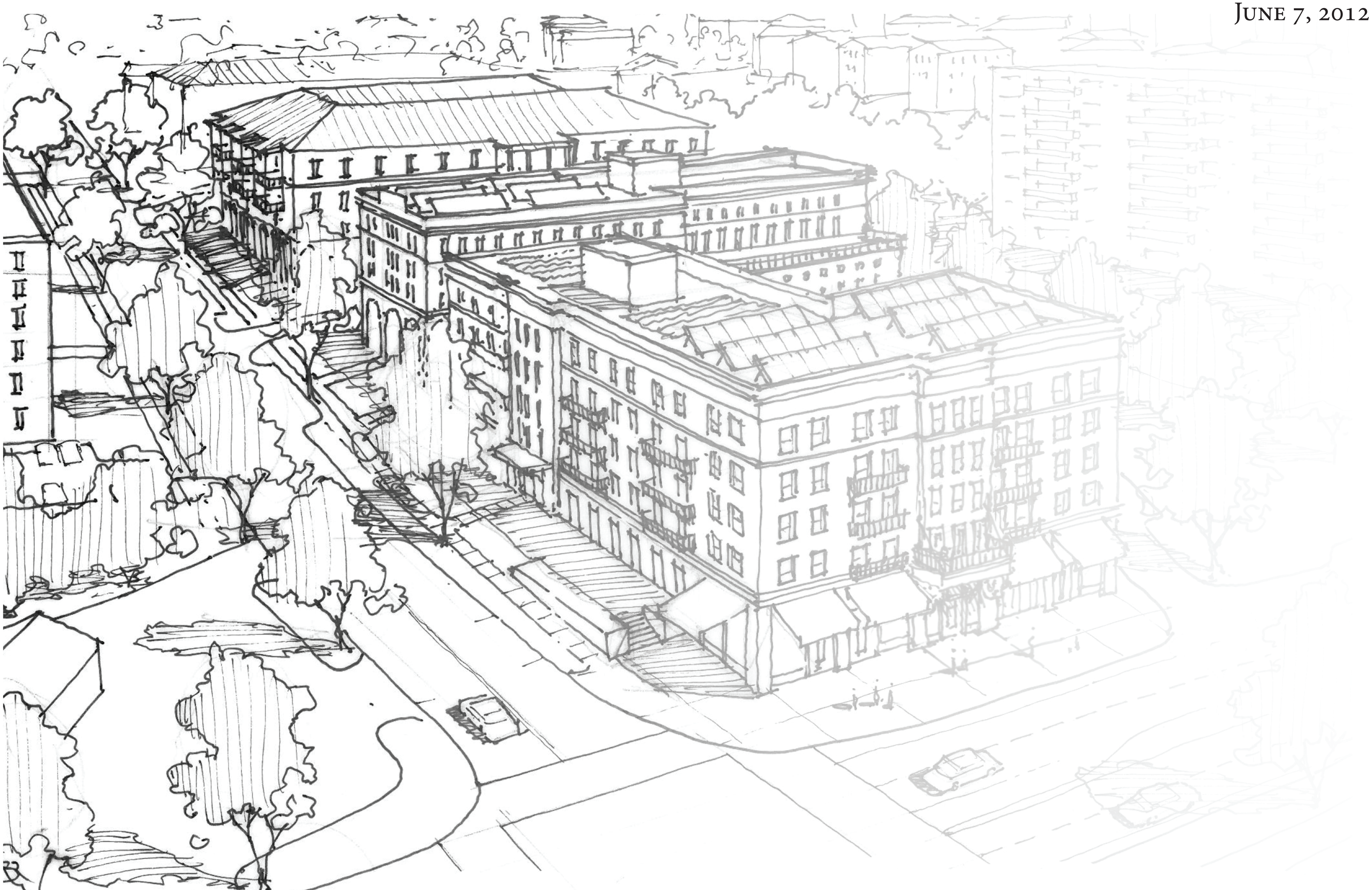
Attachment 2
June 7, 2012



Columbia Pike Neighborhoods Area Plan

Tools Technical Report

Contents

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Government

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1. Background, Purpose, Process

The Tools Technical Report reflects the work over the last year and a half of the Columbia Pike Working Group's Tools subcommittee and Arlington County staff. The housing tools analysis process began with an affordable housing tools forum last year to assess best practices where experts from Seattle, Denver, New York City and Maryland shared their experiences and ideas. The Tools subcommittee evaluated the applicability of the housing tools to Columbia Pike and Arlington County. The Tools Technical report describes the range of tools, makes recommendations, and informs the Columbia Pike Neighborhood Area Plan.

Over the next 30 years as the Columbia Pike corridor revitalizes and new development emerges in the commercial centers, it is anticipated that the adjacent apartment complexes would begin to change through by right development, property renovations or sale of property. These types of changes would affect the overall availability of affordable housing and reduce the existing units affordable to people at 80% of area median income (AMI) and below. The biggest risks to affordable units are by-right redevelopment and rising rents after property renovations are completed. In order to mitigate the anticipated loss of affordable units and to create incentives for a mixed income community, the Neighborhoods Plan provides options for development, renovation and preservation activities in a manner that would further the County's draft goals and objectives for this area. This technical report provides more detailed information on the implementation tools identified in the Neighborhoods Area Plan. This report also analyzes other tools that could be used in the future.

2. Draft Goals

The Neighborhoods Area Plan outlines seven **draft goals** to guide the future changes along Columbia Pike. The draft housing goals are ambitious, aspirational, and reflective of the County's values of sustainability and diversity.

Specifically, the draft housing goals seek retention of approximately 75% of the affordable apartment housing stock, equating to approximately 4,500 market affordable units that exists today. That is:

- approximately 2,900 units at 60% of AMI, and
- 1,600 units at 80% of AMI.

The goal of preserving 4,500 market affordable units is ambitious in that this is the first time the County has specifically identified such a high percent (100% of 60% AMI, 50% of 80% AMI) of market affordable units throughout a corridor to preserve as affordable. It is an aspirational goal because these 4,500 units are privately owned and operated and while the County may provide incentives to these property owners to meet the goal, the final decision rests with them. Even if the County adds new incentives and strengthens existing ones, and County and federal funding streams remain strong, reaching the goal depends on market opportunities and partnerships.

The County will strive to meet the draft goals for the corridor by offering land use and financing incentives to owners and developers.

- The primary land use incentive is a FBC requirement of 20/25% of net units to be affordable. If approximately 5,500-6,500 net new projected units for the Neighborhoods Plan area get built over the next 30 years, this would result in 1,000-1,200 CAFs, or 25% of the goal.
- A next major step to creating more affordable units is to use other housing tools, including AHIF, to partner with sites that currently have CAFs. As the ten current CAF sites redevelop, the County could expect 100% of those units to be CAFs at 60 and 80% AMI. This practice could generate another 1,300 CAFs, or another 30% of the goal. If $85,000 in AHIF/unit were the subsidy, that would be $3.7M/year over 30 years.
- County development partners acquiring one or more MARK properties in the NP area and one or more node sites could generate another 400-500 units, or another 11% of the goal. Two sites in the CP Revitalization Nodes are already affordable housing, Arlington Mill and the Shell gas station. If $85,000 in AHIF/unit were the subsidy, that would be $1.3M/year over 30 years.
- If one publicly-owned site were to include affordable housing in their redevelopment, that could generate another 150 units. If $85,000 in AHIF/unit were the subsidy, that would be $400,000/year over 30 years.

If successful, the above strategies would produce approximately 3,150 units, or 70% of the goal. The last 30% of the goal could also be achieved if private property owners voluntarily accessed the other new and strengthened housing incentives including transfer of development rights (TDR), partial tax exemptions, reduced parking, tax increment public infrastructure funds (TIPIF), and the new loan program. If $85,000 in AHIF/unit was the subsidy, that would be $3.8M/year over 30 years.

Alternatively, to achieve the last 30% of the goal, the County could:

- Increase the height and/or density in the NP areas,
- Revisit the CP Revitalization Nodes and allow additional bonus density for affordable housing, or
- Readjust the goal.

According to the above scenarios, 1,200 units of the 4,500 unit goal could be achieved through planning incentives alone. Therefore, a mix of financial incentives could be used to preserve the remaining 3,300 units. If the subsidy/unit was $80,000-$90,000 for the remaining units, that would be $264M-$297M over the 30 year life (or $8.8M-$9.9M/year) of the Columbia Pike Neighborhoods Area Plan. For context, the FY2013 budget for housing includes $9.5M for AHIF Countywide.

The **Neighborhoods Area Plan** provides more detail on the content of these study draft goals and their application on the physical form of development existing today or planned in the future. The Illustrative Plan indicates how the array of policies could guide future development options (full preservation, partial preservation, or full redevelopment), and it represents a total number of new housing units and existing units to remain.

3. Housing Inventory

Approximately 9,000 rental apartments in Columbia Pike Study Area exist today. Of those, 1,200 are CAFs, 2,900 are 60% market affordable units (MARKs), 3,200 are 80% MARKs, 1,700 are market rate (above 80% of AMI). On Columbia Pike, two larger complexes have a total of approximately 1,200 **MARKs affordable at 50% of AMI**; however, many of those units are efficiencies. There are also approximately 1,000 households receiving County Housing Grants (HGs) or Housing Choice Vouchers (HCVs) in 22204, although many of these households use their rent assistance to afford CAF or MARKs units. County-wide, over 80% of households with HGs or HCVs are residing in CAF units.

Countywide from 2008-2011, the number of 60% MARKS decreased from 6,283 to 5,298 while the number of **80% MARKS** increased from 16,051 to 16,315. In terms of 50% MARKs, the amount slightly increased from 2,380 to 2,761.

In terms of homeownership, from FY 2007 to FY 2011, the County provided 81 Moderate Income Purchase Assistance Program (MIPAP) loans to first time home buyers county-wide. The program's funding was cut during the recession but it is to be refunded this year. Due to the economic recession and lower interest rates, there are a number of **affordable homeownership opportunities** now available in the private market. Countywide there are currently over 170 units priced under $300,000. Between April 2010-2011 in zip code 22204, the median sale price for a two-bedroom condominium was $280,000. If a family of four receives Arlington County's Moderate Income Purschase Asssitance Program (MIPAP) down payment and closing cost assistance, they would need a household income of $66,800 to afford this condominium. Without MIPAP, that same family would need a household income of $76,400.

On Columbia Pike, 2-bedroom condo sales are currently being advertised at the Brittany for $220,000, at Carlyle House for $226,000, at Park Glen for $170,000, at Commons of Arlington for $225,000, and at Park Spring for $155,000. Condo fees can make these properties less affordable.

4. Tools Introduction & Analysis

The County has a set of financing and planning tools that have achieved significant results, including the creation of over 6,500 Committed Affordable Units (CAFs) which represents over 14% of the County's total rental stock. For both rental and ownership housing, the County's primary role has been to fill the financial gap between what a low- or moderate-income household can afford for rent or mortgage.

The Neighborhoods Area Plan calls for using existing and new tools to achieve the County draft goals. The tools generally fall into three categories, planning-based and financial-based incentives and, programmatic/strategic actions. This section will outline the tools intended to implement the Neighborhoods Area Plan, describing how they are intended to be used, specific components when applicable, and how they will help meet the draft goals. Additional work will likely be needed after the adoption of the Neighborhoods Area Plan to establish the final details of each tool and make each ready for adoption and implementation.

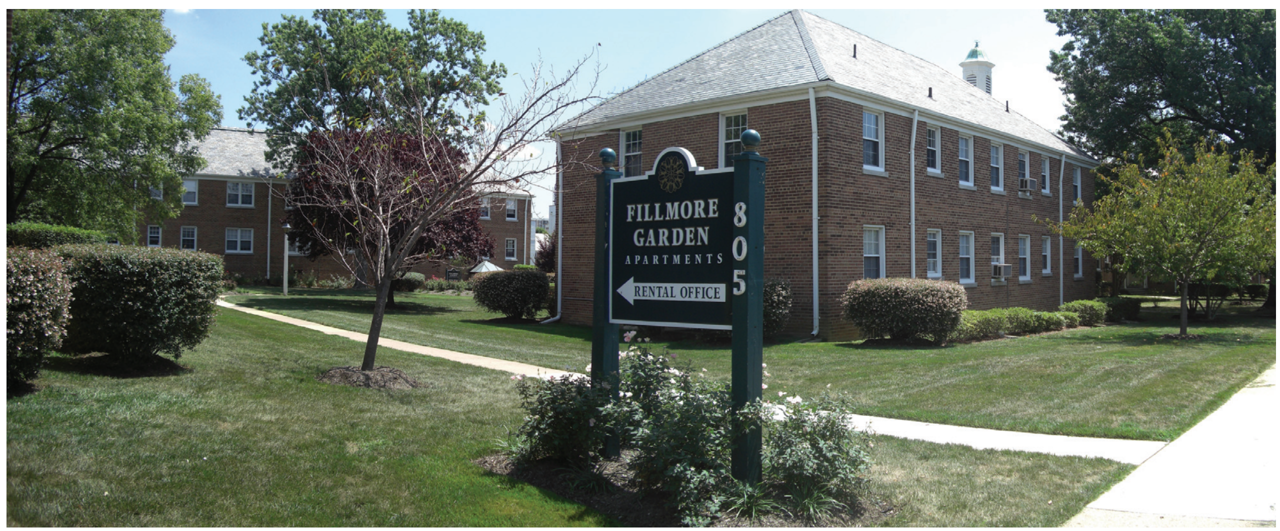
For the tools that are recommended for use along Columbia Pike, a summary of each, and key highlights of the concepts, will be included in the Implementation Chapter of the Neighborhoods Area Plan; a detailed implementation matrix, also in the Plan, would outline the expected timeframe to finalize the specific details for consideration. A comprehensive list of over 75 tools is provided at the end of this document that summarizes the recommended tools, tools in the toolbox that have limitations, and tools unlikely to use or not applicable to the Neighborhoods Plan Area. For example, in addition to the tools in use today, a few of the tools proposed in the Neighborhoods Area Plan include partial real estate tax exemptions for affordable units, an Affordable Housing Preservation Loan (AHPL) Program, and waived, reduced, or financially assisted site work requirements and tap, permit, water and sewer fees.

The team analyzed how each of the proposed draft goals would be applied on several sites in order to understand how property changes might occur and the effectiveness of different policies. This was demonstrated with three likely options, recognizing that a fourth option of by-right redevelopment would still be possible.

1. **Preserve** sites as they are in cooperation primarily with existing owners.
2. **Buy and rehabilitate**, like at Magnolia Commons (Arbor Heights). This option has been pursued numerously by non- and for-profit developers in partnership with the County to obtain committed affordable units and achieve property and building upgrades at aging apartment complexes. These arrangements typically rely on state tax credit funding and County AHIF support.
3. **Development** according to the Neighborhoods Area Plan and corresponding FBC.

For both categories of MARKS, staff will have to monitor the levels of retention and/or replacement as implementation of the Neighborhoods Area Plan evolves - how well is County meeting its draft goals as development occurs along the Pike. If it becomes apparent that the draft goals are not being met, the County may choose to evaluate other options to achieve the draft goals, or to adjust the draft goals.

The following section describes in more detail how each tool would be used to implement the Neighborhoods Plan. It also provides more information about other tools that could continue to be evaluated over time, but are not currently recommended in the primary set for implementation. Lastly, a third set of tools is identified; but are not recommended for use in the Plan due to conflicts with existing County policies and the difficult level of implementation.



5. Recommended Planning Tools

A. General Land Use Plan Note

Notes are commonly added to the General Land Use Plan (GLUP) to signal major policies and planning recommendations and guide future changes within a particular study area boundary. The County created a Special Revitalization District Boundary on the GLUP for Columbia Pike in 1986, and amended it in 2002 based upon an updated planning study for the corridor. The significance of the boundary indicates the importance the County places on achieving a certain vision when development activities occur. The objectives for the area include preserving neighborhood and destination retail while encouraging and guiding needed modernization and redevelopment; stimulating investment; enhancing the quality of life; establishing a sense of place and positive image to make the area a better place to live, work, and shop; providing appropriate transitions between residential and commercial areas; and coordinating public and private resources for efficient and effective results.

In other areas of the County, the County has linked special incentives – whether planning or financial – to areas shown as special areas on the GLUP. This is the case with the current Nauck Revitalization Area Partial Tax Exemption tool.

The GLUP should be amended to reflect the new policy guidance and implementation tools to be used to achieve the vision. Amendments could include: 1) a new GLUP note and district bound¬ary to indicate the geographic areas where the plan's goals, policies, recommendations and fu¬ture implementation tools apply; 2) open space symbols indicating locations for new space; and 3) policy notes in the GLUP booklet to highlight important Plan goals, recommendations and strategies for the Neighborhoods Plan area.

B. Form Based Code

The existing Columbia Pike **Form Based Code** (FBC) is a zoning ordinance provision used to regulate development in the commercial areas along Columbia Pike. This is an optional tool available to property owners. Property owners may also choose to develop their properties following the by-right uses allowed in the applicable zoning districts, such as "C-2" and "RA" districts, or may request a rezoning and/or special exception site plan approval subject to the General Land Use Plan and other planning considerations. Under the FBC, approvals may be obtained as either a by-right, administrative or by special exception use permit. Administrative approval is available when a site is less than 40,000 square feet in size and no modifications of the FBC are requested. Use Permit approval is needed for sites larger than 40,000 square feet or when modifications are requested.

When the FBC was established in 2003, it was designed as an incentive for revitalization of Columbia Pike. The advantages of the FBC is that it allows for more density and flexibility than underlying by right zoning, particularly through the use of additional height in appropriate locations. In addition to creating additional density for some sites than allowed with the underlying zoning, the FBC provides an expedited approval process (streamlined from the special exception site plan process), reduced application submission fees, and the absence of conditions typically found in special exception site plan approval such as contributions to affordable housing, public art, utility undergrounding funds to incentivize revitalization of the Columbia Pike commercial centers.

Since the inception of the FBC, ten projects have been approved including one site plan project. This has yielded over 1,500 new housing units and nearly 300,000 square feet of commercial retail and office space and community center uses. Even though the FBC doesn't have an affordable housing requirement, two affordable housing developments have been approved under FBC (Arlington Mill and the Shell gas station redevelopment). The approval process has been successful considering the infancy of this new zoning tool. Community members who participated in the creation of the FBC are supportive of its use and its recent outcomes because it provides a predictable form of development through its use of building form and public space requirements. Community members are generally supportive of expanding use of the FBC in the Neighborhoods Area Plan parts of Columbia Pike.

Other Codes, Plans & Policies: In addition to its affordable housing ordinance for special exception site plans, Arlington County is authorized to approve optional increases in density in order to reduce land costs and thereby provide for and achieve moderately priced housing. Arlington has created a Zoning Ordinance provision for optional increases in density (up to 25% increase) – bonus density – above the General Land Use Plan designations as Part of the special exception site plan process. The County Board has approved special exception site plan projects which have utilized this zoning provision and in return for approving bonus density, developers have contributed affordable housing units consistent with the County's plans and policies for affordable housing.

Elsewhere, the County Board has approved planning documents which specify an expectation for projects that exceed the density allowed by the General Land Use Plan to provide a contribution towards affordable housing equivalent to 20% of the increased gross floor area over the land use plan designation. In Fort Myer Heights North (FMHN), projects that use the site plan process are permitted to exceed the maximum allowable density of the "Medium" Residential designation of 72 units per acre by up to a 3.24 FAR. This net increase in density can be achieved if 20% of this bonus density is provided as affordable housing units. The FMHN Plan recommends the units be provided on site and may accept units in existing housing stock or in new construction. For density approved at 72 units or below, developers must meet the Affordable Housing Ordinance requirements for site plan projects which allows for contributions of affordable units on site, off site, or through a cash contribution. The FMHN Plan also seeks to achieve housing relocation assistance consistent with the County's guidelines for any existing tenants displaced for renovation, rehabilitation, and redevelopment through the County Board's approval of a Relocation Plan for each project. The Crystal City Sector Plan and corresponding Zoning Ordinance provisions includes provisions similar to FMHN.

<u>Proposed Use of the Tool:</u>
Looking ahead to the next 30 years, there is interest in improving the overall livability of Columbia Pike, including reshaping the multi-family residential properties into more walking- and bicycle-friendly and transit supportive developments as well as increasing the overall supply of diverse housing options in this transit investment corridor and preserving affordable housing that exists today.

In order to accomplish the draft goals of the Neighborhoods Area Plan, incentives for partial or full redevelopment of multifamily properties are necessary. One way to accomplish this is to establish a Form Based Code zoning tool for key locations in residential areas which would guide how new development could occur. The FBC would establish the preferred form of new development in a manner consistent with the goals from the Columbia Pike Initiative to create a walkable, attractive, and transit supportive corridor. A new FBC which offers bonus density – additional density above what could be achieved with the underlying zoning – would encourage development that helps achieve the draft goals, including the provision of affordable housing units as part of new development proposals. By establishing a Plan and corresponding Zoning Ordinance provisions to allow more market rate residential units, opportunities will be present to capture some of the value of the new development to support the rehabilitation, development and operation of affordable housing. Through the use of bonus density several County expectations would be met including a portion of new development that is affordable to households earning up to 60% and 80% of Area Median Incomes (AMI).

The FBC redevelopment district will be targeted to property along the Pike frontage and in larger areas away from Columbia Pike in the east and west ends. Along Columbia Pike, all properties are offered development options with FBC. Several areas and/or properties will have incentives for additional bonus – Tier 2 Bonus Height – which would be negotiated for additional on site affordable housing units, or to receive transferred development rights.

One stated goal of the Neighborhoods Area Plan is to preserve approximately 4,500 market affordable units of which approximately 2,900 have affordable rents at the 60% AMI level. Based on the policies in the Neighborhoods Area Plan, and exemplified by the Illustrative Plan, approximately 5,500-6,500 net new units could be achieved with development following the FBC. The economic analyses conducted during the planning process demonstrated that it is economically feasible on a site by site basis to require 20% of the net new development as affordable units at 60% AMI by adding increments of approximately three to four new market rate units. The following expectations for FBC regulations are proposed which are envisioned to create a mixed income residential community (including units affordable to persons at 80% of AMI and below), adjust the overall distribution of affordable units along Columbia Pike, add diverse housing types, and create new street connections, wider sidewalks, and improved open spaces among other improvements (detailed zoning text would be developed as a follow up process once the Plan is adopted):

1. Approval process: New development under the proposed Neighborhoods Area Plan FBC may be approved following two tracks: Administrative Approval or Use Permit approval. The design shall comply with the prescribed form regulations. Development density will be determined by the allowable form regulations and no set density minimum or maximum amounts will be stated. Density above the maximum allowed by the underlying zoning district would be considered Tier 1 Bonus density. For the purposes of complying with, and calculating, the affordable housing requirements described in #2 below for the Tier 1 Bonus density, an applicant will need to calculate and demonstrate the amount of gross floor area proposed. Projects that comply with all FBC regulations may be approved administratively by the Zoning Administrator. Modifications, however, may be permitted in certain circumstances, and when these are requested, the project will automatically be required for review and approval by the County Board as a Use Permit. Projects that involve use of Tier 2 Bonus density, offered as additional height (see #7 below), will be required to obtain Use Permit approval, and may require HALRB review for compatibility with the existing buildings required for preservation.

2. Affordable Unit Requirements: An affordable unit contribution is required for all development taking advantage of the added density that exceeds the density allowed by-right under the Neighborhoods Area Plan FBC. The contribution will be based on net new development

exceeding the maximum allowable development under the existing by-right zoning district or the number of existing units on site, whichever is greater. Twenty percent (20%) of net new units above the maximum allowable zoning or the number of existing units, whichever is greater, will be required as affordable units with rents up at 60% AMI for a term of at least 30 years in new construction (see “a” below). In lieu of the above contribution in new construction, when projects preserve afford able units in existing housing stock, 25% of net new units above the maximum allowable zoning or the existing unit count, whichever is greater, will be required as affordable units with rents up to 60% AMI for a term of at least 30 years (see “b” below). Any portion of a new unit will be calculated as one unit.

The net new units will be calculated by subtracting the maximum allowable development under the existing by-right zoning district or the number of existing units on site, whichever is greater, from the property’s, or partial property, proposed total unit count. The affordable unit contribution of 20% or 25%of the net new units will then be calculated. For projects that provide a combination of affordable units in new construction and in existing, rehabilitated structures, a prorated calculation will be applied (see “c” below).

A: New Construction	B: Existing Units	C: Mix
Existing unit count = 40 units Max allowed w/ ex zoning = 50 units New development = 120 units Net New (120-50) = 70 units 20% = 14 affordable in new construction	Existing unit count = 40 units Max allowed w/ ex zoning = 50 units New development = 120 units Net new (120-50) = 70 25% = 17.5 = 18 affordable in existing buildings	Existing unit count = 40 Max allowed w/ ex zoning = 50 units New development = 120 units Net New (120-50) = 70 Request to preserve 9 existing units 35 of 70 apply 25% ratio = 9 affordable units in existing buildings 35 of 70 apply 20% ratio = 7 affordable units in new construction 16 total affordable units

3. Distribution: For projects west of George Mason Drive, once the number of units have been determined to meet the 20% or 25% affordable unit requirement as described above in (2), an applicant may choose to recalculate this contribution such that up to one-third of the calculated units may be converted to 60-80% AMI units using the following formula: for every one unit required at 60% AMI, two units may be provided instead with rents up to 80% of AMI. Alternatively, for projects east of George Mason Drive, an applicant may choose to recalculate this contribution such that up to one-third of the calculated units may be converted to 40% AMI units using the following formula: for every two units required at 60% AMI, one unit may be provided instead with rents up to 40% of AMI. The County Board in its discretion may permit a larger percentage than the one-third proportion of the 20% or 25% of the 60% of AMI units to be converted as described above.

4. Unit Type: The committed affordable units shall have a mix of unit types with a targeted emphasis on family sized units of two or more bedrooms and other criteria specified in the County’s Housing Goals and Targets. The mix shall provide that half of the rental CAFs are two-bedrooms or greater, of which 25% are greater than two bedrooms.

5. Rehabilitation Standards: Any existing units proposed to remain in place and become committed affordable housing units per the above requirements shall be fully rehabilitated units that will last for the life of the affordability commitment. The renovation includes a full gut-rehabilitation with new kitchens, bathrooms, windows, roofs, HVAC, and electric, including County stan-

dards for overall energy efficiency, e.g., energy efficient insulation, accessibility, and asbestos and lead paint abatement. Furthermore, as part of its development application an applicant shall provide the County with documentation indicating the condition of existing units, whether recent renovations preclude the need for some renovations, and describe all proposed improvements. Existing units may be modified to allow for "bump outs" to improve the overall unit size and configuration.

6. Housing Plan: All applications for FBC development will be required to provide a plan outlining compliance with the proposed affordable housing contributions meeting #2-5 above. Applications and plans must demonstrate adherence to the Arlington County Approved Tenant Relocation Guidelines, which includes a tenant profile, a relocation plan, and a description of tenant relocation assistance provided. Also, the application would describe which optional tools, if any, are also sought to preserve additional units as affordable housing within the proposal. When additional units are provided as affordable units, the county would seek to achieve a wider range of affordability with units provided at 40%, 50%, 70%, and 80% of the AMI. The County would also expect any property owner/developer taking use of the FBC would examine these available tools and consider in good faith how they could possibly be used in the context of their situation and provide additional affordable housing. The County would work with any property owner who may be willing to offer a Right of First Refusal to the County, or its designee, to purchase the property upon the sale or transfer of the property. If the County had a future opportunity to acquire existing market rate affordable housing it could possibly achieve more affordable housing towards the housing goal. Optional incentives to preserve additional units will include:

a. Reduced parking ratio of 0.7 space/unit for all committed affordable units when an additional contribution of affordable housing units are provided;
b. Access to partial tax exemptions on both new construction and renovation;
c. Access to Tax Increment Public Infrastructure Funds (TIPIF);
d. Transfer of Development Rights (TDR);
e. Low interest County loan funds, including AHIF and the Affordable Housing Preservation Loan (AHPL) program* (*proposed new tool).

7. Tier 2 Bonus (Additional Height): The County Board may permit additional height for those areas shown on the Regulating Plan and designated for "Tier 2 Bonus Height", for the purpose of

a. accommodating density transferred from a TDR Sending Site;
b. in exchange for additional on-site affordable units;

8. TDR for Open Space: In the event a FBC project reserves land for a new public open space that is one acre or larger as shown on the Regulating Plan, the applicant may, through transfer development rights, move, at a minimum, the density of the open space acreage based on the by-right density to either 1) another portion of the site that has been designated for "Tier 2 Bonus Height" provided the density can fit within the allowable additional height or 2) another site designated for "Tier 2 Bonus Height" or 3) another site in the County determined appropriate to receive transferred density. The County Board may consider and approve whether additional density, or other value, should be certified and eligible for transfer. Furthermore, an applicant may request funding assistance from the County through the Tax Increment Public Infrastructure Fund (TIPIF) for acquisition and construction costs to achieve these designated open spaces shown on the FBC Regulating Plan.

C. Transfer of Development Rights

Enacted in 2005, Arlington County's authority to establish an ordinance providing for the transfer of development rights (TDR) allows for the dedication of density to develop real property from one property within the County to another property in the county. A Zoning Ordinance amendment approved in 2006 established how the enabling legislation could be used in Arlington and it contained provisions to allow a site (sending site) to send density and/or other development rights to a receiving site for certain purposes including, among others, the preservation or facilitation of open space, historic preservation, affordable housing, community facilities, or community recreation. Through the zoning ordinance, TDRs would only be transferred to another location (receiving site) through special exception site plan approval where more density and/or development rights is deemed appropriate by the County Board. Further details of the TDR policy were approved by the County Board in 2008 and later revised in 2009 including:

- TDRs can only occur through a site plan process on the receiving site and the County Board must approve all sending and receiving site designations.
- The amount of density to transfer is generally based on the unused by-right density of the sending site.

- Where certification is based on historic preservation, either a restrictive covenant or historic designation is required on the sending site at the time that development rights are transferred.
- Additional density and other development rights associated with TDRs shall be subject to the limitations on maximum height and other building form regulations applicable to the receiving site, as provided for in the zoning district regulations, the adopted General Land Use Plan (GLUP), and any other adopted plans for the area.
- If any existing or future sector plans or other plans that included TDR policies, the TDR policies within them will supersede these policies, recognizing that there are a variety of development patterns and community priorities throughout the county (e.g. Clarendon Revitalization District).
- The owner (s) of both the sending and receiving sites are required to record deed restrictions on the sites.
- The County Board may approve the following types of transfers: 1) single transfer of all certified density from one sending site to one receiving site; 2) single transfer of all certified density from one sending site to multiple receiving sites; 3) multiple transfer of certified density over time from one sending site to one or more receiving sites.
- A conversion formula establishing how to transfer density from units/acre to floor area (FAR) districts.

<u>Proposed Use of TDR:</u>
Along Columbia Pike there are two large apartment complexes that have a significant amount of market rate affordable housing and each offers a desirable form and setting of buildings. Barcroft Apartments and Fillmore Gardens are complexes with historical significance based on their age, design and cultural contributions to Arlington's character. Together, the two complexes include approximately 2,000 market affordable units. These units do not have any binding commitments to be retained as affordable units (i.e., rents are set according to market demand and are not income-restricted). TDR is a tool that could be used to help maintain those units in place with some economic value generated to pay for rehabilitation and subsidized rents.

Each complex is a cohesive campus of buildings and open spaces with mature shade trees and walkways. The County seeks to preserve significant portions of these complexes in order to retain affordable housing in the low-scale garden apartment setting amidst new development planned for the corridor. In order to incentivize this preservation, it is proposed that additional density be offered, possibly three to four times, which could be transferred to other sites where redevelopment is appropriate in order for the units at Barcroft and Fillmore Gardens to be rehabilitated and affordability below 80% AMI be preserved. It would be expected that in exchange for the transfer of density, the units and buildings would be rehabilitated in a manner consistent with the historical significance, as well as meet modern day design. These areas are shown as Conservation Areas in the Neighborhoods Area Plan and would not be included in the FBC redevelopment district.

<u>Open Space:</u>
In order to maintain a high quality of life as the residential population increases with places for people to recreate or participate in community events and activities, and to provide an overall balance of open areas and buildings, several new public open spaces within the existing residential complexes are desired. These new spaces would be shown on the Neighborhoods Area Plan FBC Regulating Plan and the reservation of land would be sought when a property owner seeks redevelopment pursuant to the FBC. As part of the incentives to achieve new open spaces with FBC, a property owner may shift density from one part of a site to another where new development is appropriate and can be accommodated within the allowable form.

Alternatively, when a planned open space is of a substantial size (over 1 acre) and envisioned in the Plan for development as a public park, a property owner may request certification of a specified amount of density on the land designated for open space and then transfer that amount to another receiving site along Columbia Pike or elsewhere in the County where additional density can be accommodated.

The zoning ordinance provisions would need to be amended to permit TDR in Use Permit projects. TDR recommendations:

- Amend TDR Policy and TDR Zoning Ordinance provisions to allow approval of TDR Receiving Sites by FBC Use Permit
- Allow TDR certification if a property owner enters into agreement with County to use Affordable Housing Loan Program

D. Reduced Parking

A major emphasis of the Neighborhoods Plan is to retain affordable housing units along this transit corridor. In pursuit of this goal, the policies indicate consideration of a future zoning regulation that would allow affordable residential units to be lower than one space per unit. This reduction in parking could encourage and support transit use, or alternative modes of transportation such as bike and pedestrian circulation, and could make development projects with affordable housing requirements more economically feasible if fewer structured parking (below or above grade) spaces are required.

The Parking and Curb Space Management Element of the MTP (adopted Nov. 14, 2009) recognizes that in certain circumstances it may be appropriate to consider reductions in off-street parking spaces than would otherwise be required. Most notable is Policy 11 which indicates the parking requirements could be reduced or eliminated for projects near transit when the project would lower the cost of transit-proximate housing dedicated to those who cannot afford a private vehicle. In exchange, the expectation would be to achieve an enhanced Transportation Demand Management Plan (TDM). Policy 6 indicates that minimum parking needs should be met and excessive parking is not built. Also, Policy 8 indicates that reduced parking may be considered for new development in close proximity to frequent transit service, also in exchange for enhanced TDM measures.

The Columbia Pike corridor is identified by the Master Transportation Plan as a Primary Transit Network, and it is well served by Metrobus and Art bus service. In the future, the streetcar will be the primary transit mode along Columbia Pike. Columbia Pike is today and will continue to be a transit supportive location for residents with excellent local and regional connectivity. In addition to the bus and future streetcar service on Columbia Pike itself with convenient access to the Metro system at the Pentagon or Pentagon City, several connector bus lines cross Columbia Pike at Glebe Road and S. Courthouse Road which provides additional connectivity to other urban centers such as the Rosslyn-Ballston Metro Corridor. Bus circulator service through neighborhoods and apartment complexes provide additional convenient access to transit. Alternative modes of travel are possible for residents along the Columbia Pike corridor due to existing and planned bicycle routes and sidewalk improvements which help reduce the need for personal vehicles.

It has been demonstrated by several non-profit and for-profit developers of affordable housing projects that, on average, projects with affordable housing units have a lower demand for parking with occupancies of less than one parking space per unit. Additionally, Census data collected through the American Community Survey shows that households with lower incomes tend to have fewer private automobiles. During the period of 2005 to 2009, there were approximately 9,200 households in Arlington with no cars, and that household type had an average annual income of $52,000. Similarly, approximately 44,500 households had only one car, and the average annual household income for that type of unit was $93,000. (Source: American Community Survey 2005-2009 ACS 5-year PUMS Files, US Census Bureau. Tabulated by the Arlington County, CPHD, Planning Division

The County Board has approved reduced parking ratios for residential projects with affordable housing:

- Buchanan Gardens: Rents at 60% AMI or below: approved parking ratio of 0.82 spaces /unit for 111units;
- Jordan Manor: Rents at 60% AMI or below; approved parking ratio 0.86 space/unit for 90 units;
- Rosslyn Commons: Rents at 60% AMI or below; approved parking ratio 0.90 space/unit for all 54 affordable multi-family units (and, other market-rate multi-family units);
- Woodbury Park: 0.96 space/unit for 364 affordable units; and
- Parc Rosslyn: 0.899 space/unit for 101affordable units
- Rosslyn Central Place (no affordable units): 0.80 space/unit.

<u>Proposed Parking Ratio:</u>

Taking into consideration of the above factors, the draft Neighborhoods Area Plan recommends allowing a reduced parking ratio when proposals exceed the base affordable housing requirements (20%/25% contributions described in FBC above) and provide additional affordable housing. When this occurs, an applicant may request a reduced minimum parking ratio of 0.7 space/unit for the total affordable housing program. This would be most attractive to property owners developing within close proximity to the bus and future streetcar service along Columbia Pike. An enhanced Transportation Demand Management (TDM) proposal would be expected to be provided to each resident of an affordable housing unit to further identify and offer transit or non-personal vehicle modes of transportation available. Otherwise, all housing would be required to provide 1.125 space/unit, consistent with the existing FBC used today for the commercial centers, with one space for resident parking and 0.125 space per unit for shared visitor parking. The additional shared parking ratio increment would also apply to the affordable housing units which would bring the minimum parking ratio to 0.825 space/unit).

The possibility of reduced parking would help overall project feasibility, would reduce the overall County participation of AHIF funding in the project, would encourage transit ridership, and would also help right-size the parking along Columbia Pike based on the demand. The County would continue to monitor the parking supply and would continue to use the permit parking program to assist in protecting neighbors if spillover parking problems arise.

For context, if a project with 100 net new units are proposed with FBC, 20 units would be required as affordable housing (per the 20% of net new as affordable unit requirement). If the applicant proposed an additional 10 units as affordable housing, the housing would be as follows with 30 affordable units:

- 30 affordable units @ 0.825 space/unit = 25 spaces
- 70 units @ 1.125 spaces/unit = 79 spaces
- 104 spaces required (instead of 113 spaces if
- 100 units @ 1.125 space/unit)

E. Use Permit Approval for Non-Conforming Apartment Complexes

The County Board amended the Zoning Ordinance for "RA" zoning districts to allow existing residential properties that are legally non-conforming to have limited options to change and renovate the property. This option would be used for projects requesting "bump outs" to increase the size of existing units in order to accommodate requirements related to affordable housing tax credits, an increase in the number of bedrooms in existing units, and other requirements related to meeting building code and the provision of affordable housing. The use permit option would allow the County Board to modify zoning requirements to allow for structural improvements to and/or expansion of existing non-conforming apartment buildings, where the provision of affordable housing is being proposed, so long as the building height is not increased beyond that allowed by-right and the number of units is not increased beyond that currently existing on the site.

The use permit option, with restrictions on modification of height and density, is intended to permit only renovation and expansion of existing units. Expansion could be in the form of "bump-outs," which would allow a property owner/applicant to propose an increase in the size of existing units or to the total number of units with two or more bedrooms (i.e. some units could be expanded in size), matching needs of families with children, and consistent with the County's Goals and Targets for Affordable Housing (see Attachment 1). The option would not allow an increase in the number of dwelling units legally existing on the site at the time of application. Limiting alterations to those that would not increase height or density would help minimize the impact of any existing or proposed nonconforming conditions on surrounding properties and could help to limit the scope of review required in order to complete a thorough analysis of projected impacts.

This tool may be a viable option for property owners who are not yet ready to enter into the Form Based Code but are interested in making building renovations, maintenance improvements and also seeking to preserve affordability. It is expected that if and when property owners may be attracted to using this tool, the County would continue to offer advice and guidance on how it could be used and the process in which development plans would be reviewed. The requirements for approval include:

- Designation of the site as a Voluntary Coordinated Housing Preservation and Development District (VCHPDD). A VCHPDD is a Virginia Code enabled designation that allows the County to provide assistance to for-profit or non-profit housing developers to preserve or provide housing for low or moderate income persons. Designation as a VCHPDD allows the County Board to declare by resolution that a site is eligible for use of the County's housing fund, and requires that developers assisted in this manner provide a minimum of twenty percent of the units for low and moderate income persons for a minimum of ten years (however, staff would expect the applicant to commit the units for a period of at least thirty years).
- A finding by the County Board, as required by Section 36.G of the Zoning Ordinance that the use does not adversely affect the health or safety of persons residing or working in the neighborhood; is not detrimental to public welfare or injurious to property or improvements in the neighborhood; and is not in conflict with the purposes of the master plans of the County.
- A finding by the County Board that the proposal furthers the County's Affordable Housing Goals and Targets.
- Agreement from the applicant that the applicant will sign documents, within 90 days of use permit approval, defining and agreeing to implement the affordable housing plan and tenant relocation plan.
- Submission of plat, plot and location plan, parking layout and coverage calculation, and a low or moderate income housing plan are required by the applicant.

6. Recommended Financial Tools

A variety of financial tools will help preserve affordability and achieve other plan objectives. These include tax credits (low income housing, historic), partial tax exemptions, loans, tax increment public infrastructure finance (TIPIF) and the Affordable Housing Investment Fund (AHIF).

The proposed partial tax exemptions and TIPIF policies have County-wide budget implications. The extent of these tax tools should be calibrated against other County budget investments and needs. These also need to be carefully balanced against each other, i.e., if a property accesses partial tax exemptions, a TIPIF policy may not be feasible because a tax increment would not be present and vice versa. Also, a proposed new loan program requires a trial period due in part to the limited amount of AHIF funding. The program details should be further vetted and marketed to all the Columbia Pike property owners before a portion of AHIF is allocated to the program.

To facilitate effective execution of the Neighborhoods Plan and to calibrate a balanced package of economic incentives, a financial implementation team will be assembled to develop program-specific recommendations and the implementation language for the proposed partial tax exemptions, TIPIF, and the new loan program. The work should be completed within 6-10 months of adoption of the Neighborhoods Plan and concurrent with the process to formally adopt FBC ordinance. The financial implementation team will consist of County staff from CPHD, AED, DMF, CAO, property owners, developers, Housing Commission representatives, and advocates.

A. Affordable Housing Investment Fund (AHIF)

Below market-rate interest **County AHIF loans** are used for acquisition, development, or rehabilitation of affordable housing. The County currently allocates approximately \$15M/year (which combines general local revenue, federal funds, developer contributions, and loan repayments) to make substantial AHIF loans. Recent loans have been provided to non-profits to rehabilitate or construct Howard Manor, Magnolia Commons (Arbor Heights), the Jordan, and Arlington Mill. Similar tools to AHIF that were analyzed are foundation funding, pooled equity, and the new Affordable Housing Preservation Loan program.

B. Tax Credits

Federal and state **Low Income Housing (LIHTC) and Historic tax credit programs** also help finance the development or rehabilitation of housing. Historic tax credits do not require affordability and have more expensive rehabilitation standards but provide significant subsidy. Nine percent LIHTC are competitive and are usually used on projects up to 100-150 units. Therefore, in larger redevelopments, 9% LIHTC would apply to a subset of the affordable units or the redevelopment would need to be accomplished in phases. Four percent LIHTC are non-competitive, often paired with tax-exempt bonds and are often used for larger projects that may exceed the amount of available 9% credits in a given year. Any changes to the terms or funding of the LIHTC program would greatly change the economics of achieving the affordable housing goals on Columbia Pike.

Tax credit equity provides significant value in projects. The greatly reduce the amount of AHIF needed for a project to work. There are examples of all three types of tax credits in Arlington County. Historic Tax Credits were used at Buckingham Village 3 with a value of \$47,000/unit. Nine percent Tax Credits were used at Buchanan Gardens with a value of \$91,000/unit. Four percent Tax Credits were used at Magnolia Commons (now Arbor Heights) with a value of \$74,000/unit.

C. Affordable Housing Preservation Loan (AHPL) Program - NEW

A common occurrence in the mid-rise apartment sector has been property renovations which have resulted in higher rents and displaced tenants. This happens because this type of apartment is relatively larger and newer. With new development and pending transit improvements, this could continue for other aging mid-rise apartments and also be undertaken by property owners of garden apartment complexes.

One new tool proposed in the Neighborhoods Plan is the **Affordable Housing Preservation Loan (AHPL) program.** Property owners expressed interest in financial incentives that would encourage them to continue to operate quality affordable housing. The program is intended to encourage modest renovations and the maintenance of affordable rents for 15 years for property owners not yet interested or prepared to enter the FBC process.

In exchange for this low-interest loan, the County would require

- Affordable rents for 15 years with annual income verification,
- A Right of First Refusal for 15 years,
- Virginia Maintenance code and zoning inspections (similar to CAF agreements),
- Moderate rehabilitation of the units depending on the needs of the property,
- Accept housing grants/housing choice vouchers,
- Repayment of the loan either at the sale of the property, upon entering the FBC process, or after the 15 year affordability if the owner doesn't re-enter the loan program.

The County would offer an additional incentive to property owners utilizing this tool who may be interested in dedicating the property for a longer term as affordable units to certify density available for Transfer of Development Rights.

The subsidy amount would be $22,000/60% AMI unit or $15,000/80% AMI unit. The program should be tracked to see how it performs over time, making tweaks if necessary. This tool is similar to many of the other tools discussed, including Payment in Lieu of taxes (PILOT) and the tax reclassification of affordable housing, in that it is intended to incentivize current owners to maintain affordability.

D. Moderate Income Purchase Assistance Program (MIPAP)

MIPA provides assistance to qualified first-time homebuyers of up to 25% of the purchase price towards the purchase of a home in Arlington. MIPAP assistance comes in the form of a deferred payment, no interest rate second trust loan. The MIPAP loan can cover all closing costs not paid by the seller (including pre-pays), up to a maximum of three discount points (to reduce the interest rate on the first trust mortgage), and a portion of the down payment. MIPAP is to be refunded this year.

E. Pooled Equity

Pooled equity funds combine public and private funding to achieve objectives similar to those described in the Neighborhoods Area Plan, including affordable housing. Like the County's experience with its AHIF loan program, pooled equity funds leverage various sources of funding to achieve fund objectives. Staff is currently reviewing a pooled equity proposal to determine its added value (i.e. what can a pooled equity fund achieve that the current AHIF cannot?).

F. Tax Increment Public Infrastructure Financing (TIPIF)

In December 2002 the Arlington County Board established the Tax Increment Public Infrastructure Fund (TIPIF) Policy. This policy establishes a financial framework for evaluating and investing in public infrastructure designed to support and complement particular private investment projects, and further associated public amenities, within the Columbia Pike Special Revitalization District (SRD). The policy allows for as much as 85% of the incremental real estate tax revenues associated with a private investment in a qualified project to be allocated towards specified public investments.

The TIPIF policy tool is intended to provide a more focused and project specific allocation of incremental real estate tax revenue, and the analysis of the relationship of the tax revenues dedicated to public benefit received can therefore be more effectively analyzed on a case-by-case basis. Thus, the expected scale of impact on the redistribution of general fund revenues is significantly less than a TIF applied to a larger district. In the context of the TIPIF policy, qualifying project criteria includes the stimulation of private investment in other private investment projects, furthering the expectation that this tool should result in a net positive tax revenue impact. To date, TIPIF has been used twice on Columbia Pike, and both times the public investment was directed towards additional public parking in mixed-use multifamily developments (The Halstead and Penrose Square).

7. Recommended Tax Tools

General Overview of Tax Exemptions

The reduction of property taxes for owners of specific properties for a designated period of time supports the preservation, rehabilitation and construction of affordable rental housing. There are currently available two multifamily housing **partial tax exemptions** in Arlington. Both exempt the increase in assessed value of the improvements that result from a rehabilitation or redevelopment. Arlington already offers partial tax exemptions to developers in designated revitalization zones and to rental property owners who upgrade aging structures. Partial tax exemptions can also be structured in a variety of ways including freezing or reducing the property's taxable assessed value, or reducing the rate at which a property is assessed.

Arlington balances its partial tax exemption programs to leverage and maximize the public benefits in order to minimize the overall fiscal impact. To encourage rehabilitation, Arlington limits real estate assessment increases for property owners who upgrade or remodel aging structures. By requiring the inclusion of affordable units as a condition for eligibility for one of Arlington's partial tax exemptions, this partial exemption can preserve the supply of homes available to low- and moderate-income households. Also, partial tax exemptions can be used to promote participation in subsidized housing programs (by rental property owners) in areas that see rising property tax assessments due to rent increases.

The cost of providing a partial tax exemption is that it lowers the amount of tax revenue collected, thereby putting pressure on other revenue sources to pay for County services. However, many of the developers and property owners accessing the partial tax exemptions may also be looking for an AHIF loan. The partial tax exemption enables the property to have a higher net operating income (NOI) that may in some cases enable the private lender to provide a larger loan. When this happens, the property owner would need a smaller AHIF loan. So, even though general property tax revenue is reduced by the partial tax exemption, the AHIF could be stretched farther by providing smaller loans. The consultant's financial calculations suggest that for every $2 in reduced collected tax revenue over the life of the exemption, $1 less in AHIF could be provided. In other words, the property may be able to get a larger private loan by paying less in taxes.

Since Virginia local governments only have powers that are specially conferred on them by the General Assembly, Arlington currently has authority for certain types of tax practices. For practices that are not explicitly enabled by the General Assembly, either change to legislation in Richmond or the Virginia Constitution would be necessary. This section will first look at which tax practices are currently enabled and then will look at practices which would require action in Richmond. There are a few sections of the Code of Virginia that enable Arlington's multifamily real estate taxing authority.

Virginia Code 58.1-3220, "Partial exemption for certain rehabilitated, renovated or replacement residential structures" enables the County to provide a partial tax exemption available for new construction that is available only in the Nauck Village Center Special Revitalization District and to provide the countywide partial tax exemption available for developers who do substantial rehabilitation on multi-family rental projects.

A. Current Multi-Family Rehabilitation Partial Tax Exemption

The rehabilitation partial exemption currently has no affordability requirements and it lasts for fifteen years, declining in value from years twelve to fifteen. The state enabling authority allows the County to provide the full exemption for 15 years as opposed to stepping down the last five years. An excerpt of the Arlington ordinance is below.

> "Any owner of real estate in the county which contains a structure which is used as multifamily residential rental property consisting of five (5) or more units and which is not less than twenty-five (25) years of age who rehabilitates the structure to the extent that the rehabilitation results in the assessed value of the structure being increased by twenty (20) percent or more without increasing the total square footage by more than thirty (30) percent shall be entitled to a tax exemption in the amount equal to the tax otherwise due on the increase in the assessed value resulting from the rehabilitation of the structure."

Eleven properties are currently using the rehabilitation partial tax exemption. Nine of those properties contain CAFs and two are market rate. For example, one property along Columbia Pike that has 129 CAFs is exempted $30,000/year or approximately $390,000 over the life of the exemption ($3,000+/CAF).

If 1,000 preserved units along Columbia Pike received the partial rehabilitation exemption, the total amount of the tax exemption would be $3M over the life of the exemption or $200,000/year. For this tool to support the Columbia Pike and Countywide housing goals, an affordability requirement countywide should be added. On Columbia Pike, the affordable housing provided in exchange for using this tool would be above the 20% FBC requirement.

B. Current Multi-Family New Construction Partial Tax Exemption

The new construction partial exemption on improvements in Nauck includes a 20% affordable housing requirement that lasts for fifteen years. The exemption declines in value from years eleven to fifteen. The 20% affordability requirement was added by local ordinance. Local ordinance can make partial tax exemptions narrower, not more expansive. The state enabling authority allows the County to provide the full exemption on the improvements for 15 years as opposed to stepping down the last 5 years. An excerpt of the Arlington ordinance is below.

> "Residential or mixed use properties which provide at least twenty 20 percent of the total housing units as affordable rental housing units will be granted an exemption commencing January 1 of the year following the rehabilitation or replacement, which shall run with the real estate in the same amount for ten (10) years, and for a period of five (5) additional years during which the partial exemption shall be reduced at a rate of twenty (20) percent a year from the original basis, provided the structure continues to provide the affordable housing units (pursuant to County guidelines for the periods set forth in said guidelines applicable at the time of the exemption application)."

For example, a new construction 94-unit CAF property in Nauck received a partial tax exemption on the improvements worth $60,000/year or approximately $780,000 over the life of the exemption ($8,000+/CAF).

If 1,000 units along Columbia Pike received the partial new construction exemption, the total amount of the tax exemption would be $8M over the life of the exemption or $500,000/year. For this tool to support the Columbia Pike and Countywide housing goals, this tool could be applied to Columbia Pike by creating a Special Revitalization District that is analogous to the one in Nauck and by tying the use of this tool to an affordable housing requirement in addition to the 20% FBC requirement.

One option for these two partial tax exemptions is to make them optional. A property could receive the new construction or rehabilitation partial tax exemption if they provided some affordable units above the 20% FBC requirement. The County Department of Management and Finance (DMF) could make projections for the value of the tax exemption over the 15 years. Then, that value could be translated into units based on standard net present value (NPV) analysis of the difference between net operating incomes (NOI) of market and affordable units.

C. Other Tax Practices

Virginia Code 58.1-3220.01, "Local real property tax credits on certain rehabilitated, renovated or replacement residential structures" enables the County to provide for a local real property tax credit equal to certain property tax liens owed on real estate on which any structure or other improvement no less than fifteen years of age has undergone substantial rehabilitation, renovation or replacement for residential use. This is a tool not currently used, for affordable housing or otherwise, in Arlington. Jurisdictions usually employ tax credits or partial exemptions, not both.

Virginia Code 15.2-716 - "Referendum for establishment of department of real estate assessments; board of equalization; general reassessments in county where department established", **Virginia Code 15.2-716.1** - "Board of Equalization", and **Virginia Code 15.2-717** - "Time in which to contest real property assessments" enables the County to provide some forms of relief from real estate assessments. Arlington already uses the **income-approach** to assessing affordable housing, i.e. the assessed value is based on the net operating income (NOI) of the property. Therefore, in the case of properties with CAFs, the assessments are based on income restricted rents.

<u>Possible Future Tax Adjustments:</u>

Where state enabling legislation does not exist for certain tax tools, changes, like a Payment in Lieu of Taxes (PILOT) program, would require an amendment to the Virginia Constitution, while other changes, like extending the years of the current partial tax exemptions, would require legislative action. An amendment to the Virginia Constitution is a higher bar in that it has to be on the ballot for Virginia voters following passage in the General Assembly in two successive sessions with an intervening general election. There are a number of tools that fit into either of these categories.

Virginia Code 58.1-3221.1, "Classification of land and improvements for tax purposes" enables Fairfax and Roanoke to tax improvements and land at different rates. This part of the Code is related to another tool that was discussed, the **tax reclassification** of affordable housing. If Arlington were added to this part of the Code, there could be different rates for the improvements of affordable housing and the land. This change would require legislative action in Richmond, not an amendment to the Virginia Constitution, and then there would need to be local legislation. The tax reclassification would be different than the exemptions in that it would not be time limited and it could change the tax rate on the land. Also, the tax reclassification tool is similar to the Affordable Housing Preservation Loan (AHPL) program discussed earlier in that it could encourage the preservation of currently existing market rate affordable housing.

The County is not currently enabled to:

- **Extend the years** beyond 15 of the current partial tax exemptions,
- **Exempt the value of the land**, or
- Create a **Payments in Lieu of Taxes** (PILOT) program.

Extending the current partial tax exemptions beyond 15 years would take legislative action in Richmond to change Virginia Code 58.1-3220. The other two changes, PILOT and exempting the value of the land, would require an amendment to the Virginia Constitution but should be pursued as ways to increase the value of the partial tax exemptions.

Taking the above into consideration, these possible scenarios could impact Columbia Pike in the following ways based on the stated assumptions:

- If 1,000 units along Columbia Pike received the partial rehabilitation tax exemption that is currently valued at $3,000+/CAF and **the increased value of the land were exempted or it was extended from 15 to 30 years**, the total amount of the tax exemption would double to $6M (in 2012 dollars) over the life of the exemption or $400,000/year. In the rehabilitated garden style apartments that have received the rehabilitation partial exemption, assessments are generally split, half of the value is in the land, half is in the improvements.
- If 1,000 units along Columbia Pike received the new construction partial tax exemption that is currently valued at $8,000+/CAF and it was **extended from 15 to 30 years**, the total amount of the tax exemption would double to $16M (in 2012 dollars) over the life of the exemption or $1M/year.
- If 1,000 units along Columbia Pike received the new construction partial tax exemption and the **increased value of the land were exempted**, the total amount of the tax exemption would triple to $24M over the life of the exemption. In the project that has received the new construction partial tax exemption, the assessment is 1/3 improvements, 2/3 land.

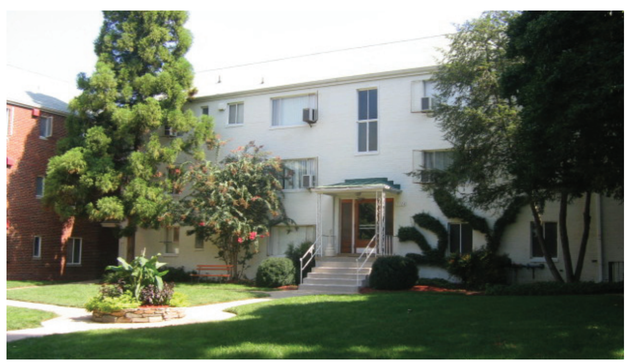
<u>Recommendations:</u>

Short-term

- For the current partial rehabilitation exemption to support the Columbia Pike and Countywide housing goals, an affordability requirement countywide should be added.
- For the current partial new construction exemption to support the Columbia Pike and Countywide housing goals, this tool should be applied to Columbia Pike by creating a Special Revitalization District that is analogous to the one in Nauck and by tying the use of this tool to an affordable housing requirement above the 20% FBC requirement.

Medium- to long-term

- Virginia Code 58.1-3221.1 - Tax reclassification for improvements of affordable housing and land needs legislation from Richmond, not constitutional change. Arlington could be added to this section of the Code. Then there would need to be local legislation. This tool should be pursued.
- Virginia Code 58.1-3220 – Extend the years of the two current partial tax exemptions from 15 years to 30 years to match the affordability period of the Affordable Housing Ordinance. This would need legislative change in Richmond followed by local legislation. This tool should be pursued.



8. Recommended Programmatic/Strategic Actions

A. Working with mission-oriented affordable housing developers

Since the mid 1980's, mission-oriented housing developers have formed the foundation of the County's stock of committed affordable rental units. The majority of future increases in this stock within the Neighborhoods Plan area will likely come from this group of developers as well. Existing partners already control land that current contains nearly 1,200 units, or 13% of the current rental stock. These partners have extensive experience with Arlington's existing incentives and the expertise to access resources at the state and federal levels.

Based on the Plan, properties controlled by mission-oriented affordable housing developers could add up to 1,300 committed affordable rental units over the next 30 years.

B. Assistance by the County with site improvements and development costs

For some development or preservation projects, County assistance may be needed in order to keep development costs low and to help maintain affordability. Public improvements, such as new streets, public open space, and utility undergrounding benefit the entire community and some may eventually become a County asset which makes the use of bond funding more practical. Additionally, the County can plan for these improvements as part of the capital improvement program (CIP) cycles.

The County could also reduce development costs associated with building permit, certificate of occupancy, sign and fence, zoning administration, tap, and water/sewer fees through a rebate-like program using AHIF funding or tax increment public infrastructure financing (TIPIF). Also, the County could consider in extraordinary situations, waiving specific site requirements, such as utility undergrounding, when the County Board considers that an alternative design solution would meet the intent of Neighborhoods Plan and that the proposed design is equal to or better than the original requirement and it would not negatively impact the surrounding area in order to enable a financially-feasible affordable housing project.

The County may consider financial assistance for those projects that exceed the affordable housing requirements set forth in the FBC.

Some examples of these types of development costs include:

- Buchanan Gardens – tree protection and replacement, $250,000 ($2,250/unit)
- Buckingham Village 3 – fire code upgrades , $200,000 ($2,200/unit)
- Macedonia – façade requirement changes, $36,000 ($1,000/unit)
- Shelton – storm water improvement, $100,000 ($1,000/unit)
- All four complexes – bicycle facilities, trade-off with other amenities that developers believed would be of more use to residents

C. Priority Permit Review Processing

In order to expedite the permitting process, the County will hold multiple consultation meetings during the design phase and will assign a caseworker to assist the permit holder through the process.

D. Energy Efficiency Initiatives

Ensuring that housing remains affordable requires consideration of ongoing utility costs (electric, gas, and water) in addition to affordable rents. Incorporating energy efficiency and water efficiency components and systems in new and renovated buildings addresses this need. Many energy efficient and water efficient components do not add cost to the construction of buildings. Also, County standards for environmental sustainability and overall energy efficiency call for development to include water-based district energy appropriate building systems (i.e., hydronic heating and cooling) and infrastructure.

There is potential for **green funding initiatives**. Arlington County is currently reviewing numerous potential financial incentive programs that could be designed and implemented to support and facilitate energy efficiency projects in residential and commercial buildings. The Department of Environmental Services (DES) is currently developing new policies and incentives related to energy efficient development as part of the Community Energy Plan process. One of the County's goals is to create financial incentives that allow affordable housing developers to be early adopters of energy efficiency technology without negatively impacting the County's affordable housing goals. Coordination among these two processes will be needed over the next 6 to 10 months as part of the work the financial implementation team undertakes to evaluate opportunities for mutually beneficial financial incentives.

Arlington supports the Virginia Housing Development Authority's (VHDA) use of the EarthCraft program (a holistic green building program with a focus on energy efficiency), which awards affordable housing project points in order to be awarded low-income housing tax credits. Arlington should work with other Northern Virginia jurisdictions and VHDA to amend their scoring system to accommodate a wider range of energy efficient building heating/cooling systems, including central water-based heating and cooling systems which make buildings more energy efficient and facilitates future connection to a district energy system.

E. Public and Non-Profit Owned Land

Sites owned by churches, schools, and the County will be encouraged to create affordable housing, as was done at the Arlington Mill Community Center, the Macedonian, and the First Baptist Church of Clarendon projects. Although no particular sites in the Neighborhoods Plan meet these ownership criteria at the time of Plan adoption, it is recognized that these entities exist along the Columbia Pike corridor within the existing commercial centers or just off the Pike and that at some point in the future, could contribute land for the purposes of creating affordable housing units.

F. Technical Assistance to Condominiums

Provide technical assistance to condominium associations to help owners address challenges to long-term financial viability. Consider development of an outreach program to moderately priced condominiums to address issues such as deferred maintenance and energy efficiency improvements. The outreach program should also address condominium board governance and mediation.

9. Tools In The Toolbox That Currently Have Limitations

These tools are currently not recommended as part of the Columbia Pike Neighborhoods Area Plan. The County will explore these tools on a case-by-case basis. Tools are described in this report because they were discussed as part of the work by the Columbia Pike Working Group's Tools subcommittee.

A. Building Rehabilitation Code

The building rehabilitation code was recently adjusted to require the installation of sprinkler systems in "bump-outs" during rehabilitation projects but not in the original structures. The County doesn't anticipate further enhancements or adjustments to the code.

B. Employer Assisted Housing

Live Near Your Work (LNYW) is a forgivable loan program for eligible full time County and Schools employees to purchase a home in Arlington. The LNYW loan amount is calculated as 1% of the average cost of a home in Arlington (currently $500,000, with a LNYW loan amount of $5,000). The LNYW loan is forgiven over a three year period. The employee must remain employed with the County and remain owner occupants while the loan is outstanding. At the end of the vesting period, the full amount of the forgivable loan becomes a grant. The County suspended LNYW in FY 2010, while the Schools continued to fund LNYW for their eligible employees.

Since the inception of LNYW in 2002, 334 loans have been made, with 171 County and 167 Schools employee households benefitting from this program. To date, no other Arlington employers have added a similar program for their employees, but County Homeownership staff will actively work to highlight the potential benefits to their organizations and employees of funding a program to assist homeownership close to the employer site and public transportation.

C. Land Banking & Community Land Trusts

Land banking and community land trusts benefit affordable housing by effectively taking land out of the development equation. Under a land bank or community land trust model, a non-profit entity would own the land underlying an affordable housing development – under both rental and ownership models and therefore creating truly permanent affordable housing. Many land banking and community land trust models operate under the premise that there is a supply of vacant, relatively affordable land upon which to develop housing upon. Furthermore, the County's long-standing practice of funding non-profit acquisition of existing market-rate housing accomplishes the same objective. The County's AHIF loan funds may also be leveraged for this purpose. Land pooling is another way of describing land banking.

D. Acquiring Individual Units

The County, through its Housing Grants and federal Housing Choice Voucher program, achieves a primary goal of acquiring individual units by allowing income-eligible households to obtain housing units throughout the County (i.e. scattered site). The County's Moderate Income Purchase Assistance Program (MIPAP) allows a scattered-site approach to occur for households seeking an ownership option.

E. Geographic Capital Budget Priority

Geographic capital budget priority focuses expenditures by location over a specified timeframe. Adopted County Board affordable housing policies - the Goals & Targets – list proportionate targets for how affordable housing units should be spread throughout the County. Furthermore, the NP describes locations for additional streets and other connections (for pedestrians, bicycles, buses/streetcar and cars) as well as open spaces and community facilities. More specific choices around timing of expenditures will be considered during the County's Capital Improvement planning process.

F. By-Right Townhouse Zoning

Concerns were raised during this process on the availability for existing apartment complexes to be razed and townhouse development built instead through by-right development under the "RA" zoning districts. The loss of market rate affordable units and the form and density of townhouse development were considered to be problematic for an area like Columbia Pike, a planned transit corridor. In other planning areas with similar conditions, such as Fort Myer Heights North, the ability to build townhouses was removed from the by-right zoning provisions and the form is now only allowed by special exception site plan approval. Through site plan development, it is envisioned that any townhouses would be designed with a better presence along streets; numerous driveways along streets would be avoided when access and parking occurs to the rear of the unit or lot; and tree removal could possibly be reduced through a closer examination of the site layout.

On Columbia Pike, the "Low-Medium" Residential designation on the General Land Use Plan (GLUP) and existing "RA" zoning allows for townhouse development; however, this form is not prevalent today. If the Pike were to change and this form of development pursued, this could cause transportation problems, such as frequent and numerous pedestrian and vehicle conflicts, and the form could conflict with the overall urban design objectives if the traditional townhouse form that is common in this region occurs here. Also, this form may not yield a level of density appropriate for a transit corridor.

In order to effectively guide development in this area, the following options could be pursued now or in the future: a) allow townhouse development only by special exception site plan or through FBC or b) modify the by-right regulations to adjust the form in which townhouse development can occur to better align with County urban design and transportation objectives.

A number of objectives are currently being sought with the draft Neighborhoods Plan, including incentivizing existing property owners to work and collaborate with the County and opt into the proposed FBC when development is sought. In the future, the County could consider undertaking a Countywide analysis on whether to develop new zoning standards to accommodate townhouse development in a form more consistent with an urban character and existing County policies for walkable and transit-supportive neighborhoods and streets.

G. General Obligation Bond Financing for housing
General Obligation Bonds are not typically used for affordable housing. They are municipal bonds backed by the County's full faith and credit. They are voter-approved authority for bonds to finance the County's Capital Improvement Program and other investments with repayment from General Fund revenues.

There are a number of challenges specific to Arlington related to the use of G.O. Bonds for housing. Arlington has used bonds to fund infrastructure investment and replacement. Therefore, affordable housing development would have to compete against these other infrastructure needs such as schools, roads, libraries, community centers, public safety, and technology. Rating agencies have concerns about using County debt for assets that the County doesn't own, like affordable housing. Bonds aren't as flexible a tool as others. They carry a number of restrictions including how quickly proceeds need to be spent, restrictions on use, and tax code restrictions. There could also be timing mismatch between the timing of a project, redevelopment needs and the issuance of debt. The amount of debt the County can issue is limited by rating agency criteria and County financial policy, all of which support the County's high grade credit ratings. However, GO bond financing could be used if a major infusion of funding were to be needed for a specific project. Other financing options may offer equally or more attractive rates and terms, without requiring the full faith and credit of the County, and these options should be examined fully before any use of G.O. bonds is considered.

H. Assessment practice during Construction
Another potential financing tool is to assess land reflecting affordability during construction. Land is required to be assessed at 100% of fair market value, which has meant the fee simple value at highest and best use.

I. Cap Rate Adjustment
The County's recently adopted practice of assessing rental property on the basis of its Net Operating Income (NOI) achieves the objective that adjusting the cap rate would achieve, i.e., it reduces the taxes for both market rate and committed affordable units. However, annual fluctuations in the Capitalization Rate can still impact property assessments and tax bills.

J. Housing Cooperatives
The County will consider supporting/encouraging Housing cooperatives (limited equity) when they provide both a feasible and comparable alternative to affordable condominiums. The current market conditions and the County's current MIPAP program make them relatively infeasible.

K. Tenant Conversions
Tenant conversions are not currently contemplated under Virginia statutes. However, like a community land-trust model, a not-for-profit entity could purchase a rental property and work with tenants to help them convert it into an affordable condominium (or cooperative when/if the market and financing for them improves).

L. Place-Based Housing Vouchers
There is limited availability of place based housing vouchers due to limited federal funding.

M. New Markets Tax Credits
Federal tax credits for private investment in distressed communities, serving low-income populations.

N. Commercial Linkage
Commercial linkage fees would not be charged because there are limited commercial sites in the Neighborhoods Plan area.

O. Tax Increment Financing (TIF)
Tax Increment Financing (TIF) is a tool that allows local jurisdictions to dedicate some or all of future tax revenue growth in a defined district towards the financing of public investments. Unlike special districts, TIF does not result in a new or additional tax, but instead redirects tax revenue growth that would normally flow to the jurisdiction's general tax fund.

TIF is allowed under Virginia state code (Code of Virginia 58.1-3245) and can be enacted through the passage of local ordinance that designates a development project area within which real estate taxes are assessed, collected and allocated per the conditions in the statute. The TIF tool established in state code presents some challenges for use in Arlington, including: specific reference to "blighted areas" as a primary purpose of creating a TIF district, requirement that increment is allocated to the TIF fund until all debts related to the public investment are no longer outstanding, and ambiguity on whether a local jurisdiction can attribute only a share of incremental value to the TIF fund. For these and other reasons, Arlington has not yet utilized TIF as enabled by the state code. However, in Crystal City, a TIF was established by policy and not by ordinance or through the state statute.

TIF for affordable housing would need to be considered in context, as partial tax exemptions are contemplated for both renovation and new construction of affordable housing.

10. Tools Unlikely To Use Or Not Applicable To The Neighborhoods Area Plan

A. Affordable Housing Ordinance
The Affordable Housing Ordinance (AHO) would only apply if projects went through the Site Plan process. If they entered the FBC, the AHO would not apply.

B. Redevelopment & Housing Authority
A referendum is needed to create an Arlington County Redevelopment and Housing Authority. The most recent referendum was on the ballot in 2009.

C. Brownfield and Greyfield Sites
There are limited brownfield and greyfield sites on Columbia Pike. There is also limited federal funding for these programs.

D. Housing Reserve Fund
The Housing Reserve Fund has been replaced by AHO payments to AHIF.

E. Reducing Vacancies During Construction
Reducing vacancies during renovations would increase the revenue for a project by shortening the tenant notification timeline. The Tools Committee was not comfortable with reducing the 120-day tenant notification timeline.

F. Special Affordable Housing Protection District (SAHPD)
The Special Affordable Housing Protection District (SAHPD) only applies to sites that go above 3.24 FAR and are approved by special exception Site Plan. There are no areas planned in the study area for this level of density as shown on the General Land Use Plan. Nor are there any properties with this level of existing density and on-site existing affordable units. Furthermore, the Neighborhoods Plan utilizes Form Based Code to incentivize, review, and approve development projects whereby bonus density may be approved above that which is allowable with the existing zoning. Also, under the FBC, there is no set density minimum or maximum amount, only what the form of development would yield following the FBC regulations.

G. Coordinated Multifamily Conservation and Development District (CMFCDD)
The Coordinated Multifamily Conservation and Development District (CMFCDD) was replaced by the Affordable housing Ordinance (AHO).

H. Eminent Domain
The County has authority to use Eminent domain for certain public purposes that do not include affordable housing.

I. Rent Control
Rent control is not currently allowed under Virginia statute. However, income restricted rents as required by many county, state and federal programs achieve the objective that rent control seeks to obtain.

J. Demolition Tax
The County does not have a Demolition tax. In the draft NP, such a tax could actually provide a disincentive for land owners and developers to achieve certain objectives.

K. Inclusionary Zoning
The County does not have authority for inclusionary zoning. Development approved with bonus density in exchange for affordable housing contributions would be utilized instead.

L. Reduced Unit Sizes
Reducing the size of units could potentially reduce development costs. Some developers find it more efficient to have the affordable and market rate units the same size. Unit sizes are expected to meet building code requirement minimums.

M. Federal income Tax Mortgage Credit Certificate Program
A mortgage credit certificate allows the homebuyer to claim a tax credit for some portion of the mortgage interest paid per year. It is a dollar for dollar reduction against their federal tax liability.

Recommended Tools

Housing Tools Matrix

The following matrix is intended to provide a summary of tools by category, previously discussed in greater detail throughout this report. Tools shown in BOLD indicate they are already being used in Arlington County.

#	Tool	Description
Planning Tools		
1	**Increased Density**	Re-planning and rezoning existing parcels to incorporate smart land use planning objectives by increasing density.
2	**Bonus Density**	Allowing an increase in the total developable square feet for development that incorporates on-site affordable housing.
3	**Reduced Parking Requirements**	Reduced parking requirements for the number of spaces provided per residential unit or bedroom.
4	**GLUP and Zoning Tools**	General Land Use Policy and General Zoning Tools
5	**Form Based Code**	Zoning based on building form developed in advance with community input. Clear definition of allowable development coupled with streamlined administrative review and approvals. May need specific affordable housing design conditions (e.g., parking ratio).
6	**Transferable Development Rights (TDR)**	Permit property owners to sell development rights from their property to other property owners in designated receiving zones contingent on inclusion of affordable housing and other community benefits.
7	**Use Permit Approval for Non-Conforming Apartment Complexes**	Voluntary Coordinated Housing Preservation and Development Districts use permit approval when land, building or structures do not confirm to the regulations in the zoning ordinance, but the structure will be used for low and moderate income housing. Enlargements and modifications may be made to setback, yard, coverage, parking and/or density. Housing plan must further Affordable Housing Goals and Targets.

Recommended Tools

#	Tool	Description
Financial Tools		
8	**Low-Income Housing Tax Credits**	Indirect Federal subsidy used to finance the development of affordable rental housing for low-income households by selling tax credits to investors for investment in affordable housing.
9	**Historic Tax Credits**	Federal and State tax credit programs administered through the Virginia Department of Historic Resources.
10	**Arlington Affordable Housing Investment Fund (AHIF) Loans**	Funds for acquisition, development, or rehabilitation of affordable housing with more favorable rates and terms than conventional financing.
11	Affordable Housing Preservation Loan Program	Funds to preserve affordability with minor rehabilitation and site work; obtain Right of First Refusal purchase option
12	**AHIF Window for Property Acquisition for Future Development**	AHIF loans, generally to non-profit developers for acquisition or control of at-risk market-rate affordable property.
13	Additional Tax Revenue	Allocate an increased portion of property tax revenue for affordable housing development.
14	**Public Funding of Streets, Open Space (TIPIF)**	County funding for public streets and open space in exchange for the development or preservation of affordable housing units.
15	**Homebuyer Training, Homebuyer Financial Assistance and Moderate Income Purchase Assistance Program (MIPAP) Break out**	Counseling and training for prospective low-income homebuyers. Financial assistance, such as downpayment assistance/closing costs, helps first-time buyers purchase a home.

Recommended Tools

#	Tool	Description
Financial Tools (continued)		
16	**Accessory Dwelling Units**	Allow inclusion of an accessory rental unit in single-family and townhouse properties. Adjust provision in the Arlington County Zoning Ordinance that allows inclusion of an accessory rental unit in owner-occupied houses in single-family neighborhoods. Eliminate regulatory barriers for accessory units in existing structures (e.g., ceiling heights in English basements) and allow creation of ADUs in detached structures (e.g., garages).
17	**Federal HOME funds**	Federal funds awarded annually based on a formula to provide transitional housing acquisition, rehab, construction and tenant-based rental assistance for affordable housing.
18	**Community Development Block Grant (CDBG)**	Federal block grant funding provides communities with resources to address a wide range of unique community development needs, including affordable housing.
19	**Housing Grants/ Transitional Housing Grants**	Housing grants provide rental assistance to eligible households. Transitional grants fund homeless families.
20	**Permanent Supportive Housing and Housing Assistance programs of the County and Non-Profits**	Rental assistance and supportive services for individuals and families with special needs
21	**Lines of Credit**	Use of County line of credit arranged with banking institutions to assist non-profits in purchasing land for affordable housing development. Was used to acquire land for Courthouse Crossing that was leased to developer. Could be used to finance acquisition of at-risk properties by non-profit developers for future rehab and refinancing through AHIF.
22	**Virginia Housing Development Authority Bonds**	Tax-exempt and taxable bonds to finance the construction of affordable housing.
23	**Utility Allowance**	The utility allowance is designed to help tenants cover the cost of utilities when they are not included in the rent.

Recommended Tools

#	Tool	Description
Tax Tools		
24	**Individual Metering**	Individual metering for tenants in existing buildings to facilitate and encourage energy savings.
25	**Arlington Tenant Assistance Fund**	Provides tenant rent assistance in existing and renovated housing.
26	**General Obligation Bonds (for infrastructure)**	Municipal bonds backed by the County's full faith and credit. Voter-approved authority for bonds to finance the County's Capital Improvement Program and other investments with repayment from General Fund revenues.
27	**Industrial Revenue Bonds**	Bonds issued to finance County support of specific projects with underwriting based on project revenues.
28	**Post rehab tax abatement (Portland/Seattle)**	Limited tax abatement on assessed multifmaily value post-rehabilitation
29	Real Estate Tax Exemption for Affordable Units	Exempt current real estate taxes for affordable housing linked to mid-term commitment to limit rents and/or rent increases. Should include First Right of Refusal to be effective at exit from program along with deferred payment. Helps address capital gains tax issue for long-time owners. Could include partial recapture at exit from program.
30	**MF Property Tax Exemption Program (Seattle)**	Tax exemption on improvements to new MF when 20% are set aside as affordable.

Recommended Tools

#	Tool	Description
Programmatic/Strategic Actions		
31	**Reduced Development Approval Time**	Expedite the review process and create single point of contact for development projects.
32	Tap and Permit Fee Waivers	Reduce the County's required tap and permit fees for affordable housing components.
33	Water/Sewer Fee Reductions	Reduce operating costs for affordable housing by reducing water and sewer fees.
34	Site Work Requirements	Adjust County site work requirements for undergrounding utilities, preserving trees and replacing sidewalks to reduce overall cost burden on affordable housing developments.
35	Green Funding Sources	To support extra cost of requiring green elements
36	Renewable Energy Funding Sources	Bonds to finance energy districts / improvements on individual private properties repaid through a special tax or assessment on the benefiting properties.
37	District Energy	Creation of a public energy district to provide a sustainable supply at lower and/or stable pricing.
38	**Provision of Public Land**	Donation of public land (including school sites) to leverage the creation of other public benefits which may include affordable housing, connectivity, public open space, etc.
39	Technical assistance to condominiums	Provide technical assistance to condominium associations to help owners address challenges to long-term financial viability.
40	**Non-Profit Ownership**	Non-profit acquires and holds land for community benefit. Long-term leases at below-market rates maintain the land as a long-term affordable property. Also, includes residential units built on land owned by faith-based institutions.
41	Priority Permit Review Processing	Prioritize affordable housing developments in processing permits and conducting inspections.

Tools in the Toolbox With Limitations

#	Tool	Description
42	**Matter-of-Right Zoning**	Eliminate townhouses as matter-of-right development in multi-family zones.
43	**TIF (TIF by Policy) Funding of Streets, Parking, Open Space**	Dedicate new property taxes generated from the increased incremental property value resulting from redevelopment of multi-family housing to fund public streets and open space.
44	TIF for Affordable Housing	Allocate new property taxes generated from the increased incremental property value resulting from redevelopment of multi-family housing to fund affordable housing.
45	General Obligation Bonds (for housing)	Municipal bonds backed by the County's full faith and credit. Voter-approved authority for bonds to finance the County's Capital Improvement Program and other investments with repayment from General Fund revenues.
46	Building Rehab Code	The current Virginia building code for new construction creates unnecessary costs for rehabilitated buildings. Lobby the State to adopt a rehab code for historic and other existing buildings.
47	Pooled Equity Fund	Financing structure that combines County, foundation, bank and other funds to finance acquisition and development of affordable housing.
48	**Foundation Funding**	Foundation support for affordable housing development can be accessed by non-profits for individual projects or included in a larger Community Land Trust.
49	Land Assessments Reflecting Affordability During Construction	Adjust assessment policies to permit assessment of land held for and restricted to development of affordable housing to reflect that development restriction.
50	Employer Assisted Housing	Employers provide assistance to help employees find affordable housing near their work. Often these programs offer downpayment assistance and tax incentives for the employer.
51	Land Banking, Community Land Trust	Acquire and hold properties to maintain long-term affordablty. Used with single family as well as multi-family.
52	Land Pooling and Land Readjustment	Processes for assembling of smaller holdings into larger parcels and then development whereby owners become shareholders in the redeveloped land

Tools in the Toolbox With Limitations

#	Tool	Description
53	Acquiring Individual Units	Non-profit could purchase with AHIF assistance and manage individual rental units as affordable housing units.
54	Geographic Capital Budget Priority	Corridor capital improvement projects given priority for a specific period of time, similar to the "earmark" for Crystal City redevelopment.
55	Assessor Practice	Change formula to reduce rate for affordable housing
56	Adjust Cap Rate	Adjust cap rate so it is 1.5 points above average cap rate, higher for affordable housing (multi-family buildings only)
57	Housing Cooperatives (Limited Equity)	A partnership wherein residents collectively own and control their housing. The limited equity component limits the return on resale, insuring that housing remains affordable to future residents. Limited equity co-ops promote democratic participation through resident control and ownership.
58	Tenant Conversion	Tenant initiated cooperative and condo conversions encouraged through technical assistance, financial education and benefits for low-income tenants to participate
59	VHDA Ban on Unrelated Singles	Work to repeal the VHDA regulation that bars unrelated singles from using its mortgage programs to purchase homes
60	New Markets Tax Credits	Federal tax credit for private investment in distressed communities, serving low-income populations.
61	Place-Based Housing Choice Vouchers	Up to 15 percent of Section 8 rent subsidies may be tied to specific buildings or units. The subsidy remains with the building or rental unit.
62	Tax Rate Reclassification	Create different tax rate classification for low to moderate income multi-family buildings.
63	Payment in Lieu of Taxes (PILOT)	Reduced real estate tax payments for committed affordable housing.
64	Arlington County Redevelopment and Housing Authority	Create a redevelopment and housing authority.

Tools Unlikely to be Used/Not Applicable

#	Tool	Description
65	**Affordable Housing Ordinance**	Zoning tool for site plans.
66	Inclusionary Zoning	Land use regulation mandating a percentage (usually 15-20%) of the housing units in any project above a given size be affordable to people of low and moderate incomes. The developer can build the housing or contribute to a fund to develop it elsewhere.
67	Brownfield and Greyfield Development	Redevelopment of abandoned, idle or underutilized commercial or industrial sites.
68	**Housing Reserve Fund (HRF)**	Similar to AHIF but funded through developer contributions and AHIF loan repayments.
69	Ways to Reduce Vacan- cies During Renovations	Reduce the four-month tenant notification period for future renovation.
70	Commercial Linkage Fees	Fee charged on development of commercial buildings to offset a portion of the cost of providing affordable housing for low- and moderate-income workers who work there.
71	**Special Affordable Housing Protection District (SAHPD)**	Land use policy along the Pike that requires replacement of existing affordable units if redeveloped.
72	**Coordinated Multi-Family Conservation and Development District (CMFCDD)**	GLUP policy and planning tool adopted in 1993, allowing modifications of regulations by use permit approval, to include setbacks, heights, yards, coverage or parking when properties are so designated. Ordinance eliminated use of this tool.
73	Eminent Domain	Use County condemnation authority to acquire sites for affordable housing.
74	Rent Control	Legal constraints on rent increases.
75	Demolition Taxes	Tax charged on demolition of existing housing.
76	Reduce Size of Units	Adjust bays to shift floor plan with smaller units, vertical tier
77	FIT Mortgage Credit Certificate Program	Allows the trade-in of Mortgage Revenue Bond issuing authority for the authority to issue Mortgage Credit Certificates. These would allow home ownership to offset income taxes on a dollar-for-dollar basis for mortgage interest paid.