

# Housing affordability: Challenges coming to Arlington County and the City of Alexandria as a result of hi-tech initiatives in the region

**I**NVESTMENTS IN INFRASTRUCTURE – such as schools, parks, libraries, transit, and other public facilities – have made Alexandria and Arlington sought after places to both live and work. However, both jurisdictions recognize that efforts to preserve and expand housing affordability are a critical component of their continued economic success. As such, Arlington County and the City of Alexandria have invested considerable financial and land-use resources to preserve and expand their supply of affordable housing to a wide range of working households. These resources have been critical to address the loss of affordable housing that has been most acutely felt by renters in the area but also by the region’s moderate-income earners who wish to purchase a home.

**Arlington and Alexandria have lost approximately 29,000 “market affordable rental units” since 2000. Most of these units were lost due to rent increases.**

In this article, we will examine how affordable housing considerations were part of the Amazon HQ2 proposal process and how they continue to figure prominently in the region’s preparations for the tech giant’s arrival along with Virginia Tech’s Innovation Campus also coming to the area.

## Stronger together

Arlington and Alexandria’s decision in the Fall of 2017 to collaborate on a joint response to the Amazon HQ2 competition, as part of the Virginia Economic Development Partnership’s overall Virginia

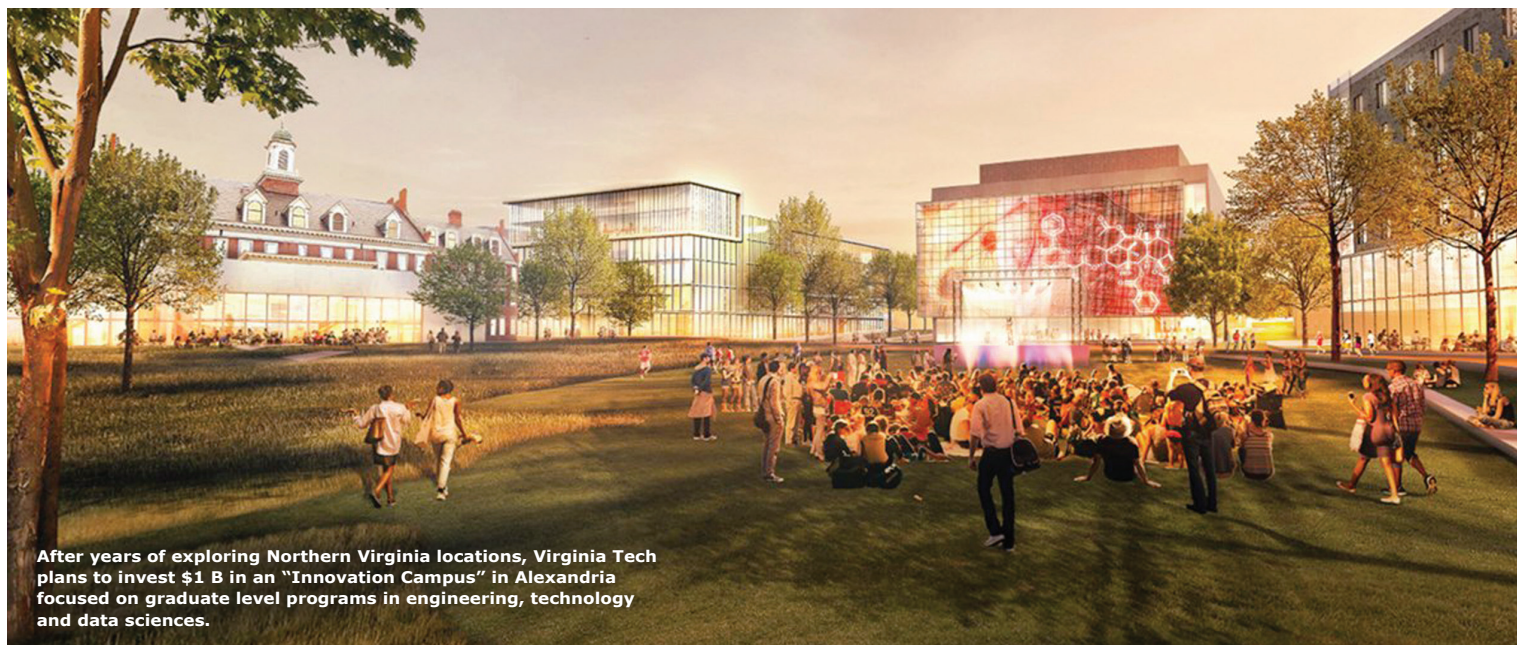
submission to Amazon, might seem like an unusual economic development practice. But the opportunity to host Amazon’s new HQ2 was in and of itself unusual since it would provide a tremendous boost for both localities as well as the entire region. The decision to collaborate reflects the jurisdictions’ early assessment that their shared real estate assets, transportation infrastructure, human capital, and social values would make the location attractive to Amazon.

Adopting a less territorial approach also enabled the two local economic development teams leading the effort to combine staff expertise for added guidance and input. Along with their regional and state partners, this cadre helped troubleshoot and respond to issues likely to be important to Amazon based on its member’s experience and aspirations.

## Welcome to “National Landing”

To the people who live and work in the area selected for the proposal – Arlington’s Pentagon City and Crystal City, and Alexandria’s Potomac Yard – the boundaries between the neighborhoods feel invisible. To underscore this fact to Amazon, the collaborative proposal team rebranded the region as “National Landing.” Fortunately, the area had recently undergone a comprehensive planning effort which meant that, if selected, Amazon would only need to make minimal updates to accommodate the necessary development and redevelopment for HQ2.

The region’s suitability for hi-tech endeavors was further evidenced by Virginia Tech’s recent decision to establish an Innovation Campus less than two miles away from the proposed HQ2 site. Although the Innovation Campus presents additional affordable housing



After years of exploring Northern Virginia locations, Virginia Tech plans to invest \$1 B in an “Innovation Campus” in Alexandria focused on graduate level programs in engineering, technology and data sciences.

## Affordable housing considered from the start

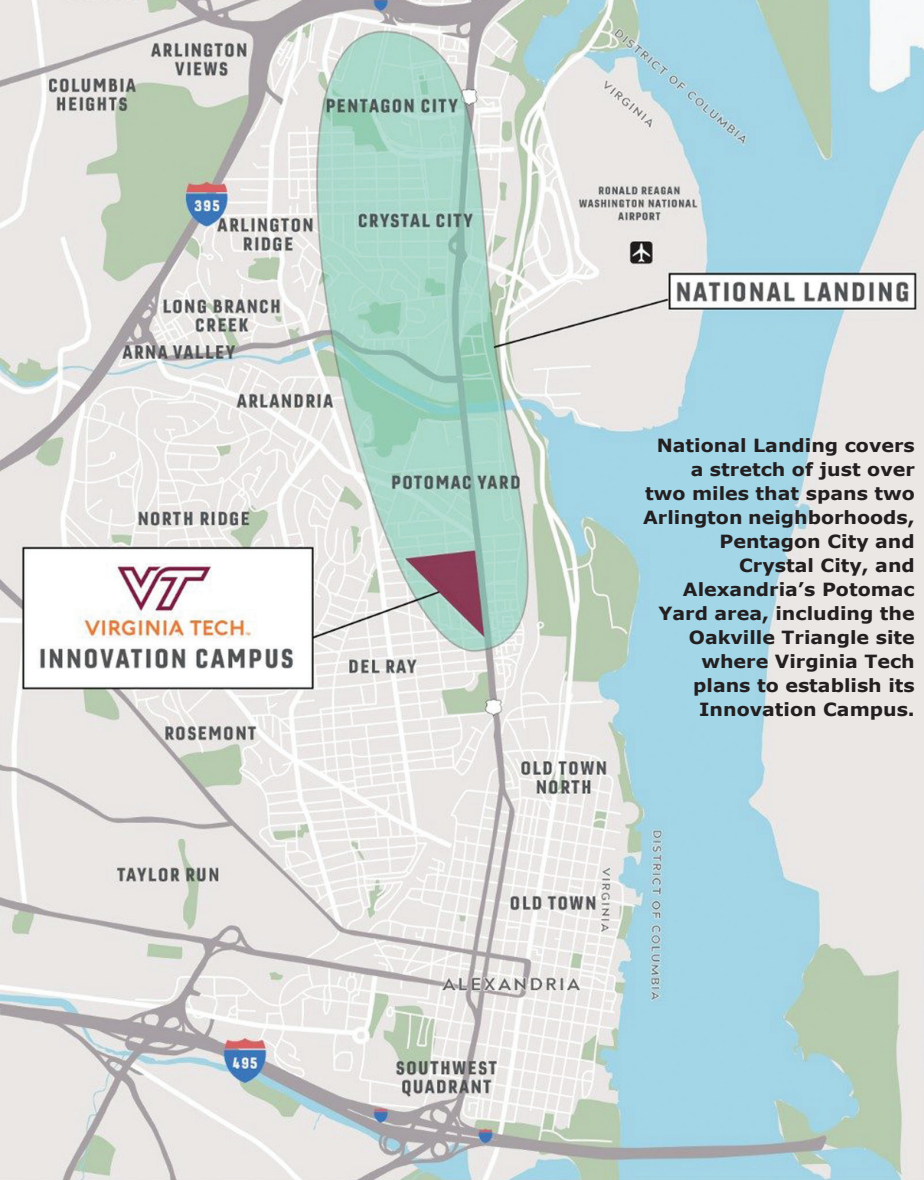
Early in the process, various participants in the HQ2 proposal voiced concern over the impact to the region's already strained housing market. It was common knowledge that Amazon's exponential corporate growth in Seattle had placed extraordinary pressures on that area's real estate market and been blamed for problems like increased homelessness and a dearth of affordable and workforce-income level housing options. Furthermore, economic development organizations in both Arlington and Alexandria had recently lost business prospects who found the area's housing costs too high for their employees. While both Arlington and Alexandria had made substantial investments to produce and preserve affordable units over the past decade, it was clear to the proposal team that meeting the housing needs associated with Amazon's HQ2 over the next 10-12 years would require new levels of innovation, collaboration and resources from all partners. The team had to consider not only the planned 25,000 jobs associated with Amazon's HQ2 but also the many other jobs generated to support Amazon (including in lower wage sectors like retail, construction, hospitality and services).

With support and participation from the State, especially staff leadership with the Virginia Housing Development Authority (VHDA), Northern Virginia housing staff convened a brainstorming session with peers from other local governments and housing authorities, as well as industry and nonprofit housing development chief executive officers. This group met to candidly discuss what it would take to provide the range of housing options needed for Amazon's HQ2 and related workforce.

This meeting was remarkable not just because of the discretion of the attendees during an intense period of national competition and media scrutiny, but also for the creative collaboration that enlivened the group's positive, problem-solving approach. The group discussed many housing types, tenures (i.e. the financial arrangements under which someone has the right to live in a

house or apartment) and ranges of affordability and calculated a preliminary estimate of the public investment that would be needed to achieve its affordable housing goals.

The urgency to plan for an adequate supply of housing increased in the Spring of 2018 when Northern Virginia was selected as one of 20 HQ2 finalists. The planning discussions expanded to include regional businesses, philanthropists, real estate professionals, educators, healthcare providers, technology experts and venture capitalists (to name but a few) as new stakeholders. This constellation of groups, including the Metropolitan Washington Council of Governments and the Greater



**National Landing covers a stretch of just over two miles that spans two Arlington neighborhoods, Pentagon City and Crystal City, and Alexandria's Potomac Yard area, including the Oakville Triangle site where Virginia Tech plans to establish its Innovation Campus.**



challenges, it is believed that the synergy between the tech giant's new headquarters and the Innovation Campus' ready workforce of trained technology, engineering and data science graduates brings great opportunities to meet those challenges.

**Amazon HQ2 will occupy or develop between 4-8 million square feet of office space in Arlington's Pentagon City and Crystal City areas for its 25,000+ workers at a total investment estimated at \$2.5 billion or more.**



## Housing affordability

Washington Partnership and the Urban Institute, are now studying the issues associated with HQ2 as well as the region's overall housing production capacity. More importantly, these groups are raising awareness of affordable housing among potential investors, many of whom have never considered the issue.

One example of new leadership in this area is JBG-SMITH, the real estate investment trust that owns the portfolio of buildings and property in Pentagon City and Crystal City set to comprise Amazon's first 4,000,000 square feet of its new headquarters. JBG-SMITH established and provided seed money for an eventual \$150 million Social Impact Investment Fund that aims to raise money from non-traditional housing investors to develop or preserve up to 3,000 affordable workforce units in high impact areas of the metropolitan region.

The State committed resources to promote affordable housing as part of its incentive package, which also included transportation upgrades, infrastructure improvements and economic incentives tied to future performance. Specifically, to complement local funds put forward by Arlington and Alexandria (a total of \$150 million over 10 years), the Commonwealth, through VHDA, made a financial commitment of \$75 million in Resources Enabling Affordable Community Housing (REACH) funds.

Concurrently with the Amazon announcement in November, 2018 that NoVA had been selected as an HQ2 site, Governor Northam signed Executive Order No. 25 (at the state's annual housing conference, coincidentally held in Crystal City that year) which "directs the Secretary of Commerce and Trade, with the assistance of the Director of the Department of Housing and Community Development and the Executive Director of the Virginia Housing Development Authority, to identify and implement actions to enable the development of quality, affordable housing with the goal of strengthening communities and fostering economic growth." The State's financial participation, in cooperation with Arlington and Alexandria's efforts, will help the localities successfully address their housing affordability challenges.

## Here comes HQ2 and the Innovation Campus

Although future Amazon employees will live throughout northern Virginia, the District of Columbia, and Maryland, it is likely that Arlington and Alexandria will experience the greatest impact to their housing markets. Both jurisdictions, which continue to collaborate, are preparing to meet this challenge with local tools, strategies and resources to be leveraged along with the \$75 million of new REACH funds committed by VHDA. In mid-March, VHDA will convene a Northern Virginia-based stakeholder group to provide input on criteria for how the new REACH resources can have the greatest impact on housing needs related to Amazon and Virginia Tech. Going forward, Arlington and Alexandria hope to encourage VHDA

**A study by the Stephen Fuller Institute of GMU estimates that approximately 22% of Amazon employees are projected to live in Arlington and Alexandria.**

to expand its five-year REACH commitment and to provide economic development to support more location-efficient housing affordability consistent with the goals outlined in Executive Order No. 25.

Although faced with a rapidly growing and changing economy, officials in Alexandria and Arlington are confident that with the increased participation of the State and private sector, both communities will be successful in their efforts to continue to be vibrant and equitable places to work and to live.


## Getting ready by the numbers

Both Arlington and Alexandria are taking a multitude of steps to prepare for HQ2 and the Innovation Campus. Here are some of the highlights:

### Arlington:

- Over 2,100 Committed Affordable Rental units (CAFs) in some phase of development.
- Despite countervailing market forces, sustained commitment to housing affordability has increased the current inventory of CAFs to more than 8,100 units.
- More than 4,000 units residential units currently under construction (Northern Virginia has a total of 115,000 in the development pipeline).
- Established plans call for tens of thousands of additional residential units in Arlington's transit corridors over time.
- Projected to invest \$7 million per year for 10 years with a goal of creating 1,000 units of affordable housing in and around the project area.
- Two Opportunity Zones located in planned areas with incentives and resources potentially available close to the Crystal City / Pentagon City areas.

### Alexandria:

- Continue to fulfill commitments to implement the 2013 City Housing Master Plan, including its target of 2000 new affordable units by 2025.
- Provide annual dedicated resources for affordable housing of at least \$8 million, including \$2 million Housing Trust Fund dollars, \$5 million Meals Tax Revenues and \$1 million Amazon dedication.
- Use non-financial tools to maximize affordable housing and secure committed units through the development and planning processes (including bonus density, the residential multifamily zone, use of city-owned property and co-location).
- Outreach to neighborhoods in close proximity to National Landing, including potential technical and financial assistance to preserve/expand housing affordability. 

### About the authors:

*David Cristeal has served as the Director of the Housing Division of Arlington County's Department of Community Planning and Development since 2013. Cristeal is a member of the Urban Land Institute's/DC Chapter Housing Initiatives Council, the Metropolitan Washington Council of Government's Housing Directors' Advisory Committee and VHDA's Rental Advisory Board.*

*Helen McIlvaine has been Alexandria's Housing Director since 2015, serving as Deputy Director from 2006 through 2014. McIlvaine is a member of VHDA's Rental Advisory Board and is currently co-chair of the Metropolitan Washington Council of Government's Housing Directors' Advisory Committee.*

**For more information about how the region is preparing to welcome Amazon's HQ2 and Virginia Tech's Innovation Campus, visit the following:**

<https://www.arlingtonva.us/amazon/#>

<https://www.alexandriava.gov/NationalLanding>