



Beauregard Small Area Plan

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Securing Long Term Commitments for Affordable Housing in the Beauregard Plan Area

Currently, all of the so-called “affordable” or “workforce affordable” units in the Beauregard area are “**market-affordable,**” meaning they have no guarantee of continued affordability into the future. Typically, lower rents for this type of housing are the result of age, condition or location, but as the market changes, rents will rise, particularly as the trend to live closer to jobs continues. “Committed” affordable units are those that are built, acquired, renovated or subsidized with public funds, or are pledged by developers (during the development review process), and guaranteed to have units which remain affordable for an extended term (usually 30 years). Today, the Beauregard Plan area does not have any committed affordable units.

Why is affordable housing important to the City?

- Affordable housing allows people who work in the city to live in the city, filling important roles in the local economy and reducing traffic and congestion.
- It helps maintain economic and residential diversity, allowing people of many backgrounds to interact.
- It attracts and retains new employers and a skilled workforce.
- It contributes to neighborhood stability, requiring less local government intervention and support when committed affordable units allow households to become established.
- It supports the local economy and local retail, by providing workers who live in the city to consume locally. Those who live and work here will also shop for groceries, services and retail goods nearby.

What are the threats to market-affordable housing?

- **Market Rents Outpace Incomes:** From 2000-2011, area median income (AMI) increased by 28% to \$106,100, as compared to average rent, which increased by 71% to \$1,765, for a market rate two bedroom unit in Alexandria.

- **Renovation and Increased Rent:** In 2005, Seminary Forest was purchased, and renovated as “The Encore,” resulting in rent increases of 80-87% over the period 2001 to 2011. A similar garden apartment property across the street, Seminary Hills, experienced increases of 25-44% over the same timeframe.
- **Demolition and Rebuilding under Existing Zoning:** A recent development application for Lynbrook proposed replacing the existing market

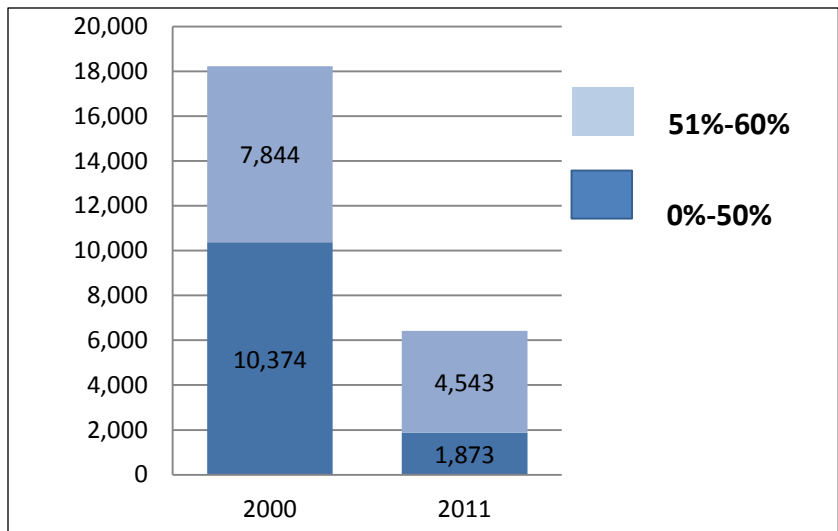


Figure 1: Rental apartments in the City affordable at 50% and 60% of AMI, 2000 and 2011

affordable garden apartments with market rate (for sale) townhomes. While the City would presumably have received a voluntary developer contribution for affordable housing, the City would not have been able to preserve the existing market affordable rental units.

What tools and resources does the City have to address the threats to market affordable housing?

- Voluntary contribution of funds or units by developers;
- Bonus density: in exchange for additional density, developers provide some onsite committed affordable units;
- City funds – the City can dedicate funding to affordable housing, but housing must compete with all other important city needs for limited fiscal resources;
- Small Area Plans – establish agreements for funding/committed units through planning process; and
- Voluntary tenant assistance, including relocation assistance and financial support for moving expenses, during redevelopment, funded through developer contributions and/or city funding.

What tools are unavailable to the City to stem the loss of affordable units?

Virginia state law prohibits:

- Rent control.
- *Requiring* the preservation of market affordable housing units.
- *Requiring* affordable units in new projects, unless the project uses bonus density.
- *Requiring* tenant assistance (except in the case of condominium conversions).

What is likely to happen without the proposed Beauregard Small Area Plan?

- Loss of affordability through market rent increases.
- Redevelopment can occur with no affordable units being provided (voluntary cash contribution may be received) as part of a site plan or development special use permit.

- Existing units can be rehabilitated (with a building permit) and rents increased with loss of affordability—e.g., Seminary Forest/Encore.
- Existing affordable housing stock will continue to experience market pressures.
- A continued loss of market affordable housing over time.
- Section 8/Housing Choice Vouchers will likely continue not to be accepted by owners and landlords.
- Loss of diverse population, particularly for major employment centers in and near the Plan area.

What does the proposed Plan accomplish in terms of affordable housing?

- Provides 800 committed affordable and workforce rental units (599 new and 201 existing). This is equal to 32% of the units to be demolished, 20% of net new units, and 12% of total new units.
- Units would be affordable for 30 years to households with incomes ranging from 40% – 75% AMI with an option to extend affordability for an additional ten years.
- Tenant needs survey conducted in spring 2012 of households impacted by demolition and redevelopment will guide City planning for housing affordability levels as part of future rezoning(s).
- Includes Hillwood and Lynbrook (100 preserved units included in the 800 unit total), which could potentially serve households at a wide range of incomes in perpetuity due to nonprofit or ARHA ownership.
- Widely distributes committed affordable and workforce units among all residential neighborhoods, including Seminary Towers and Southern Towers.
- Provides potential for affordable senior housing at Goodwin House, The Hermitage and above the proposed fire station.
- Provides potential to explore opportunities for nonprofits, ARHA or other affordable housing developers to acquire building sites to maximize affordable housing units that may be achieved.
- Creates potential for committed affordable units to be available to qualified households with Section 8/Housing Choice Vouchers (not currently accepted).
- New committed affordable units will be more energy efficient; some will be fully accessible to persons with disabilities.
- Committed affordable units will be monitored for compliance by the City.
- Establishes a tenant assistance program for all households in good standing impacted by redevelopment, including coordinated relocation information and referrals to comparably priced units in the Plan area and throughout the City, and financial assistance for moving costs.
- Helps ensure a diversity of incomes and residential and worker populations in the Plan area.
- Proposes \$114.1 million in Developer and City funding to support affordable housing (this amount may be used to access other financing and funding to increase affordable housing).

How will the \$114.1 million for affordable housing in Beauregard be used? How might it be leveraged to increase or expand the affordable housing target?

A variety of other funding sources could provide leverage, including grants or residual receipts-type loans repaid out of future cash flow, to supplement conventional financing. Depending on how a project is structured, many types of leverage may be possible, including federal tax credits and bonds for housing, conventional loans, below-market rate loans from the Virginia Housing Development Authority (VHDA) or other government-sponsored entities, grants, as well as private equity induced to invest in affordable housing through tax credits. Associating nonprofit housing developers or ARHA in the process will expand the public and private funding sources that can be leveraged.

The 2007 acquisition and renovation of Parcview Apartments by Wesley Housing Development Corporation (Wesley), provides a good example of how funding can be leveraged to help preserve affordable housing. In this instance, a City loan of \$9 million was combined with public and private funds, as well as \$1 million in Wesley's deferred developer fee, to acquire and renovate this property. The preservation of Parcview was a priority for the City as many residents were elderly and had vouchers to subsidize their rents. After acquiring the property, Wesley did a substantial renovation to the building, and created more accessible units and increased the number of family-sized units by converting some one bedroom apartments into two bedroom units. The City's investment and Wesley's deferred developer fee comprised 30% of the total development cost; the other 70% came from third party sources.



Comparison of Affordable Housing Scenarios (Existing Zoning vs. Small Area Plan)

In Beaugard, the ability to capture additional funds for affordable housing is possible through the small area planning process, as shown in Figure 3.

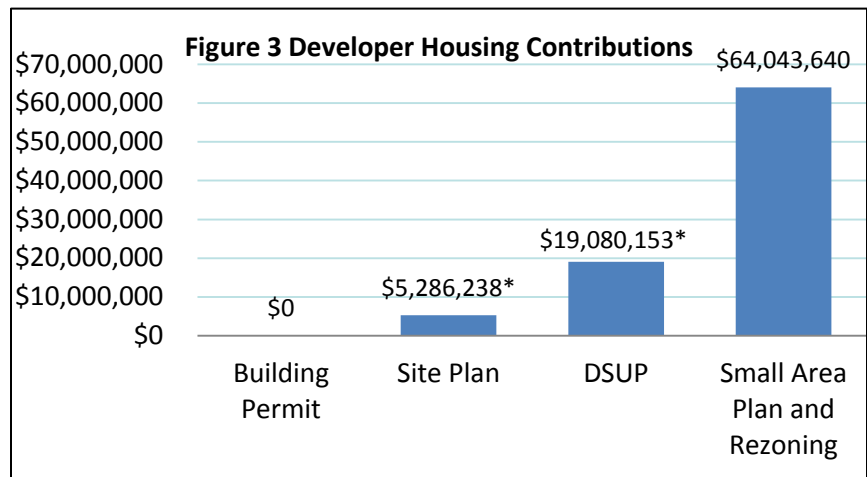
How is Affordability Determined?

For housing to be affordable to any given household, the common standard is that housing cost (including rent and utilities), should not exceed 30% of the household's gross income.

In high cost urban areas, the percentage of gross income considered affordable for housing expense may be significantly higher. Affordability is based on two factors, which are adjusted for the number of people in a household:

1. **Household Income:** income level is based on a given household's percentage of the AMI, as shown in Figure 4. In 2012, the DC metropolitan area median income (AMI) is \$107,500, using a four person household as the measure. This is "100% of the area median income."
2. **Housing Cost** (including rent and utilities): Following the 30% standard, a household with an income of \$56,000 should pay less than 1,400 in monthly rent (Figure 5).

Figure 3



*Assumes Voluntary Contributions would be paid

Figure 4: 2012 Maximum Incomes

%AMI	1 Person	2 People	3 People	4 People	5 People	6 People
30%	\$22,600	\$25,800	\$29,050	\$32,250	\$34,850	\$37,450
60%	\$45,180	\$51,600	\$58,080	\$64,500	\$69,660	\$74,820
80%	\$60,200	\$68,800	\$77,400	\$86,000	\$87,100	\$93,550

Figure 5: Affordability Levels

Apartment Size	Efficiency	1 BR	2 BR	3 BR
Rent at 30%	\$564	\$605	\$726	\$839
Rent at 60%	\$1,129	\$1,209	\$1,452	\$1,677
Rent at 80%	\$1,505	\$1,613	\$1,935	\$2,236

Additional Community-Expressed Comments about Affordable Housing:

- **The planned redevelopment will displace many lower income households.**

The Plan creates committed affordable units with 30-year affordability period, ensuring that they are not vulnerable to market forces, whereas the current market affordable units can become "unaffordable" due to market fluctuations at any time. The level of affordability that is proposed in the Plan for the long

term is lower than what exists now in Beauregard. Some lower income households are spending more than 30% currently to live in Beauregard, and the planned level of affordability should help these households stay within or closer to the standard.

- **Will all existing residential units be demolished in the Plan area?**

Figure 6 - Beauregard Plan Area Proposed Plan Existing Units	
Total current units in Plan area:	5,500
Current units to remain:	3,025 Of these units to remain: <ul style="list-style-type: none"> • Approximately 2,400 were affordable in 2010 • Approximately 2,000 were affordable in 2011 • Affordable units to remain are located at Southern Towers, Seminary Towers, Hillwood and Lynbrook • Loss from 2010-2011 is attributed to rent increases at Southern Towers
Current units to be demolished:	2,475 Of these units to be demolished: <ul style="list-style-type: none"> • Approximately 2,300 were affordable in 2010 • Approximately 829 were affordable in 2011. Loss is attributed to increased rents at all properties

- **Developer contributions for affordable units should be directed to the lowest income households, not workforce housing or ownership housing.**

The average cost to subsidize an affordable unit is estimated at \$173,207 for a new unit and \$57,793 for an existing unit based on AMI. The Plan aims to serve households between 40% and 75% AMI, with fewer than ten percent of the committed units targeting households over 60% AMI.

- **A mix of incomes and distribution of affordable units should be provided in the Plan area.**

The Plan will establish firm income and unit mix targets and affordable units will be distributed throughout the six residential neighborhoods identified within the Plan area. The final mix and location will be determined as part of the future zoning and development review process for each individual property.

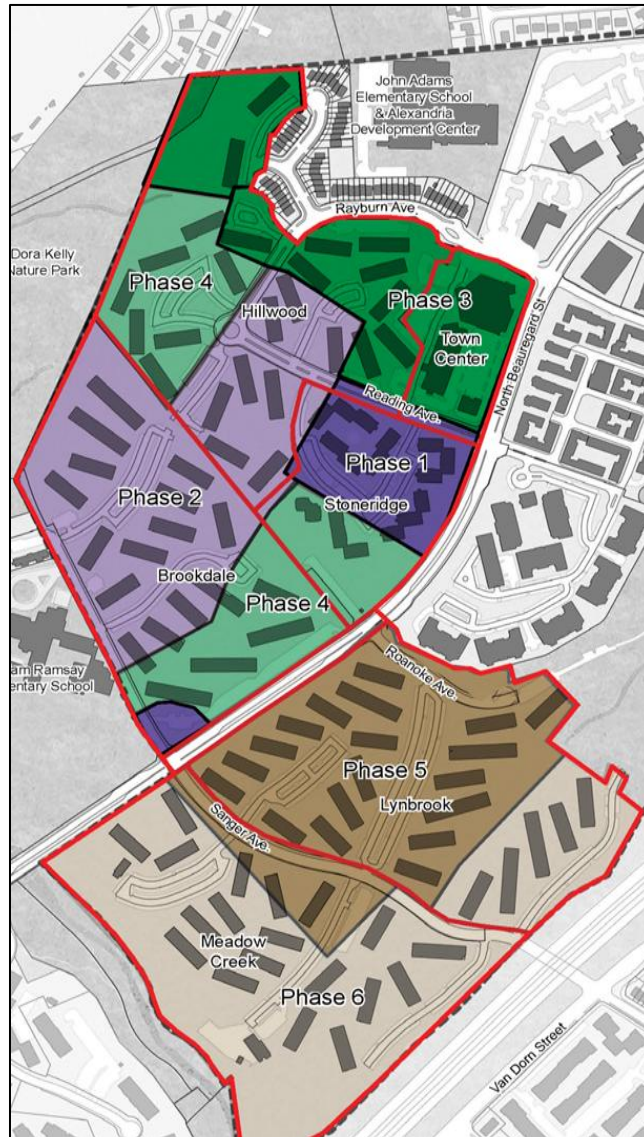
- **Additional tenant relocation assistance is needed in the Plan.**

The Plan establishes a tenant assistance program for all households in good standing impacted by redevelopment, including coordinated relocation information and referrals to comparably priced units in the Plan area and throughout the City, and financial assistance for moving. Additional assistance may be provided to households with special needs or elderly members.

- **What is the phasing of residential demolition and construction over the course of redevelopment?** The Seminary Hills apartment complex along with the single-family homes on the Hekemian site are anticipated to be demolished within the first phase of development. The sites owned by JBG are larger and will be developed over a 25-30 year timeframe. The anticipated phasing of the JBG properties is shown in Figure 7 with each phase representing a five year

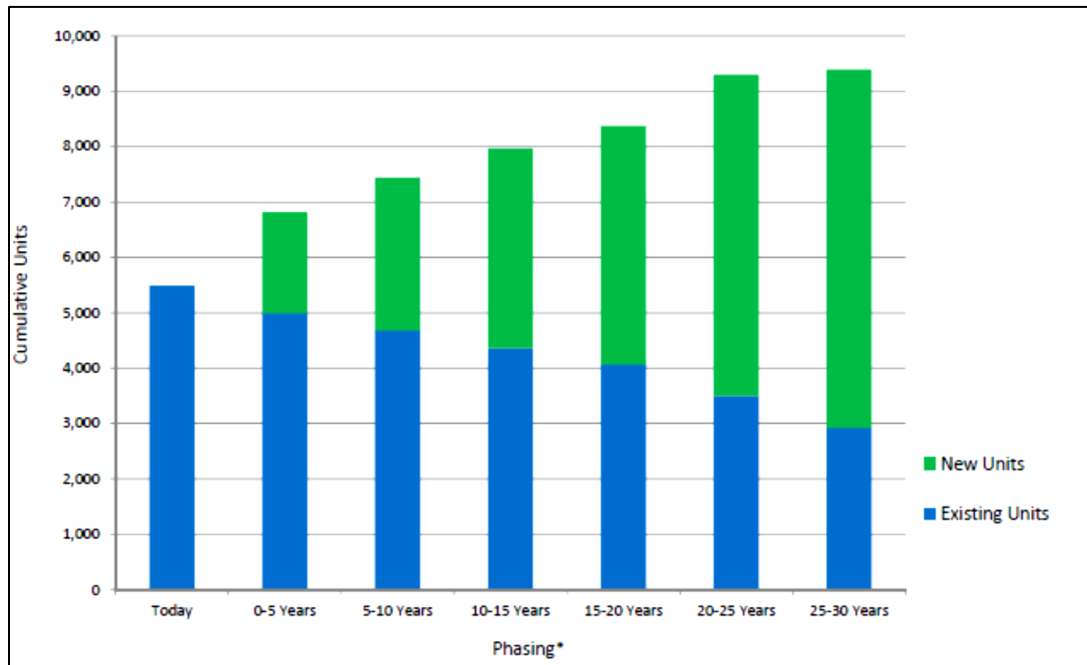
timeframe. The initial phases of JBG's redevelopment include apartment communities that do not have market affordable rents currently, so will not likely impact lower income households.

Figure 7



- **What is the phasing of demolition as compared to construction over time?**

Figure 8



*Based upon current anticipated phasing and subject to change based upon market demand.

- **How will affordable housing be paid for and implemented over time? How will the City keep the committed housing units affordable over 30 years?**

In order to ensure affordable units are available as the first units are available when demolition begins, the City will invest Housing Trust Fund dollars within the Plan area to establish committed units within properties that are not planned to be redeveloped (Southern Towers Berkeley Building (46 units), Seminary Towers (55 units) and 44 units at Lynbrook). As development continues, developer payments will be made into the public amenities fund as various square footage thresholds are met. As new developments are completed and receive certificates of occupancy, the City will receive housing contributions, which will be applied to acquire new units. The Hillwood units will be transferred to the City at no cost around 2020 while 44 units at Lynbrook will be transferred to the City around 2028 (the City plans to buy down these units to be committed affordable in the interim before demolition). In future years, the City will invest a portion of the real estate tax revenue that is generated by the extra value created through redevelopment to acquire committed units. The specific terms regarding the provision of units, including rent levels and unit types/mix will be established as part of the future rezoning and development review process. City staff will monitor the committed units to ensure compliance over the life of the affordability period.

- **The developer and City should commit to provide even more than the 703 affordable housing units currently proposed.** The revised Plan sets a goal of 800 units of which over 90% are to serve households at or below 60% AMI.

- **Provide outreach and education on the affordable housing element proposed in the Plan, especially for residents who will be most affected.** The City will continue its outreach, especially to those residents who will be impacted by redevelopment. The City attends all developer meetings for residents. The City is working with Tenant and Workers United organization to engage residents of the Beauregard area apartment communities. In February, the Affordable Housing Advisory Committee (AHAC) sponsored a Town Hall in the Plan area to solicit input from residents. More than 4500 posters and flyers were distributed, including notices in backpacks to all elementary school students. The City is providing information in Spanish, English and Amharic (some notices). The City has also committed to co-sponsor with the Developers, and in consultation with Tenants and Workers United, a survey of tenants impacted by future demolition and redevelopment. This will help the City to better understand and plan for housing needs in the upcoming rezoning and DSUP processes.

- **Affordable housing replacement should not be considered outside the Plan area and additional existing units beyond Hillwood (56 units) should be donated by developers to maintain committed affordable housing in the future.**

The Beauregard Plan includes an additional 44 units at the Lynbrook Apartments, which will be donated and dedicated to the City in a future phase of the redevelopment. The City is looking at all options for interim affordable rental relocation housing, especially during the initial period before there are a large number of committed units secured, however, the focus of the Plan remains on achieving long term committed units within the Plan area.

- **What are the incomes of residents that need market affordable units today? What will they be in the future?** From demographic data available through the 2010 census and the American Communities Survey, around 54% of those who live in Beauregard have incomes below 60% AMI. The revised plan anticipates a survey will be developed to get more detailed information about resident households and incomes to help plan for future housing needs.