FAIRFAX COUNTY
VIRGINIA

Board of Supervisors Housing Committee

Investing in Affordable Housing: A New Era

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FY 2023: Major New Investments on the Way

- Thanks to the investments made by the Board of Supervisors in the FY 2023 Adopted Budget, nearly $33 million in local funds made available to our development partners.
- Approximately $19 million not yet allocated from ARPA commitment for housing
- **<u>$52 million:</u>** A critical step toward realizing our goals for new housing production and the preservation of existing stock.

Local Funds: An Essential Element of Financing an Affordable Housing Deal

- Fairfax County's local housing dollars help fill the "gap" between the cost of a development and the debt the project's affordable rents can support.
- Most deals have a complex mix of "must pay" and "soft" debt, tax credit equity, discounted land, and project-based rental subsidy. Some deals have five or more sources.
- "Soft" debt, like the Blueprint loans, are catalytic investments that make these deals work.

Efficiency of Use: Leveraging Local Investment

- Fairfax County's local housing dollars significantly leverage non-local investments in projects.

- In our most recent deals that are under construction or are about to close, our local funds have been leveraged on a 13:1 basis.

Apply and Underwriting

- Notice goes out on July 1
- Applications will be accepted on a rolling basis.
- Projects competing for 9% Low Income Housing Tax Credits (LIHTC) must apply by September 15.
- HCD staff will evaluate funding requested per unit based on population served and reasonableness of projections.
- Desire to maximize efficiency of local and federal funds awarded through this NOFA.
- Funds awarded through the NOFA should leverage other sources of funding.

Planned Priorities for FY 2023

- New housing production for households earning 60 percent of AMI and below, consistent with 10,000 unit goal
    - *Family and senior units; expanding accessibility*

- Preservation of “market affordable” apartment communities
    - *Significant opportunities emerging in the market*

- Production of permanent supportive housing for formerly homeless individuals, in locations across the county
    - *Significant pipeline of projects*

Other Highlights

- **FCRHA as Lender:**
  - All funds provided as loans into projects from the FCRHA.
  - FCRHA may consider disbursing up to 50% of local funds after the achievement of 50% construction completion.

- **FCRHA Purchase of Land:**
  - An applicant may propose an option for the FCRHA to acquire the land as part of the project's overall structure.
  - Evaluated based on the feasibility of the land purchase, as well as the scale, affordability and public benefit offered by the proposed development.

Other Highlights (Continued)

- **Affordability Restrictions:**
  - FCRHA, at its own discretion, may require the affordability requirements of the Housing Blueprint Funds to be recorded in covenants that are senior to all financing in projects that do not include LIHTCs or any other federal financing with affordability restrictions.

- **Equity Contribution:**
  - Preference will be given to projects that include cash equity from the owner/sponsor/parent company (excluding deferred developer fee or third-party grants flowing through the owner/sponsor/parent company) as a source of funds.

Other Highlights (Continued)

- Preference will be given to projects with at least 50% of developer's fee as deferred.

- The project must appraise under the scope of the proposed financing structure and should demonstrate sufficient collateral for the Housing Blueprint Loan.

Other Highlights (Continued)

- Debt coverage with a minimum Debt Service Coverage (DSC) of 1.15.
  - The FCRHA, at its own discretion, may accept a lower DSC provided it is accepted by the first mortgage lender and/or equity provider and is in conformance with the FCRHA Funding Guidelines (Loan Adjustment and Financing Policy).

- The Loan To Value Ratio (LTV) shall not exceed 100%, including all debt.

Questions/Comments