

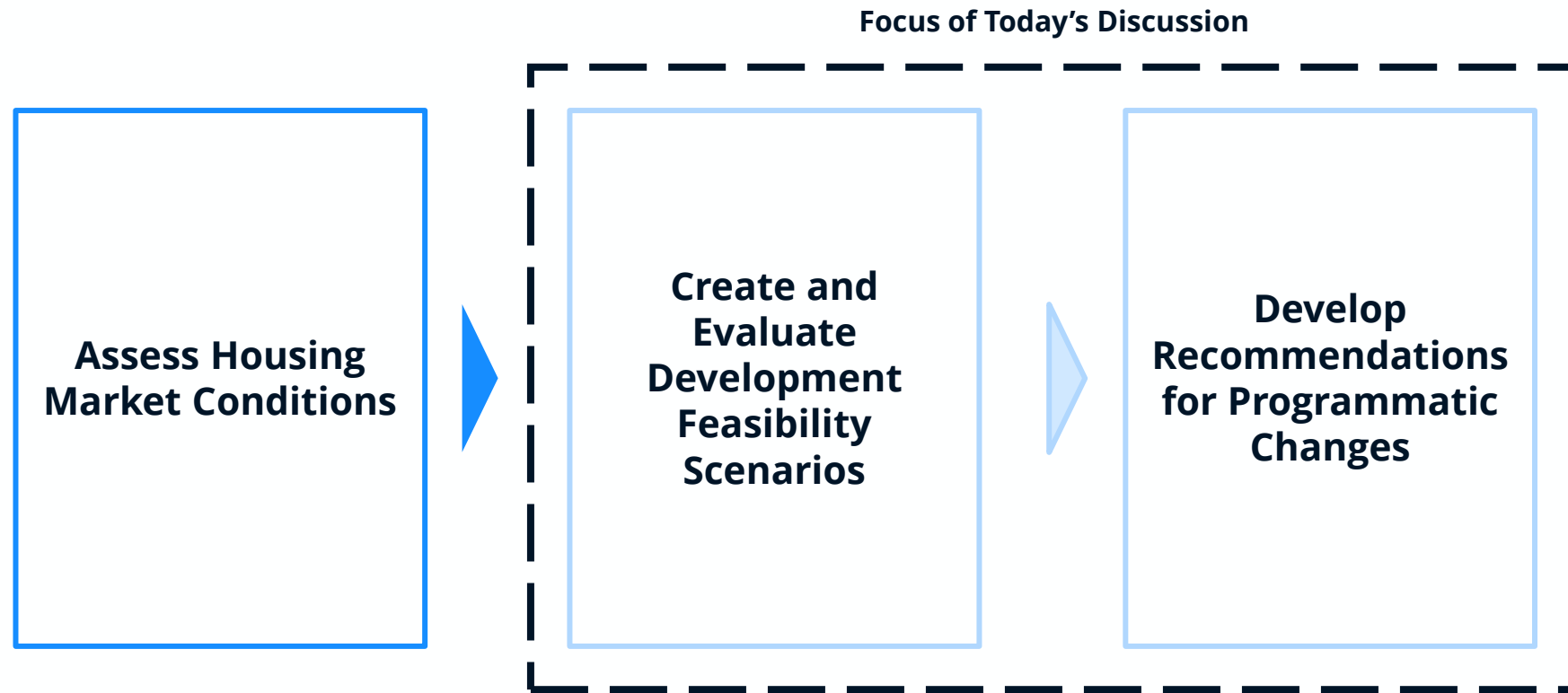
HR&A +



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.



CHALLENGES

WDU SALES

- WDUs at 120% of the Area Median Income (AMI) have the highest number of units remaining on the market
- WDU at higher AMI levels may compete with market rates.

LENGTH OF SALES

- WDUs at 120% of the AMI take longer to sell, with average of 419 days to sell
- WDUs at higher AMI levels use incentives to sell

AFFORDABILITY TERM

- 30-year renewing term of price control relative to permanent affordability

SALES PRICES

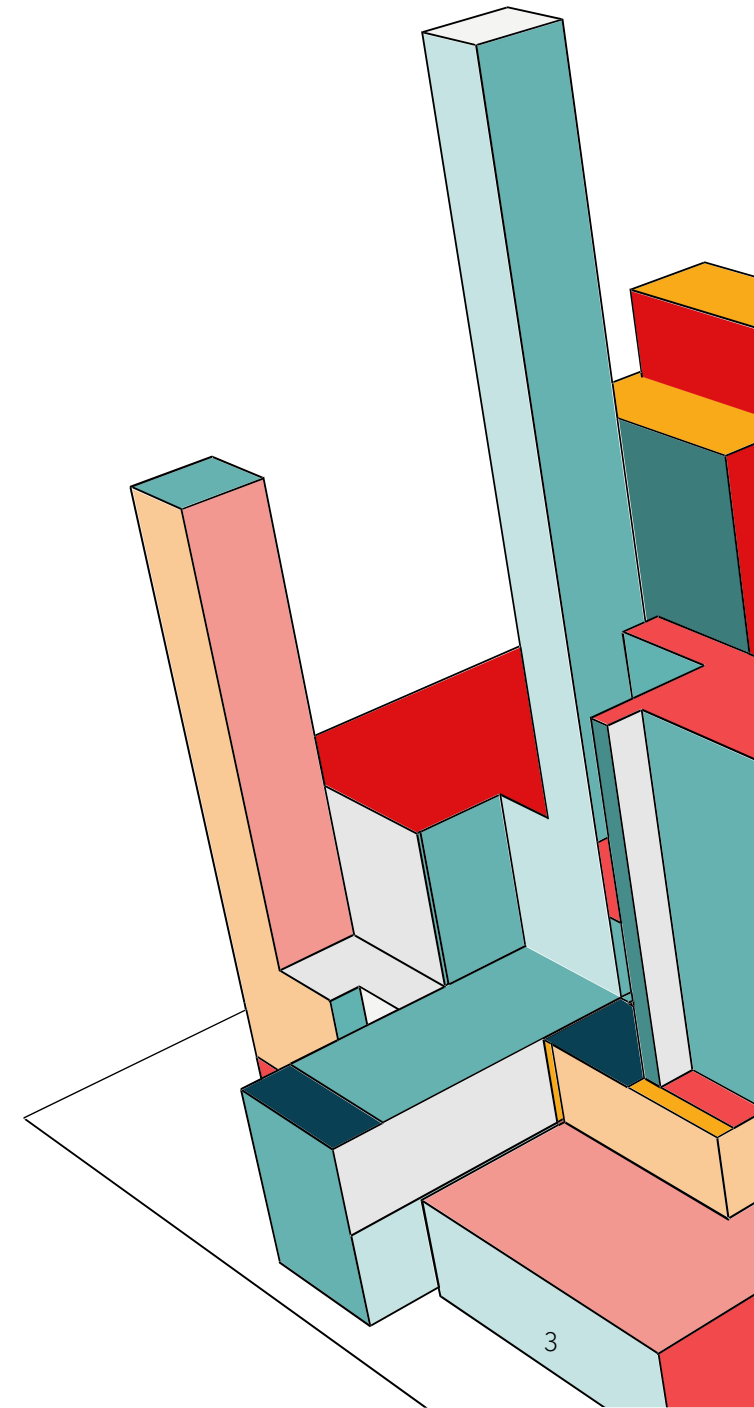
- Current pricing calculation sets maximum sales price, which becomes de facto starting point
- Changing dynamics related to condo/HOA fees, interest rates, AMI growth may affect affordability

BONUS DENSITY

- Most developments meet minimum expectations for WDUs without utilizing sliding scale of bonus density

GEOGRAPHIC LIMITATIONS

- For-sale policy applies to County's development centers
- Adjusted high-rise policy applies only to Tysons Urban Center





TASK FORCE FOCUS AREAS

AFFORDABILITY LEVELS

WDU PRICING

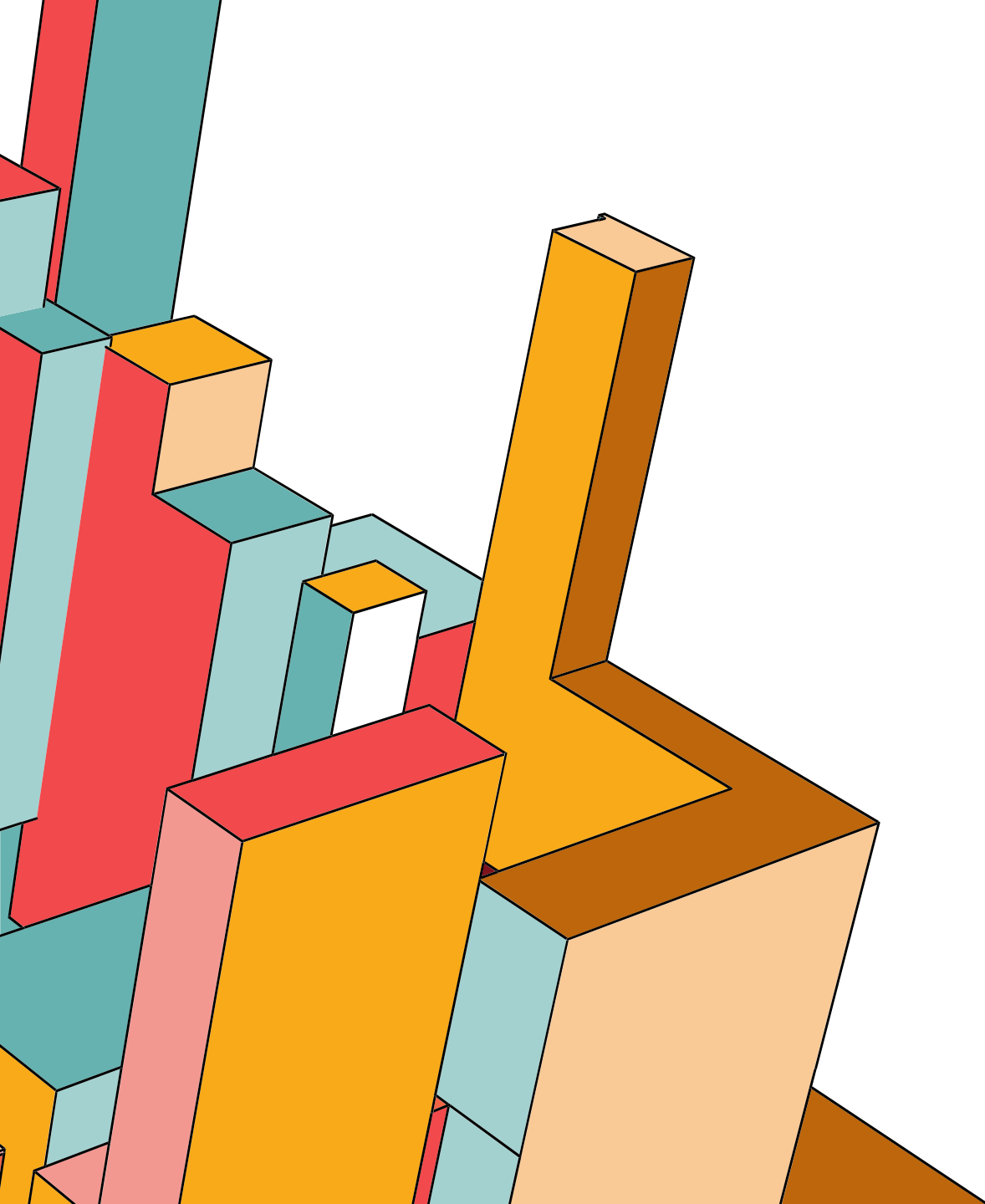
RESALE PRICING COMPONENTS

GEOGRAPHIC APPLICABILITY

TERM OF PRICE CONTROL

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 a gabled roof. The facade is a mix of red brick and white horizontal siding. Several windows are visible, some with white frames. The building is set against a backdrop of lush green trees. In the foreground, there is a paved area with several parked cars, including a silver sedan, a dark car, a red SUV, and a black car. The overall scene is captured in a slightly dim, overcast light.

Initial County-wide Recommendations



TASK FORCE FOCUS AREAS

TODAY'S MEETING:

AFFORDABILITY LEVELS

WDU PRICING

RESALE PRICING COMPONENTS

TERM OF PRICE CONTROL

NEXT MEETING:

GEOGRAPHIC APPLICABILITY

INITIAL RECOMMENDATIONS

- 1 Update WDU Unit Pricing**
Update the pricing model to better reflect affordability for families in Fairfax County.
- 2 Optimize Affordability Levels**
Align affordability level to meet housing needs in the county by shifting the program away from the 120% AMI level.
- 3 Adjust Resale Requirements**
Tie resale prices to AMI growth, better matching future unit resale prices with housing affordability.
- 4 Maintain the Term of Price Control**
Maintain the existing term of price control of 30 years, resetting after sales within the 30-year timeframe.

UPDATE WDU PRICING

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

Findings

- 15% of units have had to **reduce prices to sell**.
- **Mortgage rates have increased considerably** (5.85% to 6.32%+) in 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.

Initial Recommendations

- Reduce assumption on **persons per household from 2 to 1.5**, aligning with HUD program 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)
- Add Homeowners Insurance costs to pricing model

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)
Current Max Sales Price	\$328,200	\$425,600
2023 AMI Level Increase	↑ \$26,850	↑ \$33,550
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

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Current Max Sales Price	\$328,200	\$425,600
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Updated Price	\$355,050	\$459,150
Updated Annual Mortgage Rate	↓ \$(13,650)	↓ \$(17,700)
Updated Price	\$341,400	\$441,450

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

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Updated Price	\$341,400	\$441,450
Updating to 1.5 Person Per Bedroom	↓ \$(40,200)	↓ \$(50,050)
Updated Price	\$301,200	\$391,400

HUD assume 1.5 persons per bedroom.

UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

	2 Bedroom (71% - 80% AMI)	2 Bedroom (81% -100% AMI)
Current Max Sales Price	\$328,200	\$425,600
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
Updating Condo/HOA Fee Assumptions	↑ \$29,650	↑ \$29,650
Updated Price	\$331,400	\$421,750

UPDATE WDU PRICING – EFFECTS OF NEW ASSUMPTIONS

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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
Add	↓ \$(9,900)	↓ \$(9,900)
Updated Price	\$331,400	\$421,750

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
Efficiency	\$235,900	\$252,800	\$16,900 (+7%)	\$304,050	\$322,800	\$18,750 (+6%)
1 Bedroom	\$262,450	\$267,000	\$4,550 (+2%)	\$340,500	\$342,200	\$1,700 (0%)
2 Bedroom	\$328,200	\$320,950	-\$7,250 (-2%)	\$425,600	\$411,150	-\$14,450 (-3%)
3 Bedroom	\$378,200	\$371,150	-\$7,050 (-2%)	\$491,150	\$475,350	-\$15,800 (-3%)
4 Bedroom	\$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

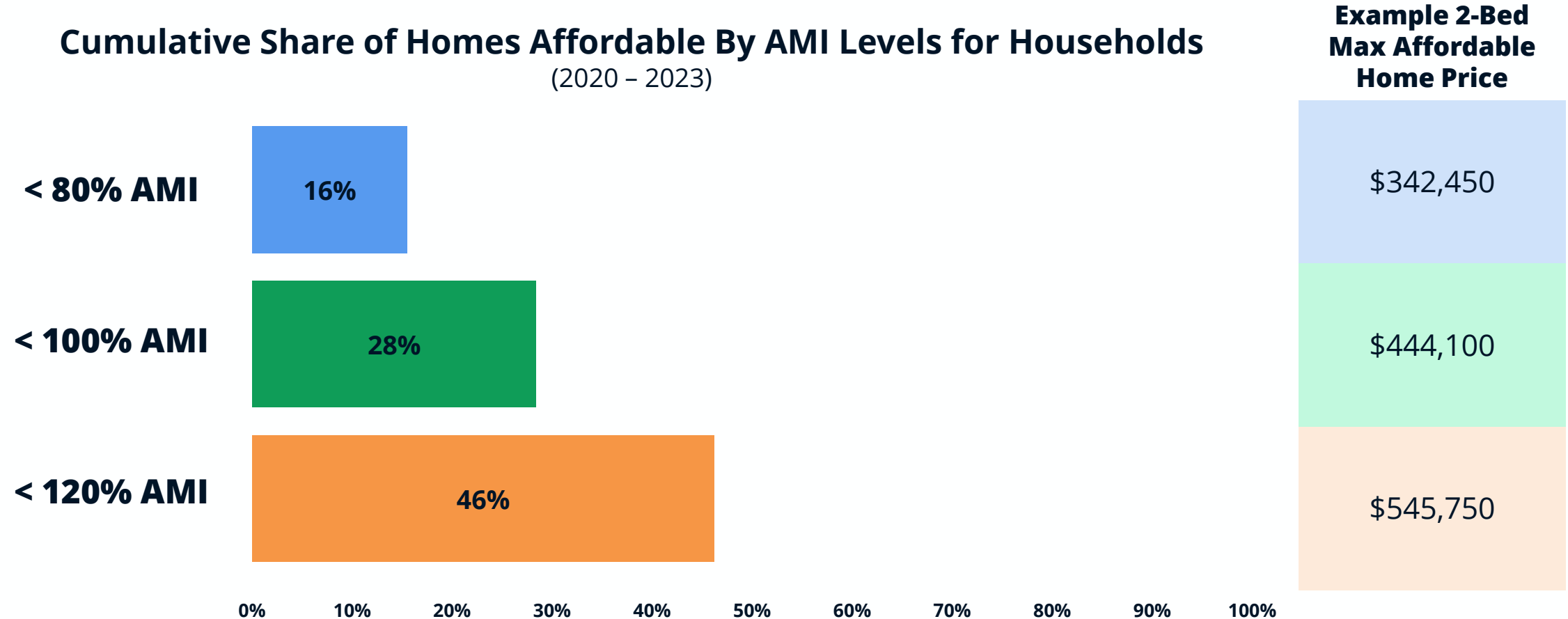
- **46% of all home sales** since 2020 are affordable to households earning 100-120% AMI.
- Households earning 100-120% AMI have **options** across different **unit sizes and locations** within the County.
- **42%** of all 120% AMI WDUs **have not sold** (compared to 12% of 100% AMI WDUs).

Initial Recommendations

- **Remove the 100% - 120% AMI Level for the program** and serve households earning 71% - 80% AMI and 81% - 100% AMI.
- Ensure that **distribution of WDUs by bedroom** is aligned with distribution of market-rate units by bedroom. More data on market-rate units may need to be collected by the County.

OPTIMIZE AFFORDABILITY LEVELS

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



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

ADJUST RESALE COMPONENT

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

Findings

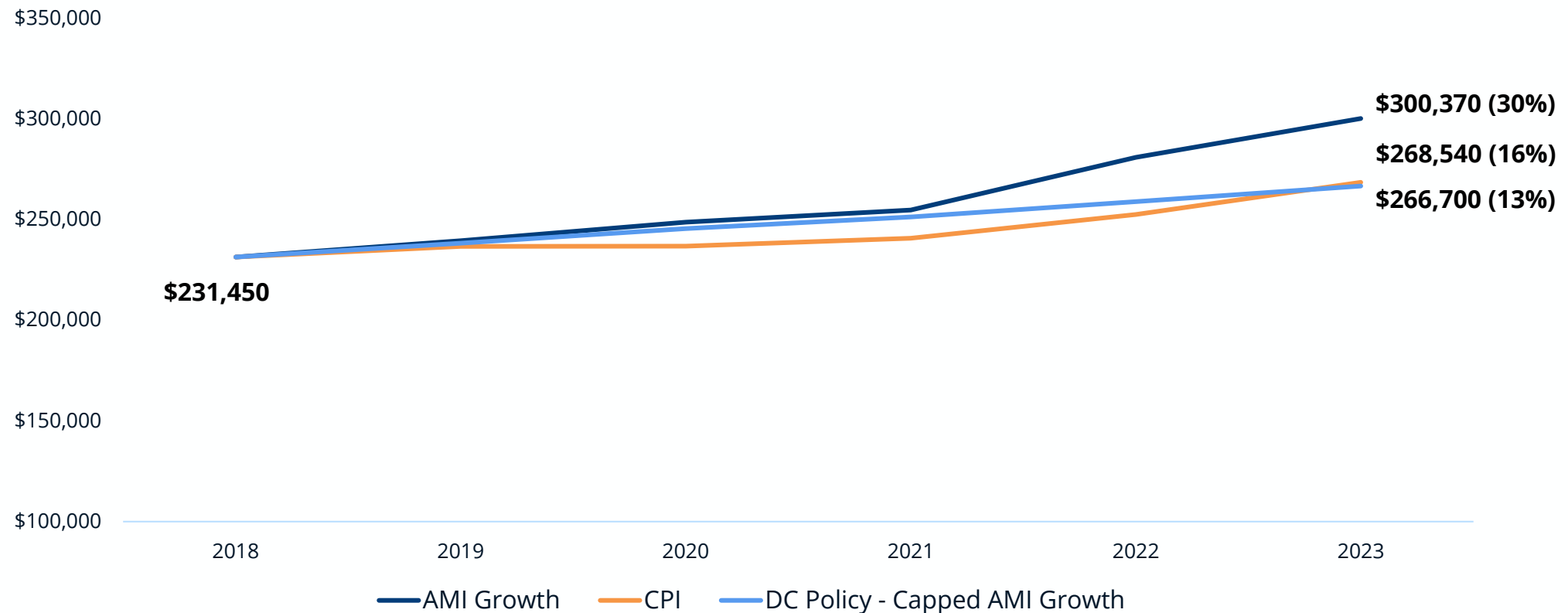
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- Changes in **CPI are historically more volatile** than changes in AMI.
- AMI is more **directly correlated with housing affordability** than CPI – which is influenced by non-housing pricing changes.

Initial Recommendations

- Tie changes to maximum resale prices from CPI to AMI.

ADJUST RESALE COMPONENT

Tie maximum resale price to AMI rather than CPI growth. These would allow for the maximum price to better align with growth in median income.



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.

Initial Recommendations

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



Next Steps

ONGOING ANALYSIS

In addition to these initial recommendations, HR&A is reviewing the following recommendations.

- 1 Impacts of New Pricing on Development Financials**
Do changes to WDU pricing and the AMI levels targets by the program require changes to the program's current bonus density?
- 2 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?
- 3 Distribution of WDUs by Bedroom Count**
What is the impact of aligning WDUs distribution with market rate distribution by bedroom count?
- 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?



APPENDIX

OPTIMIZE AFFORDABILITY LEVELS



Avoid
competition
with market
prices



Match supply
with demand



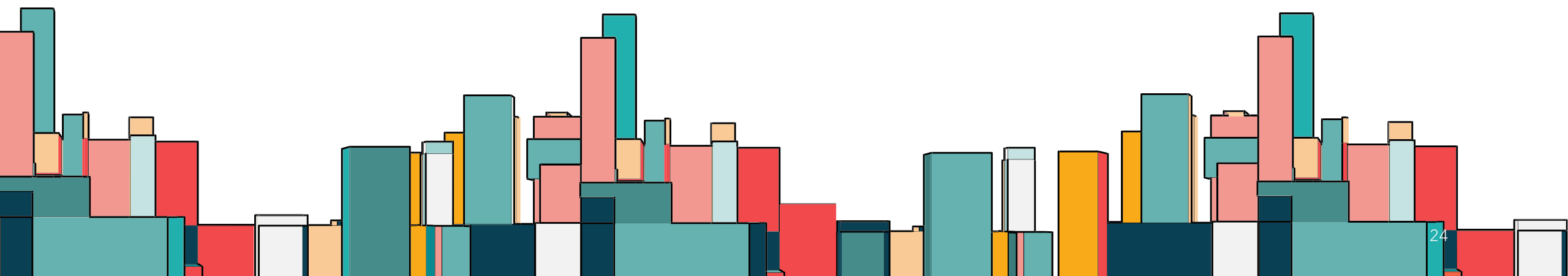
Reduce issues
with sales volume
and velocity

OPTIMIZE AMI LEVELS



CONSIDERATIONS

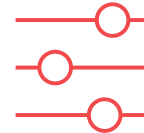
- Demand analysis: household size, income data as compared to AMI levels
- WDU pricing based on AMI levels compared to market rate pricing
- Challenges to homeownership at lower levels, e.g., condo fees, maintenance, downpayment assistance limited to 70% AMI
- Concerns with similarities and overlaps with ADU program
- Sliding scale of bonus density underutilized



ADJUST WDU PRICING



Remains
affordable to
different
households



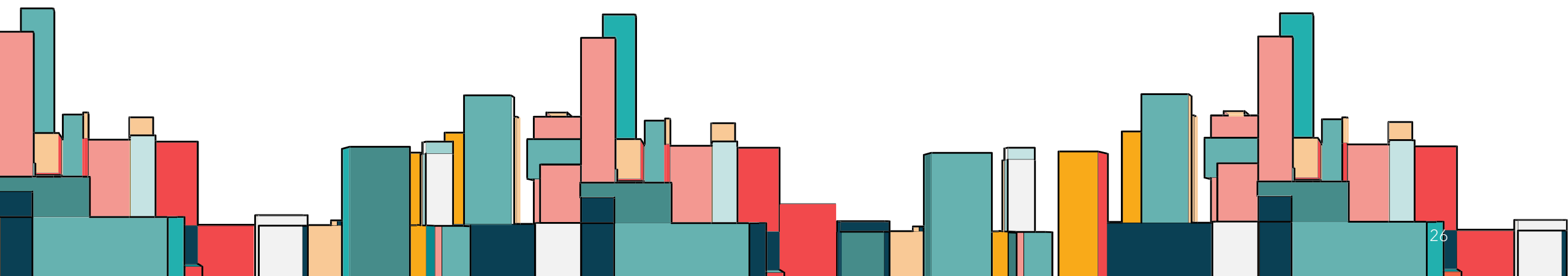
Reflects the
variety of
different factors

ADJUST WDU PRICING



CONSIDERATIONS

- Current calculation maximizes affordability based on HUD approved income limits, with adjustments to household size, and other factors
 - Income adjustments may not be equal across the income spectrum
- Condo and HOA fees vary by structure type, or type of construction
- Current pricing includes one parking space, discuss opportunities for decoupling parking in transit-rich, amenity-rich areas, or based on structure type, to reduce pricing.



CONSIDER RESALE COMPONENTS



Equity between
initial sale and
resale prices



Reduce
impediments to
resale



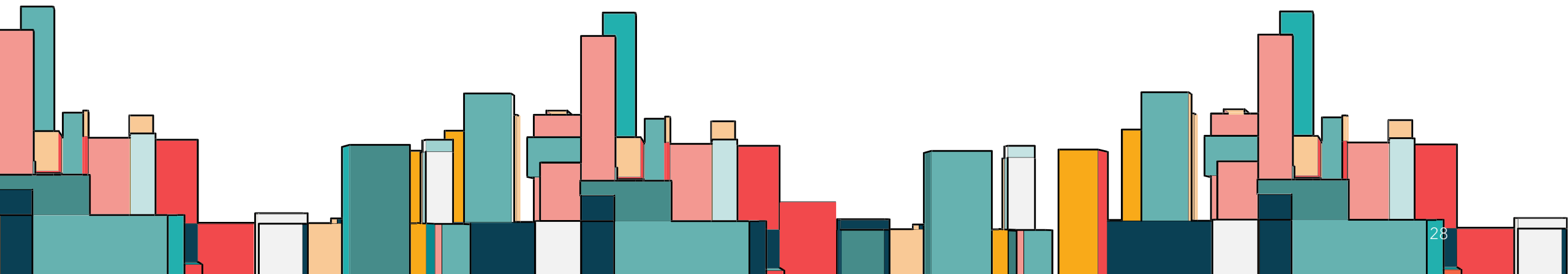
FCRHA to
facilitate resale

CONSIDER RESALE COMPONENTS



CONSIDERATIONS

- Setting an affordable price at the beginning
- Resale price calculation that compares resale prices over time, based on CPI, with sale prices, based on HUD AMI levels – could the calculation be different than CPI



EXPAND GEOGRAPHIC APPLICABILITY



Expand to high density beyond development centers

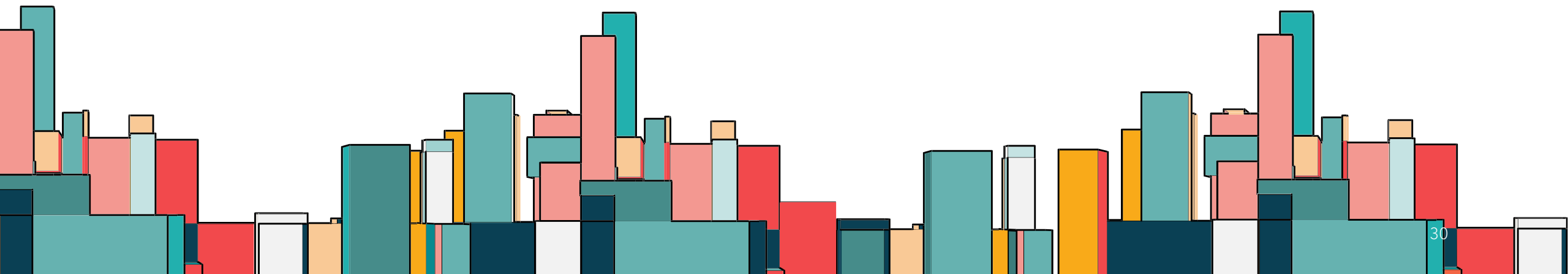


Expand high-rise policy beyond Tysons

EXPAND GEOGRAPHIC APPLICABILITY

CONSIDERATIONS

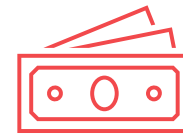
- Current policy limits application of policy to County's designated mixed-use centers
- Moderate to high densities are planned outside of development centers, usually along major corridors or transit corridors, or near neighborhood shopping centers, which may be appropriate for WDU homeownership opportunities
- WDU rental policy expanded to these areas recently



EVALUATE TERM OF PRICE CONTROL



WDU as
permanent
affordable
housing



Ability to build
generational
wealth

EVALUATE TERM OF PRICE CONTROL



CONSIDERATIONS

- Currently 30-year term
- Renewable term as permanent affordable
- Best practices for comparable jurisdictions
- ADU and WDU number of resale

