

Response to Questions on the FY 2018 Budget

Request By: Supervisor Herrity

Question: Please provide a profit and loss statement for the Wedgewood property (i.e. a ledger outlining income and expenses associated with the property). Please also include information regarding the status of the identified maintenance and capital liabilities and expenditures (long and short term) and future funding plans.

Response: The County purchased Wedgewood Apartments, a 672 unit affordable apartment complex in the Mason District, for \$107.5 million in 2007. The buildings were constructed between 1962 and 1967 and no significant renovations have taken place since the County purchased the property. Based on a formal agreement with the County, the Fairfax County Redevelopment and Housing Authority (FCRHA) operates the property via a private property management company. As such, the financial activity associated with the property does not flow through the County's financial system, but the FCRHA staff monitors it regularly in consultation with the management company and external financial audits are performed annually. Debt service of nearly \$6 million is supported by Fund 30300, Penny for Affordable Housing, and the property has sufficient cash flow after addressing property operations and reserves to direct approximately \$4.3 million annually to Fund 30300, The Penny for Affordable Housing, to be used for various County programs including Bridging Affordability and the Housing Blueprint.

Wedgewood Renovation Status

In Fall 2015, the Department of Housing and Community Development (HCD) began developing a plan to address critical health and safety-related capital needs at Wedgewood. The original plan required estimated funding of \$54.1 million to address three priority areas of capital needs and would make the property sustainable in its current form for another 30-40 years. The renovation would span multiple years, with the Priority 1 and Priority 2 needs being addressed by the close of FY 2019 at an estimated cost of \$17.2 million. This funding plan required no additional funding from the County as project balances and resources generated by the property were sufficient. The plan did require that the property's cash flow that had been routinely allocated to Fund 30300, Penny for Affordable Housing for Bridging Affordability and the Housing Blueprint remain at the property and be redirected to the property's capital needs through FY 2019. As a result, the FY 2017 budget does not include the typical \$4.3 million coming from Wedgewood into Fund 30300, The Penny for Affordable Housing. It should be noted that a detailed funding plan was not developed for the Priority 3 capital needs which encompassed the long-term modernization of the units at an estimated cost of \$36.9 million. The Board requested that HCD staff review the entire project scope and return with alternatives regarding project scope and funding.

In February 2016, the Department of Housing and Community Development (HCD) presented a plan to the Board which prioritized the most critical health and safety-related capital needs. This smaller scope plan has an estimated cost of \$7-7.5 million scope and will be complete by FY 2018. The Board endorsed the limited scope that:

- Addressed health and safety issues at the property,
- Made the property sustainable for another 8-10 years, and
- Preserved the Board's flexibility for future redevelopment of the property.

As shown in the following table, the funding identified for the limited scope project is associated with Wedgewood. For example, \$4.3 million of the renovation cost is addressed by retaining the excess cash flow generated by property operations at the property to address capital needs. Similarly, the funding allocated in Fund 30300, The Penny for Affordable Housing was originally contributed by the property.

Wedgewood Renovation Estimated Balances Available as of June 30, 2017

Source	Amount (millions \$)	Description
Property operations and reserves ¹	\$4.3m	Cash flow from property operations and reserves held at the property. Associated with \$4.3 million that had been routinely transferred into Fund 30300, The Penny for Affordable Housing Fund.
Fund 30300, The Penny for Affordable Housing Wedgewood Renovation Project 2H38-150-000	\$3.0m	Reallocated from un-awarded Housing Blueprint funds of \$2.5 million originally funded by Wedgewood cash flow from property operations and reserves deposited in both FY 2015 and FY 2016. Estimated remaining project balance of \$0.2 million would be available for other projects.
TOTAL	\$7.3m	

¹ In addition, replacement reserves held at the property are anticipated to have a net balance of \$2.8 million after expenses.

As of January 2017, a total of \$1.1 million has been expended from property operations for the renovations. The items include waterproofing, replacement of one chiller and one cooling tower, roof replacements, and emergency concrete repairs. The project is on track in terms of timing with completion anticipated by 2018 and within budget.

Wedgewood Future Funding Plans

As presented in the FY 2018 Advertised Budget Plan, the contribution of \$4.3 million from Wedgewood operations to Fund 30300, The Penny for Affordable Housing for Bridging Affordability and the Housing Blueprint is resuming. Property operations and reserve contributions reflected outside the County’s financial system will also be adequately funded by rental income generation.

In terms of the replacement reserves strategy, the property contributes \$0.5 million to the replacement reserves on an annual basis, or approximately \$700 per unit per year. This amount is consistent with the replacement reserve practices for affordable properties.

Wedgewood Income Statement

The FY 2016 audited profit and loss (income) statement for the property showing revenues of \$10.5 million and expenditures of \$9.9 million is attached. Funding of \$2.5 million was contributed to reserves held at the property in FY 2016 for emergencies. This was in addition to the \$4.3 million that accumulated throughout the fiscal year and transferred to Fund 30300, Penny for Affordable Housing in FY 2016.

It should be noted that capital expenditures of ongoing nature not included in the February 2016 scope of work are reflected in the Other Maintenance and Repair account. These additional capital expenses are ongoing in nature and include: Americans with Disabilities Act renovations, replacement of appliances, and replacement of kitchen and bathroom cabinetry; HVAC repairs; balcony repairs; and underground pipe repairs. All capital expenses to date have been funded from the property’s ongoing operations.

Please also note that the official audited income statement for Wedgewood is only available in a consolidated format with other properties. The information that follows, however, does reflect the Wedgewood specific data that is included in the consolidated reports.

Fairfax County Redevelopment and Housing Authority
Rental Program Fund 941
Income Statement
June 30, 2016

Account #	Description	Total Wedgewood 2016
440500	COIN OPERATED MACHINE	
450000	ATTORNEY FEE	2,210
450020	COUNTY ADMIN FEES	
451070	TENANT LATE	36,176
451080	OTHER TENANT CHARGES	181,587
451040	MAINTENANCE	
451060	STATE DEBT SET OFF	
453010	NON TAX-INTEREST	
460030	INTEREST-POOLED INVEST	-
460000	INTEREST- FISCAL AGENT	4,497
460030	POOLED INVESTMENTS INT	
460080	INTEREST-LOANS	-
0553	PROGRAM INCOME	-
463000	RENT ON REAL	10,278,787
0559	SALE OF EQUI	-
0571	RENTALS-FACI	-
0819	RECOVERED COST	-
471270	EXCESS UTILITIES	-
1114	MISCELLANEOUS REVENUE	-
1125	REFUNDS OF P	
1139	UNIDENTIFIED DEPOSITS	
432050	INTERGOVERNMENTAL	
1206	BOS-SCHOOL P	
1400	INTERFUND TRANSFER	
491080	SECURITY/ESC	
	Total Revenue	10,503,257
2020	POSITION TURNOVER	-
500100	FRINGE BENEFITS	116,226
501055	OPEB Contributions	
500000	REGULAR SALARY	897,950
500150	EMPLOYEE LEAVE PAY-OUT	-
500090	NON-MERIT EMPLOYEES	-
2320	SHIFT DIFFERENTIAL	-
2345	EXTRA PAY	-
500130	ACCRUED LEAVE	-
510020	Office Supplies	7,329
510070	Cleaning Supplies County	
510200	Building Materials and Supplies	5,196
510201	Carpentry/Lumber Supplies	-
510202	Electrical Supplies	18,697

Fairfax County Redevelopment and Housing Authority
Rental Program Fund 941
Income Statement
June 30, 2016

Account #	Description	Total Wedgewood 2016
510203	Hardware	
510204	HVAC Supplies	
510206	Paint/Paint Supplies	15,251
510207	Plumbing Supplies	
510610	Tools County	
510650	Hshl Apnc/Supl/Repl	8,286
512990	Other Operating Supplies	-
512992	Goods Receipts Without PO	-
514010	Fire Protec Eqp&Supl	-
520010	Bldg Maint&Rep Svcs	27,793
520011	Electrical M&R	243
520012	Contracted Elevator Maint & Repairs	13,975
520013	Contracted HVAC Maint & Repairs	67,209
520014	Contracted Mechanical Inspections	
520015	Overhead Doors M&R	-
520016	Contracted Extermination Services	82,198
520017	Contracted Plumbing Maint & Repairs	25,670
520018	Contracted Structural Services	
520019	Contracted Snow Removal Services	65,891
520020	Construction Maintenance and Repair	
520021	Contracted Flooring Services	15,169
520025	Custodial/Day Porter Services	136,733
520060	Fire Extinguishr M&R	
520110	Other Maint & Repair	3,326,888
521000	Financial Services	461
521010	Audit/Accounting Services	
521020	Legal Services County	4,321
521060	Computer Services	8,136
521080	Other Pro Cntrct Svc	27,410
521090	Comm & Media Service	130,127
521130	Grnds/Rec/Parks Svcs	66,477
521140	Safety&Emergency Svc	
521200	Background Investigations	1,862
521210	Licensing Fees	
521250	Miscellaneous Services	9,948
523010	Rent-Copier Equipment	-
530000	Electricity County	500,257
530010	Natural Gas County	286,104
530040	Water County	514,713
540500	Condominium Fees	
540505	Condo & HOA Penalties	
540520	Housing Collection Losses	
540600	Housing Insurance Escrow	
540610	Housing Interest Expense	

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Income Statement
June 30, 2016

Account #	Description	Total Wedgewood 2016
540620	Housing Payment-Real Estate Tax	-
540630	Housing Principal Amortization	-
540640	Housing Relocation Costs	-
540650	Housing Replacement Reserves	2,462,795
540660	Housing Servicing Fees	-
540750	Housing Miscellaneous Expenses	-
540760	Management Fee Expense	339,201
	Asset Mgmt Fee	362,847
542210	Management/Professional Training	2,542
544000	Document Services Copying Charges	-
544050	Assigned Agency Vehicles	1,026
544070	Fuel	-
544080	Vehicle Replacement	-
544090	Services-Other Agency	-
544508	Mileage Allowance Automobile	5,708
544538	Professional Memberships	250
544539	Professional Subscriptions	2,345
544547	Refuse Disposal Expense	131,778
544550	Non-budgetary Expenditures	-
544990	Other Operating Expenses	118,171
	Printing	8,865
	shipping	1,292
	community services fees/exp	84,562
	land rent expense	-
583010	Other Financing Uses-Debt	-
8053	ARCHITECTURE	-
4550	DEPRECIATION EXPENSE	-
	CONTRIBUTION	-
	Fund Balance Roll Forward Adj.	-
	Total Expenses	9,901,902