Quadrant, including South Patrick Street Housing Affordability Strategy Plan Area
- Eisenhower East
- King Street Metro/Eisenhower Avenue

Emerging Submarkets:

- Arlandria Neighborhood Area Plan
- Taylor Run/Duke Street
- Northridge/Rosemont
- Fairlington/Bradlee
- Seminary Hill/Strawberry Hill
- Alexandria West
- Beauregard
- Landmark Van Dorn, including Landmark/Van Dorn Corridor Plan
- Eisenhower West

It is noted that Code of Virginia §15.2-2304 permits the City to require an affordable housing contribution for applications in which additional density is being sought. The value of the tiered recommendations was informed by the completion of two case studies seeking an increase in density above the density envisioned in their respective underlying small area plans, and involving the most commonly built product in the city—mid-rise, stick-built rental projects with structured parking. It is noted that this analysis was further informed by the 2019 study completed for the Eisenhower East Small Area Plan Update, which evaluated affordable housing expectations for approximately half a dozen high-rise development sites involving concrete and steel construction.

The case studies—one in a Core and one in an Emerging market—were modeled after one constructed development and one recently approved project, and factored in market-specific rents, vacancy rates, escalation factors, parking requirements, construction and soft costs, and developer contributions (to the extent known) against investor-required rates of return (see assumptions—Appendix 5).

The model assumed each case study's affordable housing contribution comprised a monetary contribution on base (by-right) square footage and an on-site affordable housing requirement on the square footage requested through the rezoning. It examined four scenarios:

Scenario #1: 5% requirement on the rezoning affordable at 60% of the area median income (AMI) (Appendix 6)

Scenario #2: 8% requirement on the rezoning affordable at 60% AMI

Scenario #3: 10% requirement on the rezoning affordable at 60% AMI

Scenario #4: 10% requirement on the rezoning consisting of 6% affordable at 60% AMI and 4% affordable at 70% AMI

At a 16% Internal Rate of Return[1], a starting assumption deemed appropriate for the industry by the third-party consultant, and applying the assumptions described above, the analysis showed the 10% requirement at 60% AMI in the Core Market case study and a 8% requirement at 60% AMI in the Emerging Market case study to be:

- Supportable—the projects could proceed with this level of contribution. It is noted that the feasibility of each set of findings was subjected to a sensitivity analysis to evaluate vulnerability to vacancy, rent, and rent escalation assumptions. The findings revealed sensitivity to these factors, as would also be anticipated in response to changes in investor expectations (IRR) and construction and financing costs, or to extraordinary site conditions.
- Reasonable—the projects could provide other developer contributions and meet infrastructure and design requirements; and
- Commensurate—the projects were providing on-site affordable housing commensurate with the value generated through the requested increase in density.

Recommendations

Table 1 compares staff recommendations to the City's current procedures, and Example 1 illustrates the application of the proposed recommendations.

[1] The Internal rate of return (IRR) for an investment is the percentage rate earned on each dollar invested for each period it is invested.

Table 1

<table>
<tr><th>Development Type</th><th>Current Procedures</th><th>Staff Recommendations</th></tr>
<tr><td>Residential development (excluding age-restricted multifamily projects operating as independent living communities) and mixed-use development, involving residential development, permitted through an increase in density beyond that recommended in an SAP approved as of the effective date of this Policy</td><td>Commercial: Commercial contribution

Residential: Negotiated (typically Tier 2 residential contribution or affordable units)</td><td><u>COMMERCIAL</u>: Required commercial contribution consistent with current procedures*

<u>RESIDENTIAL</u>

RENTAL

Residential: Required on-site contribution (or a land, off-site units, or monetary contribution of equivalent value)
Core Markets: 10% of increase in residential development affordable at 60% AMI (adjusted for utilities), or lower AMI of equivalent value

Emerging Markets: 8% of increase in residential development affordable at 60% AMI (adjusted for utilities), or lower AMI of equivalent value

FOR-SALE

Residential: Required on-site contribution (or a land, off-site units, or monetary contribution of equivalent value)
Core Markets: 10% of increase in residential development affordable at 70-100% AMI or otherwise consistent with city policy in effect at the time of the application's submission

Emerging Markets: 8% of increase in residential development affordable at 70-100% AMI or otherwise consistent with city policy in effect at the time of the application's submission

<u>MIXED-USE</u>

If a project involves a rental and for-sale component, it will be subject, on a prorated based, to the rental and for-sale housing requirements or a contribution of equivalent value.

<u>FLEXIBILITY</u>
Flexibility may be considered on a case-by-case basis for:
For-sale projects. Factors to be considered may include the size and type of the project (condominiums and single-family detached and attached residential development) and the level of the additional density being requested;
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); the proposed use(s); and the level of additional density being requested; and
Projects in which the developer can demonstrate, through a third party review, that market conditions have substantially changed since the effective date of this policy in an unforeseen or unprecedented manner, external to the developer's control, and which would</td></tr>
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		negatively impact the economics of the development, if required in full. **Modifications to the requirements will be subject to third-party analysis, but in no case are the requirements recommended to be reduced below five percent.** Alternative contributions involving land dedication or the provision of affordable units off-site or a monetary contribution will be subject to an equivalency analysis, as well as a third-party review, as needed.
Notes: *In response to stakeholder feedback, staff does not at this time recommend a new higher "Tier 2" commercial rate be established for commercial development constructed with a rezoning or CDD text amendment in recognition of the important role commercial development plays in supporting the City's tax base and in generating new jobs. This recommendation may be reviewed again in future updates. While a change was considered, it is also noted that in response to stakeholder feedback, staff does not recommend contributions on by-right development or development permitted through an SUP be indexed (increased) at this time to align with the delivery of units; currently the City's policy is to index most developer infrastructure contributions.		

The allowance for flexibility will be contingent upon development transparency, information sharing, and earlier dialogue regarding the development economics that underly project proformas. This includes identifying the challenges developers are facing in designing, constructing, and financing their proposed projects, as well as proactively exploring potential opportunities to expand housing opportunity. Requests for flexibility in residential contribution requirements are anticipated to be limited primarily to the three categories (economics related to for-sale housing, in conjunction with the City's policy to most impactfully address housing need; existing income-generating properties; or overall changes in market conditions) and will be subject to a third-party analysis based on proformas certified by the developer and submitted for financing or investor review.

It is noted that land use counsel participating on the HCWG at the time of the 2019 discussions opposed a range beyond five percent of on-site units. While they indicated that a five percent requirement on new residential density was generally financially feasible, they expressed views that a requirement in excess of five percent could jeopardize some developers' willingness to meet the City's voluntary housing contribution procedures in the future as well as other, non-housing City priorities. With respect to the former, while the potential trade-off between monetary contributions and units would be regrettable, staff anticipates that the value of on-site units provided under eight and ten percent requirements would exceed the value of foregone voluntary monetary contributions in the majority of such cases if this threat were to materialize (a comparison of the value of the contribution associated with the by-right development to the value of the contribution associated with the rezoning helps to illustrate this point [see Example 1]). It is noted that if the City is successful in securing legislative authority to make its housing contribution policy mandatory, this risk is eliminated.

Example 1: The following hypothetical scenario compares the proposed recommendations to the application of current affordable housing contribution procedures. The scenario involves a 250,000 square foot mixed-use development on a 100,000 square foot lot, involving 25,000 of commercial development and 225,000 of residential development. The by-right FAR is .75.

Existing Procedures

Development Program	**Net Square Feet**	**2020 Contribution Procedures**	**Total Contribution**
Commercial development	25,000	Commercial rate at $2.29/sqft	$57,250
Residential permitted by-right:	75,000	Tier 1 at $3.06/sqft	$229,500
Residential permitted through rezoning:	150,000	Tier 2 at $6.11/sqft	$916,500
Total	**250,000**		**$1,203,250 (minimum anticipated contribution; may result in on-site units, subject to case-by-case negotiation)**

Proposed Recommendations at 10%

Development Program	**Net Square Feet**	**2020 Contribution Procedures**	**Total Contribution**
Commercial development	25,000	Commercial rate at $2.29/sqft	$57,250
Residential permitted by-right:	75,000	Tier 1 at $3.06/sqft	$229,500
Residential permitted through rezoning:	150,000	Mandatory units equal to 10% of increase in density	15,000 sqft of affordable housing (15-18 units*)
Total	**250,000**		**$286,750 + 15-18 units (valued at $3,000,000-$4,500,000** over a period of 40 years for rental units)**

Proposed Recommendations at 8%

Development Program	Net Square Feet	2020 Contribution Procedures	Total Contribution
Commercial development	25,000	Commercial rate at $2.29/sqft	$57,250
Residential permitted by-right:	75,000	Tier 1 at $3.06/sqft	$229,500
Residential permitted through rezoning:	150,000	Mandatory units equal to 8% of increase in density	12,000 sqft of affordable housing (12-14 units*)
Total	**250,000**		**$286,750 + 12-14 units (valued at $2,400,000-$3,500,000** over a period of 40 years for rental units)**

*The conversion into units is calculated by determining the average square footage associated with a unit (this includes net rentable sq ft and its prorated share of common space, such as corridors, amenities, etc). The average square footage associated with a unit is calculated by dividing the total net residential development by the total number of units in the project.

**An affordable unit has an estimated average value of approximately $200,000-$250,000 in 2020 dollars. The value of the subsidy associated with an affordable unit provided in a market-rate project is based on the present value of the loss in rent over the affordability term, or on the loss in rent divided by an industry cap rate.

Comparison to Regional Affordable Housing Requirements

There is significant variability in the affordable housing contributions policies and procedures among the city's neighbors—Arlington County, Fairfax County, the City of Falls Church, Montgomery County, and the District of Columbia—including the level of legal authority granted to the jurisdictions by their respective state/governing bodies to mandate such contributions (see Appendix 7). While this variability makes the comparison to the recommendations presented above challenging, staff believes the proposed recommendations are not out of step with the City's neighboring jurisdictions when their respective applicability and affordability provisions are taken into account.

2. Commercial to Residential Building Conversion Applications

The City's Procedures Regarding Affordable Housing Contributions currently exempt the conversion/adaptive reuse of existing space. This is an emerging land use trend that has found general support as the economic impacts of conversions from commercial to residential uses are better understood in terms of the net-positive generation of tax revenue, lessening demand for office space (anticipated to be further exacerbated by increased remote working necessitated by the pandemic) that results in buildings that produce no/low tax revenue, and innovation in building design and construction technology that make conversions more feasible and marketable. The lack of established procedures makes staff's evaluation of contributions as part of conversion projects challenging, and the growing interest in conversions of office and hotel to residential uses indicate these projects are creating a return that justifies a standard approach for contributions. Therefore, staff recommends the introduction of a new building conversion contribution rate to be applied towards converted floor area. It is noted that in response to feedback, the proposed new voluntary conversion contribution rate was reduced by one third—from the initial proposal of $2.29/square foot (the Commercial contribution rate) to $1.53/square foot (one half of the Residential Tier 1 contribution rate)—to reflect potential lower market rents and complexities in conversions. Table 3 compares staff recommendations to the City's current procedures.

The adoption of any contribution policy specific to conversions generated concern among participating land use counsel as their view is that such projects help expand the overall supply of workforce affordable housing options (premised on the position that the conversions produce units with below-market – non "Class A" rents) and result in net new tax revenue the City can use for affordable housing or other City priorities. They also objected to contributions that included residential square footage within the amount allowable in an underlying existing zone, and further stated that placing additional financial burdens on conversions could render such projects financially infeasible (see discussion of *HCWG Themes*). Staff notes that a credit will be extended for prior contributions and plans to monitor the affordability of published rents in upcoming projects, including at Park Center Drive, to ascertain if resulting rents are workforce affordable at 61-80% AMI or closer to market rate at 81-100% AMI. The rents at The Foundry in Eisenhower East (a 2018-19 office conversion) along with assessed values at The Oronoco condominiums, a recent conversion project, reveal that conversions are not inherently below market.

Table 3

Development Type	Current Procedures	Staff Recommendations
Permitted conversion with building permit	No contribution expectations	**No change to current procedures**
Permitted conversion with site plan or special use permit	No established procedures. Contributions offered have included on-site units at 60, 70, and 80% AMI.	**<u>RESIDENTIAL:</u>** **New building conversion contribution (proposed to be $1.53 in 2020 dollars per converted square foot) or contribution in the form of on-site or off-site units of equivalent value** **<u>FLEXIBILITY:</u>** Projects would have the option to provide monetary contributions up to one year after they secure their first Certificate of Occupancy (including a temporary CO) to allow for project revenues to stabilize.

Notes: Consistent with current procedures, projects resulting in four or fewer residential units would be exempt.

Previous affordable housing contributions would be credited towards future building conversion contributions.

The proposed contribution rate would be subject to annual increases based on the CPI for Housing consistent with current procedures.

Comparison to Regional Affordable Housing Requirements

Arlington County, Fairfax County, the City of Falls Church, and Montgomery County do not have established affordable housing contribution policies specific to commercial building conversion projects. It is staff's understanding that the District of Columbia may be contemplating establishing a policy for conversions, however, no specific information was available at the time of this report's preparation.

3. **Senior housing projects, comprising age-restricted independent living (55 years of age and above), assisted living and memory care**

The City's current procedures do not include contribution policies tailored to senior housing projects, including continuum of care facilities and age-restricted independent living communities. As a result, voluntary contributions for senior housing projects have varied between monetary contributions and discounted on-site units (see Table 4), with the level of the affordability of the units ranging from a 40% discount to an estimated 75-85% discount provided under the Auxiliary Grant program (see text box).

An auxiliary grant (AG) is an income supplement for individuals who receive Supplemental Security Income and certain other aged, blind, or disabled individuals who reside in a licensed assisted living facility or an approved adult foster care home. In 2020, the auxiliary grant pays providers in Northern Virginia $1,620/month for housing and all services, including food and care. The market-rate cost for comparable housing is estimated to range from approximately $7,000 to $12,000 or more per month depending widely on the level of services and amenities provided, with memory care requiring the highest level of care and secure accommodations. 80% of the cost of an AG is borne by the state, and 20% by the City. Virginia providers are not required to accept AG recipients.

Table 4

Project	**Development Modifications**	**Monetary Contribution**	**% Affordable and Subsidized (affordable units / total units)**	**Level/Term of Affordability**
Goodwin House (future phase of development)	Rezoning	$0	6.7% (6 or more individuals / 90)	Entrance or monthly fee subsidies funded through Goodwin House Fellowship Program, valued at approximately $1.3 million
Brandywine Living (assisted living and memory care)	CDD Text Amendment; Rezoning associated with master development	$405,715	0% (0 / 116-120)	n/a
Silverado Alexandria (memory care)	Rezoning	$117,504	3% (2 / 66)	40% discount on housing, services, fees / life of project
Sunrise Senior Living (assisted living and memory care)	Rezoning; Master Plan Amendment; Square footage associated with one AG unit exempted	$0	2.1% (2 / 93)	AG level (~75-85% discount on housing, services, fees) / 40 years

Silverstone Senior Living (independent and assisted living and memory care)	CDD Text Amendment; Master Plan Amendment; 7-700 (bonus height)	$0	2.1% (7 / 336[2]), *all to be delivered in first phase*	AG level (~75-85% discount on housing, services, fees) / 40 years
Aspire Alexandria (independent living)	7-700 (bonus density)	$385,127	6.7% (9 / 133), *associated with bonus density*	Housing costs affordable at 60% AMI (no discount on services or fees)
Benchmark (independent and assisted living and memory care)	Master Plan Amendment; Land use change	$0	2.6% (2 / 117)	AG level (~75-85% discount on housing, services, fees) / 40 years

Continuum of Care Facilities

Sec. 2-129.2 defines a continuum of care (COC) facility as "a facility specifically designed for domiciliary use and/or care of four or more aged, infirm, or disabled adults, which may provide for housing progressing from independent living, with or without kitchen facilities, and culminating in assisted living with or without provisions for memory care services, where all related uses are located on the same lot". A COC is regulated as an assisted living facility under Code of Virginia, title 63.2, as amended, and does not include nursing/convalescent homes, hospice, and medical facilities.

Staff's initial proposed recommendations regarding COC facilities were informed by the Fairfax County Health Care Advisory Board's long-standing voluntary policy of recommending that four percent of all beds in assisted living/memory care facility applications involving a special exception be allocated to low-income individuals for the life of projects; since the mid-2000's, all units secured have been at the AG level. It is noted, however, that Fairfax County in December 2018 adopted a new Continuum of Care Facility zoning district, which requires a substantially lower contribution of $3.00 per gross square foot for affordable housing.

Following the receipt of feedback from HCWG members, staff continued to work to balance the desire to maximize opportunities to incorporate affordable senior housing into new projects and the City's recent experience securing affordable housing contributions in COC Facilities (see Table 4) with the acknowledged high cost associated with providing such subsidies. Staff adjusted its COC recommendations to more closely align with development precedents: this includes the recommendation to adopt a text amendment to exclude floor area associated with those affordable COC units resulting from density permitted under existing zoning and zoning recommended in the underlying small area plan. Table 5 summarizes the recommendations, and Example 2 illustrates the application of the recommendations.

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[2] The total unit count was reduced to 313 through a subsequent development approval.

Table 5

Development Type	Current Procedures	COC Staff Recommendations
Development permitted w/special use permit under existing zoning or zoning recommended in SAP approved as of the effective date of this Policy	Voluntary contributions	**<u>COMMERCIAL</u>: No commercial contribution on ancillary commercial uses that are open to the public and operating within the same building as the COC.** **<u>COC</u>: On-site contribution (or off-site or monetary contribution of equivalent value)** <u>Continuum of Care (COC)</u>: 2% of total units (minimum of one unit) at AG level or discounted units of equivalent value *Note: S*taff recommends the adoption of a text amendment to exclude the floor area associated with affordable COC units resulting from density permitted under existing zoning and zoning recommended in the underlying small area plan from the project's overall floor area.
Development permitted through an increase in density beyond that recommended in a SAP approved as of the effective date of this Policy	Contributions offered, including on-site units at 40% discount and at auxiliary-grant (AG) level of subsidy, and monetary contributions.	**<u>COC</u>: Required on-site contribution (or off-site or monetary contribution of equivalent value)** <u>Continuum of Care (COC)</u>: 3% of units permitted through increase in density (minimum one unit) at AG level or discounted units of equivalent value **<u>FLEXIBILITY</u>** Flexibility may be considered on a case-by-case basis subject to a financial analysis, but the recommendation may be reduced to no lower than 2%.

Example 2: The following hypothetical rezoning scenario illustrates the application of the proposed recommendations for a Continuum of Care facility. The scenario involves a 100,000 square foot, 100-unit senior housing development on a 50,000 square foot lot, involving 5,000 square feet of retail and 95,000 square feet of assisted living. The by-right and small area plan FAR is 1.0. Applying the recommended policy, the project would result in 101 total units (98 market-rate and 3 affordable). The floor area associated with one affordable unit would be excluded from the project's floor area (i.e. the effective total floor area would be approximately 100,950 square feet).

COC

Development Program	Net Square Feet	Proposed Recommendation	Total Contribution
Commercial development	5,000	Contribution recommended to be waived	$0
Assisted living permitted through SUP:	45,000	2% of units	1 AG unit [95,000 / 100 = 950 sqft/unit 45,000 / 950 = 47 units 47 units x 2% = 1 unit]
Assisted living permitted through rezoning:	50,000	3% of units	2 AG units [95,000 / 100 = 950 sqft/unit

			50,000 / 950 = 53 units 53 units x 3% = 2 units]
Total	**100,000**		**3 AG units or contribution of equivalent value**

Independent Living Communities

Independent Living (IL) communities that operate as age-restricted multifamily projects from a zoning standpoint are recommended to be treated in a manner consistent with the City's residential recommendations modified to account for their differentiated cost structure (see text box). Table 6 summarizes the recommendations, and Example 3 illustrates the application of the recommendations.

> The cost to reside in an independent living community typically consists of a combined monthly housing and services payment (which may include some meals, utilities, housekeeping, trash removal, on-site entertainment and social, wellness and educational programs and events, concierge service, and/or transportation services), in addition to fees for a la carte services.

Table 6

Development Type	Current Procedures	Independent Living Staff Recommendations
Development permitted under existing zoning or zoning recommended in SAP approved as of the effective date of this Policy	**Commercial:** Voluntary commercial contribution **Residential:** Voluntary Tier 1 and Tier 2 Residential Contribution	**<u>COMMERCIAL</u>: Commercial contribution consistent with current procedures** **<u>RESIDENTIAL INDEPENDENT LIVING</u>: Monetary contribution (or on-site contribution of equivalent value) consistent with Residential Tier 1 and Tier 2 procedures**
Development permitted through an increase in density beyond that recommended in a SAP approved as of the effective date of this Policy	**Residential:** Voluntary Tier 2 Residential Contribution	**<u>RESIDENTIAL INDEPENDENT LIVING</u>: Required on-site contribution (or off-site or monetary contribution of equivalent value)** Independent Living: 3% of units permitted through increase in density (minimum one unit) at 60% discount on housing, services, and fees or discounted units of equivalent value (see Table 7) **<u>FLEXIBILITY</u>** Flexibility may be considered on a case-by-case basis subject to a financial analysis, but the recommendation may be reduced to no lower than 2%.

Value of Discount and Equivalency Analysis for Independent Living Communities

A 60 percent discount on the combined monthly housing and services payment is recommended to ensure the units are generally affordable to households earning between 50% and 60% AMI. Staff finds the difference between the resident cost and a 50-60% AMI rent to be a reasonable amount for a resident to bear taking into consideration the extent of the services included in the monthly housing and services payment, in particular the provision of meals, activities, and transportation. Preserving an adequate income balance will help to ensure a resident will have funds to cover other expenses, such as medical care (see Table 7).

Table 7

Unit type	IL monthly estimated market rent	Monthly resident cost (after 60% discount)	Gross monthly income at 50-60% AMI (for 1- and 2-person households)	Balance remaining for taxes and other monthly expenses, including medical and incidentals
1-bedroom	$5,000	$2,000	$3,675-$4,200	$1,675-$2,200
2-bedroom	$6,000	$2,400	$4,410-$5,040	$2,010-$2,640

Staff completed an equivalency analysis to translate the multifamily (MF) rezoning recommendations to the independent living (IL) discount. Table 8 shows that the 3% recommendation at a 60% discount is substantially equivalent to the 8-10% recommendation for multifamily rezoning projects providing units affordable at 60% AMI.

Table 8

Unit type	IL estimated monthly market rent	IL monthly subsidy (60% discount)	MF estimated monthly market rent	MF monthly subsidy at 60% AMI (adjusted for utilities[3])	Ratio of IL to MF monthly subsidies
1-bedroom	$5,000	$3,000	$2,300	$982	3.1
2-bedroom	$6,000	$3,600	$2,800	$1,249	2.9

Example 3: The following hypothetical rezoning scenario illustrates the application of the proposed recommendations for a multifamily independent living community. The scenario involves a 100,000 square foot, 100-unit independent living development on a 50,000 square foot lot, involving 5,000 square feet of retail and 95,000 square feet of independent living. The by-right and small area plan FAR is 1.0.

Independent Living

Development Program	Net Square Feet	Proposed Recommendation	Total Contribution
Commercial development	5,000	Commercial Contribution: $2.29/sq ft (2020)	$11,450
Independent living permitted by right:	50,000	Residential Tier 1 Contribution: $3.06/sq ft (2020)	$153,000
Independent living through rezoning:	45,000	3% of units	1 unit discounted at 60% on housing, services and fees for 40 years
Total	**100,000**		**$164,450 + 1 discounted unit (valued at approximately $1.4-$1.7 million)**

[3] Utility allowances were assumed to be $100-$150, for 1- and 2-bedroom units, respectively, for the purpose of this analysis. Utility allowances vary depending on the level of utility cost passed onto tenants and the construction of the building.

Comparison to Regional Affordable Housing Requirements
There is significant variability in the affordable housing contributions policies and procedures for senior housing projects among the city's neighbors, including the legal authority granted to the jurisdictions by their respective governing bodies to mandate such contributions (see Appendix 7). While this variability makes the comparison to the recommendations presented above challenging, staff believe the proposed recommendations are not out of step with its neighboring jurisdictions when their respective applicability and affordability provisions are taken into account. One practice recently adopted by the City of Falls Church bears future investigation: the jurisdiction receives significant monetary contributions when senior housing projects are approved, and these monies are deposited to a fund to subsidize an eligible resident's costs. City staff will monitor how these contributions are applied and their impact in serving the public to see if this model could be replicated here. In addition, staff will be monitoring the Montgomery County Senior Housing Moderately Priced Dwelling Unit (MPDU) Working Group. Convened in 2019, the working group was charged with examining how affordability can be better addressed in senior housing communities that are subject to MPDU requirements, as well in continuing care retirement communities and skilled nursing care facilities that are not. The working group is anticipated to resume activity in Winter 2020.

IV. CONCLUSION

Next Steps and Implementation

Pending Planning Commission's review and City Council's approval of these recommendations, and its guidance, next steps include the following:

- Request legislative authority from the state (beginning at the 2021 general assembly session) to amend the text of Section 15.2-2304 as follows to make voluntary contributions mandatory (Appendix 8);
- Update the Procedures Regarding Affordable Housing Contributions to reflect those recommendations approved by City Council;
- Evaluate and bring forward regulatory changes to further incentivize affordable housing production, including context-sensitive modifications to the bonus height provisions of Section 7-700, the extension of Section 7-700 to commercial only development, 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 fee waivers; and
- Identify a process and timeline for evaluating the value generated through Master Plan Amendments that involve a change in land use.

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. It is anticipated that following community engagement, policy recommendations will be forthcoming for Council's consideration in Spring 2021.

Appendices:

1. 2020 Procedures Regarding Affordable Housing Contributions
2. Housing Contributions Workgroup Membership
3. AHAAC Letter
4. Master Plan Reference Map
5. Analysis Assumptions
6. 2020 Income and Rent Limits
7. Comparison to Regional Affordable Housing Requirements
8. Proposed Draft Amendment to Section 15.2-2304

Appendix 1

City of Alexandria Procedures Regarding Affordable Housing Contributions

2020

The following outlines the City of Alexandria's affordable housing contribution procedures including the preliminary 2020 voluntary monetary contribution rates and Affordable Housing Plan guidelines, affordable housing contribution procedures for extension applications and bonus density program, and the optional reductions in parking requirements for affordable housing. The Office of Housing welcomes the opportunity to discuss the applicability of these provisions to a particular concept plan or project.

A. Bonus Density and/or Height obtained through Section 7-700 of the Zoning Ordinance

Sec. 7-700 of the Zoning Ordinance allows for up to 30% in additional density and/or an increase in height by up to 25 feet in exchange for affordable housing. Bonus height cannot be applied in zones with a height limit of 50' or lower.

Sec. 7-700 allows:

1. Affordable units created through the bonus density process to be located off-site if the value is equivalent and the off-site units are mutually agreed upon by the City and the Applicant.
2. The City to accept a cash contribution of equivalent value in lieu of affordable units if mutually agreed upon by the City and the Applicant.
3. An applicant to receive more than 30% in additional density if authorized within the relevant Small Area Plan (e.g. in the Eisenhower West SAP).

Sec. 7-700 requires that the number of affordable housing units to be provided in return for additional height or density be equal to at least one-third of the increase made possible by the additional square footage, unless the City and the Applicant mutually agree to a different number of units in order to address a stated City objective (e.g., a particular configuration of unit sizes).

B. Voluntary Contribution Rates

Applicants who desire to provide a voluntary affordable housing contribution may find it helpful to refer to the formula developed by the Housing Contribution Policy Work Group *(see Notes and Table 1)*. These rates are adjusted annually based on the CPI for Housing for the Washington Metropolitan Area.

TABLE 1: 2020 VOLUNTARY MONETARY CONTRIBUTION RATES

Development Category	Contribution per square foot*
Non-Residential	$2.29
Tier 1 Residential	$3.06
Tier 2 Residential	$6.11

*Affordable housing contributions are based on a project's floor area as defined by Sec. 2-145 of the Zoning Ordinance excluding floor area exempted by 2-145A(1-11) and 2-145B(1-13). Floor area attributed to parking, *other than* floor area attributed to garages attached to or on the same lot as individual residences and designed for use by a single household, shall also be excluded.

Notes

- **Tier 1** is defined as all residential square footage that can be built "by right".
- **Tier 2** is defined as all additional residential square footage allowed by Special Use Permit, in excess of what is included under Tier 1 and excluding square footage attributed to bonus density and/or height. Applicants should note that the 2013 Housing Master Plan recommends that when additional density is provided through a rezoning, including a Coordinated Development District, developer contributions should take into account that affordable housing is one of the City's highest priorities and there should be a significant cash or in-kind contribution to affordable housing in excess of what would normally be provided with a Development Special Use Permit.
- In **mixed-use projects**, contributions for Tier 1 Residential, Tier 2 Residential (if applicable), and non-residential square footage shall be calculated separately, each at its respective contribution rate, and then combined *(see Attachment 1)*. Non-residential square footage will not be counted against the square footage associated with Tier 1 residential development.

The 2020 Procedures are available online at www.alexandriava.gov/Housing (see Developer Resources)

C. Applicability

Voluntary contributions are applicable to all new residential developments of five units or more, and all new building area constructed, including additions to existing structures, if larger than 3,000 gross square feet, unless otherwise excluded in Section D.

Projects requesting a conversion of commercial to residential use through the DSP/DSUP and/or Master Plan Amendment process should contact the Office of Housing to discuss opportunities to incorporate affordable housing on-site and/or to provide a voluntary contribution.

D. Exclusions

Types of development for which no contribution is anticipated include religious institutions (including seminaries, convents, or monasteries); public parks and playgrounds; public and private schools; preschools within a church or school building; non-commercial facilities (including such ones as recreational facilities and community centers designed to serve a neighborhood or other such uses as approved by the City); libraries; homeless shelters; any residential project undertaken by the Alexandria Redevelopment and Housing Authority (ARHA) or an entity of which ARHA is a part, or any project in which 10% or more of the units are public housing units or other publicly-assisted units serving as replacement for public housing; and parking garages (other than garages attached to, or on the same lot with, individual residences and designed for use by a single household).

E. Affordable Housing Plans

An Applicant proposing to make a housing contribution in the form of affordable units (whether required or voluntary) should submit an Affordable Housing Plan (AHP) describing the proposed contribution. Each AHP received by the City will be considered on a case-by-case basis within the guidelines of City policy with the understanding that the provision of affordable housing is an important goal for the City that may need to be weighed along with other desired community benefits. To learn more about the content, submission, and review process of AHPs, please review the Affordable Housing Plan Guidelines available online at www.alexandriava.gov/Housing (see Developer Resources).

F. Timing of Contribution Payment

For all projects (commercial and residential) for which voluntary or required bonus density contributions are pledged, contributions are to be made on a pro-rata basis at the time of the initial occupancy for each unit/space, as evidenced by a certificate of occupancy for finished unit/space, with the following exception: contributions attributable to for-sale units may be made upon the sale of each unit to the end user.

G. Expirations, Extensions and Amendments to Development Special Use Permits, Development Site Plans, and Coordinated Development Districts

1. If a previously approved DSUP or DSP expires, any resubmission after the expiration date will be treated as a new application and will be subject to review by the Office of Housing under the procedures current at the time of the re-submission. If the resubmission involves an AHP or changes to a previously approved AHP, the AHP will be forwarded to the Alexandria Housing Affordability Advisory Committee (AHAAC) for review.
2. When an applicant requests an extension of a previously approved DSUP or DSP, the affordable housing contribution shall be exempt from review by the Office of Housing. If an applicant requests a second extension, the affordable housing contribution shall be updated using the rates current at the time the extension application is accepted for review.
3. If an applicant submits minor changes (as determined by the Department of Planning and Zoning) to a previously approved DSUP, DSP, or CDD, the affordable housing conditions of the revised submission shall be exempt from review by the Office of Housing unless the changes impact a previously approved AHP.

4. If an applicant submits major changes (as determined by the Department of Planning and Zoning) to a previously approved DSUP, DSP, or CDD that did not include an AHP, the affordable housing conditions shall be reviewed by the Office of Housing.

5. If an applicant submits major changes (as determined by the Department of Planning and Zoning) to a previously approved DSUP, DSP, or CDD that included an AHP, the affordable housing conditions shall be reviewed by the Office of Housing. If the proposed changes involve a new AHP or have implications for an existing AHP (e.g., there is a major change in the scope of the project that merits a change in the level of affordable housing to be provided), the AHP shall be forwarded to AHAAC for review.

H. Optional Parking Ratios for Affordable Housing

Section 8-200 (General parking regulations) was amended in 2015 to provide optional reductions in parking requirements for affordable units in multifamily buildings based on the level of affordability of the units *(see Table 2 and Section 8-200(A)(2)(a)(iii) Optional parking ratios for affordable housing)*.

TABLE 2: OPTIONAL PARKING RATIOS FOR AFFORDABLE HOUSING

Level of Affordability of Unit	Parking Space per Unit
30% AMI	0.5
50% AMI	0.65
60% AMI	0.75

Area Median Income as defined by HUD for the Washington-Arlington-Alexandria, DC-VA-MD-WV Area

These parking ratios may be further reduced if an Applicant can demonstrate, to the satisfaction of the Director of the Department of Planning and Zoning, that the multifamily dwelling in which the units are located in:

- is within the Metro Half-Mile Walkshed or Bus Rapid Transit Half-Mile Walkshed, as shown on the maps titled "City of Alexandria Metro Station Walkshed Map" and "City of Alexandria Bus Rapid Transit Walkshed Map" [10% reduction];
- is within one-quarter of a mile of four or more active bus routes [5% reduction];
- has a walkability index score of 90-100 [10% reduction];
- has a walkability index score of 80-89 [5% reduction]; or
- includes 20% or more studio units [5% reduction].

I. Further Information

Please contact the Office of Housing for more information.

Appendix 2: Housing Contributions Workgroup Membership

Workgroup Members

Name	Affiliation
Michelle Krocker, Chair FY2020-21	Alexandria Housing Affordability Advisory Committee (AHAAC)
Robyn Konkel, *Chair FY2019*	AHAAC
Katharine Dixon	AHAAC
Michael Butler	AHAAC
Carter Flemming	AHAAC/ARHA Board
Jon Frederick	AHAAC
William Harris	AHAAC/ Commission on Aging (COA)
Peter-Anthony Pappas	AHAAC
Paul Zurawski	AHAAC
Yasin Seddiq	(Former) AHAAC
Mary Parker	(Former) AHAAC/ Commission on Persons with Disabilities (CPD)
Holly Hanisian	AHAAC
Michael Doyle	AHAAC
Dan Brendel	(Former) AHAAC
Zach Desjardins	AHAAC
William Alexander	AHAAC
Annette Bridges	AHAAC
Shelley Murphy	AHAAC
Frank Fannon	AHAAC
Merle Cuthrell	AHAAC
Felicia Brewster	AHAAC
Betsy Faga	AHAAC
Carol Mizoguchi	AHAAC/DCHS
Robert (Bob) Eiffert	COA
Kent Fee	CPD
Stephen Koenig	Planning Commission Representative
Martin Lucero	Virginia Housing Development, LLC/ARHA
Cathy Puskar	Land use attorney, Walsh, Colucci, Lubeley & Walsh
Jonathan Rak	Land use attorney, McGuireWoods
Mark Viani	Land use attorney, Bean, Kinney & Korman
Ken Wire	Land use attorney, Wire Gill LLP
Duncan Blair	Land use attorney, Land, Carroll & Blair, P.C.
Mary Catherine Gibbs	Land use attorney, Wire Gill LLP
Bud Hart	Land use attorney, Wire Gill LLP
Bobby Zeiller	Senior housing developer, Silverstone
Jerry Liang	Senior housing developer, Sunrise
Richard Greenberg	Developer, Greenhill
Austin Flajser	Developer, Carr Companies
Stan Sloter	Developer, Paradigm Development Company
Micheline Castan-Smith	Developer, Paradigm Development Company
John Freeman	Developer, Chesapeake Management Group, Inc.

Resource Members

Name	Title/Agency
Terri Lynch	Director, Division of Aging and Adult Services, DCHS
Stephanie Landrum	President & CEO, Alexandria Economic Development Partnership
Robert Kerns	Development Division Chief, Planning & Zoning
Janelle Diaz	Director of Asset Management, ARHA
Christina Zechman-Brown	Deputy City Attorney

Appendix 3: AHAAC Letter

MEMORANDUM

TO: Planning Commission and City Council
FROM: Alexandria Housing Affordability Advisory Committee (AHAAC)
RE: Housing Contributions Work Group
DATE: November 13, 2020

Dear Mayor Wilson, Members of the City Council, Chair Macek, and Members of the Planning Commission:

Over the past two years, AHAAC has been an integral part of the Housing Contributions Work Group that has examined the contributions that are made toward the City's affordable housing goals as part of new development. This process included eight meetings, numerous presentations from both staff and the development community, and three versions of recommendations that reflected feedback. AHAAC offers its full support to the recommendations presented to the work group on November 5, 2020.

Throughout the process the one goal that was shared by the development community, the advocate community, and City of Alexandria staff was to create certainty. Over the past decade the voluntary monetary contributions based on development potential has become a standardized formula within the City and it is a practice by which most developers abide. However, contributions pertaining to bonus density (particularly when a rezoning is involved), office to housing conversations, and continuum of care facilities were vague and open to negotiation. This uncertainty makes it difficult for the development community to build these contributions into their land costs and provides for various outcomes among different projects. While not everyone agrees on the level of contributions for each project type, the recommendations as drafted by staff provide clarity on the anticipated contributions for various project times and will result in additional affordable housing monetary contributions or units, particularly when additional density is provided.

The second concept that was prevalent throughout this process was that no one project is the same and that some flexibility is desired by the development community. The recommendations presented by staff address this issue by identifying anticipated contributions based on various land values in the City and provide options to reduce these contributions if appropriate data is provided. However, the recommendations set a floor for units to be provided if additional density is provided, which will lead to additional affordable housing in the City.

The loss of Alexandria's market affordable housing over the past twenty years has been well documented. The Office of Housing recommendations update the current policy to ensure that additional affordable housing is provided as new development is approved and strengthens the City's toolkit to ensure economic diversity as we continue to grow.

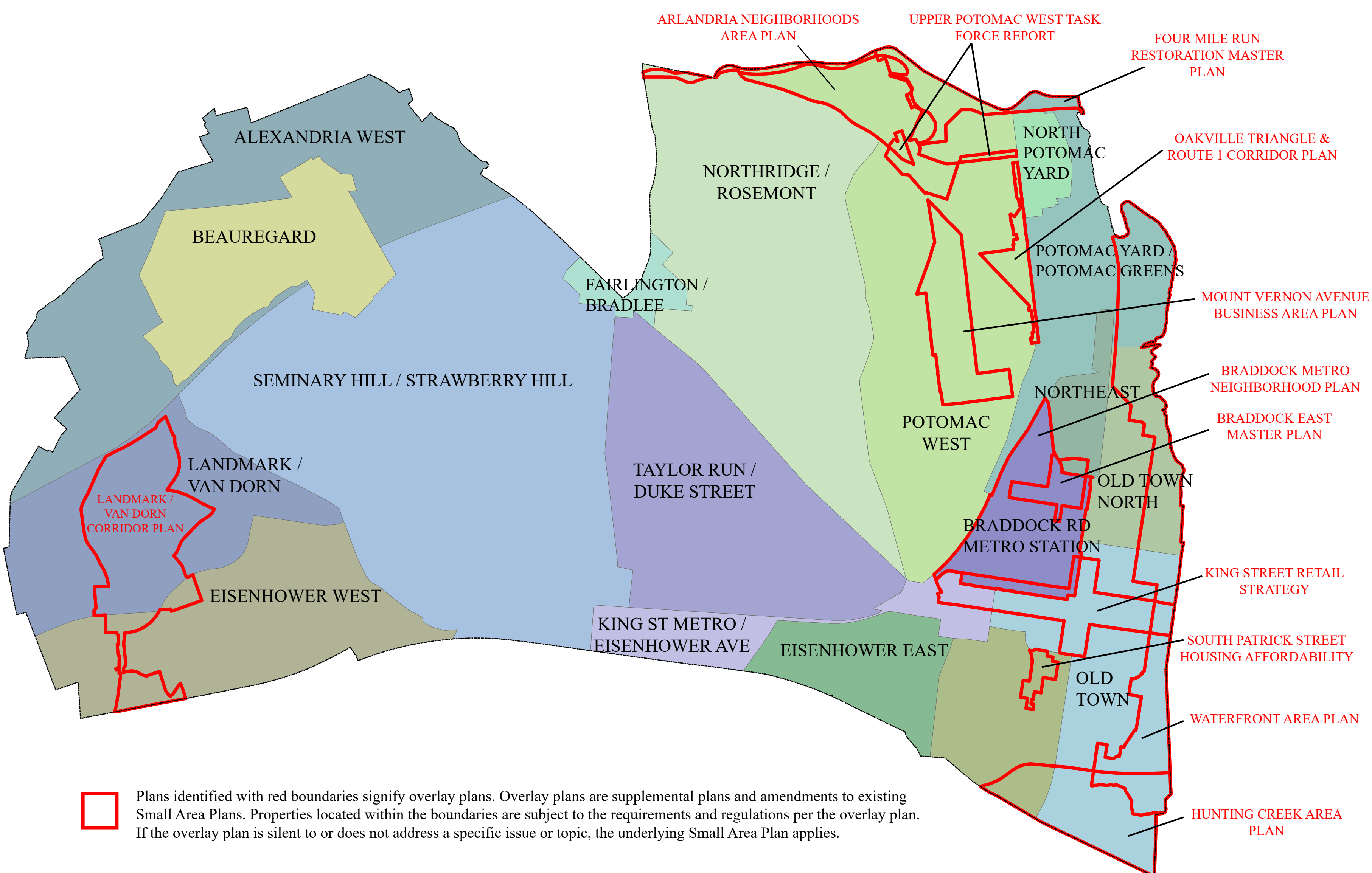
Sincerely,

Michelle Krocker

Michelle Krocker, Chair, Alexandria Housing Affordability Advisory Committee

CITY OF ALEXANDRIA MASTER PLAN MAP

Appendix 4



Plans identified with red boundaries signify overlay plans. Overlay plans are supplemental plans and amendments to existing Small Area Plans. Properties located within the boundaries are subject to the requirements and regulations per the overlay plan. If the overlay plan is silent to or does not address a specific issue or topic, the underlying Small Area Plan applies.

3/11/20

Appendix 5

Housing Contributions Case Study Assumptions

Case 1: Within 1-Mile of Metro Station on West End

Assumptions

- Project opening 2021
- Rezoning
- Mid-rise stick-built on concrete podium (+/-500 rental units with ground floor retail)
- Construction assumed cost of demolition of large single-story light-industrial uses
- Parking: total parking +/-650 total spaces; w/parking for affordable units at 0.75 spaces/unit
    - $35k/space (one-level, some topography advantages)
- Infrastructure improvements (contribution to new road @ +/- $400,000)
- Open space/plaza improvements (approx. ½ acre @ $150/sqft)
- Developer contribution ($3.15/sqft)
- Affordable housing monetary contribution applied on by-right development
- Sewer tap fee: included
- $297/sqft construction cost (all in, including financing)
- Average leasable sqft/unit: 862
- Rents:
    - Market residential: $2.63/sqft (2021)
    - Affordable residential: $1.75/sqft (weighted average of studios, 1s and 2s at 60% AMI) (2021)
    - Retail: $30/sqft NNN
- Operating Expenses:
    - $9,700/unit market
    - $6,350/unit affordable (reflects property tax adjustment)
- Vacancy:
    - 5% market
    - 3% affordable
- Parking income:
    - $60/space market-rate
    - $50/space affordable
    - $0/space retail
- Escalation rates:
    - Rents: 2.5% market and 2% affordable
    - Operating Expenses: 2.75%
    - Other Income: 1.5%
- IRR threshold: +/- 16% (for 5-year hold)

➢ Scenarios tested affordable housing requirement on increase in density (above by-right FAR)

Case 2: Within ½ Mile of Metro on East End

Assumptions

- Project opening 2021
- Rezoning + bonus density
- Mid-rise stick-built (+/-100 rental units)
- Construction assumed cost of demolition of existing retail
- Parking: total parking +/-90 total spaces; w/parking for affordable units at 0.75 spaces/unit
    - o $40k/space (one-level)
- Developer contribution ($5.11/sqft, excluding bonus density)
- Affordable housing monetary contribution applied on by-right development
- Sewer tap fee: included
- $312/sqft construction cost (all in, including financing)
- Average leasable sqft/unit: 848
- Rents:
    - Residential: $2.84/sqft (2021)
    - Affordable residential: $1.74/sqft (weighted average of studios, 1s and 2s at 60% AMI) (2021)
- Operating Expenses:
    - o $10,375/unit market
    - o $6,350/unit affordable (reflects property tax adjustment)
- Vacancy:
    - o 5% market
    - o 3% affordable
- Parking income:
    - o $85/space market-rate
    - o $50/space affordable
- Escalation rates:
    - o Rents: 2.5% market and 2% affordable
    - o Operating Expenses: 2.75%
    - o Other Income: 1.5%
- IRR threshold: +/- 16% (for 5-year hold)

  ➢ Scenarios tested affordable housing requirement on increase in density (above by-right FAR)

Appendix 6: Income and Rent Limits

2020 Income Limits

%AMI	1 Person	2 People	3 People	4 People	5 People	6 People
30%	$ 26,500	$ 30,250	$ 34,050	$ 37,800	$ 40,850	$ 43,850
40%	$ 35,280	$ 40,320	$ 45,360	$ 50,400	$ 54,440	$ 58,480
50%	$ 44,100	$ 50,400	$ 56,700	$ 63,000	$ 68,050	$ 73,100
60%	$ 52,920	$ 60,480	$ 68,040	$ 75,600	$ 81,660	$ 87,720
70%	$ 61,740	$ 70,560	$ 79,380	$ 88,200	$ 95,270	$ 102,340
HUD 80%	$ 55,750	$ 63,700	$ 71,650	$ 79,600	$ 86,000	$ 92,350
MATH 80%	$ 70,560	$ 80,640	$ 90,720	$ 100,800	$ 108,880	$ 116,960
100%	$ 88,200	$ 100,800	$ 113,400	**$ 126,000**	$ 136,100	$ 146,200
120%	$ 105,840	$ 120,960	$ 136,080	$ 151,200	$ 163,320	$ 175,440

Source: HUD; Office of Housing, City of Alexandria

2020 Rent Limits (gross rents including utilities)

AMI	Efficiency	1BR	2BR	3BR
30%	$ 663	$ 709	$ 851	$ 983
40%	$ 882	$ 945	$ 1,134	$ 1,311
50%	$ 1,103	$ 1,181	$ 1,418	$ 1,638
60%	$ 1,323	$ 1,418	$ 1,701	$ 1,966
70%	$ 1,544	$ 1,654	$ 1,985	$ 2,293
HUD 80%	$ 1,394	$ 1,493	$ 1,791	$ 2,070
MATH 80%	$ 1,764	$ 1,890	$ 2,268	$ 2,621
100%	$ 2,205	$ 2,363	$ 2,835	$ 3,276
120%	$ 2,646	$ 2,835	$ 3,402	$ 3,932

Source: Office of Housing, City of Alexandria

Appendix 7: Comparison to Regional Affordable Housing Requirements

1. *Regional affordable housing contribution practices relevant to proposed affordable housing policies and requirements in the case of applications involving increases in density*

- *Arlington County, Virginia*—Arlington County operates under §15.2-735.1, which permits the County to require affordable housing contributions. The County's Affordable Housing Ordinance offers developers the option of providing affordable units or contributing to the County's Affordable Housing Investment Fund. Table 2 summarizes the County's requirements for applications that are seeking development approvals through the site plan process in accordance with the County's General Plan. Projects seeking density above that envisioned in the General Plan have the option to pursue up to 25% bonus density and six-stories in additional height in exchange for approximately 25-50% of the requested density/height being committed affordable or pursue additional density through special provisions for the Clarendon Revitalization District, the Columbia Pike Neighborhoods Special Revitalization District and Neighborhoods Form Based Code, and Nauck Village Center.

Table 2

Floor Area Ratio (FAR)	Committed Affordable Units @ 60% AMI (percentage of total development) for 30 years (rental)	Monetary Contribution (2020 rates)*	
		Residential	Commercial
<1.0 FAR	none	$2.05/square feet of gross floor area	$2.05/square feet of gross floor area
1.0-3.0 FAR	5% on-site 7.5% off-site, nearby 10% off-site, elsewhere	$5.48/square feet of gross floor area	$5.48/square feet of gross floor area
3.0+		$10.98/square feet of gross floor area	$5.48/square feet of gross floor area

**It is noted that Arlington County's contribution rates apply to gross floor area and that commercial and residential development is apportioned proportionately across fixed tiers. The City's contribution rates apply to net floor area and commercial development is excluded when apportioning residential development between Tiers 1 and 2; floor area assigned to the tiers is based on the FAR permitted in each zone. Arlington County's on-site unit requirement is based on total development whereas staff's recommendation would apply only to the increase in residential density sought through a rezoning.*

- *Fairfax County, Virginia*—Fairfax County has a multi-pronged approach to promoting housing affordability through new construction.
  - The County's Affordable Housing Program requires that 5%-6.25% of low-rise multifamily (defined as fewer than four stories) and 12.5% of single-family attached/detached units are affordable at 50-65% AMI for 30 years for rental (and in perpetuity for for-sale) applications seeking a rezoning, special exception, site plan or subdivision which yields 50 or more dwelling units.
  - The County's Workforce Housing Program (WDU) established a voluntary policy to encourage affordable housing in mid-rise multifamily development and higher-density mixed-use centers. The countywide policy requires 12% of units are

affordable at 80-120% AMI in exchange for bonus density of up to 20%. Tysons Corner has a requirement that 20% of rental units are affordable with levels of affordability ranging from 50% to 120% AMI, along with a minimum $3.00/square foot monetary contribution on non-residential development, excluding ground level retail. It is noted that the County's WDU program, including its high cap on the affordability of rental units, was reviewed by the 2019-2020 WDU Policy Task Force; the Task Force recommends the current policy be modified to address:

  - the challenges of 100 and 120% AMI units being at or above market rate;
  - the ability to provide housing opportunities for households at 60-80% AMI to realize the intent of the WDU Policy.

Developed recommendations are anticipated to be heard by the Board of Supervisors in February 2021.

- *Falls Church, Virginia*—The City of Falls Church has a bonus density program that permits up to 20% in additional density in exchange of a minimum of 12.5% of total units. In January 2019, the City of Falls Church also adopted a new policy that encourages applicants to provide increased affordable housing contribution (above the City's 2013 policy recommendation to secure 6% of total units as affordable) through the use of incentives and other tools. The policy provides flexibility based on unit tenure, size, location and other characteristics. Rental units are affordable at two income tiers: 30-50% AMI and 51-80% AMI. The policy recognizes that the percentage of affordable units will be a function of the depth of affordability provided.

- *Montgomery County, Maryland*—Maryland is a Home Rule state. This designation grants its jurisdictions greater authority to pass local laws to govern themselves, including instituting affordable housing requirements for new development. Montgomery County was one of the nation's first jurisdictions to introduce inclusionary zoning (IZ). The County's IZ requirement mandates that 12.5-15% of total units are affordable to households earning up to 65% AMI for rental (actual rents are a function of household income) and up to 70% AMI for for-sale in exchange for bonus density of up to 22%; developments that receive no density bonus are still required to set aside 12.5% of units as affordable.

- *District of Columbia*—The District of Columbia also has IZ. The City requires 8-10% of total residential floor area be set-aside for rental units affordable at 60% AMI and for-sale units affordable at 80% AMI in exchange for up to 20% in bonus density; height and lot coverage modifications are also sometimes considered. It is noted that the District is contemplating introducing Expanded Inclusionary Zoning (IZ Plus) which would increase the required affordable housing to 10-20 percent of residential development in rezoning cases that are requesting additional density.

2. Regional affordable housing contribution practices relevant to proposed affordable housing policies and requirements in the case of senior housing projects

- *Arlington County, Virginia*—Arlington County does not have affordable housing contribution policies specific to senior housing projects.

- *Fairfax County, Virginia*—In addition to the County's practice of securing 4% of units at the AG-level in assisted living facilities, independent living facility projects that utilize bonus density and/or parking reductions are required to provide 15% of total units as affordable, with housing costs discounted consistent with the County's ADU policy. It is noted that Fairfax County in December 2018 adopted a comprehensive plan amendment that creates a new Continuum of Care Facility (CCF) zoning district; the CCF combines a number of the senior housing-related uses into a single zone to "provide for a continuum of accommodation styles and care/service options to better facilitate aging in place". The district requires developers contribute $3.00 per gross square foot in current dollars for affordable housing. Two applications (one approved and one under review) are making this contribution; a third project, the Erikson, is providing land and constructing an affordable senior housing building to be run by a non-profit operator.

- *Falls Church, Virginia*—The City of Falls Church's policy of recommending six percent or more of total units as affordable applies to independent living projects. The past two assisted living projects have secured or are in the process of securing credits from the developers to be paid annually to eligible low-income residents. The Kensington project was approved with the requirement to provide a $93,600 subsidy per year (adjusted annually for inflation) for the life of the project; the subsidy is designed to serve up to six individuals with incomes at or below 80% AMI as defined by the Department of Housing and Urban Development.

- Montgomery County, Maryland—Montgomery County's MPDU program extends to independent living projects. While the affordability requirements ensure that housing costs in such facilities are discounted, the County has found that the cost of services has made overall living expenses prohibitive for many low- to moderate-income households. The County convened a task force in 2019 to examine this issue, along with how affordability can be addressed in continuing care retirement communities and assisted living and skilled nursing care facilities which do not have MPDU requirements. The task force's work was paused due to the onset of the pandemic; work is anticipated to resume in fall/winter 2020.

- Gaithersburg, Maryland:
    - In independent living communities with 20 or more units, the housing costs of 15 percent of the units must be affordable at 60% AMI inclusive of utilities (with housing costs caped at 30% of household income). Services and fees that are not optional for residents may not exceed 50% of those charged to market rate units.
    - In assisted living communities, excluding memory care, with 20 or more units, the housing costs of 15 percent of the units must be affordable at 55-75% AMI (with housing costs caped at 75-80% of household income). Costs associated with activities of daily living (e.g. bathing, dressing, and eating) and other required care are not discounted.
    - In memory care communities, excluding memory care, with 20 or more units, the housing costs of 15 percent of the units must be affordable at 75% AMI (with housing costs caped at 85-90% of household income). Costs associated with activities of daily living (e.g. bathing, dressing, and eating) and other required care are not discounted.

- *District of Columbia*—The District of Columbia's 1958 regulations exempts assisted-living facilities from the requirements of the IZ program.

Appendix 8: Draft Text Amendment

The following is a draft of the text amendment language that would enable the City to require contributions to be made mandatory and that is proposed to be part of the City's legislative packet.

15.2-2304. Affordable dwelling unit ordinances in certain localities.

In furtherance of the purpose of providing affordable shelter for all residents of the Commonwealth, the governing body of any county where the urban county executive form of government or the county manager plan of government is in effect, the Counties of Albemarle and Loudoun, and the Cities of Alexandria, Charlottesville, and Fairfax may by amendment to the zoning ordinances of such locality provide for an affordable housing dwelling unit program. The program shall address housing needs, promote a full range of housing choices, and encourage the construction and continued existence of moderately priced housing by providing for optional increases in density in order to reduce land costs for such moderately priced housing. Any project whether or not ~~that is~~ subject to an affordable housing dwelling unit program adopted pursuant to this section ~~shall not be~~ may be subject to an additional requirement outside of such program to contribute to a county or city housing fund but not for density covered by the program.

Any local ordinance of any other locality providing optional increases in density for provision of low and moderate income housing adopted before December 31, 1988, shall continue in full force and effect.