



# WDU FOR-SALE POLICY TASK FORCE

Meeting #2

May 19, 2023

# Agenda

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Administrative

Follow-up Data

Inclusionary Zoning Development Economics Overview

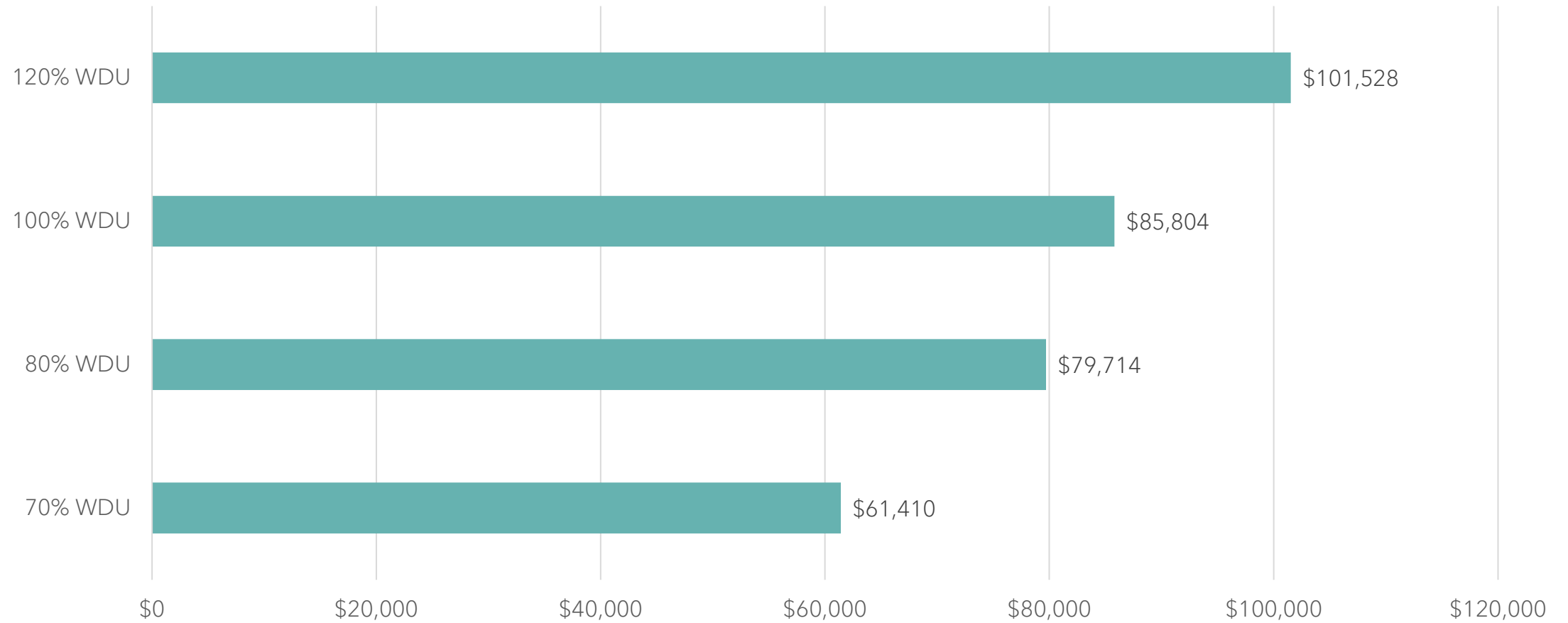
Task Force Areas of Focus

Timeline



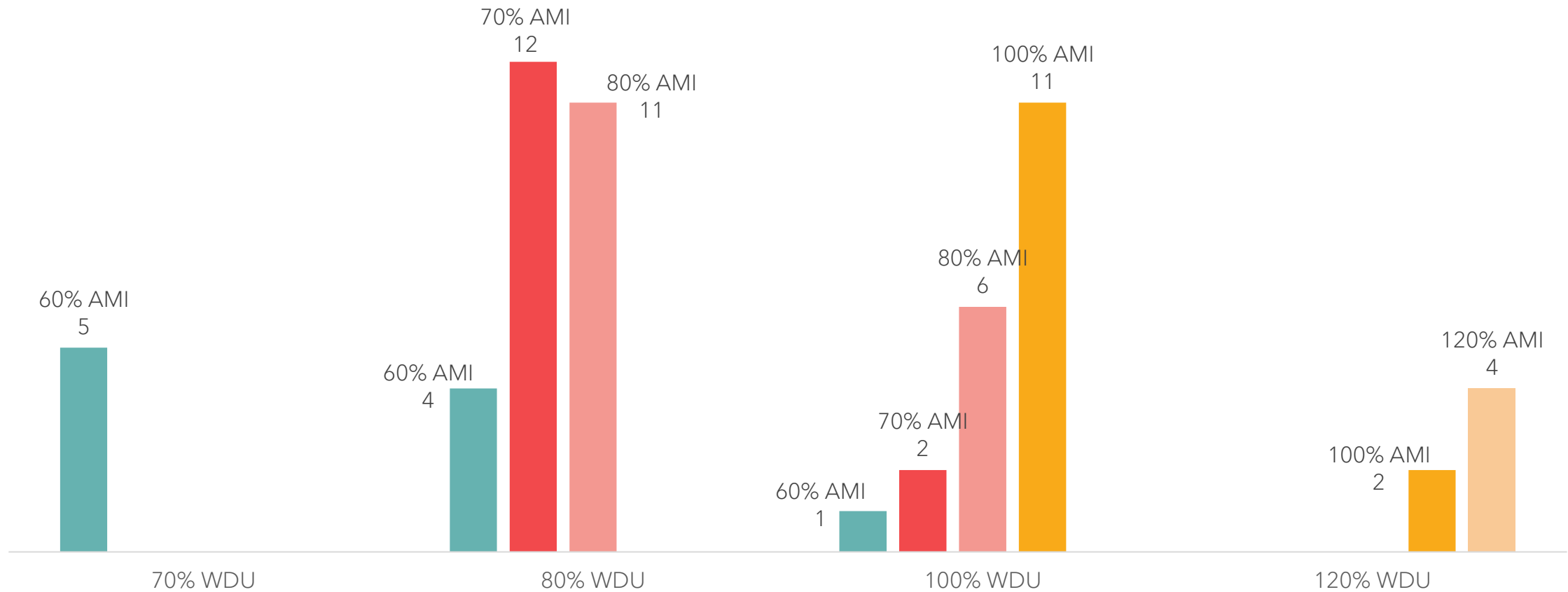
**FOLLOW UP**

# BUYER INCOME BY TARGET WDU AMI

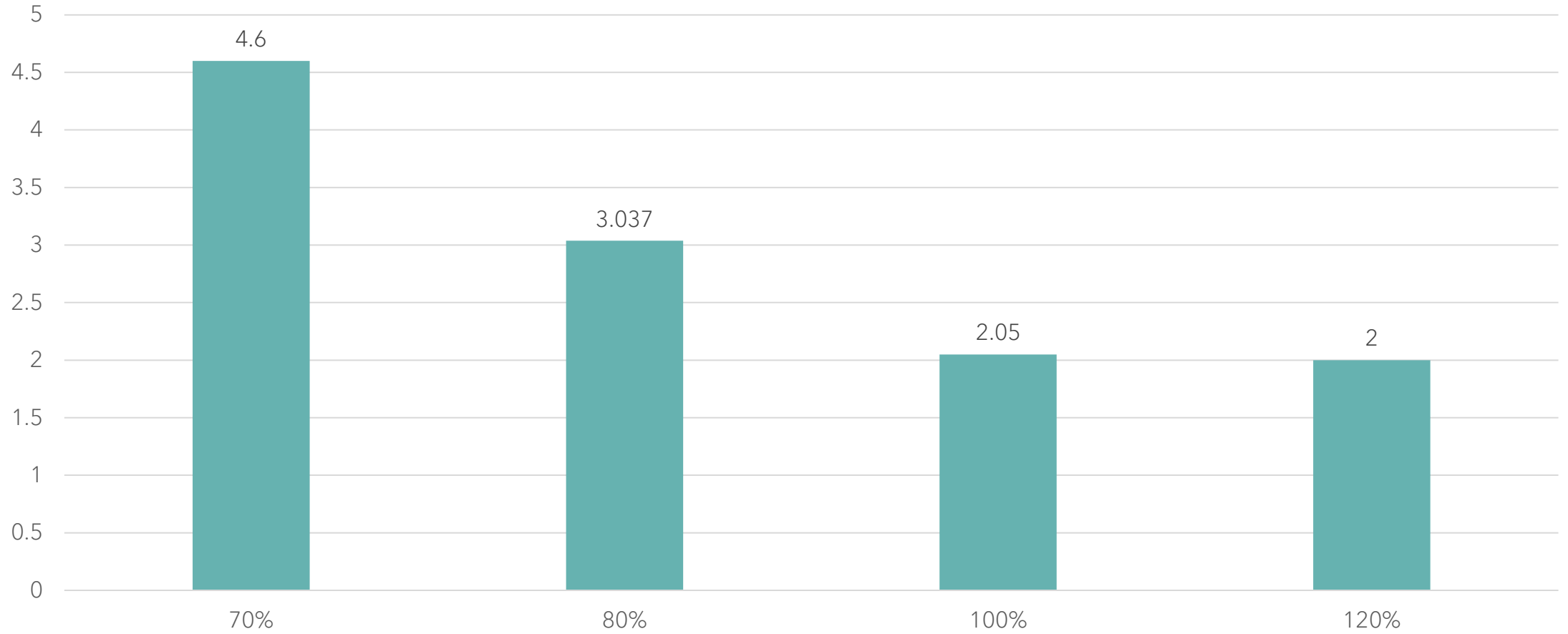


# BUYER INCOME BY TARGET WDU AMI

Actual AMI of Buyer

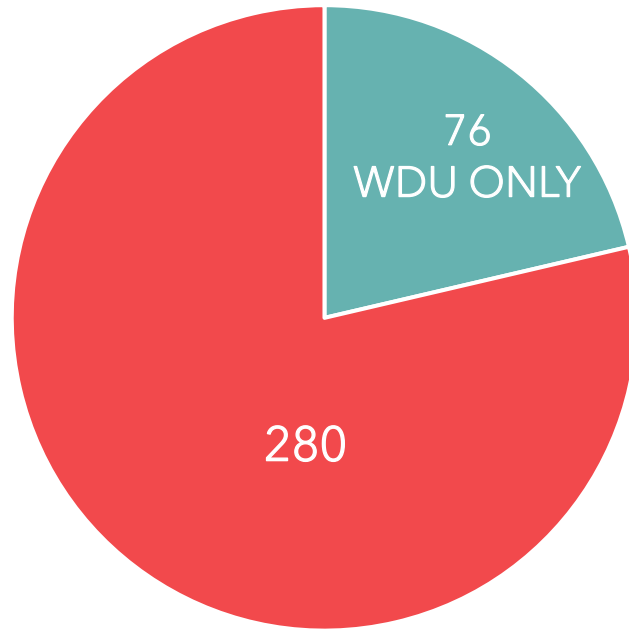


# AVERAGE FAMILY SIZE BY TARGET WDU AMI



As WDU AMI increases, family size decreases

# APPLICANT POOL: 356 FAMILIES



76 families 80% and above  
280 families below 70% AMI



**HR&A**



## INTRODUCTION

Our team members bring the experience needed to create an equitable set of homeownership programs, guided by the County's affordable housing goals.



**Stan Wall**  
Partner-in-Charge



**Phillip Kash**  
Advisor



**Callie Seltzer**  
Advisor



**Rachel Waldman**  
Project Manager



**Anna Gallicchio**  
Analyst

## INTRODUCTION

We understand affordability issues at three comprehensive, mutually reinforcing levels. We serve as a bridge between intention and implementation.



### HOUSING STRATEGIES

Creating strategies and plans based on local needs and priorities



### HOUSING POLICIES AND PROGRAMMING

Designing policies that align community goals with market conditions

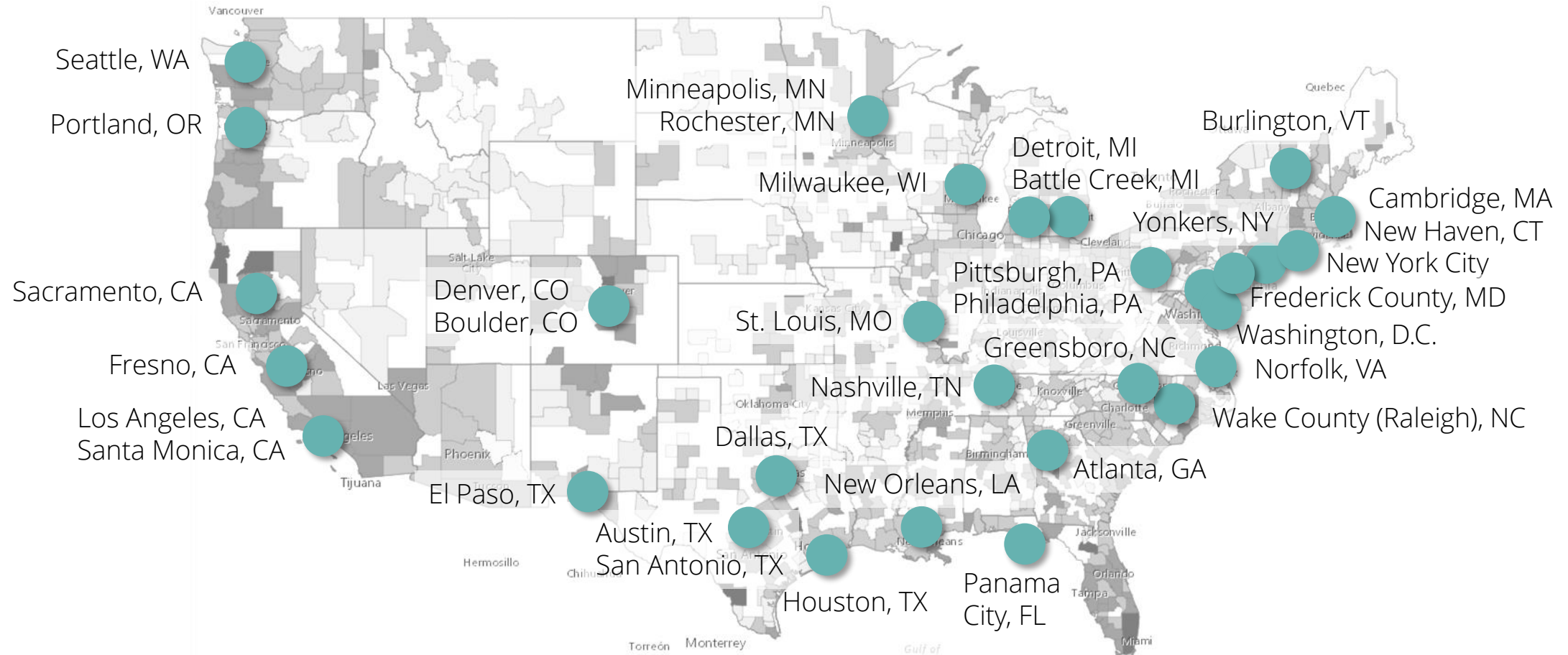


### HOUSING TRANSACTIONS

Advising on the development and preservation of affordable housing

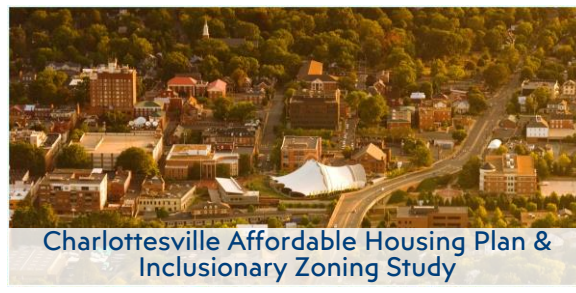
## INTRODUCTION

HR&A's housing practice works in a variety of markets, where affordability issues are longstanding or newly emerging.



## INTRODUCTION

We have designed housing programs to address housing affordability issues and other public priorities across the country.



HR&A +



# WDU Homeownership Program

## **Introduction to Inclusionary Project Development Economics**

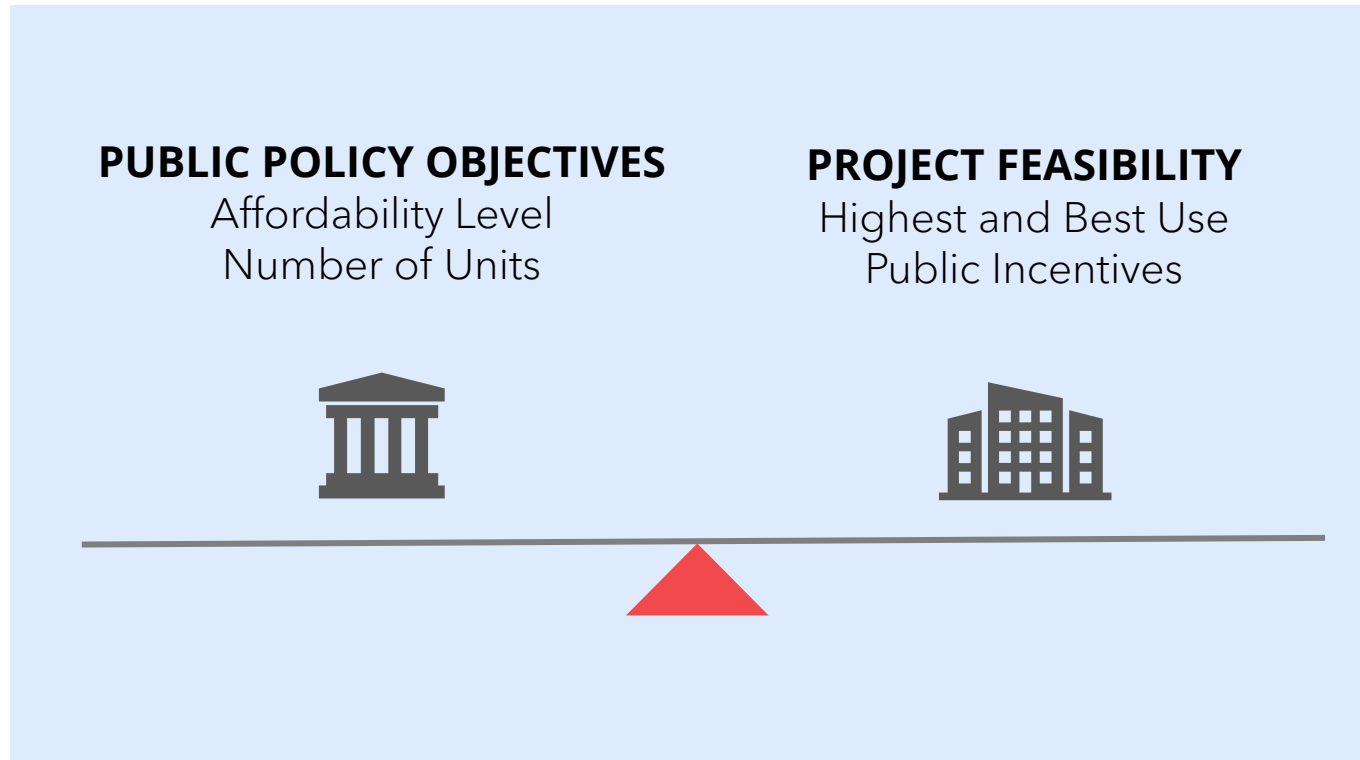
May 19, 2023



# Inclusionary Zoning Overview

## INCLUSIONARY ZONING PROJECT FEASIBILITY

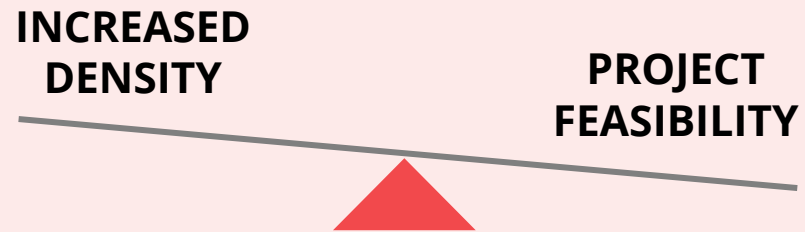
IZ policies must be **calibrated appropriately to the local market**. Policies are calibrated by weighing policy objectives with their impact on project feasibility.



## INCLUSIONARY ZONING PROJECT FEASIBILITY

If a program is not calibrated correctly, **developers may choose to not leverage the full development density.**

For some projects, the risks on impact to project feasibility may outweigh the benefit of increased density through a voluntary IZ program.



### Considerations in Pursuing Increased Development Density:

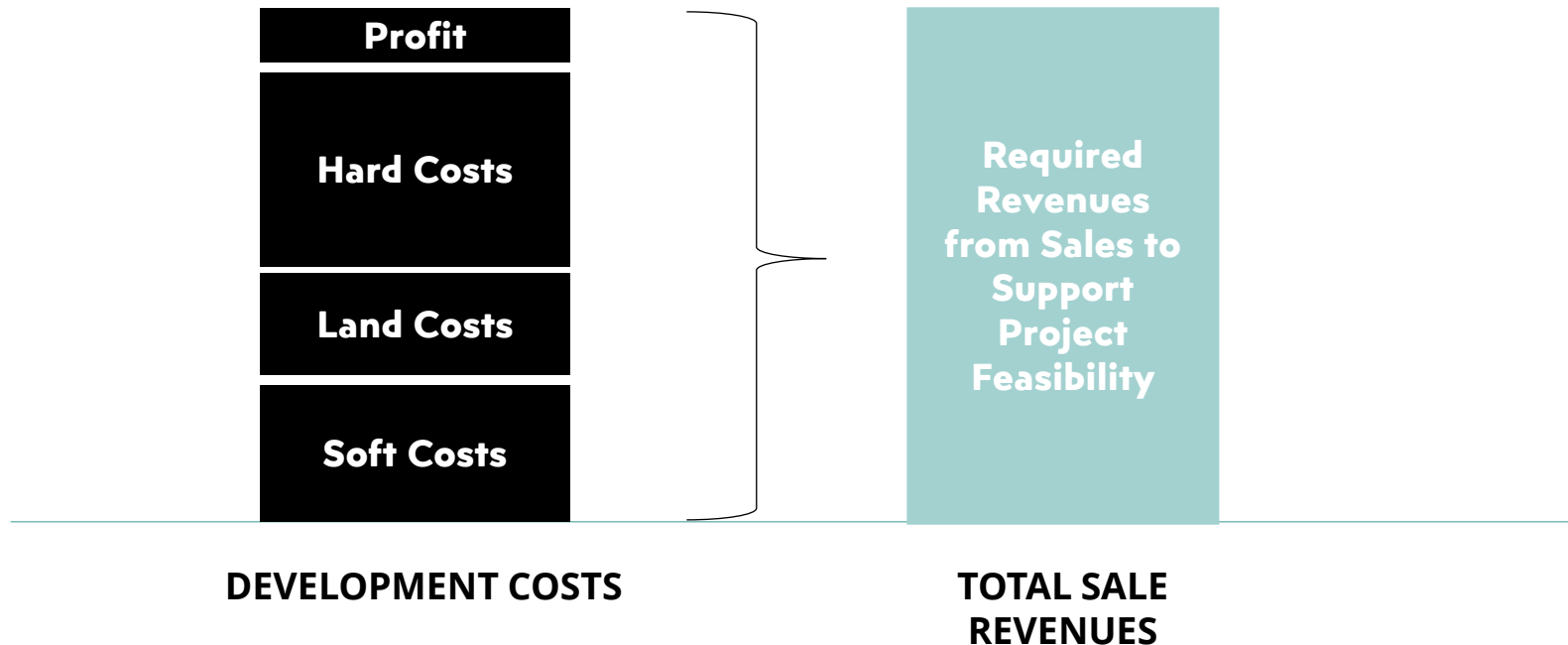
- **High Parking Requirements:** The number of parking spots per unit may impact total development costs or impact feasibility of larger amounts of units.
- **Rising Construction Costs:** Changes to construction costs, brought on by market shifts or regulatory requirements may reduce the value of increased density.
- **Longer Approvals Process:** The risk associated with a longer entitlements process.
- **Insufficient Incentives:** Offered density bonus at maybe sufficiently entice developers to include more income-restricted units.



## INCLUSIONARY ZONING PROJECT FEASIBILITY FOR FOR-SALE DEVELOPMENT

The **sales price** of a home for purchase is based on the **developers' cost to develop**, including the construction costs, land costs, soft costs (such as developer fees or building designs), **and profit sufficient to motivate developer** to undertake the project.

### Development Project Feasibility with IZ

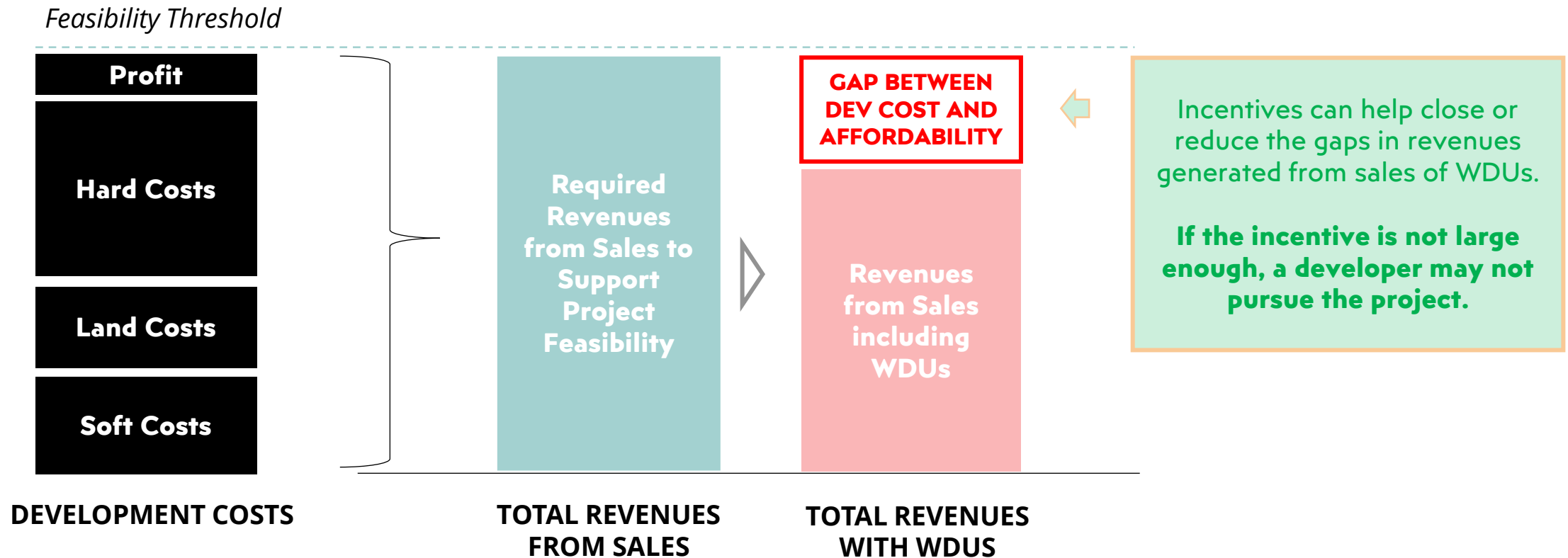


Note: Size of boxes does not necessarily correspond with percentage of cost.

## INCLUSIONARY ZONING PROJECT FEASIBILITY FOR FOR-SALE DEVELOPMENT

An inclusionary zoning policy **reduces the total revenues** from home sales. The developer is offered an **incentive, such as increased density**, which offsets the cost to the developer from lost sales revenue.

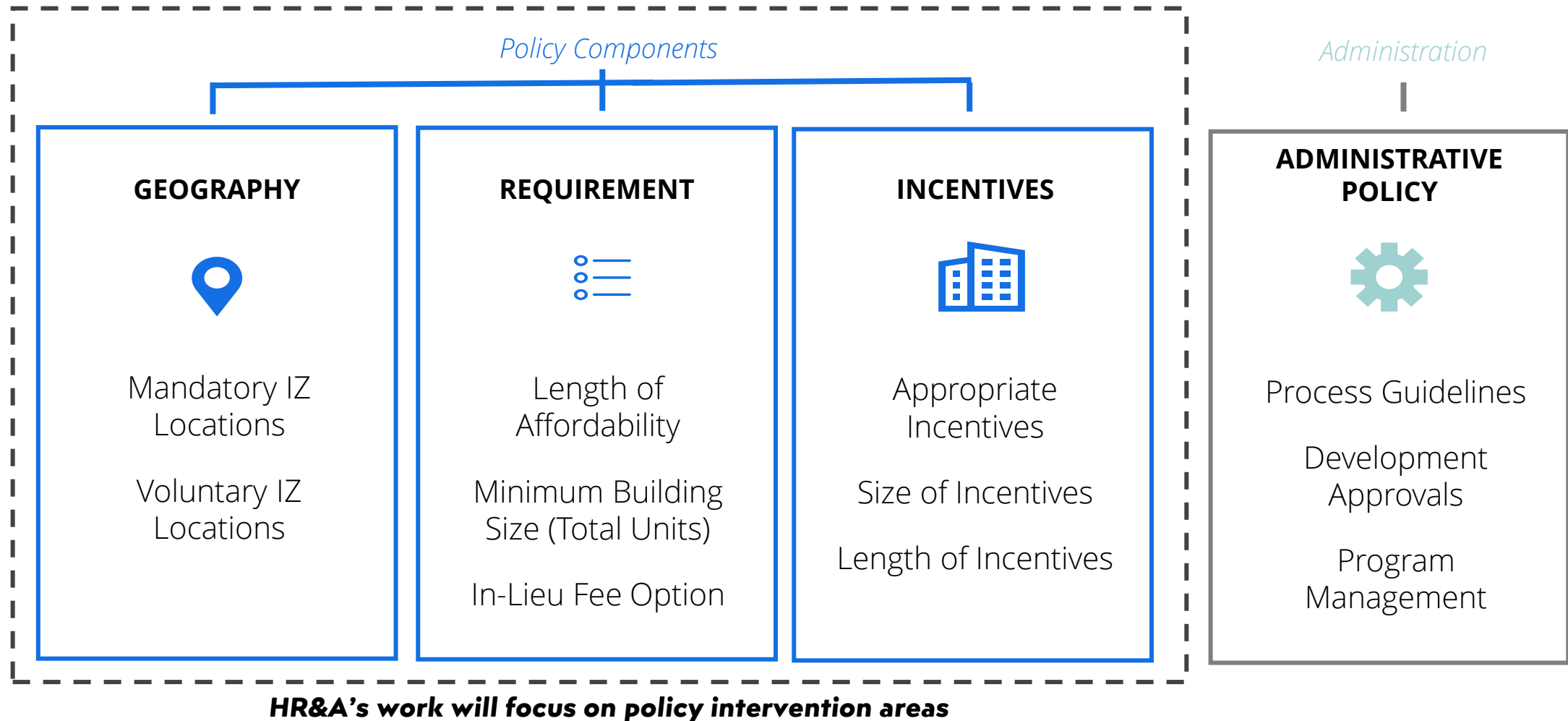
### Development Project Feasibility with IZ



Note: Size of boxes does not necessarily correspond with percentage of cost.

## IZ POLICY COMPONENTS

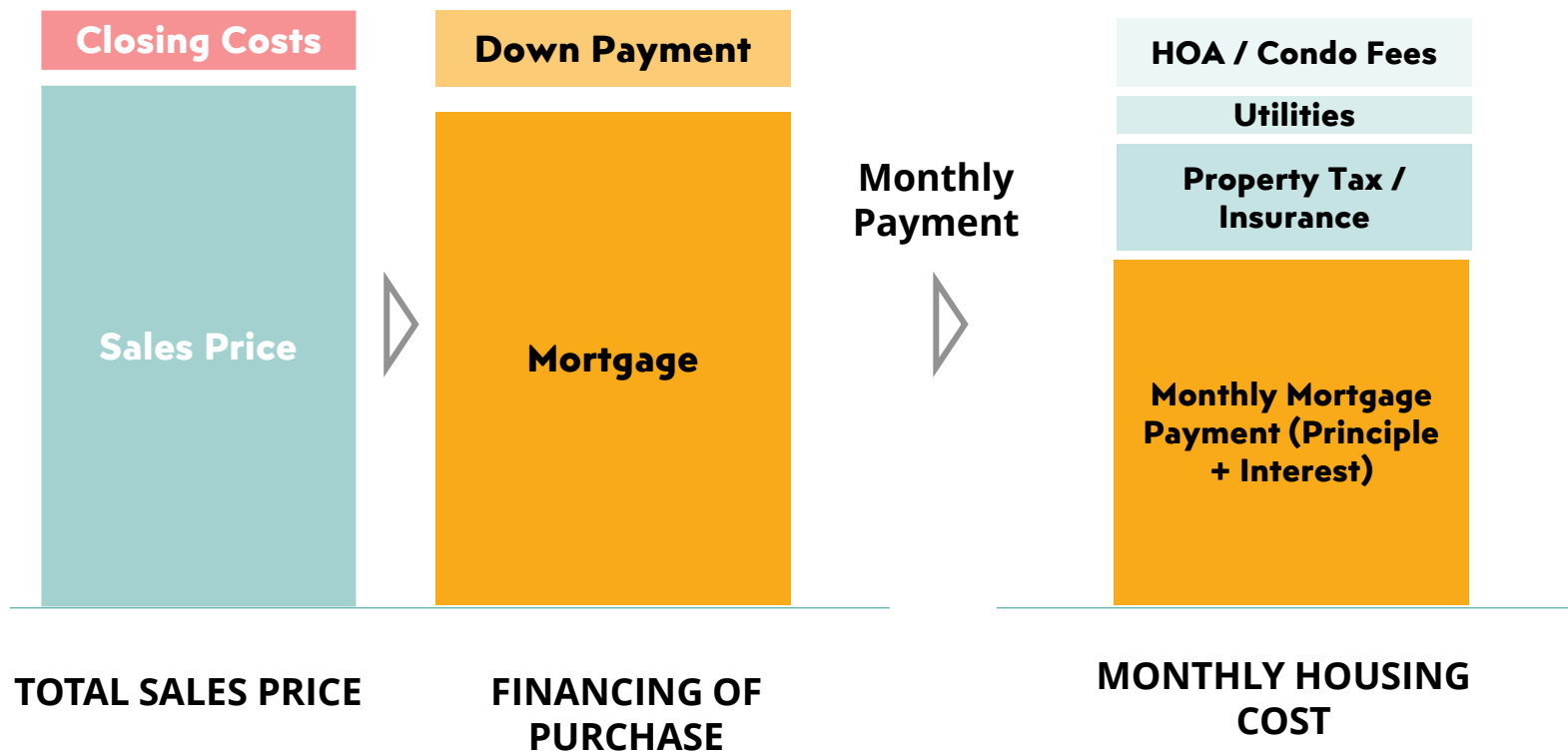
IZ policies can be calibrated for a specific market through **four main levers**, including the applicable geographies, affordability requirements, incentives, and administrative policy.



## HOMEOWNERSHIP AFFORDABILITY

In addition to balancing developer costs and incentives, IZ policies targeting homeownership must consider **all the costs that impact what is affordable** to a household.

### What Does it Cost to own a home?

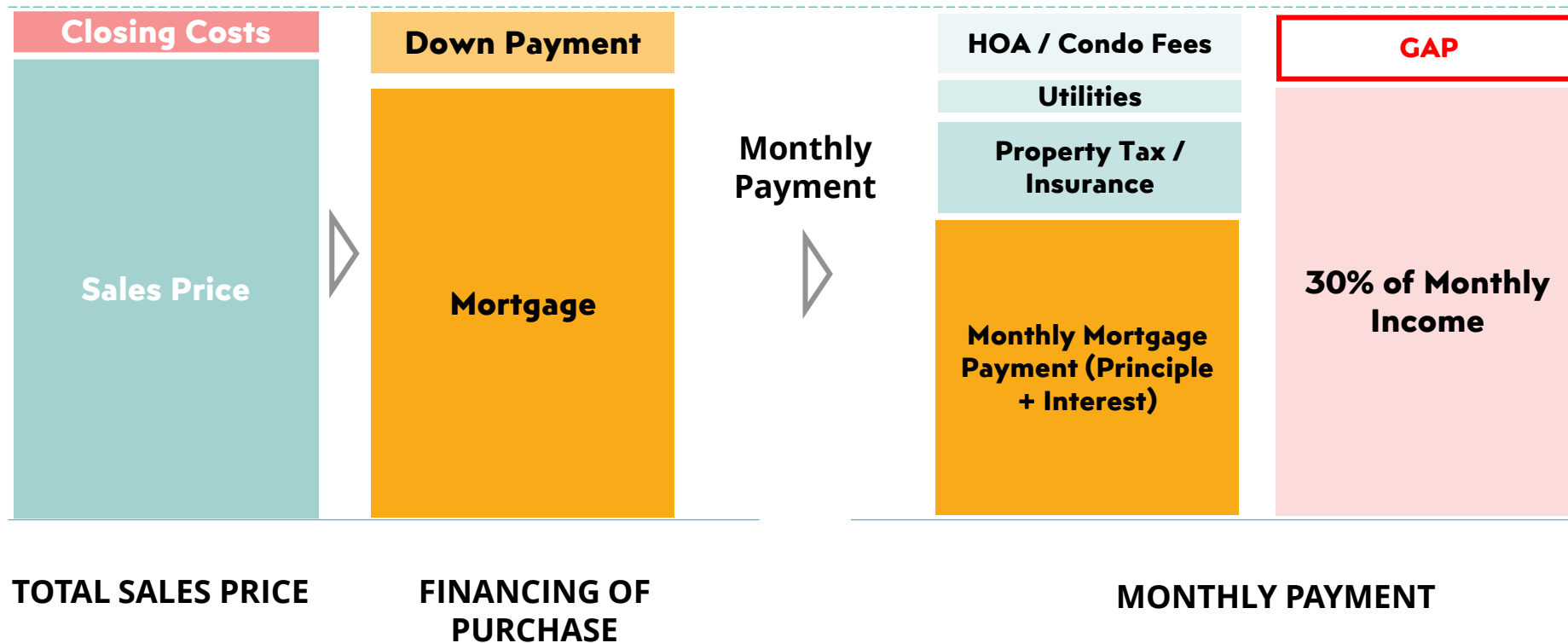


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## HOMEOWNERSHIP AFFORDABILITY

If the **purchase price set is not calibrated correctly** to the AMI level accounting for **all monthly housing costs**, households will not be able to afford housing.

### Cost of Home Purchase to Monthly Housing Payment

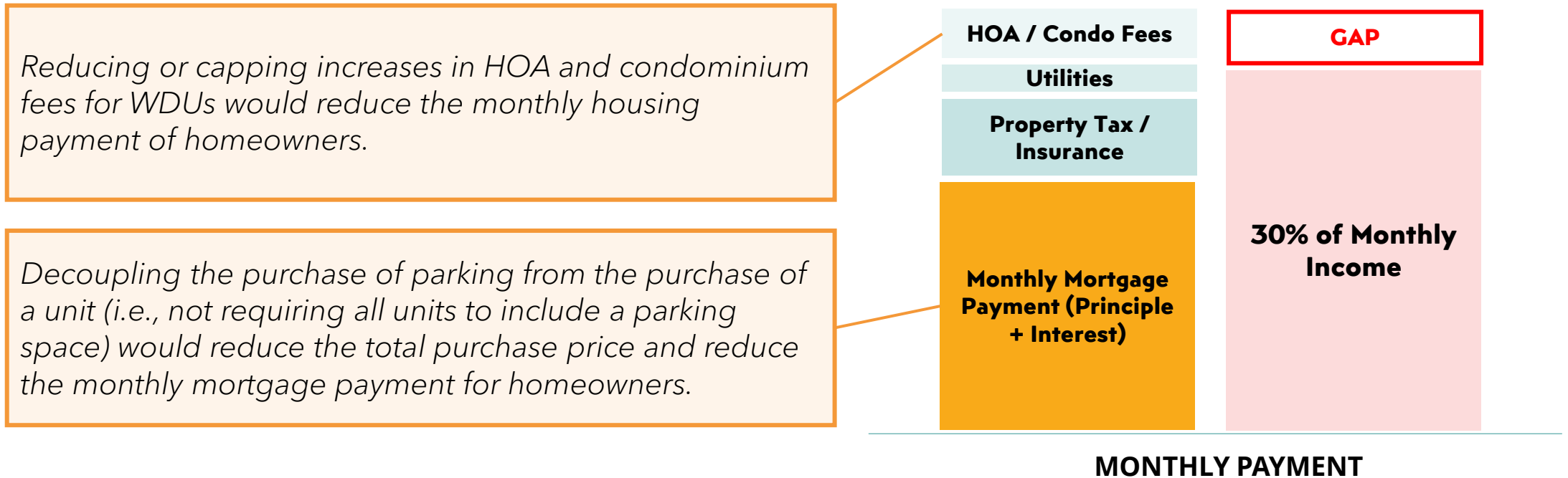


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## HOMEOWNERSHIP AFFORDABILITY

If the **purchase price set is not calibrated correctly** to the AMI level accounting for all monthly housing costs, households will **not be able to afford housing**.

### ADDRESSING AFFORDABILITY GAPS



Note: Size of boxes does not necessarily correspond with percentage of cost.



# For-sale Challenges and Improvements

# CHALLENGES

## WDU SALES

WDUs at 120% of the Area Median Income (AMI) have the highest number of units remaining on the market

WDU at higher AMI levels may compete with market rates.

## LENGTH OF SALES

WDUs at 120% of the AMI take longer to sell, with average of 419 days to sell

WDUs at higher AMI levels use incentives to sell

## AFFORDABILITY TERM

30-year term of price control relative to permanent affordability

## SALES PRICES

Current pricing calculation sets maximum sales price, which becomes de facto starting point

Condo fees and maintenance may affect affordability

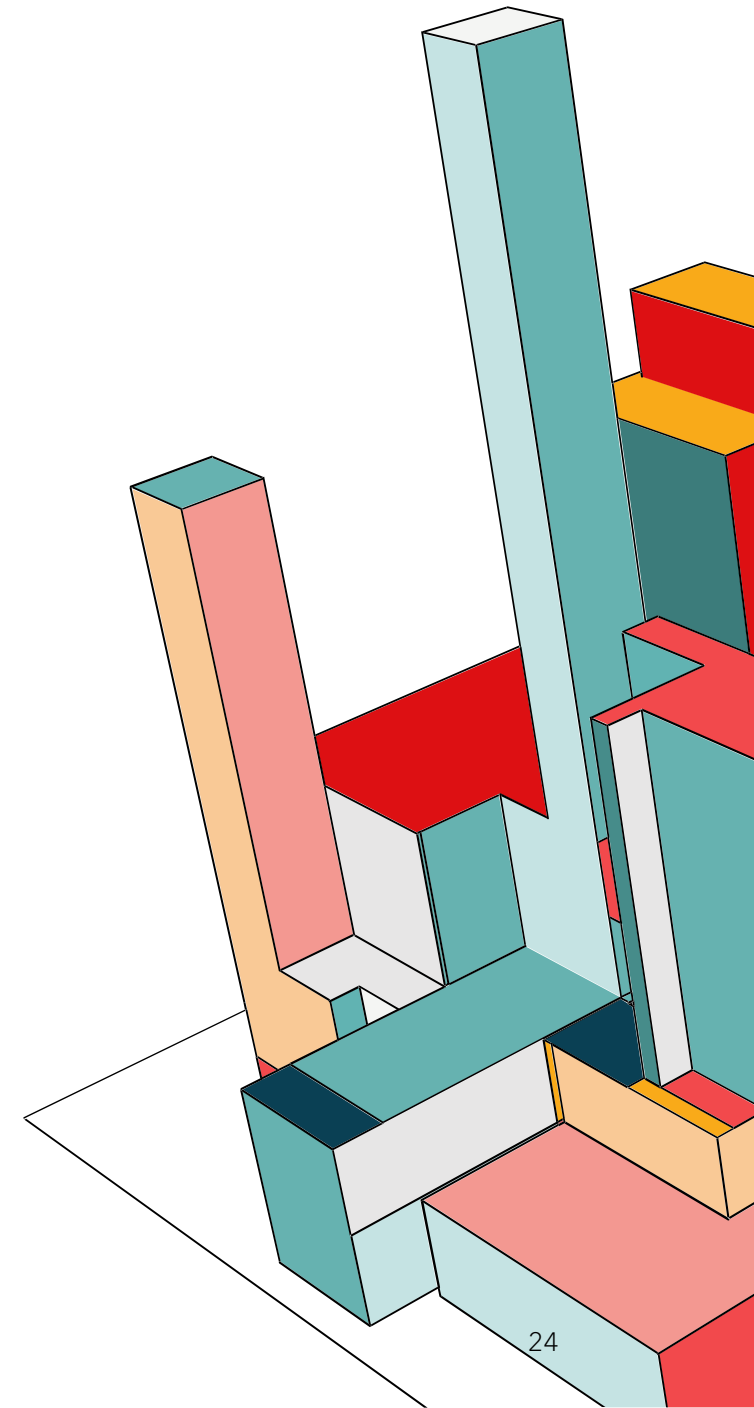
## BONUS DENSITY

Most developments meet minimum expectations for WDUs without utilizing sliding scale of bonus density

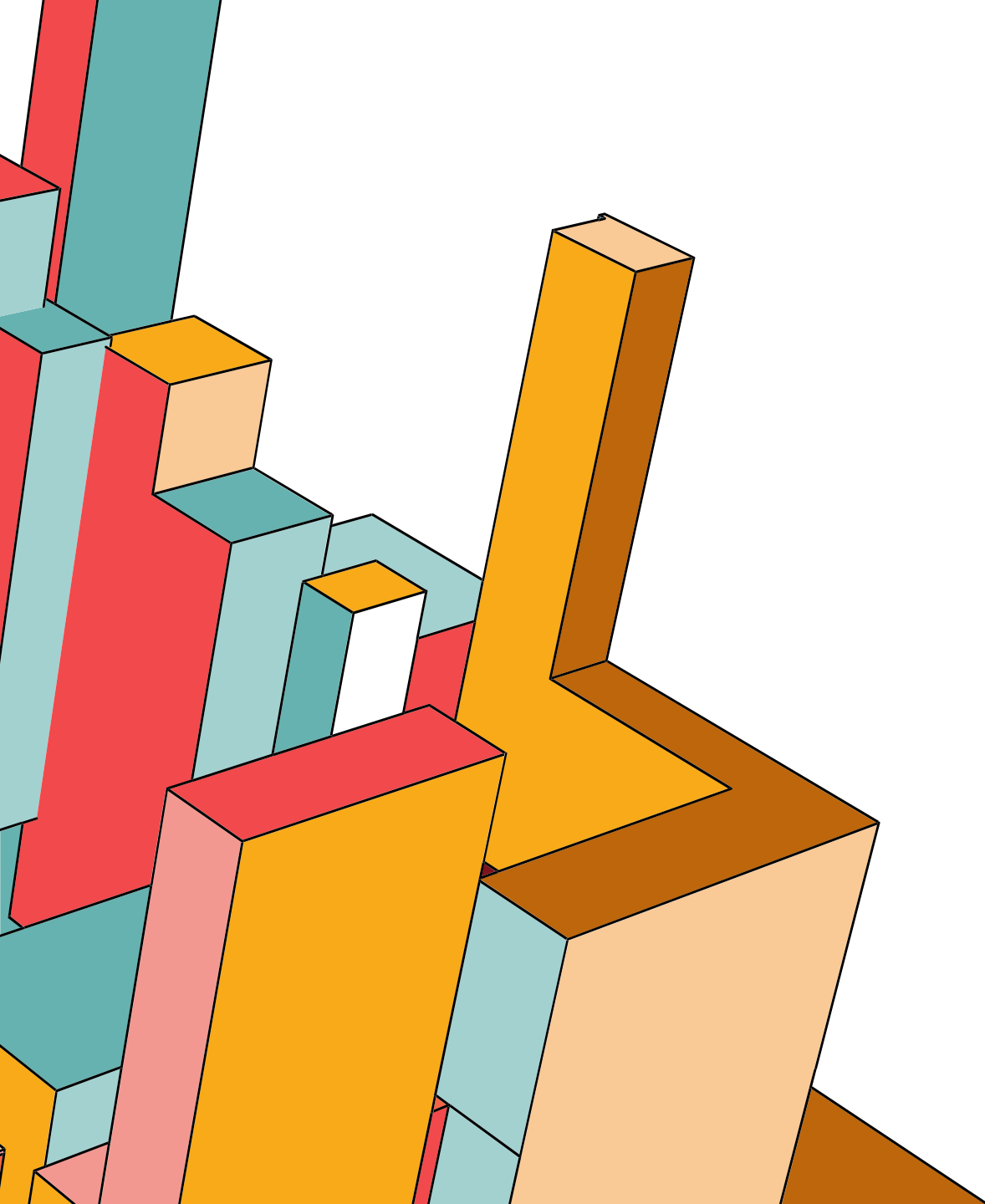
## GEOGRAPHIC LIMITATIONS

For-sale policy applies to County's development centers

Adjusted high-rise policy applies only to Tysons Urban Center







# TASK FORCE FOCUS AREAS

AFFORDABILITY LEVELS

WDU PRICING

RESALE COMPONENTS

GEOGRAPHIC APPLICABILITY

TERM OF PRICE CONTROL

# OPTIMIZE AFFORDABILITY LEVELS



Avoid  
competition  
with market  
prices



Match supply  
with demand



Reduce issues  
with sales volume  
and velocity

# OPTIMIZE AFFORDABILITY LEVELS



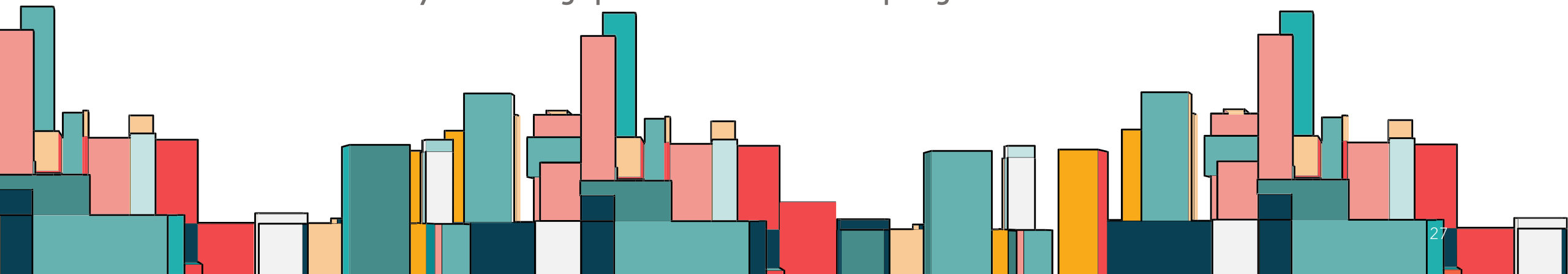
## CONSIDERATIONS

- Demand based on household size and income
- WDU pricing compared to market rate pricing
- Homeownership at lower levels with condo fees and maintenance
- Overlap with ADU program
- Underutilized sliding scale of bonus density



## APPROACH

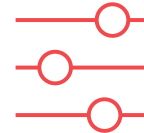
- Evaluate supply-side and demand-side factors affecting housing market
- Identify market gaps in current WDU program



# ADJUST WDU PRICING



Remains  
affordable to  
different  
households



Reflects the  
variety of  
different factors

# ADJUST WDU PRICING



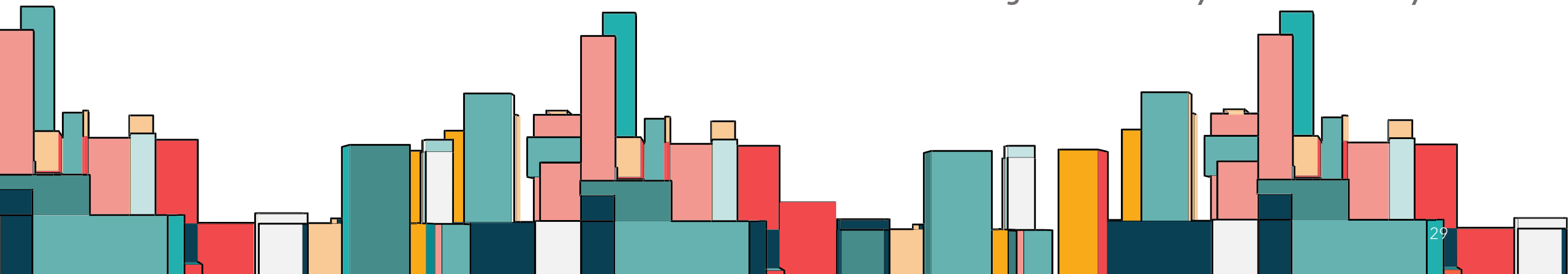
## CONSIDERATIONS

- Pricing based on affordability and HUD income limits, with adjustments to household size, and other factors; not construction costs
- Condo and HOA fees vary by structure type, or type of construction
- Assumption for parking space built into price



## APPROACH

- Adjust WDU pricing to account for the current housing market conditions
- Test how HOA and Condo fees affect housing affordability in the County



# CONSIDER RESALE COMPONENTS



Equity between  
initial sale and  
resale prices



Reduce  
impediments to  
resale



FCRHA to  
facilitate resale

# CONSIDER RESALE COMPONENTS



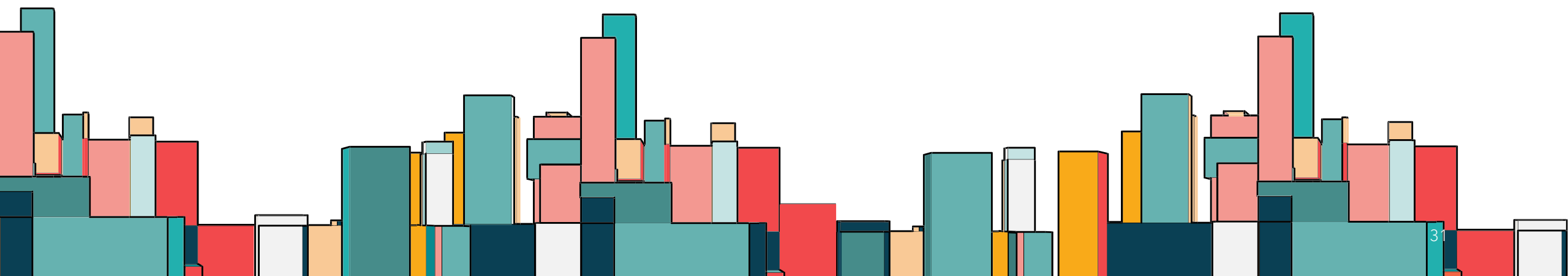
## CONSIDERATIONS

- Setting an affordable price at the initial sale
- Resale price calculation based on CPI



## APPROACH

- Evaluate trends in sales price growth in the County
- Compare sales price growth based on CPI to growth in incomes by AMI level



# EXPAND GEOGRAPHIC APPLICABILITY



Expand to high  
density beyond  
development  
centers



Expand high-  
rise policy  
beyond Tysons



# EXPAND GEOGRAPHIC APPLICABILITY



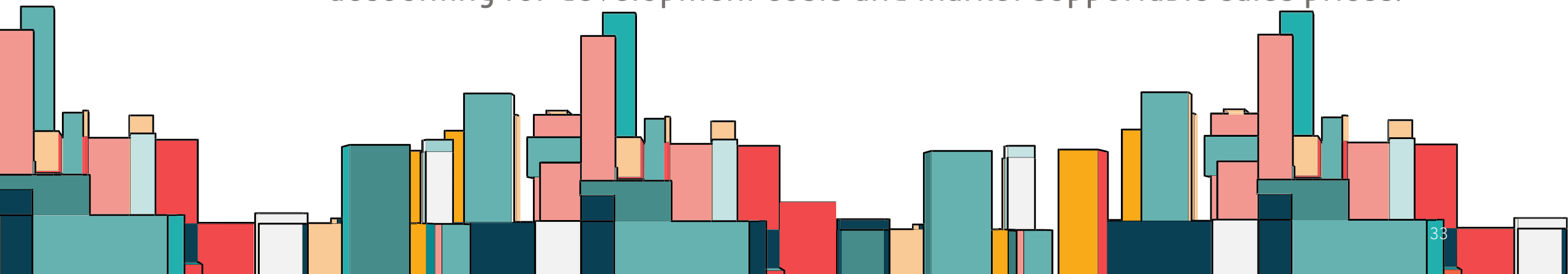
## CONSIDERATIONS

- Current applied in County's designated mixed-use centers
- Unique high-rise model for Tysons
- Moderate to high densities are also planned outside of these areas
- WDU rental policy expanded to these areas recently



## APPROACH

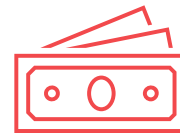
- Evaluate the ability to expand High-density program County-wide accounting for development costs and market supportable sales prices.



# EVALUATE TERM OF PRICE CONTROL



WDU as  
permanent  
affordable  
housing



Ability to build  
generational  
wealth

# EVALUATE TERM OF PRICE CONTROL



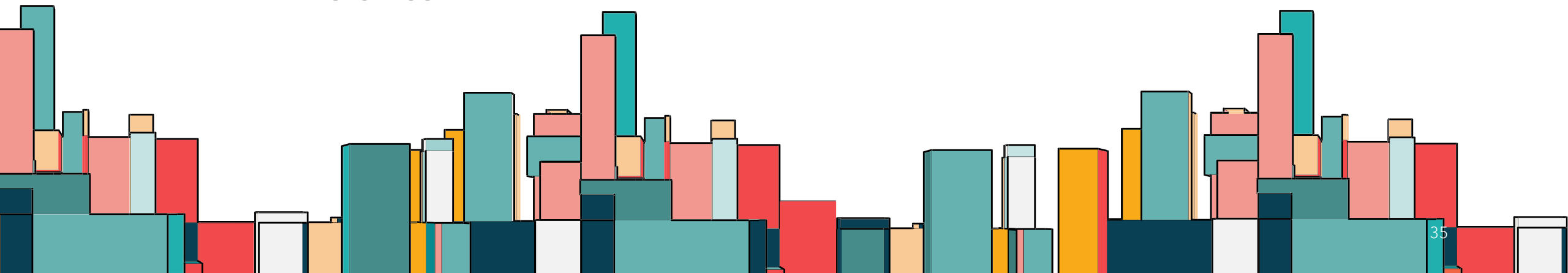
## CONSIDERATIONS

- Currently 30-year term
- Renewable term as permanent affordable
- Best practices for comparable jurisdictions
- ADU and WDU number of resale



## APPROACH

- Understand affordability period best practices from interviews and case studies



# TIMELINE

HR&A will engage with the task force over the next 6 months.

May 2023

June 2023

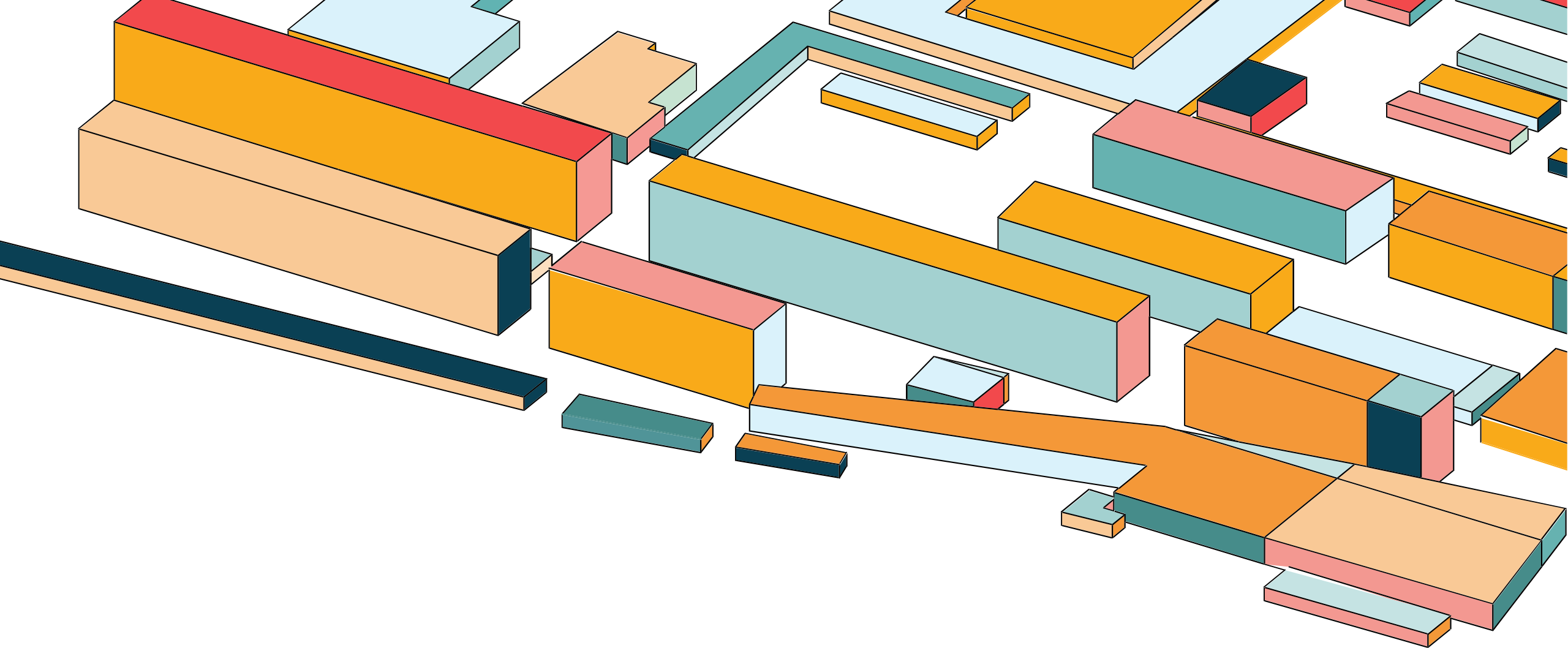
July 2023

August  
2023

September  
2023

October  
2023





# DISCUSSION