

Fund 30300

The Penny for Affordable Housing Fund

Focus

Fund 30300, The Penny for Affordable Housing, 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 Fund 30300, The Penny for Affordable Housing, by 50 percent in order to balance the budget. From FY 2006 through FY 2017, the fund has provided a total of \$204.5 million for affordable housing in Fairfax County; a total of \$17.6 million is provided in FY 2018.

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 2017. While the FY 2016 value is below the FY 2007 peak, the mean assessed value in FY 2016 was approximately 149 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 2016, as published by HUD, is \$108,600. The annual income needed to afford a two bedroom apartment at the HUD-published fair market rate of \$1,623 per month was estimated to be \$64,920 in FY 2016. 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 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 115 percent of the AMI) by 2032. Taken together, this represents a need for nearly 81,000 units of affordable workforce housing in Fairfax County within the next 16 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.

A total of 2,786 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 2,534 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

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of several large multifamily complexes purchased by private nonprofits and for-profit organizations. These purchases represent a significant portion of the units preserved and are shown below:

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
Wexford Manor A and B	Providence	Non-profit	74
Huntington Gardens	Lee	Non-profit	113
Total			1,195

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 (FCRHA) 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.

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 Program (see Fund 81510, Housing Choice Voucher Program) and Public Housing Programs (see Fund 81520, Public Housing Under Management; Fund 81530, Public Housing Under Modernization; and Fund 81300, Rental Assistance Demonstration (RAD)) programs. Bridging Affordability 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)

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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. Bridging Affordability was extended in FY 2017 for four years with an additional \$5.5 million to serve over 160 additional households over two years, including households escaping domestic violence. The Department of Housing and Community Development (HCD) provides program compliance, administers the contract with the contract administrator and manages the bridge to the FCRHA's housing programs. HCD provides program compliance, inspects units and administers the contracts with non-profit partners. As designated by the 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.

The Housing Blueprint provides a partial source of financing, on a competitive basis, for FCRHA and County developers towards the purchase and/or rehabilitation of low-income housing. Projects approved under this program include Lindsay Hill, Wexford Manor and Huntington Gardens. As a condition of utilizing these funds, developments must meet the goals of the Blueprint by serving residents at or below the 60 percent of AMI and in addition are focused on having a high percentage of committed affordable units; commitment to lease to elderly and special needs populations; a mix of low to moderate income and located near transit or employment centers and new construction. In FY 2017 a notice of funding availability of approximately \$6.8 million, with an October 15th date for applications submitted for Low Income Housing Tax Credit (LIHTC) projects, was advertised and responses were presented to the Board of Supervisors in January/February 2017. The amount of these local funds are also being supported by \$2 million in federal CDBG/HOME funds through a competitive process. Additional funding of \$6.1 million will be made available in FY 2018.

In 2015, the BOS approved the redevelopment plan for the Crescent property through a public-private partnership with a developer selected through a competitive process. The redevelopment plan would have replaced the existing 181 affordable units with new affordable units and guaranteed that 20 percent of any additional new units would be affordable housing units. Due to financing issues, the initial project was determined to be infeasible. A physical needs assessment will be performed on the property to determine what improvements are needed to ensure its continued sustainability in the near term and a feasibility study is underway to evaluate potential options for a revised redevelopment plan.

In March of 2015, the Board of Supervisors adopted the *Economic Success Strategic Plan* encompassing six specific goals. Fund 30300, The Penny for Affordable Housing Fund, plays a crucial role in Goals 2 and 5, "Create Places Where People Want to Be" and "Achieve Economic Success through Education and Social Equity". The fund has helped to "expand the creation of livable, walkable communities that are aligned with transportation infrastructure, including a mix of housing types to accommodate a range of ages, household sizes, incomes and uses for long term appeal, integration and sustainability"(Economic Success Goal 2 section 2.2). In addition, through the Board's commitment to set aside funding from Real Estate taxes, it has "identified a recurring, sustainable funding source which can be reinvested into projects which preserve housing affordability and produce new affordable housing units"(Economic Success Goal 5 section 5.7).

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Further, essential programs such as the Blueprint set the vision to build livable, caring and affordable communities; which is critical in the Economic Success Plan. Fund 30300, The Penny for Affordable Housing Fund, focuses on the establishment of housing within communities that is affordable for seniors, the disabled, and members of our workforce and contributes toward the County's goal of preventing and ending homelessness in Fairfax County. An example of a program which supports these objectives is the Bridging Affordability Program. The Bridging Affordability Program provides time-limited rental assistance, coupled with case management and supportive services, to assist households to move toward more self-sufficiency and economic success.

In FY 2018, Fund 30300 funding of \$17,627,927 is composed of \$11,900,000 in Real Estate Tax Revenue, \$5,200,000 in operating revenue from Wedgewood and Crescent Apartments and \$527,927 in Affordable Housing Partnership Program loan repayments. FY 2018 funding is allocated as follows: \$5,752,657 for Wedgewood for the annual debt service, \$2,494,372 for Crescent Apartments annual debt service, \$3,000,000 for the Bridging Affordability Program, \$6,083,398 for the Housing Blueprint Project, and \$297,500 for Affordable/Workforce Housing.

Changes to FY 2017 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2017 Revised Budget Plan since passage of the FY 2017 Adopted Budget Plan. Included are all adjustments made as part of the FY 2016 Carryover Review, FY 2017 Third Quarter Review, and all other approved changes through April 30, 2017.

- ◆ **Carryover Adjustments** **\$34,531,537**
As part of the *FY 2016 Carryover Review*, the Board of Supervisors approved funding of \$34,531,537 due to the carryover of unexpended project balances in the amount of \$33,813,477 and the appropriation of \$718,060 associated with additional program income received in FY 2016.

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 2016 Actual	FY 2017 Adopted Budget Plan	FY 2017 Revised Budget Plan	FY 2018 Advertised Budget Plan	FY 2018 Adopted Budget Plan
Beginning Balance	\$29,945,563	\$0	\$34,531,537	\$0	\$0
Revenue:					
Real Estate Tax Revenue Associated with The Penny for Affordable Housing	\$11,300,000	\$11,700,000	\$11,700,000	\$11,900,000	\$11,900,000
Miscellaneous	5,451,960	551,850	551,850	5,727,927	5,727,927
Total Revenue	\$16,751,960	\$12,251,850	\$12,251,850	\$17,627,927	\$17,627,927
Total Available	\$46,697,523	\$12,251,850	\$46,783,387	\$17,627,927	\$17,627,927
Total Expenditures	\$12,165,986	\$12,251,850	\$46,783,387	\$17,627,927	\$17,627,927
Total Disbursements	\$12,165,986	\$12,251,850	\$46,783,387	\$17,627,927	\$17,627,927
Ending Balance	\$34,531,537	\$0	\$0	\$0	\$0

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FY 2018 Summary of Capital Projects

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Project	Total Project Estimate	FY 2016 Actual Expenditures	FY 2017 Revised Budget	FY 2018 Advertised Budget Plan	FY 2018 Adopted Budget Plan
Affordable/Workforce Housing (2H38-072-000)		\$273,413.30	\$1,021,455.12	\$297,500	\$297,500
Bridging Affordability Program (2H38-084-000)		2,385,000.64	8,901,535.79	3,000,000	3,000,000
Community Challenge - Housing Blueprint (2H38-182-000)		0.00	119,836.58	0	0
Crescent Apartments Debt Service (2H38-075-000)		2,923,503.20	4,435,215.22	2,494,372	2,494,372
Housing Blueprint Project (2H38-180-000)		0.00	16,002,524.61	6,083,398	6,083,398
Matching Grants to Non-Profits (2H38-181-000)		591,982.50	89,520.03	0	0
Murraygate Village Apt. Rehabilitation (2H38-194-000)	7,535,706	238,199.13	7,297,506.66	0	0
Wedgewood Debt Service (2H38-081-000)		5,753,887.52	5,754,338.95	5,752,657	5,752,657
Wedgewood Renovation (2H38-150-000)	4,674,026	0.00	3,161,453.54	0	0
Total	\$12,209,732	\$12,165,986.29	\$46,783,386.50	\$17,627,927	\$17,627,927