

Financing and Planning Strategies Task Force

Overview of Recommendations



**AFFORDABLE
HOUSING STUDY**



**ARLINGTON
VIRGINIA**

Strategies Task Force - Overview

- Met seven times over a course of several months to discuss financing/planning strategies and tools
- Draft Recommendations for
 - Financing Strategies/Tools
 - Planning Strategies/Tools

TIF - Draft Recommendation

- **Tax Increment Financing (TIF)**

TIF uses the future incremental real estate tax revenue growth from a defined area to finance public improvements in that same area.

- **TIF Policy – Adopted July 2014**

- Combined assessed value of TIFs should not exceed 25% of total County assessed value (Columbia Pike & Crystal City TIF = about 20%)
- Percentage of incremental TIF revenue to be used for TIF purposes should be lesser than or equal to 40%
- Prudently balance Pay-as-you-go vs. leveraging
- If TIF is leveraged, minimum debt service coverage of 2.0 times and establishment of appropriate reserves
- An operating reserve of 10% of budgeted revenue will be maintained

TIF - Draft Recommendation

Recommendation – Continue to evaluate and monitor the effectiveness of the Columbia Pike TIF and current TIF Policy

Transit Oriented Affordable Housing Fund - Draft Recommendation

Transit Oriented Affordable Housing Fund (TOAH)

Helps tax credit applicants with projects on Columbia Pike pay for infrastructure and fees to the extent necessary to meet Total Development Cost limits

Recommendation – Study financial impacts of creating a County-wide TOAH Fund. If financially feasible, create a County-wide program for tax credit projects near transit.

- i.e. eligible projects must be located within ½ mile of an existing commuter rail, light rail or subway station or ¼ mile of an existing public bus stop (from 2014 Tax Credit Manual)

Recommendation - Continue use of bonds when appropriate

- Fee-supported infrastructure projects – ex. water / sewer
- County has used revenue bonds for Buckingham Village, 2020 14th Street North, Woodbury Park
- Limited cases for other projects – Buckingham Village 3 acquisition – supported by AHIF revenues

Partial Property Tax Exemption - Draft Recommendation

Partial Property Tax Exemption

Exempts the *increase* in assessed value of the improvements that result from rehabilitation or redevelopment.

Multifamily Rehabilitation Exemption

- County-wide
- No affordability requirements
- Assessed building value must increase by 20% or more
- Square footage cannot increase more than 30%
- Must be 25 years of age or older

Recommendation - Add affordability requirement to the existing Multifamily Rehabilitation Partial Property Tax Exemption (Currently being studied)

Affordable Housing Tax Classification – Draft Recommendation



Recommendation – Consider pursuing state enabling legislation that would allow a separate tax classification for affordable housing

Payment in Lieu of Taxes (PILOT) – Draft Recommendation

Payment in Lieu of Taxes (PILOT)

Maryland program: Local governments, when authorized by State Law, negotiate agreements with rental property owners to lower the cost of County real property and special area taxes. In return, a rental property owner commits to provide affordable housing to low-income residents.

Recommendation – Consider pursuing state enabling legislation that would allow for a Payment in Lieu of Taxes program.

Affordable Housing Preservation Loan Program (AHPL) Draft Recommendation



Affordable Housing Preservation Loan Program (AHPL)

Help existing MARKS maintain affordable rents and pay for moderate renovations through AHIF loan.

Recommendation - Conduct more research on whether the loan preservation program would be appropriate County-wide (currently being studied on Columbia Pike)

Planning Tools

Recommendation – Conduct a residential parking study with a specific focus on right-sizing parking for affordable housing developments

- Include guidance on how Transportation Demand Management (TDM) measures such as car-sharing, bus/metro passes, etc. can reduce amount of needed parking spots
- Explore shared parking options
- Include information on car ownership data for low income residents
- Survey parking lot utilization at different types of affordable properties

Transfer of Development Rights (TDR) Draft Recommendation

TDR Allows for transfer of density from sending sites to receiving sites to preserve affordable housing, buildings, and create parks and open space. TDR is a tool available on Columbia Pike for affordable housing preservation and neighborhood park creation.

Recommendation - Encourage an effective TDR market

- Conduct a study identifying existing potential TDR receiving sites throughout the County
- Identify areas where additional density obtained solely through TDR may be appropriate
- Research other ways to incentivize TDR transactions (streamlined certification process, TDR database, TDR Bank, etc.)

Development Review Process - Draft Recommendation

Recommendation – Encourage applicants & staff to meet before the applicant files site plan/FBC applications to identify preliminary issues

Recommendation – Identify areas where planning process could be streamlined, especially for projects with affordable housing

- Streamline SPRC process for projects that include affordable housing

Recommendation – Work with zoning for ways to expedite/streamline the permitting process for affordable housing developers

- Allow permits to be consolidated
- Research resources and funds necessary to implement streamlined process

Arlington County Zoning Code Defines Family as:

- (a) An individual, or two or more persons related by blood, marriage or adoption, or under approved foster care; or
- (b) A group of not more than four persons (including servants) whether or not related by blood or marriage living together and sharing living areas in a dwelling unit; or

Arlington County Zoning Code Defines Family as:

(c) A group of up to eight mentally ill, mentally retarded or developmentally disabled persons who are residing with one or more resident counselor(s) or other staff person(s) in a facility which is licensed by the Department of Mental Health, Mental Retardation and Substance Abuse Services of the Commonwealth of Virginia. For the purposes of this zoning ordinance, mental illness and developmental disability shall not include current illegal use of or addiction to a controlled substance as defined in Section 54.1-3401 of the Code of Virginia or its successor.

Arlington County Zoning Code Defines Family as:

(a) = Unlimited

(b) = 4

(c) = 8

Recommendation – Initiate process to revise the zoning code to address issues with occupancy standards derived from definition of “Family.”

- Extend definition of family (section a) to include same sex couples
- Expand definition of family (section c) to include elderly populations and those with physical disabilities
- Study impacts of revising definition to be consistent with building permit standards for occupancy or to provide a mechanism for greater flexibility of household types
 - For example, define by # of bedrooms per household

Affordable Dwelling Unit Bonus Density Draft Recommendation

Recommendation – Revise bonus density provision to better serve affordable housing (planning staff is studying)

- Remove Cap - Total additional density is currently capped at 25% above that permitted by applicable zoning district
- Prioritize affordable housing bonus over other bonuses (LEED, community benefits)
- Standardize the Bonus Density Process
 - Tier the bonus based on the number of affordable units provided
 - Provide a range of options that take into account building type and location

Recommendation – Explore additional Form Based Code options throughout County

Recommendation – Explore zoning options and incentives that would allow for more affordable duplex, townhome or condo development

Recommendation – Add increased flexibility for unit sizes by changing medium to high density zoning categories from units per acre to FAR

Accessory Dwelling Unit - Draft Recommendation

In Arlington, an ADU is an additional dwelling unit within a single family home that:

- Has its own kitchen and bath;
- Is within a single family detached house;
- Is designed, arranged, used or intended for occupancy by not more than two persons; and
- Has a separate address & entrance.

ADU must meet building code requirements for a separate unit, e.g. fire separation, fire egress, separate heating and air handling.

Accessory Dwelling Unit - Draft Recommendation

Issues:

- Interior only – ADU must be attached
- Residency – owner must live in unit for one year prior to a new ADU Use Permit
- Size – max of 750 sq. ft.
- Occupancy limit – maximum of 2 people
- Parking – requires a parking survey
- Deed Restriction

Accessory Dwelling Unit - Draft Recommendation

Production of ADUs has been less than anticipated (10 approved since 2009), suggesting ordinance requirements may be too restrictive.

➤ ***Recommendation – Examine relaxing some of the constraints in the ADU ordinance to enable wider usage of this tool***

- Possibility of an overlay within a designated distance to Metro corridors to take advantage of more units with access to transit

Work with consultant to integrate recommendations into Implementation Framework

General obligation

- Voter approval required
- Highest bond rating & lowest interest rate
- Debt service supported by General Fund tax dollars
- Historically used for County infrastructure, facilities & schools

Revenue bonds

- All other types of bonds
- Lower bond rating & higher interest rate – concept of “essentiality”
- County has used revenue bonds for Metro, Buckingham Village, 2020 14th Street North
- Fee-supported projects - water / sewer
- Limited cases for other projects – Buckingham Village 3 acquisition – supported by AHIF revenues; homeless shelter – supported by General Fund tax dollars
- Typically requires conduit issuer – IDA or state entity

Debt policies

- Projects have useful life equivalent to maturity of bonds
- Is it County asset – balance sheet management
- Debt capacity & affordability guidelines – based on triple-AAA rating agency criteria
- All bonds supported by GF tax dollars count against capacity guidelines

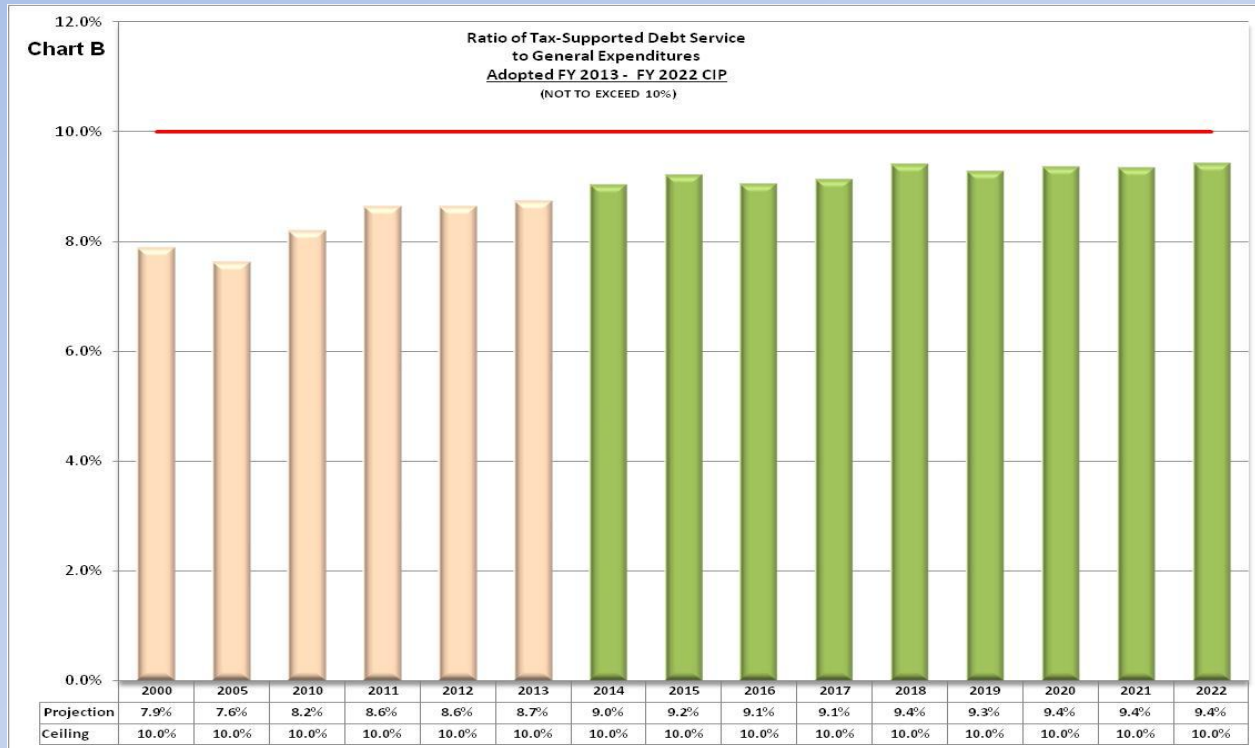
Other Issues to Consider

- Tax status – issuance of bonds for non-governmental or private uses could require taxable bonds, which carry higher interest rate

Current CIP is at maximum Capacity

Constraining Debt Policies

- Growth in Debt Service over the Ten Year Planning Period No Greater Than Ten-Year Historical Growth in Revenues
 - Debt Service as a % of General Expenditures Shall Not Exceed 10%



10 Year Historical Growth = 5.7%

	Adopted FY2012	Adopted FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
% GROWTH IN TAX-SUPPORTED DEBT SERVICE - COUNTY SIX-YEAR AND TEN-YEAR AVERAGES	4.8%	4.0%	6.7%	7.6%	-1.4%	5.7%	6.0%	2.3%	6.6%	4.9%	5.9%
% GROWTH IN TAX-SUPPORTED DEBT SERVICE - COUNTY/SCHOOL SIX-YEAR AND TEN-YEAR AVERAGES	8.7%	6.5%	6.5%	5.1%	1.2%	4.8%	7.2%	2.5%	5.1%	3.8%	4.8%
							5.46%				5.46%