

MEMORANDUM

TO: Mr. James Parajon, City Manager
FROM: Alexandria Housing Affordability Advisory Committee
DATE: November 4, 2022

RE: Priorities for FY 2024 City of Alexandria Budget

Dear Mr. Parajon,

The Alexandria Housing Affordability Advisory Committee (AHAAC) is responsible for advising the Office of Housing and City Council on housing affordability, home ownership, and equity for all Alexandria residents. As Council considers the challenges of the FY 2024 budget, our Committee requests that the following needs be addressed in your deliberations.

THE COST OF CREATING NEW AFFORDABLE HOUSING HAS RISEN DRAMATICALLY

Previously, a developer's typical annual request for a single affordable housing project was about \$7 million. The pandemic, inflation, and supply chain slowdowns have increased these costs to about \$8 million and soon, we expect this cost to reach \$10 million. City funding is insufficient at current levels to meet developers' costs, impacting current pipeline projects as well as new pipeline projects. As a result, the City may jeopardize its ability to meet Housing Master Plan goals for affordable housing and its Metropolitan Washington Council of Governments (MWCOC) Regional Housing Initiative targets.

THE CURRENT AFFORDABLE HOUSING SITUATION IN ALEXANDRIA

- Approximately 15,000 low- to moderate-income city households are estimated to pay more than 30% of their income on rent and utilities; of these, more than 7,000 households with incomes below \$50,000 are estimated to pay more than half of their incomes on housing-related costs. Further exacerbating this issue, the city has lost nearly 11,600 market affordable units, a 64% decrease, between 2000 and 2022.
- The Office of Housing staff has done a laudable job in moving forward projects to meet the Housing Master Plan's modest goal of 2,000 units with new affordability by 2025, three years early. In addition, the City has committed to 2,250 additional affordable and workforce affordable units by 2030 as part of MWCOC's Regional Housing Initiative goal. It is noted that some projects still require City funding commitments to be realized.
- It costs approximately \$550,000-\$600,000 to build an affordable unit, including costs related to development fees, required contributions towards public amenities, and a variety of infrastructure improvements. Housing funds are loaned to meet about 20% of these costs; because of the City's investment, the remaining funds can be leveraged from debt and equity provided by third parties.
- The inability of lower income individuals to afford living inside the city exacerbates lower-wage labor shortages. With many workers forced by housing costs to live outside the city, transportation into and out of the city increases demands on our transportation system.

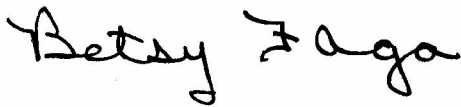
FY 2024 BUDGET RECOMMENDATIONS

City Council, with staff support, is urged to take a strong leadership role and tangible actions to increase the total amount of affordable housing and its funding in Alexandria by:

- Playing a leadership role in convening and coordinating the efforts of key parties to meet these needs together. Convened parties may include local public, private (e.g. JBG Smith, Amazon, developers and their attorneys), nonprofit (e.g. the Chamber, ACT), and faith leaders, who may identify opportunities and commit to obtaining more affordable housing in Alexandria.
- Considering increasing the dedicated portion of the meal tax which currently generates about \$5 million annually and/or find another source of dedicated funds among other fees or taxes collected by the City.

Thank you for considering our input. We look forward to working with you, City staff and City Council on the most basic of needs – adequate housing.

Sincerely,

A handwritten signature in black ink that reads "Betsy Faga". The signature is written in a cursive, flowing style.

Betsy Faga, Chair
Alexandria Housing Affordability Advisory Committee (AHAAC)