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. For the fiscal years beginning in 2006 and through 2009, the Board of Supervisors has dedicated revenue commensurate with the value of one cent from the Real Estate tax rate to the Preservation of Affordable Housing, a major County priority.

Between 1980 and 2005, the assessed value of housing in Fairfax County rose more than 300 percent. The current foreclosure crisis in Fairfax County has precipitated a significant decline in sales prices from their unprecedented highs in 2005 and 2006. However, according to the George Mason University Center for Regional Analysis, the September 2008 average housing price was equivalent to that of February 2004, or approximately 84 percent higher than 2000.

Rents have also been driven up by the significant and growing demand for housing in the County. Between 2002 and 2008, Fairfax County lost approximately 9,305 non-subsidized rental units affordable to households earning up to 70 percent of the Area Median Income (AMI), or $69,300 for a family of four in FY 2008. The AMI for Fairfax County in FY 2009, as published by the United States Department of Housing and Urban Development (HUD), is $102,700. In fact, the annual income needed to afford a two bedroom apartment at the HUD-published fair market rate of $1,324 per month was estimated to be $52,960 in FY 2008. This is just over 50 percent of the AMI, meaning that there are many wage earners for whom living in Fairfax County is a significant financial struggle.

According to HUD Comprehensive Housing Affordability Strategy (CHAS) data from 2000, 27,969 rental households earning 80 percent of AMI and below had "housing problems", meaning they were cost burdened or paying more than 30 percent of their gross income for housing, or in overcrowded or substandard housing. The Center for Regional Analysis at George Mason University now estimates that there is a need for 63,660 net new affordable units for households earning up to 120 percent of the AMI by 2025, including 40,338 net new units affordable to households earning up to 80 percent of the AMI, based on projected job growth. Taken together, this represents a need for over 90,000 units of affordable workforce housing in Fairfax County within the next 17 years. Though current market conditions have seen decreases in residential real estate prices, significant rent increases continue and homeownership remains out of reach for most low- and moderate-income households in Fairfax County.

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 surpassed by preserving 1,412 units. County funding and financing was critical to achieving this goal. Fund 319 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.

As of April 2009, a total of 2,241 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 1,989 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 (Route 50) in Falls Church (Mason District). Fund 319 was also 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, both of these apartment complexes may have been lost as affordable housing.

More recently, the Board of Supervisors has moved aggressively to respond to the current foreclosure crisis by adopting a three-pronged approach consisting of: 1) assistance to homeowners in distress, including foreclosure counseling; 2) neighborhood preservation efforts, such as low cost home improvement loans to homeowners; and 3) the "Silver Lining Initiative", which provides gap financing in the form of equity-shared second trusts to first-time homebuyers purchasing foreclosed properties. The Board has authorized the use of Fund 319 in FY 2009 for the foreclosure initiative, and Fairfax County has also been awarded a direct allocation of $2.8 million from HUD via the Neighborhood Stabilization Program, a component of the Housing and Economic Recovery Act of 2008.

The Board of Supervisors, as part of the FY 2010 budget, reaffirmed the commitment to affordable housing and has scheduled a retreat in FY 2009 to discuss the use of affordable housing resources.

Challenge of FY 2010 Budget Reductions

In FY 2010, Fund 319 expenditures are estimated to be $10,270,000, which approximates the value of one half of one cent of the Real Estate tax rate. Of the $20.5 million budget proposed in the FY 2010 Advertised Budget Plan, the Board of Supervisors approved a reduction of one half to reallocate funding for critical human services and public safety program restorations in order to balance the FY 2010 budget.

Fund 319 funding of $10,270,000 is currently allocated as follows: $6,757,500 for the Wedgewood Apartment Complex for the debt service and equity needed to permanently finance the project; $3,000,000 for the Crescent Apartments for the annual debt service; and $512,500 to be allocated to the Affordable/Workforce Housing project for reallocation to specific projects when authorized by the Board of Supervisors.

Changes to FY 2009 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2009 Revised Budget Plan since passage of the FY 2009 Adopted Budget Plan. Included are all adjustments made as part of the FY 2008 Carryover Review, FY 2009 Third Quarter Review, and all other approved changes through April 20, 2009.

- **Carryover Adjustments** **$1,513,397**
  As part of the *FY 2008 Carryover Review*, the Board of Supervisors approved an increase of $1,513,397 due to the carryover of $1,493,330 in unexpended project balances and $20,067 to reflect the appropriation of additional revenue received in FY 2008. FY 2009 revenues remained unchanged.

- **Third Quarter Adjustments** **$900,000**
  As part of the *FY 2009 Third Quarter Review*, the Board of Supervisors approved an increase of $900,000 due to expenditures associated with the payment of principal and interest on the 2008 5-Year Crescent Bond Anticipation Note (BAN).

A Fund Statement and a Summary of Capital Projects 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 2008 Actual	FY 2009 Adopted Budget Plan	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan
Beginning Balance	**$2,475,948**	**$0**	**$1,513,397**	**$0**	**$0**
Revenue:					
Real Estate Tax Revenue Associated with The Penny for Affordable Housing	$22,700,000	$22,800,000	$22,800,000	$20,500,000	$10,270,000
Miscellaneous	1,034,171	0	900,000	0	0
Total Revenue	$23,734,171	$22,800,000	$23,700,000	$20,500,000	$10,270,000
Total Available	**$26,210,119**	**$22,800,000**	**$25,213,397**	**$20,500,000**	**$10,270,000**
Total Expenditures	$24,696,722	$22,800,000	$25,213,397	$20,500,000	$10,270,000
Total Disbursements	**$24,696,722**	**$22,800,000**	**$25,213,397**	**$20,500,000**	**$10,270,000**
Ending Balance[1]	**$1,513,397**	**$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 2010 Summary of Capital Projects

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Project #	Description	Total Project Estimate	FY 2008 Actual Expenditures	FY 2009 Revised Budget	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan
014046	Olley Glen	$6,300,000	$0.00	$6,300,000.00	$0	$0
014196	Affordable/Workforce Housing Projects		401,632.14	8,026,020.63	512,500	512,500
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	12,458.86	222,096.31	0	0
014239	Crescent Apartments	63,041,430	3,781,860.53	4,148,331.11	3,000,000	3,000,000
014240	Sunset Park Apartments	5,000,000	0.00	0.00	0	0
014250	Fairfield at Fair Chase	306,555	0.00	0.00	0	0
014252	Janna Lee Village I	13,000,000	6,217,000.00	0.00	0	0
014253	Janna Lee Village II	5,377,810	2,185,810.00	0.00	0	0
014254	East Market	145,395	145,395.00	0.00	0	0
014258	Hollybrooke III Apartments	3,100,000	1,500,000.00	0.00	0	0
014261	Reston Glen	2,375,000	0.00	0.00	0	0
014262	Coralain Gardens	5,300,000	5,300,000.00	0.00	0	0
014263	Bryson at Woodland Park	108,000	108,000.00	0.00	0	0
014264	Fair Oaks Landing	188,000	188,000.00	0.00	0	0
014268	Wedgewood	15,757,500	4,856,565.39	4,143,434.61	12,487,500	6,757,500
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
014275	Silver Lining Initiative		0.00	1,800,000.00	4,500,000	0
Total		**$126,673,204**	**$24,696,721.92**	**$25,213,396.66**	**$20,500,000**	**$10,270,000**