

Workforce Dwelling Unit Policy Task Force

Meeting Summary

June 26, 2019 10:00 am to 12:00 pm

WDU Policy Task Force Members Attending: John Carter, Steve Cerny, Abdi Hamud Richard Kennedy, Michelle Krockner, Caitland Roberts, Donna Pesto, Lynne Strobel and Brandon Wright.

Other Attendees: Tom Fleetwood, Goldie Harrison, Amber-Lee Leslie, Sophia Fisher, Paul Stanford, Rex Peters and Ahmed Rayyan

Review of Meeting Summary and Schedule: Staff reviewed the May meeting summary and the agenda for upcoming meetings. The first half of the meeting was dedicated to the Virginia Center for Housing Research (VCHR) rental analysis presentation. The second half of the meeting the Task Force discussed the draft strawman proposal. The July meeting will focus on finalizing the recommendations for the Rental Program and starting the discussion on the For-Sale Program. Finally, a meeting in August was proposed to finalize all the Task Force recommendations to the Board of Supervisors.

VCHR Rental Analysis Presentation: Mel Jones and Philip Agee with the VCHR led the presentation on the rental analysis. Ms. Jones led the presentation reviewing the scope of work, objectives and the multiple data sources used for the analysis. VCHR used CoStar data, WDU Rental Program data (maximum rents and square footage) and Virginia Housing Development Authority (VHDA) cost data for Northern Virginia. In the rental analysis VCHR analyzed the Merrifield, Reston and Tysons submarkets. Mr. Agee presented on the Reston submarket rental analysis which analyzed six categories within the submarket. The rental analysis did not include concessions, absorption rates, vacancy rates or future demand. It captured a snapshot of the current market at the time the data was generated. The analysis demonstrated that the units affordable to households with incomes at 120 percent Area Median Income (AMI) were being provided by the market. However, units at 100 percent of the AMI were not being provided as much.

WDU Program Rent Exchange Analysis: The rent exchange analysis determined the number of units at the 100 and 120 percent of the AMI needed to provide units at the 60, 70 and 80 percent of the AMI. For example, the analysis revealed that it took two units at the 100 percent of AMI to provide one unit at 60 percent of the AMI. This held true to all three submarkets.

Simple Rent Exchange Analysis: To determine the simple rent exchange for a studio at 60 percent of the AMI you take the median market rent (\$1,776.60) minus the WDU rent (\$1,026) which is \$750.60. To determine the number of market rate apartments needed to offset the rent loss, you divide \$750.60 by the market rent (\$1,766.60) which is 0.4 units.

Production Exchange Analysis: The production exchange analysis used construction, soft and financing costs to determine the production cost to deliver a WDU at each income tier. VCHR used the 2019 VHDA cost limits data as a source for the construction costs. It assumed a 15-year loan at five percent interest rate to calculate the monthly capital payment. The analysis determined that the monthly capital payment to produce a studio was \$1,304.39.

To determine the production and rent exchange for a studio at 60 percent AMI you take the median market rent (\$1,776.60) minus the WDU rent (\$1,026) which is \$750.60. Next, you add \$750.60 to the \$1,304.39 (monthly capital payment) which is \$2,054.99 (production and rent exchange). The analysis determined it would take 1.2 market rate apartments to offset market rent loss for a unit at 60 percent of the AMI.

Production and Rent Exchange Analysis Takeaways: The “subsidy” is preserved using the WDU Program rent exchange. The rent exchange and rent production exchange can be used to change or negotiate WDU Program components, such as percentage of units provided at each income level. The analysis confirms the need to offer density bonuses to offset developer cost for providing units at below-market rents. Following the presentation, the Task Force discussed the rent and production exchange analysis.

Rental Program Strawman Discussion: The Task Force reviewed a strawman proposing a new policy with new income tiers and an alternative option to the proposed policy. The Task Force members stated that the new policy must be clear, equitable, predictable and flexible. Some members expressed concern lowering the income tiers without changing the total percentage of units expected. Other members advocated for units between 60 and 80 percent of the AMI while some couldn't fully support units at 90 percent of the AMI. Finally, a concept was proposed to allow WDU Rental Program applicants to qualify at initial occupancy and allowed to remain in the WDU if their income did not exceed 100 percent of the AMI. This concept is used in other affordable housing programs. This would allow households income to increase without losing the opportunity to maintain an affordable rent. This concept could allow households to financially work towards the goal of becoming a homeowner.

Discussion of Next Steps: Mr. Fleetwood provided a summary of the next steps. Staff will work with VCHR on revisions to their analysis based on feedback provided by the Task Force. Staff will also update the strawman proposal to reflect the Task Force's feedback.