

## **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 2012, the fund has provided a total of \$119.6 million for affordable housing in Fairfax County; a total of \$15.4 million is provided in FY 2013.

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. According to HUD, Fairfax County remains a high cost area for homeownership

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 remained at 56 percent in 2010. The AMI for Fairfax County in FY 2011, as published by the United States Department of Housing and Urban Development (HUD), is \$106,100. 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.

According to the Virginia Tech Center for Housing Research, the total current affordable housing gap for low- and moderate-income renters in Fairfax County (those earning 80 percent of the AMI and below) is approximately 28,405 units. Based on job growth and housing data prepared by the Center for Regional Analysis at George Mason University, and assuming that 65 percent of new workers will be housed in the County, it is estimated that there is a need for at least 50,206 net new affordable units for households earning up to \$124,000 per year (just under 120 percent of the AMI) by 2030. Taken together, this represents a need for nearly 79,000 units of affordable workforce housing in Fairfax County within the next 19 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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Over the past years, 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 Apartments 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 Fund 319 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 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 adopted by the Board in 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 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. The program commenced in June 2011 with the selection of a coalition of nine non-profits to operate the program.

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The Bridging Affordability program is intended to provide local rental subsidies to individuals and families experiencing homelessness and households currently on Fairfax County's affordable housing waiting lists, including those managed by the FCRHA, the Fairfax-Falls Church Community Services Board, the Office to End and Prevent Homelessness and the homeless shelters. Through a competitive request for proposals (RFP) process in FY 2011, an award of \$3.8 million was made to Northern Virginia Family Service (NVFS) to provide long-term rental subsidies to 72 homeless individuals and families and 303 households on the County's waiting lists over a three-year period. In FY 2012 the Board of Supervisors approved \$4,318,400 in funding for Bridging Affordability and it is expected that these funds will also serve homeless individuals and families and households on the County's waiting lists. HCD will provide program compliance, inspect units and administer the contracts with non-profit partners. As designated by the Housing Blueprint, a portion of the operations revenue at the County-owned Wedgewood property is being used to fund two merit positions that supports this program.

In FY 2013, Fund 319 funding of \$15,443,400, comprised of \$9,975,000 in Real Estate Tax Revenue, \$5,218,400 in operating revenue from the Wedgewood and Crescent Apartments and \$250,000 in Affordable Housing Partnership Program loan repayments, is allocated as follows: \$5,753,063 for Wedgewood for the annual debt service; \$4,318,400 to fund the Bridging Affordability Program portion of the Housing Blueprint; \$3,349,000 for Crescent Apartments for the annual debt service; and \$347,937 to be allocated to the Affordable/Workforce Housing Project for reallocation to specific projects when authorized by the Board of Supervisors. Additionally, \$1,675,000 in FY 2013 funding is identified for the Non-Profit Blueprint Project, which could be combined with \$1,355,841 in anticipated available funding from the FY 2012 Affordable Workforce Housing project for a total balance of \$3,030,841 for the Non-Profit Blueprint project in FY 2013.

It should be noted that the Crescent Apartments FY 2013 debt service budgeted amount of \$3,349,000 is projected based on FY 2012 full year total debt service. However, in March 1, 2013, there will be a balloon payment due in the amount of \$26,725,000. At such time, the debt would be repaid from the proceeds generated as a result of the redevelopment of the property by a private builder/developer or repaid through refinancing.

#### **Changes to FY 2012 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2012 Revised Budget Plan since passage of the FY 2012 Adopted Budget Plan. Included are all adjustments made as part of the FY 2011 Carryover Review, and all other approved changes through December 31, 2011:*

- ◆ **Carryover Adjustments** **\$14,423,884**  
As part of the *FY 2011 Carryover Review*, the Board of Supervisors approved an increase of \$14,423,884 associated with \$9,040,190 in unexpended project balances; \$5,000,000 to appropriate accrued program income and savings from Wedgewood Apartments operations; \$289,018 to appropriate additional revenue received in FY 2011 from interest payments on Affordable Housing Partnership Program loans made in prior years; and \$94,676 to appropriate the additional cost of issuance proceeds from Crescent Apartments debt refinancing.

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 2011 Actual	FY 2012 Adopted Budget Plan	FY 2012 Revised Budget Plan	FY 2013 Advertised Budget Plan
<b>Beginning Balance</b>	\$5,506,499	\$0	\$9,423,884	\$0
Revenue:				
Real Estate Tax Revenue Associated with The Penny for Affordable Housing	\$9,340,000	\$9,650,000	\$9,650,000	\$9,975,000
Miscellaneous	5,402,094	5,018,400	10,018,400	5,468,400
<b>Total Revenue</b>	\$14,742,094	\$14,668,400	\$19,668,400	\$15,443,400
<b>Total Available</b>	<b>\$20,248,593</b>	<b>\$14,668,400</b>	<b>\$29,092,284</b>	<b>\$15,443,400</b>
Total Expenditures	\$10,824,709	\$14,668,400	\$29,092,284	\$15,443,400
<b>Total Disbursements</b>	<b>\$10,824,709</b>	<b>\$14,668,400</b>	<b>\$29,092,284</b>	<b>\$15,443,400</b>
<b>Ending Balance<sup>1</sup></b>	<b>\$9,423,884</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.

# Fund 319

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### FY 2013 Summary of Capital Projects

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

Project #	Description	Total Project Estimate	FY 2011 Actual Expenditures	FY 2012 Revised Budget	FY 2013 Advertised Budget Plan
014046	Olley Glen	\$6,300,000	\$0.00	\$0.00	\$0
014196	Affordable/Workforce Housing Projects		278,391.00	1,647,090.66	347,937
014198	Madison Ridge	2,500,000	0.00	0.00	0
014232	Hollybrooke II Apartments	3,350,000	0.00	0.00	0
014237	Yorkville Apartments	64,932	0.00	0.00	0
014239	Crescent Apartments	75,467,856	4,048,092.28	4,398,752.88	3,349,000
014240	Sunset Park Apartments	5,000,000	0.00	0.00	0
014250	Fairfield at Fair Chase	306,555	0.00	0.00	0
014252	Janna Lee Village I	13,000,000	0.00	0.00	0
014253	Janna Lee Village II	5,377,810	0.00	0.00	0
014254	East Market	145,395	0.00	0.00	0
014258	Hollybrooke III Apartments	3,100,000	0.00	0.00	0
014261	Reston Glen	2,375,000	0.00	0.00	0
014262	Coralain Gardens	5,300,000	0.00	0.00	0
014263	Bryson at Woodland Park	108,000	0.00	0.00	0
014264	Fair Oaks Landing	188,000	0.00	0.00	0
014268	Wedgewood	42,944,313	5,775,931.76	9,642,738.17	5,753,063
014269	Northampton	207,977	0.00	0.00	0
014270	Stockwell Manor	182,746	0.00	0.00	0
014273	Halstead	172,593	0.00	0.00	0
014275	Silver Lining Initiative		547,294.00	141,902.00	0
014277	Bridging Affordability Program		175,000.00	8,261,800.00	4,318,400
014321	Non-Profit Blueprint Project		0.00	2,000,000.00	1,675,000
014324	Matching Grants to Non Profits		0.00	1,500,000.00	0
014326	Wedgewood Renovation		0.00	1,500,000.00	0
<b>Total</b>		<b>\$166,091,178</b>	<b>\$10,824,709.04</b>	<b>\$29,092,283.71</b>	<b>\$15,443,400</b>