

# Fund 30300

## The Penny for Affordable Housing Fund

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### Focus

Fund 30300 (formerly 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 in order to balance the FY 2010 budget. From FY 2006 through FY 2013, the fund has provided a total of \$136.1 million for affordable housing in Fairfax County; a total of \$18.3 million is provided in FY 2014.

Between FY 2000 and FY 2007, the mean assessed value of residential property in Fairfax County rose over 180 percent. The national financial crisis precipitated declines in the County's mean assessed housing value over the next four years. The County has seen modest rises in values from FY 2012 through FY 2014. While the FY 2014 value is below the FY 2007 peak, the mean assessed value in FY 2014 is equivalent to that of FY 2006 and approximately 138 percent higher than FY 2000. According to the United States Department of Housing and Urban Development (HUD), Fairfax County remains a high cost area for homeownership.

Fairfax County also remains a high cost area for rental housing. 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 2013, as published by HUD, is \$107,300. The annual income needed to afford a two bedroom apartment at the HUD-published fair market rate of \$1,506 per month was estimated to be \$60,240 in FY 2012. This is over 50 percent of the AMI for a family of four, meaning that there are many working families 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 (slightly over 115 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 17 years.

Fund 30300 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 30300 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.

Over the past years, a total of 2,470 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 2,218 units are preserved for 20 years or longer. A variety of funding sources were used to preserve these units; however, Fund 30300 funds were

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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 30300 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 30300, both of these apartment complexes may have been lost as affordable housing.

In the past, the Board of Supervisors has used the flexibility of Fund 30300 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. Most recently, Fund 30300 has been used to provide funding for rental subsidies via the Bridging Affordability program.

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. Please note that in December 2012, the Fairfax County Redevelopment and Housing Authority (FCRHA) was notified by the U.S. Department of Housing and Urban Development (HUD) that it has been designated as a "Moving to Work" (MTW) agency. As a result of the changes associated with the MTW designation, the Board of Supervisors were asked to consider updating the Housing Blueprint's waiting list goal for FY 2014 to focus more broadly on meeting the needs of low-income working families, inclusive of those on the FCRHA's waiting lists. 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 refocusing 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 up to 300 households and those 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 these funds are also serving homeless individuals and families and households on the County's waiting lists. HCD provides program compliance, inspects units and administers 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 support this program.

In FY 2014, Fund 30300 funding of \$18,298,400 is comprised of \$10,330,000 in Real Estate Tax Revenue, \$5,218,400 in operating revenue from the Wedgewood and Crescent Apartments, and \$2,750,000 in Affordable Housing Partnership Program loan repayments which includes a one-time Olley Glen repayment of approximately \$2.5 million. FY 2014 funding is allocated as follows: \$5,750,963 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, \$1,300,000 for Community Challenge, and \$255,000 for the Affordable/Workforce Housing. Additionally, \$3,325,037 in funding is identified for the FY 2014 Blueprint project, which could be combined with \$1,674,963 in anticipated available funding from the repayments to Fund 30300 as part of the *FY 2013 Carryover Review*.

It should be noted that for Crescent Apartments, the County is finalizing its review of Requests for Proposals (RFP) seeking redevelopment of the Crescent property. However, this process was not completed by March 1, 2013, when the payment for the outstanding principal of \$26.73 million for the five-year Bond Anticipation Note (BAN) became due. On February 5, 2013, the County rolled the BAN (Series 2013) for an additional two year period. The two year term is designed to provide staff adequate time to complete the selection process and the follow on negotiations that would lead to Board approval of the redevelopment plan. As a result, the FY 2014 debt service amount remains level at \$3,349,000 to continue paying down outstanding principal on the BAN. In FY 2015, the Series 2013 BAN will be paid off with a permanent financing plan.

### **Changes to FY 2013 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2013 Revised Budget Plan since passage of the FY 2013 Adopted Budget Plan. Included are all adjustments made as part of the FY 2012 Carryover Review, FY 2013 Third Quarter Review, and all other approved changes through April 23, 2013.*

- ◆ **Carryover Adjustments** **\$19,774,739**  
As part of the *FY 2012 Carryover Review*, the Board of Supervisors approved funding of \$19,774,739 associated with the carryover of \$19,246,679 in unexpended project balances and the appropriation of \$528,060 in FY 2012 program income.

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 30300, The Penny for Affordable Housing Fund

	FY 2012 Actual	FY 2013 Adopted Budget Plan	FY 2013 Revised Budget Plan	FY 2014 Advertised Budget Plan	FY 2014 Adopted Budget Plan
<b>Beginning Balance</b>	\$9,423,884	\$0	\$19,774,739	\$0	\$0
Revenue:					
Real Estate Tax Revenue Associated with The Penny for Affordable Housing	\$9,650,000	\$9,975,000	\$9,975,000	\$10,330,000	\$10,330,000
Miscellaneous <sup>1</sup>	10,546,460	5,468,400	5,468,400	7,968,400	7,968,400
<b>Total Revenue</b>	<b>\$20,196,460</b>	<b>\$15,443,400</b>	<b>\$15,443,400</b>	<b>\$18,298,400</b>	<b>\$18,298,400</b>
Transfer In:					
General Fund (10001)	\$0	\$1,058,750	\$1,058,750	\$0	\$0
<b>Total Transfers In</b>	<b>\$0</b>	<b>\$1,058,750</b>	<b>\$1,058,750</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Available</b>	<b>\$29,620,344</b>	<b>\$16,502,150</b>	<b>\$36,276,889</b>	<b>\$18,298,400</b>	<b>\$18,298,400</b>
<b>Total Expenditures</b>	<b>\$9,845,605</b>	<b>\$16,502,150</b>	<b>\$36,276,889</b>	<b>\$18,298,400</b>	<b>\$18,298,400</b>
<b>Total Disbursements</b>	<b>\$9,845,605</b>	<b>\$16,502,150</b>	<b>\$36,276,889</b>	<b>\$18,298,400</b>	<b>\$18,298,400</b>
<b>Ending Balance<sup>2</sup></b>	<b>\$19,774,739</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> Miscellaneous revenue includes contributions from operations of the Crescent Apartment complex and the Wedgewood Apartment complex. The anticipated amounts to be received are \$900,000 and \$4,318,400 respectively. In addition, an estimated Affordable Housing Partnership Program loan repayment of \$2,750,000 has been projected including a one-time Olley Glen repayment of approximately \$2.5 million.

<sup>2</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 2014 Summary of Capital Projects

#### Fund 30300, The Penny for Affordable Housing

Project #	Description	Total Project Estimate	FY 2012 Actual Expenditures	FY 2013 Revised Budget	FY 2014 Advertised Budget Plan	FY 2014 Adopted Budget Plan
2H38-072-000	Affordable/Workforce Housing		\$247,150.00	\$249,374.78	\$255,000	\$255,000
2H38-075-000	Crescent Apartments-Debt Service		3,336,113.32	4,411,639.56	3,349,000	3,349,000
2H38-081-000	Wedgewood		5,754,062.51	5,753,062.52	0	0
2H38-082-000	Wedgewood-Debt Service		0.00	2,348,988.77	5,750,963	5,750,963
2H38-083-000	Silver Lining Initiative		0.00	141,902.00	0	0
2H38-084-000	Bridging Affordability Program		508,279.50	12,071,920.50	4,318,400	4,318,400
2H38-150-000	Wedgewood Renovation	1,500,000	0.00	1,500,000.00	0	0
2H38-180-000	Blueprint		0.00	7,000,000.37	3,325,037	3,325,037
2H38-181-000	Matching Grants to Non-Profits		0.00	1,500,000.00	0	0
2H38-182-000	Community Challenge		0.00	1,300,000.00	1,300,000	1,300,000
<b>Total</b>		<b>\$1,500,000</b>	<b>\$9,845,605.33</b>	<b>\$36,276,888.50</b>	<b>\$18,298,400</b>	<b>\$18,298,400</b>