

Date of Meeting: July 10, 2018

2

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
INFORMATION ITEM**

SUBJECT: Economic Development Advisory Commission Update

ELECTION DISTRICT: Countywide

STAFF CONTACT: Buddy Rizer, Executive Director, Economic Development

PURPOSE: Todd Pearson, Economic Development Advisory Commission (EDAC) Chair, will update the Finance/Government Operations and Economic Development Committee (FGOEDC) on EDAC initiatives.

BACKGROUND: At the March 13, 2018, FGOEDC meeting, the Board authorized the formation of the EDAC Housing Ad-Hoc Committee to examine best practices from other jurisdictions, and review current County policies, taxes and incentives that may discourage (or encourage) the development of an appropriate continuum of housing. The Ad-Hoc Committee will report on its findings at this FGOEDC meeting on July 10, 2018.

EDAC wishes to acknowledge the hard work performed by the Ad-Hoc Committee members below, who reviewed and analyzed data, reports and other information over five meetings starting on April 13 and ending June 15. The Ad-Hoc Committee's recommendations are in the attached report.

Beckwith Bolle

Carter Braxton Preferred Properties

Brent Campbell

Housing Advisory Board

Chuck Claar

R.W. Murray Co.

Sarah Coyle Etro

Loudoun County Department of Family Services

Omari Faulkner

EDAC representative on the Housing Advisory Board

Jan Kernan

Loudoun County Rural Economic Development Council

Chauvon McFadden

Crimson Wealth Strategies

Stacey Miller

Inova Health System

Brenda Morton

Dulles Area Association of Realtors

Todd Pearson

B.F. Saul Company

Erin Rayner

Congresswoman Barbara Comstock's Office

ISSUES: There are no issues associated with this Information Item.

FISCAL IMPACT: There is no fiscal impact associated with this Information Item.

ATTACHMENT:

1. EDAC Housing Ad-Hoc Committee Report

LOUDOUN COUNTY
ECONOMIC DEVELOPMENT
ADVISORY COMMISSION

Economic Development Advisory Commission
Housing Report
July 2018

The affordability and availability of housing is vital to Loudoun's economic development success. In fact, at its most basic level economic development exists to increase the quality of life for residents and to provide people the opportunity to prosper and sustain themselves. Housing and economic development should be seen as symbiotic rather than independent of each other, as one cannot thrive without the other. A strong local economy is dependent on a continuum of housing for all people across the income spectrum. Loudoun will not continue its success with policies that welcome new jobs but prohibit new homes.

According to the Department of Planning and Zoning's most recent annual report, Loudoun's remaining inventory of single-family homes (detached and attached) totals 10,367¹. Based on our current absorption rate of 2,443 single-family homes per year², Loudoun has a mere four-year supply of homes remaining.

Almost one-third of all Loudoun households are cost burdened³. This is defined by the Department of Housing and Urban Development as those families who pay more than 30 percent of their income for housing and may have difficulty affording necessities such as food, clothing, transportation and medical care⁴.

A report produced in April by county staff shows that a family of four earning 100% of the area median income cannot afford to pay more than \$351,600 for a home without becoming cost burdened⁵. Yet the median home sales prices for Loudoun is \$475,000⁶. Furthermore, there are only 83 homes for sale in the county that are listed for \$350,000 or less. For single-person households, the average median income is \$82,050 giving them purchasing power up to \$246,150. Currently, there are only 17 residences listed for sale for \$250,000 or less.

¹ <https://www.loudoun.gov/residential-pipeline>

² <https://www.loudoun.gov/DocumentCenter/View/127438>

³ <https://www.loudoun.gov/DocumentCenter/View/127559> (p. 5)

⁴ https://www.hud.gov/program_offices/comm_planning/affordablehousing/

⁵ Housing Advisory Board: April 11, 2018 Update on Housing Initiatives

⁶ <https://dullesarea.com/2018/05/14/april-2018-loudoun-county-market-trends-report/>

43777 Central Station Drive • Suite 300 • Ashburn, VA 20147
Tel: 703-777-0426 • Fax: 703-771-5363

biz.loudoun.gov

Attachment 1

LOUDOUN COUNTY ECONOMIC DEVELOPMENT ADVISORY COMMISSION

High housing costs increase commute times and lower quality of life as workers are forced to find accommodations farther away. The 2016 American Community Survey data from the US Census Bureau shows that the Washington Metro region has the longest average commute times in the nation. It also reduces worker mobility which stunts economic growth. Drs. Chang-Tai Hsieh of the University of Chicago and Enrico Moretti of the University of California-Berkeley noted in their recent study, “Housing Constraints and Spatial Misallocation,”

“We conclude that local land use regulations that restrict housing supply in dynamic labor markets have important externalities on the rest of the country. Incumbent homeowners in high productivity cities have a private incentive to restrict housing supply. By doing so, these voters de facto limit the number of US workers who have access to the most productive of American cities. In general equilibrium, this lowers income and welfare of all US workers⁷.”

Furthermore, an inadequate housing supply increases the cost of overhead to businesses to compensate for the high cost of living. The Economic Policy Institute’s Family Budget Calculator estimates a basic standard of living in Loudoun County for a (2) adult, (2) child household is one of the highest in the nation at \$112,697⁸. This also has the effect of shrinking residents’ disposable income, which in turn hurts local businesses, especially the retail and restaurant sectors⁹.

Access to a talented workforce is the number one factor driving site selection for employers today¹⁰. Recruiting new businesses is becoming increasingly competitive amongst local and state jurisdictions. To maintain its competitiveness Loudoun must deliver a continuum of housing that provides a deep and talented workforce across the income spectrum.

To achieve a continuum of housing Loudoun has multiple choices that fall into two categories:

- 1) Zoning and Land Use
- 2) Financial Tools

Zoning and Land Use

The greatest impediments to the production of housing in Loudoun are our current land use policies and zoning framework. These plans and regulations have greatly constricted the supply of housing and our Euclidian approach to zoning has created suburban sprawl. Throughout Loudoun County the majority of new construction from recent decades is low-density, mono-functional and car-dependent. These

⁷ <https://eml.berkeley.edu/~moretti/growth.pdf>, p.3

⁸ <https://www.epi.org/resources/budget/budget-map/>

⁹ <https://biz.loudoun.gov/files/Retail-study.pdf>

¹⁰ <http://time.com/money/5196442/amazon-hq2-location-pick/>

**LOUDOUN COUNTY
ECONOMIC DEVELOPMENT
ADVISORY COMMISSION**

communities consume massive areas of land per capita. Not only is this type of built environment fiscally and environmentally unsustainable it has exacerbated the cost of housing.

However, appropriate policies could create an environment where the amount and diversity of housing types and sizes could be increased throughout Loudoun County. With these types of increases, Loudoun County could create a continuum of housing and address housing affordability and attainability.

There are numerous planning and policy tools that could be used to help address issues of housing affordability and housing needs. Many have been articulated through current and former planning efforts, such as Envision Loudoun, the Economic Development Advisory Commission Nighttime Economy Ad-Hoc Subcommittee on Housing, the Housing Stakeholders Group, the Housing Advisory Board and Affordable Dwelling Unit Advisory Board meetings, and the 2017 Housing Summit. We applaud these efforts and encourage consideration of many of their recommendations.

While not an exhaustive list, here are some suggestions for Loudoun County:

Increase the base densities in certain areas and permit new housing types.

- Increase the density around major employment corridors and Silver Line Metrorail stations, especially targeting one mile, three mile and five mile radii where multimodal transportation can be effective (walk, bike, bus).
- Ensure bonus density and Affordable Dwelling Unit policies are correctly incentivizing developers to reach maximum planned densities.
- Eliminate the TR-10 (1 DU per 10 acre) zoning in the Transition Area that is less dense than the AR1 cluster (1 DU/5 acres) in the Rural Policy Area.
- Implement flexible development standards for density, minimum lot sizes, and setbacks to allow newer housing concepts, such as accessory dwelling units (sometimes called “granny-pods”) in existing single-family neighborhoods, cooperative housing, tiny houses and cottage communities.
- In the Rural Policy Area allow by-right dormitory housing, tenant dwellings and portable housing units for farm workers.
- Identify county-owned land for workforce housing or repurpose vacant commercial property.
- Identify land that could be redeveloped into new housing or mixed-use communities (without removing the current affordable housing stock in these areas).
- Regulate mid-rise multifamily by floor area ratio instead of by DU/acre near the Silver Line.

Expedite the process for residential housing and affordable housing.

- Create an expedited permit process to advance permit applications to the front-of-the-line for developers who offer additional affordable units.

43777 Central Station Drive • Suite 300 • Ashburn, VA 20147
Tel: 703-777-0426 • Fax: 703-771-5363

biz.loudoun.gov

**LOUDOUN COUNTY
ECONOMIC DEVELOPMENT
ADVISORY COMMISSION**

Develop a form-based code and allow for “Missing Middle” housing types.

- “Missing Middle” refers to mid-density housing that is between single-family detached and mid-rise apartment buildings such as a duplex, triplex, courtyard apartment, or live/work unit.
- A form-based code is a replacement zoning regulation that focuses on the physical form and character of the built environment rather than using Euclidean zoning which segregates by use and density.
- Traditional density-based zoning districts cannot allow the blended densities that are typically inherent in neighborhoods where Missing Middle Housing exists. The Missing Middle types have compatible forms, but often vary dramatically in their densities, thus making them impossible to regulate with a density-based system.

Conduct regular assessments and reviews.

- Regularly examine and estimate unmet housing needs.
- Regularly examine housing programs for their effectiveness in addressing housing needs.
- Regularly review and update the Comprehensive Plan in order to accommodate future changes in residential and commercial needs.

Financial Tools

The county should consider offering financial incentives to developers and to the workforce to help stimulate both the creation of workforce housing and the attainability of housing. Incentives may take the form of loans, such as those from the Loudoun County Housing Trust; the reconfiguration of capital facilities impacts assessments; the introduction of down payment assistance for first-time homebuyers; the use of public land and/or collocation opportunities for workforce housing development; pursuing and obtaining federal, state and private foundation financial resources, and working consistently, regularly and in partnership with key community stakeholders. Each partner – whether government, business, non-profit, developer – has a different and important set of tools to contribute. The use of these tools in combination can have the impact of increasing the supply and the attainability of housing across the continuum of need.

Pursue public financing options for affordable housing.

- Provide a mechanism by which affordable housing developers can borrow money from the Loudoun County Housing Trust to build housing.
- Proactively pursue grants and other financing from federal, state and private foundation sources.

43777 Central Station Drive • Suite 300 • Ashburn, VA 20147
Tel: 703-777-0426 • Fax: 703-771-5363

**LOUDOUN COUNTY
ECONOMIC DEVELOPMENT
ADVISORY COMMISSION**

Explore offering free or subsidized public land to affordable housing builders.

- Develop a proactive “public land for public good” program that offers public property to reduce the cost of housing development by reducing or eliminating the land cost.
- Assemble tax sale properties to establish a community land trust/land bank to have property available for the construction of affordable housing.

Reevaluate capital facility impacts to acknowledge broader diversity of unit types and households.

- Differentiate more finely (use square footage, for example) the capital facility costs associated with a broader range of unit types to encourage the development of needed unit types (studio and one bedroom apartments, smaller homes by square footage, etc.).
- Identify alternatives in calculating the costs of development (such as a rating system) to reduce costs when workforce/affordable housing is developed and promote diversity in unit types produced.

Increase the financial resources gained from state and federal sources.

- Leverage strategic geographies with federal programs/funding:
 - Opportunity zones.
 - Low-income census tracts.
 - Qualified census tracts.
- Obtain Federal Transit Administration funding to help build and maintain mass transit systems to ensure public transit access to workforce housing locations.
- Pursue HOME, Emergency Solutions Grants and other federal entitlement grants.
- Pursue State and Federal Housing Trust funds.
- Evaluate/reformulate the Community Development Block Grant program for housing focus to include property acquisition, rehabilitation and construction.

Expand the home purchase programs to help with down payment assistance.

- Expand the Down Payment and Closing Cost Assistance program for incomes up to 100% of the average median income to help first-time homebuyers purchase a home.
- Create and implement home buyer readiness financial literacy to help educate first-time home buyers.
- Buy ADUs that are for sale close to the 15-year covenant expiration and extend the covenant.
- Revise the affordability covenants for new projects.
- Promote and facilitate the First-time Home Buyers Savings Plan which enables the establishment of a savings plan for the purchase of a home and exempts the earnings on the savings (Code of Virginia Chapter 32, sections 55-555 through 55-559).

43777 Central Station Drive • Suite 300 • Ashburn, VA 20147
Tel: 703-777-0426 • Fax: 703-771-5363

**LOUDOUN COUNTY
ECONOMIC DEVELOPMENT
ADVISORY COMMISSION**

Promote cross-sector collaboration among county departments and advisory bodies.

- Facilitate collaboration and stakeholder groups among developers, lenders, state, housing, economic development and transportation officials.
- Develop a housing ambassador program to Loudoun’s towns to raise awareness.
- Conduct regular focus groups with the building industry.
- Conduct regular meetings with industry leaders (such as the CEO cabinet and major employers).
- Convene an Annual Housing Summit to check in with stakeholders on the issues and successes.
- Coordinate with Virginia Regional Transit to ensure access to and from workforce housing to jobs/services.

CLOSING

For years, Loudoun County has relied on growth, in both the residential and commercial sectors, to balance its budget and provide an exceptional quality of life for its residents. Today, housing inventory in Loudoun is at record lows¹¹ and there is growing alarm among Loudoun’s business leaders that the seriousness of this shortage will have severe impacts on Loudoun’s ability to provide the robust workforce required to continue to retain and expand Loudoun’s commercial tax base. It is imperative that Loudoun embrace the changes necessary to deliver a continuum of housing and provide the talented workforce sought after by businesses. These changes will take time and careful study. Therefore, we recommend Loudoun County immediately begin the process to move forward with both zoning and land use-changes as well as evaluate and implement financial tools to ensure a diverse continuum of housing across the income spectrum.

NOTE

For examples of solutions applied by other jurisdictions in the national capital area, see “A Guidebook for Increasing Housing Affordability in the Greater Washington Region.”

http://docs.wixstatic.com/ugd/06af46_0268b7d74a0a40ec88b5a7cfaa11333f.pdf

For details about the costs of buying or renting a home in Loudoun, see “Primer on Housing in Loudoun County.”

http://loudoun.granicus.com/MetaViewer.php?view_id=69&clip_id=5147&meta_id=130106

¹¹ <https://dullesarea.com/2018/02/19/january-2018-loudoun-county-market-trends-report-another-record-low-month-for-inventory-home-sales-continue-to-decline/>