

***"One of the biggest benefits of VHDA's mixed-use/mixed-income program is that it's helping make Roanoke's strategy of attracting young adults into the downtown area a reality. The Hancock building was a vital project in helping to accelerate the revitalization that is occurring in downtown Roanoke. The City of Roanoke values our partnership with VHDA in helping to promote mixed-use/mixed-income developments in the downtown area."***

***-- Brian Townsend, Roanoke Assistant City Manager***

### **Brief Description**

Community resistance to existing affordable housing stock and the shift in preferences of some renters led the Virginia Housing Development Authority (VHDA) to create its multi-faceted Community Transformation Initiative. Through this program, the Authority's REACH Team works with localities in preserving existing affordable housing stock and promoting new development models, including the mixed-use, mixed income (MUMI) projects that address emerging housing needs as well as local community development goals. VHDA's Community Transformation Initiative entails three components: 1) outreach and education to affordable housing stakeholders and local communities on emerging housing needs and new models for addressing them; 2) support for localities in planning and implementing affordable housing rental developments; and 3) favorable financing through VHDA's REACH lending programs to enhance the feasibility of affordable housing rental developments. The Community Transformation Initiative is carried out by VHDA's REACH Team, which was created to provide community outreach and development support for VHDA's community housing initiatives, build local partnerships, and manage VHDA's REACH subsidies which are funded through an annual commitment of 15% of VHDA's net income.

### **Why/When it was undertaken**

Increased community resistance to affordable rental housing within the traditional large garden style development model, as well as outright opposition to new rental production, has caused NIMBYism to flourish in many communities in Virginia. In some communities, local government officials also joined the community efforts to resist any development with VHDA financing. In these communities, VHDA found it difficult to even address the need for affordable rental housing by helping to preserve existing affordable housing developments. In addition, the housing preferences of young renters are changing. Increasingly, they are looking for alternative housing choices, especially diverse mixed use urban neighborhoods that are close to transportation, jobs, and entertainment.

VHDA's Community Transformation Initiative was initiated to promote new models for affordable rental housing development that can garner greater community support and meet the changing preferences of Generation Y. The initiative's outreach and education component builds understanding and support of development models across a wide spectrum of stakeholder groups. The initiative's planning support component assists interested local governments and housing authorities in designing feasible affordable housing development plans. Finally, the initiative's loan program provides financing to bring these projects to fruition. In partnership with groups such as the Urban Land Institute, VHDA is proactively promoting innovative best practices in multifamily development that are resulting in the rehabilitation of existing buildings into new affordable rental housing production. Community acceptance of this type of housing and the relationships developed in the planning of the housing has led to the acceptance of VHDA as a valuable partner in preserving the traditional affordable housing stock as well.

### **What VHDA has accomplished**

VHDA's Community Transformation Initiative was a critical component to the creation of The Hancock Building (<http://thehancockbuilding.com/>), which helped increase acceptance of VHDA-financed developments in the City of Roanoke.

For several years, VHDA encountered stiff resistance to traditional garden apartment style LIHTC developments in the City of Roanoke. However, the local government was aggressively revitalizing its downtown and was looking for new residential development to support those efforts. This made Roanoke an ideal location to employ VHDA's Community Transformation Initiative. The adaptive re-use of the historic Hancock Building could not have been

possible without the partnership between the developers, the City of Roanoke, Roanoke Redevelopment and Housing Authority, and VHDA. Formerly known as the Grand Piano and Furniture Company, the four-story building now offers 58 rental apartments with office space on the bottom floor. The site originally consisted of multiple buildings, including Hancock Dry Goods, built in 1898. The Art Deco façade, including octagon-shaped windows, was entirely bricked over in 1965 when the building was purchased by Grand Piano and Furniture. Historic renovation specialists successfully restored the exterior to its original Art Deco design and the apartments feature the original oak floors and decorative upper-floor windows, as well as a view of the city. The project proved to be very popular in downtown Roanoke – all of the units were leased by the time of the building’s grand opening event.

This transformation of downtown living could not have been achieved without developers who had a vision, took a major financial risk, and converted the former Grand Piano building into this success story. This blueprint for success, which began with the Hancock Building, has led to the revival of downtown Roanoke. The development of the Hancock enhanced VHDA’s relationship with the City of Roanoke and VHDA has used its experience to create strong relationships with local communities throughout the Commonwealth. Since the opening of the Hancock, VHDA has financed several other buildings in downtown Roanoke that have been converted into successful apartment projects. Throughout the state, VHDA’s REACH program has created 1,746 new rental units in 49 new developments from the rehabilitation of existing structures by leveraging \$53,269,000 in low-cost funds as part of a total loan investment of \$157,734,623. These developments have helped create a better atmosphere for VHDA’s attempts to preserve existing low-income housing developments. VHDA has preserved over 10,000 low-income units in 113 developments by leveraging over \$139,000,000 in low cost REACH funds with an overall loan investment of approximately \$420,000,000.

### **Why it is Meritorious and Meet NCSHA Award Judging Criteria**

#### **Innovative**

VHDA’s Community Transformation Initiative is innovative because it provides a comprehensive, proactive approach to preserving and increasing production of new affordable rental housing as opposed to the traditional sole reliance on loan programs. A multifaceted approach is now necessary in light of strong community opposition to traditional large-scale affordable apartment developments. VHDA’s approach has three elements: 1) educating stakeholders and communities about emerging rental housing needs and new approaches to addressing them through rehabilitation development; 2) providing planning support to local communities on new housing models to create development opportunities for new projects; and 3) providing the financing resources to allow affordable housing development. The program allows VHDA to creatively achieve its mission of financing affordable housing in a quality environment enriched by economic diversity. And, it allows renters the option to live where they work – and for neighborhoods to come back to life as sustainable communities.

#### **Replicable**

VHDA’s Community Transformation Initiative can be easily replicated by other HFAs. While VHDA uses a portion of its net income to provide necessary loan subsidies, HFAs lacking the ability to provide internally generated subsidy funds can use agency-administered HOME funds for this purpose.

#### **Responds to an important state housing need**

Communities are seeking new models for rental housing development that will garner broader community support. At the same time, state and local communities are seeking to control sprawl and promote housing close to economic opportunities and transportation. The development models promoted by VHDA’s Community Transformation Initiative support these needs and help to create the local conditions under which affordable rental housing production can occur. This support will be essential in meeting increased affordable rental housing needs, including the needs resulting from Generation Y’s entry into the housing market over the coming decade.

#### **Demonstrates measurable benefits to HFA targeted customers**

VHDA’s Community Transformation Initiative benefits three sets of targeted customers:

## Virginia Housing Development Authority Community Transformation Initiative

---

1. It benefits renter households by enabling the production of new affordable rental units located in desirable locations close to work and entertainment centers;
2. It benefits localities by assisting them in planning and carrying out MUMI community development strategies and providing resources to support locally sponsored development projects; and
3. It benefits developers by providing attractive loan terms that make developments financially feasible.

### **Proven track record of success in the market place**

VHDA's Community Transformation Initiative has ***successfully financed 12,193 affordable rental units in 160 developments across Virginia***. In addition, the high level of interest that the initiative generates from real estate professionals and local jurisdictions – from high-cost Northern Virginia to the state's rural Southwest region – has resulted in a growing number of deals under development.

### **Benefits that outweigh the costs**

Over the past decade, VHDA's LIHTC and multifamily financing programs have encountered growing local resistance to traditional forms of affordable rental development. Broadly accepted new development models are now required in order to sustain needed levels of new affordable rental housing production. In this context, VHDA views the costs of its Community Transformation Initiative as an investment in building the level of community support needed to sustain desired levels of new affordable rental housing production.

### **Demonstrates effective use of resources**

Currently, many localities and housing authorities in Virginia lack sufficient capacity to envision and implement affordable housing strategies. VHDA's Community Transformation Initiative uses the Authority's existing outreach staff (i.e., the REACH Team) and its internal marketing and research capacity to assist these localities in creating local plans and strategies that will enable rehabilitation development to occur. This initiative has laid the groundwork that is resulting in ongoing production opportunities for VHDA's LIHTC and multifamily lending programs, thereby providing more affordable housing options for working Virginians.

### **Effectively employs partnerships**

In the past, VHDA's affordable developments were often resisted by local governments. In contrast, the Community Transformation Initiative is built around partnerships with local governments to achieve mutual objectives. It also creates an opportunity for developers and stakeholders to find common ground with local governments and build partnerships leading to stronger developments. VHDA has also built partnerships with "best practices" groups, such as the Urban Land Institute, in carrying out education and outreach on affordable housing opportunities.

### **Achieves strategic objectives**

The Community Transformation Initiative supports VHDA's strategic goals of increasing affordable housing opportunities and ensuring an ongoing inventory of affordable housing that supports strong, viable communities. It builds local support for affordable rental housing preservation and rehabilitation and provides developers with a financing product that enables them to create quality affordable housing in desirable developments.

### **Conclusion**

As Generation Y comes of age and seeks affordable rental housing, substantial new affordable rental housing production will be required. Achieving this result will necessitate overcoming NIMBYism, which remains a considerable obstacle to the development of traditional large garden style apartment complexes. VHDA's Community Transformation Initiative, which has ***successfully financed 12,193 affordable rental units in 160 developments across Virginia***, provides both the community support and capacity necessary to carry out rehabilitation development strategies that can accommodate the affordable rental housing needs of Generation Y, while also addressing broader local community development goals.

Please click on attachments: [Hancock Building Case Study](#) and [Virginia Municipal League article](#) about VHDA's mixed use/mixed income financing program (pp. 6 – 11).