

Plan Amendment 2023-CW-1CP For-Sale WDU Policy

NVBIA-NAIOP

February 15, 2024



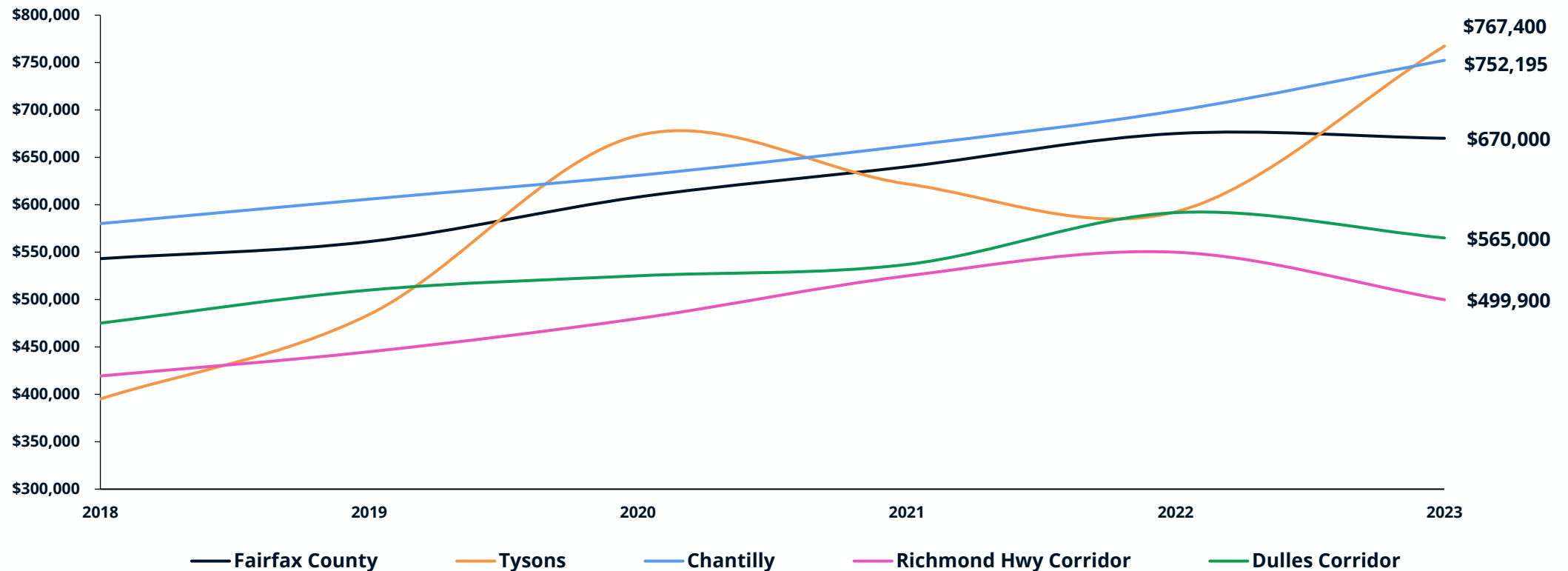
AGENDA

1. Housing Market Assessment and Affordability
2. Workforce Dwelling Unit (WDU) For-sale Program
3. WDU For-sale Task Force Recommendations
4. Comprehensive Plan Amendment Considerations and Timeline
5. Discussion

MARKET ASSESSMENT: MEDIAN HOME SALES

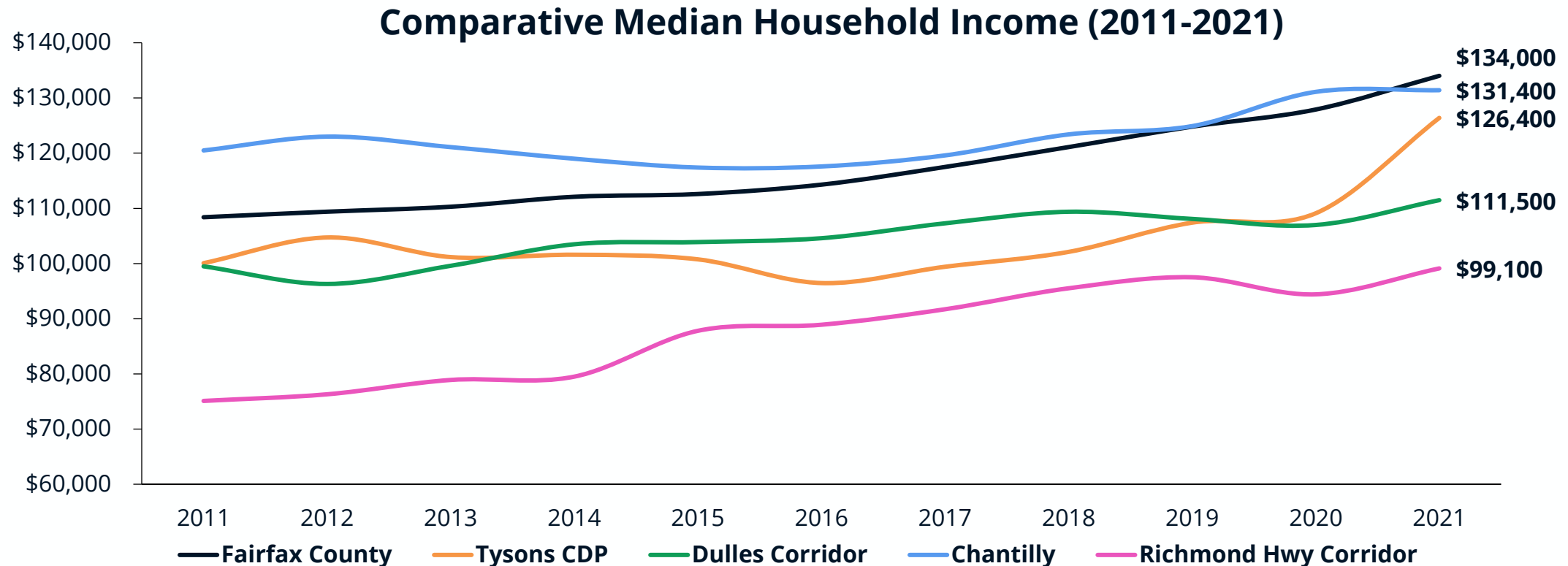
The median homes sales price in Fairfax County overall has **increased 23% since 2018, with variations by area.**

Median Home Sale Price by Year and Geography (2018 - 2023)



MARKET ASSESSMENT: MEDIAN HOUSEHOLD INCOME

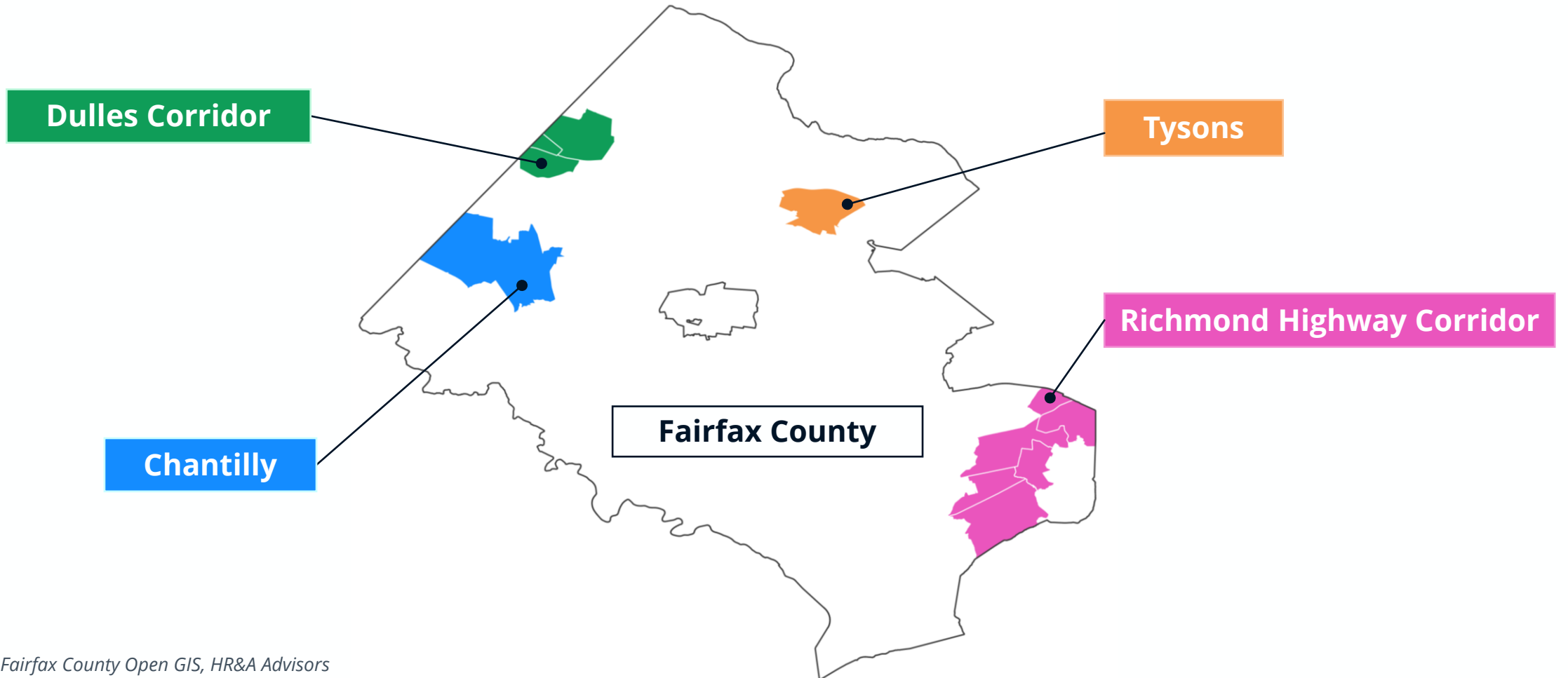
Household incomes vary across the County. While there are increases in household incomes are higher in Tysons and Chantilly, they are lower along the Dulles and Richmond Hwy Corridors. In Richmond Hwy specifically, incomes are generally lower for both renters and homeowners.



Source: American Communities Survey, 2011-2021 5-year estimates. 2011 – 2016 Estimates for Tysons utilize different geographic boundaries, as CDP boundaries changed in 2017.

MARKET ASSESSMENT: SUBAREA GEOGRAPHY

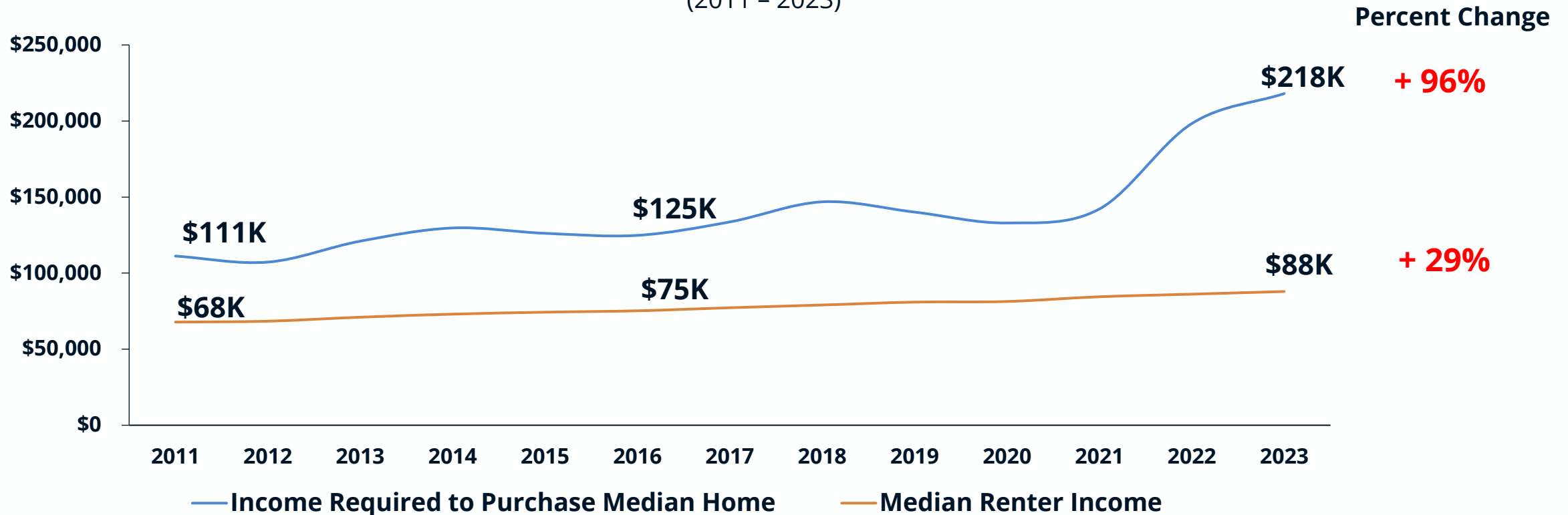
In addition to countywide trends, the following section will also highlight **characteristics of the following four submarkets.**



MARKET ASSESSMENT: MEDIAN RENTER INCOME

The **income required to purchase a median priced home has increased by over \$100K** while median renter incomes increased only \$20K.

Home Values Compared with Median Renter Income (2011 - 2023)



Source: The Median Income Required to Purchase a home is based on Zillow Home Value Index Data, All Homes Time Series. The mortgage payment includes, principal interest, insurance and taxes. It assumes 20% down payment, and an interest rate of 6% percent.

WORKFORCE DWELLING UNIT (WDU) PROGRAM OVERVIEW

The For-Sale Workforce Dwelling Unit (WDU) Program is a component of the larger WDU policy and a complement to the required Affordable Dwelling Unit (ADU) program.

WDU program requirements vary by geography and by development type. Although **the focus of these recommendations is on the countywide policy**, some will address the Tysons non-high-rise policy.

Applicability	Expectations	Bonus Density
<ul style="list-style-type: none"> Tysons Urban Center Suburban Centers Community Business Centers Transit Station Areas 	<ul style="list-style-type: none"> A minimum of 12% of units as ADUs and/or WDUs Required ADUs calculated first, then WDUs are added 	<ul style="list-style-type: none"> Generally, 12% to 20% above maximum planned density For use as residential or non-residential

Income Levels	Countywide	Tysons Non-High-rise	Tysons High-rise Condo (On-site)	Tysons High-rise Condo (Off-site)
120% AMI	4% of total units	5% of total units		
100% AMI	4% of total units	5% of total units	4.67 % of total units	5.33% of total units
80% AMI	4% of total units	5% of total units	4.67 % of total units	5.33% of total units
70% AMI		3% of total units	4.67 % of total units	5.33% of total units
60% AMI		2% of total units		
Total	12% of total units	20% of total units	14% of total units	16% of total units

Source: Fairfax County

Note: WDU AMI allocation for Tysons High-rise condos were not considered for change

For Calendar Year 2023, the Median Family Income is \$106,450 for an individual \$152,100 for a family of four in the Washington Metropolitan Area.

HOUSING MARKET (2020-2023) HIGHLIGHTS (<80-120% AMI)

Through an analysis of Fairfax County demographic and housing data, **the following housing market trends emerged:**

Greater Availability of Homes at 100-120% AMI

48% of homes sold were affordable to under **120% AMI Households**. Renter households **earning between 100%-120% AMI, have alternative options** compared to units priced at WDU pricing levels.

Lack of Availability of Homes at <100% AMI

Meanwhile, **only 16% of homes sold** were affordable to under **80% AMI Households** and **only 28% of homes sold** were affordable to under **80-100% AMI Households**.

Limited Supply of Affordable Larger Homes at <100% AMI

Only **14% of homes sold had 3+ bedrooms** and were affordable to households **earning under 100% AMI**

Home prices increasing faster than income

Between 2011-2021, the income required to purchase a **median priced home has increased by over \$100K**. Meanwhile, median renter incomes increased by only \$20K.

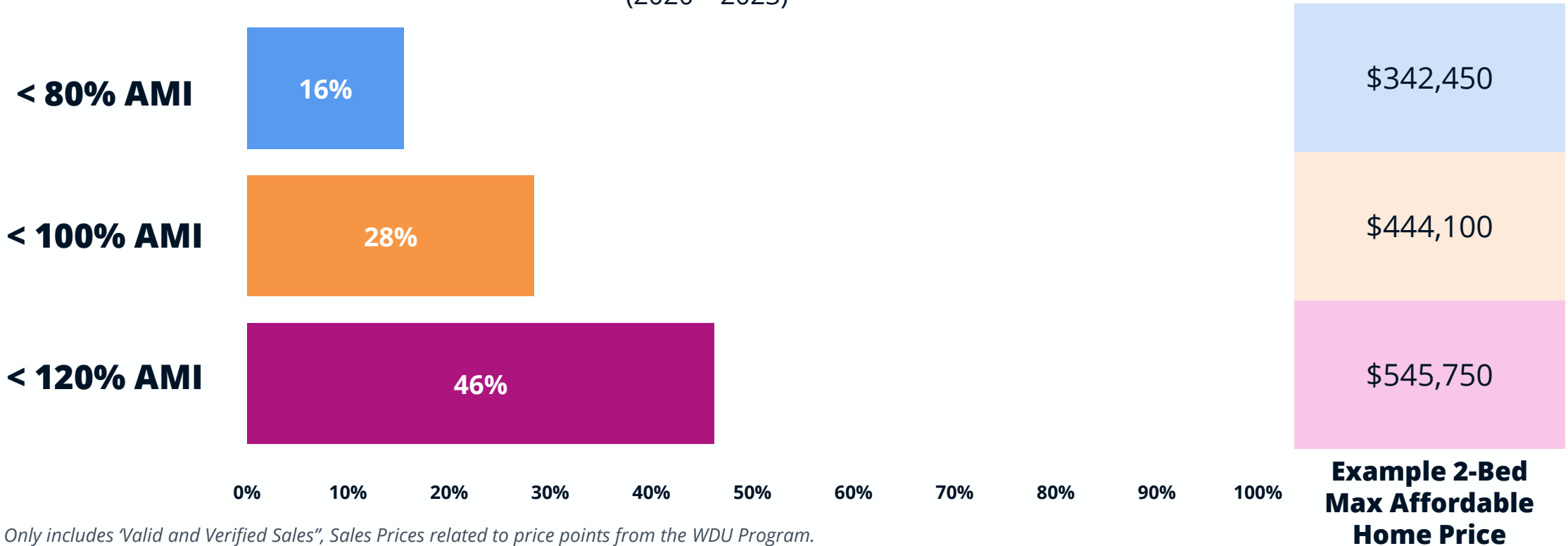
Note: Data from the ACS, the US Census, PUMS, and Fairfax County sales records were used in this analysis. Corresponding sources and years are noted on each slide.

The Median Income Required to Purchase a home is based on Zillow Home Value Index Data, All Homes Time Series. The mortgage payment includes, principal interest, insurance and taxes. It assumes 20% down payment, and an interest rate of 6% percent.

HOUSING MARKET ASSESSMENT (<80-120% AMI)

For households earning below 100% AMI, options within a households' price range are limited. However, for households earning 100% - 120% AMI, nearly half of all homes sold fall in that price range.

Cumulative Share of Homes Affordable By AMI Levels for Households
(2020 - 2023)

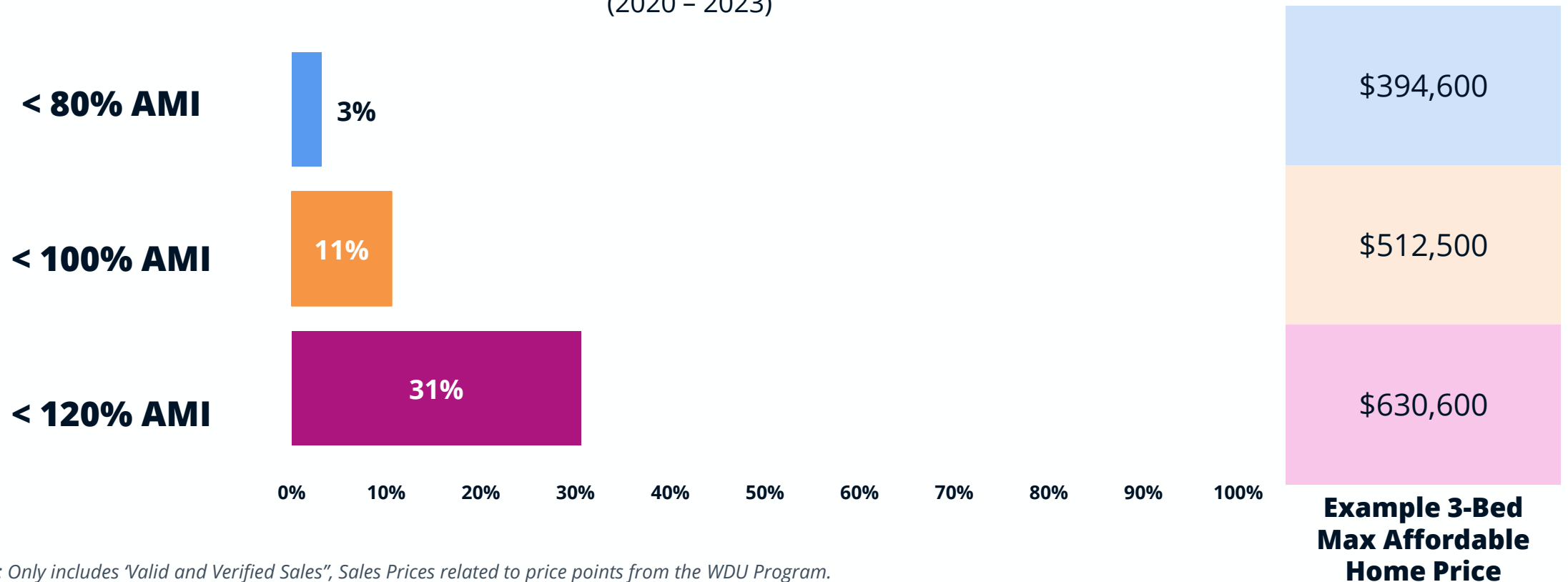


*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.
Source: Fairfax County sales data, HR&A Advisors*

HOUSING MARKET ASSESSMENT (<80-120% AMI)

All AMI groups have somewhat limited options for three-bedroom or larger units. Households earning under 100% AMI are most constrained and likely competing with higher-income households for these units.

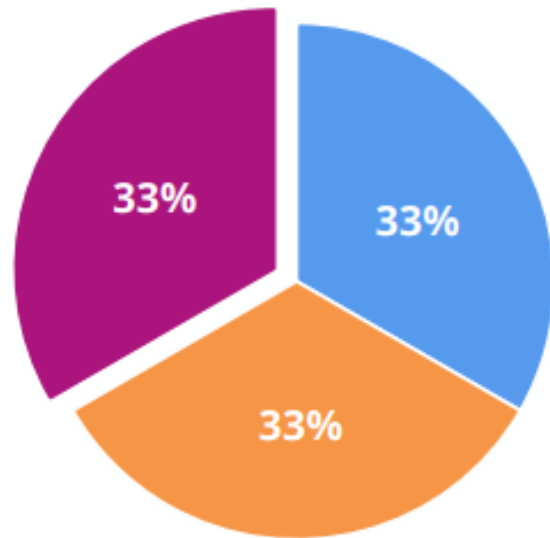
Cumulative Share of Homes with 3+ Bedrooms, Affordable By AMI Levels
(2020 - 2023)



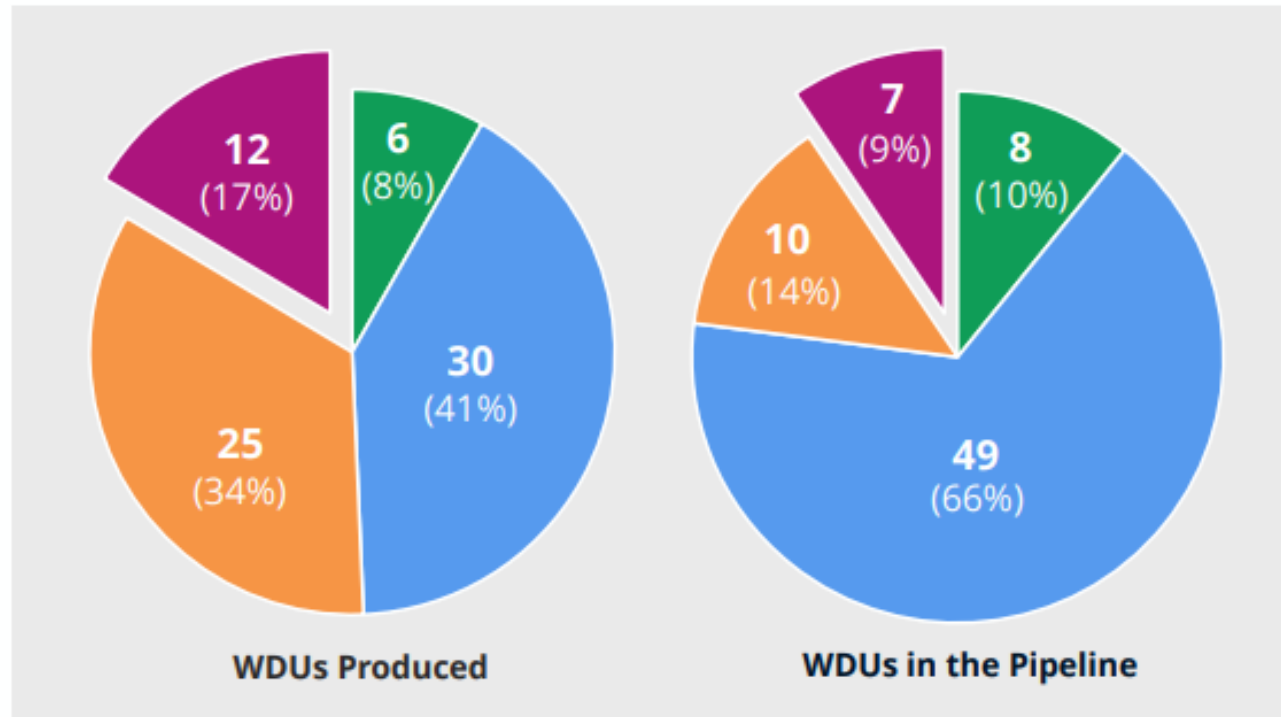
*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.
Source: Fairfax County sales data, HR&A Advisors*

WDU PRODUCTION v. POLICY

Due to unique proffer agreements, fewer 120% AMI units are being produced or are in the pipeline than are outlined in the Policy and some developments include 70%AMI units.



Existing WDU Program



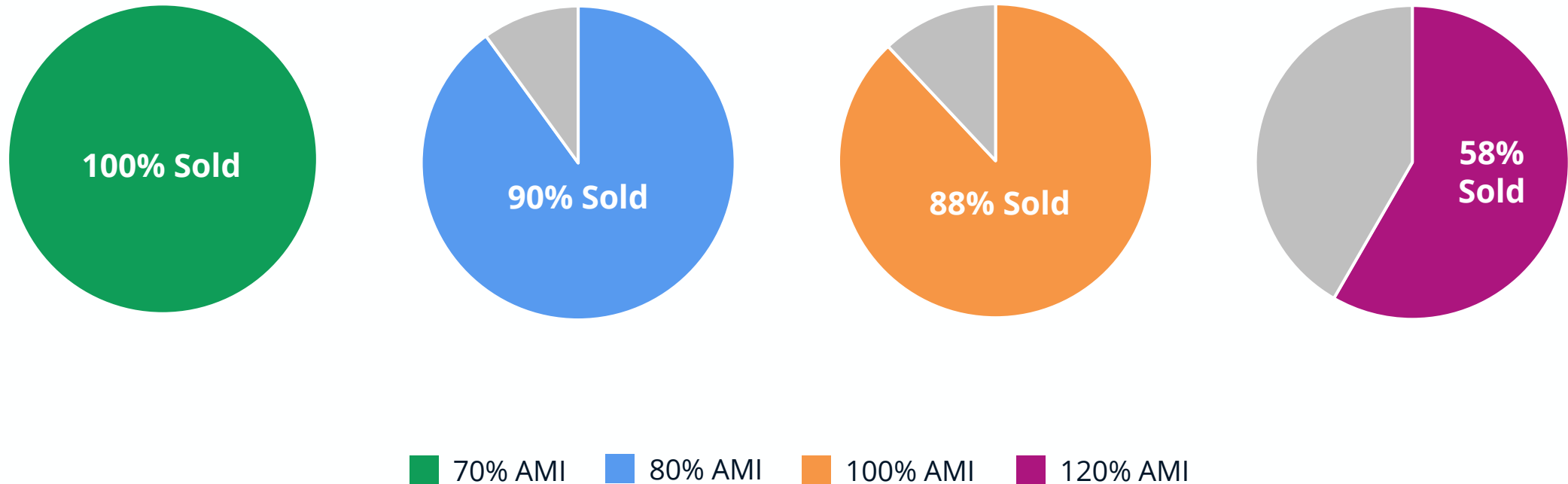
WDUs Produced

WDUs in the Pipeline



WDU PROGRAM OVERVIEW: SALES

As of April 2023, many higher-priced WDUs, especially **those priced at 120% AMI, have not yet sold.**

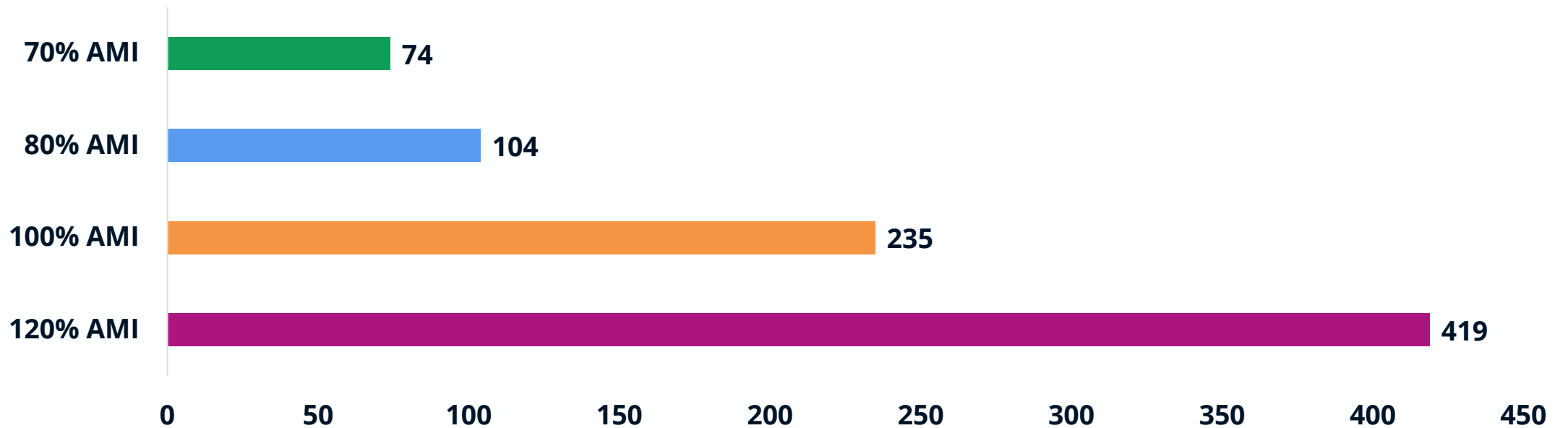


Source: Fairfax County WDU Production Data, April 2023

WDU PROGRAM OVERVIEW: SALES

WDUs priced at **120% AMI and 100% AMI** have spent the longest time on the market.

Average WDU Unit Days to Sale by AMI



Source: Fairfax County WDU Production Data, April 2023

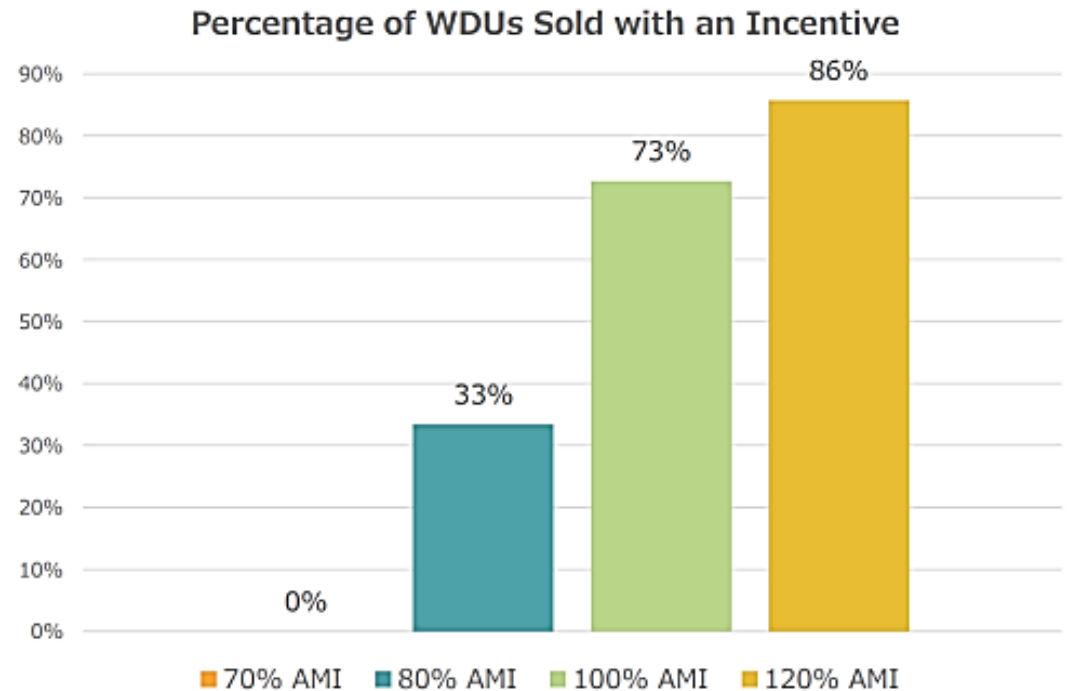
WDU SALES INCENTIVES

Longer time on market for units result in high carrying cost for developer. Higher-priced WDUs often require incentives to sell.

Seller incentives include:

- Lower AMI
- Sales price reduction
- Closing cost assistance/ seller credit
- Prepayment of condo fees

CDBG downpayment assistance from the FCRHA is additionally available to buyers with income at or below 80% AMI.



Source: Fairfax County WDU Production Data, April 2023

WDU FOR-SALE POLICY TASK FORCE

The Task Force was initially formed to examine challenges identified in the sales and administration of WDUs at 120% AMI.

- Representation from development industry, affordable housing providers, and advocates

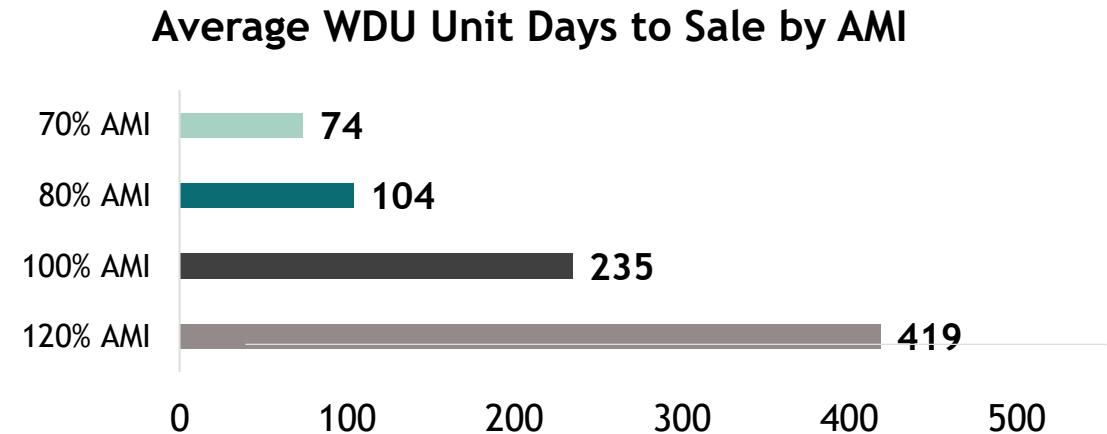
Primary Challenge:

WDUs at higher AMIs are harder to sell:

- Priced close to market-rate units
- Spend longer time on market
- Seller offers incentives

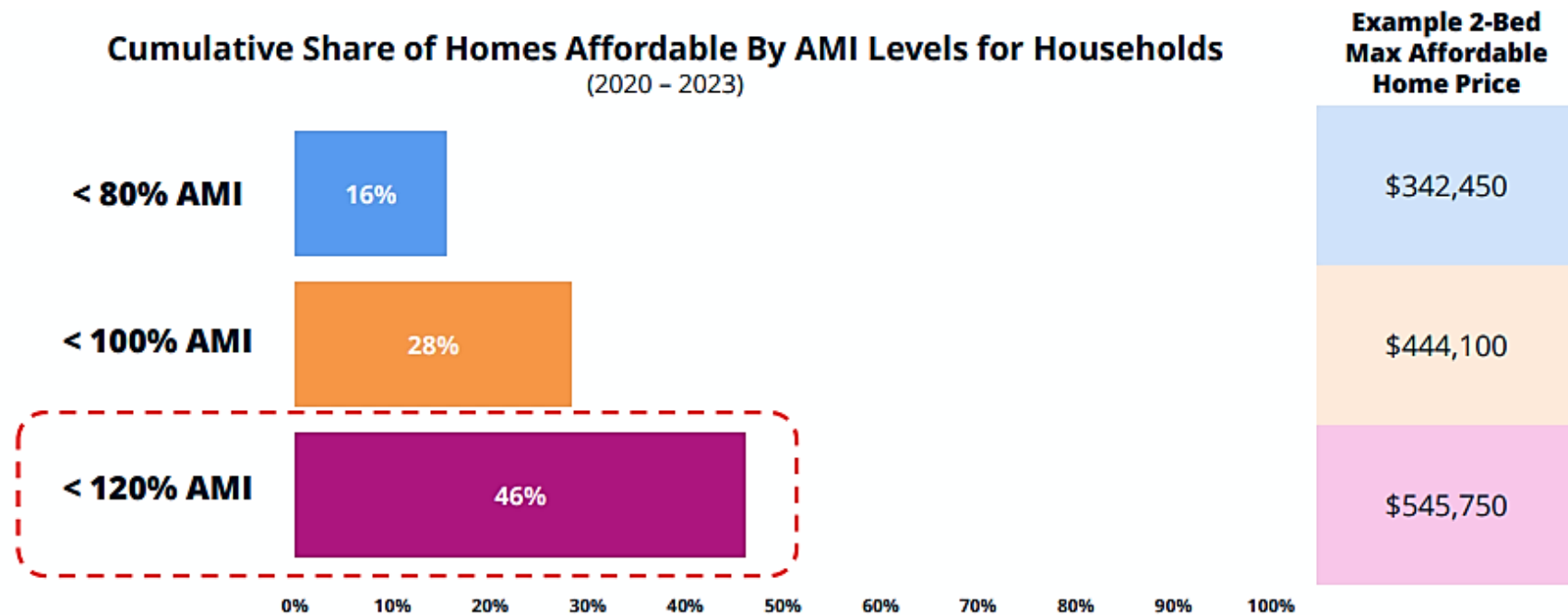
Additional challenges and opportunities impacting marketability and program administration:

- Proportionality of Unit Types
- Geographic Applicability
- Initial Pricing
- Resale Pricing



POLICY CHALLENGE: AFFORDABILITY LEVELS

- WDUs priced at higher AMI levels, especially at 120% AMI, stay on the market for long periods of time resulting in higher carrying costs and often require price reductions to sell.
- Significant demand for units affordable at or below 80%.



*Note: Only includes "Valid and Verified Sales", Sales Prices related to price points from the WDU Program.
Source: Fairfax County sales data, HR&A Advisors*

TASK FORCE RECOMMENDATION 1: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Align affordability level to reduce competition with market rate units by **shifting the program away from the 120% AMI level and include units affordable at or below 70% AMI.**

Findings

- Households earning 100-120% AMI have **options** across different **unit sizes and locations** within the County.
- **42%** of all 120% AMI WDUs **have not sold** (compared to 12% of 100% AMI WDUs).
- As compared to the affordability mix of the program in practice, **including more units at 70% AMI will have a minimal revenue impact.**
- There is significant demand for units at 80% AMI and below, suggesting **these units will sell quickly and reduce carrying costs.**
- Some participating **developments already include WDUs priced at 70% AMI.**

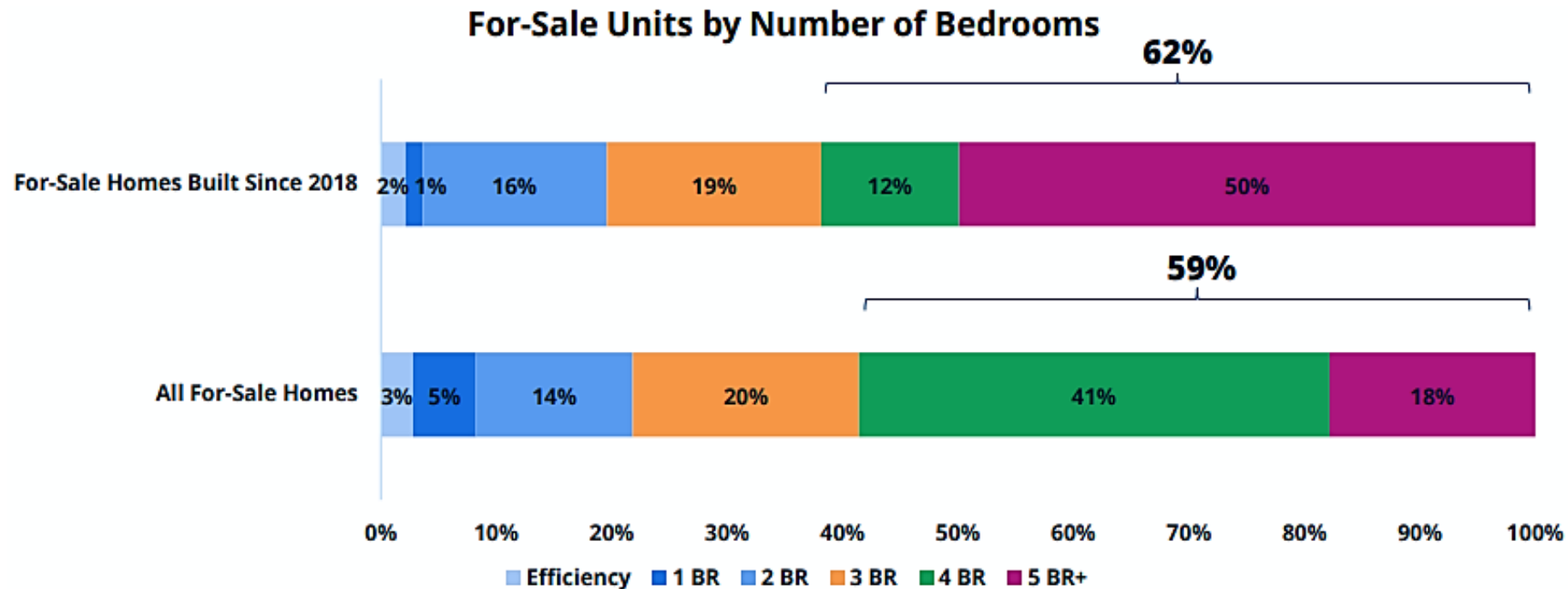
Recommendations

- Remove the 120% AMI level from the program and serve only households earning up to 100% AMI.
- Expand the program to include units priced up to 70% AMI.
- Building on the previous recommendation to remove 120% AMI units, create a required program unit distribution as follows:
 - 4% of units at up to 100% AMI
 - 4% of units at up to 80% AMI
 - 4% of units at up to 70% AMI

POLICY CHALLENGE: BEDROOM DISTRIBUTION

- Ensure sufficient family-sized affordable units.
- Proportionality between WDU bedroom mix and market-rate units currently limited to Tysons Urban Center plan

Market demand for larger units



TASK FORCE RECOMMENDATION 2: BEDROOM DISTRIBUTION

Adopt proportionality between the bedroom mix of WDUs and that of market-rate units in participating developments, with flexibility for family-sized (3+ BR) WDUs.

Findings

- WDUs in developments primarily consisting of 3-BR units **do not significantly impact project feasibility.**
- Requiring 5-BR WDUs has a **much larger negative impact on revenue.**

Recommendations

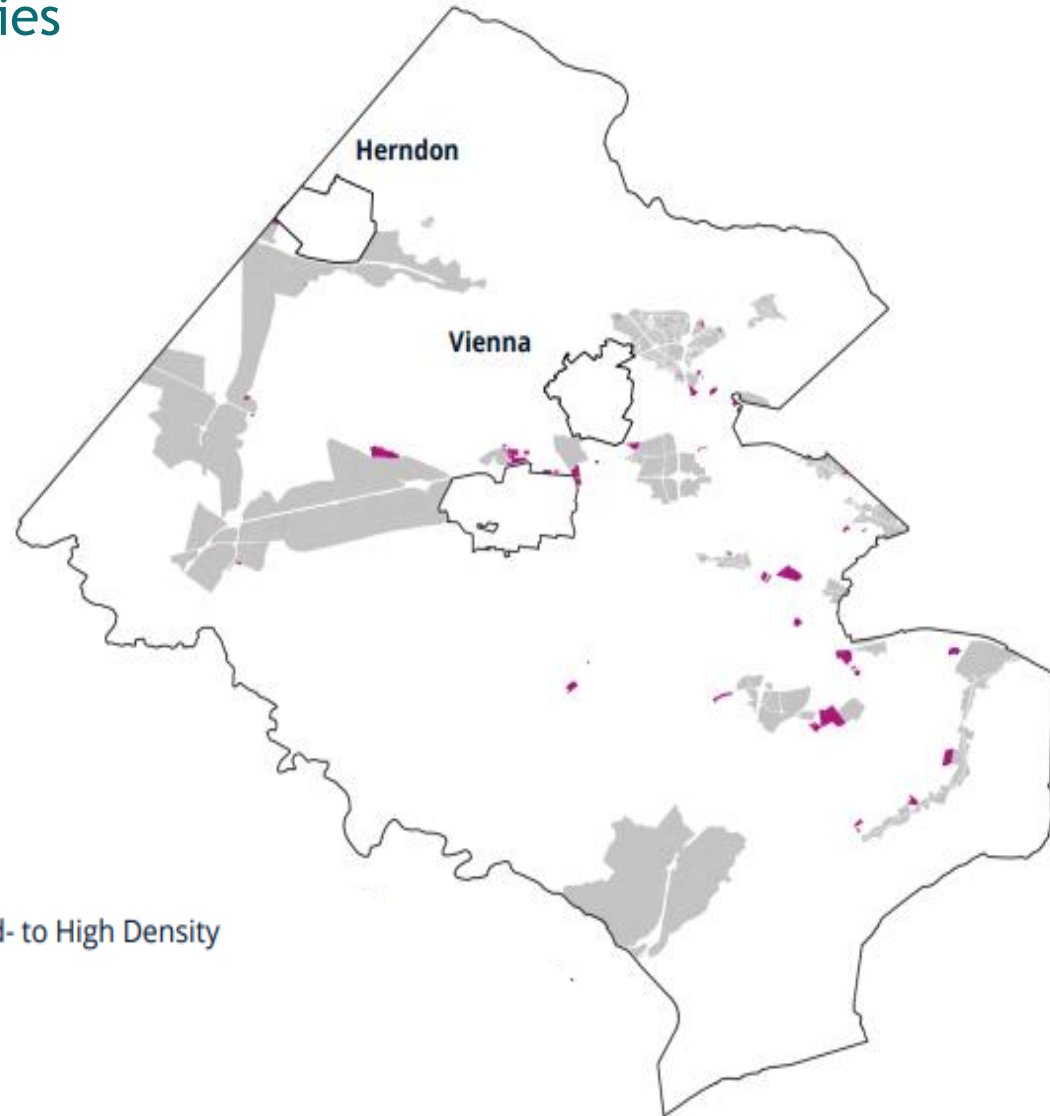
- Adopt a flexible requirement that **the proportion of family-sized WDUs must match the proportion of family-sized market-rate units** in a participating development.
- Family-sized WDUs are any units with 3 or more bedrooms, ensuring that **larger WDUs are produced without the potential production impacts** of strict proportionality.

POLICY CHALLENGE: GEOGRAPHIC APPLICABILITY

- Currently, the WDU for-sale policy applies to development centers.
- A separate high-rise condo policy only applies to Tysons Urban Center.

Legend

- Existing Policy
- Planned for Mid- to High Density



TASK FORCE RECOMMENDATION 3: GEOGRAPHIC APPLICABILITY

Extend the WDU program to encompass all areas within Fairfax County's jurisdiction that are zoned or planned for medium- to high-density residential.

Findings

- Homes within medium- to high-density zones outside the WDU program areas sold for equivalent or higher prices than homes within the program area.
- Medium to high-density zoned and planned sites are primarily adjacent to areas with existing WDU applicability.

Recommendations

- **Extend the WDU policy** to all areas within the County's jurisdiction zoned or planned for medium- to high-density residential (8 dwelling units per acre or greater).

TASK FORCE RECOMMENDATION 3: GEOGRAPHIC APPLICABILITY – HIGH-RISE

The high-rise policy **should not be extended outside of Tysons at this time.**

Findings

- Financially feasible high-rise condo prices (~\$850 PSF) are currently unsupportable in vast majority of the Fairfax County market.

Recommendations

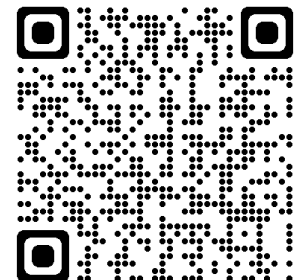
- The high-rise policy should not be extended outside of Tysons at this time.
- Although there is not value in extending the high-rise policy beyond Tysons at this time, this analysis should be reevaluated in the future.

PROPOSED COMPREHENSIVE PLAN AMENDMENT

- Base on the WDU For-sale Task Force recommendations
- Consistency between the for-sale and the rental programs
- Effectiveness of the 100% AMI tier
- Options and ranges, as appropriate
- Countywide and Tysons Urban Center WDU Administrative Policy Guidelines Revisions

Plan Amendment 2023-CW-1CP:

<https://www.fairfaxcounty.gov/planning-development/plan-amendments/for-sale-wdu>



PLAN AMENDMENT CONSIDERATIONS

- Shift affordability levels from a range of up to 80% to 120% AMI to a range of up to 70% to 100% AMI, while retaining the 12% for-sale commitment level
- Expand guidance on the proportionality of bedroom mix between WDUs and market-rate units, with flexibility for family-sized WDUs
 - Add Minimum Bedroom Size
 - Add Minimum Living Room Size
 - Make consistent in WDU rental program
- Extend WDU policy applicability to areas that are planned for 8 du/ac or greater
 - Make consistent in WDU rental program
- Refine language that suggests allowance for transferring WDUs between unit types in development with multiple unit types, only if WDUs infeasible

OTHER EDITORIAL UPDATES UNDER CONSIDERATION

- Updating facts and data about projected affordable housing needs
- Updating terminology to be more inclusive
- Removing guidance in Area Plans that is repetitive with certain aspects of countywide guidance
- Updating preservation policy in Area Plans to reflect recently adopted countywide policy

Applicable Sections

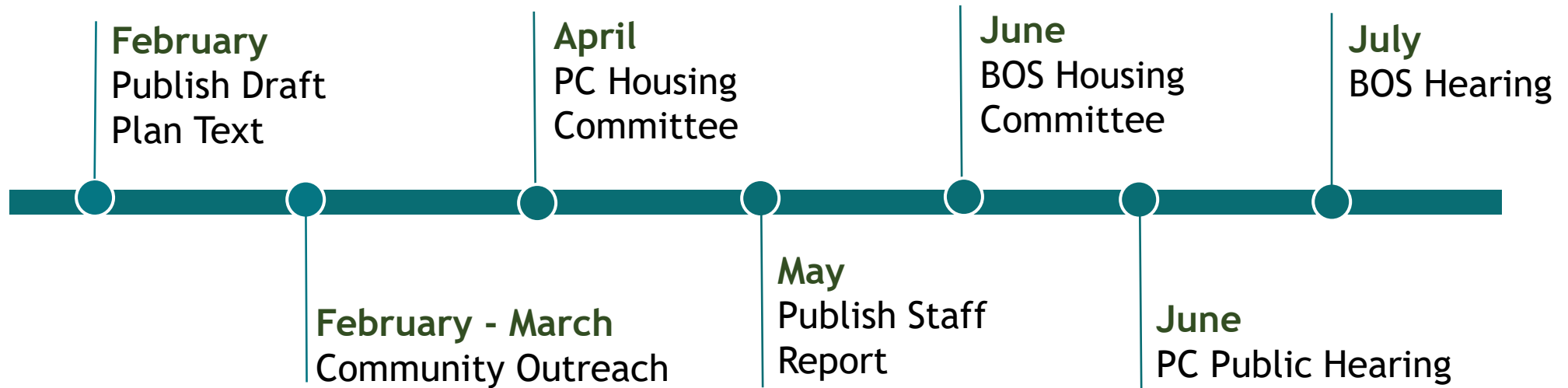
- Policy Plan
 - Housing and Land Use Element of the Policy Plan
- Glossary to the Comprehensive Plan
- Area Plans (e.g., Tysons, Annandale, Seven Corners, West Falls Church, Reston, Merrifield, Dulles Suburban Center)

Concurrent WDU Administrative Guideline revisions will be prepared for consistency with the Comprehensive Plan changes.

Conclusions

- Reduced overlap with market sales prices may reduce carrying cost and incentives.
- Greater predictability as shifted affordability levels will better align policy with current practices.
- Pairing AMI shifts with process improvements to facilitate production.
- Editorial plan changes to clarify the program operation and ensure consistency with county policy across Area Plans.

TIMELINE



Contact Information

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PA 2023-CW-1CP For-Sale WDU Policy



APPENDIX: WDU SALES AND RESALE PRICE ADJUSTMENTS



TASK FORCE RECOMMENDATION: WDU PRICING ADJUSTMENTS

Update the WDU pricing model to better reflect affordability for households in Fairfax County.

Findings

- Of WDUs that have sold, 17%* have had to **reduce prices**.
- **Mortgage rates have increased considerably** (5.85% to 6.32%+) over the past year.
- Recently built WDUs have average condo and HOA fees of \$308. **These fees can grow over 3% annually** and vary by unit type.

Recommendations

- **Reduce assumption on persons per bedroom from 2 to 1.5**, aligning with HUD program standards.
- Update pricing calculator to account for:
 - **Changes to AMI levels** (annually)
 - **Current interest rates** (as-needed)
 - **Tax rate updates** (as-needed)
 - **Condo/HOA Fee assumptions** (as-needed)
- Add homeowner's insurance costs to the pricing model.

*Note: Condo and HOA fee data is from Fairfax County HCD;
11 out of 64 units

TASK FORCE RECOMMENDATION: WDU PRICING ADJUSTMENTS (CONDO AND HOA FEES)

Create two pricing schedules to better capture the **variability in HOA and condo fees** across unit types.

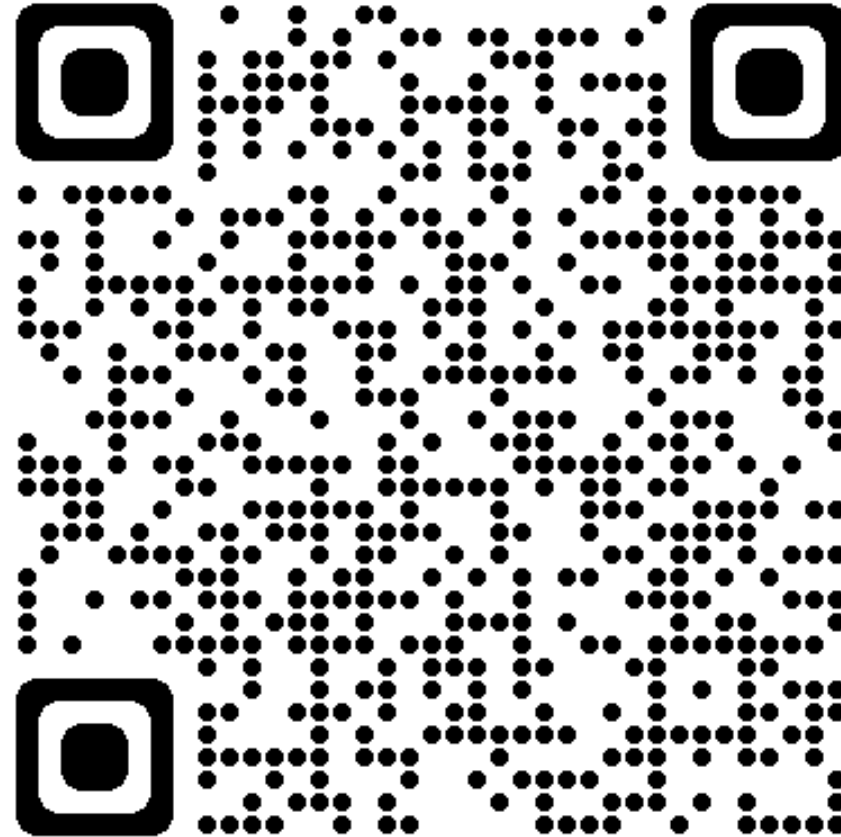
Findings

- Condo and HOA structure and fee prices vary significantly across developments.
- **Fees for stacked townhomes are often closer to fees for condo flats** because they are frequently subject to both condo and HOA fees.
- Townhome fees range from **\$100-\$188** while fees for stacked townhomes and condo flats range from **\$252-\$404**.

Recommendations

- **Establish two pricing schedules**, one with a fee assumption of **\$0.15 PSF for townhomes** and another with an assumption of **\$0.35 PSF for stacked townhomes and condo flats**, applied to minimum unit size requirements.
- For units with fees **not within 30% of those estimates**, pricing will be based on the actual fee amount.

DRAFT 2024 WDU INITIAL SALE PRICING SCHEDULE NOW PUBLISHED!



Public comments will be accepted through March 7, 2024

TASK FORCE RECOMMENDATION: REFINE RESALE REQUIREMENTS

Tie maximum WDU resale prices to AMI growth rather than CPI as is currently used, better matching prices with what households can afford.

Findings

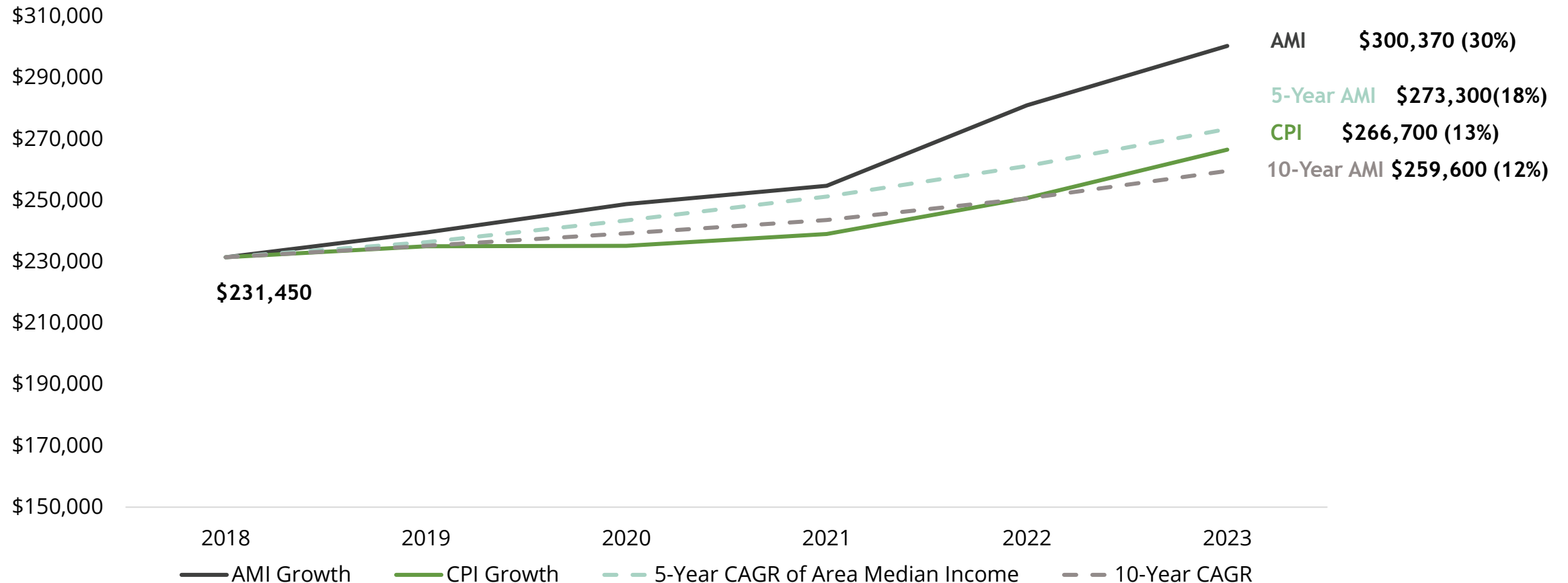
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI - which is influenced by non-housing pricing changes.

Recommendations

- Tie changes to maximum resale prices to the **5-Year AMI Compound Annual Growth Rate**, rather than using the current formula which is tied to CPI.

TASK FORCE RECOMMENDATION: REFINE RESALE REQUIREMENTS

The 5-Year AMI CAGR allows WDU owners to **benefit from periods of high growth and offers protection in times of slow growth.**



Note: CPI data from Fairfax County HCD; AMI data from HUD