

HR&A +



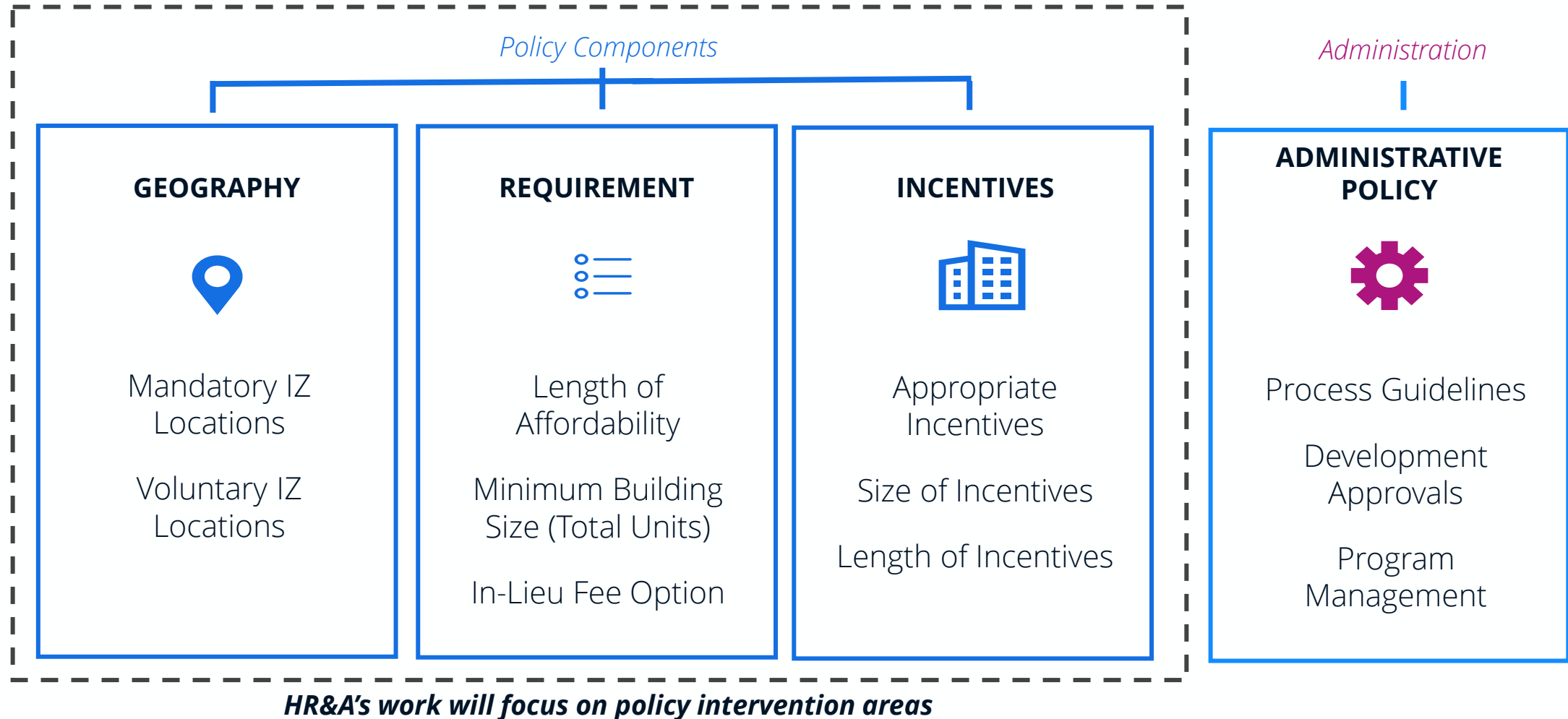
Fairfax WDU Task Force
IZ for Homeownership
Case Studies


Agenda

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PREVIOUS TASK FORCE RECAP

IZ policies can be calibrated for a specific market through **four main levers**, including the applicable geographies, affordability requirements, incentives, and administrative policy.





| 01

Case Study Findings

INCLUSIONARY ZONING HOMEOWNERSHIP CASE STUDIES

Case studies were selected based on the location, effectiveness and programmatic similarities. All case studies selected focus only on the for-sale portion of these programs.

Location	Program Name	AMI Levels Served	Applicability
Fairfax County, VA	Affordable Dwelling Unit Program (ADU)	Up to 70% AMI	Mandatory for 50+ Unit Projects
	Workforce Dwelling Unit Program (WDU)	70% - 120% AMI	Proffer-based Incentive
Loudon County, VA	Affordable Dwelling Unit Program (ADU)	30% - 70% AMI	Mandatory for 24+ Units and < 4 Stories*
Montgomery County, MD	Moderately Priced Dwelling Units Program (MPDU)	Up to 70% AMI	Mandatory for 20+ Unit Projects
	Workforce Housing Program (WHP)	Up to 120% AMI	Voluntary for some 35+ Unit Projects
Washington, D.C.	Inclusionary Zoning Program (IZ)	50% - 80% AMI	Mandatory for 10+ Unit Projects
Palm Beach County, FL	Workforce Housing Program (WHP)	60% - 120% AMI	Mandatory for 10+ Unit Projects

*Note: Ongoing Loudon County Zoning rewrite will likely remove the ADU exemption for buildings over 4 stories and update to 7 stories.

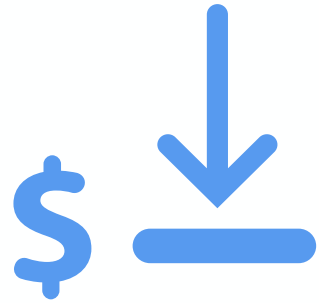
CASE STUDY BENCHMARKING

The case studies highlight several levers that similar jurisdictions use to adjust their for-sale inclusionary zoning programs.



Targeted AMI Levels

The income group of the households



Affordability Restrictions

The restrictions placed on the level of affordability



Incentives

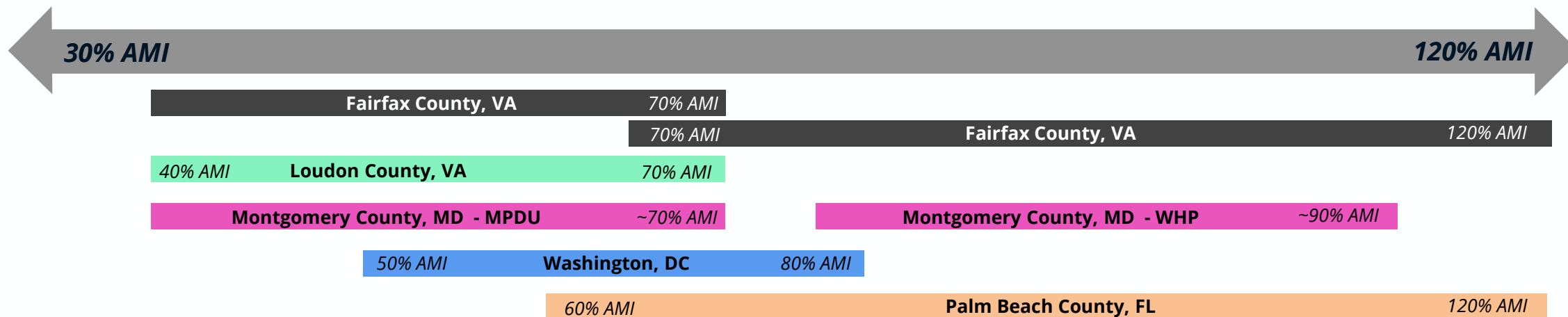
What level of indirect funding is provided for the development of these units



Resale Requirements

What degree of profit can be made on these properties

CASE STUDY BENCHMARKING | TARGETED AMI LEVELS



Findings:

1. Most municipalities reviewed, in line with national trends, are **targeted at lower AMI levels** (below 80% AMI).
2. Municipalities found the most success at lower AMI levels in the placement of households into units.
3. Even at these lower AMI levels, municipalities were challenged to successfully maintain affordability in these for-sale units. Other jurisdictions found challenging dynamics between the targeted **AMI level, and what a family could afford.**

CASE STUDY BENCHMARKING | TARGETED AMI LEVELS

Higher income households likely have other market options at the 120% AMI level.

	Fairfax County, VA	Palm Beach County, FL
Median Home Value in 2023₁	\$696,000	\$454,000
Median Estimated Renter Income	\$88,500 (90% AMI)	\$52,600 (60% AMI)
Income Required to Purchase a Median Price Home Home₂	\$215,000 (140% AMI)	\$140,400 (140% AMI)

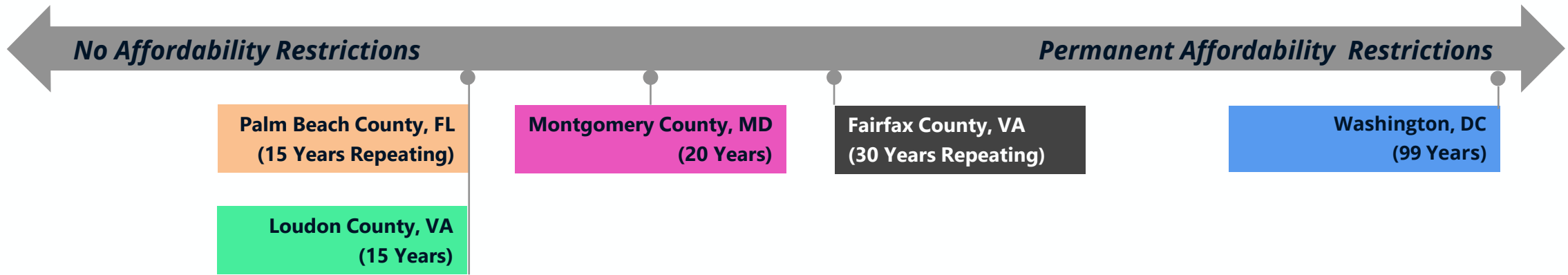
Discussion Questions: What programmatic goals are achieved through the higher AMI levels of the existing WHP?
 What costs do you find driving unaffordability within Fairfax County, beyond the sale price?

Sources: CoStar, HUD Income Limits, Developer Interviews, Zillow, Freddie Mac Private Mortgage Market Survey

[1] Based on Zillow Home Value Index Data.

[2] The equivalent AMI Level based on a single income, 4-person household.

CASE STUDY BENCHMARKING | TERM OF AFFORDABILITY



Findings:

Shorter Affordability Restrictions

- Affordability for a single household
- Larger ability to grow equity

Longer Affordability Restrictions

- Affordability for multiple households
- Smaller equity gains

Discussion Question:

Fairfax County is interested in prioritizing long-term affordability. What are barriers to and considerations for implementation around this goal?

CASE STUDY BENCHMARKING | RESALE REQUIREMENTS AND PRICING

Location	Resale Price Calculation	Resale Requirements
Fairfax County - ADU	CPI-U and fair market value of some improvements	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the County Trust after control period.*
Fairfax County - WDU	CPI-U and fair market value of some improvements.	Renewing Covenant Period: if the home is sold within 30 years, the clock resets.
Loudon County - ADU	CPI and fair market value of some improvements.	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the County Trust after control period, between 15- 50 years.
Montgomery - MPDU	CPI-U and capital improvements up to 10% of purchase price.	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the county after 30-year control period.*
Montgomery - WHP	Based on the pricing of new workforce housing units , tying resale price to AMI.	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the county after 20-year control period.*
Washington, D.C.	Based on the Ten-Year CAGR of Median Income from the year of purchase to the year of the unit's sale by the owner, tying resale price to AMI.	Standard Covenant: no resale limits following control period, however covenant period is 99 years.
Palm Beach County, FL	The resale price is determined by the designated income category of the unit , and the current sales price for that category.	Renewing Covenant Period: if the home is sold within 15 years, the clock resets.

*Note: For the first resale.

CASE STUDY BENCHMARKING | RESALE REQUIREMENTS AND PRICING

Findings:

1. One alternative to resale price calculations using CPI is to use variations of growth in AMI. Some municipalities (DC) base resale prices off the growth rate of AMI. Others, such as palm beach, base the resale pricing of the cost of a new workforce housing unit in that sale period, tying it as well to an affordable AMI level.
2. Making the 'pitch' to new buyers can be more challenging with a renewing covenant, and a compounding issue for those buyers who may have other options in the market.

Discussion Questions:

Resale pricing and requirements are important considerations when a new homebuyer decides whether to participate in the WDU program. Do these findings change how you viewed resale pricing, and what does it make you want to consider?

Note: During the review of these case studies, there were limited findings related to how these programs account for parking and condo/HOA fees in their sale or resale price. HR&A will look to analyze trends related to these factors in the next phase of analysis.



02

In-Depth
Case Studies

CASE STUDIES | LOUDON COUNTY, VIRGINIA

Affordable Dwelling Unit Program

APPLICABILITY

Mandatory for most For-Sale Buildings with 24+ Units and < 4 Stories

GEOGRAPHY

Entire Jurisdiction

AFFORDABILITY

40% - 70% AMI

CONTEXT

Program Administration: Board of Supervisors, with input from the Affordable Dwelling Unit Advisory Board.
Year Introduced: 1995

PROGRAM COMPONENTS

Portion of Development: Single Family - 12.5%+ and Multifamily - 6.25%+

Length of Affordability (Covenant Term): 15 Years

Incentives: Density Bonus up to 20% for Single Family and up to 10% for Multifamily

Price Calculation: Initial price calculation determined by the ADUAB based on the development cost of the unit.

Resale Requirements: Between years 0-15, resale price calculation based on increase in CPI and fair market value of some improvements. Resales between years 15 – 50 (extended control period) may be sold at fair market value, but the difference in sale price must be split between the seller and County Housing Trust.

Annual Homeowner Requirements (Recertification): Required annual affidavit regarding primary domicile.

Other Notes: Policy does not limit or address Condos/HOA Fee or Parking Requirements. ADU sale control price shall include a 1.5 percent sales commission/finders fee to be paid to such real estate agent.

OUTCOMES

Unit Production: Between 2017 – 2022, 430 ADU units were sold. 20% at 40% AMI, 27% at 50% AMI, 27% at 60% AMI and 25% at 70% AMI.

Source(s): Loudon County, Article 7: Administration and Regulation of Affordable Dwelling Unit Developments and Loudon County, Chapter 1450: Affordable Dwelling Units

***Note:** Loudon County is included here as a reference for other program components, and due to the fact that there are limited Virginia examples of 60%-120% programs.

CASE STUDIES | MONTGOMERY COUNTY, MARYLAND

Workforce Housing Program

<p>APPLICABILITY</p>	<p>CONTEXT</p>
<p>Voluntary for For-Sale 35+ Unit Projects</p>	<p>Program Administration: Montgomery County Department of Housing and Community Affairs (DHCA) Year Introduced: 2006</p>
<p>GEOGRAPHY</p>	<p>PROGRAM COMPONENTS</p>
<p>Entire Jurisdiction</p>	<p>Portion of Development: Dependent on site, recent examples include requiring 8% of the total site to be WHP units. As a note, WHP are backed out of the required total of MPD units required.</p> <p>Length of Affordability (Covenant Term): 20 Years</p> <p>Incentives: A density bonus is possible for projects in CR zones, however in most cases density bonuses have not been implemented.</p> <p>Price Calculation: The initial price is calculated to ensure housing costs at or below 30% of target AMI.*</p> <p>Resale Requirements: The resale price must be affordable and no greater than the determined standard price of a new WHP. If the resale price is less than the original sales price, the county will pay the difference. Sales <20 years must be to a qualified buyer (120% AMI or below). After 20 years, there are no resale restrictions, but half of the excess sale proceeds must be paid to the Housing Initiative Fund.</p> <p>Annual Homeowner Requirements (Recertification): Required annual recertification. Montgomery County has allowed for waivers, and one full development has since requested a waiver to exit the compliance period early.</p>
<p>AFFORDABILITY</p>	<p>OUTCOMES</p>
<p>Up to 120% AMI</p>	<p>Unit Production: 5 total for-sale developments (including multiple units in each) have included WHP units. Exact unit counts not provided.</p>

Source(s): Montgomery County, Article V: Workforce Housing Program

*As a note, Montgomery County's MPDU program's price does reflect construction cost estimates, calculated by the county and updated annually based on CPI-U.

CASE STUDIES | WASHINGTON, DISTRICT OF COLUMBIA

Inclusionary Zoning Program

<p>APPLICABILITY</p>	<p>CONTEXT</p>
<p>Mandatory for For-Sale 10+ Unit Projects</p>	<p>Program Administration: Department of Housing and Community Development (DHCD) Year Introduced: 2009</p>
<p>GEOGRAPHY</p>	<p>PROGRAM COMPONENTS</p>
<p>Entire Jurisdiction (some exceptions)</p>	<p>Portion of Development: 8%-10% of residential square footage depending on zoning Length of Affordability (Covenant Term): 99 Years Incentives: Up to 20% density bonus (13% average bonus in 2022); single-family zones excluded Price Calculation: The initial price is calculated to ensure housing costs at or below 30% of target AMI. Resale Requirements: Based on the Ten-Year CAGR of Median Income from the year of purchase to the year of the unit's sale by the owner, tying resale price to AMI. Buyer eligibility is determined by household size and income. Annual Homeowner Requirements (Recertification): The homeowner must certify annually that the unit is their primary residence. Other Notes (Condos/HOA Fees Requirements, Parking Requirements): Fees estimated at \$0.75 per sf per month for multifamily developments and \$0.13 per square foot per month for single-family homes</p>
<p>AFFORDABILITY</p>	<p>OUTCOMES</p>
<p>50% - 80% AMI</p>	<p>Unit Production: As of the end of fiscal year 2022, 377 for-sale units have been produced which represents 19% of all inclusionary zoning units produced since the program was introduced.</p>

CASE STUDIES | PALM BEACH COUNTY, FLORIDA

Workforce Housing Program

APPLICABILITY

**Mandatory For-Sale
10+ Unit Projects**

GEOGRAPHY

Urban/Suburban Tiers

AFFORDABILITY

60% - 120% AMI

CONTEXT

Program Administration: Department of Housing and Economic Development (HED), Board of County Com.

Year Introduced: 2006; 2019 revision to incentivize for-sale

PROGRAM COMPONENTS

Portion of Development: For a limited incentive, 2.5% - 8% of density is required. For the full incentive (including density bonus + other incentives) is 4.38% - 14% of density. Units may be provided offsite.

Length of Affordability (Covenant Term): 15 years

Incentives: Both a Limited Incentive (density bonus up to 50%) and a Full Incentive (density bonus up to 100%).

Price Calculation: Sale Price based on 3x AMI and adjusted to the midpoint of each category (70%, 90%, 120%).

Resale Requirements: The resale price is determined by the designated income category of the unit, and the current sales price for that category. If the unit is sold before the 15-year covenant expires, then the restriction timeframe resets at sale, and a new 15-year period begins. After 15 year, the unit can be sold at market price.

Annual Homeowner Requirements (Recertification): A yearly statement of compliance is required that may also include a site visit.

Other Notes (Condos/HOA Fees Requirements, Parking Requirements): HOA Fees are included in monthly housing costs, used to estimate the amount a household could pay (30-35% of monthly income).

OUTCOMES

Unit Production: From 2012- 2022, 273 for-sale units have been produced through the program, including 107 units under development as of January 2022.

CASE STUDY BENCHMARKING | LEVEL OF INCENTIVES AND PORTION OF DEVELOPMENT

Location	Incentive	Share of Development	Production	Population
Fairfax County, VA (WDU)	Density bonus up to 20% of standard density	12% of total units	Between 2018 – 2022, 73 WDU units were sold, averaging 12 per year.	1,147,000
Loudon County, VA	Density bonus up to 20% for Single Family and up to 10% for Multifamily	Single Family- 12.5%+ of total units Multifamily - 6.25%+ of total units	Between 2017 – 2022, 430 ADU units were sold, averaging 70 units per year.	414,000
Montgomery County, MD (WHP)	Typically, no density bonuses implemented. However, if WHP units are included, the developer can subtract out required MPDUs	Recent examples at 8% of total units	5 total for-sale developments (including multiple units in each) have included WHP units. Exact unit counts not provided.	1,057,000
Washington, D.C.	Up to 20% density bonus (13% average bonus in 2022)	8%-10% of residential square footage depending on zoning	From 2009 - 2022, 377 for-sale units have been produced.	683,000
Palm Beach County, FL	Limited incentive (density bonus up to 50%) and a full incentive (density bonus up to 100%)	For a limited incentive, 2.5% - 8% of density is required. For the full incentive (including density bonus + other incentives) is 4.38% - 14% of density	From 2012- 2022, 273 for-sale units have been produced through the program. Half those units have been developed in 2022 alone.	1,481,000

WEALTH BUILDING THROUGH HOMEOWNERSHIP

