

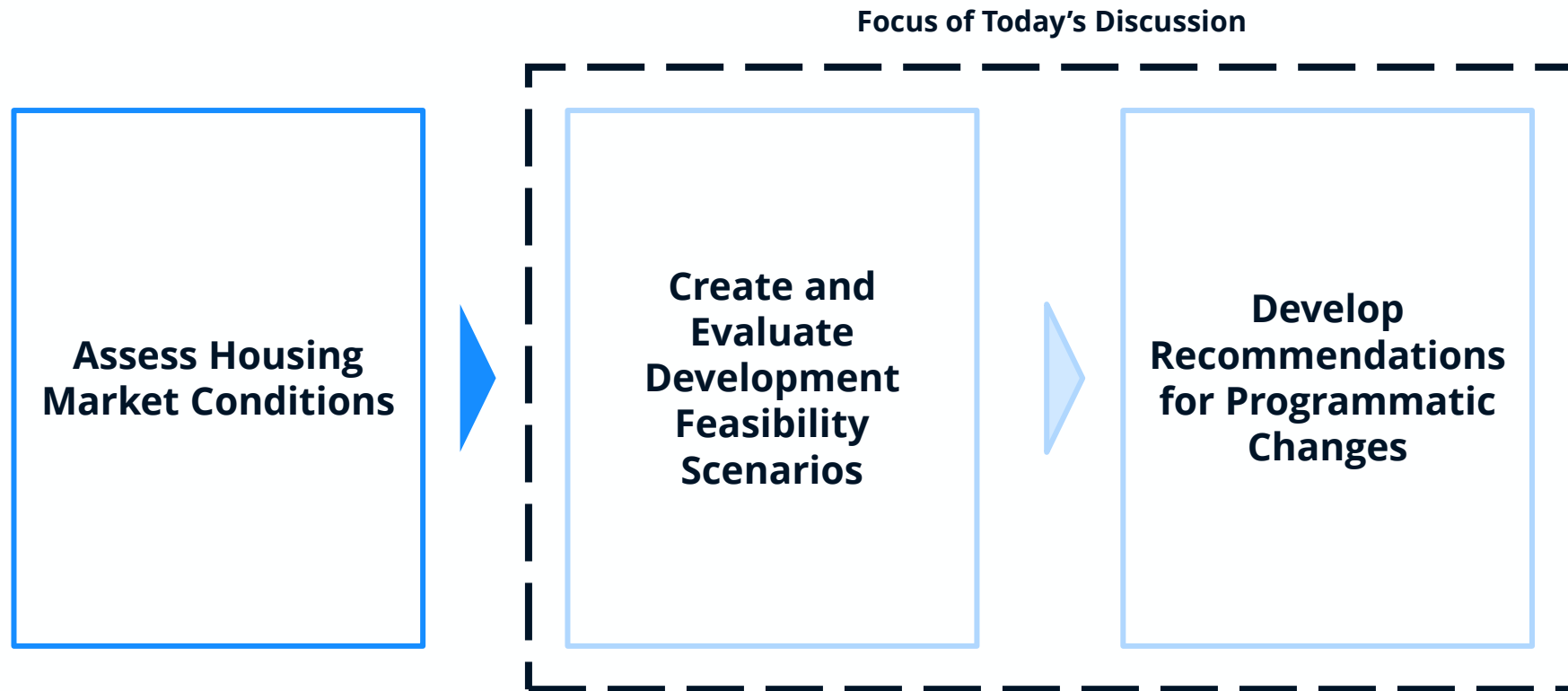
HR&A +



Fairfax WDU Task Force Initial Recommendations

SUMMARY OF APPROACH

Utilizing the findings from case studies, existing housing market conditions, and assessments of current program requirements, HR&A and the County have developed an initial set of programmatic recommendations.



A large, multi-story brick and white siding building with a central entrance, surrounded by trees and parked cars. The building has a prominent central entrance with a white porch and a gabled roof. The facade is a mix of red brick and white horizontal siding. There are several windows, some with white frames. The building is set in a residential area with lush green trees in the background and several cars parked on the street in the foreground. The overall scene is captured in a slightly dim, overcast light, giving it a somewhat somber or serious tone.

Initial County-wide
Recommendations –
Follow Ups

INITIAL RECOMMENDATIONS FOLLOW UPS

Optimize Affordability Levels

Align affordability level to meet housing needs in the county by shifting the program away from the 120% AMI level.

- *How does production of WDUs compare with all units produced by rezoning?*
- *Is there an opportunity to provide units below 70% AMI?*

Findings

- **46% of all home sales** since 2020 are affordable to households earning 100-120% AMI.
- Households earning 100-120% AMI have **options** across different **unit sizes and locations** within the County.
- **42%** of all 120% AMI WDUs **have not sold** (compared to 12% of 100% AMI WDUs).

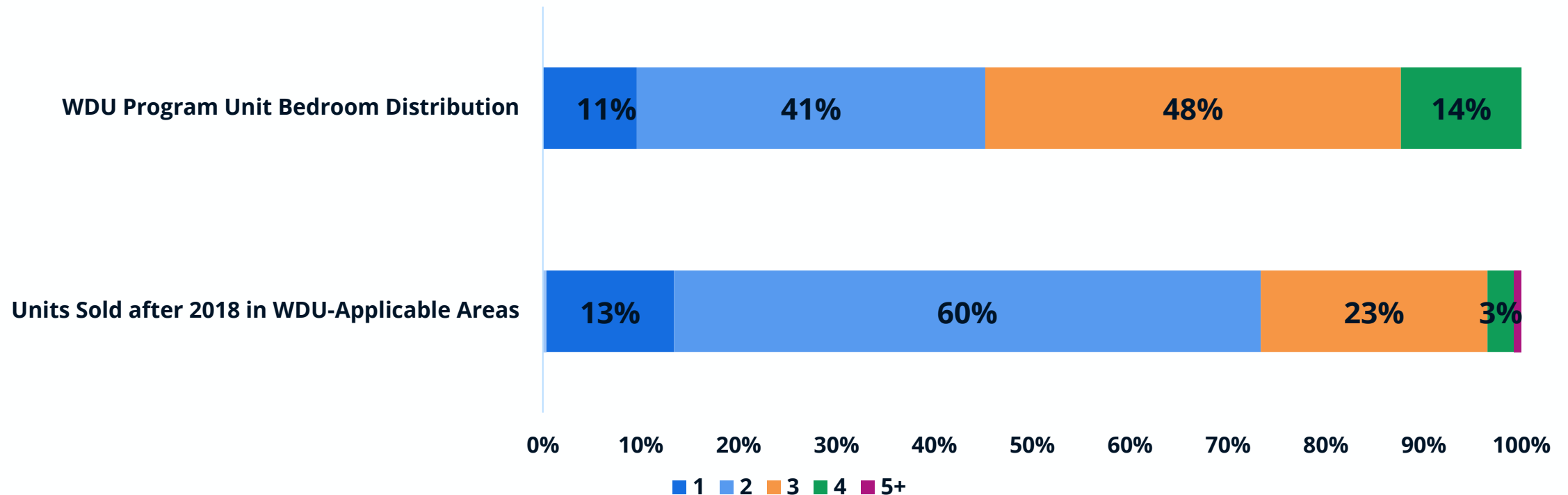
Initial Recommendations

- **Remove the 100% - 120% AMI Level for the program** and serve households earning 71% - 80% AMI and 81% - 100% AMI.
- **Codify** that the bedroom mix of WDUs **should be proportional** to the market rate unit bedroom mix – the same language as the Tysons policy.

OPTIMIZE AFFORDABILITY LEVELS

Overall, WDUs are producing sufficient larger (three-bedroom and larger) unit types.

Distribution By Number of Bedrooms



Note: Only includes "Valid and Verified Sales", Sales Prices related to price points from the WDU Program. Units Sold after 2018 in WDU - Applicable Areas indicates that the sold unit was located in a residential rezoning in the development centers where the WDU policy applies.

Source: Fairfax County, HR&A Advisors

INITIAL RECOMMENDATIONS FOLLOW UPS

Adjust Resale Requirements

Tie resale prices to AMI growth, better matching future unit resale prices with housing affordability.

➤ *How does using a Five-Year CAGR for AMI growth affect resale pricing?*

Findings

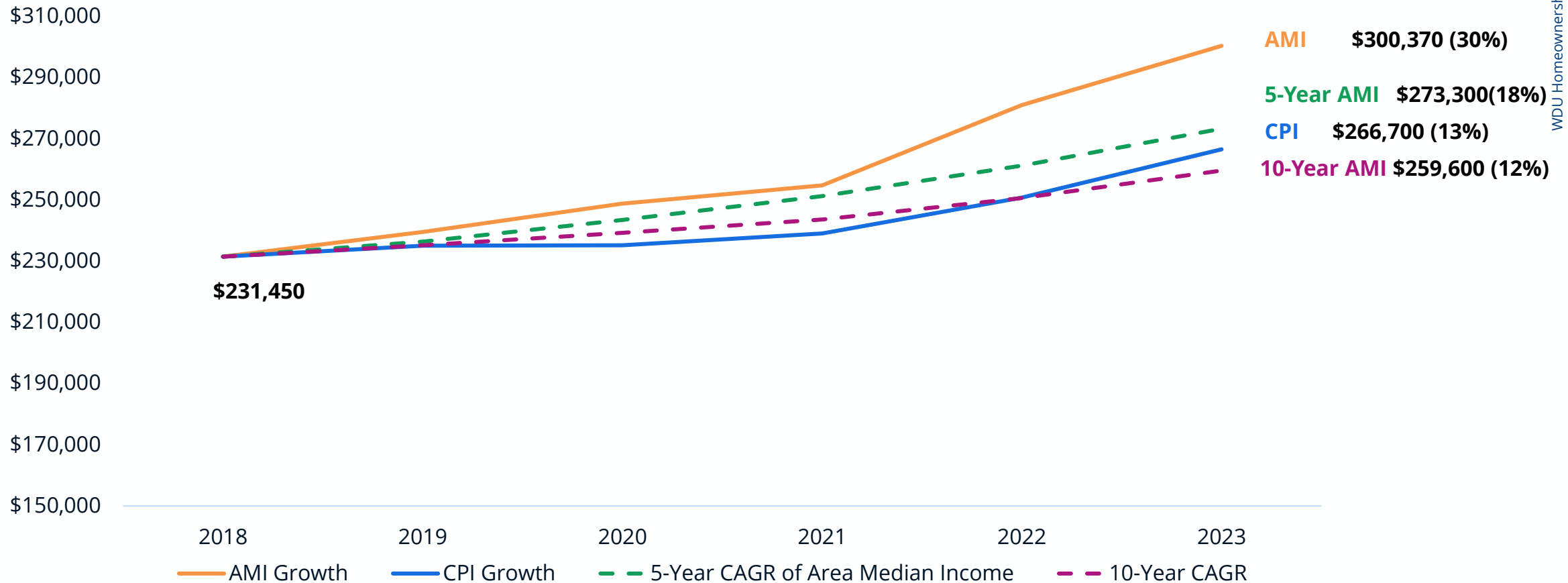
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI – which is influenced by non-housing pricing changes.

Initial Recommendations

- **Tie changes to maximum resale prices from CPI to the 5-Year AMI Compound Annual Growth Rate.**
- Communicate the circumstances where County would exercise right-to-purchase a resale.

ADJUST RESALE COMPONENT

Tie maximum resale price to 5-Year CAGR of AMI rather than CPI growth. This would allow for 18% growth in home value, compared to 13% in this example using CPI.



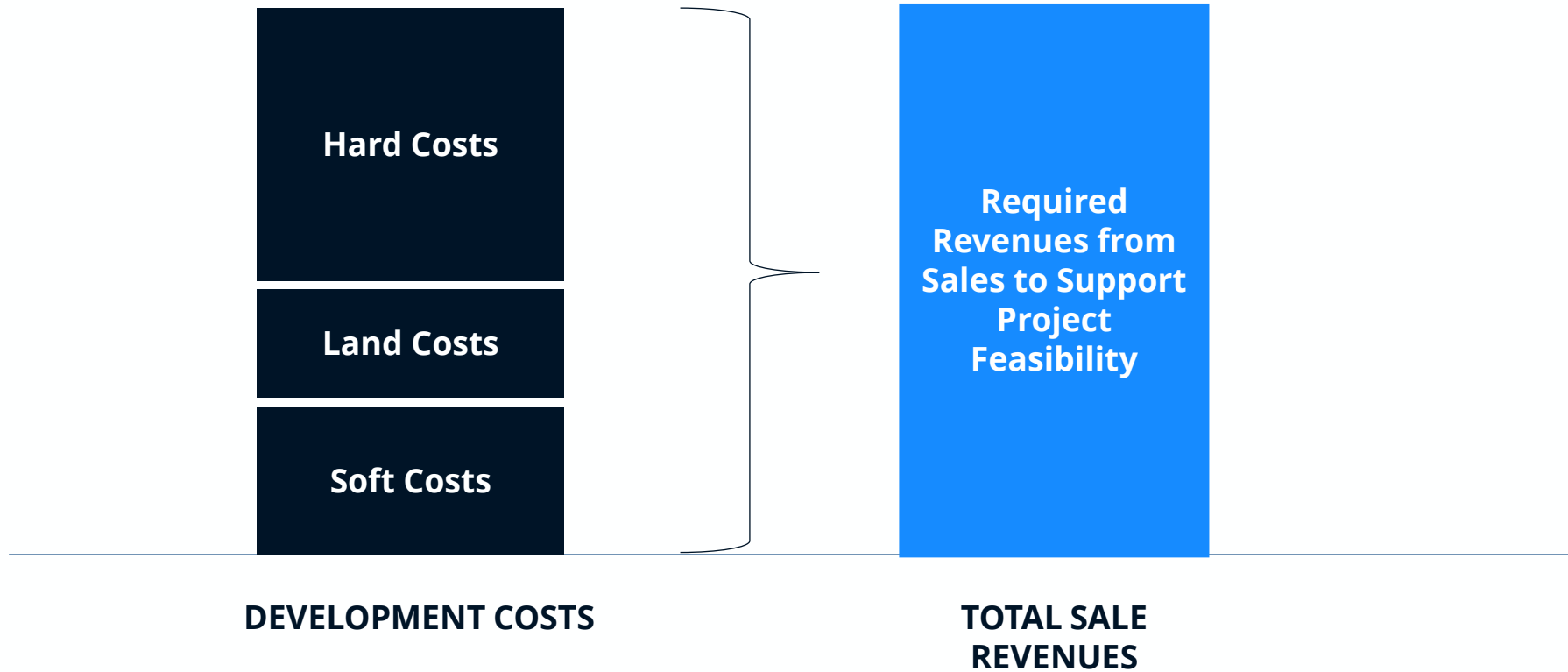
Note: CPI data from Fairfax County HCD; AMI data from HUD

A large, multi-story brick and white siding building with a central glass entrance, surrounded by trees and parked cars. The building has a symmetrical design with a central glass-enclosed staircase or entrance area. The facade is a mix of red brick and white horizontal siding. There are several windows, some with shutters, and a central entrance with a glass door. The building is set in a residential or institutional area with mature trees and a paved area with parked cars in the foreground.

Feasibility Testing Approach

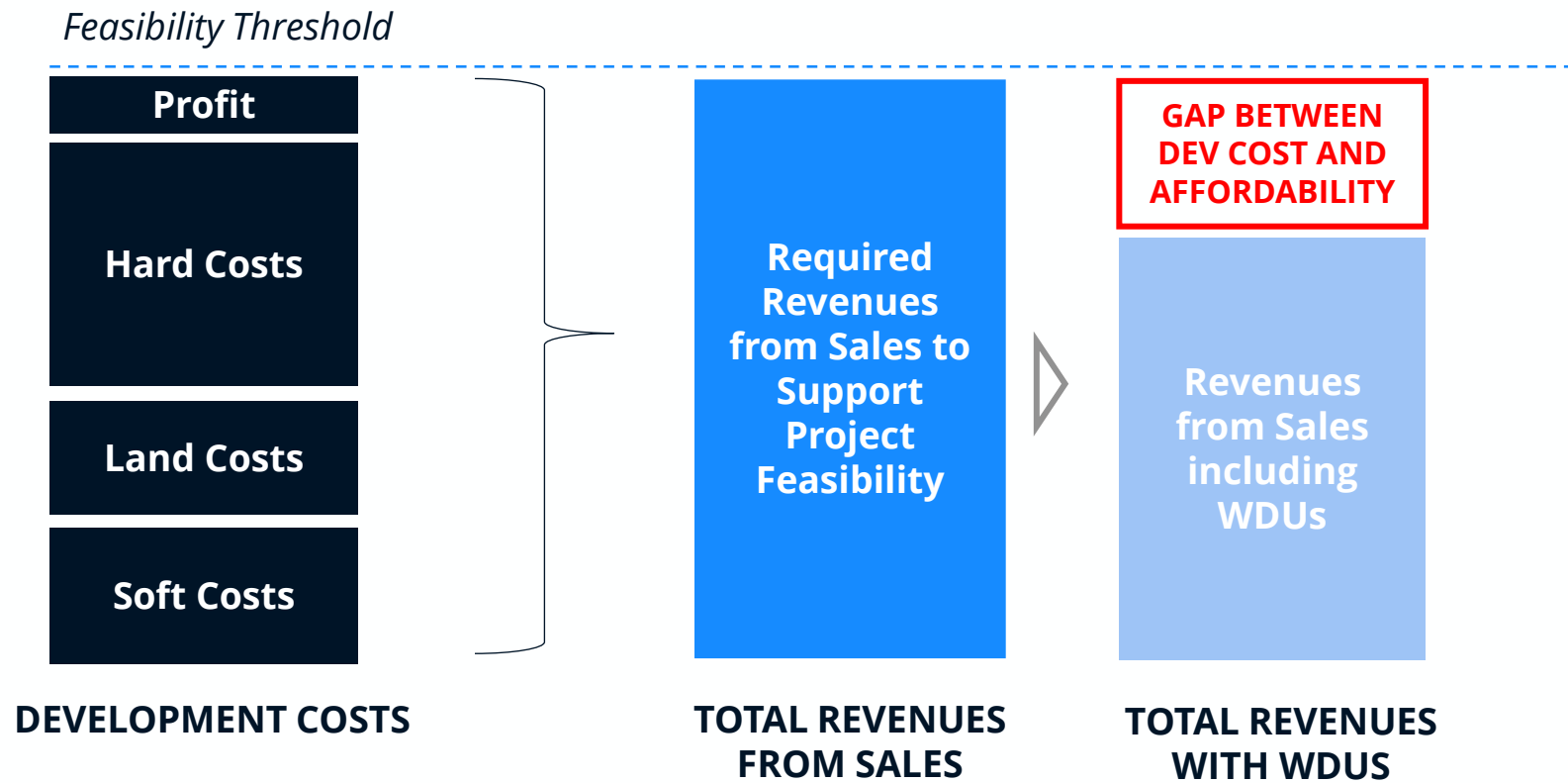
WDU FEASIBILITY REFRESHER

Development Project Feasibility with IZ



WDU FEASIBILITY REFRESHER

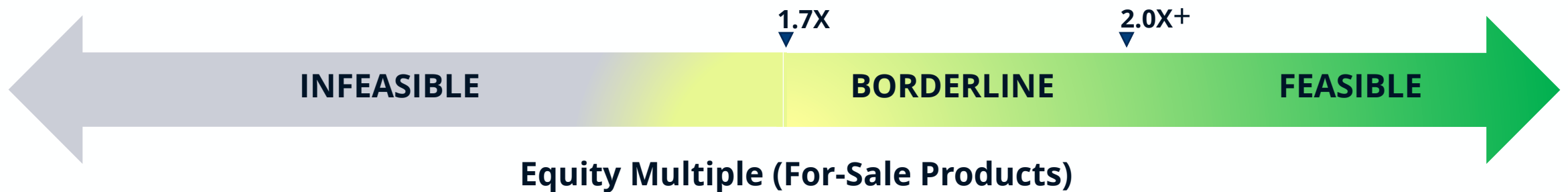
Development Project Feasibility with IZ



FINANCIAL FEASIBILITY ANALYSIS: EVALUATION CRITERIA

The team used the equity multiplier as a measure of financial feasibility. This allows for the team to compare across different scenarios.

$$\text{Equity Multiplier} = \frac{\text{Total Cash Distributions}}{\text{Total Equity Invested}}$$



SCENARIOS

To test feasibility, HR&A evaluated four product types across five scenarios.

Product Types

Townhomes



Stacked Townhomes Non High-Rise Condos



High-Rise Condos



Scenarios

Townhomes Only

Townhomes + Stacked THs

Townhomes + Stacked THs + Condos

Condos (Non-High Rise)

High-Rise Only

A large, multi-story brick and white siding building with a central entrance, surrounded by trees and parked cars. The building features a prominent central entrance with a white porch and columns. The facade is a mix of red brick and white horizontal siding. The roof is dark grey with several gables. The building is set in a residential or institutional setting with mature trees and a paved area with parked cars in the foreground.

Additional County-wide Recommendations

ADDITIONAL ANALYSIS

In addition to providing recommendations on pricing, affordability, and resale recommendations, HR&A reviewed the feasibility of the following:

- 1 Impacts of New Pricing on Development Financials**
Do changes to WDU pricing and the AMI levels targets by impact the feasibility of proposed projects?
- 2 Distribution of WDUs by Bedroom Count**
What is the impact of aligning WDUs unit mix by bedroom with market rate unit mix by bedroom?
- 3 Distribution of WDUs Across AMI Levels**
How should the distribution of WDUs across AMI levels be updated to reflect changes to the AMI levels served?
- 4 Extending Program Requirements**
Should the Tysons WDU policy be extended beyond Tysons to other locations zoned for high-density residential? Should the WDU policy be extended elsewhere in the County where medium-to-high density is planned?

ADDITIONAL RECOMMENDATIONS

Based on this analysis, HR&A's initial recommendations are:

- 1 Impacts of New Pricing on Development Financials**
The new pricing model and limiting the program up to 100% AMI has a **minimal impact on project financial feasibility.**
- 2 Distribution of WDU by Bedroom Count**
HR&A recommends **codifying that the bedroom mix of WDUs should be proportional** to the market rate unit bedroom mix – same language as the Tysons policy.
- 3 Distribution of WDUs Across AMI Levels**
Extend the affordability levels served by the program to include units affordable to household **earning up to 70% AMI.**

ADDITIONAL RECOMMENDATIONS

Based on this analysis, HR&A's initial recommendations are:

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Extending WDU Program Applicability

Given that mid- to high-density zoned sites are directly adjacent to areas where the policy currently applies and the relative similarity in sales prices between these areas, HR&A **recommends extending the policy** to these areas.

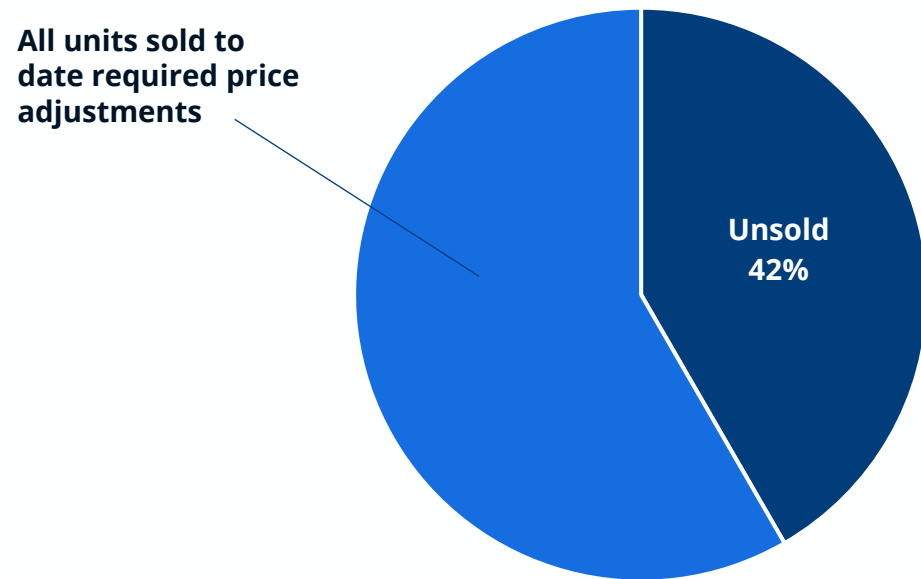
Extending Tysons Corner Applicability

The **high-rise policy should not be extended** outside of Tysons at this time.

IMPACT OF NEW PRICING ON DEVELOPMENT FINANCIALS

HR&A tested the impacts of limiting the program to serve households under 120% AMI and the new pricing model on project feasibility.

Existing 120% AMI Units



New Pricing Model Impacts (81-100% AMI 3 Bedroom)

Existing Model
\$491,150

Updated Model
\$475,350

Difference
-\$15,800 (-3%)

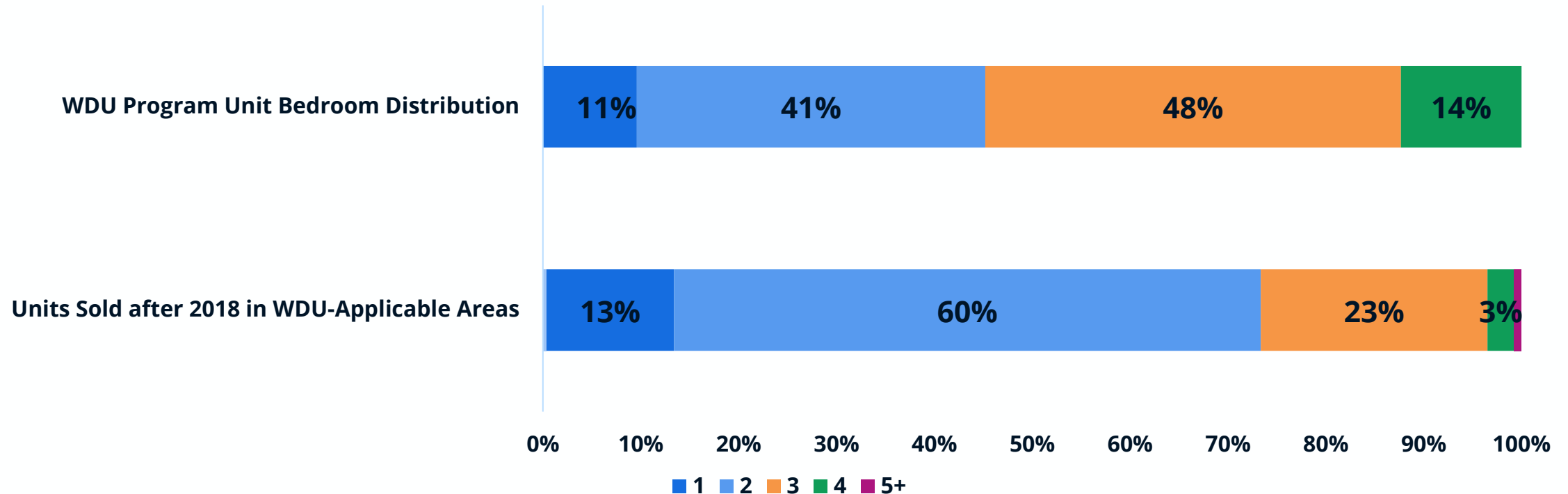
IMPACT OF NEW PRICING ON DEVELOPMENT FINANCIALS

Using the **new pricing** model and limiting households served for **up to 100% AMI**, the impact on project feasibility is minimal.

Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
Existing Pricing Scheme	Feasible	Borderline	Feasible	Feasible	Feasible
New Pricing Scheme	Feasible	Borderline	Feasible	Feasible	Feasible

DISTRIBUTION OF WDUs BY BEDROOM COUNT

Sufficient large (three-bedroom+) WDUs are being produced under the current policy suggesting that market pressures are not significantly reducing the number of large WDUs produced.



Note: Only includes "Valid and Verified Sales", Sales Prices related to price points from the WDU Program. Units Sold after 2018 in WDU - Applicable Areas indicates that the sold unit was located in a residential rezoning in the development centers where the WDU policy applies.

Source: Fairfax County, HR&A Advisors

DISTRIBUTION OF WDU_s BY BEDROOM COUNT

Requiring that **WDU unit mix match** that of the market-rate program (inclusive of four-bedroom units) is **feasible in most scenarios**.

Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
All Market Rate No Affordable Units	Feasible	Feasible	Feasible	Feasible	Feasible
Proportional Unit Mix	Feasible	Borderline	Feasible	Feasible	Feasible

DISTRIBUTION OF WDU_s ACROSS AMI LEVELS

To evaluate how changing the distribution of AMI level required affects feasibility, HR&A evaluated the following distributions:

Baseline Scenario	Scenario 2	Scenario 3
Even Distribution 6% at \leq 80% AMI 6% at \leq 100% AMI	More \leq 80% AMI 9% at \leq 80% AMI 3% at \leq 100% AMI	Extended Affordability 4% at \leq 70% AMI 4% at \leq 80% AMI 4% at \leq 100% AMI

DISTRIBUTION OF WDU_s ACROSS AMI LEVELS – FEASIBILITY

Other than for high-rise, **extending the affordability** to include 70% AMI units is **feasible**.

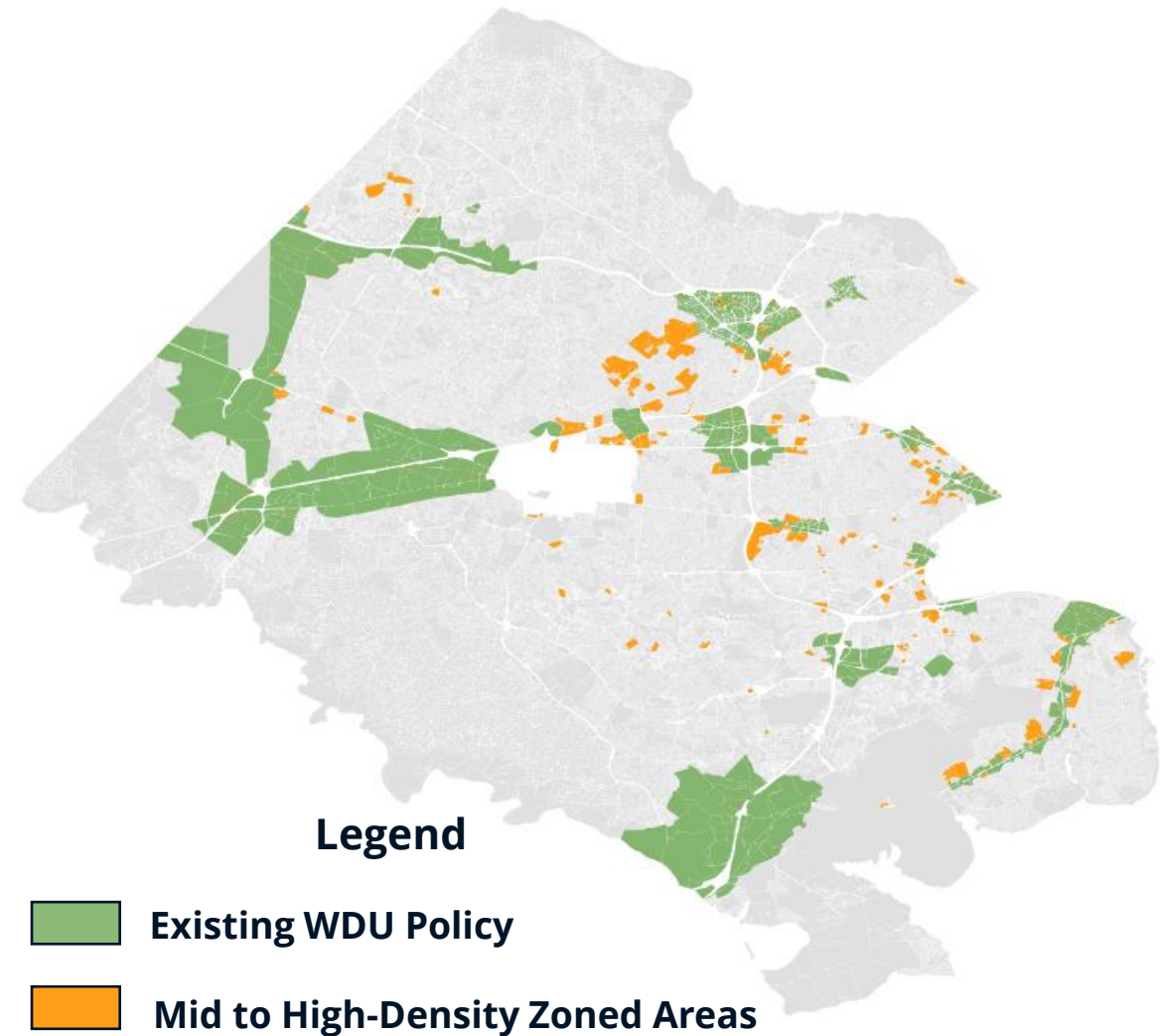
Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
Even Distribution 6% at ≤ 80% AMI 6% at ≤ 100% AMI	Feasible	Borderline	Feasible	Feasible	Feasible
More ≤ 80% AMI 9% at ≤ 80% AMI 3% at ≤ 100% AMI	Feasible	Borderline	Feasible	Feasible	Feasible
Extended Affordability 4% at ≤ 70% AMI 4% at ≤ 80% AMI 4% at ≤ 100% AMI	Feasible	Borderline	Feasible	Feasible	Feasible

EXTENDING PROGRAM REQUIREMENTS: COUNTY-WIDE

HR&A reviewed the possibility to extend the WDU program to additional mid- and high-density sites.

Findings

- Compared to new homes sold in areas in which the existing WDU policy applies, homes sold within medium to high density zoning areas were either **sold for equivalent or higher prices**.
- Mid- to high-density zoned sites are **primarily adjacent to areas with existing WDU** applicability.
- For these reasons, HR&A **recommends extending the policy** to these zoning areas in which there is County jurisdiction.



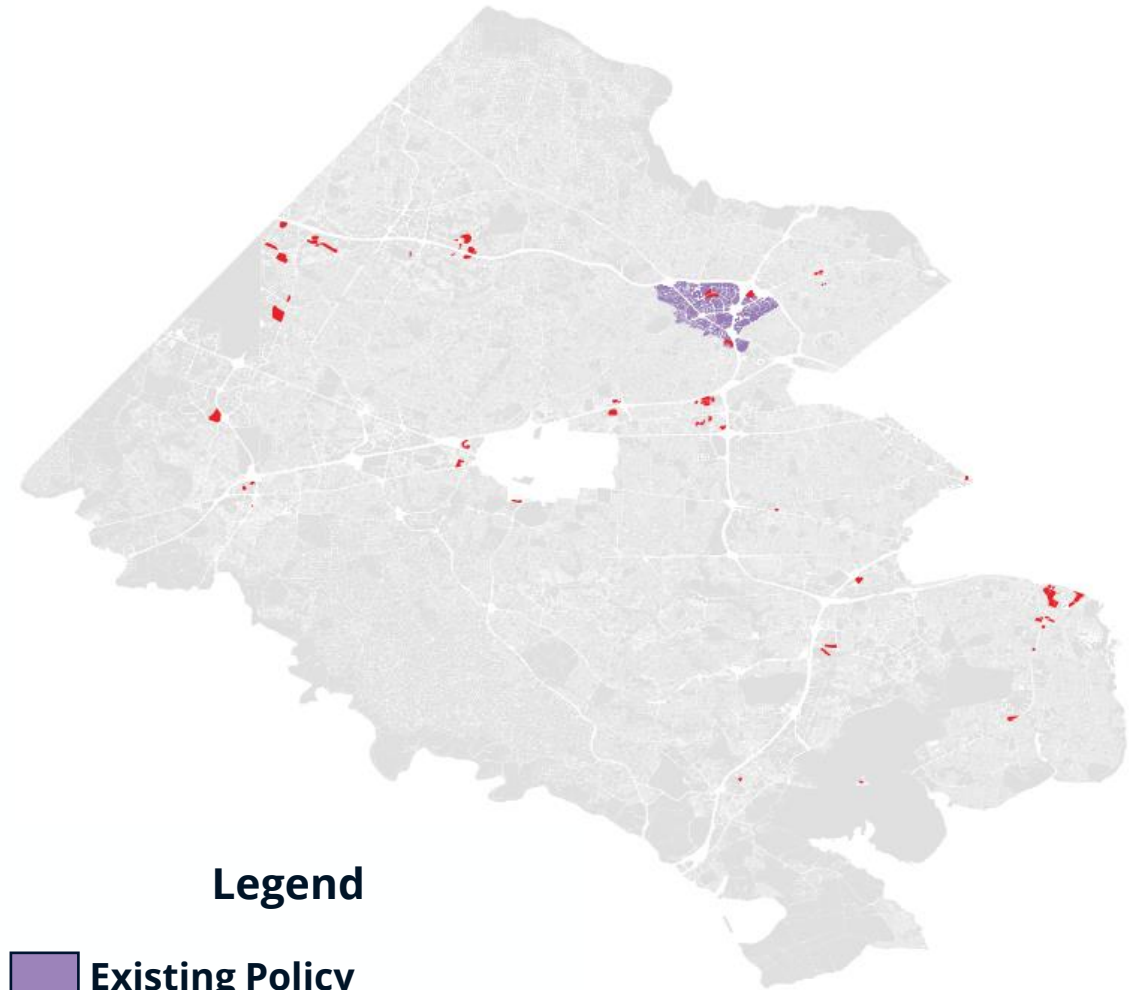
Note: This map includes zoning areas which may be under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas the policy will not be applicable, but the county may make a recommendation to local officials to consider in their review processes.

EXTENDING PROGRAM REQUIREMENTS: TYSONS

HR&A researched the extension of the Tyson's high-rise policy to areas zoned for R-30 and greater.

Findings

- Based on market trends, HR&A does not see value in extending the high-rise policy beyond Tysons Corner at this time, but should be reevaluated in the future.
- HR&A identified **only one proposed high-rise condo** development outside of Tysons Corner in the last 5 years.
- Above 7 stories, construction costs rises as building materials change from wood to steel. Because of this, the **sale prices needed** to make high-rise condos financially feasible is (**~\$850 PSF**). This is **currently unsupported in most of the Fairfax market.**



Legend

- Existing Policy
- High Density Zoned Areas

Note: These findings are based on zoning areas of R-30 or greater (PDH-3-,PDH-40, PRM). There are other areas in the jurisdiction that this may be applicable to.



APPENDIX

SCENARIOS

To test feasibility, HR&A evaluated four product types across 5 scenarios.

Scenarios

	Townhomes Only	Townhomes + Stacked THs	Townhomes + Stacked THs + Condos	Condos (Non-High Rise)	High-Rise Only
Townhomes	50 units	75 units	75 units		
Stacked Townhomes		100 units	50 units		
Mid Rise Condo			75 units	75 units	
High Rise Condo					100 units
Total Units	50 units	175 Units	200 units	75 units	100 units

SCENARIOS – SINGLE PRODUCT

Looking first at single product development scenarios, HR&A used the following assumptions.

	Townhome New Construction		Mid-Rise Condo New Construction		High-Rise Condo New Construction	
Units (no bonus, 12% bonus, 20% bonus)	50 56 60 units		75 84 90 units		100 1112 120 units	
Lot Size	4.2 acres		1.5 acres		1 acre	
Average Unit Size (NSF)	2,000 SF		1,300 SF		1,800 SF	
Unit Mix	1 BD: -- 3 BD: 75%	2 BD: -- 4 BD: 25%	1 BD: -- 3 BD: --	2 BD: 100% 4 BD: --	1 BD: 10% 3 BD: 50%	2 BD: 40% 4 BD: --
Total Construction Costs*	\$191/Gross SF	\$382,000/unit	\$221/Gross SF	\$287,000/unit	\$429/Gross SF	\$772,500/unit
Land Costs	\$3/SF		\$3/SF		\$3/SF	
Total Development Costs	\$216/Gross SF		\$259/Gross SF		\$467/Gross SF	
Parking Ratio	Incl. Garage	2.70x	Structured	1.60x	Structured	1.60x
Sales Price	\$375/SF	\$750,000/unit	\$435/SF	\$565,500/unit	\$850/SF	\$1,530,000

*Construction costs include hard costs, parking, sales tax, and soft costs (estimated at 15% of hard costs)

SCENARIOS – MULTI-PRODUCT

HR&A then tested a scenario with two product typologies using the following assumptions.

Townhomes (35%) + Stacked THs (65%) Combined Program				
	Townhome New Construction		Stacked Townhome New Construction	
Units (no bonus, 12% bonus, 20% bonus)	75 74 75 units		100 122 135 units	
Lot Size	6.3 acres		4.2 acres	
Average Unit Size (NSF)	2,000 SF		2,000 SF	
Unit Mix	1 BD: -- 3 BD: 75%	2 BD: -- 4 BD: 25%	1 BD: -- 3 BD: 100%	2 BD: -- 4 BD: --
Total Construction Costs*	\$191/GSF	\$382,000/unit	\$179/Gross SF	\$358,000/unit
Land Costs	\$3/SF		\$3/SF	
Total Development Costs	\$216/Gross SF		\$215/Gross SF	
Parking Type + Ratio	Incl. Garage	2.70x	Incl. Garage	2.30x
Sales Price	\$375/SF	\$750,000/unit	\$330/SF	\$660,000/unit

*Construction costs include hard costs, parking, sales tax, and soft costs (estimated at 15% of hard costs)

SCENARIOS – MULTI-PRODUCT

HR&A lastly tested a scenario with three product typologies using the following assumptions.

Townhomes (30%) + Stacked THs (30%) + Condos (40%) Combined Program						
	Townhome New Construction		Stacked Townhome New Construction		Mid-Rise Condo New Construction	
Units (no bonus, 12% bonus, 20% bonus)	75 74 75 units		50 61 70 units		75 89 95 units	
Lot Size	6.3 acres		2.1 acres		1.5 acre	
Average Unit Size (NSF)	2,000 SF		2,000 SF		1,300 SF	
Unit Mix	1 BD: -- 3 BD: 75%	2 BD: -- 4 BD: 25%	1 BD: -- 3 BD: 100%	2 BD: -- 4 BD: --	1 BD: -- 3 BD: --	2 BD: 100% 4 BD: --
Total Construction Costs*	\$191/Gross SF	\$382,000/unit	\$179/Gross SF	\$358,000/unit	\$221/Gross SF	\$287,000/unit
Land Costs	\$3/SF		\$3/SF		\$3/SF	
Total Development Costs	\$216/Gross SF		\$215/Gross SF		\$259/Gross SF	
Parking Type + Ratio	Incl. Garage	2.70x	Incl. Garage	2.30x	Structured	1.60x
Sales Price	\$375/SF	\$750,000/unit	\$350/SF	\$660,000/unit	\$435/SF	\$565,500/unit

*Construction costs include hard costs, parking, sales tax, and soft costs (estimated at 15% of hard costs)

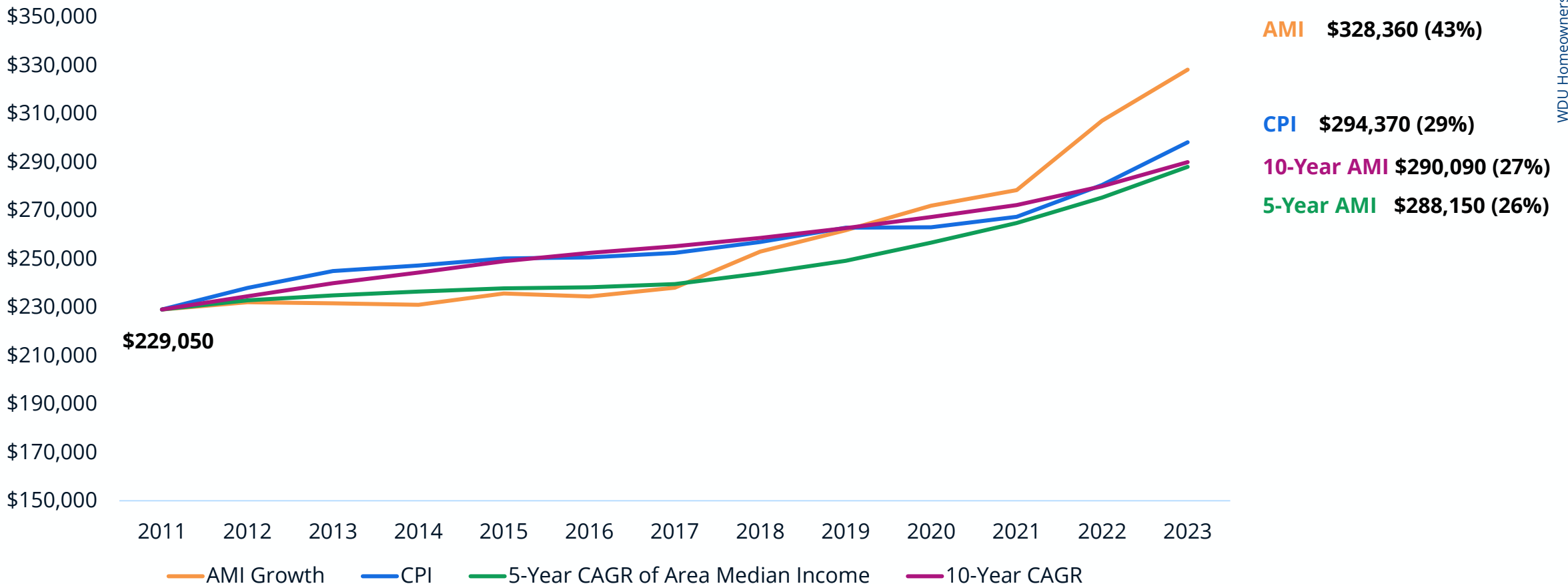
WDU PRICE SCHEDULE (UPDATED 2023 PRICING)

	70% AMI	80% AMI	100% AMI
1 Bedroom	\$239,700	\$277,300	\$352,650
2 Bedroom	\$286,200	\$331,400	\$421,750
3 Bedroom	\$329,600	\$381,650	\$486,050
4 Bedroom	\$365,700	\$423,900	\$540,300

ADJUST RESALE COMPONENT

Tie maximum resale price to 5-Year CAGR of AMI rather than CPI growth.

Example 2 compared to 10-year AMI growth. While in this case the 5-Year percent change is less, it more closely follows the AMI change line than the 10 year or CPI.



Note: CPI data from Fairfax County HCD; AMI data from HUD