

Department of Housing and Community Development

Lines of Business

LOB #323:

AFFORDABLE HOUSING DEVELOPMENT, PRESERVATION AND SUSTAINABILITY

Purpose

Given the significant gap in affordable housing, and the potential threats it poses to the County's desire to be a caring community, the investments made by the County's human services system and future economic competitiveness, HCD's mission, under the leadership of the Board of Supervisors and the FCRHA, is to create and preserve affordable housing. Additionally, it is essential that the housing stock is rehabilitated to ensure that it is safe and sustainable going forward. These activities require significant capital resources, as well as technical development, engineering and real estate finance expertise. Thus, LOB #323 is primarily focused on development activities and capital formation. This is accomplished through the development of strategic partnerships with private investors, non-profits and other public agencies and development activities.

Description

Given the aforementioned purpose, the majority of this LOB's major activities/programs, as well as relevant funds, are summarized below:

	Activity/ Program	Description/ Associated Fund	FY 2016 Funding¹
Debt Service & Development Support	Affordable Housing Debt Service	Debt service for Wedgewood and Crescent. Fund 30300, The Penny for Affordable Housing Fund	\$9.1m
	Development Support	Fund 81030, FCRHA Revolving Development, is a source of funding for predevelopment and development activities. Temporary advances are provided for architectural and engineering plans, studies, or fees for which federal, state, County, or private funds will reimburse the FCRHA at a later date. Fund 81050, FCRHA Private Financing, is used to budget and report costs for capital projects which are supported in full or in part by funds borrowed by the FCRHA through the issuance of notes and/or bonds, or through the use of equity financing received through federal low-income housing tax credits. This fund makes it possible to account for the receipt and disbursement of private funds within the County's financial system. Once permanent financing is secured, the fund is reimbursed and resources are available for new projects designated and approved by the FCRHA. *As a capital fund, the majority of the resources are not reflected in the <u>FY 2016 Adopted Budget Plan</u> , but unspent balances from the prior year are carried over once the fiscal year begins.	\$0*

Department of Housing and Community Development

	Activity/ Program	Description/ Associated Fund	FY 2016 Funding¹
Affordable Housing Development & Preservation	Housing Blueprint	Provides funding for development and preservation projects via a competitive process which leverages resources in the non-profit sector, as well as the private market. Fund 30300, The Penny for Affordable Housing Fund	\$6.6m
	Moderate Income Direct Sales (MIDS) Program	Reflects the capital side of the acquisition and subsequent resale of units originally in the MIDS Program. The actual program and activity are monitored by the Homeownership Division, see LOB #326, Homeownership and Relocation Services, for more information. Fund 40360, Homeowner and Business Loan Program	\$2.3m
	Consolidated Community Funding Pool (CCFP) - Affordable Housing	Funding is allocated to community nonprofits via the CCFP to support the provision, development and preservation of affordable housing in accordance with CDBG eligibility criteria and the priorities developed through an extensive community engagement process and adopted by the Board of Supervisors. Fund 50800, CDBG	\$1.1m
	HOME Investment Projects- Development Costs	Provides affordable housing through acquisition, rehabilitation, and new construction. Allocated to projects as outlined in the <u>Consolidated Plan: One Year Action Plan for FY 2016</u> . Fund 50810, HOME Investment Partnerships Program	\$0.6m
	Housing Trust Fund	Supports the development, acquisition, and redevelopment of affordable housing. Fund 40300, Housing Trust Fund	\$0.6m
	Community Housing Development Organization (CHDO) Set Aside	As required by the grant, a minimum set aside of 15 percent is allocated to assist CHODOs to develop and preserve affordable housing. Fund 50810, HOME	\$0.2m
Homeowner Rehabilitation & Repair Assistance	Home Repair for the Elderly Program (HREP)	Provides labor and up to \$500 in materials to eligible older adults and adults with disabilities for minor home repairs. Fund 50800, CDBG	\$0.3m
	Home Improvement Loan Program (HILP)	Provides financial and technical assistance to qualified low- and moderate-income homeowners for rehabilitation or repair of their property. Priority is given to the cases involving health and safety code violations. Fund 40360, Homeowner and Business Loan Program	\$32,200
Community Improvements	Section 108 Loan Repayments	Funds public improvements in targeted communities. Improvements include road, storm drainage, and sanitary sewer improvements, sidewalk installation, and renovation and expansion of community centers. Fund 50800, CDBG Fund 81050, FCRHA Private Financing	\$1.2m

Department of Housing and Community Development

	Activity/ Program	Description/ Associated Fund	FY 2016 Funding¹
	Housing Assistance Program	Provides a source of funds for the development of low- and moderate-income housing, as well as public improvements, in low- and moderate-income neighborhoods. *As a capital fund, the majority of the resources are not reflected in the <u>FY 2016 Adopted Budget Plan</u> , but unspent balances from the prior year are carried over once the fiscal year begins. Fund 30310, Housing Assistance Program	\$0*
Subtotal			\$22.0m

¹ Please note that amounts reflect the FY 2016 Adopted Budget Plan and not unspent balances that will carry forward from previous years.

Looking Ahead

Even as success is achieved in helping to bolster the self-sufficiency of individuals and families with low- and moderate-incomes, the high cost of housing will continue to be an issue for the community. More affordable housing will be needed to preserve the social and economic diversity that is essential to the County's continued economic success. At the same time, the sustainability of current affordable housing assets must be addressed in terms of resources needed for rehabilitation and modernization. This is with the backdrop of constrained local and federal resources and increased need to support the County's human services system, as well as FCRHA and Board of Supervisors priorities. Staff will continue to maximize available funding and explore other opportunities to minimize the demands on local resources.

On the immediate horizon are a number of critical affordable housing projects being led by HCD; examples include:

- **The Residences at the Government Center** (Braddock District). Private funding will be leveraged for an innovative, high quality, mixed income, 270-unit apartment complex on its Government Center campus. In 2008 Fairfax County, through the solicited Public Private Educational Facilities Infrastructure Act (PPEA) process, selected Dallas based JPI to build and operate the project. The County, using no money of its own, leveraged a \$57 million investment by JPI's assignee, Jefferson Apartment Group, through a long-term ground lease of the eight acre County-owned site. The FCRHA issued bonds for a portion of the project. The first apartments will be available for lease in October 2016 with project completion anticipated by December 2016.
- **Lincolnia Residences Renovation** (Mason District): Renovation of a complex which provides space for three separate operations: Senior Housing and Assisted Living managed by HCD on behalf of the FCRHA; a Senior Center operated by the Department of Neighborhood and Community Services (NCS); and an Adult Day Health Care Center managed by the Health Department. The FCRHA/HCD portion is comprised of 26 units of affordable apartments for seniors, 52 beds of licensed Assisted Living, common areas for residents, and a commercial kitchen which supports all on-site activities. The renovations are underway and will be completed in FY 2016.
- **Lewinsville Expansion** (Dranesville District): Redevelopment of the Lewinsville senior housing and services facility through a solicited PPEA competition. The planned project includes the demolition of the current facility and construction of two buildings, which will provide: 1) 82 units of Independent Living housing for the elderly; 2) space for the Health Department's Adult Day Health Care facility; 3) two private child day care centers; and 4) expansion of services of the existing senior center programs operated by NCS. In March 2015, the Board approved a Comprehensive Agreement with Wesley Hamel, which received approval for a Special Exception Amendment for the property. Wesley Hamel received an award of Low-Income Housing Tax Credits for the residential portion of the development in June 2015. Site work is planning to commence in April 2016, with construction of the residential and day care/senior center building planned to start in December 2016.

Department of Housing and Community Development

- **Murraygate Renovation** (Lee District): Includes extensive renovations on the 200-unit Murraygate Village apartment complex. Anticipated rehabilitation needs include mechanical replacement, site improvement, accessibility, modernization, and landscaping.

Of the 28 positions in this LOB, the majority are in either Design, Development, and Construction (DD&C) or Real Estate Finance and Grants Management. In DD&C, there are 12 merit positions responsible for real estate and land development, which includes the development, evaluation, and management of potential and actual Public Private Partnership for Educational Facilities and Infrastructure Act (PPEA) projects; capital project development and management; management, implementation and co-ordination of ADUs and WDUs; and management and operation of the Home Repair for the Elderly Program. Staff inspects properties to determine rehabilitation needs; preparation of rehabilitation drawings, specifications and cost estimates; bidding for contracting services; and construction monitoring. Staff prepares site and building schematics, participates in negotiations with developers, makes public presentations, and acts as liaison to County officials and other County agencies providing architectural and urban design assistance.

Half of these positions are supported by grant funding. More specifically, staff explores and pursues viable real estate and land opportunities that satisfy FCRHA and Board of Supervisors priorities, and manage large residential construction and renovation projects. These deals are extremely complex and require specific technical development, as well as real estate and engineering expertise. For example, staff participates in the development of feasibility studies and needs assessments, total project cost estimates, procuring and managing architect and engineer contracts, and oversight of construction contracts. Projects also require the management of specialized consultants, development of project needs assessments, as well as technical design and construction documents.

In Real Estate Finance and Grants Management, there are 10 merit positions, seven of which are supported by grant funding. These positions seek and obtain funding for the loan programs, provide community outreach on the programs, and technical support for non-profit organizations, community organizations, and other County agencies. Thorough knowledge of complex financing tools, such as federal tax credits and real estate deal structuring, is integral to the creation and review of development and rehabilitation project financing plans.

Benefits

Having homes that are affordable to a range of incomes is essential to the continued economic success of Fairfax County. In a very real sense, affordable housing development is economic development. Not only do new communities that provide affordable homes – such as the Residences at the Government Center – increase the County’s tax base, they also give the County’s low- and moderate-income workers the chance to live near their work. The rehabilitation of affordable communities, such as the planned work at Murraygate Village, ensures that these resources will be sustainable homes their residents can be proud of for many years to come.

Ensuring that its housing infrastructure provides a diverse range of options will help ensure that Fairfax County will continue to be competitive in attracting new businesses. This is critically important considering the significant vacancies in commercial and industrial buildings in the County. Notably, of the 116.2 million square feet of office space available in Fairfax County at year end 2014, 82.3 percent was occupied, and of the industrial/flex space available of 38.9 million square feet, 87.1 percent was occupied.

This LOB has increased the stock of affordable housing in Fairfax County, resulting in safe stable homes for many families and individuals struggling to make ends meet. Without the work done by this LOB, these individuals may be homeless or in unstable living arrangements. Having a safe place to call home enables these individuals to work on increasing their economic self-sufficiency, as well as other issues that may be presenting them with challenges such as mental health and other disabilities. Children are better positioned to perform better in school, make friends, and feel safer when they have a roof over their head. Older adults are able to remain in the community where they raised their families.

Department of Housing and Community Development

In addition to helping residents, affordable housing benefits the community in significant ways. Typical benefits include:

- Retaining/attracting employers who require affordable housing for their lower level employees. The high cost of housing is one of business' most frequently cited impediments to recruiting and maintaining employees;
- Revitalizing distressed areas;
- Reducing traffic congestion and improving air quality;
- Directing economic benefits to the local community, such as increased jobs and sales taxes; and,
- Promoting economic and social integration while building community.

Community Partners/Resources Leveraged

Funds awarded through the CCFP were used to support nonprofit housing providers in acquiring and preserving 50 affordable housing units in FY 2015. Additionally, using the Community Housing Development Organization (CHDO) Set-Aside, a portion of Fairfax County's HOME funds were set aside to assist in developing/acquiring/preserving 26 units/beds of affordable housing in FY 2015.

As of the end of FY 2015, a total of 2,757 affordable units have been preserved under the Board of Supervisors' Affordable Housing Preservation initiative utilizing a variety of funding sources. In FY 2015, the FCRHA/HCD used CDBG and HOME and CDBG funds to preserve a total of 56 units/beds via the financing of purchases by non-profit affordable housing providers. All non-profit units/beds preserved during FY 2015 have affordability periods of a minimum of 30 years.

Additionally, construction was recently completed on Kate's Place, which provides six units of County-owned permanent supportive housing for chronically homeless families. The project was financed with funds from the County's Housing Trust Fund and the federal HOME Program. Residents moved into the units in February 2015. At the end of 2015, through the rezoning process, 3,562 ADUs have been committed, of which 2,638 have been constructed. Through FY 2015, 5,130 WDUs have been committed with 316 rental WDUs having been delivered.

HREP

A total of 144 cases which served 111 households were completed by the **Home Repair for the Elderly Program** during FY 2015. The average household income served in FY 2015 was \$22,249, or approximately 20 percent of the Area Median Income (AMI) for a one-person household; this meets the HUD definition of "extremely low -income".

Mandates

While this LOB is not mandated, where federal funding is used, there are "compliance" requirements. In other words, as a condition associated with the receipt of the federal funding, there are associated compliance mandates that include:

- Client eligibility determination;
- Spending requirements and restrictions such as those associated with the Davis-Bacon Act of 1931 and related requirements;
- Financial and program reporting; and,
- Organizational monitoring.

Trends and Challenges

Fairfax County's ability to sustain and grow the work of this LOB is challenged in a number of ways, including by the scope of the need and the dramatic increases in rents. There is a gap of 30,000 affordable rental homes for people who are currently in living in the County – this means people are paying more than they can afford for the housing they have. Based on projected job growth, the County may need as many as 50,000 new affordable units and workforce units by 2032.

The rental housing market has become increasingly difficult for low- and moderate-income families, with the average monthly rent in the County increasing from \$1,168 in 2003 to \$1,640 in 2014 – an increase of over 40 percent. It is important to note that between 2002 and 2010, approximately 8,051 rental housing units affordable at 70 percent of the Area Median Income (AMI) and below have been lost to rising rents, redevelopment, and condominium conversions. Without the Board's Affordable Housing Preservation Initiative, the loss would have been closer to 10,500 units – a direct result of the work performed under this LOB.

Beyond the scope of the need and the rapidly rising cost of rents, the greatest challenge to continued success under this LOB is the availability of resources. Federal funding levels for the development of affordable homes continues to be stagnant at best, and local budget constraints prevent the County from revisiting past investment levels. Notably, 9 percent Low Income Housing Tax Credits – one of the most impactful resources available to attract private investment in affordable housing development – have become increasingly competitive.

Finally, increases in land and construction costs place additional pressures on the ability of the development community, including the FCRHA and other mission-driven housing developers, to increase the stock of affordable housing.

In addition to the existing affordable housing gap and the projected need for new homes to meet the needs of the coming new workforce, the challenge of the "Silver Tsunami" is a major consideration. The FCRHA currently owns and operates 504 units of rental housing for active seniors, and 112 beds of assisted living, serving people with very low incomes; the need is anticipated to be much larger. The number of seniors aged 65 and up is expected to increase from 135,976 in 2015 to 192,314 in 2030 – an increase of 41 percent. Based on the forums conducted as part of the "50+" planning process, seniors reported that they want affordable, walkable housing that is connected to the larger community. They also want to be able to remain in their own homes, and to understand how their homes can "evolve" to meet their needs as they age. They also want to see universal and accessible design incorporated into the new communities being built in the County, to increase the amount of housing that is appropriate for future generations of seniors.

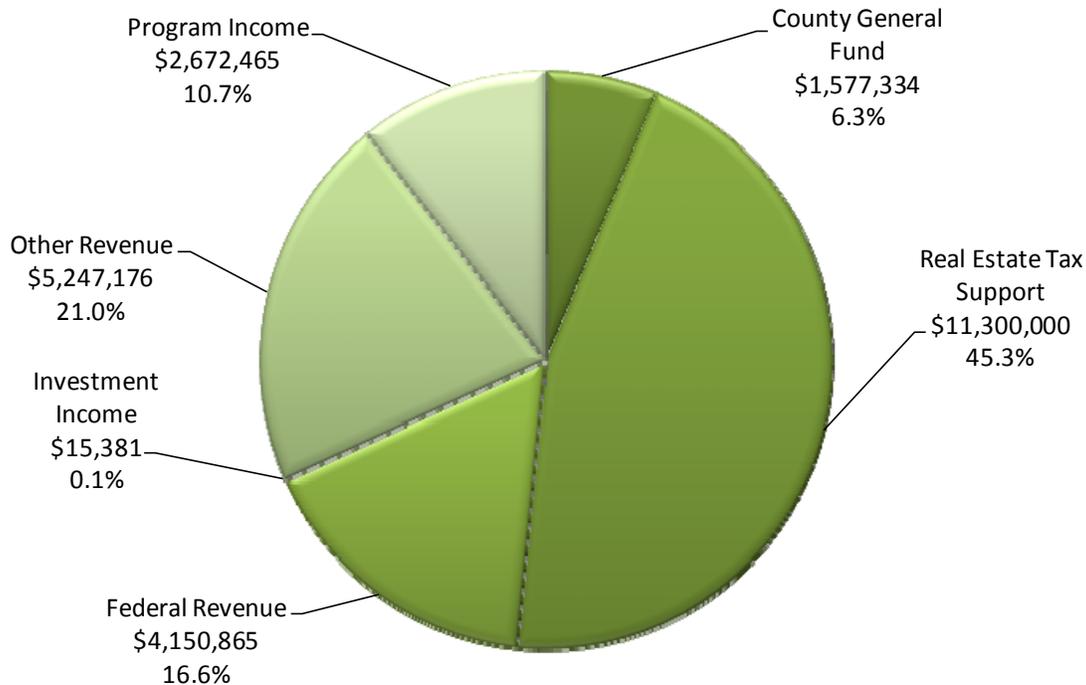
As mentioned in the Overview, the need for more affordable housing is evident and growing. It is a challenge to the County's future economic competitiveness, as well as the significant investments made by the County's human services system and community partners. Resource constraints will continue to be the main obstacle as increasing the County's stock of affordable housing requires significant investments. The high cost of land and construction will continue to constrain the future development of housing that is affordable in Fairfax County. Additionally, given that the current stock is aging, significant resources will be needed for increased maintenance and major rehabilitation projects.

Department of Housing and Community Development

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #323: Affordable Housing Development, Preservation and Sustainability			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$1,848,102	\$1,591,375	\$2,162,808
Benefits	429,955	419,156	485,998
Operating Expenses	19,353,435	18,763,995	22,531,109
Capital Projects	1,361,285	2,015,101	0
Total Expenditures	\$22,992,777	\$22,789,627	\$25,179,915
General Fund Expenditures	\$971,343	\$802,295	\$1,077,334
Total Revenue	\$26,567,169	\$22,733,724	\$24,963,221
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	11 / 11	11 / 11	11 / 11
Grant	17 / 17	17 / 17	17 / 17
Total Positions	28 / 28	28 / 28	28 / 28

Department of Housing and Community Development



As shown in the preceding chart, based on the FY 2016 Adopted Budget Plan, the half penny on the County's Real Estate Tax is the most significant funding source for this LOB, contributing \$11.3 million or 45.3 percent of total revenue. Other Revenue, which is primarily comprised of cash flow from Wedgewood, is the next largest contributor at \$5.2 million and 21.0 percent, followed by Federal Revenue, largely CDBG funding, at nearly \$4.2 million and 16.6 percent. Program Income of \$2.7 million is principally from the Homeowner and Business Loan Program and reflects the revenue received when Moderate Income Direct Sales (MIDS) and Affordable Dwelling Units (ADU) are purchased and resold through the work of the Homeownership and Relocation Services Division. Since these are capital expenses, the expenditure and subsequent resale revenues are reflected in this LOB. For more details on the MIDS and ADU programs, please see LOB #326, Homeownership and Relocation Services. General Fund support of this LOB is \$1.6 million, or 6.3 percent of the total revenues, and largely supports staff. HCD will continue its mission to preserve affordable housing through a mixed funding use approach.

Given this LOB's focus, 89.4 percent of the spending is in Operating Expenses, such as debt service and acquisition costs. Compensation and Benefits appropriations of \$2.6 million support 28 positions. Of these positions, 17 are fully supported with federal funding, eight are supported by the General Fund and three by FCRHA funding.

The staff supporting this LOB primarily work in the Design, Development and Construction and Real Estate Finance and Grants Management Divisions whose work was described earlier.

Department of Housing and Community Development

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Cumulative Number of Affordable Housing Units Preserved	2,638	2,701	2,757	2,857	2,957
Number of New Affordable Dwelling Units and Workforce Dwelling Units Produced by Inclusionary Zoning Policies	28	259	95	200	200
Households Served by the Home Repair for the Elderly Program	82	104	111	100	126

Affordable Housing Preservation and Development

As of the end of FY 2015, a total of 2,757 units have been preserved under the Board of Supervisors' Affordable Housing Preservation initiative utilizing a variety of funding sources. In FY 2015, HCD and the FCRHA used HOME and CDBG funds to preserve a total of 56 units/beds via the financing of purchases by non-profit affordable housing providers. All non-profit units/beds preserved during FY 2015 have affordability periods of a minimum of 30 years. Additionally, construction was recently completed on Kate's Place, which provides six units of County-owned permanent supportive housing for chronically homeless families.

Additionally, funds awarded through the CCFP were used to support nonprofit housing providers in acquiring and preserving 50 affordable housing units in FY 2015. Additionally, using the Community Housing Development Organization (CHDO) Set-Aside, a portion of Fairfax County's HOME funds were set aside to assist in developing/acquiring/preserving 26 units/beds of affordable housing in FY 2015. Finally, the development of the Residences at the Government Center will provide 270 new units of affordable workforce housing for individual with incomes ranging from 50 to 60 percent of the AMI.

Industrial Zoning/Affordable and Workforce Dwelling Unit Production

Leveraging the County's inclusionary zoning policies, a total of 5,130 Workforce Dwelling Units (WDUs) have been committed by developers and 316 rental WDUs have been constructed through FY 2015, including 95 in FY 2015. In addition, 3,562 ADUs have been committed, of which 2,638 have been constructed. The majority of these units are in the major employment centers of Fairfax County such as Tysons Corner, Reston and Merrifield. With the delivery of these units, there are new opportunities for households of all income tiers to live and work in the same community.

It is anticipated that another 200 WDUs and ADUs will be constructed during FY 2016 as a result of the County's inclusionary zoning. There are approximately another 1,200 units in the rezoning process not yet approved.

Home Repair for the Elderly Program

A total of 144 cases serving 111 households were completed by the Home Repair for the Elderly Program during FY 2015, thus providing safer housing for these individuals. This is an increase of 7 households over FY 2014. The FY 2016 estimate is lower than FY 2015, and represents a one-year deviation from the trend, due to a retirement. FY 2017 is expected to return to historical levels with the addition of a federally-funded position.