

Northern Virginia's Preservation Challenge

Trends, Threats, and Opportunities




NORTHERN VIRGINIA AFFORDABLE HOUSING ALLIANCE

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**Presentation on behalf of the Northern
Virginia Affordable Housing Alliance**

AGENDA

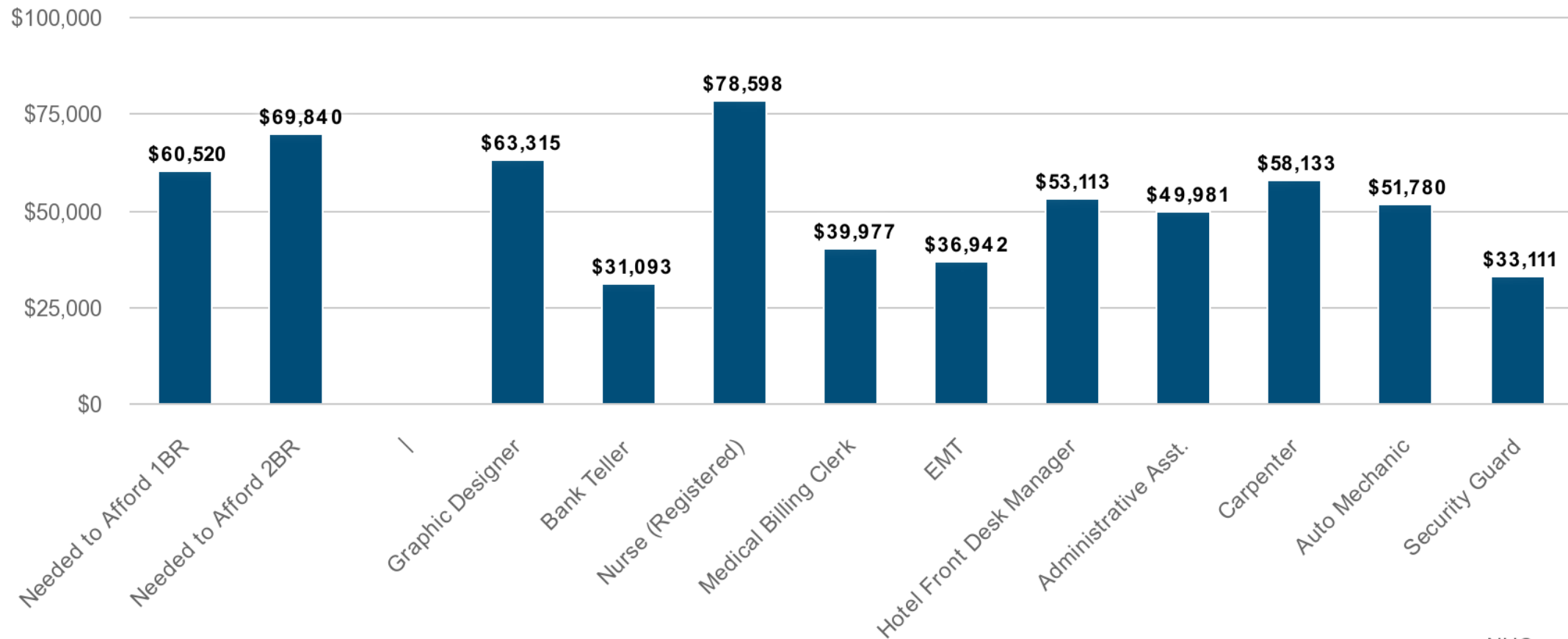
- ▶ Background and methodology
 - ▶ Regional context and challenges
 - ▶ Preservation approaches and tools
 - ▶ Lessons and recommendations
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BACKGROUND AND METHODOLOGY

- ▶ 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




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
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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
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PRESERVATION APPROACHES

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

- ▶ Building mission-driven developer capacity
 - ▶ Capital
 - ▶ Operating cost reduction
 - ▶ Land use, planning and zoning tools
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REGIONAL PRESERVATION ACTIVITIES

| Inner-Northern Virginia Jurisdictional Preservation Profiles | City of Alexandria | Arlington County | Fairfax County |
|---|-----------------------|---------------------|-------------------|
| Preservation-specific planning and reporting | ✓ | ✓ | |
| Corridor or neighborhood preservation plans | ✓ | ✓ | |
| Local capital/ subsidy | ✓ | ✓ | ✓ |
| Land Use Incentives for Redevelopment | ✓ | ✓ | ✓ |
| Property tax incentives | ✓ | ✓ | |

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
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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**
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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
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DISCUSSION

- ▶ For additional information, contact:
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