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 preserve and promote the development of affordable housing. For fiscal years 2006 through 2009, the Board of Supervisors (BOS) 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 BOS 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 2015, the fund has provided a total of $170.9 million for affordable housing in Fairfax County; a total of $16 million is provided in FY 2016.

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 2015. While the FY 2015 value is below the FY 2007 peak, the mean assessed value in FY 2015 was approximately 142 percent higher than FY 2001. 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 2015, as published by HUD, is $109,200. The annual income needed to afford a two bedroom apartment at the HUD-published fair market rate of $1,458 per month was estimated to be $58,320 in FY 2015. 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. A worker earning minimum wage would have to work nearly four full-time jobs to be able to afford a two-bedroom apartment at the HUD fair market rate.

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 31,630 rental units. Based on job growth and housing data prepared by the Center for Regional Analysis at George Mason University, it is estimated that there is a need for approximately 49,284 net new affordable units for households earning up to $125,000 per year (slightly over 120 percent of the AMI) by 2032. Taken together, this represents a need for nearly 82,000 units of affordable workforce housing in Fairfax County within the next 17 years.

Fund 30300 represents a major financial commitment by the County 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 BOS 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 2,701 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 2,449 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 several large multifamily complexes that were purchased by private nonprofits and for profit organizations, and which represent a significant portion of the units preserved:

Development	District	Ownership	Units Preserved
Janna Lee Villages, Hybla Valley	Lee	For-profit	319
Hollybrooke II & III, Falls Church	Mason	Non-profit	148
Coralain Gardens, Falls Church	Mason	For-profit	105
Sunset Park, Falls Church	Mason	Non-profit	90
Mount Vernon House, Alexandria	Mt. Vernon	For-profit	130
Madison Ridge, Centreville	Sully	Non-profit	216
Total			**1,008**

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 BOS 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 BOS 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 BOS 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 BOS 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 BOS 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 as a gateway into the FCRHA's federal housing programs, including the Housing Choice Voucher and Public Housing programs, and provides 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 2016, Fund 30300 funding of $16,033,900 is composed of $11,300,000 in Real Estate Tax Revenue, $4,318,400 in operating revenue from the Wedgewood Apartments, and $415,500 in Affordable Housing Partnership Program loan repayments. FY 2016 funding is allocated as follows: $5,753,888 for Wedgewood for the annual debt service, $3,350,000 for Crescent Apartments for the annual debt service, $6,647,512 for the Housing Blueprint Project, and $282,500 for Affordable/Workforce Housing.

On March 3, 2015, the BOS approved the redevelopment plan for the Crescent property after the County completed final negotiations with Lake Anne Development Partners (LADP), the developer selected through the Requests for Proposals (RFP) process. As part of the redevelopment plan, Community Preservation and Development Corporation (CPDC) will replace the existing 181 affordable units with at least 181 new affordable units in a larger project at Lake Anne, plus construct 20 percent of any new units in excess of 181 as affordable housing units. It should be noted that the payment for the outstanding principal of $26.73 million for the five-year Bond Anticipation Note (BAN) became due on March 1, 2013, however the negotiation and closing was not anticipated to be completed by then. Thus, on February 5, 2013, the County extended the term of the BAN (Series 2013) for an additional two-year period to complete the selection process and the follow-on negotiations that would lead to BOS approval of the redevelopment plan. In FY 2015, the Series 2013 BAN with an outstanding balance of $21.465 million was privately placed as part of a direct loan for a three-year term to allow additional time for CPDC to secure low-income housing tax credits and allow for closing thereafter. The direct loan structure provides the County flexibility for prepayment upon receipt of the cash proceeds from the sale of the Crescent property. The agreement between the County and LADP will yield a cash payment and the County will maintain a leasehold interest in the property for 99 years. The cash proceeds will be used to retire the direct loan with the remaining balance available for additional affordable housing.

Changes to FY 2015 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2015 Revised Budget Plan since passage of the FY 2015 Adopted Budget Plan. Included are all adjustments made as part of the FY 2014 Carryover Review, FY 2015 Third Quarter Review, and all other approved changes through April 30, 2015.

♦ **Carryover Adjustments** **$25,873,262**

As part of the *FY 2014 Carryover Review*, the Board of Supervisors approved funding of $25,873,262 due to the carryover of unexpended project balances in the amount of $25,330,326 and the appropriation of $542,936 associated with additional program income received in FY 2014.

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 2014 Actual	FY 2015 Adopted Budget Plan	FY 2015 Revised Budget Plan	FY 2016 Advertised Budget Plan	FY 2016 Adopted Budget Plan
Beginning Balance	$21,604,873	$0	$25,873,262	$0	$0
Revenue:					
Real Estate Tax Revenue Associated with The Penny for Affordable Housing Fund	$10,330,000	$10,930,000	$10,930,000	$11,300,000	$11,300,000
Miscellaneous	8,511,336	5,548,400	5,548,400	4,733,900	4,733,900
Total Revenue	$18,841,336	$16,478,400	$16,478,400	$16,033,900	$16,033,900
Total Available	$40,446,209	$16,478,400	$42,351,662	$16,033,900	$16,033,900
Total Expenditures	$14,572,947	$16,478,400	$42,351,662	$16,033,900	$16,033,900
Total Disbursements	$14,572,947	$16,478,400	$42,351,662	$16,033,900	$16,033,900
Ending Balance[1]	$25,873,262	$0	$0	$0	$0

[1] 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 2016 Summary of Capital Projects

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Project	Total Project Estimate	FY 2014 Actual Expenditures	FY 2015 Revised Budget	FY 2016 Advertised Budget Plan	FY 2016 Adopted Budget Plan
Affordable/Workforce Housing (2H38-072-000)		$249,375.00	$593,772.33	$282,500	$282,500
Bridging Affordability Program (2H38-084-000)		2,764,554.95	13,502,056.20	0	0
Community Challenge - Housing Blueprint (2H38-182-000)		1,308,250.42	209,836.58	0	0
Crescent Apartments Debt Service (2H38-075-000)		3,406,366.98	4,279,416.77	3,350,000	3,350,000
Development of Housing @ Rt. 50 & West Ox (HF-000055)	2,000,000	0.00	2,000,000.00	0	0
Housing Blueprint Project (2H38-180-000)		0.00	7,000,000.61	6,647,512	6,647,512
Matching Grants to Non-Profits (2H38-181-000)		301,352.57	1,031,147.54	0	0
Mt. Vernon Gardens Rehabilitation (2H38-205-000)	1,413,938	0.00	1,413,938.00	0	0
Murraygate Village Apt. Rehabilitation (2H38-194-000)	5,895,717	0.00	5,895,717.21	0	0
Wedgewood Debt Service (2H38-081-000)		5,750,962.51	5,751,750.49	5,753,888	5,753,888
Wedgewood Renovation (2H38-150-000)	2,174,026	792,084.99	674,025.77	0	0
Total	$11,483,681	$14,572,947.42	$42,351,661.50	$16,033,900	$16,033,900