ARLINGTON
VIRGINIA

DEPARTMENT OF COMMUNITY PLANNING,
HOUSING AND DEVELOPMENT

March 2006

Creative Affordable Housing Development Tools

Some affordable housing tools, such as tax-exempt financing and Low Income Housing Tax Credits are well known and broadly used. Others such as bonus density are not uncommon but the specifics of use may vary from jurisdiction to jurisdiction. This memo describes a broad range of tools used in Arlington, focusing on those that may be less well known.

Types of Tools:

- Zoning
- Financial
- Creating Win:Win Situations
- Special Tool
- Rent Assistance

Zoning Tools:

- *Affordable Housing Ordinance:* Arlington's Zoning Ordinance's requirements for site plan projects are designed to foster creation of affordable housing and to streamline the approval process. The developer chooses whether to provide a cash contribution or to provide units using a percent of the increased gross floor area (GFA) above 1.0 Floor Area Ratio (FAR). For on-site units, the requirement is 5% of the GFA; for off-site units nearby, 7.5%; for off-site units in Arlington County, 10%. Cash contributions in March 2006 were: $1.50/sq. ft. of GFA for first 1.0 FAR; $4.00/sq. ft. from 1.0 to 3.0 FAR for residential; $8.00/sq. ft. of GFA above 3.0 for residential; and $4.00/sq. ft. above 1.0 FAR in commercial. Cash contribution amounts are indexed to the Consumer Price Index for Housing in the Washington-Baltimore MSA.
- *Flexible Density Bonus:* The County's 25% density bonus, added to the zoning ordinance in 2001, permits both market-rate and affordable units, with the income from the market-rate units designed to offset the cost of the affordable units. Quincy Plaza, a site plan project in Ballston approved in 2002, used the full 25% bonus and will add 25 committed affordable units to the affordable supply.
- *1:1 Replacement:* The Special Affordable Housing Protection District (SAHPD) is a special land use overlay which identifies existing affordable housing in the Rosslyn-Ballston Metro Corridor which is planned for 3.24 FAR or higher. It involves replacing the existing affordable housing units on a 1-for-1 basis. This has been interpreted as replacing the number of bedrooms on a 1-for-1 basis. An example is the 314-unit project, The Gallery, which provided 38 two-bedroom units with 76 bedrooms, replacing 55 units (primarily one-bedrooms) with 70 bedrooms. This replacement policy may be revisited in 2006.
- *Shift of Density:* Shift of density is possible from one part of a site to another within a site plan. This allowed the shift of excess density from an urban park to an adjacent portion of the Rosslyn Ridge II site by Arlington Partnership for Affordable Housing (APAH) and resulting in a 238-unit mixed income project with 95 new affordable units. This was also used in 1984 to preserve the 41-unit Key Blvd. Apartments, involving a density shift to The Atrium condominium.

- *Transfer of Development Rights (TDRs):* The County Board adopted an ordinance to allow for the transfer of development rights consistent with State enabling legislation (State code: 15.2-750). The TDR program will allow a site to send density and other development rights for the purposes of, but not limited to, the preservation or facilitation of affordable housing, open space, historic preservation, community facilities, or community recreation. Through site plan approval, the TDRs can be transferred to another location where density is deemed more appropriate by the County Board. A group comprised of representatives of of the Planning Commission, the Housing Commission, and other members of the community will develop recommendations for criteria for the use of TDRs.
- *Bonus Density Using Increase in Floor Area Ratio (FAR*): The recently-approved Nauck Village Center Action Plan includes provision, as an incentive for the creation of affordable housing, of an increase in FAR from a maximum density of 1.5 to 2.0. This would be limited to projects on designated residential sites where the developer agrees to provide at least 10% of its units as committed affordable units. This was used by AHC, Inc. for the redevelopment of the 22-unit Fairview Manor to a 94-unit committed affordable complex.
- *Phased Development Site Plan (PDSP):* The County Board used this tool to develop 232 committed affordable rental units and a 72-unit limited-equity co-op at Colonial Village, a large garden complex near Metro in 1979. The developer was able to tear down over 120 units in order to build three office buildings. The FY 1991 Meridian PDSP generated 176 committed affordable units and used a shift of density for the 112-unit Courthouse Crossing project.
- *Rezoning:* When a site plan is planned for a higher density or is appropriate to be planned for higher density, the process can be successfully used to capture affordable units (as done in Arna Valley). Avalon at Arlington Square includes 64 units scattered throughout an over 800^{+}-unit complex and a 101-unit stand-alone project (Arna Valley View) which is 100% affordable.
- *Unused Density:* AHC Inc., a non-profit, used excess density at its existing affordable complex, Woodbury Park, as well as the density bonus, to develop 108 committed affordable rental units on the same site.
    - *Condo Sales Income:* The Woodbury Park North project will include 99 market-rate condominiums. In addition to the savings from the use of excess and bonus density, the non-profit is using the income from condo sales to ensure the long term affordability of the rental units, eliminating the need for County funds.
- *Street Vacation:* The developer of the Lofts at Crystal Towers provided nine on-site affordable units with a value to the County equivalent to the value of vacation of a street easement.

Financial Tools:

- *Affordable Housing Investment Fund (AHIF):* The County funds AHIF with $4 million annually including nearly $3 million in local general revenues. Established in 1985 as a revolving loan fund, it now has loan repayments, on average, of $1.1 million annually. Occasionally there are larger one-time payments, e.g., a $3 million payment in FY 2004. This funding is typically used for acquisition and rehab projects.
- *Credit Facility:* AHC, the non-profit developer, acquired The Gates of Ballston, a 465-unit apartment complex near Metro. It is keeping 75% of the units affordable to households with incomes below 60% of median. The acquisition was funded by the County in part through a $10 million credit facility, or line of credit, provided by Fannie Mae's American Communities FundTM (ACF®). This partnership between the County and Fannie Mae was unprecedented.

- *County Credit Support:* The County backed the credit facility with County credit support (formerly referred to as a moral obligation). The County's obligation on the facility is legally limited. The County did not pledge its taxing authority or full faith and credit, but the County's statement creates an expectation in the financial markets that future County Boards, while not legally obligated to fulfill the commitment, would in fact, fulfill its obligation. This has been used at The Gates and was also used in the FY 1988 acquisition of the 364-unit Woodbury Park.
- *LPACAP (Local Public Assistance Cost Allocation Plan):* This funding is the result of a cooperative partnership with the Virginia Department of Social Services. It is designed to maximize federal reimbursement of local costs for administering social services programs, including housing and housing services for special needs populations. The County Board set aside $7 million in LPACAP funds as a Supportive Housing Fund. The County used roughly $2,700,000 from that source to purchase a 39-unit project for use as supportive housing for older persons with disabilities.
- *Assisted Living Conversion Program:* This U.S. Department of Housing and Urban Development (HUD) program provides funds primarily to rehabilitate portions of existing HUD Section 202 properties to provide assisted living for persons aging in place. The non-profit Volunteers of America National (VOA) was awarded a $4.8 million grant. The funds will enable VOA to provide extensive renovations to the former Oak Springs, expanding it from 39 to 52 units and adding necessary program and community space. The vacant building qualified for the funds as an underutilized commercial property.
- *Mortgage Buy-Downs to Serve Extremely Low Income Persons:* At Columbia Grove, a 210-unit complex, the County is buying down the mortgage on eight units to zero. This reduces rent payments to amounts covering the owner's operating costs only, making the units affordable to persons with disabilities whose incomes are below 30% of area median income. The rental income from the very low income residents will pay for operating costs and assisted living services rather than the mortgage.
- *Live Near Your Work Program:* This local program provides a forgivable loan in the amount of $2,700 to qualified County or School Board employees purchasing a home in Arlington.
- *Historic Tax Credits:* A developer used both Historic and Low Income Housing Tax Credits for the FY 1996 acquisition and rehab of the 512-unit Ballston Park at Historic Buckingham Village. This enabled the project to have the highest leveraging and the lowest per unit subsidy cost of any project done in Arlington. 45% of the units are committed affordable units.
- *Partial Exemption on Real Estate Assessments:* Partial exemption is available for property owners who do substantial rehabilitation on multi-family rental projects.
- *Housing Reserve Fund (HRF):* The HRF uses private developer contributions to help finance the acquisition of units to mitigate displacement of low income tenants and for apartment banking.

Creating Win:Win Situations

Working with the neighboring civic associations in planning affordable housing projects, both non-profit and for-profit housing developers have been able to design projects with elements that address neighborhood concerns and thus generate neighborhood support.

- Monterey/Sierra, by the for-profit Silverwood Associates, Inc., combined rental and ownership to create a mixed-income community. The ownership component was largely a result of a deliberate and thorough public process. Demolition of 43 units allowed construction of The Sierra, a 96-unit condo. Rezoning halved the cost of construction. All 109 rehabilitated rental units and 10% of the condos will be affordable. The community was enthusiastic in its support because the project increases home ownership in the area.

- At Columbia Grove, a 210-unit committed affordable complex, the community was very supportive of the project, both because its acquisition helped retain the existing neighborhood residents and because the addition of a parking lot will alleviate neighborhood parking problems.

Special Tool:

- *Deed Covenants:* At The Sierra and other condos and townhouses, an innovative deed covenant extends the affordability of the units to future low income buyers while also enabling the lower income homeowners to earn appreciation on their homes. Units will be affordable in perpetuity.

Rent Assistance Tools:

- *Project-Based Housing Vouchers:* Up to 20% of a jurisdiction's federal Housing Vouchers may be project-based Housing Vouchers, with no more than 25% of the units in any one complex receiving this commitment. Arlington first used this resource in FY 2001 at the Quebec, a 172-unit project. The developer added 24 three-bedroom units at this project through conversion of smaller units and the addition of bump-outs.
- *Housing Grants:* This County-funded rent assistance program serves low income working families, elderly persons and persons with disabilities. Rent subsidies allow participants to pay between 30% and 40% of income for rent.
- *Project-based Rental Assistance:* Some committed affordable units are designated to serve persons with disabilities, including homeless, needing permanent supportive housing. This program assures affordability for these very low income persons.
- *Transitional Housing Program:* This rent subsidy program serves households with issues such as mental illness or domestic abuse who are leaving shelters and entering transitional programs.

Partnerships

Key to Arlington's success in reaching its affordable housing goals is effective working partnerships with the private sector, both non-profit and for-profit housing developers.