Fund 30300
The Penny for Affordable Housing Fund

Focus

Fund 30300, 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 annual funding to the The Penny for Affordable Housing Fund by 50 percent in order to balance the FY 2010 budget. From FY 2006 through FY 2014, the fund has provided a total of $154.4 million for affordable housing in Fairfax County; a total of $16.5 million is provided in FY 2015.

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 $1,412 per month was estimated to be $56,472 in FY 2013. 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 16 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 2,638 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 2,386 units are preserved for 20 years or longer. A variety of funding sources were used to preserve these units; however, Fund 30300 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: 130 units at Mount Vernon House in Alexandria (Mount Vernon District), 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. As a part of these discussions, the Board identified the following as priorities for housing policy: 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. In response, 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, 1) To end homelessness in 10 years; 2) To provide affordable housing options to those with special needs; 3) To meet the affordable housing needs of low-income working families; and 4) To produce workforce housing sufficient to accommodate projected job growth.

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.

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 $4.8 million was made to Northern Virginia Family Service (NVFS) to provide long-term rental subsidies to homeless individuals and families and those on the County's waiting lists over a three-year period. In FY 2013, a second award of $7 million was

made to NVFS and when combined with the initial award, the coalition of non-profits will serve over 500 households. 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 2015, Fund 30300 funding of $16,478,400 is composed of $10,930,000 in Real Estate Tax Revenue, $5,218,400 in operating revenue from the Wedgewood and Crescent Apartments, and $330,000 in Affordable Housing Partnership Program loan repayments. FY 2015 funding is allocated as follows: $5,751,750 for Wedgewood for the annual debt service, $1,953,918 to fund the Bridging Affordability Program portion of the Housing Blueprint, $3,507,732 for Crescent Apartments for the annual debt service, $5,000,000 for the Housing Blueprint Project, and $265,000 for Affordable/Workforce Housing.

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. In FY 2015, the Series 2013 BAN will be paid off with a permanent financing or additional short term financing plan contingent upon the status of the negotiations of the redevelopment plan.

Changes to FY 2014 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2014 Revised Budget Plan since passage of the FY 2014 Adopted Budget Plan. Included are all adjustments made as part of the FY 2013 Carryover Review, FY 2014 Third Quarter Review, and all other approved changes through April 30, 2014.

- **Carryover Adjustments** **$21,604,873**
  As part of the *FY 2013 Carryover Review*, the Board of Supervisors approved funding of $21,604,873 due to $21,384,150 in unexpended project balances and to appropriate additional program income of $220,723 received in FY 2013.

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 2013 Actual	FY 2014 Adopted Budget Plan	FY 2014 Revised Budget Plan	FY 2015 Advertised Budget Plan	FY 2015 Adopted Budget Plan
Beginning Balance	$19,774,739	$0	$21,604,873	$0	$0
Revenue:					
Real Estate Tax Revenue Associated with The Penny for Affordable Housing	$9,975,000	$10,330,000	$10,330,000	$10,930,000	$10,930,000
Miscellaneous[1]	5,689,123	7,968,400	7,968,400	5,548,400	5,548,400
Total Revenue	$15,664,123	$18,298,400	$18,298,400	$16,478,400	$16,478,400
Transfer In:					
General Fund (10001)	$1,058,750	$0	$0	$0	$0
Total Transfers In	$1,058,750	$0	$0	$0	$0
Total Available	$36,497,612	$18,298,400	$39,903,273	$16,478,400	$16,478,400
Total Expenditures	$14,892,739	$18,298,400	$39,903,273	$16,478,400	$16,478,400
Total Disbursements	$14,892,739	$18,298,400	$39,903,273	$16,478,400	$16,478,400
Ending Balance[2]	$21,604,873	$0	$0	$0	$0

[1] 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 $330,000 has been included in Miscellaneous Revenue.

[2] Capital projects are budgeted based on the total project costs. Many projects span multiple years, and therefore, funding for those projects is carried forward each fiscal year, and ending balances fluctuate, reflecting the carryover of these funds.

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FY 2015 Summary of Capital Projects

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Project #	Description	Total Project Estimate	FY 2013 Actual Expenditures	FY 2014 Revised Budget	FY 2015 Advertised Budget Plan	FY 2015 Adopted Budget Plan
2H38-072-000	Affordable/Workforce Housing		$249,374.66	$345,371.12	$265,000	$265,000
2H38-075-000	Crescent Apartments-Debt Service		3,712,939.81	4,178,051.75	3,507,732	3,507,732
2H38-081-000	Wedgewood Debt Service		5,753,062.52	5,750,963.00	5,751,750	5,751,750
2H38-082-000	Wedgewood Debt Service Escrow		0.00	674,025.77	0	0
2H38-083-000	Silver Lining Initiative		0.00	141,902.00	0	0
2H38-084-000	Bridging Affordability Program		1,745,602.35	14,644,718.15	1,953,918	1,953,918
2H38-150-000	Wedgewood Renovation	1,500,000	707,915.01	792,084.99	0	0
2H38-180-000	Housing Blueprint Project		2,556,345.00	9,443,655.61	5,000,000	5,000,000
2H38-181-000	Matching Grants to Non-Profits		167,499.89	1,332,500.11	0	0
2H38-182-000	Community Challenge - Housing Blueprint		0.00	2,600,000.00	0	0
Total		$1,500,000	$14,892,739.24	$39,903,272.50	$16,478,400	$16,478,400