EXECUTIVE SUMMARY
OF THE W-ZHA PHYSICAL AND ECONOMIC FEASIBILITY FOR THE SINGLE-FAMILY ZONING INITIATIVE

The goal of the W-ZHA analysis was to determine the physical and economic feasibility for redevelopment of up to six- unit dwellings on properties in the single-family zones. The analysis was based on past sales data and real estate valuation trends in Alexandria's single-family zones, and as such, identification of individual properties was not part of the study results. The final estimates of number of multi-unit dwellings that might be developed over 10 years also considered that the same building envelope for single-family homes would apply to any new multi-unit dwellings, that lower-valued properties could be financially viable for redevelopment, and that a certain percentage of properties sold in a year might be potentially redeveloped with a dwelling type other than a single-family home.

The study found that, statistically, an estimated 66 properties could be redeveloped over the course of ten years. Should City Council choose to support the staff recommendation to add the option to also allow two-to-four unit dwellings in each single-family zone, an estimated 178 dwelling units could be created within ten years.

The following details the consultant's considerations and steps to arrive at the estimated of number of units potentially created over a 10-year period in the single-family zones:

Overall Methodology

- Each of the five single family zones is different in terms of minimum lot area, maximum floor area, yard setbacks. A maximum height of 30 feet is allowed in all single-family zones.
- For each single-family zone, the consultant:
    - Analyzed six parcels to understand whether each housing type could feasibly be developed on the site given the zoning requirements.
        - Two parcels were chosen that were smaller than the zone's minimum lot size, two were consistent with the minimum lot size, and two were larger than the minimum lot size.
- If considering redevelopment or renovation, developers will look to purchase lower valued sites.
- Steps in methodology:
    - Determined how many single-family properties were in each zone
    - Determined that 91% of median single family home real estate assessment constitutes a lower-valued property in a zone
    - Calculated the average annual property sales rate for the last five years and applied that rate to the forecast of annual sales
    - Determined what share of the properties sold in each zone were sold at or below the lower-value price.
    - Applied a percentage to those lower-valued properties to identify the number of parcels that could be redeveloped as 2-4-6 unit multi-family properties
    - Quantified the 2-4-6 unit properties, arriving at the estimate for what could be possibly produced through the initiative.

High-level Findings/Assumptions

- A for-sale project was considered feasible if a developer could purchase the property, redevelop it, and sell it for a price that affords a 13% profit on development cost.
- A rental project was considered feasible if it produced a yield-on-cost of at least 5.5%. The yield-on-cost is the project's net operating income divided by its total development cost. Generally, the consultant found that rental units did not yield the baseline profit.
- This analysis defined a low-valued parcel as a property whose value is up to 91% of the median value in the zone and, ***statistically speaking***, estimated that approximately **66 comparatively lower-valued properties** in single-family zones citywide could be financially feasible for redevelopment
- The analysis assumes that
    - In R-8, R-12, and R-20 zones, 5% of those lower-valued properties that may be sold in any given year could be potentially redeveloped
    - In R-2-5 and R-5 zones (where land is more valuable and closer to mass transit options), 10% of those properties that are selling at lower values could be potentially redeveloped
- Because 2-family/duplex/townhouse style units are a proven and successful product in Alexandria, most redevelopment will be 2-family/duplex/townhouse style homes. Developers will develop product-types that balance market risk and profitability.
- Per zone take-aways under the analysis/methodology:
    - R-2-5:
        - Median value $180/land square foot
        - Lower value parcel $163/land square foot
        - Average sales last 5 years: 82 per year (5.4% rate/year)
        - Of the 82, approximately 18 are assumed to be lower priced parcels
        - Assumes 18 properties (10%) of lower cost sales could be redeveloped for potential multi-family development **over ten years**
        - 54-63 **units, including a 6-unit dwelling scenario (not parcels)** could be developed in this zone **over ten years**.
    - R-5:
        - Median value $167/land square foot
        - Lower value parcel $152/land square foot
        - Average sales last 5 years: 55 per year (4.6% rate/year)
        - Of the 55, approximately 13 properties are assumed to be lower priced parcels
        - Assumes 13 properties (10%) of lower cost sales could be redeveloped for potential multi-family development **over ten years**
        - 26-46 **units, including a 6-unit dwelling scenario,** (not parcels) **over ten years** could be developed in this zone depending on what housing types are allowed.
    - R-8:
        - Median value $111/land square foot
        - Lower value parcel $101/land square foot
        - Average sales last 5 years: 231 per year (5.3% rate/year)
        - Of the 231, approximately 56 properties are assumed to be lower priced parcels

      - Assumes 28 properties (5%) of lower cost sales could be redeveloped for multi-family development **over ten years**
      - 56-73 **units, including a 6-unit dwelling scenario,** (not parcels) could be developed **over ten years** depending on what housing types are allowed.
   - R-12:
      - Median value $60/land square foot
      - Lower value parcel $53.81/land square foot
      - Average sales last 5 years: 41 per year (5.2% rate/year)
      - Of the 41, approximately 9.7 are assumed to be potential redevelopment sites
      - Assumes 5 properties (5%) of the lower priced properties could be redeveloped for multi-family **over ten years**
      - 10-14 **units, including a 6-unit dwelling scenario,** (not parcels) could be developed **over ten years** depending on what housing types are allowed.
   - R-20:
      - Median value $58/land square foot
      - Lower value parcel $52.60/land square foot
      - Average sales last 5 years: 29per year (4.7% rate/year)
      - Of the 29, approximately 4 are assumed to be potential redevelopment sites
      - Assumes 2 properties (5%) of the lower priced properties could be redeveloped for multi- family **over ten years**
      - 4-8 **units, including a 6-unit dwelling scenario,** (not parcels) could be developed **over ten years** depending on what housing types are allowed.

Zone	**Median value per land sf**	**Lower value per land sf**	**Avg # sales past 5 years**	**Lower priced sales**	**Estimated # redevelopment sites over 10 years**	**Estimated units over 10 years (Scenarios for 2 & 4 units only per staff recommendations)**
R-2-5	$180.00	$163.00	82	18	18	54
R-5	$167.00	$152.00	55	13	13	26-39
R-8	$111.00	$101.00	231	56	28	56-67
R-12	$60.00	$53.81	41	9.7	5	10-12
R-20	$58.00	$52.60	29	4	2	4-6
Total					66	150-178