

## **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 2011, the fund has provided a total of \$104.9 million for affordable housing in Fairfax County; a total of \$14.7 million is provided in FY 2012.

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 declines in sales prices, the average housing price in 2009 remained equivalent to that of February 2004, or approximately 84 percent higher than 2000. Thus, homeownership remains out of reach for most low- and moderate-income households in Fairfax County.

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 recent recession has not had an impact on rent affordability. 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 \$72,450 for a family of four in FY 2010. The percentage of rental units affordable at 70 percent of AMI fell from 75 percent in 2002 to 56 percent in 2008, and was held constant at 56 percent in 2010. The AMI for Fairfax County in FY 2010, as published by the United States Department of Housing and Urban Development (HUD), is \$103,500. In fact, the annual income needed to afford a two bedroom apartment at the HUD-published fair market rate of \$1,461 per month was estimated to be \$58,440 in FY 2011. 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.

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.

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As of May 2011, a total of 2,436 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 2,184 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 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). 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. From June 2008 through June 2010, a total of 67 foreclosed homes were purchased by first-time homebuyers using federal, state and local funds, including Fund 319.

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 "Housing Blueprint" was presented to the Board 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 Board formally adopted the Housing Blueprint on January 26, 2010.

The collaborative process that resulted in the Blueprint also helped to create specific FY 2011 metrics for each of the four overarching Blueprint goals. In addition to re-focusing existing resources and other efforts, the FY 2011 Blueprint metrics called for the creation of a locally-funded "Bridging Affordability" program to address the homelessness and waiting list goals. The Board subsequently provided, as part of the FY 2011 budget process, a total of \$4.1 million in project revenue from the County-owned Wedgewood Apartments complex for the Bridging Affordability program.

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The Bridging Affordability program is designed to provide funding to non-profits, via a competitive process, for use as rental subsidies and capital for the acquisition of additional affordable units. In FY 2011, it is expected that these funds will serve approximately 48 homeless individuals and families, and about 364 households on the County's affordable housing waiting lists. A request for proposals for the Bridging Affordability program was issued in the fall of 2010; contract award is expected by June 2011.

In FY 2012, Fund 319 funding of \$14,668,400, comprised of \$9,650,000 in Real Estate Tax Revenue and \$5,018,400 in operating revenue from the Wedgewood and Crescent Apartments, is allocated as follows: \$5,775,000 for Wedgewood for the annual debt service; \$4,318,400 to fund the Bridging Affordability Program portion of the Housing Blueprint; \$3,900,000 for Crescent Apartments for the annual debt service; and \$675,000 to be allocated to Affordable/Workforce Housing Projects for reallocation to specific projects when authorized by the Board of Supervisors.

#### **Changes to FY 2011 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2011 Revised Budget Plan since passage of the FY 2011 Adopted Budget Plan. Included are all adjustments made as part of the FY 2010 Carryover Review, FY 2011 Third Quarter Review, and all other approved changes through April 12, 2011.*

- ◆ **Carryover Adjustments** **\$6,406,499**  
As part of the *FY 2010 Carryover Review*, the Board of Supervisors approved an increase of \$6,406,499 due to the carryover of \$5,274,677 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 \$231,822 to appropriate additional revenue received in FY 2010 from a loan repayment.

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).

# Fund 319

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### FUND STATEMENT

Fund Type G30, Capital Project Funds

Fund 319, The Penny for Affordable  
Housing Fund

|  | FY 2010<br>Actual   | FY 2011<br>Adopted<br>Budget Plan | FY 2011<br>Revised<br>Budget Plan | FY 2012<br>Advertised<br>Budget Plan | FY 2012<br>Adopted<br>Budget Plan |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| <b>Beginning Balance</b>   | <b>\$10,681,953</b> | <b>\$0</b>                        | <b>\$5,506,499</b>                | <b>\$0</b>                           | <b>\$0</b>                        |
| Revenue:   |                     |                                   |                                   |                                      |                                   |
| Real Estate Tax Revenue Associated<br>with The Penny for Affordable<br>Housing | \$10,270,000        | \$9,340,000                       | \$9,340,000                       | \$9,650,000                          | \$9,650,000                       |
| Miscellaneous  | 2,741,075           | 4,118,400                         | 5,018,400                         | 5,018,400                            | 5,018,400                         |
| <b>Total Revenue</b>   | <b>\$13,011,075</b> | <b>\$13,458,400</b>               | <b>\$14,358,400</b>               | <b>\$14,668,400</b>                  | <b>\$14,668,400</b>               |
| <b>Total Available</b>   | <b>\$23,693,028</b> | <b>\$13,458,400</b>               | <b>\$19,864,899</b>               | <b>\$14,668,400</b>                  | <b>\$14,668,400</b>               |
| Total Expenditures   | \$18,186,529        | \$13,458,400                      | \$19,864,899                      | \$14,668,400                         | \$14,668,400                      |
| <b>Total Disbursements</b>   | <b>\$18,186,529</b> | <b>\$13,458,400</b>               | <b>\$19,864,899</b>               | <b>\$14,668,400</b>                  | <b>\$14,668,400</b>               |
| <b>Ending Balance<sup>1</sup></b>  | <b>\$5,506,499</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 2012 Summary of Capital Projects

Fund: 319, The Penny for Affordable Housing Fund

| Project #    | Description                           | Total Project Estimate | FY 2010 Actual Expenditures | FY 2011 Revised Budget | FY 2012 Advertised Budget Plan | FY 2012 Adopted Budget Plan |
|--------------|---------------------------------------|------------------------|-----------------------------|------------------------|--------------------------------|-----------------------------|
| 014046       | Olley Glen                            | \$6,300,000            | \$0.00                      | \$0.00                 | \$0                            | \$0                         |
| 014196       | Affordable/Workforce Housing Projects |                        | 321,258.90                  | 961,463.66             | 675,000                        | 675,000                     |
| 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                  | 64,932                 | 0.00                        | 0.00                   | 0                              | 0                           |
| 014239       | Crescent Apartments                   | 72,024,180             | 3,883,455.75                | 4,452,169.16           | 3,900,000                      | 3,900,000                   |
| 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             | 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                             | 37,191,250             | 13,417,998.08               | 9,643,669.93           | 5,775,000                      | 5,775,000                   |
| 014269       | Northampton                           | 207,977                | 207,976.68                  | 0.00                   | 0                              | 0                           |
| 014270       | Stockwell Manor                       | 182,746                | 182,746.19                  | 0.00                   | 0                              | 0                           |
| 014273       | Halstead                              | 172,593                | 172,593.28                  | 0.00                   | 0                              | 0                           |
| 014275       | Silver Lining Initiative              |                        | 500.00                      | 689,196.00             | 0                              | 0                           |
| 014277       | Bridging Affordability Program        |                        | 0.00                        | 4,118,400.00           | 4,318,400                      | 4,318,400                   |
| <b>Total</b> |                                       | <b>\$156,894,439</b>   | <b>\$18,186,528.88</b>      | <b>\$19,864,898.75</b> | <b>\$14,668,400</b>            | <b>\$14,668,400</b>         |