

# Fund 319

## The Penny for Affordable Housing Fund

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### 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 local funding source with the flexibility to address emerging local affordable housing needs. For fiscal years 2006 through 2009, the Board of Supervisors 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. In FY 2010, the Board of Supervisors reduced The Penny for Affordable Housing Fund by 50 percent to reallocate funding for critical human services and public safety program restorations in order to balance the FY 2010 budget. From FY 2006 through FY 2010, the fund has provided a total of \$95.5 million for affordable housing in Fairfax County.

Between 1980 and 2005, the assessed value of housing in Fairfax County rose more than 300 percent. The foreclosure crisis in Fairfax County 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, despite these recent declines in sales prices, the average housing price in 2009 remained 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. Although current market conditions have seen decreases in residential real estate prices, the ongoing recession has not had an impact on rent affordability. The County is experiencing higher vacancy rates that are not offset by lower rents. Instead, many complexes are offering incentives that temporarily lower rent to new tenants, but these unofficial deals are not captured in official rent data. Between 2002 and 2010, Fairfax County lost approximately 8,051 non-subsidized rental units affordable to households earning up to 70 percent of the Area Median Income (AMI), or \$71,890 for a family of four in FY 2009. 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 \$1,494 per month was estimated to be \$59,760 in FY 2010. This is over 50 percent of the AMI, meaning that there are many wage earners for whom living in Fairfax County is a significant financial struggle.

In addition, according to the 2009 HUD Comprehensive Housing Affordability Strategy (CHAS) data estimates, 37,847 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 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 80 percent of the AMI and below, based on projected job growth. Taken together, this represents a need for over 100,000 units of affordable workforce housing in Fairfax County within the next 15 years. Thus, homeownership remains out of reach for most low- and moderate-income households in Fairfax County.

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 May 2010, a total of 2,388 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 2,136 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 and which represent a significant portion of the units preserved: 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

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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 used the flexibility of The Penny for Affordable Housing Fund to address emerging local affordable housing opportunities and needs other than preservation. In FY 2009, the fund provided \$6.3 million for the construction of 90 units of affordable active senior living at Olley Glen (Braddock District). This marked the first time the fund was used for new construction and also demonstrates the flexibility that the fund, as a local resource, gives the Board to invest in priorities it deems to be the most pressing, without requirements imposed by funding sources like the federal government. The fund also provided \$0.8 million in FY 2009 to support the Silver Lining Initiative, which provides below-market second trusts to income-qualified Fairfax County first-time homebuyers purchasing bank-owned foreclosed homes. Again demonstrating its flexibility, this was the first time the fund has been used to provide direct financing to qualified individual homebuyers. These funds were combined with existing federal HOME Investment Partnership (HOME) funds, and were further supplemented by \$1.5 million from the County's allocation of federal Neighborhood Stabilization Program (NSP) funds, received under the Housing and Economic Recovery Act of 2008. For low-cost, first-trust financing, the Silver Lining Initiative relies primarily on Fairfax County's allocation from the Virginia Housing Development Authority's (VHDA) Sponsoring Partnerships and Revitalizing Communities (SPARC) loan allocation.

During its retreat in June 2009, the Board of Supervisors reaffirmed the County's commitment to affordable housing and discussed the use of affordable housing resources in future fiscal years. In response to these discussions, the Board received the "Housing Blueprint" at its Housing Committee meeting of January 19, 2010. The Blueprint was a collaborative effort among County agencies, non-profits and advocates and laid out the priorities for housing, including four principal goals: 1) To end homelessness in 10 years; 2) To provide affordable housing options to those with special needs; 3) To reduce the waiting lists for affordable housing by half in 10 years; and 4) To produce workforce housing sufficient to accommodate projected job growth. The effort also supports the shift of emphasis from preserving affordable housing to: 1) providing housing for those in greatest need, 2) partnering with non-profits, 3) refocusing existing resources, 4) bridging the affordability gap, 5) completing projects in the pipeline and 6) promoting workforce housing through land use policy and private sector partnerships. The Affordable Housing Advisory Committee recommended funding priorities to the Board at the January 19, 2010 meeting and the Board expressed its support of these priorities with a vote on January 26, 2010.

In FY 2011, Fund 319 funding of \$13,458,400, comprised of \$9,340,000 in Real Estate Tax Revenue and \$4,118,400 in operating revenue from Wedgewood as well as other sources as needed, is allocated as follows: \$5,823,750 for Wedgewood for the annual debt service; \$4,118,400 to fund the Bridging Affordability portion of the Housing Blueprint which will provide housing assistance to 48 homeless families and individuals and 364 households on the County's affordable housing waiting lists; \$3,282,750 for Crescent Apartments for the annual debt service; and \$233,500 to be allocated to Affordable/Workforce Housing Projects for reallocation to specific projects when authorized by the Board of Supervisors.

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### **Changes to FY 2010 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2010 Revised Budget Plan since passage of the FY 2010 Adopted Budget Plan. Included are all adjustments made as part of the FY 2009 Carryover Review, FY 2010 Third Quarter Review, and all other approved changes through April 20, 2010.*

◆ **Carryover Adjustments** **\$11,581,953**

As part of the *FY 2009 Carryover Review*, the Board of Supervisors approved an increase of \$11,581,953 due to the carryover of \$10,598,313 in unexpended project balances; \$900,000 to account for the annual debt service payment required for Crescent Apartments as approved by the Board of Supervisors on January 28, 2008; and \$83,640 to appropriate additional revenue received in FY 2009 from a loan repayment.

◆ **Third Quarter Adjustments** **\$1,609,253**

As part of the *FY 2010 Third Quarter Review*, the Board of Supervisors approved an increase of \$1,609,253 to appropriate loan repayment revenue from Olley Glen. Funding of \$1,600,000 will be used towards permanent financing for Project 014268, Wedgewood, and the remaining balance of \$9,253 was allocated to Project 014196, Affordable/Workforce Housing Projects for specific projects when authorized by the Board of Supervisors.

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 2009 Actual	FY 2010 Adopted Budget Plan	FY 2010 Revised Budget Plan	FY 2011 Advertised Budget Plan	FY 2011 Adopted Budget Plan
<b>Beginning Balance</b>	\$1,513,397	\$0	\$10,681,953	\$0	\$0
Revenue:					
Real Estate Tax Revenue Associated with The Penny for Affordable Housing	\$22,800,000	\$10,270,000	\$10,270,000	\$9,340,000	\$9,340,000
Miscellaneous	983,640	0	2,509,253	0	4,118,400
<b>Total Revenue</b>	\$23,783,640	\$10,270,000	\$12,779,253	\$9,340,000	\$13,458,400
<b>Total Available</b>	<b>\$25,297,037</b>	<b>\$10,270,000</b>	<b>\$23,461,206</b>	<b>\$9,340,000</b>	<b>\$13,458,400</b>
Total Expenditures	\$14,615,084	\$10,270,000	\$23,461,206	\$9,340,000	\$13,458,400
<b>Total Disbursements</b>	<b>\$14,615,084</b>	<b>\$10,270,000</b>	<b>\$23,461,206</b>	<b>\$9,340,000</b>	<b>\$13,458,400</b>
<b>Ending Balance<sup>1</sup></b>	<b>\$10,681,953</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> 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 2011 Summary of Capital Projects

**Fund: 319 The Penny for Affordable Housing Fund**

Project #	Description	Total	FY 2009	FY 2010	FY 2011	FY 2011
		Project Estimate	Actual Expenditures	Revised Budget	Advertised Budget Plan	Adopted Budget Plan
014046	Olley Glen	\$6,300,000	\$6,300,000.00	\$0.00	\$0	\$0
014196	Affordable/Workforce Housing Projects	7,059,107	774,278.58	817,400.56	233,500	4,351,900
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	64,932	37,028.65	0.00	0	0
014239	Crescent Apartments	67,224,180	3,895,456.20	4,152,874.91	3,282,750	3,282,750
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	0.00	0.00	0	0
014253	Janna Lee Village II	5,377,810	0.00	0.00	0	0
014254	East Market	145,395	0.00	0.00	0	0
014258	Hollybrooke III Apartments	3,100,000	0.00	0.00	0	0
014261	Reston Glen	2,375,000	0.00	0.00	0	0
014262	Coralain Gardens	5,300,000	0.00	0.00	0	0
014263	Bryson at Woodland Park	108,000	0.00	0.00	0	0
014264	Fair Oaks Landing	188,000	0.00	0.00	0	0
014268	Wedgewood	31,416,250	3,498,016.60	17,237,918.01	5,823,750	5,823,750
014269	Northampton	207,977	0.00	207,976.68	0	0
014270	Stockwell Manor	182,746	0.00	182,746.19	0	0
014273	Halstead	172,593	0.00	172,593.28	0	0
014275	Silver Lining Initiative		110,304.00	689,696.00	0	0
<b>Total</b>		<b>\$153,378,546</b>	<b>\$14,615,084.03</b>	<b>\$23,461,205.63</b>	<b>\$9,340,000</b>	<b>\$13,458,400</b>