Taxpayer Subsidized Housing is No Place for Luxury

It is past time to examine Fairfax County's subsidized and affordable housing policies.

Homes worth close to $1 million and luxury amenities ("resort style swimming pools with fountain and heated spa", billiards room, granite counter tops, ceramic tile, indoor basketball courts, stainless steel appliances) have no place in taxpayer subsidized housing. Yet last night's Fox 5 News story, the recently released Thomas Jefferson Institute report on "Subsidized Luxury in Fairfax County" and one of my recent Herrity Reports on the Residences at the Government Center clearly show that is not the case in Fairfax County. The role of government should be to give those in need a hand up, not provide them with a place to live that provides no incentive for advancement and is better than the housing and amenities of the majority of the taxpayers that are funding it. It is past time to examine Fairfax County's subsidized and affordable housing programs in the face of these reports and the vastly changed housing market.

Some Examples of What is Wrong

Pictures can be worth a thousand words. Below are just a few examples of homes and amenities provided at taxpayers' expense in the County's rental program. The County owns the units shown and/or pays the condo fees for the amenities shown.





Why it is Wrong to Subsidize Luxury?

The real sin here are the number of people in real need that could have been helped up with the investment in these units or the funding that could have gone to our priorities - transportation, schools and public safety - there are many things wrong here:

- **The real and opportunity costs to create these luxury units - in proffers, condo/HOA fees, and foregone taxes - could have been used more efficiently to provide more units for many more people in real need.** The investment in these homes and the ongoing condo fees could be used to build a much larger number of safe, decent affordable homes without the luxury or be used on other county priorities. Total condo/HOA fees alone paid by the County for just the County owned units are expected to exceed $1.5 million this year.

- **Occupants of these homes are disincentivised to improve their lives.** If the occupants of these homes improve their lives financially they will be forced to move out and the housing they could afford without the taxpayer subsidy is well below the quality of these homes.

- **The housing market has changed significantly -housing affordability is at an all time high.** Since we started acquiring ADUs with the penny for affordable housing in 2005, the share of homes sold in the metropolitan area that would have been affordable to a family earning the median income has risen dramatically from less than 25% to over 78%. Housing affordability at the end of 2010 is at its highest level ever. [1]

- **Units are being provided to people making close to $75,000 per year.** Anyone making close to $75,000 per year has options in the free market for housing and should not be subsidized by taxpayers.

- **Units in the County's program are not in the tax base and those under the Affordable Dwelling Unit (ADU) ordinance are held at artificially low market values.** This reduces our tax base and annual county property tax receipts.

- **Many of our residents are still struggling during these difficult economic times.** I would argue that no time is right for luxury in affordable housing but clearly not during a period when our residents are struggling, we are reducing services and we cannot afford to give our County employees a raise.

- **The subsidized units and amenities are nicer than the housing and amenities of the majority of the taxpayers that are actually paying for it.** Enough said this does not pass the sniff test nor the common sense test.

Where Do We Go From Here?

I have already asked the Board's auditor to look into the condo/HOA fees and the management of our housing programs. The auditor has begun his review and will be reporting back to the Board.
It is past time to examine Fairfax County's subsidized and affordable housing programs in the face of these reports and the vastly changed housing market:

- Who should our housing policy serve? We should be focused on getting those truly in need back on their feet and the elderly and disabled - especially in light of the changing market conditions.

- What can be done with the current luxury units so that we can put the resources to more efficient use and eliminate the condo/HOA fees for luxury amenities? We should change our ADU ordinance, sell them and put the funds to better use.

- We should revisit the ADU ordinance. In many cases we are getting very little for the large cost incurred by developers to meet the requirements of the ordinance when we could help more people with the same resources.

- We need to reevaluate the 20% ADU requirement in Tysons Corner. Much of the housing being built in Tysons is expected to be high end. If we do not make a change then a large investment will be going into luxury units with an artificially low tax base at a huge real and opportunity cost and minimal benefit.

- The homes highlighted in this report are a glaring example of why Fairfax County should not be in the landlord business.

- We should continue to leverage our non profits to address housing for those truly in need. Most of our non profits are far better than the government at helping our residents get back on their feet. Habitat for Humanity is a good example with their motto *"A Hand Up not a Hand Out."* Habitat makes use of donated materials and volunteer labor to produce low-cost construction homes that are affordable for the very poorest members of our society.

- We should consider tax exemption for certain non profit owned housing for those most in need. In Sept 2008, I asked the board to fix a technical problem with the tax exemption for some properties owned by NOVACO - I was happy we were finally able to fix the exemption at the last Board meeting. This tax exemption will allow them to serve more people truly in need.

- We should work to ensure that our housing dollars are going to help residents of Fairfax County, and not to relocate people into the county.

- We should review our rules and regulations to see which ones add to the cost of housing with little or no added benefit. There is much more to the cost of housing than the cost of the labor and materials to build it.

- We also might consider putting time-limits for new renters of our affordable dwelling units.   A time limit would allow new tenants to have the benefit of a below-market rent for a brief period of time, but not without the pressure to move out of the unit.

We need to break with the tradition of government involvement in building, financing and regulating housing and look towards incremental improvement through a combination of individual initiative, altruism, and deregulation. Our housing policy is counterproductive and should be changed. The County's purchase of ADUs is misguided and wasteful. We can do better - we need to maximize our resources, focus on those with the lowest incomes that cannot help themselves, and consider alternative, innovative models of housing that do not depend on massive government subsidies.

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[1] The National Association of Home Builders-Wells Fargo Housing Opportunity Index (HOI) for a given area is defined as the share of homes, newly constructed or existing, sold in an area that would have been affordable to a family earning the local median income. The HOI has been calculated each quarter since 1991.