

Creating a Preservation Framework: Matching Approach to Needs

A presentation to the Fairfax County Affordable Housing Preservation Task Force

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Agenda

- ▶ Research background and regional context
- ▶ Reasons for unit loss
- ▶ Preservation approaches
- ▶ Potential policy tools

Background and methodology

Northern Virginia's Preservation Challenge

Trends, Threats, and Opportunities



NORTHERN VIRGINIA AFFORDABLE HOUSING ALLIANCE

- ▶ 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
- ▶ See also: *Building Northern Virginia's Future* report

Regional Context and 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

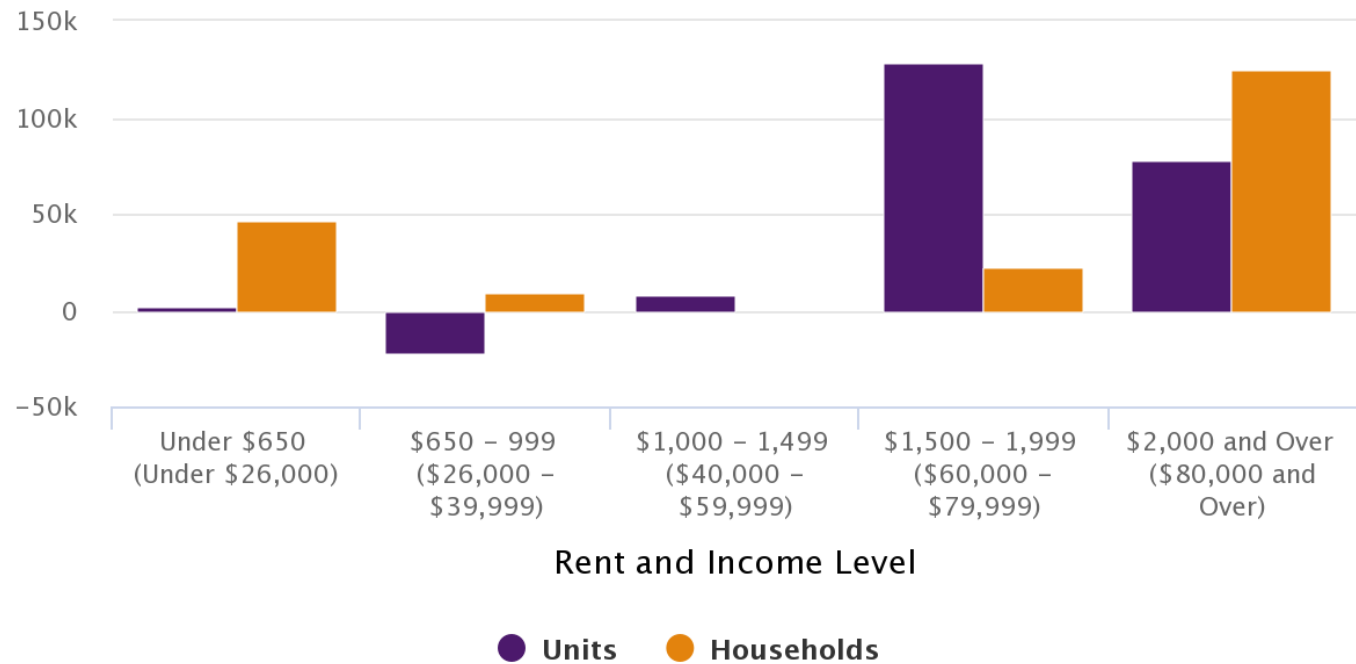
Household growth in middle-income categories lags in Washington, DC region; 2000-2016

	All Households	Renters	Owners
\$150,000 or more	34.40%	59.40%	30.30%
\$100,000-149,999	19.10%	57.70%	5.70%
\$75,000-99,999	-4.10%	7.60%	-12.40%
\$50,000-\$74,999	4.00%	8.00%	-0.10%
Under \$50,000	17.50%	14.10%	24.80%

Source: Urban Institute

Growth in higher-income renters puts pressure on Class B/C rental costs

Changes In Rental Units and Households: 2006–2016
Washington DC



Preservation is a racial equity issue:

The Mason District/Route 7 Corridor

Fairfax County Affordable Housing Dashboard

As of March 2020

Committed-Affordable Homes

3,205

Committed-Affordable Homes by Zip Code



Committed-Affordable homes, both privately and publicly owned, have restrictions to keep rent affordable for a period of time.

Market-Affordable Homes

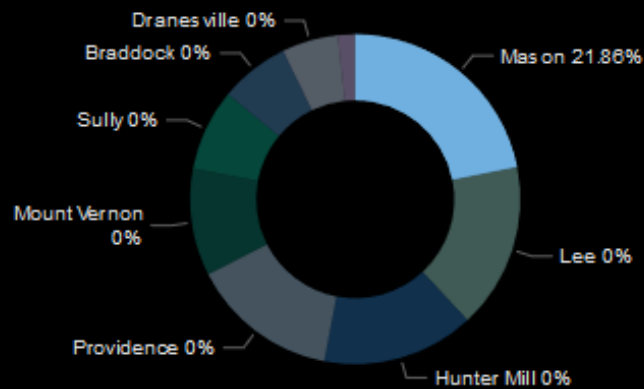
1,739

Market-Affordable Homes by Zip Code

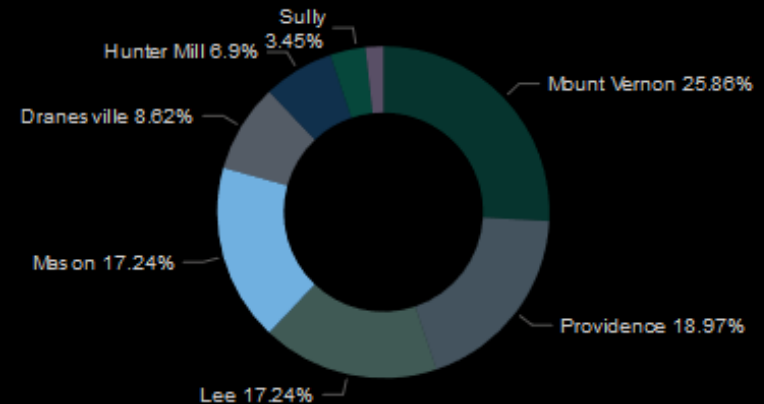


Market-Affordable homes are privately owned, do not receive government subsidy, and do not have restrictions on their rent.

Committed-Affordable Homes by Supervisor District



Market-Affordable Homes (60% AMI or Below) by Supervisor District



Preservation Framework | Unit Loss

Physical Deterioration	As a market-affordable or subsidized affordable property ages, there is insufficient investment in the property to maintain habitability, and the property is eventually removed from the building stock. This can result from insufficient cash flow from operations, poor management and/or intentional neglect.
Erosion of affordability via rent increase	If rents in market-affordable properties increase faster than tenant incomes, eventually some rental units will no longer be considered “affordable,” despite no other changes to the property, building, or business model.
Value-add Investment	In response to market demand from middle- and high-income rental properties, market-affordable or expiring subsidized properties may undergo light-to-moderate rehabilitation to improve the property to be repositioned in the rental market and drive higher rents. This process may be initiated by a transfer in ownership.
Redevelopment	In areas where the market can support redevelopment, an owner may completely redevelop a market-affordable or expiring subsidized property, which can include a full rehabilitation, demolition and new construction, or a combination of both approaches. Such properties are generally targeted at the top of the market to offset the major investment in the property.

Preservation Framework | Summary of Loss Types

	Physical Deterioration	Erosion of Affordability via Rent Increase	Value-Add Investment	Redevelopment
Risk in Inner-Northern Virginia	Minimal, due to strength of market. More limited to contexts of inadequate subsidy.	Significant, due to broader market trends	Significant, similar to <i>Erosion of Affordability via Rent Increase</i> .	Significant, though concentrated in certain submarkets and where substantial density can be added.
Impact on Tenants	Most severe: hazard and displacement risk	Substantial: Increased cost-burden and displacement risk	Substantial: More substantial rent increases, displacement during rehab process	Severe: Direct displacement, highest rents/costs upon completion

Preservation Framework | Preservation Approaches

- ▶ Facilitate transfer to mission-driven ownership
- ▶ Rehabilitate and recapitalize the property
- ▶ Facilitate equitable redevelopment
- ▶ Facilitate lower rents in current ownership structure

Preservation Framework | Policy Categories

- ▶ Strategy and outreach
- ▶ Capital financing
- ▶ Land use and planning
- ▶ Operating subsidy/cost reduction
- ▶ Policy and regulatory

Preservation Framework | Approaches and Interventions

Potential Approaches and Interventions

Physical Deterioration	Erosion of Affordability via Rent Increase	Value-Add Investment	Redevelopment
<p>Facilitate transfer to mission-driven ownership:</p> <ul style="list-style-type: none"> • Targeted acquisition capital • Permanent financing/gap resources • Transfers of development rights <p>Rehabilitate property</p> <ul style="list-style-type: none"> • Zoning/code barrier removal for non-conformance unrelated to health and safety • Rehabilitation capital • Property tax relief <p>Encourage responsible stewardship</p> <ul style="list-style-type: none"> • Code Enforcement • Tenant protection policies • Landlord outreach/technical assistance 	<p>Facilitate transfer to mission-driven ownership:</p> <ul style="list-style-type: none"> • Targeted acquisition capital • Permanent financing/gap resources • Transfers of development rights <p>Facilitate lower rents in current ownership structure</p> <ul style="list-style-type: none"> • Comprehensive Rental Agreements • Property tax relief • Rehabilitation capital with affordability requirement • Zoning/code barrier removal • Provide direct rental assistance • Master lease units • Rent regulation/stabilization 	<p>Facilitate transfer to mission-driven ownership:</p> <ul style="list-style-type: none"> • Right-of-first-refusal/opportunity to purchase laws • Targeted acquisition capital • Transfers of development rights • Permanent financing/gap resources <p>Facilitate lower rents in current ownership structure</p> <ul style="list-style-type: none"> • Comprehensive Rental Agreements • Property tax relief • Rehabilitation capital with affordability requirement • Zoning/code barrier removal • Provide direct rental assistance • Master lease units 	<p>Facilitate transfer to mission-driven ownership:</p> <ul style="list-style-type: none"> • Right-of-first-refusal/opportunity to purchase laws • Targeted acquisition capital • Transfers of development rights • Permanent financing/gap resources <p>Facilitate equitable redevelopment</p> <ul style="list-style-type: none"> • Inclusionary housing requirements/incentives • Small area planning incentives • Site-specific redevelopment incentives • Transfers of development rights • Permanent financing/gap resources and property tax relief for affordable units • Provide direct rental assistance