"In Northern Virginia, where population growth has greatly exceeded the development of affordable rental housing, we cannot close the affordability gap with preservation strategies alone. We must enable and encourage the development of new affordable units that will increase the overall supply."

-- Adam J. Stockmaster, Vice President, T.M. Associates Inc. (NoVA area Developer)

Brief Description

The Virginia Housing Development Authority (VHDA) recently discovered that bids to the Low Income Housing Tax Credit (LIHTC) program were not in sync with housing needs in the market. Specifically, there were too many new construction bids in low growth areas and too few new construction bids in high growth areas. An article published on a Washington DC radio station's website (WTOP - see attachment) expressed the problem succinctly this way, "If housing is where the jobs live at night, then the D.C. region better start building more housing – and housing that is priced right." VHDA recognized not only the need to stimulate more new construction, but to do so without undercutting nonprofit efforts to preserve existing affordable housing units.

In response, VHDA realigned the Commonwealth of Virginia into five areas for tax credit allocations. The areas were sized geographically based on rent-burdened households which enabled continued preservation funding in Northern Virginia (NoVA). There were four areas experiencing growth – NoVA (greater Metro DC region), Northwest/North Central, Richmond, and Tidewater; and one area of low growth, Southside/Western. Changes to the LIHTC Scoring Sheet were adopted to include a distinction for growth and non-growth localities; new construction deals were eligible to gain 20 points if completed in a growth area, while new construction deals could lose 20 points if proposed for a low growth area. A separate New Construction pool was established consisting of nine localities in the NoVA region, and funded by a pre-allocation of the subsequent year's credits.

Supporting these changes to the LIHTC was research that indicated a high proportion of rent burdened households in the NoVA and Northwest/North Central regions, and moderate to low proportion of rent burdened households in the balance of the State. Additionally, VHDA developed a Virginia Housing-Jobs index by MSA, measuring the ratio of affordable housing units to jobs, with a statewide benchmark index of 100. The lowest index scores were found to be generally concentrated in the NoVA and Northwest/North Central regions. The data served to depoliticize the changes made to the LIHTC program.

Studies concluded that the gap between affordable rental units and jobs could not be addressed through preservation strategies; it could only be reduced through net new units created through new construction. VHDA elected to act upon the rental housing issues in NoVA by incorporating a highly unique combination of modifications into the LIHTC program which it administers for Virginia. As a result, new construction projects were bid in NoVA when the prevailing sentiment of developers indicated that was not possible.

Why/When it was undertaken

The disparity in types of LIHTC bids and housing market needs was evident by 2009. VHDA's data indicated that the ratio of affordable housing units to jobs was lowest in the northern Virginia regions, and particularly the 66 score for NoVA:

MSA	Index Score	Federal Low-Income Units	Jobs	Units/Jobs	5 Year LIHTC NC Units
Washington - Inner (NoVA)	66	36,275	1,236,462	0.029	30%
Northwest/NorthCentral	93				62%
Winchester (Va. Only)	40	900	51,277	0.018	
Harrisonburg	67	1,843	62,375	0.030	
Washington - Outer	115	7,010	137,562	0.051	
Charlottesville	78	3,567	103,644	0.034	
Richmond	113	31,575	628,849	0.050	25%
Tidewater	134	50,154	846,496	0.059	47%
Balance of State	112				45%
Statewide Index	**100**	**171,855**	**3,881,348**	**0.044**	**42%**

As a result, VHDA realigned the state into five geographic regions, four of which were largely growth and urban areas, and one which was low growth and mainly rural. As mentioned previously, changes to the LIHTC Scoring Sheet were adopted to include a distinction for growth and non-growth localities; new construction deals were eligible to gain 20 points if completed in a growth area, while new construction deals could lose 20 points if proposed for a low growth area.

Additionally, a separate pool of credits for new construction was created for nine localities in the NoVA region. Funding for this pool was provided by 15% of the next year's annual credit authority. Opponents to the new construction pool who felt no new bids would be submitted were therefore not at risk of losing current year tax credits.

In short, VHDA used the LIHTC to drive new construction into the high growth NoVA area by using application scoring point incentives/disincentives, creating a new construction allocation pool, and using funding from the next year's credit authority.

What it has accomplished
Within two tax years, the number of units bid for new construction in high growth areas increased 50 percent. Dollar value of applications for new construction in high growth areas increased 28% and 22% for 2011 and 2012, respectively. For 2012, there were zero new construction bids in the low growth areas. In addition to these results which directly improve the low affordable housing to jobs index rating in high growth areas, the new construction strategy fostered a challenging but successful working partnership among the stakeholders.

Why it is Meritorious and Meets NCSHA Award Judging Criteria
Innovative
Responding to a very significant housing problem at a crucial economic time in one of the fastest growing regions in the country required a non-conventional strategy, especially when dealing with the intricacies of preservation needs from an affordable housing perspective. After working relentlessly with local governments, developers, various advocacy groups and local housing agencies, VHDA was able to establish a policy to carve out a separate geographic allocation pool/region for new construction, comprising of some high growth localities in NoVA. To fund this new pool without impacting the current year tax credit allocation, a strategy was put together to pre-allocate tax credits from the following year. This approach was well received by the preservation advocacy groups, since any unused money from this new pool would be re-allocated to the general pool for the following year, and hence removes the competition between preservation and net new units.

Additionally, VHDA came up with a very simple and effective point system that not only promotes new construction in high growth areas, but discourages construction of new housing in low growth areas. The point system is comprised of innovative point categories and ranges of values that truly measured the merit of a proposal on a growth perspective.

Replicable
There are two replicable aspects to this program: 1) other state HFAs can add a new construction pool to their Qualified Allocation Plan (QAP), and 2) the Jobs/Housing ratio VHDA developed is very simple and straightforward and can be adopted by other HFAs.

Responds to an important state housing need
NoVA saw a population explosion during the housing boom, due to the concentration of high paying jobs that caused people to migrate from other parts of the country. Even during the current recession, NoVA's economy has out-performed the rest of the nation and rental housing demand has remained strong. Even with different types of preservation strategies, demand exceeded supply, especially in the affordable housing area. Without VHDA's initiative, more people would have been forced to find alternate housing in the suburbs, causing more infrastructure and economic challenges for the local governments. Most importantly, VHDA felt this initiative was one of the most effective ways to contribute to the economic recovery of the state as a whole.

Demonstrates measurable benefits to HFA targeted customers
VHDA's new construction strategy has helped to increase the overall supply of affordable rental units in NoVA, thereby increasing access to affordable housing in proximity to jobs for renters who otherwise have to commute extremely long distances in order to find an affordable place to rent. VHDA has seen a 50 percent increase in new construction application units in high growth areas since the program began. The percentage of applications for new construction in high growth areas went from 52% at the start of the program, and this year there were no new construction application units in low growth areas. The dollar value of applications for new construction in high growth areas increased 28 percent and 22 percent for 2011 and 2012, respectively.

Proven track record of success in the marketplace
Since its inception, VHDA has seen this program show remarkable trend setting results. Breaking the barrier of the strict preservationist mindset was just the beginning of a new strategy that we expect to catch on with our stakeholders in the next few years to come.

Benefits that outweigh the costs
Since the tax credits are going to new construction in high growth areas, the risk is considerably reduced. Investors see a high price per credit for these types of new construction deals. There are no additional administrative costs introduced by this new initiative and VHDA sees this as an opportunity to increase support for the affordable housing efforts of localities and encourage their willingness to look at other affordable housing partnerships with VHDA.

Demonstrates effective use of resources
Before the program began, VHDA saw a trend of new construction activities picking up in the low growth areas of the state, potentially causing widespread “cannibalization” of existing housing in those areas. At the same time, the trend was reversed in high growth areas. Preservation deals were at the forefront in those areas, giving little chance for the new construction efforts to pick up the pace. VHDA tried to reverse this trend by allocating credits where they were most needed, and pulling them away from areas where they were negatively affecting the local housing situation.

Effectively employs partnerships
In order to come to a policy decision on the NoVA situation, VHDA worked closely with local governments, developers, advocacy groups and local housing agencies. Several focus groups were employed to get feedback, and much collaborative work was done with preservation advocacy groups and non-profit organizations to come to a mutual consensus on the issue.

Achieves strategic objectives
VHDA’s primary strategic objectives are addressing the housing needs of Virginia communities and underserved households. Our goals for meeting these objectives included:
1) Ensuring an ongoing inventory of affordable housing that supports strong, viable communities, and
2) Increasing affordable housing opportunities by increasing local government support for affordable housing.

With the creation of this initiative, VHDA was able to provide the technical assistance, tax credits, and financing that localities and developers needed to create more quality, affordable housing in high growth areas.

Conclusion
Even though VHDA uses the number of rent-burdened households with less than 60% of AMI as an appropriate measure of need to use in sizing geographic allocation pools, the additional needs arising from projected job growth was factored into the measurement. The detailed data analysis showed an expected continuation of disproportionate jobs growth and highlighted the disparities in the current ratio of affordable rental units to jobs in NoVA.

In looking further at the mix of preservation units and net new units, it was very clear that preservationist strategies alone could barely accommodate the needs of current workers, much less provide housing for those who were commuting from outside the region or meet the demand imposed by the new job projections.

By introducing the new geographic allocation pool for new construction units only, with a tax credit pre-allocation mechanism, VHDA made a high impact policy change that attracted new construction developers with consensus from preservationist and non-profit organizations. Since the program’s inception, VHDA is seeing the pendulum slowly swinging in the right direction. If this year’s trend is any guide, we are expecting to see many more new construction applications in the next few years without penalizing preservation efforts. Most importantly, VHDA will be improving a significant housing situation in the fastest growing region of the state.

Attachments:

The following articles are from the Northern Virginia and Washington D.C. area media:

1) **WTOP article “If D.C. region wants jobs, it needs housing” by Adam Tuss**

2) **Greater Greater Washington article “As rents rise, Alexandria tackles affordable housing challenge” by Rob Krupicka**

3) **Sun Gazette article “Employers Fear Housing Crunch Could Impact Competitiveness” by Scott McCaffery**

Print

If D.C. region wants jobs, it needs housing

Wednesday - 12/21/2011, 4:24am ET

Adam Tuss, wtop.com

New housing must be priced affordably, an analysis finds. More than two-thirds of owner-occupied units need to be priced below $400,000, the GMU Center for Regional Analysis finds. (AP)

WASHINGTON -- If housing is where the jobs live at night, then the D.C. region better start building more housing -- and housing that is priced right.

That's the point John McClain, deputy director of the George Mason University's Center for Regional Analysis, is stressing to transportation leaders. McClain specializes in housing.

"We don't have enough housing. That may seem like an odd thought given the market these days. But we are now issuing building permits at the level of about 10,000 permits per year. We need to be doing 35,000 permits per year," McClain said at a recent transportation forum in Northern Virginia.

McClain cites an analysis that shows more than 1 million jobs will be coming to the D.C. area by 2030.

Unless the region wants more sprawling development built far away from job centers, which will add to existing congestion, McClain says it's time to get smart about where the region builds.

"What has happened, is we have a shortage of housing, but the jobs where that housing lives in is located in West Virginia, Baltimore and other places. And that's put another crush on our transportation systems," said McClain.

A report by the Center for Regional Analysis finds the jobs coming to the region will have the following implications for local governments, builders, economic development professionals and employers:

1. Jurisdictions are planning for an insufficient amount of housing to accommodate the future workforce.
2. More housing needs to be closer to jobs.
3. More multi-family housing and smaller, more affordable housing is needed, including rentals.
4. A lack of housing makes traffic worse, decreases quality of life and threatens the region's economic vitality.

The Housing the Region's Future Workforce report spells out more on where the need for housing will be and specifically what's needed.

Follow Adam and WTOP on Twitter.

Greater Greater Washington
The Washington, DC area is great. But it could be greater.

DEVELOPMENT

As rents rise, Alexandria tackles affordable housing challenge

by Rob Krupicka • March 20, 2012 12:06 pm

The diminishing quantity of housing for middle and low-income workers in Alexandria is reaching epic levels. According to a recent study by the Center for Housing Policy our region is seeing a dramatic increase in the number of families spending over 50% of their monthly income on rent. Unchecked, this trend will substantially hamper the economic and cultural diversity that defines Alexandria.

Photo by Dougtone on Flickr.

A recent report from the Center for Housing Policy shows that, nationally, "[n]early one in four working households spends more than half of its income on housing costs." In recent years, for some, rents have gone up even as incomes have declined.

And, although Alexandria has already gone further than most to protect its affordable housing, the fact remains that rents are rising faster than incomes throughout the region, thanks to a housing shortage that shows no signs of slowing.

Lower income families feel the effects of this economic shift most, as families making less than 50% of the area median income, about $60,000 in Alexandria, have seen the largest increase in the percentage of their income that they spend on housing. They now pay over 40% of their income on housing. Those earning approximately 30% of the area median, about $40,000 in Alexandria, pay closer to 80% of their income on housing.

While most of the apartment rents in the city, even the affordable ones, are most financially accessible to people earning over $60,000 a year, there are thousands of people paying for these units even though their incomes are much lower. The result is they have little, if any, disposable income to live on.

And, these so-called affordable units are becoming ever more scarce. When property owners repair and fix up their buildings they are able to double rents, driving moderate income workers out of our city and further away, forcing longer commutes on them and more congestion on our region.

Last year, the average value of apartment buildings went up about 15% because a shortage of housing choices and the cost of construction continue to drive up costs. Alexandria gives substantial bonuses to create affordable housing projects. The city waives parking requirements. It allows for extra density. It helps non-profits to get subsidized financing.

But, it is evident that these measures are not enough. The lack of supply and increasing cost of managing or building units render it impossible for non-profits, and for profit organizations, alike, to create an apartment that is reasonably affordable to a person earning under $40,000 a year.

In short, our region isn't keeping up with the demand for rental housing. People want to live near jobs and fewer want long commutes from the far-out suburbs, especially with gas prices at over $4.00 per gallon.

The fact is that these trends are likely to continue. Every regional forecast expects significant growth of millions of residents over the next twenty years. This is economics 101. A good economy and jobs insulate us from some of the worse parts of the national economy. However, all of these factors also put huge pressure on rental prices.

Despite the awards Alexandria has won and the millions of dollars we have spent over the last ten years to preserve a range of affordable housing options, there is no city policy that can stop these rental price trends.

Typically, the most affordable housing in any area are the older apartment buildings. As those are replaced and upgraded, we lose affordable options. Building more rental housing now is the best long-term solution, because it increases supply, and because today's new unit will most likely become more affordable over time.

However, if we are to truly impact the supply and demand problems facing our region, it's going to take more than just Alexandria's participation. We will need the whole of our region to recognize and begin to address the problem.

In the conversation about how to keep rents affordable, some have suggested that the city not fix up public housing, or that it not advance public safety improvements, or that it not allow investment in our parks and other city infrastructure, in order to suppress the value of property.

Although purposely running real estate into the ground and encouraging crime would certainly keep some rents affordable, this is a narrow and dangerous approach that ignores the larger national economic trends behind this.

Furthermore, it is inconsistent with the city's identity, as a place where people from many backgrounds and incomes can live safely and enjoy a good quality of life. Smart urban planning and common sense would say there should be a range of housing options throughout the city, not segregated pockets of low income workers in crime ridden, rundown housing.

While some have complained about the fact that the city is demolishing significant blocks of pubic housing right now, the truth is that every unit of public housing that Alexandria is taking down will be replaced with a newer, higher quality unit of public housing that will provide for a better and safer environment for residents to enjoy.

Alexandria's median income is close to $110,000. And, it's going up as more high skilled, high wage people move into our region. But for recent college grads, blue collar workers, teachers, police, construction workers, cleaners and more, it also means living multiple people to a unit or driving hours each day to work here.

If residents, planners and officials want to preserve, and even improve upon, the diverse, vibrant and accommodating character of Alexandria, they will have to go further and exercise open-mindedness, creativity and flexibility in the coming years. And, Alexandria will need the partnership of the greater Washington region to make a true impact on rent-to-income ratios as the city and metro area continue to expand and evolve.

Rob Krupicka is an Alexandria City Councilman and a member of the Virginia Board of Education. He lives in Del Ray.

Sun Gazette

Employers Fear Housing Crunch Could Impact Competitiveness

by SCOTT McCAFFREY, Staff Writer | Posted: Thursday, December 8, 2011 8:20 am

Could a lack of housing options for those across the economic spectrum be the factor that pops Arlington's economic balloon?

"I'm scared. Really. It's going to be frightening." That's how Laura Van Syckle, director of recruitment at Virginia Hospital Center, reacted to the suggestion that the county's current housing crunch is likely to get worse before, or if, it gets better.

Syckle was a panelist at a Leadership Arlington workshop on housing held Dec. 7 at WETA's headquarters in Shirlington.

The rainstorms pounding at the windows of the conference room were matched at times by the mood indoors, as panelists described a scenario that could leave Arlington with housing options only for those at the top end of the economic spectrum, and those lucky enough to win access to subsidized rental units.

As land in the county continues to escalate in price, longtime property owners and developers are cashing in by building top-of-the-line housing, and charging prices to match.

It's now not uncommon for upmarket apartments to rent for $3 per square foot per month, said Mark Silverwood, president of the development firm Silverwood Cos. By one calculation, it would take an annual household income of $103,500 a year to afford to live in a market-rate two-bedroom apartment in Arlington.

That new rental housing often is being built on land that used to house mid-range apartments, often older housing stock, the rates for which were not as pricey.

"Market-affordable housing is disappearing – that trend is continuing," said Nina Janopaul, CEO of the Arlington Partnership for Affordable Housing.

That disappearing act is having an effect on employers, ranging from those in the service industry to the public sector to health-care.

Van Syckle, a registered nurse who has led Virginia Hospital Center's recruitment efforts for eight years, said only a small percentage of the hospital's 2,500 employees work in Arlington. Worse, many of them live far away, making them more susceptible to employment overtures from medical facilities closer to their homes.

Van Syckle noted that a new registered nurse may earn in the vicinity of $50,000 a year, and “that’s simply not enough to live in Arlington.” Less than 20 percent of the hospital’s 650 nurses call the county home, and Van Syckle said many other hospital departments, including the ranks of management, have similarly low rates of local residency.

“It’s a challenge for all kinds of workers,” acknowledged County Manager Barbara Donnellan. “There’s all kinds of jobs in the county, so you need all kinds of housing.”

George Mason University officials predict that Arlington will need between 9,000 and 34,000 new residential units in coming years to do its part to meet the needs of a region that is expected to see a growth spurt.

Given that Arlington has little undeveloped land, that growth would have to be accommodated through redevelopment and increased density – which almost always provokes a fight when it is proposed.

Silverwood said public pressure needs to be brought to bear on elected officials.

“Help us urge our leaders to increase the density everywhere and anywhere,” he said, saying having residents live closer to their workplaces would cut traffic congestion and improve both the individual and collective quality of life of the region.

Donnellan suggested that the focus needed to be on multi-family apartments and condominiums to accommodate the growth, for the simple fact that “we don’t have a lot of space for single-family development.”

The two-hour forum, part of Leadership Arlington’s fall speakers’ series, may from the outside have seemed to be yet another talkathon from people who wanted to do good but had no specific plan. But Betsy Frantz, the organization’s CEO, said discussion was a necessary first step to moving forward to manage changing conditions, rather than allowing those changes to overtake the county.

“If we’re willing to come together and have conversations, it will truly remain our community,” Frantz said.