Northern Virginia’s Preservation Challenge
Trends, Threats, and Opportunities
AGENDA

- Background and methodology
- Regional context and challenges
- Preservation approaches and tools
- Lessons and recommendations
BACKGROUND AND METHODOLOGY

- Follow up to Charting a Way Forward: Preserving Market Rate Affordable Housing in Northern Virginia’s Inner Suburbs (2011)
- 2018 report
  - Preserving both market rate affordable and expiring subsidized housing
  - Qualitative analysis
  - Focus on Arlington, Alexandria and Fairfax
  - Types of recommendations include: barrier removal, policy modifications and new programs/policies
REGIONAL CONTEXT AND CHALLENGES

Washington, DC, Rental Market

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Needed to Afford 1BR</td>
<td>$60,520</td>
</tr>
<tr>
<td>Needed to Afford 2BR</td>
<td>$69,840</td>
</tr>
<tr>
<td>Graphic Designer</td>
<td>$63,315</td>
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<tr>
<td>Bank Teller</td>
<td>$31,093</td>
</tr>
<tr>
<td>Nurse (Registered)</td>
<td>$78,598</td>
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<tr>
<td>Medical Billing Clerk</td>
<td>$39,977</td>
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<tr>
<td>EMT</td>
<td>$36,942</td>
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<tr>
<td>Hotel Front Desk Manager</td>
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<td>Administrative Asst.</td>
<td>$49,981</td>
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<tr>
<td>Carpenter</td>
<td>$58,133</td>
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<td>Auto Mechanic</td>
<td>$51,780</td>
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<tr>
<td>Security Guard</td>
<td>$33,111</td>
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REGIONAL CONTEXT AND CHALLENGES

- Population increases, economic growth and “polarization” of wage levels driving housing costs & affordability challenges

- Loss of market-rate affordable units
  - City of Alexandria: 88% reduction in market affordable units from 2000-2018
  - Arlington County: loss of 14,500 market affordable units from 2000-2018
  - Fairfax County: lost 8,000 market affordable units (70% AMI) between 2002-2010

- Nearly 7,500 committed affordable units will have federal subsidy restrictions expire within next 10 years
CHALLENGES

- Market pressures and competition from "value-add investors"
- Capital availability
  - Aggregate amount compared to need
  - Scale issues (both ends of spectrum)
- Zoning and code issues
- Physical deterioration
- Existing owner interest and capacity
- Mismatch between subsidy income limits and current tenant population
PRESERVATION APPROACHES

- Acquisition/transfer of ownership
- Refinancing and light recapitalization
- Rehabilitation of physically distressed properties
- Site redevelopment
- Incentives for affordable rents
POTENTIAL PRESERVATION TOOLS

- Building mission-driven developer capacity
- Capital
- Operating cost reduction
- Land use, planning and zoning tools
### Inner-Northern Virginia Jurisdictional Preservation Profiles

<table>
<thead>
<tr>
<th></th>
<th>City of Alexandria</th>
<th>Arlington County</th>
<th>Fairfax County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preservation-specific planning and reporting</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Corridor or neighborhood preservation plans</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Local capital/ subsidy</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Land Use Incentives for Redevelopment</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>Property tax incentives</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
LESSONS AND RECOMMENDATIONS

- “The scale of need (in terms of number of units) is beyond any reasonable amount of capital that could be raised for mission-driven acquisition/development.”
- “The diversity of building and owner typologies calls for a more customized approach.”
- Success will require a coordinated, multifaceted approach
A STRONG POLICY FRAMEWORK WILL...

- Continue current efforts to measure and quantify needs to ensure that any actions are well-informed and backed by data;
- Conduct outreach to all relevant stakeholders to underscore the importance of preservation and identify the practical considerations that will need to be incorporated into any capital/policy design effort;
- Align the aforementioned planning, monitoring and outreach processes with funding/policy decisions;
- Focus on adequate funding and sound underwriting, as shortchanging upfront expenditures may create longer-term costs and risks;
- Maintain sufficient flexibility to accommodate market shifts and other emerging trends and needs.
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HELPING MISSION-DRIVEN DEVELOPERS ACQUIRE PROPERTIES

- “Sliding scales” of affordability
- Explore “quick-strike” acquisition funds
- **Consider “leveraged funds,” loan guarantees or other mechanisms that expand overall pool of capital**
- Explore medium-term financing products
- **Work with non-traditional mission-driven developers to explore model for smaller-scale, scattered site properties**
ENCOURAGING EXISTING OWNERS TO MAINTAIN AFFORDABILITY

- **Expand and improve existing property tax incentives**
- Explore opportunities for recapitalization outside of Low Consider “master leasing” models
- Explore financial incentives (including tax credits or access to low-cost rehab capital) for market-driven owners to maintain affordability.
- **Adopt incentives and tools that increase number of landlords accepting tenant-based rental subsidies**
ENCOURAGE AFFORDABILITY THROUGH REHABILITATION AND/OR REDEVELOPMENT

- Increase number of “by-right” or “quasi-by-right” options
- Address non-conforming uses
- **Allow zoning and land use flexibility (including density) sufficient to replace lost affordable units**
- Review existing policies to increase effectiveness and utilization
DISCUSSION

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