Why Loudoun County's development strategy is not working out as planned

By Alex Koma – Staff Reporter, Washington Business Journal
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Six hundred housing units and no new retail for the Shops at Arcola Center? Matt Letourneau could hardly believe it.

Loudoun's Dulles District supervisor had followed the Westbrook Properties project for years, watching it trade hands among developers, add a Google data center, even win — and then, painfully, lose — a Wegmans. But through it all, Letourneau remained hopeful that the development would become a mixed-use center rivaling One Loudoun or Loudoun Station for people living just to the west of the airport.

That's why this summer's proposal for a massive residential rezoning was so jarring for Letourneau, who represents many of the communities surrounding Arcola Center. He expected some new homes there, of course, but also a retail anchor to prevent the project from being yet another contributor to Route 50's traffic congestion.

"I get it — retail is hard right now," said Letourneau, a Republican and the Loudoun Board of Supervisors' longest-tenured member. "And we've been very open to housing as components of projects. But we have to move the ball forward for existing residents as well."

That sort of position leaves developers like Westbrook feeling a bit stuck. County officials of all stripes have explicitly called for more housing construction to help ease the region's tight inventory and fulfill demand, now pegged at roughly 50,000 homes within 20 years. They passed changes to the county's Comprehensive Plan two years ago specifically designed to make more residential possible in places like Arcola. What's more, the area is replete with retail-heavy shopping centers, potentially suppressing demand for new shops and restaurants. Throw in Covid's heavy hit to the sector, and developers aren't clamoring to build more.

It all adds up to a dispute that's emblematic of Loudoun's current development conundrum. The county has spent the last few years trying to pivot away from its rural-suburban roots and embrace a more urban future in time for Metro's much-delayed arrival. But Loudoun's planning documents still aren't generating the sort of results local politicians expected. It's perhaps a predictable result — a new comp plan, as mighty a first step it may be, can't transform the county alone — but one that is prompting serious consternation in Loudoun.

It's also raised plenty of questions. If new construction is just more townhomes built near suburban highways, will the county really evolve? Also, will any of that housing actually be affordable? Loudoun earned a reputation for spacious McMansions as the Washington region grew 40 years ago, but where will people of more modest incomes live as the county grows? The comp plan has seemed to ironically open up new quandaries to bedevil county leaders these days, perhaps even more so than in its neighboring jurisdictions.

"It's like when you're two months into your freshman year of college," said Colleen Gillis, a land use attorney at Cooley LLP who represents Westbrook and a host of other prominent developers in the county. "At first, you're having a good time and you think: 'This is awesome!' But then you look around and say, 'Wait a minute, I'm going to start failing out of college if I don't grow up.' The board is grappling with all these new applications right now in the exact same way."

Scratching the mixed-use itch

When supervisors passed the new comprehensive plan in June 2019, ending a contentious and lengthy debate, their intentions seemed clear.

Officials wanted to see a lot more housing, and they wanted it concentrated around major transportation nodes. That meant allowing more construction near the three future Silver Line stations, but also along Loudoun's major highway corridors — chiefly, Route 7, Route 50 and Route 28. Those particular areas were previously zoned for "keynote employment" uses, or a mix of office and retail. The new plan instead acknowledged less demand for commercial and a need to add residences next to existing shopping centers, though legislators still deemed many "suburban mixed-use" to prevent retail from disappearing from blueprints.

Nevertheless, the county's recent flood of applications are for dense new residential developments that rely on existing nearby retail rather than building new space — Arcola is one example, but Toll Brothers, Lennar Corp., Peterson Cos., G.J. Malt Corp. and others all embraced similar arguments in residential applications in the past year alone, all targeting the Route 7 and Route 50 corridors. Many of those companies declined to comment directly or didn't return requests for comment.

“If they’re trying to drop a new neighborhood a mile from a retail core, that’s not our vision,” said Supervisor Mike Turner, D-Ashburn, chair of the board’s influential transportation and land use committee. “That’s just trying to get extra density.”

Yet, as Gillis puts it, wanting “every project to scratch all the itches” just isn’t realistic. Buddy Rizer, the county’s economic development director, said Loudoun “already has twice as much retail per resident as some would consider healthy,” so there’s no way to expect residential-over-retail at every project.

“The biggest demand in the county today is still for data center and flex industrial uses,” said Mike Romeo, a land use planner at Walsh, Colucci, Lubeley and Walsh who represents several developers. “But if you are going for residential, it’s best to build around an existing shopping center and complement it. Many are already primed for that infusion of pedestrian walkability and vitality.”

Turner recognizes that reality begrudgingly. His committee has started meeting to discuss other amenities that make sense for these projects in lieu of retail — or as Board Chair Phyllis Randall, D-At large, has summed up regarding modern Loudoun: “What can we do that’s not retail and not data centers?”

That’s not to say that the county won’t still demand retail in some places — Rizer said the Route 50 corridor “is a good example of a place where we could use some real mixed-use,” an assessment that's gained Letourneau's hearty agreement.

But Rizer also recommends a more “case-by-case” approach than the comp plans' more rigid standards. Maybe these projects could be required to center on a public facility, like a library or community center, or avoid a retail requirement only if they include large amounts of affordable housing, Randall suggested.

Turner said he's especially keen on a mandate for developers to include new shared-use trails as part of these projects. Perhaps that can connect new communities to existing shopping centers without forcing people back inside their cars.

“This was all designed 25 years ago as autocentric Washington suburbia,” Turner said. “Now we’re trying to shoehorn this in to create a multimodal, integrated community. It’s hard to do.”

Where does the housing go?

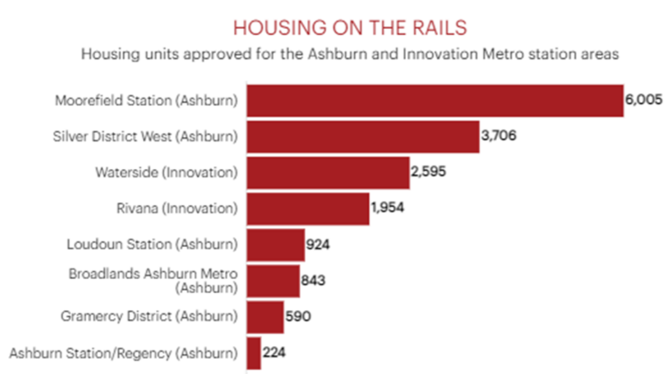
But are new bike paths going to be enough to alter Loudoun’s car-heavy transportation patterns? Smart growth advocates aren’t so sure.

Instead, they believe the county hasn’t done enough to radically reshape its land use and transit strategies. The county may be succeeding in spurring new housing construction — broadly seen as a key way to boost supply and drive rents down — but they fear it may cause more pain if done the wrong way.

“Loudoun needs more grids of streets, more pedestrian-friendly development … and where’s the funding and allocation of space to dedicated bus lanes?” said Stewart Schwartz, executive director of the Coalition for Smarter Growth. “While this problem persists, too much housing tied to this transportation network will just create additional problems for the county, and the region as a whole.”

Part of the problem is the county just doesn’t have a lot of room around its Metro stops available for new construction. Romeo notes that the two main stations available for infill development — Ashburn and Innovation Center, just across the Fairfax County line in Sterling — “already have existing approvals” for projects. So there may be more units on the way, but there isn’t much space for more.

What's on the boards? There are nearly 17,000 housing units proposed for those two stations, more than a third, 6,005, at Ashburn's Moorefield Station alone.



Schwartz believes the county itself is partially to blame for restricting development opportunities at those stations. For instance, he faults the large Metro parking garage at the Ashburn station for eating up valuable developable land and notes the county cut off virtually all potential residential construction around the Loudoun Gateway station, largely due to concerns over aircraft noise. That blocks areas zoned for the kind of dense multifamily housing that makes affordable units economical to build.

That makes policy changes necessary for Loudoun to realize its "very high goal for supplying badly needed attainable housing," said Kim Hart, a leading local builder of affordable homes with Good Works Development. The county's forecasts suggest it will need to build nearly 51,000 new homes, including 16,000 affordable units, by 2040 to meet demand.

"The aspiration is great, but we don't know where to put it," Hart said. "We need to see that analysis before we know if their goals are realistic."

Gem Bingol, a land use officer focused on Loudoun for the Piedmont Environmental Council, eyes potential dense construction in corridors with existing bus service, such as along Route 28 as it approaches the Metro. And Schwartz notes that expanding bus options will make more homes viable in more places. But Bingol said the solution doesn't just fall on more housing supply.

"Loudoun experienced more housing growth over the last 20 years than any other jurisdiction and didn't end up with a big stock of affordable housing," Bingol said. "Just saying 'yes' to residential hasn't proven to be the answer. The county needs to take steps to bring its own resources to bear."

Affordable interventions

As the county prepares to add all this new housing, it still lacks the resources to make those homes more affordable.

Loudoun remains Northern Virginia's only jurisdiction that doesn't regularly contribute to its affordable housing loan fund, a key financing source for developers to fill gaps and pay for complex projects. For now, the county only ponies up funds when existing affordable units are sold and converted to market rate. In contrast, neighboring Fairfax County doles out around $20 million annually, while D.C. leads the region with annual investments regularly topping $100 million.

The county also lacks robust requirements for the inclusion of new affordable units in large projects — Virginia localities can't yet follow D.C.'s lead in creating such inclusionary zoning policies, but many of Loudoun’s neighbors negotiate for affordable units as a condition of zoning approvals.

“If we’re going to actually achieve the vision of the comp plan, we still need more, and more creative, ways to bring about workforce, attainable housing,” said Tony Howard, president and CEO of the Loudoun County Chamber of Commerce.

Board Chairman Randall is optimistic on that front, arguing that this is “the first time the board has really become serious about meeting our unmet housing need.” The board passed a strategic plan to that effect this fall, outlining new construction targets and dozens of potential solutions, though progress remains slow as supervisors spend months hashing out how to budget for the trust fund.

Supervisors have debated dedicating money from a new cigarette tax toward affordable housing, but estimates suggest that will only generate about $2 million each year and likely dip over time, should it successfully dissuade people from smoking. Randall said she's also advancing plans to allot more money from the county’s general fund — somewhere between $3 million and $5 million — as an initial step to provide developers more certainty. Both Turner and Randall say they're confident such measures will reach the 2023 budget.

“This has never happened before in Loudoun,” Randall said. “It’s still not nearly what other counties are doing … but I don’t believe any county can talk honestly about meeting the unmet housing need if they’re not putting money into their trust fund.”

Loudoun’s strategic plan also recommends, and Randall said the board is seriously considering, setting a broad goal of 20% of each major residential project dedicated to affordable housing. Supervisors could, for instance, direct staff to discuss with developers what that standard would take for development applications, she said.

Rizer cautioned that a 20% mark may be high for builders hoping to turn a profit, arguing the county should simply look to “get as much as we can each time.” “We’re not going to make up for our lack of affordability and product in the next five projects or developments,” he said.

Though, such a goal could send a strong message, supporters say: If the county is really going to make all this new residential possible, then it expects some help from the industry to make it affordable and viable.

“We have developers putting forward applications right now where they’re meeting the letter of the law in terms of providing affordable units, or exceeding it by some nominal number,” said Forest Hayes, chair of Loudoun’s planning commission. “They truly and honestly think they've exceeded our expectations, but they need to consider the spirit of the policy too. … There needs to be a recognition on the side of the developer that they have to go much further."

WHAT ABOUT THOSE COMP PLAN CHANGES?

Changes to Loudoun's chief development document, the Comprehensive Plan, passed in 2019, opening the door to new residential construction. It was the plan's first update in nearly 20 years, a momentous undertaking that required months of debate. Even so, the document doesn't determine if individual rezonings can happen, but it does set broad policy standards that can make new construction possible. Some of the biggest changes include:

- The creation of a new "urban policy area" to allow for dense new construction around Loudoun's future Metro stations
- New standards guiding urban-style design of buildings in those areas, as well as zoning changes to allow for 5,000 new homes to be built there through 2040
- Major changes to the "suburban policy area," mainly targeting communities along Route 7, Route 50 and Route 28, to allow for more residential construction in place of commercial uses
- Substantial changes to the county's "transition policy area," a collection of communities west of Dulles International Airport, to allow for the construction of 2,100 new homes through 2040
- New limits on where data centers can be built in the county, and new design standards guiding their look and feel