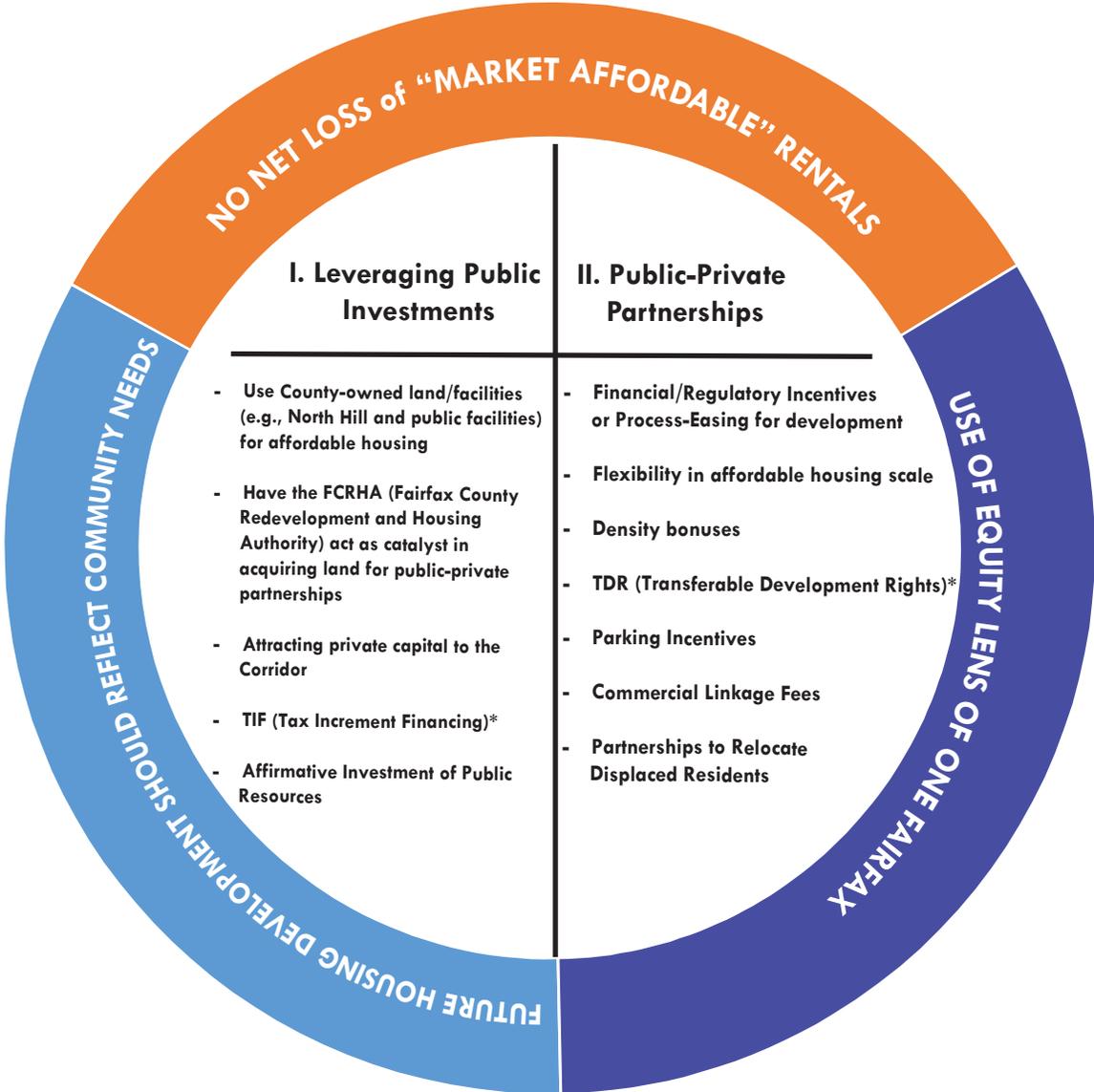


# Embark Housing Strategies



\*May require additional enabling legislation

## Report of the Embark Housing Advisory Group

### Overview

The Embark Housing Advisory Group was chartered by the Board of Supervisors in 2018, in order to facilitate a more focused policy discussion of the issue of preservation and housing affordability in the Richmond Highway corridor. The Advisory Group recognizes that the promise of bus rapid transit, coupled with significant private new investment and development in the corridor as embodied in the Embark Plan, are vital to the economic success of the corridor and will provide new opportunities for residents there. The principal challenge to be addressed by the Advisory Group was to recommend proven housing policies to help ensure that the anticipated new development and investment in the coming decades serves the needs of the corridor's long-time low and moderate income residents, and preserves its racial and economic diversity. Elements of the Embark Housing Advisory Work Group's efforts are anticipated to be reflected in the work of Fairfax County's Affordable Housing Resources Panel and serve as a template for preservation strategies countywide.

To that end, the Advisory Group is recommending adoption of a set of policy principles to guide future land use and housing funding decisions in the corridor by the Board of Supervisors as a companion to the Embark Comprehensive Plan amendment. In addition, the Advisory Group is recommending a set of tools for consideration by the Board. These tools respond to the Embark Plan follow-on motion that asked the Advisory Group to consider issues related to the preservation and creation of affordable housing along the corridor, and represent a range of strategies from policy changes to potential programmatic changes. The recommended strategies are not intended to be prescriptive nor all-inclusive; rather, the strategy recommendations are intended to provide a roadmap for Fairfax County staff to develop and implement opportunities in order to advance the principles.

When referring to the "Richmond Highway corridor" in these recommendations, the Advisory Group defines that area as the specific corridor boundary that includes the community business centers (CBCs) and the suburban neighborhood areas (SNAs) in between, as defined in the Comprehensive Plan. However, as illustrated on the map on Annex 2, many of the "market affordable" rental units in the region are outside of this corridor boundary. Although the Principles and Strategies in this document are recommended to be applied to the corridor boundary, the Advisory Group also recommends that the Board direct staff to explore the applicability of the Principles and Strategies to the area outside of the corridor boundary, as shown on Annex 2. Consideration must be given to the impact of encouraging greater density in areas outside of the corridor boundary, and the potential resultant effects on stable residential neighborhoods.

## Recommended Policy Principles

The Embark Housing Advisory Group recommends that the Board adopt the following three principles for the Richmond Highway corridor:

- **Principle 1: No net loss of existing, market affordable rental homes in the Richmond Highway corridor**

The Richmond Highway corridor is home to a significant stock of market affordable rental apartments. Market affordable housing is defined as privately owned, older apartment buildings which do not have any public sector investment or subsidy or otherwise subject to rent restrictions.

While the Advisory Group supports the Embark Richmond Highway Corridor plan guidance to preserve market rate units serving those below 100 percent of the Area Median Income (AMI), it recognizes the need to focus on market affordable homes serving people at lower incomes earning up to 60 percent of AMI (approximately \$70,000 for a family of four as of March 2019). The majority of market affordable apartments are located in multifamily rental complexes outside Community Business Centers along or near the corridor. These complexes may experience redevelopment or repositioning pressure as the Embark plan is implemented. These apartments are largely older, garden-style communities; many of which would require significant investment to physically preserve as quality, sustainable homes over the long term.

It is recommended that the Board adopt a principle that, to the extent feasible, there should be **no net loss of market affordable units (meaning units that are affordable to households earning up to 60 percent of AMI; approximately 4,600 units in the Lee and Mount Vernon Districts as of December 2018) in the corridor**, recognizing that the preservation of these resources can take many forms which will commit them as affordable, including:

- 1) Preservation and renovation of existing structures using public financing, in a manner similar to the recent investments in Huntington Gardens in the Lee District. It should be noted that this is consistent with the Comprehensive Plan Policy Plan Housing element, which states that Fairfax County should support and maximize federal and state programs, including regional fair share allocations and VHDA assistance.
  - 2) Replacement of units on-site, with attention to unit size and income levels served, as part of a redevelopment; and
  - 3) Replacement of units through new development across the corridor. It is desirable that the replacement units would be in or near mixed-use centers, such as community business centers, or near transit, to provide access to employment opportunities. It is also desirable that replacement units serve like incomes as the replaced units, to the extent feasible.
- **Principle 2: Use the of Equity Lens of One Fairfax**

The Fairfax County Board of Supervisors and the Fairfax County School Board adopted the One Fairfax racial and social equity policy in 2017, to ensure all individuals in our community have an opportunity to reach their highest level of personal achievement. Stable, affordable and high-quality housing is the key to increasing access to opportunities and ensuring all

residents can prosper. The demographics of households along the corridor who are at risk of displacement through redevelopment include a diverse population with extremely low to low incomes as designated by HUD income guidelines. Recommendations to address preservation and production of affordable housing must be evaluated and determined through the following considerations:

- **who will benefit** from or be **burdened** by proposed actions;
- will these strategies create **vulnerabilities for low income households of color** or foster **opportunities**; and
- will the final action advance racial equity and mitigate **unintended consequences**.

- **Principle 3: Future Housing Development Should Reflect Community Needs**

Under this principle, housing types that reflect the current and future needs of the community as identified in the Communitywide Housing Strategic Plan, such as housing lower income workers, larger families, singles, and those who are elderly in areas that are accessible to jobs, services and amenities should be promoted. Public investment in redevelopment and new development of affordable units will be driven by the housing types that are most needed or projected to be needed in the area, and that allow residents to remain in their communities. Public investment in the Richmond Highway corridor should target new production at 60 percent of Area Median Income (AMI) or below to allow existing residents to remain in the area. Public resources, in the form of capital investment and low income housing tax credits, should focus on the needs of households earning 60 percent of AMI and below.

## **The Strategies**

It is recommended that the Board direct staff to prioritize and implement or further develop the following menu of strategy options. The following are examples and should not be considered as all-inclusive:

- I. **Leveraging Public Investments**

- *Use County-owned land/facilities (e.g. North Hill and public facilities) for affordable housing*

This strategy is reflective of the Communitywide Housing Strategic Plan, and is consistent with the adopted Comprehensive Plan, Policy Plan, Housing Element (Objective 1; Policy G), which recommends use of Fairfax County and other government-owned buildings and land as sites for affordable housing. The Communitywide Housing Strategic Plan states, "Making vacant or underutilized publicly-owned land available for affordable and mixed-income housing is an important way to expand housing options without direct public financial subsidy." In addition to the importance of the land component of this Embark Housing Strategy, it also incorporates the Strategic Plan strategy that calls for "co-locating housing with new and/or redeveloped public facilities". The Strategic Plan states that this "is an effective way to create affordable housing options in mixed-use settings. The County's CIP process should be amended so an assessment of the appropriateness of co-locating housing is done in all projects involving building new public facilities or redeveloping existing facilities."

- *Have the FCRHA (Fairfax County Redevelopment and Housing Authority) act as catalyst in acquiring land for public-private partnerships*

This strategy calls for the FCRHA to pursue opportunities for catalytic investment in which the FCRHA would acquire land/facilities for public-private partnerships that would be developed to increase the affordable housing stock. The FCRHA would retain ownership of the land and provide it as a subsidy to the developers as a ground lease, to the extent possible. This recommendation is consistent with language within the Embark Richmond Highway Corridor Plan, which recognizes successful public-private partnerships as key to the successful implementation of the Plan.

- *Attracting private capital to the Corridor*

As opportunities arise, Fairfax County should take advantage of programs or mechanisms for attracting private capital to the area. For example, Opportunity Zones (OZ), and related Opportunity Funds, were created as part of the Federal Tax Cuts and Jobs Act of 2017. The goal is to encourage long-term investments of private funds in designated low-income areas nationwide. There are four Opportunity Zones in the Embark area. Led by the Office of P3/Joint Ventures under the County Executive, Fairfax County should identify investment opportunities consistent with a needs assessment developed with households residing within OZs, to attract capital to the Embark area. This could include affordable housing, but also other community amenities such as neighborhood serving retail, childcare, entrepreneur incubators. Opportunity Zones are but one example of how Fairfax County can take advantage of programs that are intended to incentivize private investment in specific geographic areas. This recommendation is consistent with the Embark Richmond Highway Corridor Plan, which recommends the evaluation of funding mechanisms as part of its Implementation section.

- *Tax Increment Financing (TIF)*

TIF allocates future increases in property taxes from a designated area to pay for public improvements within that area. These improvements could include affordable housing as part of a larger redevelopment effort. Fairfax County has used TIF in the Merrifield area, and this strategy promotes exploration of Fairfax County's existing authority to implement TIF and associated policies as a means to spur affordable housing development and preservation in the Richmond Highway corridor. This approach is reflective of the Communitywide Housing Strategic Plan strategy that calls for exploring using TIF policies to promote housing affordability, and is intended to be used in the context of larger redevelopment efforts.

- *Affirmative Investment of Public Resources*

Fairfax County and the FCRHA should affirmatively direct investments of public resources to preserve and produce affordable housing in the corridor serving households up to 60 percent of AMI. Particular efforts should be made to support housing opportunities for persons with extremely low incomes (earning 30 percent of AMI and below). This should include a combination of investments of Housing Blueprint funds, Fairfax County's federal Community Development Block Grant (CDBG) and HOME Investment Partnerships Program funds, and the FCRHA's project-based Housing Choice Vouchers, in privately-owned and operated affordable and mixed-income properties.

## II. Public-Private Partnerships

### - *Financial/Regulatory Incentives or Process-Easing for development*

This strategy calls for the consideration of expedited approvals by Fairfax County as well as exemption of certain fees/proffers for affordable housing development. It also echoes the Communitywide Housing Strategic Plan strategy calling for Fairfax County to “review the Public Private Education and Infrastructure Act (PPEA) framework and consider moving to a more streamlined process for public land projects that involve affordable housing.” The Advisory Group recognizes that this recommendation would have to be evaluated in the context of other county priorities and goals.

### - *Flexibility in affordable housing scale*

Staff should consider developing a flexible scale for the delivery of new affordable homes tailored to the Embark area, to address the needs in the community and encourage creation of units affordable to 60 percent of the AMI and below. This may include potentially reducing the 12 percent affordable benchmark, if the housing is targeted to the lowest earners; or redistributing the percentages to make more units affordable to the lowest income tiers.

### - *Density bonuses*

Incentives such as density bonuses have been successful regulatory and policy tools. Staff should evaluate existing density bonus provisions and pursue identifying potential new strategies, including consideration of a policy to account for the replacement of affordable housing in a redevelopment proposal that potentially discounts that proposal from density calculations within the Embark plan area.

### - *TDR (Transferable Development Rights)*

TDR involves development rights which can be voluntarily transferred or sold by respective landowners from their land to any other developer who can use these rights to increase the density of development at another agreed upon location. This strategy promotes studying the potential use of a TDR program for the benefit of the Embark area. The Advisory Group understands that any implementation of TDR would require an amendment to the Zoning Ordinance.

### - *Parking Incentives*

The Richmond Highway corridor is well-served with public transit, and the arrival of bus rapid transit will provide increased corridor mobility. Bus rapid transit will likely decrease auto trips and the future need for traditional parking calculations. Therefore, it is recommended that Fairfax County explore reduced parking ratios for affordable developments (as has been adopted in neighboring jurisdictions), or providing an incentive to produce more affordable housing in exchange for parking reductions. As an alternative, Fairfax County may wish to consider expanding the parking reductions available in the commercial revitalization districts to areas outside of the Richmond Highway revitalization area.

- *Commercial Linkage Fees*

This strategy calls for a review of Fairfax County's options to encourage commercial contributions to an affordable housing fund in transit, high density activity centers. Phase 1 of the Communitywide Housing Strategic Plan contains a similar strategy which states, "The County should assess its current policy of commercial contributions and re-visit the countywide commercial linkage policy in transit-oriented development areas to determine whether a new commercial contribution policy should be adopted." The Advisory Group recognizes the imperative to balance new commercial investment in the corridor with the opportunity to generate additional funding for housing affordability.

Therefore, the Advisory Group recommends that staff explore a commercial linkage policy on a countywide basis, and that such policy consider and account for the unique investment needs of the county's revitalization areas.

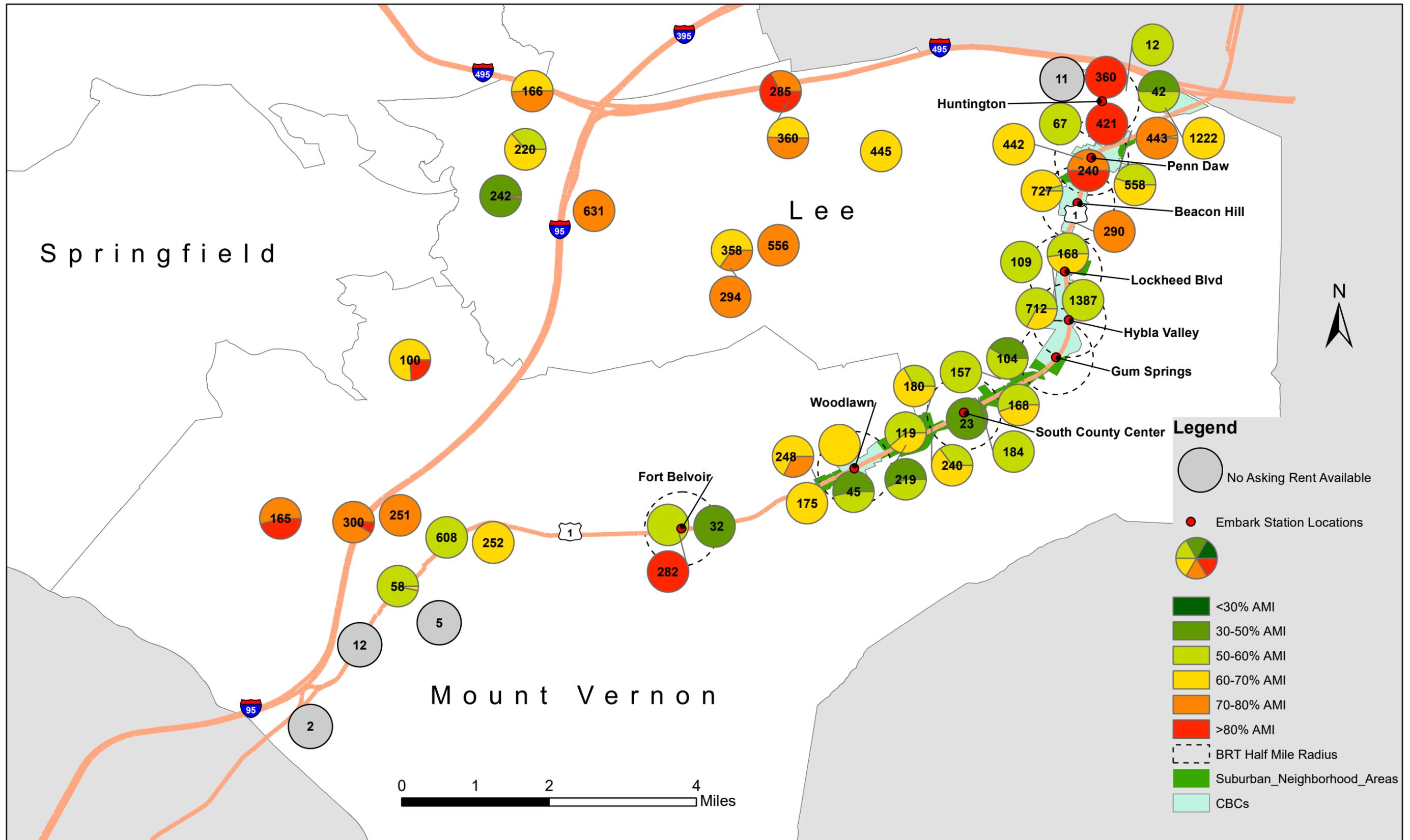
- *Partnerships to Relocate Displaced Residents*

Fairfax County needs the people who need affordable homes, and the Advisory Group recommends that Fairfax County affirmatively explore housing options for persons who might be displaced by the redevelopment of market-affordable apartments. It is therefore recommended that the FCRHA, Fairfax County and their affordable housing partners in the Richmond Highway corridor provide for admissions preferences for persons who lose their market-affordable rental homes due to redevelopment, to the extent feasible under existing fair housing laws. Similarly, it is recommended that the FCRHA and Fairfax County's rental subsidy programs – namely the Housing Choice Voucher and Bridging Affordability programs – also include such a preference for extremely low-income households.

**Embark Housing Advisory Group Strategies**  
**Annex 1: Staff Commentary and Further Considerations**

<b>Applicable Section</b>	<b>Commentary/Considerations</b>
<b><i>“No net loss” principle</i></b>	<p>Overall the Comprehensive Plan, Policy Plan Housing element addresses the production of new affordable housing, the improvement and maintenance of housing through community development programs with as little displacement as possible, and the retention of existing below market rental housing. But it does not set specific targets, such as “no net loss.” Therefore, this principle should be understood within other goals for the corridor, and compared against other revitalization area expectations.</p> <p>This principle could lead to an unintended consequence—if the community looks to the CBCs to absorb some of the units that may be produced as part of the “no net loss”, would the corridor potentially be losing additional units that would be produced as part of the redevelopment?</p> <p>Because most of the corridor outside the CBCs is not planned for re-development, it is possible that some of the affordable units may in a sense move from the SNAs to the CBCs. This outcome could be exacerbated if areas outside the defined corridor are included in the targeted geography.</p>
<b><i>Flexibility in affordable housing scale</i></b>	<p>Other revitalization areas use countywide standards. The ADU Ordinance provides housing for those 70% and below AMI. Treating the Richmond Highway Corridor differently from other areas may have unintended consequences for the area. This should be reviewed by staff within the context of other revitalization/corridor goals.</p>
<b><i>Parking Incentives</i></b>	<p>Any parking incentives should be viewed in the context of distance to transit. Otherwise, unless there is some corollary provision for off-site parking, the overflow may not be able to be accommodated. This recommendation requires significant additional staff study.</p>
<b><i>Density bonuses strategy</i></b>	<p>Additional review and clarification will be needed on the definition and impact of “discounting,” which is a technique to incentivize construction of replacement affordable housing by excluding those units from the calculation of density. Currently, in Fairfax County up to one additional market rate “bonus” unit may be constructed for each affordable dwelling or workforce housing unit. The bonus is intended to offset the cost of providing the affordable units and is set at a maximum of 20 percent of the total unit count, including affordable units. If a shift is made in this calculation, as discounting implies, a thorough analysis of development impacts, parity with other areas of the county, and effect on the existing Affordable Dwelling Unit ordinance and Work Force Housing policy will be necessary.</p>

# Market Affordable Multifamily Rental Units by Income Level



"Market affordable," for the purpose of this document, means apartments in rental complexes that are affordable to households earning 60 percent of the Area Median Income (AMI) and below, which are not subsidized or otherwise subject to rent restrictions.

Source: Virginia Center for Housing Research tabulation of CoStar Data