The Affordable Housing Progress Report:

What the Washington, D.C. Region's Jurisdictions Can Do to Combat the Crisis

Capital Manor Cooperative officers, 1400 Block of W Street, NW, Washington, D.C.

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A Washington Regional Network for Livable Communities Report

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WRN's Mission

WRN advocates transportation investments, land use policies, and neighborhood designs that enhance existing communities and the environment of the Washington, D.C. region. WRN's goal is to create and sustain a network of diverse, walkable communities linked by quality transit, laced with parks, and surrounded by farms and forests, with the District of Columbia as the hub of the region. WRN is a non-profit, charitable organization.

Cover Photo: Officers of the Capital Manor Cooperative, 1400 block of W Street, NW, District of Columbia (Cardozo Shaw neighborhood), from left to right: Osmin H. Rogriguez, Vice President; Deborah Thomas, President; Milagro Posada, Assistant Secretary; Nerissa Phillips, Secretary; Peggy Fitzgerald, Treasurer. The residents of these buildings used the D.C. first right to purchase law and the Housing Production Trust Fund to purchase their 102 apartments when the landlord chose to opt out of the expiring Section 8 contract and sell the buildings. With the assistance of D.C. Department of Housing and Community Development and the Harrison Institute of Public Law, Georgetown University Law Center, the tenants created a limited equity cooperative. Manna, Inc., a leading D.C. non-profit affordable housing developer, is one of the development partners assisting the cooperative in homeownership training and rehabilitation of the buildings.

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EXECUTIVE SUMMARY

The Affordable Housing Progress Report is a preliminary report on the status of affordable housing needs in the Washington, D.C. region. It provides guidance to area jurisdications on housing policies that have the potential to respond to the affordable housing crisis. Although each of the nine jurisdictions in the Washington, D.C. metropolitan region has a different style of governance, there is a set of solutions—implemented locally and nationally—that can provide a range of housing choices for everyone, from young working families to grandparents on fixed incomes.

Building and rehabilitating more housing overall, and investing in affordable housing in particular, ensures that businesses can attract and keep high-quality workers. Affordable housing strengthens our communities by guaranteeing that the full range of residents has decent housing, everyone from our children to our grandparents. Building and preserving needed housing in existing communities also protects our environment by guiding growth toward existing cities and towns and away from farms and forest lands.

Finding #1: The current and on going need for affordable housing in the Washington, D.C. region is great.

- Like most metropolitan areas in the United States, a majority of the households in the Washington, D.C., region are overburdened with their housing costs, especially in Fairfax County where 67 percent of households with low incomes pay more than 35 percent of their income in rental costs.
- Based on job forecasts of the Metropolitan Washington Council of Governments (MWCOG), the region is projected to need more than 300,000[1] new housing units by 2010, 20 percent of which should be affordable.
- Many counties also have a disparity between their population size and their affordable housing supply. For instance, the District of Columbia has only 14 percent of the region's population, whereas it has 23 percent of the region's affordable housing supply. Conversely, Fairfax County has 23 percent of the region's population and only 12 percent of the region's supply of affordable housing.
- There is a jobs-housing imbalance in the region. Some counties have significantly more affordable housing with fewer job opportunities, whereas other counties have more jobs than housing. For example, Prince William and Prince George's Counties have more affordable housing but fewer job opportunities. Arlington County is the opposite—the county has more jobs than housing for those employees.

Finding #2: A fair share allocation of affordable housing is a crucial first step in addressing the region-wide affordable housing crisis and its implications.

To address the affordability crisis, each jurisdiction needs to provide enough affordable housing to support the needs of its residents and employers. Imbalances between the location of jobs and housing increases traffic and reduces access to jobs, especially for those who rely on public transportation. A model exists for calculating a jurisdiction's fair share of affordable housing. The model is based on the average of each jurisdiction's share of projected household and job growth. According to the projected growth estimates, Fairfax County's fair share allocation by 2010 is more than 15,000 affordable units, whereas Frederick County's is more than 2,000.

Finding #3: Four nationally recognized affordable housing policies have the potential to significantly contribute to producing affordable housing in the Washington, D.C. region.

- **Inclusionary Zoning,** which is used in numerous communities, including Montgomery County, requires market-rate developments to include a certain percentage of moderate income housing. The effectiveness of a mandatory inclusionary zoning policy depends on the household income targets established, the percent set aside for affordable housing, and the size of development that will trigger the policy. Montgomery County's mandatory inclusionary zoning policy, or moderately priced dwelling unit (MPDU) program, is the exemplar of the Washington, D.C. region and is highly regarded throughout the country. In contrast, voluntary programs have been found to be largely ineffective.

- **Dedicated Funding Sources** ensure that a reliable annual source of revenue is available to produce and preserve affordable housing. Affordable Housing Trust Funds can have dedicated funds for affordable housing. Two jurisdictions, Montgomery County and the District of Columbia, have recently enacted laws to dedicate substantial amounts of money to housing trust funds, which in the past relied on annual appropriations for funding. Montgomery County has enacted a law that earmarks 2.5 percent of the property tax or $16 million, whichever is largest, to the trust fund. Similarly, the District of Columbia established that 15 percent of the real estate tax and recordation fees would be dedicated to the Housing Production Trust Fund. However, this act has not yet been fully implemented.

Other potential untapped revenue sources are Jobs-Housing Linkage fees and Tax Increment Financing (TIF).

- **Zoning for Housing Choices** allows more units to be provided in more appropriate locations. Too often, zoning rules unnecessarily constrain the supply of housing in desirable locations, such as next to areas well served by public transportation or near a downtown district. Zoning for transit-oriented development (TOD) encourages affordable housing development and a diversity of housing types in accessible locations at densities sufficient to support efficient bus or rail transit. This serves families better by offering a variety of affordable travel choices. The Rosslyn-Ballston Metro Corridor in Arlington County is a national model for smart growth principles, including compact, transit-oriented zoning. Given the success of the county's policies to accommodate tremendous demand for new housing and jobs, more aggressive policies are needed to ensure a sufficient amount of affordable housing is preserved and constructed in order to maintain a diverse community and provide a fair share of affordable housing opportunities.

  Other land use constraints on providing more affordable housing include outright bans or burdensome regulations for creating accessory apartments, or "granny flats," provided either as a separate unit on the property or in the same owner-occupied house. Accessory units provide an opportunity to increase and diversify the affordable housing supply in existing neighborhoods in a way that is almost undetectable in appearance. Legal accessory apartments can make homeownership more affordable because the rental revenues can be counted as income for mortgage loans. Montgomery County is currently revising its regulations to ease the burden on creating accessory apartments.

- **Affordable Housing Preservation** policies stabilize a jurisdiction's affordable housing supply during rapidly changing housing markets. Policies practiced in the Washington area to address this need include: Arlington County's anti-displacement policies for the Rosslyn-Ballston Corridor and D.C.'s tenant right to purchase, moderate rent control law, and property tax relief for low income, senior and persons with disabilities households. These preservation policies attempt to protect renters and homeowners from sharp increases in rents, property taxes or outright displacement. As D.C.'s and the inner suburbs' housing markets become more attractive, displacement will become be a greater problem. Except for D.C.'s long-standing tenant protections, the region has little experience in policies that preserve housing affordability in place.

It is also evident that jurisdictions need to identify publicly assisted housing and affordable private developments that are at risk of being converted to market rate and create a plan for preserving them. Jurisdictions can enact laws to stabilize privately owned rental housing, including rental housing conversion restrictions, moderation of rent increases, an emergency rental assistance fund, and tax credits for low income renters and owners.

Finding #4: No jurisdictions in the region have adopted a comprehensive affordable housing strategy or adopted all four policies evaluated in the Affordable Housing Progress Report.

As indicated throughout this document, a few jurisdictions have adopted some policies that are demonstrated successes. Recently, Arlington County has created a promising approach to a comprehensive affordable housing strategy. The assessment and goals created in this process are a model for other jurisdictions. Identifying the policy tools to meet the goals, however, is urgent unfinished business for Arlington, and the rest of the region. It is critical that local jurisdictions learn from each other and create a comprehensive affordable housing strategy that addresses all of the region's affordable housing needs.

I. CURRENT AND FUTURE NEED FOR AFFORDABLE HOUSING

The current and future need for affordable housing in the nine inner jurisdictions of the Washington, D.C. region is great. According to the report *Housing in the Nation's Capital*, by the Urban Institute and the Fannie Mae Foundation, about 265,000 low-income households have unaffordable housing cost burdens—with three-quarters of these households residing outside the District of Columbia. In addition, based on the Metropolitan Washington Council of Governments' (MWCOG) job forecasts for 2010, there is a projected regional need of over 300,000[2] new housing units, over 20 percent of which should be affordable. If new policies are not implemented and existing policies not expanded, the projected need will only exacerbate the already serious affordable housing crisis for moderate- and low-income households.

Job and Population Forecasts Note:
Job and population forecasts provided by MWCOG should be used with caution as they can function as a self-fulfilling prophecy. The self-reported nature of the figures tend to inflate anticipated growth in outer areas, appropriating a large share of regional growth to greenfields that lack the compact, mixed land uses and transit service that occur in existing inner core areas.

Disproportionate amounts of growth in outer suburbs and lower density areas will heighten the current affordable housing crisis by increasing automobile dependency and travel time, thereby increasing moderate- and low-income household expenses. While housing is the largest household expense at an average of one-third of total spending, transportation is the second.[3] Together, housing and transportation make up more than half of all household spending.

Nationally, one-fifth of households with the lowest income spend 40 percent of their income on transportation.[4] When both housing and transportation household costs are considered together, the Washington, D.C. region, along with Boston and New York drop out of the top ten of most costly regions for household spending into the middle range. The family cost savings of low transportation costs are attributed to strong central orientation and transportation options, including extensive public transit systems.[5]

What is affordable housing?

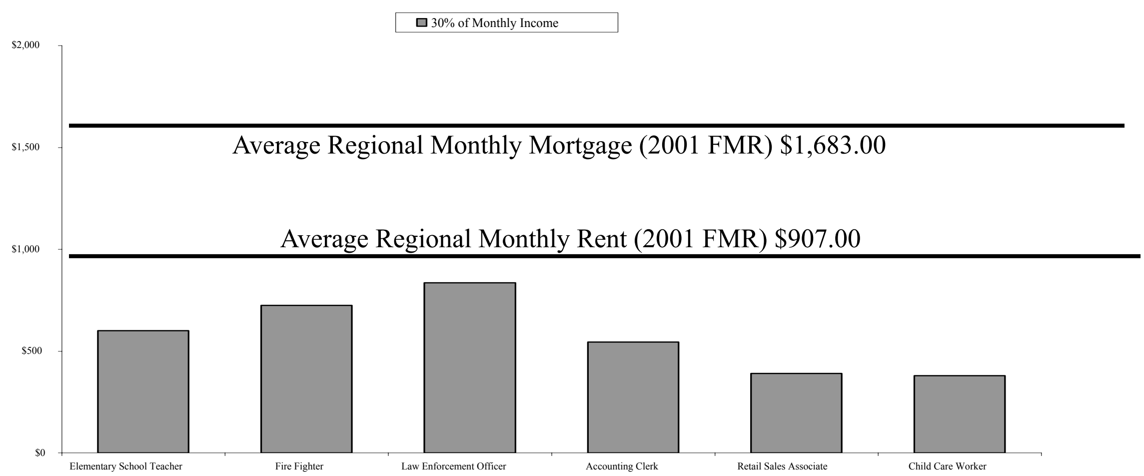
Affordable housing is housing that is affordable to lower income households earning no more than 80 percent of the Area Median Income (AMI). Housing is considered affordable if it costs no more than 30 percent of household income. According to the U.S. Department of Housing and Urban Development (HUD), the AMI income for a family of four in 2001 was $84,000 ($84,800 in FY03) in the Washington metropolitan area. Due to the concentration of poverty in the District of Columbia, which has a poverty rate of 20 percent, median family income in the city is only $52,300 (FY2003) or about 60 percent of the area's median.

Table 1: Area Median Income (AMI) by Family Size, Washington, D.C., PSMA Metropolitan Statistical Area, 2001 (source: HUD)

Percent of Area Median Income (AMI)	Family Size	
	2	4
100%	67, 167	84,000
80% - Low Income	53,733	68,480
60%	40,300	51,360
50% -Very Low Income	33,600	42,000
40%	26,867	33,600
30% - Extremely Low Income	20,150	25,200

According to 2001 data compiled by the Metropolitan Washington Council of Governments (MWCOG), a household income must be $3,023 per month to rent a two-bedroom apartment in the region based on the Fair Market Rent of $907 per month. A monthly net income of $5,613 ($92,268 annually) is needed to purchase a home based on 2001 average home sales prices. Figure 1 below compares the regional monthly rent and monthly mortgage to the monthly income of various wage earners. As the table shows, wage earners that support the regional economy are being priced out of housing.

Figure 1. The Cost of Washington Metro Area Housing Compared to 30 Percent of Monthly Earnings in 2001[6]



More current figures show that a Washington region full time worker must earn $19.21 per hour to afford a two-bedroom unit at the area's 2002 Fair Market Rent of $999.[7] This is 312 percent of the $6.15 per hour minimum wage. The U.S. average is $10.20/hour required to pay for affordable rental housing.

Existing Supply of Affordable Housing

The affordable housing supply is an important measure of how well a jurisdiction is providing housing for its low- and very low-income households. Table 2 shows all homeownership units that cost less than $150,000 and all rental units that are less than $1,000/month. Due to the lack of precision of Census data, these figures capture what is affordable for households making about 50 percent ($41,200/year or $19.21/hour) of AMI or less. The second to last column captures how much affordable housing each jurisdiction has as a percent of the region's total. Population and geographic size of the jurisdiction and how many low wage jobs the jurisdiction has are not taken into account here.

Table 2: Existing Affordable Housing Supply in 2000 at approximately 50% AMI
(Source: Census 2000) (Appendix D)

	Affordable Home Owner Units	Affordable Rental Units	Total Affordable Housing Units	Percent of Regional Total Affordable Units	Percent of Region's Population
District of Columbia	36,174	120,123	156,297	23	14
Arlington County, VA	2,578	29,143	31,721	5	5
Alexandria, VA	2,695	25,750	28,445	4	3
Fairfax County, VA	31,588	49,518	81,106	12	23
Montgomery County, MD	39,707	61,883	101,590	15	21
Prince George's County, MD	88,046	90,216	178,262	26	19
Frederick County, MD	20,237	13,235	33,472	5	5
Prince William County, VA	31,105	18,604	49,709	7	7
Loudoun County, VA	8,647	6,469	15,116	2	4
Region	260,777	414,941	675,718	100	100

Table 3 shows that based on total number of units, the District of Columbia and Prince George's County account for over 50 percent of the region's affordable housing supply. The District of Columbia hosts the largest amount of affordable rental units (120,123), while Prince George's County has the largest number of affordable home ownership units (88,046). Yet, Fairfax County and Montgomery County have 44 percent of the population, but only 27 percent of the region's affordable housing units.

Table 3: Rank of Affordable Housing Units Per Person by Jurisdiction, 2000 (Appendices D & E)

	Population	Percent of Region's Population	Total Affordable Housing Units	Affordable Housing Units per Person
Washington, DC	572,100	14	156,297	0.27
Prince George's County, MD	808,000	19	178,262	0.22
Alexandria, VA	128,300	3	28,445	0.22
Prince William County, VA	280,800	7	49,709	0.18
Arlington County, VA	189,500	5	31,721	0.17
Frederick County, MD	195,300	5	33,472	0.17
Montgomery County, MD	873,300	21	101,590	0.12
Loudoun County, VA	169,600	4	15,116	0.09
Fairfax County, VA	969,800	23	81,106	0.08
Region	4,186,700	100	675,718	0.16

Figure 2 illustrates the relationship between numbers of affordable units by jurisdiction, compared to each jurisdiction's population.

Figure 2: Percent of Region's Population vs. Region's Affordable Housing Supply by Jurisdiction

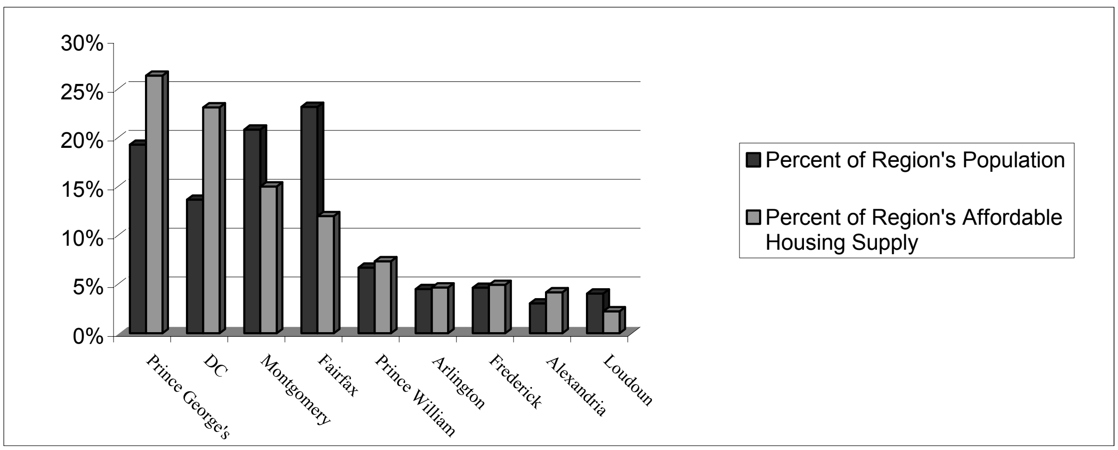


Table 3 shows the size of each jurisdiction's supply of affordable housing at 50 percent AMI relative to its population (see Appendix D). By analyzing the affordable housing units/person of each jurisdiction, the supply of affordable housing can be seen relative to the population of the jurisdiction. As this table demonstrates, six of nine jurisdictions provide less than 20 percent affordable housing units per person. Roughly, one in five housing units should be affordable—proportional to 20 percent of low wage jobs.

Table 3 and Figure 2 highlight the disparity in several counties between population size and affordable housing supply. Fairfax County has 23 percent of the region's total population, but its affordable housing unit per person ratio is the lowest in the region. Also, its supply of affordable housing units is slightly more than half of the District's supply and less than half of Prince George's County's supply.

Loss of Affordable Housing Units

The number of affordable units shown in Table 3 relies on 2000 census data. These numbers must be viewed with caution as evidence strongly suggests that high-demand dynamic urban housing markets, such as in the Washington, D.C. region, often are rapidly losing a large number of affordable units at the same time that they need to build more units. Affordable housing units are being lost due to a variety of factors, including: conversion of private market affordable rental housing to high-end rentals or condos in emerging markets; expiration of long-term government contracts with privately owned subsidized developments (Section 8 contracts); a decrease in the stock of rental units subsidized by HUD; and the production of HOPE VI housing which replace fewer units than the number public housing units demolished. [8] Total number of occupied public housing units in the region has declined by 15 percent, from about 13,300 in 1998, to about 11,200 in 2000, largely due to HOPE VI projects. The region's federally subsidized private housing has declined from 17,3000 in 1998 to 15,700 in 2000, a 9 percent loss.[9] For Section 8 subsidy contracts with private landlords, nearly 10,000 units will expire between 2000 and 2005 in the District of Columbia.[10]

Recent figures from Arlington County show the precipitous decline of private market affordable housing (Table 4). As the table demonstrates, between 2000 and 2002 the county has lost more than half of its units for families earning below 40 percent of AMI. Most of these affordable units are lost through rent increases, rendering them unaffordable.[11]

Table 4: Arlington County's Loss of Affordable Market Rate Housing Units[12]

Affordable at % of Area Median Income	2000		2001		2002		2-Year Net Loss	
	Cumulative Total of Units	% of Stock	Cumulative Total of Units	% of Stock	Cumulative Total of Units	% of Stock	No. of Units	% Reduction
Up to 40%	1,399	4%	722	2%	673	2%	726	52%
Up to 50%	11,703	31%	7,591	20%	7,229	18%	4,474	38%
Up to 60%	19,835	52%	14,924	39%	14,976	38%	4,859	24%

Housing and Transportation Cost Burden

Another way to look at affordability in the region is to examine the housing cost burden, especially for residents at a low income level. HUD describes a household that pays over 30 percent of its income on housing costs as a household with an "excessive cost burden." To understand the housing cost burden in the Washington metropolitan area, Table 5 shows housing burden associated with households who make approximately 40 percent of AMI, or half way between HUD defined Extremely Low Income and Very Low Income. These families would be earning $35,000 annually. Table 5 shows the region's jurisdictions in descending order with Fairfax County exhibiting the greatest cost burden. Regionally, 56 percent of renters and 59 percent of homeowners who earn $35,000 yearly pay more than 35 percent in housing costs.

Table 5: Excessive Cost Burden: Percentage of Households with Annual Income Less than $35,000 Paying Over 35 Percent of Income on Rent or Owner Costs (Source: Census 2000)

Jurisdiction	Renters (percent)	Owners (percent)
Fairfax County, VA	64.0	67.0
Montgomery County, MD	61.8	63.5
Loudoun County, VA	59.5	64.5
Prince William County, VA	54.9	66.7
Arlington County, VA	62.2	53.1
Prince George's County, MD	49.9	64.8
Alexandria, VA	57.4	54.6
District of Columbia	45.2	50.6
Frederick County, MD	48.7	47.0
Region (Average)	56.0	59.1

The problem of excessive housing cost burdens is exacerbated, particularly for low wage workers, when combined with high transportation costs. Federal statistics show that low wage workers spend much more proportionately on their travel costs than higher income workers. The Surface Transportation Policy Project (STPP) examined federal data and found that commute costs were $1,280 per year in 1999 for Americans who used a car or truck (often forced mode choice because of exclusively automobile accessible job locations and housing). In contrast, Americans who were able to commute by public transportation spent only $765, an annual savings of $515.[13]

Commuting costs for the working poor are 21 percent of their income when they must rely on their own vehicle, and only 13 percent when they can take public transportation. Lower income workers also are more likely to rely on less expensive commuting options of public transit, carpooling, bicycling, and walking than higher income workers.[14]

These data demonstrate that the location of jobs and housing together can greatly affect a family cost burden. Ranked on a national level, the Washington, D.C. region's strong public transportation system provides relief to household budgets. While the area's housing costs are high (ranked third highest for household expenditures) the transportation costs are low (ranked third to last lowest transportation costs). When considered together, Washington area households pay a comparatively moderate amount in housing and transportation costs.[15]

Jobs-Housing Ratio

Table 6: Jobs to Household Ratio for 2000
(Source: Round 6.3 Cooperative Forecast, 2000; See Appendix B & C)

Alexandria, VA	1.6
Arlington County, VA	2.3
District of Columbia	2.7
Fairfax County, VA	1.5
Frederick County, MD	1.4
Loudoun County, VA	1.5
Montgomery County, MD	1.7
Prince George's County, MD	1.1
Prince William County, VA	1.0
Region (Average)	1.6

A jurisdiction by jurisdiction assessment of where affordable housing and jobs are needed can be delineated by using a Jobs-Housing ratio and data on the current affordable housing supply. George Mason University Economist Stephen Fuller and MWCOG in their Cooperative Forecasts have established a balanced jobs to household ratio of 1.6 jobs to each occupied housing unit based on the trends of the last 25 years. This ratio captures the extent to which jurisdictions have household growth that matches their job growth (See Table 6). Jurisdictions higher than 1.6 need to provide more housing than jobs in their community. Jurisdictions lower than 1.6 need to provide more jobs to match the number of households living in their community.

Figure 3: Jobs to Household Ratio for 2000 (Appendix C)

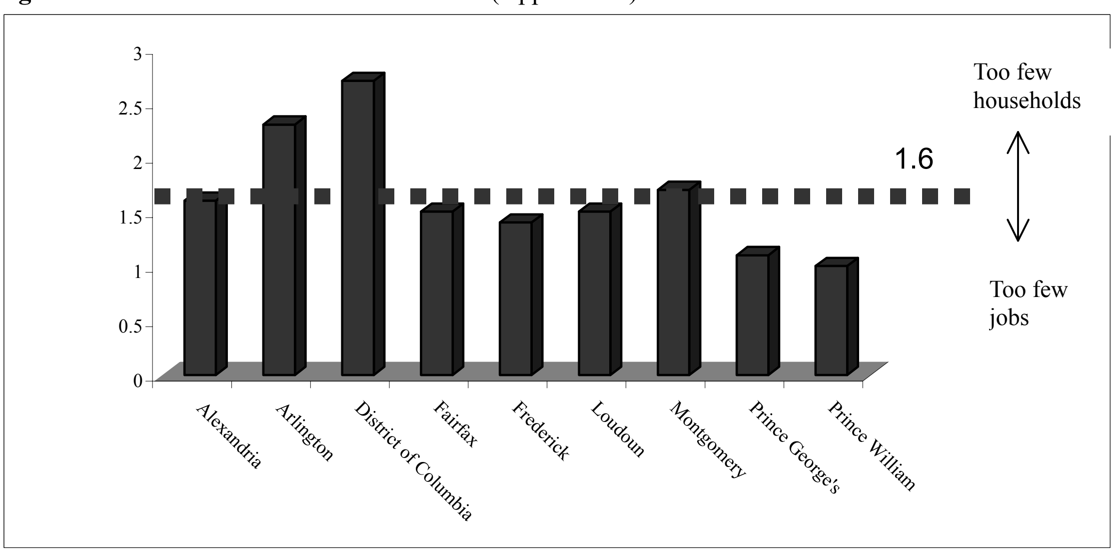


Figure 3 illustrates the jobs to household ratio (with 1.6 being the ideal for each jurisdiction) indicating which jurisdictions have too few jobs or too few households. The District of Columbia has more jobs and not enough households. Conversely, Prince George's County has large amounts of housing close to the urban core, served by 14 Metro stations, but a low supply of jobs. Prince William County, unlike Prince George's County, is far from the urban core and far from an extensive public transportation network and lacks jobs for projected household growth.

These imbalances create transportation problems by encouraging workers to travel great distances. Not surprisingly, Prince William and Prince George's County residents have the longest commutes in the region because of their jurisdictions' under-supply of jobs (i.e. low jobs-housing ratio). These counties' commutes are ranked 5^{th} and 6^{th} longest in the country (out of 231 counties).[16] Montgomery County is ranked 16,th District of Columbia 30^{th}, and Fairfax County 38^{th}.

The high number of families overburdened by housing costs, mismatched jobs and housing locations, and continued population and job growth demonstrate the overwhelming need for the region's jurisdictions to create affordable housing policies and a comprehensive strategy commensurate to the need.

II. FAIR SHARE

A "fair share" allocation of affordable housing is, simply put, planning for and producing the number of units that match the projected need for each jurisdiction. MWCOG's Round 6.3 Cooperative Forecasts predict a regional household growth of 268,000 units and a regional job growth of 480,100 between 2000-2010. Economist Stephen Fuller concluded that a 1.6 jobs to housing units ratio is a balanced proportion for the future based on historical trends. Therefore, a regional need of an additional 300,063 housing units by 2010 is projected.[17] Of those, 62,113, or 20 percent, need to be affordable to low wage employees.[18] The fair share can be determined by calculating the average of each jurisdiction's share of projected household and job growth.

Arlington County has already assembled a housing needs assessment model that quantifies projected growth trends.[19] The model looks at the projected job growth forecasted by MWCOG's Round 6.3 Cooperative Forecasts. The model then assumes that 20.7 percent of the jobs will be low wage based U.S. Bureau of Labor Statistics figures and applies Fuller's 1 housing unit to 1.6 jobs ratio. This formula results in a quantified affordable housing unit target and was used for Table 7.

Table 7: Housing Fair Share by 2010 (Appendix A & B)

	Total Number of Housing Units Projected Need	Affordable Units Needed
Washington, DC	26,630	5,486
Arlington County, VA	15,309	4,438
Alexandria, VA	11,441	2,859
Fairfax County, VA	70,094	15,577
Montgomery County, MD	51,978	10,997
Prince George's County, MD	39,643	9,367
Frederick County, MD	14,736	2,717
Prince William County, VA	28,431	4,192
Loudoun County, VA	41,800	6,482
Region (Total)	300,063	62,113

A Comprehensive Housing Strategy

Setting numeric targets is a critical initial step for establishing a comprehensive housing strategy. In California, state law mandates that every city and county set numerical housing goals for families of all income levels. However, few jurisdictions in the Washington region come close to this type of baseline analysis. Arlington County stands out as a leader taking steps to establish a comprehensive strategy based on a needs assessment. Developing a comprehensive affordable housing strategy is critical if jurisdictions within the Washington, D.C. metropolitan area are to address the affordable housing crisis and provide for their fair share allocation of affordable housing. Providing a fair share ensures that each jurisdiction is providing enough housing to support the housing needs and choices of those who work there—teachers, retail associates, police officers, health care workers, and janitors.

The experience from the San Francisco Bay Area provides guidance on how to approach evaluating and advocating for regional fair share and adoption of housing policies that address the affordable housing crisis. In the *San Francisco Bay Area Housing Crisis Report Card* by the Non-Profit Housing Association of Northern California and the Greenbelt Alliance, each of the 40 key counties and cities in the region were graded for their performance in meeting the requirements of state law, and beyond state law, addressing the region's need to create and preserve affordable housing. The *Report Card* found that most local jurisdictions were out of compliance with the state's "fair share" law that requires jurisdictions to set goals and implement policies to foster an environment where affordable housing can be built by developers, both for-profit and non-profit. The report found that the region's jurisdictions produced 117 percent of above moderate income housing needed (serving households earning more than 120 percent of AMI), while only 32 percent of the planned number of *affordable* units -- within reach of families earning less than 80 percent AMI -- were actually built. The report provided a template of policies to help jurisdictions "make the grade" in affordable housing. It evaluated a set of well known policies and programs that have demonstrated their capacity to address the region's housing crisis. The authors point out that a number of Bay Area jurisdictions are successfully implementing these policies shows that they can work. The report examined three straightforward government actions that could double the creation of affordable homes in existing cities and towns across the Bay Area. The Bay Area report was the inspiration for this report.

Regional Implementation: *Arlington County, Virginia*

In the Washington, D.C. metropolitan area, Arlington County has recently recognized its emergent crisis in the loss of affordable housing, and has created a process to devise a comprehensive strategy that provides promising elements of a model for the region. The county's efforts focus on creating a comprehensive affordable housing policy that aims to produce the number of needed affordable units over the next 10 years.

For the last four years Arlington County has embarked on an extensive public process to address its affordable housing crisis. The effort aims to maintain an economically diverse population that can fulfill the full range of jobs in the local economy. To address its affordability crisis, the county took the following actions:

1999: A task force was established to evaluate the situation, and in 2002, the county conducted a Housing Needs Survey.
2000: Based on the task force recommendations, the county adopted new "Affordable Housing Principles and Goals."
2001: The county updated its underperforming 15 percent density bonus policy to allow a 25 percent density bonus in exchange for affordable units, with a ratio of one affordable unit to every two to four market rate units in the additional 25 percent bonus density, using a sliding scale that accounts for serving lower income families, and/or the number of multi-bedroom family units provided.
2000-2002: The county increased funding to the Affordable Housing Investment Fund by $2.3 million to $4 million for FY2003.
2003: The County Board adopted numeric affordable housing targets for each affordable housing goal. The targets will further define the goals and provide a way of measuring results by 2010.

For example, some of the targets are:

- Expand the county's total housing supply by at least 13,000 units by 2010.
- Add an average of 400 net new committed affordable housing units per year.
- Encourage for-profit developers to provide 10 percent of all new units in residential site plan projects as affordable, and use 50 percent of density bonuses for affordable units.
- Increase the homeownership rate for minority households from 24.2 to 30 percent.
- Provide that 25 percent of the new committed affordable rental units produced annually are reserved for households with incomes below 40 percent of median.

Arlington County Housing Principles:
Adopted December 2000

1. Affordable Housing should be a County priority.
2. Market rate affordable housing should be a primary means of providing affordable housing. The County should continue to support efforts to maintain and preserve that affordable housing supply and the surrounding neighborhoods.
3. A range of housing choices should be available throughout the County to accommodate households of all income levels, sizes and needs.
4. In providing housing assistance, priority should be targeted to the lowest-income households—low income households with children and low income households with members who are elderly or have disabilities.
5. Affordable housing should be used to help prevent homelessness and promote a diverse community.
6. Equal housing opportunity should be a reality. Housing discrimination should not exist in Arlington.
7. Households with children should never be homeless.

The next step for Arlington is to define the policy tools that will help the county achieve its numeric targets. As Arlington County moves toward identifying and implementing the specific policy measures to achieve these goals and targets, the county's comprehensive housing strategy process will be an example for the region.

III. WHAT JURISDICTIONS CAN DO

This section examines four nationally recognized and, in several cases, locally implemented affordable housing policies. This section also assesses how productively they are being used in the Washington, D.C. region. Examples from outside the region are highlighted to show what successful policies, that leverage a jurisdiction's own resources, can achieve when well implemented.

Policy I: Inclusionary Zoning

Inclusionary zoning requires a percentage of low- and moderate- income housing to be provided by the private sector in market-rate residential development. Inclusionary zoning usually is combined with density bonuses and other non-monetary forms of compensation such as flexible development standards, fee waivers, and expedited permit review to compensate the developer for the cost of the affordable units.

Inclusionary zoning has two particular advantages in providing affordable housing to a community. First, non-monetary compensation is generally used to compensate developers for the lower profits associated with developing affordable units. Thus, limited public funds can be conserved for other affordable housing investments. Second, affordable units are built along with market-rate units throughout the jurisdiction, thereby creating dispersed mixed-income communities. This policy is seen as a balance between pursuing two different goals: the public purpose of creating economically integrated neighborhoods, and the production of low-cost housing.

In the development of a jurisdiction's inclusionary zoning policy, the interplay of four features predict the amount of affordable housing produced and the level of affordability:

- ***Developer compensation,*** which is often in the form of a percent density bonus and flexible development standards, e.g.: reduced parking requirements, smaller unit sizes, smaller setbacks, fee waivers, expedited permit review.
- ***Household income targets,*** guide the level of affordability, which should reflect the group with the largest or most pressing need. This target is stated as a percent of Area Median Income (AMI). While Montgomery County's program targets households at 65 percent of AMI, many communities are increasingly asking that for at least some portion of the units be affordable to lower income groups, e.g. 50 percent AMI.
- ***Percent set aside*** describes how many affordable units will be required in the project, typically between 10 - 20 percent.

- ***Size and type of development that will trigger the policy*** refers to the number of units of a proposed project that subject the project to the requirement. Montgomery County recently revised its policy down from 50 to 35 units and is considering further reducing it to 20 units.[20] Several more urban jurisdictions only relieve very small projects from requirements, e.g. 10 units or less.[21]

Inclusionary zoning policies can be mandatory—requiring developers to build affordable units in exchange for development rights—or voluntary—relying on incentives to encourage developers to "opt-in." An analysis by Policy Link (a national policy research group specializing in socially equitable development) of existing inclusionary zoning programs nationally revealed that mandatory inclusionary zoning has delivered substantial numbers of affordable units while voluntary programs have produced virtually none.[22]

Regional Implementation

Three jurisdictions in the region, Montgomery, Fairfax, and Loudoun Counties, currently have a mandatory inclusionary zoning policy. Also, Frederick County recently passed an inclusionary zoning policy, modeled after Montgomery County. Details are still being finalized. In addition, Arlington County has a program similar to a voluntary inclusionary zoning program that provides a 25 percent density bonus in exchange for reserving a portion of the bonus units as affordable. This program has produced a modest number of units, or equivalent family-sized units. Prince George's County also had a productive inclusionary zoning policy from 1991 to 1996. Table 8 summarizes the results of the region's inclusionary zoning programs to date.

Table 8. Inclusionary Units Produced by Jurisdiction (see Appendix F)

Jurisdiction	Total number of units	Years Program in Effect	Units per Year
Montgomery County, MD*	11,210	26	431
Fairfax County, VA	1,670	12	152
Loudoun County, VA	945	8	118
Prince George's County, MD	1,600	5	320
Arlington County, VA	66	2	33

* Program years: 1976-2002

Montgomery County, Maryland

Montgomery County's mandatory inclusionary zoning policy, or moderately priced dwelling unit program (MPDU), is the exemplar of the Washington, D.C. region. Between 1976 and 2002, the MPDU program has created over 11,210 affordable units, of which over 70 percent are owner-occupied. The household income target is up to 65 percent of the AMI. The MPDU program is able to offer housing to very low-income households by enabling the county's housing authority (the Housing Opportunities Commission [HOC]) to purchase up to one third of the affordable units and non-profits can purchase what the HOC does not buy, up to 40 percent. Once purchased by HOC or a non-profit, additional subsidies are applied, and these units are maintained perpetually as rentals for very low- to low-income households. Through 2002, 1,488 units have been acquired by HOC, and 57 units by non-profits.[23]

Over the years, Montgomery County has adapted the program, originally designed for a growing suburban jurisdiction, to address the needs of a more mature, urban jurisdiction. As the county has become more urban, the level of production of MPDUs has declined steeply. More than twice as many MPDUs were produced on an annual basis in the 1980s than in decades since. The county has worked to solve several problems with the program over time, but more challenges remain. Two significant weaknesses have increasingly undermined its impact and offer valuable lessons to jurisdictions creating or strengthening their mandatory inclusionary zoning policy. The two weaknesses are the expiration of affordability restrictions and in-lieu (buy out) fees that are too low to cover the cost of providing affordable housing units off site.

Affordability restrictions are only required for 10 years with owner-occupied units and 20 years for rental housing. In the beginning, the MPDU program only required affordability restrictions for five years on ownership units. Since Montgomery County's inclusionary zoning program is the longest running program in the United States, it has the most experience with the expiration of price controls. As of 2002, only 3,909 units, or 35 percent, of all MPDUs created since 1976 were still governed by price controls, with about half of these controlled by HOC, and a few units owned by non-profits.[24] To address this problem, a recent analysis by the Montgomery County Council staff recommended price control periods of 99 years for both rental and ownership units.

Montgomery County's refinement of the program over the years offers guidance to other jurisdictions considering adoption of such policies. As available greenfield sites dwindle and the county produces a larger proportion of residential development in developed areas as part of its growth strategy, higher construction costs have emerged as a new challenge to making the program work. Where construction costs are high (e.g. high-rise construction, where construction costs can be nearly twice as much as typical low-rise construction costs), private developers have the option of paying a fee in lieu for half of the affordable housing they would be required to build on site.

Recently, the buy out price has been criticized for being too low to discourage developers from taking this option and too low to produce a comparable number of units through its investment in Montgomery County's Housing Initiative Fund (HIF). Buy outs are increasingly being permitted for costly high-rise developments, eroding economic integration, one of the initial goals of the MPDU program. The recent analysis by the Montgomery County Council staff recommended adjusting the program to avoid resorting to the buy out option for higher cost high-rise construction. In particular, it recommended a slightly lower MPDU requirement, and higher maximum rents for MPDUs in high-rise buildings.[25]

Another challenge that has emerged with higher density development is high condominium and homeowner fees. These fees can be hundreds of dollars a month, rendering a unit unaffordable to otherwise eligible households. The Council staff recommended separating fees so that mandatory fees cover only the costs of essential common ownership maintenance and upkeep. The staff report cites the Avenel development in Potomac where mandatory homeowner fees cover only the cost of yard, home exterior, and common area maintenance. Additional services, such as access to recreational facilities, are covered by an optional fee.

Prince George's County, Maryland

Prince George's County had a mandatory inclusionary zoning policy from 1991-1996. During that time, it produced 1,600 affordable units, or about 320 units per year. The scope of the program was limited, applying to developments with 50 or more units in special low-density districts, including the fast growing area of Bowie. Concerns about too much density in certain areas of the county caused new affordable dwelling units (ADU) to be directed to more affluent areas (such as Bowie). In the mid-1990s, county officials repealed the inclusionary zoning ordinance because they believed that Prince George's County had more than its "fair share" of the region's affordable housing.[26] According to each jurisdiction's supply of affordable housing, Prince George's County currently possesses more than its "fair share." The opportunity to encourage mixed-income communities in the more affluent, growing parts of the county such as Bowie, however, was lost when the policy was discontinued.

Fairfax County, Virginia

Fairfax County's mandatory inclusionary zoning policy, the affordable dwelling unit (ADU) ordinance, has produced only 1,670 affordable units despite the policy's 12-plus years in operation. The ordinance's limited scope has produced relatively few units. The ADU program only applies to certain types of buildings, for projects over 50 units. Prior to 1998, for single family residential development 12.5 percent ADUs were required, for low rise multifamily projects, only 6.25 percent were required. Since 1998 the county moved to a "sliding scale" density bonus provision. Under the sliding scale provisions, developers are only required to build ADUs proportionate to the amount of compensation they receive through an on-site density bonus. If a developer is not able to take advantage of a full density bonus offered under the program, he only is required to build the amount proportionate to the density bonus he receives. Previously, builders were required to build all ADUs regardless of whether or not they were able to realize the full benefits of a density bonus. Recent analyses of the sliding scale system show that the county is gaining 35 percent fewer ADUs due to these new provisions.[27]

Fairfax County's ADU ordinance does not cover high-rise buildings, which feature an elevator, or those that are built of brick or steel frame. Fairfax County recently added mid-rise residential buildings with elevators using less expensive construction materials (wood frame or "stick" construction) to its inclusionary zoning policy. County planners expect that some of the units lost to the sliding scale method will be made up with the inclusion of mid-rise construction.[28] However, the exclusion of many mid- and all high-rise multifamily projects probably explains the relatively low number of ADUs produced compared to Montgomery and Prince George's County. In the future, the county plans to examine how mid- and high-rise development can be incorporated into the program.

Loudoun County, Virginia

Loudoun County adopted an inclusionary zoning policy patterned on Fairfax County's ordinance in 1993. Similar to Fairfax County, the Loudoun law was limited to residential projects over 50 units, and multifamily structures with elevators and more than four stories were excluded. The law was subsequently weakened in 2000, reducing the percent of affordable units and density bonus by half.[29] In December 2003, however, the same Board of Supervisors reinstated the parameters of the original program.[30] As of February 2004, 945 units have been created under this program -- roughly an average of 118 per year.[31] This modest number of affordable units was added during a period of explosive residential growth, and regionally and locally high housing prices.

Arlington County, Virginia

Affordable housing advocates in Arlington County are working to amend the county's site plan review process so that it acts more like an inclusionary zoning policy. They are asking that 10 percent of all units be affordable in any development project rezoned and built to General Land use Plan (GLUP) densities which are substantially higher than by-right densities in the Rosslyn-Ballston corridor. Currently, developer requests for 25 density bonuses are the main mechanism for creating new affordable units as a part of market rate projects. Affordable units are provided at a ratio of one affordable unit to two to four market rate bonus units. The current policy is more typical of a voluntary policy where only a small amount of total units are likely to be affordable. Between 2002-2003, the density bonus mechanism created 66 affordable units out of 1,544 total units in five projects, or 4.3 percent.[32] The density bonus is available throughout the county, but has only been used in the Rosslyn-Ballston corridor.[33] In the process, the county seeks to create larger units at deeper levels of affordability. This objective may reduce the number of overall affordable units created through the density bonus and other programs such as the Special Area Housing Protection District (see *Policy VI* below).

The Virginia Square Sector Plan was adopted by the Arlington County Board in December 2003 and stated that five percent of all new residential development should be affordable. Some county board members and advocates asked for a higher amount. Housing advocates are seeking to build on this precedent and ensure that all site plan reviews, and as Sector Plans are amended, all sector plans, establish a minimum expectation for affordable housing as a part of any market rate project.[34] Advocates were successful in raising the expectation from five to 10 percent in the final county targets adopted by the board in December 2003. In February 2004, activists advanced a proposal to ask for ten percent affordable housing (without an additional density bonus) for all new projects that move from a by-right density to the higher GLUP density. The GLUP guides the site plan review process, offering substantially higher densities in the Rosslyn-Ballston corridor than underlying zoning. This proposal would create substantially more affordable units than existing policies[35] and put affordable housing ahead of other amenities gained through the GLUP rezoning process.

District of Columbia

The District of Columbia is currently considering a voluntary program for Planned Unit Developments (PUDs). In 2002, the city established its first agreement for dedicated affordable units in a residential PUD project at the Friendship Heights Metro station, securing five percent of 100 units at prices affordable for households near 80 percent AMI.[36] Also, in 2003, P.N. Hoffman, developer of a 280-unit apartment and townhouse project at 14th and V Streets, NW, voluntarily committed to ten affordable units as part of a PUD project that was recently approved. P.N. Hoffman's offer will provide ten 750 square foot units (3.6 percent) affordable to households with $50,000 annual income (about 60 percent AMI for four, or 80 percent AMI for two member household).[37] P.N. Hoffman estimates that value of the affordable housing contribution equals $1.1 million.

The program being developed by D.C. Office of Planning would require a percentage of bonus units in PUDs to be affordable as a baseline requirement for a PUD. PUDs allow for significant increases in density and flexibility in exchange for a high level of public amenities as a part of the project. Affordable housing advocates, however, are working toward a mandatory program rather than a voluntary program under a PUD process, which is more subject to neighborhood opposition. According to recent analysis by Policy Link, a mandatory program for D.C. is both feasible and desirable, given experience from jurisdictions throughout the country.[38] Between January 2000 and May 2003, Policy Link estimates that if current and planned residential developments were required to produce 15 percent affordable units, over 1,000 affordable units could have been produced from the 7,123 units completed or under construction. [39]

Policy II: Dedicated Funding for Affordable Housing

Creating dedicated funding for affordable housing programs demonstrates a priority commitment to affordable housing. Securing a dedicated funding stream for housing trust funds is a key way to sustain on going efforts to build and preserve affordable housing by non-profit and for-profit developers, and government housing agencies. Other government actions such as jobs-housing linkage fees, and tax increment financing are also tools to create streams of funding for affordable housing.

Affordable Housing Trust Funds

Dedicated-revenue affordable housing trust funds are an innovative model for funding critically needed affordable housing. Trust funds benefit from a dedicated source of ongoing revenue that is committed to producing and preserving affordable housing. Housing trust funds enable jurisdictions to elevate their funding of critical housing needs by committing resources to a process that treats affordable housing as an essential component of maintaining healthy communities. Jurisdictions have documented increased jobs, growing sales taxes, higher property tax revenues, and many other economic benefits from the operation of their housing trust funds.[40] On average, for every $1 committed to a housing project by a housing trust fund, another $5-10 is leveraged in other public and private resources.[41]

Housing trust funds support a variety of housing activities for low- and very low-income households, including new construction, preservation of existing housing, emergency repairs, homeless shelters, housing-related services, and capacity building for non-profit organizations. The funds also can be effectively used to target very low-income households. In addition, a variety of public revenues can be dedicated to affordable housing, so that affordable housing does not have to compete every year with other general budget priorities. Jurisdictions have used a variety of revenue sources for a trust fund; the key is that the revenue is dedicated so that it is a reliable revenue stream that is not subject to the annual budget process. A variety of housing- and real estate-related revenue sources can be used: real estate transfer tax, interest from real estate escrow accounts, state unclaimed property fund, deed recording fees, bond and fee revenues, interest on mortgage escrow accounts, eviction court fees, state income tax, Section 8 reserves, penalties on late real estate excise tax payments, surplus funds, and general funds.[42]

Regional Implementation

Regionally, only two jurisdictions have dedicated trust funds. The Metropolitan Washington Council of Governments has created a trust fund, but it lacks a dedicated revenue source, and amounts to only $1.5 million.

Montgomery County, Maryland

Montgomery County's Housing Initiative Fund (HIF) was recently given a dedicated funding source. As of March 2003, the county will annually earmark $16.1 million or 2.5 percent of the property tax, whichever is higher, for the Housing Initiative Fund. The county's contribution is one of the largest financial commitments of local funds to affordable housing in the country.[43]

Prior to this action, the county devoted funding that enabled it to create 1,500 units and preserve 2,000 units of affordable housing. Last year, the Fund made loans exceeding $17 million to acquire land, construct affordable housing, rehabilitate existing rental units, and subsidize affordable units in private mixed income developments.

With a growing number of multifamily property owners choosing to opt out of federal subsidy programs and begin charging market rate rents, the HIF has made preservation of federally assisted properties a priority. Already the Fund has preserved the county's entire stock of expiring Section 236 housing. Four properties totaling 460 units are now owned and managed by non-profits, with ongoing assistance from the HIF to maintain their affordability. The Fund also provided loans to the local housing authority to purchase four 100 percent project-based Section 8 buildings, preserving an additional 407 units.

Next, the county approached owners of 20 percent project-based Section 8 properties who were planning to buy out their federal mortgages and raise rents. Owners expressed frustration with the federal program, so the county negotiated to help the owners remain in the program and keep their units affordable.

The negotiations resulted in a Memorandum of Agreement between the owners and the county. The owners agreed to remain in the Section 8 program, and the county will offer them a tax abatement to bridge the gap between the amount HUD is willing to pay in rent and market rate rents. The trust fund will provide bridge loans when HUD rent payments are delayed, will reimburse for the cost of market studies and other expenses HUD requires in order to document rent increases, and will cover the cost of extraordinary damage to a unit. As a result of this agreement, 309 units in seven privately held Section 8 properties have been preserved.[44]

District of Columbia

In 2002, the District of Columbia's Housing Production Trust Fund investment of $20 million leveraged $145 million in other funds and resulted in the production or preservation of more than 2,000 housing units, many of them for Washington, D.C.'s neediest families.[45] Although the trust fund existed in D.C. for over 10 years, it was not until 2002 that it was provided funding. The 2002 Housing Act established that 15 percent of the real estate transfer tax and recordation fees would be dedicated to the Housing Production Trust Fund and required that half of the Housing Production Trust Fund's resources be committed to the development of rental housing, the most likely housing option for low-income households.

However, the "dedication" of funds has not saved the trust fund from annual budget battles. Mayor Anthony Williams proposed reducing funding from the dedicated revenue source for the fund for the first two years of implementation because all spending is subject to the city's budget and financial plan established by the D.C. Control Board. This resulted in under one quarter of the funding provided under this law in the first year -- only $5 million of the original $22 million was provided to the Trust Fund from the designated source --recordation fees and transfer taxes for real property sales.[46] The Mayor relied on a one time contribution of $25 million in 2003 to make up the difference in the cut. In the second year, full funding of $21.5 million was restored by a D.C. Council appropriation, after the Mayor only proposed $12 million. The 15 percent figure, however, remains in the law, and housing advocates are mounting a campaign to secure its funding for FY05 -- an estimated $38 million.

The Housing Production Trust Fund supports housing for extremely low-income households and special populations. According to the District of Columbia Department of Housing and Community Development (DCHCD), at least 40 percent of the awarded funds will be used to support housing for those with "extremely low incomes," defined as earning less than $27,000 per year for a family of four, and an additional 40 percent will be used to assist those with incomes below $45,000 per year for a family of four. (The remaining funds will help families with incomes of up to $72,000 per year for a family of four, well above D.C.'s median family income of $52,300.)

In addition to problems securing dedicated revenues for the Trust Fund, administration of the Trust fund also leads to other problems. Most importantly, the project funding process often fails to meet targets aiding the production of housing serving very low income families, and fails to meet rental unit production targets. It is also not vigorously promoted to prospective developers to bring in consistently high quality bids.

Other Revenue Sources: Jobs-Housing Linkage fees and Tax Increment Financing

While a jobs-housing linkage is not implemented in the Washington, D.C. region, it is a common policy in California as well as in Boston. One-time, jobs-housing linkage fees directly link the creation of new jobs to the generation of housing demand for the people who will serve as the workers for those new jobs. The aim of this policy is to create a better "jobs-housing balance." A more balanced growth in jobs and housing for workers who will fill new jobs benefits the region by reducing long commutes and encouraging a more fair cost sharing of commercial and residential tax bases and public service demands.

Some fear that businesses will be discouraged from locating in a jurisdiction because of such a fee. However, business location decisions are made based on multiple factors, including the availability of housing affordable to its workforce. The city of San Francisco, the first major city to implement a jobs-housing linkage fee, has not found this program to be a detriment to job growth.[47] San Francisco, which has historically had a strong commercial real estate market, has the highest linkage fee in the San Francisco Bay Area, at $14.96 per square foot for office, and somewhat lower fees for other uses. On average, Bay Area jurisdictions linkage fees are $4 per square foot for office, retail and entertainment, and about $3 per square foot for hotel, industrial, and warehouse.[48]

Strong office markets in the District of Columbia, Arlington, and in parts of Montgomery and Fairfax Counties suggest linkage fees could be a promising source for affordable housing funding. Boston's linkage program produced over $45 million between 1986 and 2000, and San Francisco's linkage fees generated $38 million between 1981 and 2000.[49] Jobs-housing linkage fees are broadly implemented in California.

California's tax increment financing (TIF) guidelines for redevelopment districts provide an opportunity to guarantee that increased neighborhood value returns to lower income residents, without necessarily raising the tax rate for lower income residents. State redevelopment law requires that 20 percent of the bond capacity generated by TIF be devoted to affordable housing located not necessarily in the target area, but in the jurisdiction of the bonding authority.[50] San Francisco has opted to set aside 50 percent of tax increments to affordable housing, resulting in 7,000 affordable homes rehabilitated/preserved or new construction since 1989. Although targeting TIFs for low-income housing is not currently practiced in the Washington, D.C. region, California's experience demonstrates its potential.

Policy III: Zoning for Housing Choices

Since jurisdictions zone land to forbid or discourage townhouses, apartments, condominiums, and accessory apartments in all but a few areas, it is more difficult and costly to build them. The zoning that restricts focused, compact transit-oriented centers contributes to the chronic undersupply of accessible housing, and fewer housing choices for low wage employees, teachers, young families, and seniors needing more affordable, smaller, lower maintenance homes. Racial inequalities in income and wealth, combined with race discrimination practices, prevent many minorities from leaving or revitalizing distressed urban areas.

Zoning for a diversity of housing choices does not mean subdividing and paving over the Washington, D.C. region's remaining open space and farmlands. Underutilized land in existing towns, cities, and urbanized areas offers substantial opportunities. Excessive amounts of land are often tied up in surface parking or designated for low-density commercial buildings and outdated industrial uses, including land around Metro stations.

Parking lots and vacant and underutilized commercial sites represent opportunities for new homes and neighborhoods. The largely vacant and underutilized land around Shady Grove and Twinbrook Metro stations in Montgomery County and West Hyattsville Metro station in Prince George's County represent opportunities to create transit villages through mixed-use zoning and new urbanist design guidelines. New refinements to the West Hyattsville Metro station area plan offer an opportunity to create a vibrant mixed-use transit village.[51] At Twinbrook, a new development proposal for the Metro station offers the potential to create a village center with a mix of commercial, residential and public space uses. For the Shady Grove Metro station area, Montgomery County prepared a Sector Plan to create a pedestrian-friendly transit-village with a mix of housing, commercial activities, and public amenities.[52]

Key Housing Strategies

(Greenbelt Alliance and Non-Profit Housing Association of Northern California)

Identify Sufficient Land for Compact Affordable Housing Development

- Look at vacant sites and underutilized land
- Rezone and reuse underutilized land
- Rezone surplus industrial and commercial land for residential use
- Zone "by-right" multi-family housing
- Establish affordable housing overlay zones

Increase Densities and Adopt Appropriate Parking Requirements

- Increase general plan and zoning densities to allow for higher density and increase housing choices
- Change excessive parking requirements

A variety of zoning tools are available to focus more compact development in the right places. They include allowing apartments and townhouses, accessory dwelling units, reduced parking, and mixed use zoning. Large-lot zoning, where housing is completely segregated from shops, services and jobs and where roads must be wide, creates sprawl and isolates family members. An urban growth boundary that separates towns from open countryside is one tool that can be used to lessen sprawl and guide compact development. This section will focus on two policies that jurisdictions can enact to expand housing choices -- zoning for compact, transit-oriented development and zoning for accessory units in existing communities.

Transit-Oriented Development Zoning

Transit Oriented Development (TOD) zoning encourages new housing and businesses, including affordable housing, in locations and densities sufficient to support efficient bus or rail transit service, and allow for some errands to be accomplished by walking. It also helps to preserve open space by reducing the amount of land necessary to meet demand for housing, commercial development and travel. Compact development at TOD sites reduces household transportation costs by making walking, bicycling, and riding transit practical options. Greater use of compact, transit-oriented development patterns around the region's Metrorail stations, major bus corridors, and commuter rail stations would provide more housing at desirable locations.

Table 9. Percent Preferred Mix of Land Uses[53]

Use	Urban TOD	Neighborhood TOD
Public	5 – 15 %	10 – 15 %
Core/Employment	30 – 70 %	10 – 40 %
Housing	20 – 60 %	50 – 80 %

Effective TOD zones need to also be mixed-use and contain a minimum mix of public, commercial, and residential uses. Vertical and horizontal mixed-use buildings are encouraged, if not required. Table 9 shows a preferred mix of land uses, by percent of land area within a TOD, created by urban designer Peter Calthorpe.

Table 10. Development Densities at the Takoma Metro Station

Project/Parcel	Number of Units	Building Site (acres)	Housing Units per Acre	Affordable Units*
Elevation 314 314 Carroll Street	52 +2 retail = 54	0.79	69	0
Cedar Crossing 4th & Carroll Street	49+1 retail = 50	0.69	72	0
Metro Site	65-95	3.00	22-32	13-19
Metro Site at Average Density of Adjacent Parcels	211	3.00	70	42

*Part of the Council's adoption of the Takoma Central District Plan, specified a housing affordability requirement that will follow D.C.'s Request for Proposals used for the first RFP for the Convention Center site: 5 percent of rentable square footage at 30 percent AMI, 5 percent rentable square footage at 60 percent AMI, 10 percent at 80 AMI. The mixture of affordable unit types will be proportional to the number of units in the overall development.

Takoma Metro Station: Producing Numbers vs. Creating Places

Washington area communities often overlook increased housing opportunities due to poor planning processes and a misunderstanding of the impact of new of units on a community. The Takoma Central District Plan is a prime example of this. After continued controversy among community members in D.C. and immediately adjacent Maryland, the plan was adopted by the D.C. Council June 2002.

At the center of the controversy was what to do with the nearly seven acre Metro parcel, of which three to five acres were offered for joint development by the transit agency. Many community members and smart growth organizations supported the Plan's recognition that the land around the Metro station currently used for a parking lot and passive open space would better serve the region and neighborhood if used to house new residents, provide more neighborhood retail opportunities and create an active public park that could serve as a focal point for the community.

A weak planning process by the D.C. government led to polarization of the community, and a loss of focus on key issues about how to design an inviting, safe and attractive mixed-use station area. While controversy raged over the use of the Metro site for open space, bus bays and housing, two adjacent development sites won quick and broad support from community activists. Both these sites offer more than twice the density as what was ultimately adopted as an acceptable level for the Metro parcel. In the case of both these residential and retail projects, community members had an opportunity to see drawings of the buildings, and see how these new buildings would relate to the street and the existing environment. New uses for the Metro parcel were planned without the benefit of clear design guidelines or images. Table 10 shows the differences in density proposed for these sites.

The public control of the Metro parcel allowed for an affordable housing component of 20 percent to be applied to its redevelopment, along with a one acre park and expanded bus bays. Of the three sites, only the Metro site will offer affordable housing. If the Metro parcel were developed at densities similar to the adjacent development sites, more than two and a half times as many families of moderate and low incomes could have the opportunity to live at the Metro station and enjoy all the amenities of this desirable streetcar suburb community.

Table 10 shows that compared to adjacent sites, the Takoma Metro station missed a large opportunity to create more than twice as much affordable housing when community pressure drove down the number of units allowable for the Metro site (see box).

The Greenbelt Alliance in its innovative publication *Smart Infill: Creating More Livable Communities in the Bay Area*, established a model for reviewing appropriate densities of proposed developments. In most of the Washington, D.C. region's transit centers, infill apartment buildings with ground floor shops can create livable downtowns and neighborhood centers while significantly addressing housing demand. These buildings represent net densities of 30-200 units per acre.[54] In less central locations, townhouses, duplexes, small apartment buildings, and even small-lot detached houses can provide attractive housing choices at 12-30 dwelling units per acre, a level that can support public transit.[55] At housing densities below six dwelling units per acre, bus service cannot gain enough riders to maintain feasible levels of ridership.[56]

The design of buildings is especially critical in existing communities. Creating buildings that complement the existing community and foster a more attractive pedestrian environment is particularly important for gaining local support for infill development. Form-based codes are considered a promising innovation in zoning, because they focus on building form and what is desired for a place, rather than arbitrary measures of what is forbidden. (See box)

Parking

Parking requirements can directly affect the number of affordable units provided because they are often an excessive cost and space burden for residential development. Many local governments have regulations, such as requiring housing to have more parking than the market demands. This burdens housing costs unnecessarily and results in reducing the space that could be used for more housing. In addition, surface parking is also a source of redevelopable land.

The market for parking is distorted because the high cost is almost never visible to the user. For example, parking is usually included in the cost of a home purchase or rental unit, whether or not

Form-Based Codes: Helping New Development Fit In

Form-based codes work on the basic principle that design is more important than use. According to Mary Madden of the Congress for the New Urbanism, with a clear form-based code, business owners and residents can easily foresee the design possibilities for future development. Form-based codes achieve this by focusing on the community's design vision. Basic rules specify a range of acceptable building types and welcome mixed-use development. Form-based codes highlight a range of heights, sitings, elements, and uses for the diverse needs of different types of housing and shop fronts.

The current system for planning land uses is fundamentally about separating different uses. According to proponents, like Bruce Katz of the Brookings Institution, healthy neighborhoods, towns, and cities work by integrating different aspects of daily life. Conventional zoning practices are delaying and discouraging the current surge of mixed-use developments in the nation's cities. Form-based codes are particularly relevant to urban areas experiencing infill development that must fit in the context of existing neighborhoods, though they are also applicable to the suburbs.

According to leading practitioner Geoffrey Ferrell, form-based codes can also be used as a successful tool to allay residents' doubts about new development and concern that increased density will overwhelm streets and neighborhoods. Developers also benefit from greater certainty about what the community wants. Specific form-based codes highlight quality street environments that make places alive and vital. Design, not use, enable people to live, work, and shop in one area. This vision is one that residents embrace, and form-based codes translate the vision into rules for building. Ferrell recently helped Arlington County devise form-based codes for its Columbia Pike corridor.

the household wants the parking space. Thus non-car-owning households subsidize car owners. Bundling the cost of parking with the cost of housing creates an incentive to own a car. Conversely, unbundling the cost of parking from housing reduces demand for parking because the costs can be compared to other important family expenditures.

An analysis conducted by the transportation consulting firm Nelson/Nygaard for the Transportation and Land Use Coalition in the San Francisco Bay area, entitled *Housing Shortage/Parking Surplus* showed the potential for more housing through reduced parking. The report found that excess parking causes three significant impacts on housing affordability:

- **$20,000 per space** is the typical land and construction cost – increasing the cost of rents and sales prices for homes unless unbundled
- **20 percent loss** of potential housing units per acre
- **Reduced financial feasibility:** the higher cost of providing parking requires increased subsidy to make projects feasible.

The report clarified that it does not question the need for an adequate amount of parking, but it recommend that cities conduct comprehensive demographic and vehicle-ownership reviews to identify the optimal amount of parking to require. The report estimates that by requiring more appropriate levels of parking, an additional 8,500 housing units could be created in the Santa Clara County, the heart of Silicon Valley. The report also estimates that another 7,500 housing units could be created on surface parking around office parks in Santa Clara County if parking and access were better managed.

In the Washington, D.C. area, the impact of parking on housing affordability is probably greater than in other regions due to the high level of transit use and low car ownership rates. Similar to the findings in the San Francisco Bay Area, in Washington, D.C., a single underground parking space for a multifamily building typically costs $25,000-$35,000, representing 20 percent of the total unit construction costs.[57] In many Washington, D.C. neighborhoods, much less than one space per unit is needed, given that 37 percent of households do not have access to a vehicle.[58] In fact, in some parts of Adams Morgan and Columbia Heights, 70 percent of households do not own cars. In Fairfax County, developers cited the $20,000 cost of structured parking as the reason why they objected to the inclusion of mid-rise apartment buildings in the county's Affordable Dwelling Unit ordinance.

Housing vs. Parking in the District of Columbia

In the D.C. neighborhood of Columbia Heights near the Metro station, 70 percent of households do not have access to a vehicle according to the 2000 census. Ironically, most new residential development occurring on dozens of government-controlled sites will provide one parking space per housing unit, even though 20 percent or more of the units will be affordable. This means that housing costs are roughly 20 percent higher, and the number of units possible per acre are about 20 percent lower than if no parking were built.

In contrast, civic activists in neighboring Adams Morgan convinced a developer to reduce the number of parking spaces proposed for a multifamily building renovation in order to provide more housing. The developer of the market-rate Wilson Project at 2412 17th Street, NW originally proposed to renovate and create 16 housing units, and provide 14 parking spaces by removing existing basement units, although no new parking was required by zoning regulations. In response to community requests, the developer conducted a market survey and found that offering only five parking spaces in the rear of the building for 23 apartments was fully feasible and would not harm the marketability of the units. However, financial institutions were not as confident and required a more costly financial commitment from the developer. Despite these constraints, the project is moving forward with only five parking spaces, and seven (43 percent) more housing units.

Although some residents complain about a severe parking shortage in Adams Morgan, the market survey demonstrated the project's lack of parking is unlikely to affect demand for the housing units. Compared to selling seven more condominiums for over $200,000 versus parking spaces for $30,000, the project's profitability is greatly increased in this popular compact, walkable neighborhood. The full variety of goods and services, including grocery stores, and close proximity to major bus lines, Metrorail stations, and employment make the neighborhood an easy place to live without owning a car. Indeed, half of all households in the neighborhood do not own a single car, and 19 percent of residents walk or bicycle to their jobs, according to the 2000 census.

These costs are evidenced by the strong real estate market in D.C. neighborhoods such as Logan Circle, Dupont Circle, Adams Morgan and 14th and U. Parking for market rate units is often sold separately from the housing unit for $25,000 - $35,000. High parking costs in Washington, D.C., which increase the costs of housing units, can prevent a significant number of households from living in neighborhoods where many transportation choices are available.

Based on the potential gains in affordability and increased numbers of units that can be accommodated in transit-oriented communities, eliminating parking minimums and instituting parking maximums would make a large contribution to fostering a development environment that produces more affordable housing. For transit-oriented development, analyses of appropriate parking levels have often pointed to creating maximum limits of 125 percent of the minimum. [59]

Focusing on maximums rather than minimums, and allowing the private sector to determine how much parking is needed to market its product has the potential to create thousands of new market-rate and affordable units for the region by freeing up additional land within future development sites. In exchange for relieving developers of costly parking requirements, fees and transportation demand management (TDM) measures can be instituted to secure reduction in car ownership and driving, and promote walking bicycling and transit use. Spillover parking into virtually unregulated public streets can be addressed by creating an effective management system of public on-street parking that assures a residential permit holder a reasonable level of availability of parking within a few blocks of his/her home. [60] Allocation of residential parking permits where demand exceeds supply should be based on market pricing to reflect that demand and costs.

Regional Implementation

Currently, suburban, automobile-oriented zoning often prevents compact, mixed-use neighborhoods that could support efficient transit service and allow walking and bicycling as a practical option to reach basic retail and services. Local governments, however, can change these rules. Arlington County's successful TOD planning demonstrates that in even a Dillon's Rule state, local control can create mixed-use TOD neighborhoods.[61] Arlington's experience also shows that jurisdictional leaders do have the power to guide where housing, shops, offices and other uses will go. Promoting higher density uses at potential TOD sites helps provide more housing in transit-accessible locations. Local land use planning can guide more housing to accessible locations. The major challenge is to incorporate a diversity of housing choices into this compact growth pattern especially since housing demand remains strong for these locations. To address its strong demand—which drives up price—two actions are needed by jurisdictions to ensure that compact, transit-oriented development zoning achieves the full range of housing choices: expand opportunity for more housing in more transit-accessible locations, and require preservation and construction of affordable housing as part of new development.

Arlington County, Virginia

Arlington County is a national model for smart growth principles and practices, including compact, transit-oriented zoning in its Rosslyn-Ballston Metro corridor. The county is also working to establish and expand a number of policies to preserve and produce affordable housing. Metro station locations and the General Land Use Plan (GLUP) continue to guide development. Between 1999 and 2002, the corridor gained 2,500 apartments and condominiums, 1.5 million square feet of office space, 379,000 square feet of retail space, and five miles of bike lanes. The county has also implemented TDM policies for the last 10 years. One result of this development pattern is that 70 percent of all households in Arlington County only have one car or less.[62]

The zoning approaches used in Arlington County have potential to guide growth for the entire region. A large share of the region's projected growth could be accommodated within close proximity of the region's transit stations based on Arlington's model. Outside of the Rosslyn-Ballston and Jefferson Davis (Pentagon, Crystal City) Metro Corridors, the county remains largely residential neighborhoods of single family and low-rise apartments. In the Rosslyn-Ballston corridor, the station area one third-mile radius, or 225 acres around the Courthouse station has a population of more than 11,000 and more than 17,000 jobs. Thirty-three percent of the county's real estate tax base and growth occurs in this corridor -- 7.6 percent of the land area. This level of density may not be appropriate for all station areas, but this demonstrates the opportunity to accommodate much of the region's housing and commercial development demand. Many more transit villages could be created at underutilized Metro stations, bus corridors and commuter rail stations, where a large number of families could have access to jobs, housing and services without relying on owning one or more cars.

The quality of life created by successful transit-oriented development in Arlington County, and its close-in location have generated strong demand for housing, requiring stronger interventions to prevent displacement of less affluent residents and provide for new housing for moderate- and low- income households. The county is currently working to address these critical needs by creating a comprehensive housing strategy and implementing a number of innovative policies including the unique anti-displacement policy for the Rosslyn-Ballston Corridor. To date, however, the private market affordable housing stock continues to rapidly dwindle, and the county's housing policies lag far behind the need to preserve and produce more affordable housing.

Fairfax County, Virginia

In 2001, Fairfax County adopted a new high-density residential zoning district called "Planned Residential Mixed-use" (PRM) that is the county's best zoning tool to encourage TOD. The Huntington Metro Station was rezoned from office use to permit mixed-use development that includes 400 apartments. Fairfax County now has a tool it can use to zone transit nodes, and possibly other urbanizing activity centers, in a way that will support and encourage compact development that enables efficient transit service, walking, and bicycling. Unfortunately, due to limitations of the county's Affordable Dwelling Unit Ordinance (ADU), ADUs will not be constructed as a part of any high rise residential development in this zone. Thus the county's zoning regulations are beginning to facilitate more compact mixed use centers, but affordable housing policies need to be integrated into them in order to offer the full range of housing choices these urban centers should provide.

Montgomery County, Maryland

In addition to the quality planning the county does to direct growth around its Metrorail stations, the MPDU law is unique in recognizing the importance of reducing burdensome parking requirements. The MPDU law allows for one half of required parking for multifamily MPDUs in high rise zones. Fairfax County developers have claimed that the high costs of parking is one of the key reasons ADUs are not feasible in mid-rise buildings where parking is underground or structured. Montgomery's relief of parking requirements addresses this concern.

Accessory Apartments

In existing single-family neighborhoods, a very simple step that can provide a greater variety of housing choices with little or no change to neighborhood character is to allow homeowners to add second units or accessory dwelling units behind or within existing homes. This supports homeownership by providing an income stream that affords mortgages otherwise not attainable. An accessory apartment, also known as an accessory dwelling unit, granny or in-law flat, is a completely independent living facility with separate cooking, eating, sanitation and sleeping facilities that is either in or added to an existing single-family dwelling or in a separate accessory structure on the same lot as an existing dwelling. Often, homes in older neighborhoods are designed in a way that make it easy to create a small, second unit. Large basements, old carriage houses, or attics are ripe for such adaptations. Also, as average U.S. household size continues to decline, older homes, built for larger families, offer the potential to house the same amount of people in smaller households if separate units are allowed.

Local governments, however, typically require a difficult permitting process to allow accessory units or ban the use outright. By allowing this use by-right or easing restrictions on this type of housing can provide many benefits resulting from the increased neighborhood density. For instance, accessory dwelling units may provide additional income to assist older homeowners with maintaining the affordability of their existing home as their needs and income change over time. Other possible benefits are companionship, home maintenance or other personal services in exchange for lower rent, and increased personal security by heightened neighborhood activity throughout the day and evening.

Regional Implementation

Currently, Montgomery County and Arlington County are rewriting their accessory dwelling unit codes to facilitate the expansion of this type of potentially affordable housing stock. One of the keys to success for accessory dwelling units is to allow the use by-right in the zoning code, so that households who need these units for affordability or safety reasons can easily create one. It is also important not to overburden the new unit with excessive requirements that functionally prevent its creation. Chief among these requirements is excessive off-street parking requirements. Shared parking will often fill the need. For neighborhoods with high on-street parking demand, better management of public curbspace can be instituted to prevent parking from thwarting the creation of new housing opportunities. Local governments making the effort to address parking management concerns can minimize neighborhood opposition and limit the impact of accessory units on neighborhood form and character.

Policy IV: Affordable Housing Preservation

Affordable housing preservation/anti-displacement policies stabilize a jurisdiction's affordable housing supply, protecting it against rapidly changing housing markets. With housing prices rising rapidly, stabilizing the existing supply of affordable housing has emerged as a top priority among affordable housing advocates. Most communities also have a supply of publicly assisted housing that is at risk of being converted to private market rate. Acquisition by building tenants, a non-profit or a government entity is often needed to maintain the affordability of this housing.

There are a number of ways jurisdictions can stabilize and preserve the existing affordable housing stock. The jurisdiction can identify publicly assisted housing that is at risk of being converted to market rate and create a plan for preserving it. The jurisdiction can also adopt laws to stabilize privately owned rental housing, including tenant protections that control rental housing conversions to condominiums, moderation of rent increases or rent control, first right to purchase, and other techniques such as an emergency rental assistance fund, property tax credits for homeowners and renters, or deferred property taxes. Where stronger tenant protections are difficult to enact due to state laws, some incentives to encourage building sales to tenants or non-profits may be an alternative.

Regional Implementation

In the region, the District of Columbia has the strongest tenant protections. The city's many tenant protections, including tenant right to purchase for condominium conversions and rental building sales, and a moderate rent control law amount to the strongest anti-displacement policies for renters in the region. Arlington County is the leading suburban jurisdiction in the region in striving to develop an affordable housing preservation policy.

District of Columbia

The District of Columbia's right of first refusal, rent control and property tax relief for very low income renters and owners are three of the strongest programs in the region preventing the displacement of low-income households. Since the majority of all residents in D.C. are renters not homeowners, strong tenant protections are not surprising.

D.C. offers property tax relief in the form of a refundable credit against the District's income tax. The property tax credit allows a homeowner or renter earning below $20,000 annually, or those 62 years old or over and/or blind or disabled to not pay more than a certain portion of his/her income in property taxes, to a maximum credit of $750.[63] Renters are presumed to pay 15 percent of their rent in property taxes. The tax credit is more generous for seniors, and persons with disabilities. Another tax credit program allows property owners over 65 years old to file for senior citizen property tax relief that reduces a qualified property owner's tax by 50 percent. Qualifying households must earn less than $100,000. These tax credit policies protect seniors and low-income renter and homeowner households from rising housing values and property taxes.

The District's first right to purchase law gives tenants the right to match a third-party purchase contract on their building. Tenants gained this right in 1980 when the D.C. Council enacted Law 3-86, the "Rental Conversion and Sale Act of 1980." The law was enacted explicitly to "discourage the displacement of tenants through conversion or sale of rental property, and to strengthen the bargaining position of tenants toward that end without unduly interfering with the rights of property owners to the due process of law."[64]

While the ability of tenants to take full advantage of this law has often been questioned by building owners, tenant assistance organizations point to thousands of tenants who have benefited from the law. An informal study conducted by American University identified 177 buildings -- covering at least 8,000 units of housing -- where tenants have exercised their rights to purchase. The study found that 60 percent of the buildings covered had been developed by the tenants, representing more than 3,000 units of housing. Tenants' exercise of their assignment rights resulted in long-term affordability or other benefits to tenants in addition to the 3,300 units.[65]

For example, in 2002 tenants of 1330 Seventh Street, NW (formerly "Immaculate Conception") building received notice that within 60 says their 137-unit building would be sold, causing concern about the long term affordability of the building. The tenant association responded by hiring lawyers, searching for funding opportunities and lining up development partners. The tenant association eventually chose the Community Preservation and Development Corporation (CPDC), a well-respected non-profit building developer and manager, as its development partner. With government and technical assistance from non-profits including Manna CDC, the tenant association arranged to become one of the ownership partners in the building for the next 15 years. After those 15 years, the association will be eligible to purchase the building outright at the cost limited to the remaining mortgage and transfer fees. Resident Pebbles Branham reflecting on the community's efforts said, "the people of the building really pulled together to do what they needed to do to keep their home. I consider myself to be blessed that we have been able to do this. Someone gave me a huge gift – they gave me a chance."[66]

In 1994, the D.C. Council amended the 1980 Rental Housing and Conversion and Sale Act to create a loophole in the law defining a sale as 100 percent transfer of ownership. This allowed a building owner to transfer ownership to a new owner over the course of two years, and avoid having the sale subject to the tenant purchase option. Given the rapid increase in real estate values, this loophole has been exercised a number of times in the last few years. The partial transfer loophole demonstrates both that current tenant protections afford a substantial amount of protection to low- and moderate- income residents and that tenants are vulnerable to weaknesses in those protections. While the tenant protections have enabled thousands of units to be purchased by residents, the loophole threatens an increasing number of transactions due to higher potential profits from building sales and condominium conversions. Housing advocates have not found enough support among the D.C. Council to close this gap.

Rent control limits the rate of increase and the amount that private sector landlords can charge tenants for a unit, thereby making housing prices more predictable and rental housing more affordable. The District of Columbia has a moderate system of rent control (only covering buildings constructed before 1972), which allows rents for controlled units to increase annually by a factor that reflects increases in operating costs and permits larger rent increases when a unit is vacated. Since all new buildings are exempt from rent control in the District of Columbia, there is no evidence that rent control discourages the development of new rental housing or significantly affects maintenance of properties.[67]

Arlington County, Virginia

Arlington County is the leading suburban jurisdiction in the region in striving to develop an affordable housing preservation policy. Two developments highlight the struggles and progress made by Arlington County in preserving its affordable housing supply.

The case of Arna Valley is the watershed event in recent Arlington County housing policy history. In 1998, the Arna Valley housing complex consisted of 720 affordable units for low-income, minority families. The new development, Avalon Bay, increased the density to create 778 high rent units and only 165 affordable units. While some displaced households received rental assistance payments to help cover the cost in rents for one year and a few families purchased homes, rents paid in Arlington by many former Arna Valley households have increased by about $300/month.[68]

In contrast to the Arna Valley experience, the Gates of Arlington represents a deliberate, if not articulated, policy priority of Arlington County to maintain affordable units through redevelopment projects. The Gates of Arlington, a 465-unit market affordable complex, is an example of Arlington County learning from its mistakes at Arna Valley. In 2002, the county formed a Gates working group, made up of housing experts, planners, historic preservation specialists, and tenants from the neighborhood. The working group set a number of goals: maintenance of affordable housing, minimal relocation of residents, provision for long-term affordable housing, and long-term low-income homeownership opportunities.[69] A private for-profit developer was rejected and the Arlington Housing Corporation (AHC), a longtime Arlington non-profit housing provider, was selected, as it was deemed the most capable of meeting the community's goals. The county has been able to replace 75 percent of the affordable housing at 60 percent AMI in the Gates of Arlington.

The Gates of Arlington development has also experienced a number of difficulties. In attempting to preserve affordable housing, the county wants to neither displace residents, or further concentrate low-income households. However, the funding sources are not always large enough to achieve these goals. Arlington County's housing trust fund (which does not have a dedicated source of revenue) the Affordable Housing Initiative Fund (AHIF), is not large enough to support more units of affordable housing or to buy down housing prices to reach a deeper affordability.

To meet the needs of Arlington's low-income families, rather than replacing units on a one-to-one format, the county seeks to increase the number of bedrooms developed or square footage on a one-to-one basis so as to provide more family-size units out of the replacement process. The county also seeks to serve lower income households, often targeting assistance to families at 50 rather than 60 percent of AMI.

The Special Affordable Housing Protection District (SAHPD) is a unique land use overlay zone approximately one half mile around the Metro stations in the Rosslyn-Ballston corridor that identifies existing lower density affordable housing on parcels planned for 3.24 FAR or higher. Once the developer applies for a rezoning, the county can require the developer to retain or replace the existing affordable housing units on a one-to-one basis. The policy was first established in 1992 in response to the loss of 11,000 units of affordable housing in the 1980s. Since that time, relatively few units were replaced through the mechanism either because new development did not involve outright displacement, or because redevelopment projects were not large enough to trigger the SAPHD because the desired density levels already fit into the by-right zoning. Between 2000 and 2003, 113 affordable housing units were replaced or preserved as part of private for-profit projects totaling 1,336 units from four projects.[70] The county emphasizes the number of bedrooms replaced, 152, over the 113 units, arguing that achieving more family-sized units is more important than maximizing the number of units which may be too small to meet the needs of many lower income families.[71] Some of the additional units at these sites were also affordable, created through the 25 percent bonus incentive. The SAPHD mechanism, however, represents an important effort to prevent displacement under the constraints of a Dillon's Rule state where the state legislative process is controlled by largely conservative rural legislators.

In 2000, in another effort to preserve affordable housing, Arlington County affordable housing activists sought to use a capital gains tax incentive to encourage landlords to sell rental buildings to tenants, or non-profits. The bill required state legislative approval. While the bill passed the Virginia House of Delegates, it did not emerge from committee on the Senate side.

CONCLUSION

There is a tremendous opportunity in the Washington metropolitan region to improve housing choices. As outlined in this report, there are already four types of policies used by neighboring jurisdictions that have the potential to combat the affordable housing crisis:

- inclusionary zoning
- dedicated affordable housing funding
- zoning for housing choices
- preservation/anti-displacement policies

The implementation of these four affordable housing policies, with jurisdictions committed to matching their housing policies with their fair share allocation, would go a long way toward addressing current and future housing needs.

Ignoring the affordable housing crisis in our region threatens the continued growth of the regional economy, ignores racial disparities, limits opportunities for the working poor, increases sprawl and contributes to the continuing problem of homelessness.[72]

- *The housing crisis is bad for business and threatens the continued growth of the Washington, D.C. region's economy.* The extraordinary cost of housing in the region, together with the result of employees residing far from jobs and enduring long commutes, is rapidly becoming a major impediment to business expansion.[73] Conversely, the benefits of the region's transit result in households in this region spending less on combined housing and transportation costs than many other metropolitan areas, demonstrating that transit-oriented development will strengthen the region's economic competitiveness.

- *Providing for every jurisdiction's fair share of affordable housing can help address racial disparities in opportunity.* Far too many African Americans and Latinos live in pockets of poverty, lacking decent and safe housing they can afford, coping with poor quality, often segregated schools. Making affordable housing available throughout the region will produce more racially inclusive communities with better access to opportunities.

- *The lack of affordable housing limits the ability of those on welfare and the working poor to move up the economic ladder.* Surveys of welfare recipients indicate that housing problems pose substantial barriers to finding and retaining employment. Many believe that poor families need a stable and affordable housing situation before they can focus fully on their employment prospects. Housing and jobs in transit-accessible locations give families more opportunity to build wealth in their homes rather than lose it on depreciated vehicles.

- *Affordable housing is smart growth and helps curb sprawl.* The explosion of growth and development in outlying areas far from the region's core communities is fueled in part by a desperate search for decent and affordable housing. The result: inescapable traffic congestion, higher transportation costs, degradation of the environment, and further isolation of those who do not drive -- children, seniors, disabled, and low wage workers. Unless we create more quality urban affordable housing, long commutes and sprawl development will continue to fill the gap.

- *The housing crisis contributes to the continuing problem of homelessness.* While many factors affect a household's stability, affordable housing is at the heart of what is needed to both prevent individuals and families from becoming homeless, and move people out of shelters and off the streets.

Many of the policy tools practiced in the Washington region could be strengthened, and new policies from other areas adopted to address the housing crisis. Each jurisdiction needs to develop a housing strategy and implement policies that will enable it to accommodate its fair share of affordable housing.

Glossary

Affordable Housing means housing affordable to lower income households earning no more than 80 percent of area median income. Housing is considered affordable if it costs no more than 30 percent of household income. In the Washington D.C. region, 80 percent of annual median income average for a family of four was $68,480 in 2001.

By-right development is land use changes by the owner that are permitted as a matter of right under existing zoning and land use controls.

Floor Area Ratio (FAR) represents the proportion of the building square footage to land area. For example, a FAR of 1.0 would allow either full coverage of a site with a single-story building, or a two-story building that covers only 50 percent of the site.

Greenfield development is development occurring on open undeveloped land outside existing communities.

Inclusionary zoning describes policies or ordinances requiring that new housing projects include a specific percentage of all homes as affordable to low- and/or moderate-income residents.

Infill housing refers to construction on vacant or underutilized parcels of land amid existing buildings in urban or suburban areas. Infill may involve new construction or major rehabilitation of older structures. Through infill, communities can increase the supply of housing without expanding into open space or farmland.

Low-income households earn from 50 percent to 80 percent of area median income.

Lower income households include both "low-income" and "very low-income" households, earning from 0 percent to 80 percent of area median income.

Moderate-income households earn from 80 percent to 120 percent of area median income.

Smart growth is development to accommodate new households and jobs that is economically sound, environmentally friendly and supportive of community livability. It is characterized by a higher concentration of amenities, a mix of commercial and residential uses, and is typically pedestrian-friendly and transit-accessible.

TOD (Transit-Oriented Development) is a land use strategy to accommodate new growth, strengthen neighborhoods, and expand choices and opportunities by capitalizing on bus and rail assets to stimulate and support vibrant, compact, diverse and accessible neighborhood centers within an easy walk of transit. (Mayor's Task Force on TOD, District of Columbia)

Very low-income households earn no more than 50 percent of area median income.

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NOTES

[1] See formula in Appendix A and B, and methodology description in endnote 17.
[2] See formula in Appendix A and B, and methodology description in endnote 17.
[3] Dunphy, 2003.
[4] Surface Transportation Policy Project, 2003.
[5] Dunphy, 2003.
[6] MWCOG, March 2002.
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[8] Fannie Mae Foundation. *Housing in the Nation's Capital,* 2003.
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[11] Arlington County, *Setting Targets for Arlington's Affordable Housing Goals: A Proposal for Community Review,* Housing and Community Development Division, 2003.
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[13] Surface Transportation Policy Project, 2003.
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[16] See 2000 Census, Ranking Table, 2002, Average Travel Time to Work (In Minutes). http://www.census.gov/acs/www/Products/Ranking/2002/R04T050.htm
[17] To determine the Housing Fair Share for each jurisdiction by 2010, the Association of Bay Area Governments (ABAG) Regional Housing Needs methodology was used. "The methodology takes into account growth in terms of both Households and Jobs. This growth is weighted 50% households and 50% jobs (Jobs/Housing Balance adjustment) to determine a regional allocation factor (the share of regional growth) to be applied to the Regional Goal Number received from HCD." Since the Washington D.C. area has yet to establish a "regional goal number" for housing production, this report took COG's regional job growth number and divided it by Stephen Fuller's 1.6 jobs:housing unit ratio to establish a regional need of 300,063 housing units by 2010. http://www.abag.ca.gov/planning/housingneeds/meth.htm.
[18] To determine the affordable housing units needed by 2010 for each jurisdiction, Arlington County's methodology was employed. Defined by the U.S Bureau of Labor Statistics, 20.7 percent of all jobs are projected as low wage. Therefore, the 2010 jurisdictional projected job growth is multiplied by 0.207 to find the number of projected low wage jobs. That number is then divided by Stephen Fuller's 1.6 jobs:housing unit to arrive at the number of affordable units needed by jurisdiction. http://www.co.arlington.va.us/cphd/housing/targets/targets_report.htm
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[27] Fairfax County Department of Housing and Community Development, "Affordable Dwelling Unit (ADU) Production Trends." December 2003.
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[29] Brown, 2001.
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[31] Loudoun County Office of Housing Services, Larry Goldberg and Stephanie Payne, personal communication, February 11, 2004.
[32] Arlington County Housing Division, 2003.
[33] Parmet, 2003.
[34] Zimmerman, Christopher, "An Affordable Dwelling Unit Policy for Arlington's Metro Corridors" in *New Directions* Issue Number 10, Summer. Arlington, VA: Arlington New Directions Coalition, 2003.
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