

Fund 319

The Penny for Affordable Housing Fund

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2009 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2008:

- ◆ **Charge Administrative Support Costs to the Penny for Affordable Housing** **\$0**
An amount of \$570,000 in staff costs, equal to 2.5 percent of the annual funding, will be charged to Fund 319, The Penny for Affordable Housing for expenses incurred by the Department of Housing and Community Development to reflect anticipated charge out of administrative support costs including policy oversight, program management, budgeting, and project management expenses associated with administering 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 from the Real Estate tax to the Preservation of Affordable Housing, a major County priority.

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 \$1,286 per month was estimated to be \$51,440 in FY 2007. 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 that is projected to rise to 60,000 by 2020. Though current market conditions have seen a leveling off of prices for residential real estate, significant rent increases and the cumulative effect of exceptional growth in real estate values over the last several years has forced many first time buyers and renters, to either look to other areas for housing or simply eliminated the possibility for these families to enjoy home ownership.

In light of these trends, the Board of Supervisors set a County goal to preserve 1,000 units of affordable housing by the end of FY 2007, which the County has surpassed by preserving 1,412 units. 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 was amended to be 30 years effective February 2006.

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As of April 2008, a total of 2,210 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 1,958 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 five large multifamily complexes that were purchased by private nonprofits: 216 units in Madison Ridge in Centreville (Sully District); 148 units in Hollybrooke II and III in the Seven Corners area of Falls Church (Mason District); 90 units in Sunset Park Apartments in Falls Church (Mason District); 319 units in Janna Lee Villages in the Hybla Valley area (Lee District); and 105 units in Coralain Gardens located on Arlington Boulevard in Falls Church (Mason District). Fund 319 was instrumental in preserving two large complexes: 180 units at the Crescent apartment complex in Reston (Hunter Mill District) and 672 units at the Wedgewood apartment complex in Annandale (Braddock District). These projects were purchased by the County and are being managed by the Fairfax County Redevelopment and Housing Authority as part of the low and moderate income rental program. Without the availability of Fund 319 funds, both of these apartment complexes may have been lost as affordable housing.

In FY 2009, expenditures are estimated at \$22,800,000, the current estimate for the equivalent value of one cent on the Real Estate Tax. The majority of the funding will be reflected in the Affordable/Workforce Housing project to be reallocated to specific projects when authorized by the Board of Supervisors. It should be noted that an amount of \$570,000 in staff costs, equal to 2.5 percent of the annual funding, will be charged to this project. As a result of this action, a balance of \$22.2 million in new funding remains available for the Affordable/Workforce Housing project in FY 2009. In addition, \$3.0 million will be allocated to Crescent Apartments for annual debt service.

Changes to FY 2008 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2008 Revised Budget Plan since passage of the FY 2008 Adopted Budget Plan. Included are all adjustments made as part of the FY 2007 Carryover Review and all other approved changes through December 31, 2007:

- ◆ **Carryover Adjustments** **\$2,475,948**
As part of the *FY 2007 Carryover Review*, the Board of Supervisors approved an increase of \$2,475,948 due to the carryover of \$2,049,257 in encumbered carryover, \$403,609 in unexpended project balances, and \$23,082 to reflect the appropriation of additional revenue received in FY 2007. FY 2008 revenues remain unchanged.

The following funding adjustments reflect all approved changes to the FY 2008 Revised Budget Plan from January 1, 2008 through April 21, 2008. Included are all adjustments made as part of the FY 2008 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **\$1,014,104**
As part of the *FY 2008 Third Quarter Review*, the Board of Supervisors approved an increase of \$1,014,104 due to expenditures associated with the payment of principal and interest on the 2007 Bond Anticipation Notice (BAN), which matured on February 12, 2008.

A Fund Statement, a Summary of Capital Projects, and Project Detail Tables for the capital projects funded in FY 2009 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). The Project Detail Tables include project location, description, sources of funding and completion schedules.

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FUND STATEMENT

Fund Type G30, Capital Project Funds	Fund 319, The Penny for Affordable Housing Fund				
	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
Beginning Balance	\$2,865,921	\$0	\$2,475,948	\$0	\$0
Revenue:					
Real Estate Tax Revenue					
Associated with The Penny for					
Affordable Housing	\$21,900,000	\$22,700,000	\$22,700,000	\$22,800,000	\$22,800,000
Miscellaneous	23,082	0	1,014,104	0	0
Total Revenue	\$21,923,082	\$22,700,000	\$23,714,104	\$22,800,000	\$22,800,000
Total Available	\$24,789,003	\$22,700,000	\$26,190,052	\$22,800,000	\$22,800,000
Total Expenditures	\$22,313,055	\$22,700,000	\$26,190,052	\$22,800,000	\$22,800,000
Total Disbursements	\$22,313,055	\$22,700,000	\$26,190,052	\$22,800,000	\$22,800,000
Ending Balance¹	\$2,475,948	\$0	\$0	\$0	\$0

¹ Capital projects are budgeted based on the total project costs. Many projects span multiple years, and therefore, funding for those projects are carried forward each fiscal year, and ending balances fluctuate, reflecting the carryover of these funds.

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FY 2009 Summary of Capital Projects

Fund: 319 The Penny for Affordable Housing Fund

Project #	Description	Total Project Estimate	FY 2007 Actual Expenditures	FY 2008 Revised Budget	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan
014196	Affordable/Workforce Housing Projects		\$681,985.31	\$707,585.77	\$19,800,000	\$19,800,000
014198	Madison Ridge	2,500,000	0.00	0.00	0	0
014232	Hollybrooke II Apartments	3,350,000	0.00	0.00	0	0
014237	Yorkville Apartments	250,000	102.25	234,555.17	0	0
014239	Crescent Apartments	59,141,430	2,374,412.48	4,030,191.64	3,000,000	3,000,000
014240	Sunset Park Apartments	5,000,000	5,000,000.00	0.00	0	0
014250	Fairfield at Fair Chase	306,555	306,555.17	0.00	0	0
014252	Janna Lee Village I	13,000,000	6,783,000.00	6,217,000.00	0	0
014253	Janna Lee Village II	5,377,810	3,192,000.00	2,185,810.00	0	0
014254	East Market	145,395	0.00	145,395.00	0	0
014258	Hollybrooke III Apartments	3,100,000	1,600,000.00	1,500,000.00	0	0
014261	Reston Glen	2,375,000	2,375,000.00	0.00	0	0
014262	Coralain Gardens	5,300,000	0.00	5,300,000.00	0	0
014263	Bryson at Woodland Park	108,000	0.00	108,000.00	0	0
014264	Fair Oaks Landing	188,000	0.00	188,000.00	0	0
014268	Wedgewood	5,000,000	0.00	5,000,000.00	0	0
014269	Northampton	214,000	0.00	214,000.00	0	0
014270	Stockwell Manor	183,000	0.00	183,000.00	0	0
014273	Halstead	176,514	0.00	176,514.00	0	0
Total		\$105,715,704	\$22,313,055.21	\$26,190,051.58	\$22,800,000	\$22,800,000

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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 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' Affordable Housing Preservation Initiative. The Board's initial goal to preserve 1,000 units of affordable housing was met by the end of FY 2007; as of April 2008, a total of 2,210 units have been preserved. Between 1997 and 2004, the County lost 1,300 affordable units that had been converted into luxury condominiums or market-rate apartments. It should be noted that an amount of \$570,000 in staff costs, equal to 2.5 percent of the total annual funding for Fund 319, will be charged to this project. As a result of this action, a balance of \$22.2 million in new funding remains available for this project in FY 2009.</p>	

	Total Project Estimate	Prior Expenditures	FY 2007 Expenditures	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 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		31,911	681,985	707,586	19,800,000	19,800,000	0
Total	Continuing	\$31,911	\$681,985	\$707,586	\$19,800,000	\$19,800,000	\$0

Source of Funding				
General Fund	General Obligation Bonds	Transfers from Other Funds	Other	Total Funding
\$19,800,000	\$0	\$0	\$0	\$19,800,000

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014239	Crescent Apartments
Cameron Crescent Drive, Reston, VA.	
Hunter Mill District	
Description and Justification: This project provides FY 2009 funding of \$3,000,000 for the annual debt service for the Crescent Apartment complex that was acquired in FY 2006.	

	Total Project Estimate	Prior Expenditures	FY 2007 Expenditures	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan	FY 2009 Adopted Budget Plan	Future Years
Land Acquisition	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Design and Engineering	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0
Other	59,141,430	49,736,826	2,374,412	4,030,192	3,000,000	3,000,000	0
Total	\$59,141,430	\$49,736,826	\$2,374,412	\$4,030,192	\$3,000,000	\$3,000,000	\$0

Source of Funding				
General Fund	General Obligation Bonds	Transfers from Other Funds	Other	Total Funding
\$3,000,000	\$0	\$0	\$0	\$3,000,000