

Charting a Way Forward

Preserving Market Rate Affordable Housing
in Northern Virginia's Inner Suburbs



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Dear Colleagues,

Three jurisdictions in Northern Virginia—Alexandria, Arlington and Fairfax County—are pursuing the commercial revitalization of three major corridors within their borders. Those corridors - Columbia Pike in Arlington and extended into Fairfax County, a portion of Leesburg Pike (Rte 7) at Bailey's Crossroads and Beauregard Street in Alexandria - will undergo significant transformation. In addition to improved transit access, there will be dramatic changes in land use creating new office and commercial development, more attention to public open space and streetscapes, increased pedestrian access and thousands of units of new housing.

These corridors are also where a considerable amount of older, privately-owned market affordable apartments are located, providing homes for thousands of low income households. While commercial revitalization in these areas is welcomed, all three jurisdictions, through separate planning processes, have created conditions that put this significant inventory of older, affordable housing stock at risk due to land use changes that will allow new, higher densities and more housing to serve higher income households.

While there are strategies and tools that local governments can utilize to preserve existing affordable housing, the situation along these three corridors is made more challenging by the fact that the majority of this housing stock is privately owned. With no form of public subsidy, there is no conventional way, short of outright acquisition, to insure their long term affordability. How these jurisdictions are approaching the issue of preserving this housing, and the tools and resources they have at their disposal, is the focus of this report.

Demand for rental housing is rising due to continued job growth in Northern Virginia and uncertainties about homeownership. With rents projected to increase 4-6 percent annually for the next few years, preservation of our existing affordable housing stock remains a key strategy for our region. The location of this housing is also important. Situated on or near multi-modal transit routes with easy access to jobs and services, the preservation of these units embodies many of the best planning principles for a successful, sustainable community.

Charting a Way Forward suggests that jurisdictions address their common challenge of preserving market affordable units by looking beyond their boundaries to share pertinent information and best practices. Where it makes sense, collaboration to develop common strategies should be explored and encouraged. With over 11,000 units at risk, our region would best be served by these local jurisdictions allocating necessary resources and adopting transparent, consistent strategies to engage private land owners in solutions that maintain the long term affordability of this valuable housing stock.

Sincerely,



Michelle Krocker, Executive Director
Northern Virginia Affordable Housing Alliance

ACKNOWLEDGMENTS

This is the second in a series of reports produced by the Northern Virginia Affordable Housing Alliance that examines specific affordable housing challenges in Northern Virginia. As with our first report *Homeless in Northern Virginia*, many professionals participated in this effort, and we would like to acknowledge their contribution.

We turned once again to Angie Rodgers who authored this report. Angie's thorough research, analysis and attention to detail provided the framework for this comprehensive look at the threat to "MARKS"—privately owned, older affordable housing serving thousands of low income households. This housing dominates the development landscape along three major transit corridors that are scheduled for dramatic transformation.

Staff from the departments of Planning and Housing in the City of Alexandria, Arlington and Fairfax County assisted with much of the primary research materials and were generous with their time, willing to share information, and always available for follow-up questions. We also want to acknowledge those private land owners with developments along the three corridors who agreed to sit down with us for very candid, frank discussions about the challenge of partnerships with local governments regarding the preservation of affordable housing. We respect their desire to remain unnamed, but we want to thank them for participating in this effort.

We are grateful for the contributions of Katrin Anaker, Assistant Professor at George Mason University's School of Public Policy and Danilo Pelletiere, Research Director at the National Low Income Housing Coalition. Acting as editorial consultants, Katrin and Danilo helped us think through some of our early assumptions and they challenged us along the way. Their expert advice and comments resulted in a stronger, more coherent report. Michael Scheurer with VHDA also provided valuable input and commentary and we thank him as well.

Thanks to Kim Girton at Unit5 Design who provided expert design layout and production guidance for this report. Finally, we want to acknowledge and thank Housing Virginia and the Virginia Housing Development Authority for their generous sponsorship and support for this report.

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EXECUTIVE SUMMARY

The City of Alexandria, Arlington County and Fairfax County in Northern Virginia are simultaneously planning for the redevelopment of Beauregard, Columbia Pike and Baileys Crossroads, respectively. Though the inner suburban location of these three corridors makes them attractive, lack of private investment, along with poor transportation options and infrastructure have prevented them from becoming a destination, particularly for the region's more affluent residents. As a result of the planning, however, each corridor will see the development of new transportation patterns and public transit options that will make these areas more accessible, the creation of new office, retail and hotel space, and the transformation of public areas into green, pedestrian-friendly spaces. This transformation will likely change the type of households seeking to live in these areas. Currently, all three corridors are home to a significant number of low- to moderate-income, and especially minority, households. Relatively low rental rates among the older housing units that dominate these corridors have allowed these households to remain while many other neighborhoods in the area's inner suburbs have redeveloped and/or lost affordability. Redevelopment in these areas, however, could also threaten this older, inexpensive housing stock.

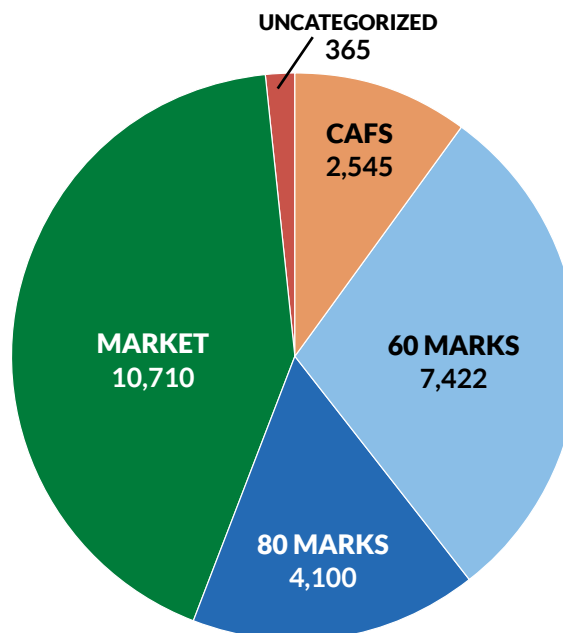
The Need for Preservation

Some 46 percent—more than 11,500 units—of the 25,000 rentals in the redevelopment corridors are privately-owned MARKS, meaning they are affordable to households with income below 80 percent of the area median income—\$82,800

for a family of four. The MARKS are a valuable asset, as they provide housing to low- and moderate-income households without any government subsidy. Redevelopment, however, introduces opportunities for MARKS owners to reposition their properties as new retail, transit options and other amenities begin to attract higher-income residents. Moreover, many of the MARKS in these areas are significantly aged (constructed 40 or more years ago) and need rehabilitation (or will soon need it) to remain viable, another factor that creates an opportunity for an owner to considering selling or recapitalizing their property. Given that these jurisdic-

Privately Owned Rental Housing in Beauregard, Columbia Pike and Baileys Crossroads

Total = 25,142



CAFS: Committed Affordable Units
MARKS: Market Affordable Units



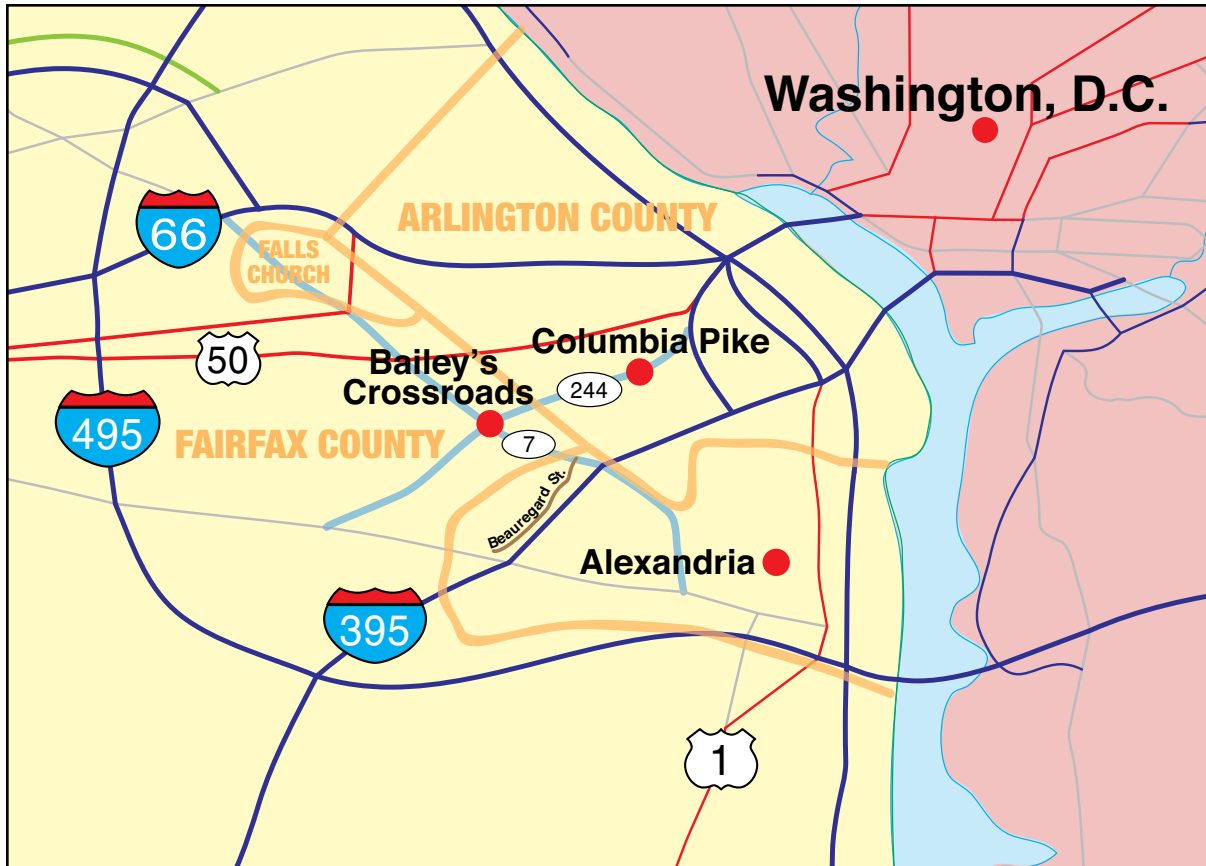
tions have lost thousands of affordable units over the past decade, the loss of additional affordable capacity will leave them unprepared to meet projections for future job and population growth, which are subsequently expected to increase the demand for affordable rentals.

Recommendations

Each jurisdiction should:

- Aggressively set goals for preservation or creation of affordable units based on the projected needs in those areas. The goals should account for the extent to which overcrowding may be stressing the existing stock, areas where there may be need for types of units that do not currently exist, and any projections for net losses.
- Be flexible in crafting tools for private owners to use. While the community should expect long-term affordability in exchange for the use of public resources in projects, there may be other types of benefits—tax relief and small loans—that would help private owners keep their units affordable without committing to a restriction that outlives actual use of the benefit.
- Determine where the goals for affordable housing preservation in the redevelopment plans fall in the list of priorities for likely already oversubscribed public resources.
- Use best practices from neighboring jurisdictions and collaborate where needed. For example, a new state law allows jurisdictions to lower tax assessments on units made affordable through some sort of public subsidy. By expanding the definition of affordable units to include privately-owned market affordable units through a provision in the law which gives localities that option, MARKS could take advantage of lower tax assessments as well. Localities should be collaborating to craft complementary policies, in addition to sharing other successful strategies.

Northern Virginia



- County Line
- 244 Columbia Pike
- 7 Leesburg Pike

THE CASE FOR PRESERVATION

Three jurisdictions in the Northern Virginia area—the City of Alexandria, Arlington County, and Fairfax County—are simultaneously pursuing redevelopment to improve three (largely) commercial corridors. The three corridors—Beauregard, Columbia Pike and Baileys Crossroads, respectively—have long lacked investments in transportation, commercial, residential and infrastructure improvements, but are prime targets for redevelopment due to their inner suburban location and their potential to attract new residents and businesses. Although in three separate jurisdictions, additional synergy is likely because the three redevelopment corridors connect. Columbia Pike runs from east to west across south Arlington and into Baileys Crossroads, where it forms a major intersection with Leesburg Pike (Route 7). Leesburg Pike runs through Baileys Crossroads down the eastern edge of Fairfax County, and into Alexandria, where it crosses North Beauregard. Redevelopment of each corridor will affect the other; redevelopment will affect a large swath of businesses, housing, and other institutions. This synergy and the demand it will create by attracting new residents will benefit and support commercial improvements made by new and existing business owners. Many existing residents, however, will be negatively affected as they experience increased competition for housing from new, higher-income residents attracted to the close-in location and amenities of these redeveloped areas. For this reason, each jurisdiction should aggressively set goals for the preservation and development of housing in order to

respond to affordability needs, collaborate with the other jurisdictions to develop and refine tools to accomplish preservation and development goals, and assemble a wide range of resources including density bonuses and transfers, tax and financing incentives.

The revitalization plans for these three areas anticipate that they will see major commercial investment, creating over 10 million square feet of retail and office space and approximately 18,000 new housing units. In addition new traffic patterns and transit options will be introduced, including a new streetcar that could have stops in all three areas. Improvements for streetscapes, open spaces and infrastructure are also planned.

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While the rents for many units in these areas have been kept affordable by government-sponsored financing tools and subsidies, most of the affordable units are privately-owned and have no government funding or restrictions attached to them at all.

Because these areas have seen minimal private investment in recent history, the retail and residential spaces tend to be older than in other areas in the region, particularly those other areas that are around major transit nodes that may have seen more recent redevelopment. The older housing stock in particular keeps rental rates low in these areas, making them affordable and accessible for many low- to moderate-income, and especially minority, households. While the rents for many units in these areas have been kept affordable by government-sponsored financing tools and subsidies, most of the af-

fordable units are privately-owned and have no government funding or restrictions attached to them at all. These Market Rate Affordable Units—or MARKS—are typically older (30 to 40 years old or more) and are affordable to households with incomes below 80 percent of the area median—\$82,800 for a family of four. Were they not renting at affordable rates from private landlords, these households would be eligible for government-sponsored subsidy to make their housing affordable. Notably these subsidies are always in extremely short supply and typically there is only enough funding to cover a small portion of the households who are actually eligible. Together, there are more than 25,000 rental units in the three plan areas and over 11,500 of them are MARKS that could be threatened by redevelopment activity.



Besides the presence of a significant share of MARKS, a few things are consistent in all three of these older, inner suburban redevelopment corridors:

- Poor utilization of space, layout, and build-out have made them lackluster areas for commercial investment;
- Access to public transit has been poor and/or limited; and

- Paths for walking and biking have been limited as well.

Yet these are close-in areas and therefore attractive to existing and new residents to the region who value living near their jobs, easy access to public transit in order to forgo the high and growing cost of driving, and the ability to walk to retail, amenities and entertainment. This dynamic provides an opportunity to develop in these previously neglected inner-suburbs and create new transportation options, street plans and streetscapes, housing, and businesses. Thus, the very barriers that have made the Beauregard Corridor, Columbia Pike and Baileys Crossroad mainstays of affordability are, indeed, the factors that have made them prime areas for redevelopment.

As these three aged and aging corridors prepare for a commercial and residential facelift, the pressures to redevelop and raise rents (or simply raise rents) grows. The key challenge in attracting new investment to an underdeveloped area is how to preserve capacity in housing, services and amenities for existing residents while ushering in the new. Redevelopment will bring the following:

- New, vibrant commercial corridors;
- New and improved access to public transit options; and
- Smartly designed, green, walkable neighborhoods that are in demand among households of all incomes.

Although there is a preponderance of affordable housing in all of these areas, and the revitalization plans are, to some extent, focused on how to add income diversity by attracting more middle- and high-income households, none of the jurisdictions can afford to lose affordable housing capacity. Together they have lost tens of thousands of affordable units over the past decade.

While it is much more cost effective to preserve existing affordable housing than it is to create units, the recent economic downturn has limited public resources that could be used for preservation. Meanwhile, the demand for rental housing, both affordable and market rate has risen steadily. Job and population growth has out-paced growth in the supply of rental housing.¹ Furthermore, the uncertainties surrounding the value of home ownership have meant that many workforce households with incomes between 80 and 120 percent of AMI who might have become homeowners in the past, are now seeking rental housing.

Notably, while preservation is key, many jurisdictions (according to their plan documents) intend only to preserve capacity, not necessarily the actual existing properties. Many of the currently affordable properties were constructed more than 30 or 40 years ago, and have not had any substantial rehabilitation since that time. According to data provided by the respective jurisdictions, some properties that have had no major investment are still in good condition, but many more containing thousands of units now need major renovation to be viable again.

Further, some of the properties where the existing units are located are not maximizing their development potential. In a redevelopment scenario the owners could create more new units, which would mean additional revenue as well as additional housing capacity—affordable and market rate—for the area. But this would also mean loss of the existing structures. Moreover,

redevelopment that creates more units near planned transit nodes takes advantage of a housing/transit synergy and provides more benefits to the owner and the community than the existing low-rise developments.

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Because MARKS owners do not face regulatory agreements to keep their units affordable, they will likely make decisions about the disposition of their asset based on what is most advantageous in the market that emerges from this period of redevelopment.

Since much of the affordable housing in these areas is privately owned, the response of property owners to these redevelopment pressures is both a concern and a challenge for the different jurisdictions. Because MARKS owners do not face regulatory agreements to keep their units affordable, they will likely make decisions about the disposition of their asset based on what is most advantageous in the market that emerges from this period of redevelopment. MARKS owners have many considerations that will inform or impact their decision to raise rents and/or redevelop, sell, or maintain their properties as is, including:

- Ownership of an asset that is likely aged, but may still be in good enough condition to attract tenants and produce an income stream;
- Tenants who have been in place for possibly long periods of time, so that the dedication and sense of community with those tenants goes well beyond the business transaction of renting;
- A collection of partners (family or corporate) for whom rehabilitation, recapitalization and

¹ Stephen Fuller, George Mason University Center for Regional Analysis. September 2009. "The Future of the Washington Area Economy: Alternative Forecast, Employment and Housing Implications."

disposition decisions may not be made easily, and so the default position is to maintain;

- Ownership of an asset that may need work, in which case the property could be rehabilitated or sold;
 - Rehabilitation would likely require financing, which in turn would require additional income to support the new debt. If current rents do not support the new debt, can the rehabilitated units generate enough increased rent from existing and/or new tenants to support the new debt?
 - Selling the asset raises concerns about possible tax consequences and loss of the long-term income stream.
- Ownership of an asset that may not be significant enough in their portfolio to warrant aggressive decision-making one way or another.

Redevelopment in the area, however, will increase the likelihood that existing MARKS owners can attract new, higher-income tenants to their properties, and therefore increased rents. Those owners who are thinking about how to position their asset in this emerging market will be thinking about what that potential new income may mean. With the exception of a limited number of owners, their plans for redevelopment or disposition are private matters and therefore not discussed publicly. There is some indication, though, that owners are already reacting, as some gradually, through attrition, clear their buildings of tenants with low and moderate incomes, make upgrades when the tenants leave, and raise rents so that only higher income households can afford the upgraded apartments. Still, jurisdictions need to be proactive, plan and prepare to respond when opportunities arise to buy, provide low-cost financing or other incentives to owners in exchange for keeping their

units affordable.

Each jurisdiction contemplating these long-term revitalizations has its own challenges; each is attempting to respond, however, with some effort to preserve and/or create affordable housing capacity in these areas. Both Alexandria and Arlington have identified numbers of MARKS to preserve in the Beauregard Corridor and around Columbia Pike. Alexandria is vetting tools that can be used to create and preserve affordable housing throughout the City, including in the Beauregard Corridor, through its Housing Master Plan process, set to conclude later this year. Arlington has been engaging smart growth experts locally and from around the country to advise them on how to proceed in revitalizing Columbia Pike while retaining all of the things that area residents value, like affordable housing and diversity. Fairfax County has identified a number of housing units that it envisions would be developed as a result of the Baileys Crossroads plan, and has cited the County's Affordable Dwelling Unit (ADU) Ordinance and Workforce Housing Policy as the tools to ensure that new housing in the area has the required number of affordable set asides.

Although each jurisdiction has its own challenges, their respective responses should all consider the following tools and strategies to address preservation and creation of new affordable capacity:

- Planning (Zoning/Density), including using these tools not just to determine how much housing goes where, but to use density bonuses and transfers to increase the likelihood that affordable housing will be developed and/or preserved;
- Resources (Funding), including determining how to make decisions about prioritizing oversubscribed funding sources for redevelop-

- opment areas where the risk of losing affordability is highest;
- Policy changes, including passive (adopting policy without participating in the implementation) or active (providing technical assistance) roles;
- Flexibility in determining the use restrictions to be attached to different government-sponsored tools in order to make them more attractive to private owners;
- Aggressive modeling of goals for preservation and new units that factors in both potential redevelopment pressures and existing capacity gaps, and;
- Collaboration with other jurisdictions facing the same challenges, and sharing of best practices.

PURPOSE OF THIS STUDY

This report reviews the redevelopment plans for all three areas and the market rate housing that would be affected by the three plans, and questions what the responses from the three jurisdictions should be. What should the goals be for new development and/or preservation of affordable capacity in these areas? What tools should be used? Given that the jurisdictions are simultaneously planning revitalization of contiguous areas to address many of the same challenges, what can they learn from each others' efforts?

DATA AND METHODOLOGY

This study used the following to assess revitalization efforts in three priority areas: Beauregard Corridor in Alexandria, Columbia Pike in Arlington County and Baileys Crossroads in Fairfax County:

- Data from the three jurisdictions on rental stock in the plan areas;

- Planning and meeting documents distributed during the jurisdictions' planning processes; and
- Interviews with government staff, nonprofits, property owners and community stakeholders.

Alexandria, Arlington County and Fairfax County government staff provided data on the number of rental units present in their respective plan areas and various data points about the units—age, structure type, etc. Alexandria provided rental rates for the Beauregard units based on their latest survey of properties in 2010; those rates were used to make a determination about whether the units were affordable or market rate; and in cases where a rental rate range was given, the top rate was used to determine affordability. The top rate was used in an effort to produce a conservative estimate of affordable units. It was assumed that owners will charge as close to their “ceiling” of rentable rates as possible. Arlington County provided a designation based on the County's latest rent survey in 2009 of affordable versus market rate units. Rental rates for the Fairfax County properties were verified by querying the individual properties. Once again, where a rental rate range was given, the top rate was used to determine affordability.

Planning and meeting documents are available for public review on each jurisdiction's website.

Some 17 interviews were conducted with approximately 30 stakeholders, including 11 government representatives, three community advocates, four nonprofit property owners and three for-profit property owners. Additionally, representatives from a trade association that represents private property owners were interviewed; the association subsequently arranged a discussion of the report topic by their members.



Approximately four other private, for-profit property owners were sought for interviews; those interviews were not scheduled in time for the completion of this report.

Where this report refers to affordability, the typical federal standard of 30 percent is used, i.e. households should spend no more than 30 percent of their income on housing costs.

This report also refers to area median income (AMI) as a means of categorizing and defining household income. The U.S. Department of Housing and Urban Development (HUD) calculates a median income for the DC metropolitan area each year. For 2010, the latest year that the standard is available from HUD, the area median income is \$103,500 for a four-person household.

Federal, state and local affordable housing programs use AMI to set eligibility thresholds. HUD, and by extension many state and local

programs, defines “low-income” as 80 percent of AMI or below.

This report refers to several different categories of rental units:

- **Public housing units** typically are made available to extremely- and very-low income households—those with incomes below 30 and 50 percent of AMI, respectively. They are operated by public housing and/or redevelopment authorities. Both Alexandria and Fairfax County have housing authorities that operate public housing units as part of their overall affordable housing portfolio; Arlington County does not.
- **Committed Affordable Units (CAFs)** have been developed, redeveloped and/or refinanced using a government-sponsored financing tool, which typically features more favorable terms than private financing tools. CAFs have private, typically nonprofit owners who agree to keep the units affordable to low-income households for an established term in exchange for using the government financing.
- **Market Rate Affordable Units (MARKS)** are privately-owned rental units that have no government financing and/or subsidy, but rent at rates similar to CAFs. This report refers to the 60 MARKS (affordable to households with income below 60 percent of AMI) and 80 MARKS (affordable to households with income between 60 and 80 percent of AMI).

ALEXANDRIA-BEAUREGARD CORRIDOR

The Beauregard Corridor sits at the northwestern edge of Alexandria. Three major thoroughfares—Beauregard, Seminary and Van Dorn—cut through and around the Corridor, feeding commuters to I-95 and I-395. The Corridor itself is a mix of older housing (mostly garden style apartments and high-rises that date from the 1950s), neighborhood-serving retail, and commercial office buildings.²

Although a desirable area because of its proximity to Rte 395 and the Capital Beltway and close-in suburbs, growth has stagnated compared to surrounding neighborhoods. This is likely for a number of reasons: (1) the Corridor is already largely built-out, so opportunities for new development are not considered feasible unless it is replacing an existing structure; (2) as residential and commercial spaces and infrastructure are fairly dated, the area has not attracted the high-income households and new commercial investment that other, neighboring areas saw during the last economic boom; (3) although there is easy access to major regional thoroughfares, the Corridor itself has a poorly designed street grid that isolates neighborhoods and amenities within the area; (4) the area's major thoroughfares are designed for auto trips, not for residents who may be walking and/or trying to get to public transportation; and (5) public transportation options exist on the edges, but are not adequate within the Corridor itself.³

Perhaps because of some of these limitations, the Corridor has hosted a population that is

more diverse overall, but has less income than the population in surrounding areas and in Alexandria as a whole. The median household income in the Corridor was \$60,570 in 2009—25 percent lower than the median of \$75,322 for all of Alexandria. Concurrently, 57 percent of the population in the Corridor is Asian, Black, Latino or some race other than White, compared to 46 percent in the City overall.⁴

The Beauregard Plan

The Mark Center—a mix of office, residential and hotel space—comprises most of the Beauregard Corridor area plan. The U.S. Department of Defense selected The Mark Center to relocate their Base Realignment and Closure (BRAC) AC-133 Headquarters. The relocation is set to bring more than 6,400 employees to the Mark Center.⁵ The introduction of so many additional workers, commuters and possibly residents prompted the need for a small area plan to address concerns about the impact on transportation, the environment, accessibility, services, amenities and housing. The City envisioned that the small area plan would also provide an opportunity to focus on longstanding community needs in addition to addressing the impending BRAC pressures.⁶ Specifically, the plan was devised to focus on the following:

Transportation – Transportation concerns in the Corridor focus on major thoroughfares and the car traffic that feeds through their intersections and interchanges to get to points beyond the

² Data on existing multi-family rentals in the both the Beauregard Corridor and the wider West End plan area was provided by the City of Alexandria, Office of Housing.

³ City of Alexandria. April 10, 2010. Presentation: Beauregard Corridor Plan – Vision, Goals and Best Practices Session.

⁴ City of Alexandria, Office of Housing data.

⁵ U. S. Department of Defense. (Retrieved) 2011. "DOD/BRAC 133 Project at Mark Center."

Corridor. The biggest concern about the BRAC 133 development is the extent to which it would exacerbate already troubled traffic patterns on the main thoroughfares, and bring an increasing number of cars onto the poorly designed grid of side streets. Public transportation is currently accessible on the Corridor’s borders, but is in short supply inside the Corridor, forcing residents to get in their cars in order to leave and reenter the area. Lack of public transit options for residents increases traffic woes. While the Corridor’s transportation study is still in process, the goals are already clear:

- (a) reduce traffic at major intersections;
- (b) enhance connectivity with regional thoroughfares;
- (c) increase access to public transit, including the possibility of extending Arlington’s Columbia Pike streetcar through to Beauregard Street; and
- (d) improve connectivity within the Corridor on the internal street grid.

Infrastructure and Environment – Concurrent with improving transportation and streets, the

City wants to make the Corridor more walkable, attractive and safe. Planned measures include improving streetscapes, creating more access to passive and active open spaces, including linking the Corridor’s two main environmental assets—Winkler Botanical Preserve in the east and Holmes Run in the west, improving access to housing, retail and amenities for pedestrians and cyclists, and improving sewer capacity, dam safety, and emergency services.

Land Use/Redevelopment (Including Commercial and Housing) - As previously noted, the Corridor has not had the recent commercial and residential investments that some surrounding areas had during the most recent economic boom. The City plan envisions the BRAC 133 development as the impetus for these investments that have not occurred previously. Over a 30-year phase-in, the plan anticipates an increase of 4,301 housing units, 299,072 square feet of office space, up to 430 new hotel rooms, and 315,827 square feet of retail space, as shown in Table 1 (page 16).⁷

Table 1: Net New Units and Gross Floor Area in the Beauregard Plan Area

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Total
	0 – 5 yrs	5-10 yrs	10-15 yrs	15-20 yrs	20-25 yrs	25-30 yrs	
Res. Units	1,240	899	255	504	936	467	4,301
Res GFA	1,328,822	990,685	289,116	512,891	1,130,295	579,437	4,831,246
Office GFA	105,000	338,000	552,486	443,400	0	0	1,438,886
Hotel GFA	75,000	0	100,000	124,072	0	0	299,072
Hotel Units	120-140	0	120-140	150	0	0	390-430
Retail GFA	113,447	113,300	24,200	18,980	45,900	0	315,827
Total GFA	1,622,268	1,441,985	965,802	1,099,343	1,176,195	579,437	6,885,031

GFA: Gross Floor Area

Source: Presentation - City of Alexandria Public Meeting for Beauregard Corridor Plan, December 13, 2010

6 City of Alexandria. February 25, 2010. Presentation: Beauregard Corridor Plan – Community Values and Vision Session.

7 City of Alexandria. December 13, 2010. Presentation: Beauregard Corridor Plan – Public Meeting.

Affordable Housing in Alexandria and the Beauregard Corridor Plan

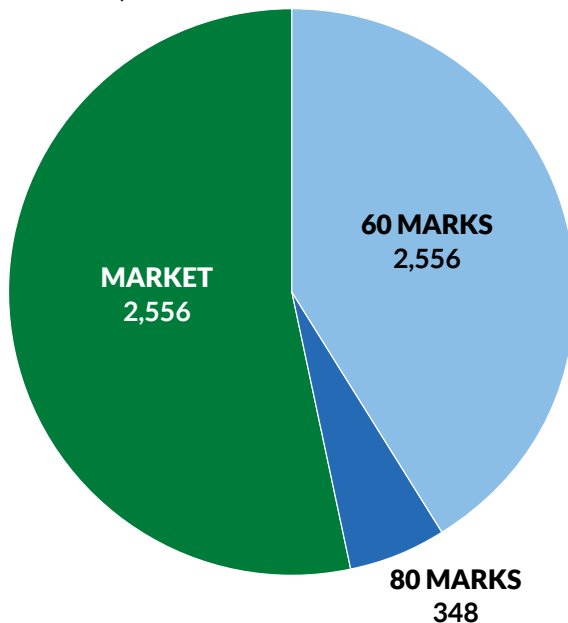
Alexandria has experienced many of the same housing pressures as its neighboring jurisdictions. The City has an attractive and diverse landscape. It is well-served by retail that attracts both neighbors and people who live outside of the area. The population has relatively high incomes. The trajectory of housing cost increases bears this out. According to a 2009 report by the City’s Affordable Housing Initiative Work Group, Alexandria lost 10,000 market rate affordable rental units (MARKS) between 2000 and 2008 that were affordable to house-

holds with income below 80 percent of AMI. The report laments a dynamic in which much of Alexandria’s workforce cannot afford to live there. Some 40 percent of Alexandria’s jobs pay wages at 60 percent of AMI, but only 15 percent of the City’s privately owned rentals are affordable to workers at this income level. By contrast, the Beauregard Corridor, with its older housing stock and preponderance of rentals (representing 99 percent of the Corridor’s 6,270 housing units), has been a stronghold of relative affordability.

According to the most recent data provided by the City of Alexandria, there are currently 6,194 privately owned rental units in the Beauregard Corridor. (See Figure 1.) They are all owned by a small number of developer stakeholders. Some 2,556 (41 percent) are MARKS affordable to households with incomes below 60 percent of AMI; there are an additional 348 (6 percent) MARKS affordable to households with incomes between 60 and 80 percent of AMI.⁸ Notably, the plan area itself contains no less than seven sites of scattered properties supported by the Alexandria Redevelopment Housing Authority, and one building of Committed Affordable Units (CAFs).⁹ The Beauregard Corridor plan also identifies a broader area (termed the West End Study Area) that contains more than 11,000 rental units, most of which were also constructed in the 1950s, 1960s and 1970s, and over 3,600 of which are either affordable rental set asides or privately-owned CAFs.¹⁰

Fig. 1: Privately Owned Rental Housing in the Beauregard Corridor

Total = 6,194



⁸ City of Alexandria, Office of Housing data. Based on a Beauregard Corridor report draft provided by the City, they are likely to report a higher percentage of affordability (57 percent). This report normalizes rental data with data received from other jurisdictions and makes some key assumptions: Where Alexandria’s draft report lists rent ranges for certain bedroom sizes, to be conservative the highest amount in the range is used in this report to determine whether units meet thresholds to be considered market rate affordable; Assumptions are made for how many persons could occupy certain unit sizes based on IRS recommendations for federal housing funding programs and affordable rent thresholds are determined accordingly.

⁹ City of Alexandria, Office of Housing, May 2010. Map: Affordable and Assisted Housing

¹⁰ City of Alexandria, Office of Housing data.

These units present many of the same challenges as housing all along the three contiguous corridors that place them at risk of being lost as affordable assets through rehabilitation or conversion in a heated redevelopment environment. These challenges include:

Age – All 2,904 of the Corridor’s MARKS are over 45 years old. Most were constructed between 1960 and 1965.

Style – Most of the Corridor’s MARKS (78 percent) are in high-rise apartment buildings; the remaining 22 percent are garden-style apartments. The Beauregard Corridor plan recognizes that redevelopment of either of these types will require also developing a substantial market rate component and, in the case of redeveloping garden-style apartments, possibly some shift from rental to ownership in areas where a dramatic change in density (from low-rise to high-rise is not desirable).¹¹

Access – The relatively small area encompassed by the Corridor plan, and the intention to add transit stops (possibly an extension of the Columbia Pike Initiative streetcar line to bisect the Corridor along Beauregard Street) means that, with few exceptions, the MARKS in this area will gain new access to public transportation options. The broader number of units in the entire West End Study Area will also benefit from planned improvements to traffic patterns on the major thoroughfares.

Redevelopment Potential – The plan anticipates almost seven million new square feet of

residential, office, retail and hotel spaces in the Corridor. There is a fairly small group of owners (development stakeholders) covering the area, and a few have been very public about their redevelopment plans. JBG, Inc., for example, owns



160 acres at the Mark Center (140 acres are part of the Beauregard Corridor plan) and has been conducting a public process for the better part of the past year to plan for the redevelopment of their parcel. Like BRAC 133, redevelopment on their major parcel will affect everything else in the Corridor. Many of JBG’s plans and goals overlap with those of the City, in that they want greater connectivity between green spaces, an improved auxiliary street grid, and to serve the existing and new (BRAC) residents with better housing and amenities. They have also said they want greater “intensity” in development in the Upper Hill neighborhood (Hillwood).¹²

Lack of Resources - Like most jurisdictions in the region, Alexandria suffered during the recent economic downturn, and cut back on new and existing investments in priorities like affordable housing and other human services. The FY 2012 budget cycle is the first since the downturn that

¹¹ City of Alexandria. April 10, 2010. Presentation: Beauregard Corridor Plan – Vision, Goals and Best Practices Session.

¹² The JBG Companies. May 8 – 10, 2010. Presentation: JBG Mark Center Design Workshop.

the City does not expect to have a budget gap to fill. As the region bounces back, the City will need to determine how it restores programs that were cut while also planning for new investments to meet goals like preserving affordable housing in the Beauregard Corridor.

The Beauregard Corridor plan anticipates retaining or replacing all of the MARKS, pegged at 3,200 for the MARKS affordable to households with income at 60 percent of AMI, and 679 for the MARKS affordable to households with income between 60 and 80 percent of AMI.¹³ There is not yet an explicit strategy, program or policy in place to retain or replace these units.

The Corridor also has a demand for housing for extremely low-income households—those with incomes at 30 percent of AMI or below. Currently, there is no rental stock that meets this need, and the targets for unit creation over the different phases of the Corridor plan neither anticipate nor provide resources for creation of units at this income level.¹⁴

Solutions for Beauregard

Alexandria is currently devising a Housing Master Plan; the plan will propose tools that should, with adequate resources, be useful in both developing new units and preserving affordability in the Corridor. Broadly, the plan's goals are to:

- preserve publicly-assisted units (of which there are several sites in the Corridor's plan area);
- preserve MARKS;

- provide units for households with incomes under 50 percent of AMI;
- preserve affordable home ownership;
- construct new affordable housing; and
- provide special needs units.¹⁵

Existing Tools

The City has a number of existing tools to deploy for these efforts, including:

- **Housing Opportunities Fund (HOF)** – The Fund is the City's sum of housing funding, including federal funds, local appropriations, and developer contributions.¹⁶ Local appropriations were previously dominated by the Penny Fund, which utilized one penny out of every dollar from the City's property tax collections to fund affordable housing efforts. The penny allocation amounts to about \$3.5 million per year, which the City uses to pay debt service on general obligation bonds to fund affordable housing projects. During the economic downturn, the City retained the portion of the penny needed to pay debt service on projects already underway (about \$1.8 million for over \$18 million in bonds), and used the rest (that would have normally been used on new affordable housing efforts) to fill gaps in other areas of the City's budget.¹⁷ The discussions that are part of the Housing Master Plan clearly anticipate this or some similar source returning to position the City to help nonprofits purchase properties to keep them affordable or create new affordable units. The City has also established

¹³ City of Alexandria. February 25, 2010. Presentation: Beauregard Corridor Plan – Community Values and Vision Session. Also City of Alexandria, Office of Housing data.

¹⁴ Ibid.

¹⁵ City of Alexandria. November 10, 2010. Presentation: Housing Master Plan – Land Use Policy and Regulatory Tools.

¹⁶ Ibid.

¹⁷ City of Alexandria, Office of Housing. 2010. "Consolidated Plan FY 2011-2015: Citizen Summary."

a special workgroup to examine what the appropriate level of developer contributions should be. These contributions have dwindled in recent years as development activity virtually stopped in the City and around the region.

or resolution. This local authority could be used to extend lower assessments to a broader group of land owners, allowing MARKS to be designated and benefit as well. The state law went into effect on January 1, 2011.

Proposed Tools

As part of the process, the City is investigating a number of new strategies to:

- Reduce soft costs and provide more certainty for what those costs would be by expediting and streamlining the City’s review

process for new projects;¹⁸

- Increase a project’s potential income (and by extension, the amount of money it can borrow) by allowing more units to be constructed through density bonuses and transfers on a primary or adjacent site than would normally be allowed;¹⁹
- Decrease the cost of development by using the incremental property tax to fund public infrastructure improvements, which would typically be paid for by the developer;²⁰
- Improve opportunities for affordable housing developers to get private loans by acting as a guarantor.²¹
- Increase funding for affordable housing projects by forming a “private lender consortium” that could pool resources, spread risk, and provide more favorable terms than any one institution could do on their own.²²

The discussions that are part of the Housing Master Plan clearly anticipate this or some similar source returning to position the City to help nonprofits purchase properties to keep them affordable or create new affordable units.

- **Tax Relief** – Private property owners have pushed vigorously for tax relief via partial exemptions, abatements, or decreased assessments for older properties that have not undergone recent rehabilitation, arguing that jurisdictions should not tax these properties the same as newer and recently rehabbed buildings which are operating closer to their highest and best use. The rationalization is that lower taxes reduce operating costs and allow landlords to keep rents more affordable by not passing these increasing costs to their tenants. Notably, a recently passed Virginia law (Code of Virginia, § 58.1-3295) allows local jurisdictions to reduce assessments on properties committed as affordable based on the restricted income being generated. A provision in the law also gives local jurisdictions the ability to define what constitutes affordable housing by an ordinance

18 City of Alexandria. November 10, 2010. Presentation: Housing Master Plan – Land Use Policy and Regulatory Tools.

19 Ibid.

20 Ibid.

21 City of Alexandria. October 28, 2010. Presentation: Housing Master Plan – Public Private Partnership Implementation Tools.

22 Ibid.

Recommendations

The coming months will provide some clarity on the City's intentions for its Housing Master Plan, and how redevelopment in areas like the Beauregard Corridor will be prioritized among the tools and resources to be deployed. In addition to considering the tools being vetted in the Housing Master Plan process, the City should:

- Develop a strategy for which tools will be used for the Beauregard Corridor, and how development in the Corridor will be prioritized in relation to other development in the City.
- Take full advantage of how public and intentional some from the small group of property owners in the Corridor are being about their redevelopment plans, and use that to model the extent to which MARKS can be preserved. This will inform the extent to which the City needs to plan to create affordable capacity elsewhere to make up for what will be lost in the Corridor. Ultimately, the Corridor's owners, like those on Columbia Pike and around Baileys Crossroads, will position their properties to their greatest advantage regardless of the City's needs and intentions for preservation and creation of affordable housing. To the extent that owners are sharing though, it is an opportunity for the City to plan to preserve capacity in the Corridor, or create it elsewhere. While the City has set a goal for preservation, it is not clear if or how those



goals adequately reflect the redevelopment pressures in the area.

- Establish by ordinance or by resolution and consistent with Virginia law, a provision to assess MARKS based on their generated income, provided the properties maintain affordable rent levels and acceptable levels of code compliance. Given the proximity to other Northern Virginia jurisdictions, the City should work with these locales to develop consistent and complementary provisions.

ARLINGTON-COLUMBIA PIKE

Columbia Pike is a 3 ½ mile long four-lane thoroughfare that cuts east to west across the southern half of Arlington County. A main thoroughfare that hosts some 40,000 commuters per day, its development and redevelopment throughout the 20th century has produced a commercial landscape that largely caters to an automobile culture that has lost its desirability among many current County residents.²³ Those residents want to return to the walkable streetscape with mixed-use development that was the Pike’s past. Much of Columbia Pike is currently neither walkable, nor well-served by public transportation. Although by design it caters to a car culture, it has few commercial interests that would make it a destination for those who do not live in the area.

.....

An estimated 70,000 people live along [Columbia] Pike; and they are one of the most diverse populations groups in the County in terms of race and ethnicity and income.

The Pike saw its first major residential development in the mid-1940s and its stock has mainly consisted of single family homes and garden-style apartments.²⁴ Much of the stock has not been upgraded since then, and while these older homes and apartments have provided some opportunities for affordable housing not abundant in other areas of the County, current residents

have expressed a desire for upgrades to both infrastructure and density to create more and different housing types.

An estimated 70,000 people live along the Pike, and they are one of the most diverse population groups in the County in terms of race and ethnicity and income.²⁵ The median income for households in the Columbia Pike area was 28 percent lower in 2010 than median income for all Arlington households—\$60,765 compared to \$84,453.²⁶ In planning for redevelopment along the Pike, the challenge has been to determine how the County can get a mix of incomes and housing, while preserving the existing affordable capacity.

The Columbia Pike Plan

Planning for revitalization of the Columbia Pike area dates back to the mid-1980s when the County Board established the area as a Special Revitalization District and adopted land use and zoning recommendations to shape redevelopment. Planning continued through the 1980s and 1990s, but intensified beginning in 2000. The activity over the past ten years has been possibly the largest community process the County has undertaken in recent history. The process has focused on four major components:

Land Use and Zoning – The County wants to recreate the Pike as the new “Main Street” of South Arlington by bringing additional and varied commercial investment to the Pike while

23 Arlington County. 2005. “Columbia Pike Initiative.”

24 Data on existing multi-family rentals in the neighborhoods adjacent to Columbia Pike was provided by Arlington County’s Department of Community Planning, Housing and Development (CPHD).

25 Arlington County. 2005. “Columbia Pike Initiative.”

26 Arlington County, Columbia Pike Land Use/Housing Study Plenary Group. January 18, 2011. Meeting Notes.

integrating a healthy mix of housing, public/green space and pedestrian walkways. The County adopted the Form-Based Code in 2003 to guide these efforts. The most important element according to the code is, of course, form (shape, height, appearance and use); there is greater flexibility over use and density as long as the guidelines for form are strictly followed.

Streetscapes – While a portion of Columbia Pike is being imagined as a commercial center that would serve as a destination for residents and non-residents alike, most of the redevelopment envisions businesses, housing and amenities that could be accessed by locals by walking or taking public transportation. While the form-based code is meant to ensure that Columbia Pike is fronted by a good mix of commercial, residential and public space, renewed streetscapes are meant to provide adequate access.

Transportation – Conversations about development on the Pike have included multi-jurisdictional planning for a new streetcar in addition to assessing/reimagining both metro and local bus service. The Pike currently caters to a car culture that hosts commuter traffic and practically requires local residents to get into their cars to safely access businesses and amenities. Improved streetscapes and walkways will encourage more pedestrian activity. Diminishing car use also calls for improved access to public transportation to move people along and off the Pike.

Housing – This is the last component to be studied and debated. It is complicated (like most housing plans) by the mismatch between needs/goals and available resources/tools. The County wants more housing on Columbia Pike in order to realize their goals for mixed-use development, create more home ownership opportunities,



and develop a place that has a mix of household incomes. Concurrently, the County wants to preserve affordable housing capacity on the Pike, either by creating new affordable housing units or preserving existing ones.

Specifically, the Columbia Pike Initiative's goals are to:

- transform Columbia Pike into a Main Street for adjacent neighborhoods;
- support mixed uses – commercial office, retail and housing;
- create a thoroughfare that is safe and walkable;
- enhance public transportation options; and
- improve and expand housing options, including:
 - retaining or replacing all existing CAFs;
 - retaining or replacing 4,900 MARKS;
 - distributing the range of affordability levels over the entire Pike area;
 - providing more opportunities for households with income at 40 percent of AMI or below (through subsidies or additional units); and
 - increasing the number of affordable efficiencies and three-bedroom units (they are currently only roughly 10 percent of the total stock).²⁷

27 Arlington County, December 23, 2010. "Columbia Pike Land Use/Housing Study: Draft Goals and Objectives v6."

Affordable Housing in Arlington and the Columbia Pike Plan

Arlington County has been one of the fastest growing inner suburbs in the country. The County has made solid investments in schools, libraries and green space, provided easy access to transit and retail, and promoted a range of neighborhood types, from dense, urban “forests” of tall buildings that mix apartments/condos with commercial uses, to more quaint settings featuring detached single-family homes, townhomes and garden-style apartments. These features have made it a destination for both singles and families. According to a 2010 report from the Arlington Partnership for Affordable Housing, in 2000 most of Arlington’s 38,000 rental housing units—80 percent—were affordable.

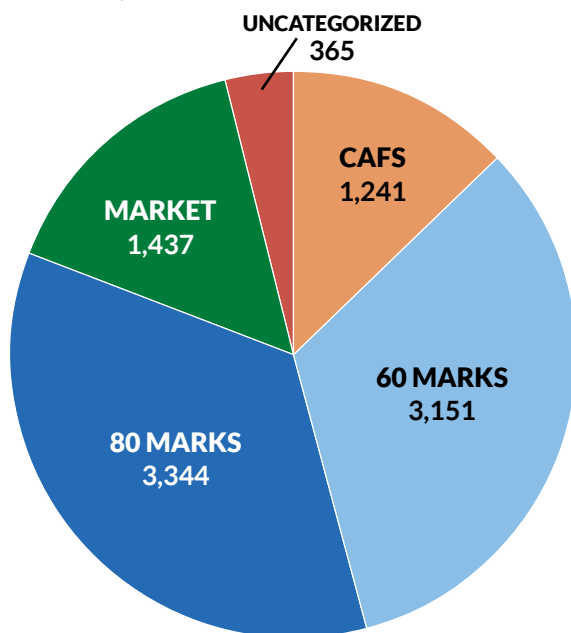
Some 11 percent were Committed Affordable Units (CAFs), meaning they had been constructed or rehabilitated with government funding in exchange for a long-term commitment to keep them affordable to low- and moderate-income households. The rest were privately-owned MARKS.²⁸

Despite efforts by the County to create more CAFs, 21 percent of the total affordable rental stock was lost between 2000 and 2009. Although the number of CAFs increased during this period, the number of MARKS decreased. Specifically, almost 11,000 MARKS that were affordable to households with incomes between 40 and 60 percent of AMI were lost. Not surprisingly, the County gained almost 11,000 market rate units. Given that the total rental stock only increased by a few thousand during this period, it is clear that the driving factor behind this drastic change was rent increases among MARKS. Over the years, the County has provided financial and other types of support for nonprofits to position them to buy MARKS and maintain them as affordable units. These intentions have been met with the same challenges that the County has and will continue to face – private owners cannot be required to keep their MARKS affordable, sell to a nonprofit or rehabilitate with government-backed financing tools. The County has to be ready to respond with offers and terms that exceed what owners could do with their own resources or with an offer from a private buyer/financier.

Columbia Pike has been a significant source of affordability in Arlington. According to the most recent data provided by the County, there are currently 9,538 rentals along Columbia Pike and in adjacent neighborhoods. (See Figure 2.) Only

Fig. 2: Privately Owned Rental Housing in Columbia Pike

Total = 9,538



28 Arlington Partnership for Affordable Housing, 2010. “The Case for Affordable Housing in Arlington.”



15 percent—1,437 units—are market rate. It is part of the plan for the Columbia Pike Initiative that this number should grow; the County wants a greater mix of incomes than currently exists, and they want more homeowners on the Pike. Given the imminent redevelopment pressures, it is anticipated that the market will, on its own, create additional market rate capacity. In fact, the County’s working group for housing in the Columbia Pike Initiative estimates that the Pike will see the creation of 6,425 additional market rate units by 2040.²⁹ The rest of the Pike’s existing rental units (85 percent) are currently affordable; this includes CAFs and MARKS. Compare that to 57 percent in the County overall.

Committed Affordable Units (CAFs) – Some 13 percent—1,241 units—are CAFs. CAFs have covenants that keep them affordable for 15 years or more, but those terms do expire eventually. Covenants on 266 CAFs will expire within the next ten years. As part of its housing goals for Columbia Pike, the County has indicated that it will retain or replace all CAFs. The County has

also stated a desire to increase affordable capacity on the Pike for households with incomes below 40 percent of AMI. This additional capacity could come in the form of additional CAFs and/or subsidies to support such households in units priced for higher-income households.³⁰

Market Rate Affordable Units (MARKS) – MARKS are critically important for the County. They represent the bulk of the housing on the Pike. They are also the primary reason why Columbia Pike is so affordable. There are 3,151 MARKS—33 percent of the total stock—affordable to households with incomes below 60 percent of AMI; there are 3,344 MARKS—35 percent of the total stock—affordable to households with income between 60 and 80 percent of AMI. The MARKS are the Pike’s most valuable and vulnerable asset, and many of the County’s goals and objectives for housing relate to either preserving MARKS or converting them to CAFs. The County has indicated that they want to retain or replace all of the MARKS affordable to households with income below 60 percent

²⁹ Arlington County, Columbia Pike Land Use/Housing Study Plenary Group, September 27, 2010. Meeting Notes.

³⁰ Ibid.

³¹ Arlington County, December 23, 2010. “Columbia Pike Land Use/Housing Study: Draft Goals and Objectives v6.” Retaining MARKS would likely mean providing some incentive to owners to keep their units affordable; replacing MARKS would likely mean converting them to CAFs by providing government financing to help purchase the units.

of AMI, and half of the MARKS affordable to households with income below 80 percent of AMI—pegged at a total of 4,900 units.³¹

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The MARKS on the Pike have a number of characteristics that make them particularly vulnerable to redevelopment pressures, and present significant challenges for the 4,900 MARKS the County wants to preserve.

As noted, MARKS owners may be considering a number of factors: the cash flow and/or tax benefits of their existing properties may be more attractive to them than the projected cash/benefits minus a capital outlay to redevelop; their ownership structure may complicate decision-making, particularly on a complex matter like redevelopment; or, barring deterioration of the property that inhibits normal operation, they may not be thinking about the disposition of their property at all. The MARKS on the Pike have a number of characteristics that make them particularly vulnerable to redevelopment pressures, and present significant challenges for the 4,900 MARKS the County wants to preserve. They include:

- **Age** – Most of the rental units are fairly aged. Some 96 percent of the Pike’s MARKS (6,225 units) were constructed 40 or more years ago. This factor contributes heavily to the overall affordability.
- **Condition** – According to County data, 30 percent (1,834) of those aged MARKS have been substantially rehabilitated in the past 15 to 20 years, and are considered to be in good or like new condition. Some 22 percent (1,365 units), however, are considered to be in a state of disrepair and need work.

The remaining 48 percent (3,026 units) are considered to be in good condition, but have not had a substantial renovation in 40 or more years.

- **Style** – Most of the Pike’s MARKS (59 percent) are garden-style units but, notably, all of the 1,365 units that need substantial rehabilitation are garden-style. These apartments have been a great asset for maintaining affordability in the Pike’s neighborhoods and many residents fear losing that asset, but many of these units have lost or are losing viability. Moreover, all of the housing developed on the Pike in recent years has been mid- or high-rise developments.
- **Columbia Pike Frontage/Access** – Some 4,202 MARKS (65 percent of the total) will have a front seat to the redevelopment on Columbia Pike. Moreover, with few exceptions, most of these units will be in close proximity to stops along the proposed street-car route.
- **Redevelopment Potential** – According to zoning incorporated into the County Plan, MARKS owners along Columbia Pike interested in redevelopment could increase, by right, the number of units they operate by a total of 459. Some 30 percent of the developments have a by-right net loss due to development predating existing zoning, but the rest have gains; some of them significant. In fact, some 38 percent of the developments (consisting of more than 2,500 units) are able to increase the number of units they operate by 10 percent or more.

The Pike has some challenges outside of just the condition and disposition of its housing stock that threaten to complicate the County’s goals.

- **Form-Based Code** – As noted, the form-based code is strictest about one aspect: form. This bodes well for an area looking to create more housing capacity, because they are not as concerned about adding density. The complication is that the form-based code may limit increases in density in practice, even if it does not in theory. Increasingly, discussions in the County about the code have centered on this issue, with some stakeholders insisting that the County cannot meet its affordable housing goals in that area using the current iteration of the form-based code.
- **Diminishing Capacity** – The Columbia Pike Initiative’s housing workgroup has forecasted that, even when fully accounting for the County’s existing goals for preserving affordable housing capacity, the Pike will have fewer affordable units by 2040. Overall, there will be 23 percent fewer CAFs and MARKS, with the largest decline being for MARKS affordable to households with income between 60 and 80 percent of AMI, which will decrease by half. By contrast, the forecast anticipates a 447 percent increase in market rate units.³²
- **Overcrowding** – Many argue that even if the County were to beat the odds against unfavorable forecasting, simply preserving existing capacity undercuts a real solution because so many households are underhoused. They argue that because of current overcrowding, the Pike (and the County in general) needs a net increase in affordable units.
- **Lack of Resources** – This challenge is not unique to Arlington. The County will need

resources to either assist current MARKS owners in maintaining affordability or assist nonprofits in purchasing MARKS to keep them affordable. The County’s current tools (AHIF, housing grants, etc.) are oversubscribed and recent budget pressures leave little room for instituting new tools.

Solutions for Columbia Pike

Existing Tools

The County anticipates using its current arsenal of finance and planning tools to meet its goals, including:

- Affordable Dwelling Units Ordinance to achieve affordability on some developments, either through on-site or off-site units, or through cash contributions.
- Affordable Housing Investment Fund to help fund the purchase/redevelopment of MARKS and/or the creation of CAFs; and
- Subsidies (like Housing Choice Vouchers and housing grants) to support affordability for very low-income households in CAFs, MARKS and market rate units.

In deploying all of these tools, the County will likely expect that units preserved or created will remain affordable for at least 30 years.

Proposed Tools

Redevelopment experts from around the country, advocates and other stakeholders from Arlington have also recommended that the County consider:

- mixing rental and homeownership on the same property to create affordability;
- reducing operating costs for MARKS by reducing property taxes;

³² Arlington County, Columbia Pike Land Use/Housing Study Plenary Group. September 27, 2010. Meeting Notes.

- providing incentives to create energy efficiencies; and
- providing favorable financing that exceeds what is available privately.

In interviews with private owners, they have been consistent in their suggestions to limit the number of restrictions and administrative burdens that accompany these tools. They have also advocated strongly for tax relief for older properties, citing the fact that they provide affordable rental properties, which are a benefit to communities, and arguing that full and increasing tax liability potentially threatens their ability to continue to provide that benefit.

Recommendations

These are important goals and all of the current and recommended tools are useful. In addition, the County should:

- Model and set more aggressive targets for what levels of affordability should be created or preserved. The forecasting that already takes into account the County's goals anticipates a loss of 23 percent of the Pike's affordable capacity over the next 30 years. Moreover, reports of overcrowding create additional needs that are currently unaccounted for.

- Consider the extent to which existing by-right gains do not support a housing plan that anticipates and meets all of the existing need.
- In order to compromise with owners who would like the least amount of restrictions possible in exchange for using public resources, consider a range of restrictions based on the tools deployed. The County could consider fewer/shorter restrictions on smaller investments. Even though the goal is to make investments that create long-term capacity, the County could build in recovery options that allow owners to opt out of a resource they have been using to preserve affordability on their property while also allowing the County to recover an appreciated amount.
- Consistent with the recommendation offered for Alexandria, Arlington County should also establish, by ordinance or by resolution and consistent with Virginia law, a provision to assess MARKS based on their generated income, and work with other Northern Virginia jurisdictions to develop consistent and complementary provisions.

FAIRFAX-BAILEYS CROSSROAD

Baileys Crossroads is on the eastern edge of Fairfax County, abutting both Arlington County and the City of Alexandria. Its major thoroughfares are Leesburg Pike and Columbia Pike, which runs through Arlington County as well, and is the focus of major redevelopment plans in that jurisdiction. Although this area has some of the same challenges as Columbia Pike in Arlington and the Beauregard Corridor in Alexandria, it is unique in many ways as well.

Unlike the other areas, Baileys Crossroads (“Baileys”) is better served by public transit options (i.e. Metro bus stops). Baileys, however, is largely unwalkable just like the Pike and the Corridor. Most of the transit stops are on the main commercial strip of Leesburg Pike/Route 7, but the residential areas adjacent to the strip are not well connected to it.

Like the other areas, Baileys Crossroads is desirable because of its inner suburban location and proximity to regional thoroughfares, but its own broad and busy streets do not optimally serve the residents who live there, neither do its commercial destinations interest people who live outside the area.³³

As has been the pattern on Columbia Pike and in the Beauregard Corridor, an obsolete commercial landscape combined with an aged and aging housing stock has made the area more affordable than the County overall. Household median



income in Baileys Crossroads is 58 percent lower than in the County overall (\$66,000 in Baileys compared to \$104,000 in the County). The Mason Planning District, which encompasses Baileys Crossroads, also has a higher percentage of minority households—47 percent compared to 37 percent in the County overall.³⁴

The Baileys Crossroads Plan

The revitalization plan for Baileys Crossroads has largely focused on the primary commercial strip along Leesburg Pike. With plans for the Columbia Pike transit initiative to extend the streetcar to two stops in the Baileys Crossroads area—one on the north side of Leesburg Pike along South Jefferson Street, and one in the Skyline Center complex—the County seized the opportunity to begin discussing redevelopment of the areas around those stops.³⁵ The County’s goals for redevelopment focus on:

³³ Fairfax County. July 2008. “Baileys Crossroads Planning Study: Existing Conditions Memorandum.”

³⁴ Nielsen Pop Facts 2009 Estimates and 2009 American Community Survey (<http://www.census.gov>).

³⁵ Fairfax County. June 9, 2010. “Proposed Comprehensive Plan Amendment.”

Land Use/Redevelopment – The County would like to transform Baileys’ main strip from one that features mainly retail, to one that mixes retail, office, residential, and civic and open spaces. The plan divides and prioritizes the redevelopment area into three parts – Town Center, which is the site of the two new future streetcar stops and the first slated for changes; Baileys West, which will follow and feature redevelopment of a similar mix of commercial, residential and green space as is anticipated for Town Center; and Baileys East, which will be developed last. The plan delineates a potential development of 8,900 residential units and 8.9 million square feet of retail and other commercial grade spaces, as shown in Table 2 (*below*).

Streets and Streetscapes – Baileys’ interior grid of streets is also poorly laid out, does not connect well with the area’s main thoroughfares, and consequently does not adequately accommodate any mode of transportation, be it car, bus, bicycle or on foot. The County would like to improve connectivity on and between Baileys’ streets, while improving the aesthetics of the streets and outdoor/open space at the same time.

Environmental Improvements – With its large retail and residential buildings, and its long stretches of surface parking lots, Baileys has mostly impervious surfaces, a factor which

increases the amount of waste, sediments, pesticides and other pollutants that get carried with rain and melting snow into the region’s waterways. The plan envisions using redevelopment as an opportunity to decrease impervious surfaces and create small urban green spaces that could be distributed throughout the area.

Infrastructure and Public Facilities – To accommodate anticipated population growth, the plan calls for additional capacity in fire and emergency management services and schools.

Affordable Housing in Fairfax County and the Baileys Crossroads Plan

According to the County’s Redevelopment and Housing Authority’s FY 2012 strategic plan, over 8,000 rental units that were affordable to households with income at or below 70 percent of AMI were lost between 2002 and 2010 to rising rents, redevelopment and condominium conversions. Despite stepped up efforts that preserved more than 2,000 units through the Penny for Housing, an initiative adopted by the Board of Supervisors in 2005, losses of affordable units persist and a daunting gap remains. The plan goes on to anticipate that without aggressive programs to preserve and create affordable rental units, the County will be ill-prepared to accommodate projected job growth and the increased demand for

Table 2: Net New Units and Square Feet in the Baileys Crossroads Plan

	Town Center	Baileys West	Baileys East
Res. Units	4,450	300	4,150
Office SF	2,145,000	620,000	3,186,000
Retail SF	1,291,000	1,024,000	440,000
Institutional SF	672,000	36,000	18,000

Source: Fairfax County Staff Report for Plan Amendment ST10-CW-3CP

lower-cost housing by households with incomes below 120 percent of AMI. Preservation in areas like Baileys Crossroads, where there is already a significant stock of affordable housing, is key.

The redevelopment plan for Baileys Crossroads anticipates that the County’s Affordable Dwelling Unit ordinance and the Workforce Housing Policy will ensure that a portion of the new housing developed under the plan will be affordable. Because the plan area is largely commercial, and because the plan was spurred by the desire to redevelop the retail areas around the two new transit stops, the plan does not substantially address the existing affordable housing that is adjacent to the plan area or in the Mason Planning District overall.

According to the latest data received from Fairfax County, there are almost 300 units of housing in the Mason District supported by the Fairfax County Redevelopment and Housing Authority. Additionally, there are more than

.....
 The [Fairfax County RHA strategic] plan anticipates that without aggressive programs to preserve and create affordable rental units, the County will be ill-prepared to accommodate projected job growth and the increased demand for lower-cost housing by households with incomes below 120 percent of AMI.

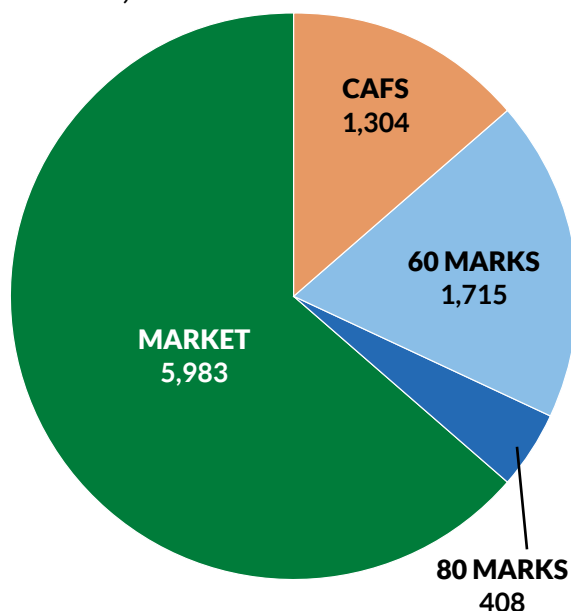
9,400 privately-owned rental units in the District. (See Figure 3.) More than 1,300 of those units are Committed Affordable Units (CAFs). Much like the redevelopment areas in Arlington and Alexandria though, a significant portion are MARKS—1,715 units that are affordable to households with income below 60 percent of AMI, and another 408 are affordable to households with income between 60 and 80 percent of AMI. Like their counterparts on Columbia Pike and in the Beaugard Corridor, these units have a number of challenges that make them prime targets for redevelopment:

- **Age** – Some 93 percent of the units were constructed 40 or more years ago;
- **Style** – Some 73 percent are garden-style, less dense developments; and
- **Access** – Once the planned street connectivity materializes in the Baileys area, many more residents will have easier access to the bus and potential new street car stops. They will also have easier access to the main commercial strip.

Any consideration of preservation of the Baileys Crossroads units is challenged by the fact that, while this was a general goal for the County, the issue of preservation has been given less

Fig. 3: Privately Owned Rental Housing in Baileys

Total = 9,410



prominence, and it is not a specific goal of this area's redevelopment plan. As a result, there is no anticipation of an additional incentive being created for owners of these units to convert, redevelop and raise rents, or simply raise rent. Further, this means that there is no prioritization of preservation of units in this area versus any other area of the County. Additionally, the County lost their key preservation tool in FY2009 when the Board of Supervisors voted to eliminate the Penny for Housing, one cent of the real estate tax used exclusively for preservation of at-risk affordable housing. Finally, if the existing housing is not part of the plan, then there is no vehicle for or urgency to engage owners about the status/disposition of these units.

Solutions for Baileys Crossroads

As noted, the County has proposed that it will use its ADU ordinance and Workforce Housing Policy to ensure that a percentage of the 8,900 new units slated for the redevelopment are affordable. The County also should:

- Broaden the Baileys Crossroads plan area to include consideration of rental units situated

within a one-mile radius of the current plan area's boundaries.

- Quantify preservation goals for subsidized and unsubsidized units that are affordable to households with income below 80 percent of AMI.
- Model and possibly set more aggressive targets for the affordability that should be created in the Baileys Crossroads area in order to meet existing and anticipated needs.
- Establish a plan for how planning, zoning and housing finance/development tools will work together to achieve target affordability in the Baileys area.
- Consider the same financial and technical tools being considered in Arlington and Alexandria in order to achieve affordability targets, including: re-establishment of a dedicated funding source for new affordable housing opportunities; property tax exemptions; and density bonuses and transfers, among other things. Also consider flexibility in setting affordability restrictions based on the benefit of the tool being used.



CONCLUSION

Plans for revitalization of Beauregard, Columbia Pike and Baileys Crossroads have been considered for, in some cases, decades; another decade will likely pass before these areas begin to look significantly different than they do now. Still, likely for the first time, the three jurisdictions are being intentional about their desires and plans for redevelopment at the same time. Given the domino effect of development, their simultaneous intentions add some urgency to the need for the public to examine the goals and targets being established now for what will be created down the line.

Housing has not been the driving issue behind the creation of these revitalization plans, yet the fate of the housing in these areas is central to the success of the individual plan areas, and the region in general. These jurisdictions must be as intentional about the preservation and creation of affordable housing capacity as they will be about the creation of new commercial spaces, transportation patterns and streetscapes because: (1) each jurisdiction has lost thousands of units of affordable housing over the past decade; (2) there have been few housing starts in general and even fewer resources to create new affordable housing; (3) at the same time, there has been robust job and population growth squeezing households that need both market and affordable rentals into an already tight housing market; (4) preserving affordable units in these corridors follows a 'smart growth' practice that provides housing near major transit nodes and



job centers; and (5) these plan areas, as home to significant numbers of affordable housing units, are like endangered species.

This report offers specific recommendations for each jurisdiction, but several recommendations are appropriate for all of the plan areas and should be highlighted. In honing the Beauregard Corridor, Columbia Pike and Baileys Crossroads plans, the respective jurisdictions should:

- Be intentional and set goals for preservation or creation of affordable units based on the projected needs in those areas. The goals

should be pegged to something other than just an existing unit count, a strategy which ignores the extent to which overcrowding may be stressing the existing stock, areas where there may be a need for types of units that do not currently exist, or projections for net losses.

- Be flexible in crafting tools for private owners to use. Conversations with private owners reveal an unsurprising skepticism about using government resources, particularly because of the restrictions that accompany those resources. The public should be able to expect long-term affordability in exchange for the use of its precious and dwindling resources on projects; a large, long-term public capital investment should still carry a long-term restriction. To the extent possible, each jurisdiction should be looking to commit as many units as affordable as they possibly can and for which there is need. There may be other types of benefits, though, that would help private owners keep their units affordable without committing to a restriction that outlives actual use of the benefit. Tax relief and smaller loans (less than 20 percent of the property's value) are some examples. Recovery options could even be set so the restriction phases out over a few years after the owner stops using the benefit, or allows an owner to "buy out" in order to immediately remove their restrictions early.

Jurisdictions need to be flexible and creative enough to fashion tools that may not necessarily guarantee permanently affordable stock, but will create some capacity in terms of resources to replace what is lost.

- Determine where the plan falls in the list of priorities for likely already oversubscribed public resources. This is really about forecasting and managing expectations. If the 2,500 MARKS in the Beauregard Plan are prioritized behind preservation of 3,500 public housing units and housing choice vouchers, and if the federal, state and local resources for these efforts are dwindling or already nonexistent, then the City has to think about what it can get done in the Corridor and reexamine its appetite for creating new resources to reach its goals. This recommendation is also about placing, for the public, the goals set forth in these plans within the broader context of what gets preserved or created in the jurisdiction as a whole.
- Use best practices from neighboring jurisdictions and collaborate where needed. The idea of collaborating to develop similar provisions for lowering tax assessments on MARKS has already been mentioned. Further, though, all three jurisdictions are trying to solve the same problems in their respective plan areas; they should be sharing solutions.

