

PROMOTING HOUSING ALTERNATIVES

LAND USE TOOLS FOR LANCASTER COUNTY

INTRODUCTION

Housing affordability is a constant struggle for communities of all sizes and locations across the country. In this regard, Lancaster County, Virginia is not very different from any other desirable community. People are attracted to the County for its scenic beauty and rural charm and build and buy new homes. This increased investment drives up land prices which in turn make all housing more expensive. During the public workshops marking the start of this project, many emphasized the need for housing options for much of the County's current and future population. There is concern that rising land prices, in combination with declining employment opportunities was creating an imbalance where people in many sectors of the economy would be unable to afford to live in Lancaster County.

The purpose of this discussion is to introduce a few options available to Lancaster County as it promotes the goal of increasing housing accessibility for portions of the population unable to afford much of the new housing stock being built today.

WHAT DOES AFFORDABLE HOUSING MEAN?

For a variety of reasons related to basic supply and demand principles, the private sector has been generally unable to create affordable housing for the community, especially for persons in lower income ranges. High land costs, increasing house sizes, various development/regulatory fees, and rising material and labor costs have contributed to driving new construction pricing beyond the ability of citizens to afford them.

Affordable housing issues traditionally focus on the provision of housing for lower income households; however, housing affordability is an issue for many segments of the population including the workforce, service-professionals, young families, special needs populations, and seniors. Affordable housing is not simply a physical type of housing unit, but rather the relationship of gross household income to the cost of housing.

It is important to ensure housing options for all income levels. According to data from the US Census, the median home price in Lancaster County was \$131,600 in 2000, the median mortgage was \$908 dollars, and the median household income was approximately \$36,000. When taken alone, these figures do not indicate an affordable housing crisis. However, further examination reveals that roughly 17% of the county's households are paying more than 35% of their total household income towards homeownership expenses. The generally accepted limits established by the Department of Housing and Urban Development suggest that no more than 30% of total income should go towards housing.

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This means that one out of every six families in the county may be over-extended financially to secure housing.

For the purposes of this discussion, affordable housing will be defined as housing affordable to households with annual incomes of less than \$40,000. This is roughly the income that would be required to afford a monthly house payment of \$900 dollars (plus insurance, taxes, and other housing costs) and still fall under the 30% of total income guideline.

VIRGINIA LAND USE STATUTES ADDRESSING AFFORDABLE HOUSING

The *Code of Virginia* has a few statutes devoted specifically to affordable housing. The following are key sections that have particular application in Lancaster County.

| Statute | Title | Description |
|-------------|-------------------------------------|---|
| §15.2-735.1 | -- | Allows a county to require a minimum amount of affordable housing (or payment into a fund) for certain higher density projects that require special exception approval. |
| §15.2-2305 | Affordable dwelling unit ordinances | Allows a county to provide incentives for the provision of affordable housing including permit waivers or reductions, fee reductions, and density bonuses. |

WHAT ARE THE IMPLICATIONS OF MAINTAINING THE STATUS QUO?

Currently, the overwhelming majority (86%) of the housing stock in Lancaster County is comprised of conventional single family detached housing. In comparison, statewide, 62% of the housing stock is single family detached. Generally, single family detached housing is the most expensive development type because each home sits on its own lot. While this may be the preferred option for many people, it may be out of reach for some of the County's current or future homeowners. The lack of housing alternatives also means that teachers, firefighters, and people in most service sectors could be hard pressed to find housing in Lancaster County and may be forced to look for housing in other parts of the region. The children of county families may also be forced to leave the area as they search for housing options affordable to young families who are just starting out in the work place.

When the R-2 Zoning District was repealed, a mechanism for developing non- single family subdivisions was lost.

It warrants mentioning that multifamily dwellings can still be constructed in Lancaster County using the commercial zoning districts. However, rezoning to commercial, just for the purposes of building multifamily housing is both awkward and unwise. Commercial zoning allows many uses that may not be compatible with surrounding neighborhoods, so there may be unintended future consequences of changing a property's zoning to commercial. This is especially important if the housing is not constructed in the short term, in which case a future buyer of the property may elect (and would be allowed) to construct any of the uses allowed in the commercial zoning district.

RECOMMENDATIONS FOR LANCASTER COUNTY

Lancaster County would be wise to pursue one or more of the tools recommended in this discussion piece. Housing affordability will become an ever increasing challenge as the price of land continues to rise and is not matched by a commensurate increase in salaries for teachers, firefighters, public sector employees, and other service workers.

Affordable housing ordinances generally contain provisions defining income eligibility requirements, criteria used for determining the pricing of affordable units, restrictions on the resale of affordable units (to ensure that new owners do not turn around and resell the units at market rates), and frequently include provisions for the payment of fees in-lieu of construction of the units.

There are some common best practices that appear throughout the literature on affordable housing to ensure quality projects that are both an asset to the community and an attractive alternative for Lancaster County citizens:

1. Mixing market-rate and affordable units can also provide the following benefits:
 - Consistent high-quality design and construction can ensure that there is visible distinction between the market-rate and subsidized units
 - Mixing units reduces overall risk and can help increase absorption rates
 - Widens scope of target market and allows developments to respond more flexibly to changing market conditions
 - Could allow developer to access housing finance programs and possibly increase density
2. When a single mixed-housing type development is master planned by a single developer:
 - Seamless design ensures that housing prices will not be impacted by inclusion of affordable units
 - New development can blend aesthetically into the neighborhood helping surrounding communities to accept affordable housing more readily
 - Density can be disguised through the strategic use of open space and creative unit and type configurations

It is important that the County identify appropriate locations for more affordable housing. Ideally, locations near jobs and (if available) public transportation will be important for promoting choices that are more affordable to purchase or rent, and sensible to live in. Solutions requiring increased densities must be in locations where the development can be adequately serviced by infrastructure and have lower environmental constraints. Engineered solutions may be an alternative, but their overall cost must be incorporated into the calculation.

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The County may wish to develop a “scorecard” approach to streamline the local approval process and reduce or waive fees for affordable projects meeting goals in areas such as design, income mix, etc. Changes to existing processes and requirements can encourage developers seeking to create a wider range of housing choices.

ZONING AND SUBDIVISION TOOLS

MIXED HOUSING TYPES

Description

Residences within a conventional residential subdivision typically has one type of construction, parcel size and costs. Unfortunately, this lack of diversity in housing type and costs results means that most new homes are out of the price range of many County residents. Housing can often be made more affordable by allowing for higher densities and a mix of housing types and income levels. Mixing detached houses, rowhouses, townhouses and apartments, in combinations appropriate to the local site and market, allows for more expensive units to "subsidize" the necessary infrastructure, helping make other units more affordable.

Insert graphics of developments with mixed housing types.

Developments with mixed housing types are becoming more commonplace as this segment of the market matures, and some communities are even mandating a mixture of different densities (this is still relatively rare). Design and performance standards can ensure compatibility between the different types of housing and buffering around the development can provide transitions to adjoining properties.

Where Used

Harrisonburg, Virginia

Harrisonburg, Virginia has recently adopted revisions to its zoning ordinance for the provision of a low-density mixed residential community and a medium-density mixed residential community. The districts allow multiple housing types by right. While not specifically intended to provide affordable housing, these districts do create a range of housing options for potential home purchasers and renters.

Usefulness for Lancaster County

Currently, a builder in Lancaster County has few options when looking for places to construct a mixed income development with mixed housing types. The recently repealed R-2 zoning district was the only residential district designed to accommodate multifamily. Even that district had relatively low density ceilings and high lot size requirements which would increase the land costs of a particular project.

One approach that could be considered would be to allow housing type mixtures in a conservation development. With appropriate development standards, different styles of housing could be incorporated into a project that is almost invisible from the public roadway and

adjoining properties. Furthermore, a reduction in the amount of infrastructure and site preparation needed to develop a more compact site could reduce overall construction costs and the corresponding price of homes.

DENSITY BONUS

Description

Many communities have developed programs that offer developers "density bonuses" in exchange for the inclusion of affordable units within a proposed residential project. A density bonus allows a developer to build more units within a project than would otherwise be permitted under normal density limits. Both zoning and subdivision regulations can be modified to allow density bonuses. Ordinances based on developer incentives offer a positive alternative to mandatory programs that may be resisted by local developers. Voluntary programs allow developers to determine for themselves whether participation will be cost effective.

By increasing the overall value of a project, density bonuses make the provision of affordable housing units more economical. These bonus programs allow for the provision of affordable housing that in many cases would not be economically feasible for either the developer or the municipality.

Where Used

Density bonus programs are used in many Virginia communities. Fairfax County; Falls Church; and Loudoun County all have programs that apply to developments of 50 or more units where the density is greater than 1 unit per acre. Density bonuses are provided up to 20% on a sliding scale. The more bonus density, the more affordable units must be provided. In these communities, the ordinance gives the locality the right to purchase up to 1/3 units for lease in an effort to ensure affordability for a longer period. Some programs also have priorities for those who work in the jurisdiction itself. For example, Loudoun County requires that the head of household living in an affordable unit works in the county.

Usefulness in Lancaster County

Bonuses may be a very important tool in expanding the County's selection of affordable housing stock. However, depending on market conditions, density bonuses alone may not be sufficient as an incentive to developers. The County may want to consider additional incentives such as expedited permitting, reduced setbacks, street frontages, and other cost reducing inducements.

The County would need to consider what level of additional density will be allowed in exchange for a specified number of affordable units. During the initial public workshops, some raised the concern over increased traffic that would likely result from additional density. Density bonuses are usually expressed as a percentage of the density allowed under normal zoning regulations. Virginia statutes actually limit the maximum additional density to 20% in exchange for a minimum of 12.5% affordable units.

Density bonus programs must be designed on the basis of a thorough understanding of the real estate market to determine feasibility and to develop appropriate regulations. If current zoning allows enough density to satisfy current market demand, developers may have no interest in using a density bonus. Further, if most new houses in the community are built individually or two and three at a time, density bonuses may not be appropriate. This approach generally works best in larger scale developments.

LOT STANDARD REDUCTIONS

Description

Much of the cost associated with a home purchase is the cost of the land underneath the home. By reducing the overall size of the lot required, home prices can be significantly reduced.

Garden homes and zero-lot line developments are examples of development types where reduced setbacks can result in a more affordable housing product, while still maintaining privacy and adequate separation between homes.

Insert planview and elevation of zero lot line home

Reducing lot size and setbacks can also allow more dwelling units on a more compact portion of a project which in turn can decrease the cost of housing in a development and provide more common open space. Some communities allow the reduction of development standards only for the affordable portions of a project, and may impose this through a special exception permit or planned unit development. In this case, the permitting process must be designed to minimize added cost to the project (see *Expedited Permitting*).

Where Used

[Editor's note: Still researching areas where lot size reductions are used to incentivize affordable housing- ultimate examples may be located outside of the Commonwealth.]

Usefulness in Lancaster County

When used in combination with enhanced project buffering standards, a reduction in separation distances may be unnoticeable to passerby. Furthermore, standards which would require a slightly smaller home on a more compact lot may appear less cramped than a typical 4 bedroom house on the same lot. This tool needs to be considered, if selected, carefully crafted to ensure that overall product quality is not sacrificed in the pursuit of maximum affordability.

INCLUSIONARY ZONING

Description

Inclusionary zoning is a technique applied to new housing developments in which a certain portion of the units being constructed are set aside to be affordable to low- and moderate-income home buyers. This technique may be applied to both rental and owned units, and single- or multi-family housing projects. Inclusionary zoning ordinances can be either mandatory, requiring developers to build a specified number of affordable units, or voluntary, based on development incentives, such as density bonuses which allow a developer to build more units (at a higher density) on the same site in exchange for the inclusion of a number of affordable units.

Inclusionary programs can avoid the problems of overconcentration, isolation, and stigmatization of affordable housing units, by integrating them into housing developments located throughout the community.

Where Used

Many jurisdictions in urban portions of the Commonwealth are using inclusionary zoning very successfully. The City of Alexandria and Fairfax County have programs which are mandatory. Loudon County's program is also mandatory, but a density bonus is provided.

Alexandria, Virginia

The City's Affordable Housing Policy requires developers of sales housing either make contributions to City's Housing Trust Fund or provide affordable set aside units through price reductions in an amount equivalent to a \$.50 per gross square foot for the entire development.

Loudon County

Affordable housing is required in new projects with 50 units or more with density of greater than one unit/acre and on public water/sewer. For single family units, the bonus is 20% more density in exchange for 12.5% of the project must be affordable. For multifamily units, 10% more units are allowed in exchange for 6.25% total project affordability. Prior to 1993, affordable housing was proffered resulting in a wide range of prices and administrative requirements.

Fairfax County

The County's program generally requires provision of affordable dwelling units for any site, which yields 50 or more dwelling units at an equivalent density greater than 1 unit per acre and which is located within an approved sewer service area. The requirement is set forth as a sliding scale portion of the dwelling units within a development.

Usefulness in Lancaster County

Inclusionary zoning programs do not generally require the expenditure of local tax dollars to fund the construction of affordable housing units. These programs can be flexible, since the provision for affordable housing can either be regulated or encouraged by incentives. Inclusionary programs do require some ongoing administrative oversight to provide for the collection and management of fees paid by developers who opt to pay into a housing fund and to ensure that units that are constructed will be maintained as affordable housing. It is important to point out that the Code of Virginia mandates a maximum 280 review and approval period for an application that is required to provide affordable housing. This may be challenging for a small staff to meet this schedule if the pace of applications picks up.

Inclusionary programs that do not provide for density bonuses can preserve zoning restrictions on higher density development and may be more acceptable in communities opposed to general density as a solution to affordable housing shortages. However, unless the requirement is mandatory, it is doubtful that many developers will willingly incorporate an affordable component into a proposed development project.

EXPEDITED APPROVAL

Description

Delays during any stage in the development process add to the final costs of new housing. Reducing the costs incurred by developers during the development review process makes projects with an affordable housing component very attractive. Expedited permitting is a cost-efficient and very effective way of reducing developer costs.

By Right

Most development that occurs is “by-right.” This means that the project meets all zoning requirements and is allowed to proceed with only administrative approval. In the case of Lancaster County, the Zoning Administrator is charged with approving all by-right applications and in many cases, all that may be required is a permit indicating compliance with the Zoning Ordinance.

Special Exception

Some uses and developments require “special exception” from the Board of County Supervisors. This is typically because the nature of the use or development is such that more intense scrutiny and discourse is required. For example, special exception approval is required to open an equestrian academy in the A-1 zoning district. Depending on the jurisdiction, it is not unheard of for special exception applications to last a year or more. This added time creates additional cost for the builder as they are forced to pay interest on loans for the entire time.

Planned Unit Development

The process for approving a Planned Unit Development (PUD) is similar in some ways to the special exception process. Generally, the same hearings are held and the application might take the same amount of time, although both can be approved much more quickly if there is no opposition. A significant difference is that the PUD regulations can be tailored to provide significant flexibility to the applicant.

For example, the PUD regulations may speak very clearly to the overall density of the project and portions of the development where it abuts neighboring properties. However, it may provide broad latitude for housing types, lot sizes, or other elements that are on the interior of the project. Generally, a special exception is limited in the range of flexibility that is allowed, and the exception process is usually used to impose additional requirements to a project.

Where Used

The City of Suffolk, Virginia establishes a maximum time limit for the expedited review process for projects incorporating affordable housing in order to expedite approval. Under this program, projects are placed on a fast-track that involves staff review, public comment, and decision by City Council within 280 days.

Usefulness in Lancaster County

If the intent is to encourage a certain type of development, then anything that can be done to expedite the approval process is important. Conversely, a burdensome approval process will discourage a given type of development. Obviously, standards must be developed to ensure that any by right development meets County expectations.

Tailoring the development approval process to achieve desired goals can be a relatively simple and low cost task. Certain standards may have to be modified and clarified to ensure that adequate protection is provided and that the rules themselves are easy to interpret. However, it is important that the County have the resources available to quickly review and turn around a project seeking expedited approval. This may prove challenging depending on the overall pace of development and the number of applications seeking this option.

AFFORDABLE HOUSING DISTRICTS

Description

Affordable housing districts would be applied in areas of the County targeted for affordable housing development. Within these areas, modifications to the zoning ordinance may be applied which reduce the cost of development, such as reduced parking requirements, relaxed height restrictions, or decreased lot standards. At the same time, a certain percentage of the development must be affordable. These modifications are designed to offset developer costs associated with building the affordable housing.

Some communities utilize a floating zoning district or overlay that may be applied upon request in different parts of the region. Other communities develop an affordable housing plan which identifies regions targeted for this type of development. In either case, guidelines are necessary to ensure that affordable housing is being provided in areas where it is most needed and makes the most sense.

Where Used

This approach is most commonly used in urban areas, although there is little reason it could not work in rural areas as well.

City of Alexandria, Virginia

Alexandria has developed the Eisenhower Avenue Coordinated Development District (EACDD). This is applied as a floating overlay zone that allows greater levels of development in areas subject to the EACDD than would be allowed in a general zoning district. Applications are reviewed using a discretionary process that is approved by the City Council.

City of Rockville, Maryland

The Rockville Pike Corridor and Town Center zoning districts are base districts which have identified areas where more development intensity is permitted in exchange for the provision of affordable housing.

Usefulness in Lancaster County

A floating affordable housing overlay zone may make more sense in Lancaster County than a county-wide approach because it provides the County with some discretion regarding the geographical location of the affordable housing. A potential drawback is that it may reduce the amount of affordable housing provided if the County only applies the overlay district on request by the applicant. There may also be a disincentive to use this tool if the overlay zoning process is too cumbersome or costly and therefore does not make economic sense to a prospective developer.

Administratively, an affordable housing district would be no different than a conventional overlay zoning district to implement and administer, so there is little additional cost or complexity associated with this approach.

SUMMARY TABLE

| Tool | Definition | How it Works | Potential Benefits | Limitations |
|------------------------------|------------|--------------|--------------------|-------------|
| Mixed Housing Types | | | | |
| Density Bonus | | | | |
| Lot Standard Reductions | | | | |
| Inclusionary Zoning | | | | |
| Expedited Approval | | | | |
| Affordable Housing Districts | | | | |