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

- 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

<table>
<thead>
<tr>
<th>Income Range</th>
<th>All Households</th>
<th>Renters</th>
<th>Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150,000 or more</td>
<td>34.40%</td>
<td>59.40%</td>
<td>30.30%</td>
</tr>
<tr>
<td>$100,000-149,999</td>
<td>19.10%</td>
<td>57.70%</td>
<td>5.70%</td>
</tr>
<tr>
<td>$75,000-99,999</td>
<td>-4.10%</td>
<td>7.60%</td>
<td>-12.40%</td>
</tr>
<tr>
<td>$50,000-$74,999</td>
<td>4.00%</td>
<td>8.00%</td>
<td>-0.10%</td>
</tr>
<tr>
<td>Under $50,000</td>
<td>17.50%</td>
<td>14.10%</td>
<td>24.80%</td>
</tr>
</tbody>
</table>

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

Notes: Households are grouped such that rents in each category would be 30 percent of monthly income. Source: JCHS tabulations of US Census Bureau, 2006 and 2016 American Community Survey 1-year Estimates.
Preservation is a racial equity issue:
The Mason District/Route 7 Corridor

Fairfax County Affordable Housing Dashboard
As of March 2020

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

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

**Committed-Affordable Homes**: 3,205

**Market-Affordable Homes**: 1,739
## Preservation Framework | Unit Loss

<table>
<thead>
<tr>
<th>Physical Deterioration</th>
<th>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.</th>
</tr>
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<tr>
<td>Erosion of affordability via rent increase</td>
<td>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.</td>
</tr>
<tr>
<td>Value-add Investment</td>
<td>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.</td>
</tr>
<tr>
<td>Redevelopment</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Physical Deterioration</strong></td>
<td><strong>Erosion of Affordability via Rent Increase</strong></td>
</tr>
<tr>
<td>----------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td><strong>Minimal</strong>, due to strength of market. More limited to contexts of inadequate subsidy.</td>
<td><strong>Significant</strong>, due to broader market trends</td>
</tr>
<tr>
<td><strong>Most severe</strong>: hazard and displacement risk</td>
<td><strong>Substantial</strong>: Increased cost-burden and displacement risk</td>
</tr>
</tbody>
</table>
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
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<th>Erosion of Affordability via Rent Increase</th>
<th>Value-Add Investment</th>
<th>Redevelopment</th>
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| Facilitate transfer to mission-driven ownership:  
  • Targeted acquisition capital  
  • Permanent financing/gap resources  
  • Transfers of development rights | Facilitate transfer to mission-driven ownership:  
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  • Permanent financing/gap resources  
  • Transfers of development rights | Facilitate transfer to mission-driven ownership:  
  • Right-of-first-refusal/opportunity to purchase laws  
  • Targeted acquisition capital  
  • Transfers of development rights  
  • Permanent financing/gap resources | Facilitate transfer to mission-driven ownership:  
  • Right-of-first-refusal/opportunity to purchase laws  
  • Targeted acquisition capital  
  • Transfers of development rights  |
| Rehabilitate property:  
  • Zoning/code barrier removal for non-conformance unrelated to health and safety  
  • Rehabilitation capital  
  • Property tax relief | Facilitate lower rents in current ownership structure:  
  • 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 | Facilitate lower rents in current ownership structure:  
  • Comprehensive Rental Agreements  
  • Property tax relief  
  • Rehabilitation capital with affordability requirement  
  • Zoning/code barrier removal  
  • Provide direct rental assistance  
  • Master lease units | Facilitate equitable redevelopment:  
  • 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 |
| Encourage responsible stewardship:  
  • Code Enforcement  
  • Tenant protection policies  
  • Landlord outreach/technical assistance | | | |