



Legislation Details (With Text)

File #: 21-0568 **Name:** Housing Contribution Procedures
Type: Written Report **Status:** Agenda Ready
File created: 12/17/2020 **In control:** City Council Legislative Meeting
On agenda: 1/26/2021 **Final action:**
Title: Updated Housing Contribution Procedures.

Sponsors:

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Attachments: 1. 21-0568_Attachment 1_Housing Contributions - Revised Table 1 (011221) (003), 2. 21-0568_Attachment 2_Docket Memo and Contributions Report 12.12.2020

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 20, 2021
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Updated Housing Contribution Procedures.

ISSUE: Proposed draft language regarding procedures for exceptions to mandatory housing contribution requirements and process to update status of City submarkets (Attachment 1).

RECOMMENDATION: That City Council:

1. Approve the proposed draft language describing the criteria and process for requesting, evaluating and considering developer requests for exceptions to reduce the mandatory provision of affordable housing when additional density beyond what is envisioned in a Small Area Plan is sought; and
2. Direct staff to provide annual reviews of the status of City submarkets, including updates to their characterization as Core or Emerging, as appropriate.

BACKGROUND: After a public hearing on December 12, 2020, Council approved revisions to the City's housing contributions policies and procedures including, among other things, a requirement to make the provision of affordable housing mandatory when a project seeks additional density beyond what is contemplated in a small area plan. Depending on the submarket in which the development is located, and its characterization as Core or Emerging based on a review of market differentials including rents commanded, the policy recommends that either 10% (Core) or 8% (Emerging) of the additional density sought beyond the level described in the Small Area Plan be provided as affordable housing.

A process to enable potential modifications - to lower the developer's affordable housing requirement to a floor of 5% - was proposed by the Work Group in its Report. However, central to City Council's discussion and consideration of the proposed policy revisions, was its expressed desire to very narrowly circumscribe the criteria allowing developers to request an exception potentially reducing the affordable housing requirement. Alternative language was proposed to limit exceptions to "sui generis," or unique, conditions only, to exclude requests becoming routine for changes in market conditions, unfavorable financing terms and/or rising construction costs that should be anticipated by sophisticated developers working in the City. It was agreed that staff should draft language to address Council's concerns and return with revised text for Table 1 in the Work Group Report (Attachment 2) describing the process for requesting, evaluating and considering requests for exceptions to modify the required contribution.

It is noted that Council further determined that the cost of the independent financial analysis to review a developer's request for an exception should be borne by the developer, with City staff establishing a scope of work and managing the consultant's work. Per Council's direction, the findings and conclusions of the third-party review will be reviewed by City Council, but not be binding on their determination of whether an exception is granted. In any case, the policy retains language that the floor for a reduction, regardless of submarket, shall require no less than 5% affordable housing.

There was also a discussion by Council of the interval at which the status of submarkets should be evaluated and updated since the characterization of a neighborhood determines whether the provision of 8 or 10% affordable housing is appropriate. In light of the dynamic nature of certain emerging submarkets, and to ensure that housing policy does not lag catalytic development or other changes that creates sudden, positive movement upward within markets, staff agreed that rather than a review occurring "at least every five years", a yearly evaluation could be performed, with changes in the status of submarkets reported in the annual update to the Housing Contribution Procedures, a document which serves as a guide to the development industry regarding housing policies and procedures within the development review and approval processes.

DISCUSSION: Revised Draft Table 1 (Attachment 1) incorporates changes to reflect City Council's discussion and direction on December 12, 2020. Following City Council's further review and comment, as well as the outcome of a pending state legislative proposal to make housing contributions mandatory as part of the City's authority to create a local affordable housing program pursuant to VA Code 15.2-2304, Housing and Planning staff will work with the City Attorney to prepare amendments to the Zoning Ordinance to memorialize the various housing policy changes. The Affordable Housing Procedures will also be updated this Spring, as appropriate and consistent with Housing's practice, once the 2021 consumer price index is published. The CPI informs adjustments to housing contribution rates.

FISCAL IMPACT: None. A developer requesting an exception to reduce the required provision of affordable housing shall pay for the costs of an independent, third party evaluation, however, the City shall establish the scope of the consultant's work and manage the work.

ATTACHMENTS:

- (1) Revised Table 1
- (2) Docket Memo and Housing Contributions Report (including Table 1 - pp. 11-12)

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