

Department of Housing and Community Development

LOB #326:

HOMEOWNERSHIP AND RELOCATION SERVICES

Purpose

To increase affordable homeownership opportunities for Fairfax County residents with low- and moderate-incomes; and to provide relocation assistance and monitoring to ensure compliance with the federally-mandated Uniform Relocation Act for projects involving federal funds, as well as the Fairfax County Voluntary Relocation Assistance Guidelines.

Description

Homeownership Services

To increase affordable homeownership opportunities, HCD:

- Provides affordable units for purchase through the First-Time Homebuyers Program (FTHB), based on provisions of Fairfax County's inclusionary zoning policies, including the Affordable Dwelling Unit (ADU) Ordinance;
- Engages in resale activity associated with the Moderate Income Direct Sales (MIDS) Program and other FTHB properties; and
- Educates and counsels first-time homebuyers through the Homeownership Resource Center and Homebuyer Education programs in partnership with the Virginia Housing and Development Authority (VHDA), and outreach opportunities such as the annual Northern Virginia Housing Expo.

Compliance with the ADU Ordinance and monitoring are also important activities associated with this LOB.

First-Time Homebuyer (FTHB) Program

FTHB has been providing homeownership opportunities to eligible moderate-income households since 1993 and utilizes new units made available under the ADU Ordinance, through restrictive renewable 30-year covenants. The units (condominiums or townhomes) are offered at below-market price and are sold directly by the developer as new, or through resale by the FCRHA when the current owner is ready to sell. The homes in this program are located throughout Fairfax County and offer the same amenities typical of new developments in the community. Prospective purchasers complete a FTHB application, complete a homebuyer education course, and submit lender pre-approval financial information. If qualified, they will be issued a FTHB certificate of eligibility good for one year to purchase a home offered through the program. Qualifying information must be recertified each year in order to obtain a new FTHB certificate of eligibility. Each time a unit becomes available, qualified purchasers are given an opportunity to attend an open house. If interested in the unit, certificate holders enter a lottery system drawing for the unit and are notified if selected as qualified buyers. FTHB also administers the Moderate Income Direct Sales (MIDS) Program, which pre-dated the ADU program and was designed to provide affordable homeownership opportunities for low-to moderate-income families. The Program is self-supporting with the funds from the repayment of loans supporting operations.

Compliance

HCD staff also supports the administrative responsibilities delegated to the County Executive and the FCRHA under the ADU Ordinance including reviewing and recommending changes in unit prototypes, sales prices, and income limits; as well as monitoring compliance with sales prices, eligibility of purchasers, verification of occupancy, and resale and refinancing requirements. HCD staff also tracks, verifies and processes applications; maintains and updates a participant interest list; conducts annual occupancy certifications; and counsels applicants and FTHB homeowners.

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HCD monitors ADU unit refinancing, as well as develops and implements procedures concerning the actions to take when some restrictions on ADU units expire and when units sold for the first time during the extended control period. Administration of MIDS unit re-sales to first-time homebuyers and qualified non-profits, and on-going MIDS program compliance, are also the responsibility of HCD.

Homeownership Resource Center and Homebuyer Education

The Homeownership Resource Center serves hundreds of people each month, providing information on homeownership, homeownership education, one-on-one and group counseling sessions, opportunities to meet with lenders, applicant briefings, and coordination of resources for current and prospective first-time homebuyers.

Through a partnership with the Virginia Housing and Development Authority (VHDA), local lenders, and housing professionals, six-hour homeownership education classes are provided to potential Fairfax County homebuyers. Completion of the class is one step in the process that qualifies graduates to participate in the FTHB Program and the ability to access below-market financing, down payment and closing cost assistance. Classes are offered in English, Spanish, Vietnamese, Korean, and American Sign Language.

Relocation Services and Monitoring

HCD provides technical assistance and monitoring associated with affordable housing preservation initiatives. In projects involving federal funds, relocation services are mandated as part of the Uniform Relocation Act. Services are also provided under the Fairfax County Relocation Guidelines for projects where there is substantial rehabilitation and condominium conversion. Services are provided to tenants, landlords and developers and include proper and timely notification of relocation activities, identification of comparable housing, financial assistance, technical and advisory relocation assistance and compliance monitoring.

Homeownership and relocation services are supported by County's General Fund and federal funding in CDBG. Please note that the funds used to acquire and resell ADU and MIDS units are reflected in LOB #323, Affordable Housing Development, Preservation and Sustainability.

Benefits

Research has consistently shown the benefits of homeownership on the economy and the long-term social and financial benefits to homeowners. Homeownership and stable housing are interrelated. Homeowners move less than renters, and therefore are invested in the same community for a longer period. They are more likely to be engaged in their community socially and politically. The social benefits of homeownership are far-ranging and including positive social outcomes in educational attainment, wealth, civic participation, and crime, among others. Because of these social benefits, policies support sustainable homeownership.

Additionally, homeownership has a positive impact on childhood success in school. The decision to stay in school by teenage students is higher for those raised by home-owning parents compared to those in renter households. A study by Harkness and Newman explored whether children from lower-income and higher-income families benefit equally from homeownership. The benefit to children in families with incomes less than 150 percent of the federal poverty level was improved educational attainment, earnings, and welfare independence in young adulthood more than for children in families with incomes greater than 150 percent of the poverty line.

Homeowners are more invested in their communities since they have more to lose financially than renters. Property crimes and violent, non-property crimes can impact the victims financially and decrease neighborhood property values. Therefore, homeowners have more incentive to deter crime by forming and implementing voluntary crime prevention programs. Research on crime and homeownership shows that homeowners are far less likely to become crime victims.

Homeowners take on a greater responsibility such as home maintenance and acquiring the financial skills to manage household budgets. These skills are modeled for and transferred to their children.

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Mandates

Relocation Services are mandated in projects where federal funds, such as CDBG and HOME, are involved under the Uniform Relocation Act. Relocation services provided in other projects are guided by the County's Voluntary Relocation Assistance Guidelines. Homeownership services are not mandated.

Trends and Challenges

Some lenders, including the Virginia Housing and Development Administration (VHDA), are reluctant to provide financing for FTHB purchasers due to the differences between foreclosure protections in the FCRHA program restrictions and eligibility standards for Federal Housing Authority-backed mortgage insurance. The inability to secure low-cost financing is a major challenge for many FTHB purchasers. While some progress has been made, more willing lenders are needed.

While the supply of ADUs has always varied with the pace of real estate development and the economy, current development patterns in the County are moving more toward construction types, including multifamily construction exceeding four stories, which are not subject to the ADU ordinance. As a result there are fewer new ADUs to offer to qualified homebuyers. In fact, most of the ADUs offered through the homeownership program recently are resale ADUs.

Beyond the ADU ordinance, Fairfax County has also adopted a second, critical inclusionary zoning policy – the Workforce Dwelling Unit program. Since its adoption in 2007, 5,130 WDUs have been committed by developers through Board-approved re-zoning actions. The WDU program, a proffer-based incentive system established within the Comprehensive Plan, serves a range of moderate-incomes from 60 percent of AMI up to 120 percent of AMI. As of the end of FY 2015, only approximately 316 rental WDUs have been delivered in the marketplace. However, over time, it is anticipated that a significant number of homeownership units will be delivered under the policy, and that the FTHB program will have a critical role to play in facilitating the sale of these units, and monitoring continued compliance.

Other trends to consider include:

- In October 2015, the average sales price of all homes sold during the month was \$529,888, a 2.7 percent increase over the October 2014 average sales price of \$515,725. The average sales price for detached homes sold in October 2015 was \$720,907, a 7.2 percent increase over the October 2014 average sales price of \$672,182. The average sales price for attached homes in October 2015 was \$362,219, a 2.3 percent decrease from the October 2014 average sales price of \$370,802.
- According to the Virginia Center for Housing Research at Virginia Tech, the total affordable housing gap in Fairfax County for low- and moderate-income owners is approximately 27,900 units.
- The homeownership rate in Fairfax County is 67.3 percent; down from a high of 74 percent in 2005. (U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates)

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Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #326: Homeownership and Relocation Services			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$622,732	\$597,621	\$595,006
Benefits	172,803	179,890	168,228
Operating Expenses	36,235	27,802	30,162
Total Expenditures	\$831,770	\$805,313	\$793,396
General Fund Expenditures	\$69,480	\$64,670	\$72,035
Total Revenue	\$817,148	\$769,890	\$793,155
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	2 / 2	2 / 2	2 / 2
Grant	6 / 6	6 / 6	6 / 6
Total Positions	8 / 8	8 / 8	8 / 8

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Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
New First-Time Homebuyers	42	27	15	30	30
FTHB Program Participants (households)	NA	1,265	1,176	1,170	1,170
Number of Families served through marketing and counseling efforts	NA	8,043	7,563	6,500	6,500
Participant Satisfaction Survey Scores	95%	97%	100%	95%	95%
Number of Affordable Dwelling Units and MIDS Units Monitored for Compliance	1,375	1,284	1,251	1,201	1,151
Number of Households with Access to Relocation Services due to Acquisition or Rehabilitation	156	14	169	50	200

First-Time Homebuyers Program (FTHB)

The number of new and resale units varies from year to year, due to a variety of external factors such as real estate market conditions and the economy. The pace of real estate development in the County determines the timing of the production of ADUs within new residential developments. Recently, the number of new ADUs produced in the market has been declining, thereby dampening the number of new units available to the program. In FY 2015, the FTHB facilitated the purchase of 15 homes by qualified purchasers and there were 1,176 participants in the program. This is down from previous years and reflects the market conditions highlighted in the Trends and Challenges section. Participant satisfaction remained high at 100 percent in FY 2015 and extensive education and outreach continued with 7,563 individuals served.

Compliance Monitoring

Monitoring activities to ensure continued compliance with ADU covenants, particularly with respect to refinancing, included the distribution and review of annual owner occupancy certifications from all 1,169 FTHB owners and 82 MIDS unit owners in FY 2015. There were no foreclosures during FY 2015 as a result of over financing that occurred after the procedures changed.

Relocation Services

In FY 2015, 43 reviews of rehabilitation projects for compliance with federal, state, and local relocation requirements were completed and 169 households with 198 persons had access to relocation services due to acquisition or rehabilitation.