

Fund 319

The Penny for Affordable Housing Fund

Focus

Fund 319, The Penny for Affordable Housing Fund, formerly known as the Housing Flexibility Fund, was established in FY 2006 and is designed to serve as a readily available source of funding for the preservation of affordable housing in the County. The Board of Supervisors has dedicated revenue commensurate with the value of one cent on the Real Estate Tax rate to the Preservation of Affordable Housing, a major County priority. Beginning in FY 2007, this funding will be recorded as Real Estate Tax revenue directly posted to the Fund rather than as a transfer from the General Fund.

Between 1997 and 2004, the County lost 1,300 affordable units due to condo conversions and prepayments by owners of federally-subsidized apartment complexes. The rapid pace of converting affordable units and selling them as market-rate condominiums accelerated through 2005 due to the significant appreciation of property values in Fairfax County. Between 1980 and 2005, the assessed value of dwellings in Fairfax County rose more than 300 percent. Similarly, rents have been driven up by the significant and growing demand for housing in the County. In fact, the annual income needed to afford a two bedroom apartment at the fair market rate of \$1,187 per month was estimated to be \$47,486 in FY 2005. This is just over 50 percent of the Area Median Income, meaning that there are many wage earners for whom living in Fairfax County is a significant financial struggle. The Center for Regional Analysis at George Mason University estimates that there is an affordable housing deficit of 30,000 units currently, and this is projected to rise to 60,000 by 2020.

In light of these trends, the Board of Supervisors set a County goal to preserve 1,000 units of affordable housing, as well as to create 200 new affordable units, by the end of FY 2007. Given the cost of land and that the value of existing property in Fairfax County is at an all-time high, County funding and financing are critical to achieving these goals. Fund 319, The Penny for Affordable Housing Fund, represents the County's financial commitment to preserving and creating affordable housing opportunities by dedicating a portion of its revenue specifically for affordable and workforce housing. To maximize the effectiveness of these funds, the Board of Supervisors recommended a minimum leverage ratio of 3:1 with non-County funds and that units funded by Fund 319 remain affordable at a minimum for a period of time consistent with the County's Affordable Dwelling Unit Ordinance, which is currently 15 years for homeownership units and 20 years for rental units. The Affordable Housing Preservation Action Committee also recommends that timely response to preservation opportunities is essential to maintain affordable housing in a market driven by rising demand and dwindling supply.

As of April 2006, a total of 871 affordable units have been preserved for both homeownership and rental purposes in a variety of large and small projects. Of that number, 252 units are preserved as affordable housing for periods of five years or less, and 619 units are preserved for 20 years or longer. A variety of funding sources were used to preserve these units; however, Fund 319 funds were critical for the preservation efforts associated with two large multifamily complexes that were bought by private nonprofits: Madison Ridge in Centreville (Sully District) and Hollybrooke II in the Seven Corners area of Falls Church (Mason District). At Madison Ridge, 108 rental apartments have been preserved using Fund 319 for long term affordability (40 years), while 108 condominiums will be sold to first-time homebuyers with controls to maintain affordability for at least the first two years. Similarly, Fund 319 funds were committed to preserve 89 affordable apartments at the Hollybrooke II condominium in the Seven Corners area of the County. It is anticipated that the entire \$17.9 million will be expended or obligated for specific projects by the end of FY 2006.

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Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2007 Advertised Budget Plan, as approved by the Board of Supervisors on May 1, 2006:

- ◆ The Board of Supervisors made no adjustments to this fund.

Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 Third Quarter Review:

- ◆ **Acquisition of Crescent Apartments** **\$40,600,000**
FY 2006 expenditures are required to increase \$40,600,000 due to the acquisition of Crescent Apartments which includes 180 units of affordable housing. Total costs for this project are estimated at \$50,100,000, including \$49,500,000 for acquisition and \$600,000 for finance issuance and other start up costs. A bond anticipation note (BAN) was issued on February 16, 2006 in the amount of \$40,600,000. Funding of \$9,500,000 within Fund 319 was reallocated to Project 014239, Crescent Apartments.

A Fund Statement, a Summary of Capital Projects, and a Project Detail Sheet are provided on the following pages. The Summary of Capital Projects may include some projects without a Total Project Estimate amount. These projects are considered "continuing" projects or projects for which funding is necessary on an ongoing basis (e.g., a contingency or planning project).

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FUND STATEMENT

Fund Type G30, Capital Project Funds	Fund 319, The Penny for Affordable Housing Fund				
	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenue:					
Bond Proceeds	\$0	\$0	\$40,600,000	\$0	\$0
Real Estate Tax Revenue Associated with the Penny for Affordable Housing	0	0	0	21,900,000	21,900,000
Total Revenue	\$0	\$0	\$40,600,000	\$21,900,000	\$21,900,000
Transfer In:					
General Fund (001)	\$0	\$17,900,000	\$17,900,000	\$0	\$0
Total Transfers In	\$0	\$17,900,000	\$17,900,000	\$0	\$0
Total Available	\$0	\$17,900,000	\$58,500,000	\$21,900,000	\$21,900,000
Total Expenditures	\$0	\$17,900,000	\$58,500,000	\$21,900,000	\$21,900,000
Total Disbursements	\$0	\$17,900,000	\$58,500,000	\$21,900,000	\$21,900,000
Ending Balance	\$0	\$0	\$0	\$0	\$0

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FY 2007 Summary of Capital Projects

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Project #	Description	Total Project Estimate	FY 2005 Actual Expenditures	FY 2006 Revised Budget	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
014196	Affordable/Workforce Housing Projects		\$0.00	\$1,900,000.00	\$21,900,000	\$21,900,000
014198	Madison Ridge	2,500,000	0.00	2,500,000.00	0	0
014232	Hollybrooke II Apartments	3,750,000	0.00	3,750,000.00	0	0
014237	Yorkville Apartments	250,000	0.00	250,000.00	0	0
014239	Crescent Apartments	50,100,000	0.00	50,100,000.00	0	0
Total		\$56,600,000	\$0.00	\$58,500,000.00	\$21,900,000	\$21,900,000

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014196	Affordable/Workforce Housing Projects
Countywide	Countywide
<p>Description and Justification: This project will provide funding for the preservation of affordable housing. This funding is supported by \$21,900,000 in real estate revenue, or the approximate value of one penny from the County's Real Estate tax. Funding is provided to meet the Board of Supervisors' goal to preserve 1,000 units of affordable housing and create 200 new affordable units by the end of FY 2007. Between 1997 and 2004, the County lost 1,300 affordable units that have been converted into luxury condominiums or market-rate apartments.</p>	

	Total Project Estimate	Prior Expenditures	FY 2005 Expenditures	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan	Future Years
Land Acquisition		\$0	\$0	\$0	\$0	\$0	\$0
Design and Engineering		0	0	0	0	0	0
Construction		0	0	0	0	0	0
Other		0	0	1,900,000	21,900,000	21,900,000	0
Total	Continuing	\$0	\$0	\$1,900,000	\$21,900,000	\$21,900,000	\$0

Source of Funding				
General Funding	General Obligation Bonds	Transfers from Other Funds	Other	Total Funding
\$21,900,000	\$0	\$0	\$0	\$21,900,000