

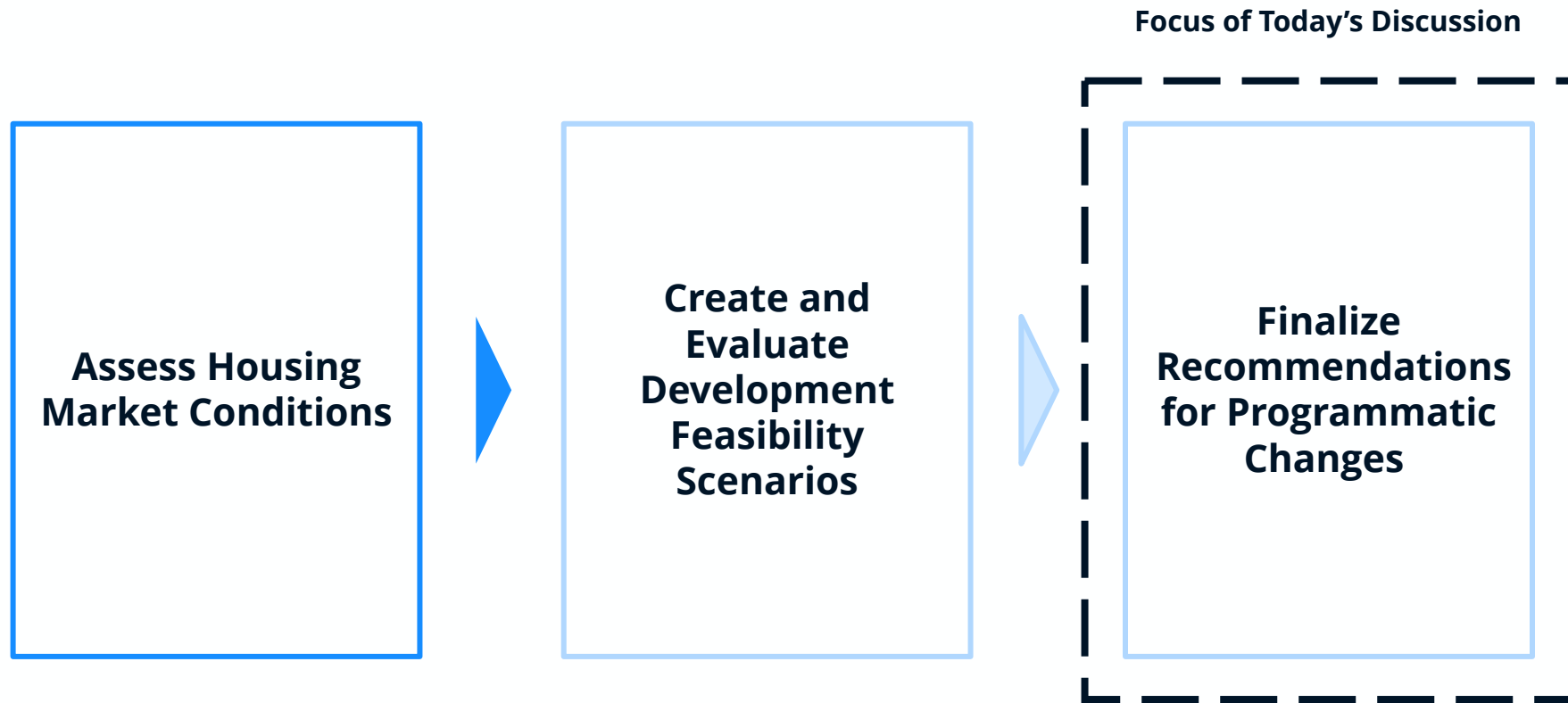
HR&A +



# Fairfax WDU Task Force Final Recommendations

## SUMMARY OF APPROACH

Using findings from case studies, existing housing market conditions, and an assessment of current program requirements, HR&A and the County have developed a set of recommendations for the WDU program.



## WDU TASK FORCE FOCUS AREAS: PREVIOUS RECOMMENDATIONS

- 1 WDU Pricing**  
Update the pricing model to better reflect affordability for Fairfax County households.
- 2 Affordability Levels**  
Align program affordability level with housing needs in the county by shifting away from the 120% AMI level.
- 3 Resale Requirements**  
Tie resale prices to the 5-year AMI annual compound growth rate, better matching unit resale prices with household income growth.

- 4 Term of Price Control**  
Maintain the current 30-year, renewable affordability term.
- 5 Geographic Applicability**  
Extend the WDU policy to all areas within County jurisdiction zoned R-8 and above. Do not extend the Tysons High Rise policy at this time.



# Additional Analysis and Revisions

## FURTHER ANALYSIS

Based on feedback from the last Task Force Meeting, we have prepared additional analysis on three specific aspects of the previous recommendations.

### WDU Pricing

*What is a reasonable estimate for HOA and condo fees?*

*How can the estimate address variation across developments and still preserve affordability?*

### Affordability Levels

*How should WDUs be distributed between 80% AMI and 100% AMI?*

*What is the feasibility impact of shifting some units to 70% AMI?*

### Bedroom Distribution

*How might requiring proportionality in developments with larger, 5-bedroom units impact feasibility?*

## REVISE CONDO AND HOA FEE ASSUMPTIONS

Create two pricing schedules to better capture the **variability in HOA and condo fees** across unit types.

### Findings

- Condo and HOA structure and fee prices vary significantly across developments.
- **Fees for stacked townhomes are often closer to fees for condo flats** because they are frequently subject to both condo and HOA fees.
- Townhome fees range from **\$100-\$188** while fees for stacked townhomes and condo flats range from **\$252-\$404**.

### Recommendations

- **Establish two pricing schedules**, one with a fee assumption of **\$0.15 PSF for townhomes** and another with an assumption of **\$0.35 PSF for stacked townhomes and condo flats**, applied to minimum unit size requirements.
- For units with fees **not within 30% of those estimates**, pricing will be based on the actual fee amount.

*Note: Fee estimates drawn from market research, developer interviews, and WDU production data provided by HCD*

## REVISE CONDO AND HOA FEE ASSUMPTIONS

Allowing for **flexibility if fees at a development are beyond 30%** of the assumed fee will better preserve affordability and ensure reasonable pricing.

Townhome	PSF Fee	Monthly Fee	Max Price
<b>Baseline Assumption</b>	\$0.15	\$135	\$493,950
<b>30% Over Baseline</b>	\$0.20	\$176	\$488,550 <i>(-\$5,420)</i>
Stacked Townhome and Condo Flats	PSF Fee	Monthly Fee	Max Price
<b>Baseline Assumption</b>	\$0.35	\$315	\$470,200
<b>30% Over Baseline</b>	\$0.46	\$409	\$457,800 <i>(-\$12,400)</i>

*Note: Fee and max price are based on the minimum square footage and pricing for a 3-bedroom unit at 100% AMI.*

## PROVIDE DEEPER AFFORDABILITY

After testing feasibility implications, we recommend shifting the affordability level of the program to **include units affordable at or below 70% AMI.**

### Findings

- As compared to an even distribution of WDUs at 80% and 100%, our analysis suggests **shifting some units to 70% AMI will have a minimal revenue impact.**
- There is significant demand for units at 80% AMI and below, suggesting **these units will sell quickly and reduce carrying costs.**

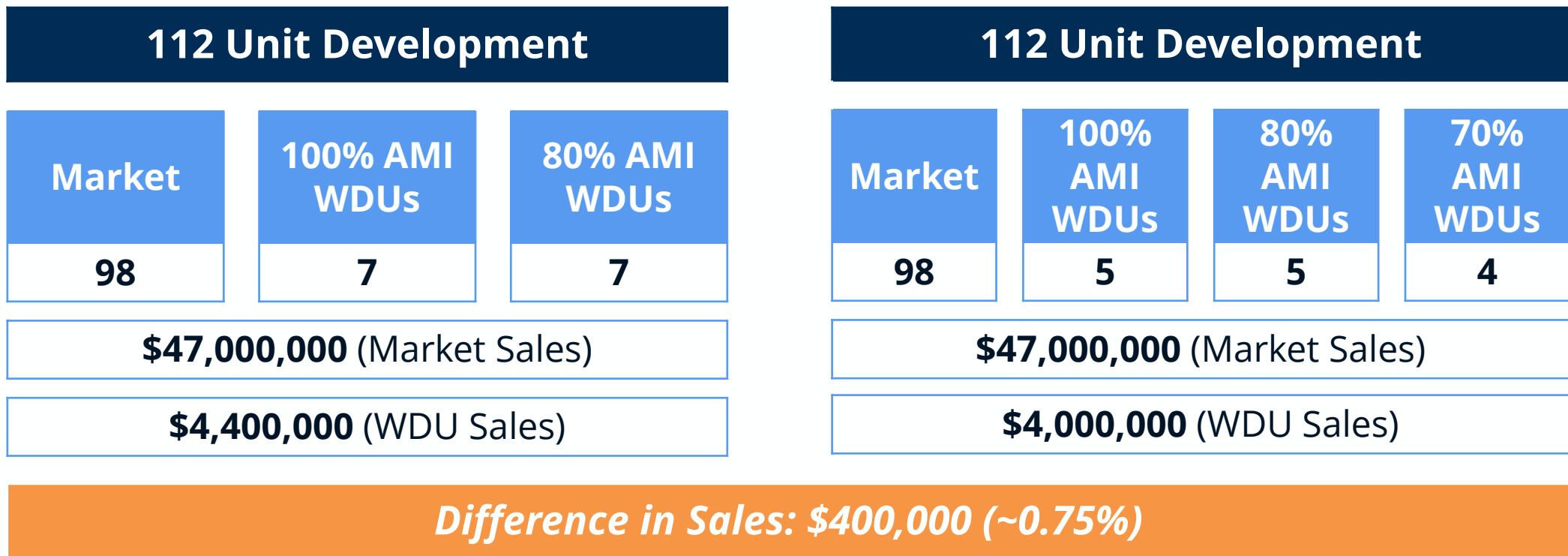
### Recommendations

- **Shift the 4% of units previously required at 120% AMI to 70% AMI**, creating a distribution for the program as follows:
  - 4% of units at up to 100% AMI
  - 4% of units at up to 80% AMI
  - 4% of units at up to 70% AMI



## PROVIDE DEEPER AFFORDABILITY – FEASIBILITY

WDUs at 70% AMI are only a small fraction (4%) of the total units in a development, so their **impact on total project revenue is minimal.**



Note: Hypothetical 100-unit stacked townhome and townhome development with 3- and 4-BR units; total units are 112 after 12% WDU bonus

## DISTRIBUTION OF WDU<sub>s</sub> ACROSS AMI LEVELS – FEASIBILITY

Compared to an equal distribution of WDU<sub>s</sub> between 100% and 80% AMI, **extending the affordability level to include 70% AMI units does not further impact development feasibility.**

Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
<b>Even Distribution</b> 6% 80% AMI units 6% 100% AMI units	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>
<b>Extended Affordability</b> 4% 70% AMI units 4% 80% AMI units 4% 100% AMI units	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>

## ENSURE PRODUCTION OF FAMILY-SIZED UNITS

To meet demand for family-sized units in the program, adopt a policy that **the bedroom mix of WDUs should be proportional** to the market-rate bedroom mix, with flexibility for family-sized WDUs.

### Findings

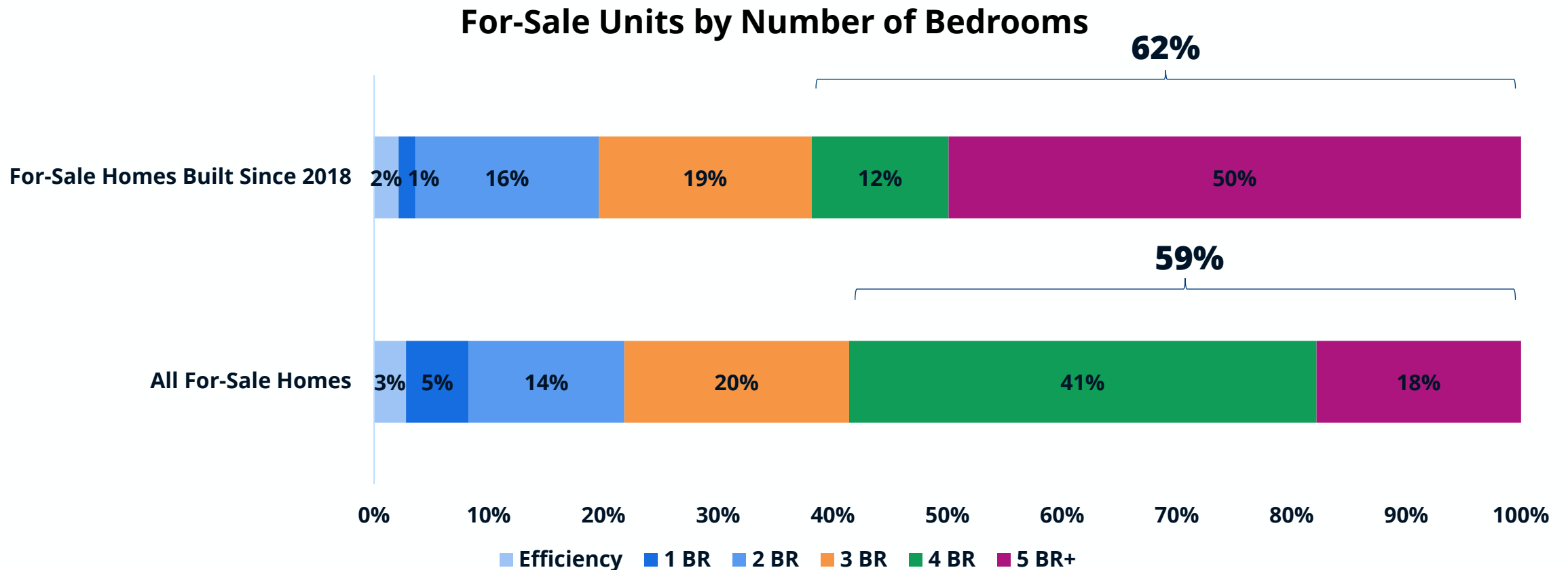
- WDUs in developments of primarily consisting of 3-BR units **do not significantly impact project feasibility**.
- Requiring 5-BR WDUs has a **much larger negative impact on revenue**.

### Recommendations

- Adopt a flexible requirement that **the proportion of family-sized WDUs must match the proportion of family-sized market-rate units** in a participating development.
- Family-sized WDUs are any units with 3 or more bedrooms, ensuring that **larger WDUs are produced without the potential production impacts** of strict proportionality.

## ENSURE PRODUCTION OF FAMILY-SIZED UNITS – FEASIBILITY

For-sale homes built since 2018 are more heavily weighted towards homes with 4 and 5 + bedrooms **indicating overall market demand for larger units.**



Source: Fairfax County

## ENSURE PRODUCTION OF FAMILY-SIZED UNITS – FEASIBILITY

The difference in pricing between market-rate 5-bedroom units and 5-bedroom WDUs is **greater than between other, smaller family-sized units** causing a **greater impact on overall project feasibility**.

3-Bedroom Sale Price Comparison			5-Bedroom Sale Price Comparison		
Market	WDU	Difference	Market	WDU	Difference
\$731,250	\$476,150	<b>-\$255,100</b> (-29%)	\$1,040,000	\$584,650	<b>\$455,350</b> (-48%)

Note: Updated prices reflect the price changes proposed at the previous task force meeting; WDU pricing is 100% AMI



# Final Recommendations



# TASK FORCE FOCUS AREAS

WDU PRICING

AFFORDABILITY LEVELS

RESALE PRICING COMPONENTS

TERM OF PRICE CONTROL

GEOGRAPHIC APPLICABILITY

## FINAL PROGRAMATIC RECOMMENDATIONS

1 **WDU Pricing**  
Update the pricing model to better reflect affordability for families in the county including **adjusting price by typology** to account for variation in condo and HOA fees.

2 **Affordability Levels**  
Align program affordability with housing needs in the county by **replacing units at the 120% AMI level with units at 70% AMI.**

3 **Resale Requirements**  
**Tie resale prices to AMI growth**, better matching future unit resale prices with housing affordability.

4 **Term of Price Control**  
**Maintain the existing term** of 30 years, resetting after sales within the 30-year timeframe.

5 **Geographic Applicability**  
**Extend the WDU policy** to all areas within County jurisdiction zoned R-8 and above. **Do not extend the Tysons High Rise policy** at this time.

6 **Bedroom Distribution**  
Adopt a requirement that **WDUs match the proportion of family-sized** (3 or more bedrooms) **market-rate units.**



# APPENDIX





# Previous Recommendations and Analysis

## UPDATE WDU PRICING

Update the pricing model to better reflect affordability for families in the county.

### Findings

- 15% of WDU units have had to **reduce prices to sell**.
- **Mortgage rates have increased considerably** (5.85% to 6.32%+) over the past year.
- Recently built communities with WDUs have average condominium and HOA fees of \$308. However, these **fees can grow over 3% annually** and may vary by product type.

### Recommendations

- Reduce **persons per bedroom from 2 to 1.5**, aligning with HUD standards.
- Update pricing calculator to account for:
  - **Changes to AMI** levels (annually)
  - Current **interest rates** (as-needed)
  - **Tax rate** updates (as-needed)
  - **Condo/HOA Fee** assumptions (as-needed)

*Note: 11 of 74 units; Condo and HOA fee data is from Fairfax County HCD*

## UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

	2 Bedroom (71% - 80% AMI)	2 Bedroom (81% -100% AMI)
<b>Current Max Sales Price</b>	<b>\$328,200</b>	<b>\$425,600</b>
<b>2023 AMI Level Increase</b>	<b>↑ \$26,850</b>	<b>↑ \$33,550</b>
Updated Price	\$355,050	\$459,150

AMI for a family of four increased from \$142,000 to \$152,000 in 2023.

## UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

	2 Bedroom (71% - 80% AMI)	2 Bedroom (81% -100% AMI)
<b>Current Max Sales Price</b>	<b>\$328,200</b>	<b>\$425,600</b>
2023 AMI Level Increase	↑ \$26,850	↑ \$33,550
Updated Price	\$355,050	\$459,150
<b>Updated Annual Mortgage Rate</b>	<b>↓\$(13,650)</b>	<b>↓\$(17,700)</b>
Updated Price	\$341,400	\$441,450

Average Mortgage Rates have increased from 5.85% to 6.32% in 2023.

## UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

	2 Bedroom (71% - 80% AMI)	2 Bedroom (81% -100% AMI)
<b>Current Max Sales Price</b>	<b>\$328,200</b>	<b>\$425,600</b>
2023 AMI Level Increase	↑ \$26,850	↑ \$33,550
Updated Price	\$355,050	\$459,150
Updated Annual Mortgage Rate	↓ \$(13,650)	↓ \$(17,700)
Updated Price	\$341,400	\$441,450
<b>Updating to 1.5 Person Per Bedroom</b>	↓ \$(40,200)	↓ \$(50,050)
Updated Price	<b>\$301,200</b>	<b>\$391,400</b>

HUD assume 1.5 persons per bedroom.

## UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

	2 Bedroom (71% - 80% AMI)	2 Bedroom (81% -100% AMI)
<b>Current Max Sales Price</b>	<b>\$328,200</b>	<b>\$425,600</b>
2023 AMI Level Increase	\$26,850	\$33,550
Updated Price	Assumes \$0.30 PSF for Condo/HOA fees – aligned with County data.	
Updated Annual Mortgage Rate		
Updated Price		
Updating to 1.5 Purchase Per Bedroom		
Updated Price	\$301,200	\$391,400
<b>Updating Condo/HOA Fee Assumptions</b>	<b>↑ \$29,650</b>	<b>↑ \$29,650</b>
Updated Price	<b>\$331,400</b>	<b>\$421,750</b>

## UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

	2 Bedroom (71% - 80% AMI)	2 Bedroom (81% -100% AMI)
<b>Current Max Sales Price</b>	<b>\$328,200</b>	<b>\$425,600</b>
2023 AMI Level Increase		
Updated Price		
Updated Annual Mortgage Rate		
Updated Price		
Updating to 1.5 Purchase Per Bedroom	\$(40,200)	\$(50,050)
Updated Price	\$301,200	\$391,400
Updating Condo/HOA Fee Assumptions	↑ \$29,650	↑ \$29,650
Updated Price	\$331,400	\$421,750
<b>Add Homeowners Insurance</b>	↓ <b>\$(9,900)</b>	↓ <b>\$(9,900)</b>
Updated Price	<b>\$320,950</b>	<b>\$411,150</b>

Add Homeowners Insurance  
(estimated at \$75 a month)



## UPDATE WDU PRICING – CUMULATIVE IMPACT

### Change in Pricing from 2022

	71% - 80% AMI			80% - 100% AMI		
	Existing	Updated	Difference	Existing	Updated	Difference
<b>Efficiency</b>	\$235,900	\$252,800	\$16,900 (+7%)	\$304,050	\$322,800	\$18,750 (+6%)
<b>1 Bedroom</b>	\$262,450	\$267,000	\$4,550 (+2%)	\$340,500	\$342,200	\$1,700 (0%)
<b>2 Bedroom</b>	\$328,200	\$320,950	-\$7,250 (-2%)	\$425,600	\$411,150	-\$14,450 (-3%)
<b>3 Bedroom</b>	\$378,200	\$371,150	-\$7,050 (-2%)	\$491,150	\$475,350	-\$15,800 (-3%)
<b>4 Bedroom</b>	\$428,150	\$413,300	-\$14,850 (-3%)	\$556,900	\$529,500	-\$27,400 (-5%)

Note: This includes adjustments to 2022 AMI levels, bedrooms by household size, updated mortgage interest rates, updated tax rates, and a condo fee reduction to \$0.30 PSF. These represent the MAXIMUM price.

## OPTIMIZE AFFORDABILITY LEVELS

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

### Findings

- **46% of all home sales** in Fairfax County since 2020 were 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).

### Recommendations

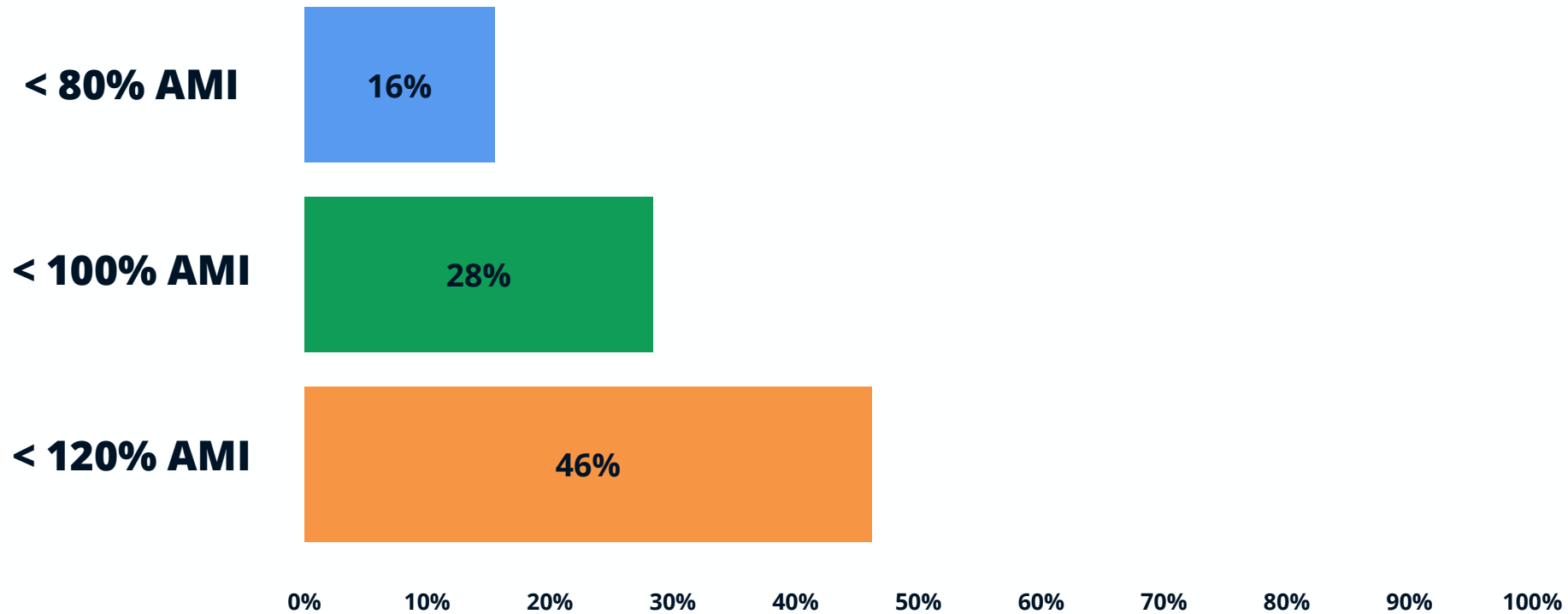
- **Remove the 120% AMI affordable price level for the program** and serve only households earning 100% AMI and below.

*Note: 11 of 74 units; Condo and HOA fee data is from Fairfax County HCD*

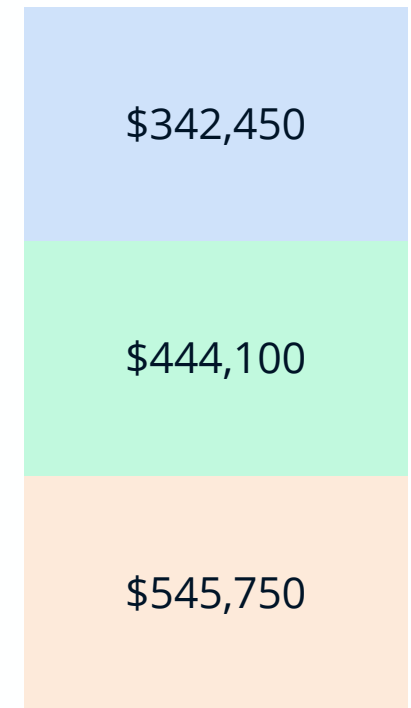
## OPTIMIZE AFFORDABILITY LEVELS

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

**Cumulative Share of Homes Affordable By AMI Levels for Households**  
(2020 – 2023)



**Example 2-Bed  
Max Affordable  
Home Price**



*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County, HR&A Advisors*

## DISTRIBUTION OF WDU<sub>s</sub> 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
<b>Even Distribution</b> 6% 80% AMI units 6% 100% AMI units	<b>More 80% AMI Units</b> 9% 80% AMI units 3% 100% AMI units	<b>Extended Affordability</b> 4% 70% AMI units 4% 80% AMI units 4% 100% AMI units

## DISTRIBUTION OF WDU<sub>s</sub> 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
<b>Even Distribution</b> 6% 80% AMI units 6% 100% AMI units	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>
<b>More 80% AMI Units</b> 9% 80% AMI units 3% 100% AMI units	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>
<b>Extended Affordability</b> 4% 70% AMI units 4% 80% AMI units 4% 100% AMI units	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>

## ADJUST RESALE COMPONENT

Tie change in resale price from CPI to AMI, better matching resale prices with what households can afford.

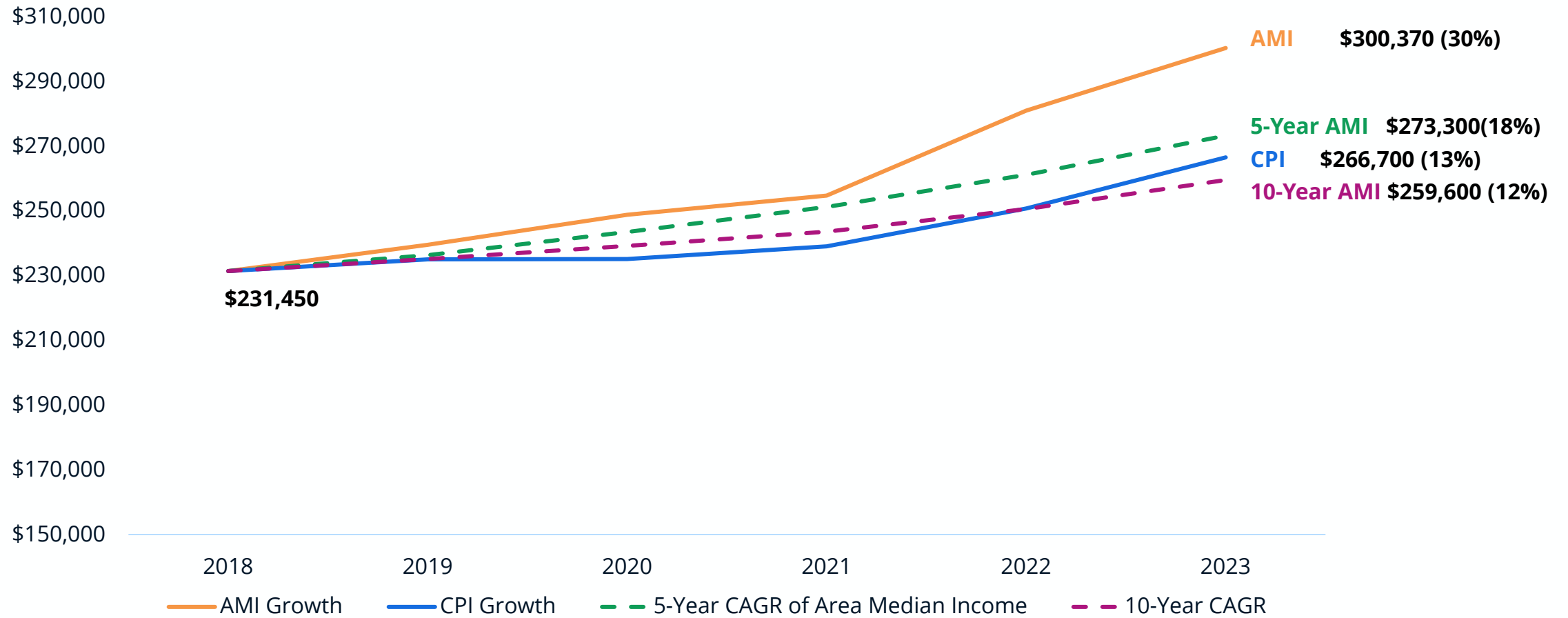
### Findings

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

### 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



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

## TERM OF PRICE CONTROL

After reviewing potential term of price control changes, HR&A recommends maintaining the existing term of price control of 30 renewing years.

### Findings

- There **is no standard affordability term** for similar programs in the jurisdictions we studied.
- Fairfax County is interested in providing long-term affordability, with **units serving more than one household**.
- County **needs to track only most-recent sale** of a unit to track affordability covenant.

### Recommendations

- Maintain the **30-year renewing covenant** period.
- Improve communication of the **benefits of homeownership**, even with the restricted resale value.



## GEOGRAPHIC APPLICABILITY

Extend the WDU program to encompass all areas within the jurisdiction of the County zoned for mid- to high-density residential (R-8 and above).

### Findings

- **Homes within med- to high-density zones outside the WDU program areas sold for equivalent or higher prices** than homes within the program area.
- Mid- to high-density zoned sites are **primarily adjacent to areas with existing WDU** applicability.
- Financially feasible **high-rise condo prices (~\$850 PSF) are currently unsupportable** in most of the Fairfax market.

### Recommendations

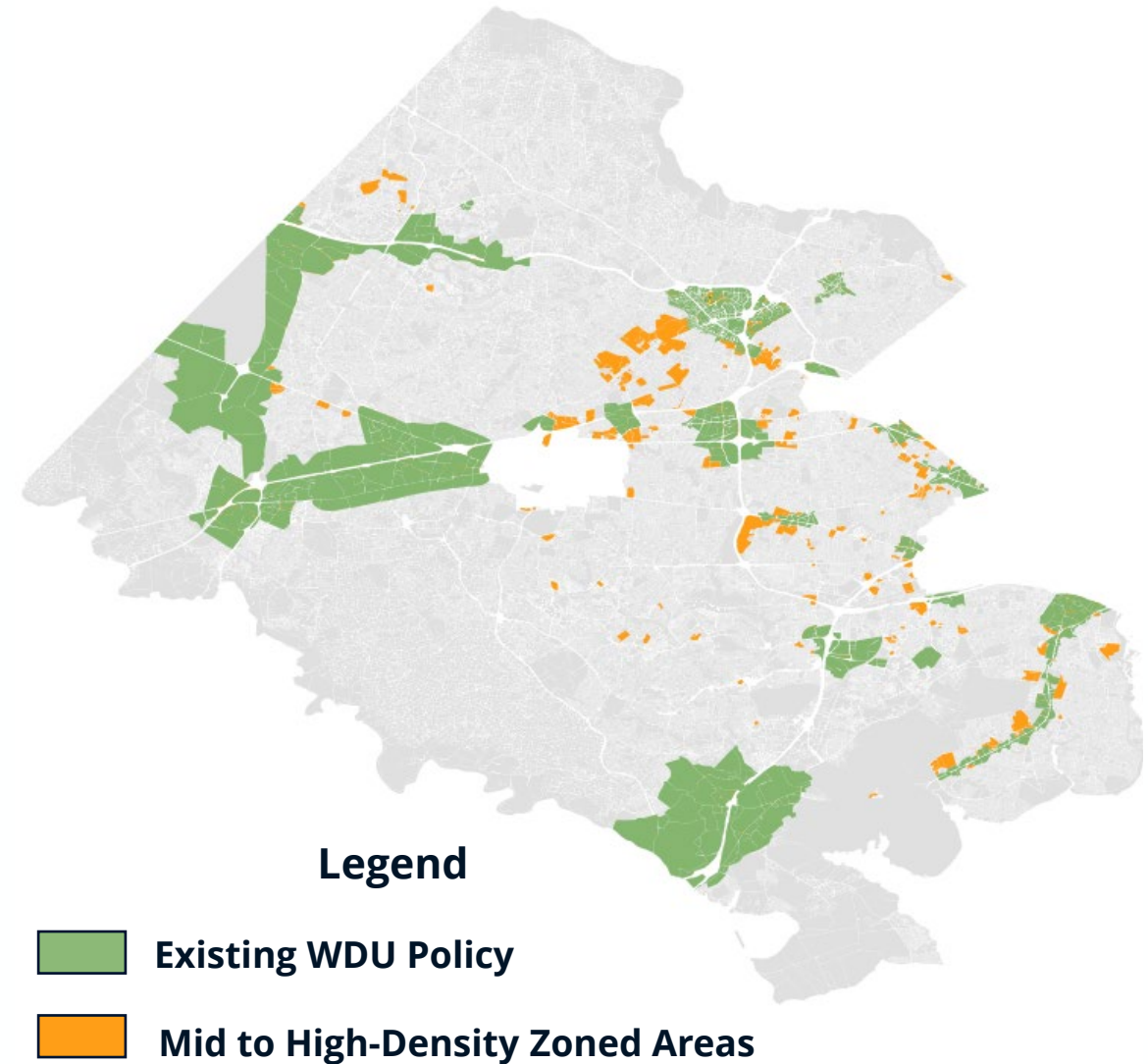
- **Extend the WDU policy** to all areas within the County's jurisdiction zoned for mid- to high-density residential.
- The high-rise policy **should not be extended outside of Tysons at this time.**

## 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.



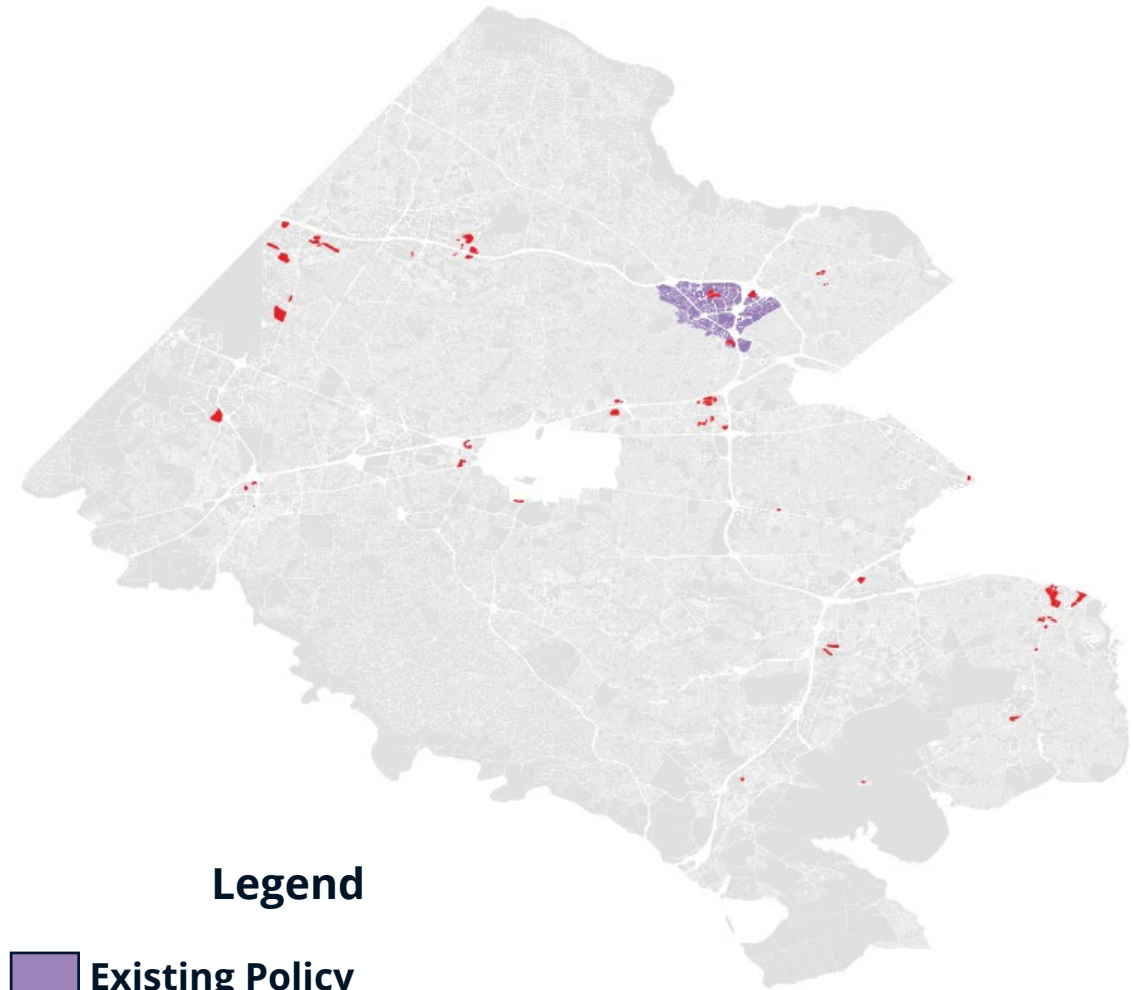
*Note: This map includes zoning areas which may be under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas, the policy will not be applicable, but the County may make a recommendation to local officials to consider in their review processes.*

## 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.*



# Additional Analysis

## REVISE CONDO AND HOA FEE ASSUMPTIONS

Townhome	PSF Fee	Monthly Fee	Max Price
<b>Previous Recommendation</b>	\$0.30	\$270	\$476,150
<b>Current Recommendation</b>	\$0.15	\$135	\$493,950

Stacked Townhome and Condo Flats	PSF Fee	Monthly Fee	Max Price
<b>Previous Recommendation</b>	\$0.30	\$270	\$476,150
<b>Current Recommendation</b>	\$0.35	\$315	\$470,200

*Note: Fee and max price are based on the minimum square footage and pricing for a 3-bedroom unit at 100% AMI.*

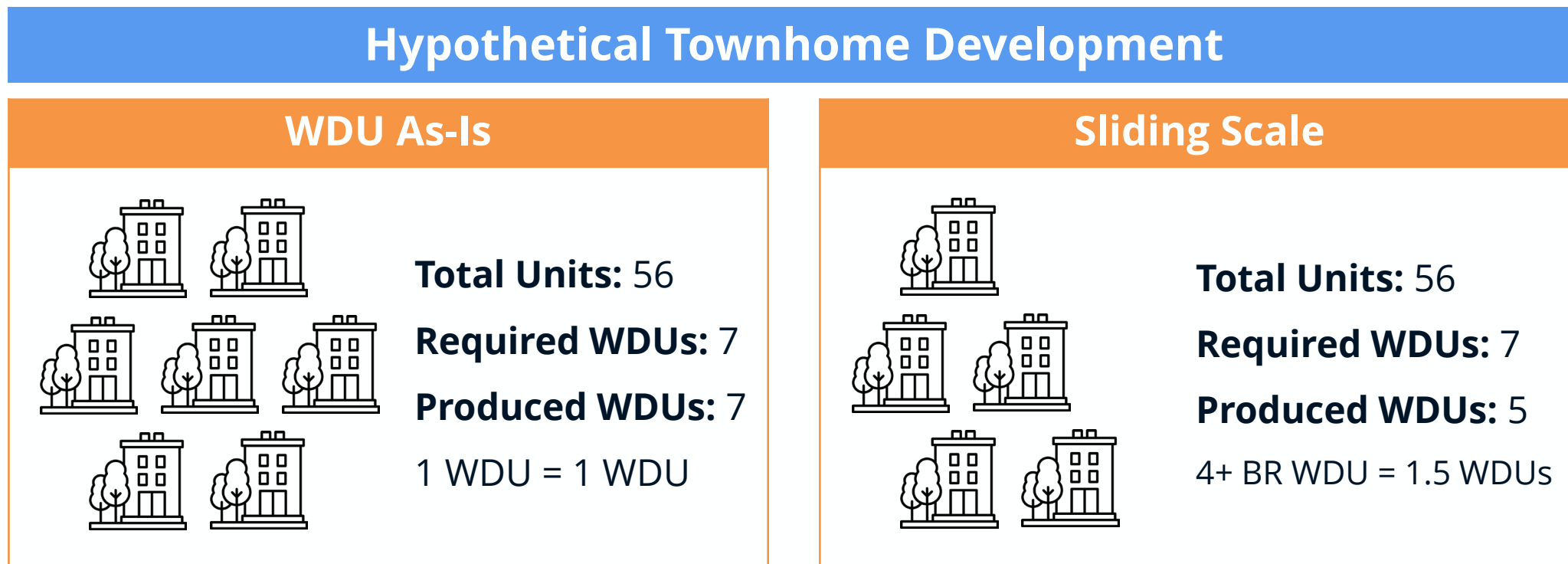
## REVISE CONDO AND HOA FEE ASSUMPTIONS

	Townhomes	Stacked Townhomes	Condo Flats
<b>WDU Pipeline Projects</b> (Developer Provided)	\$167 per month	\$335 per month	--
<b>Market Data</b> (Redfin)	\$100 per month	\$280 per month	\$315 per month
<b>WDU Units Sold</b> (HCD)	\$188 per month	\$252 per month	\$404 per month
<b>Proposed</b>	\$135 per month	\$315 per month	\$315 per month

*Note: Proposed fee per unit and max price are based on the minimum square footage and pricing for a 3-bedroom WDU at 100% AMI.*

## ENSURE PRODUCTION OF FAMILY-SIZED UNITS

We do not recommend a sliding scale. Allowing larger to units to count for more than 1 WDU will **reduce the total affordable units produced and introduce added complexity.**



Note: Assumes a development where all market-rate units are 4 bedrooms or larger; 56 total units is inclusive of WDU units and 12% bonus units