

For-Sale Workforce Dwelling Unit Program: Policy Plan Amendment 2023-CW-1CP

Community Forum

March 18-20, 2024



AGENDA

1. Workforce Dwelling Unit (WDU) For-sale Program
2. WDU For-sale Task Force Analysis & Recommendations
3. Comprehensive Plan Amendment Considerations & Timeline
4. Discussion

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 **Area Median Income (AMI)** is \$106,450 for an individual \$152,100 for a family of four in the Washington Metropolitan Area.

WDU - APPROVAL TO SALE

Development
Approved



WDU Built



WDU
Pricing Set



WDU Offered
For-Sale



WDU Sold to
Income-Eligible
Buyer

Income:

- Wages employment
- Benefits
- Income from assets
- Regular contributions

WDU PROPERTY COVENANTS

Within the 30-year Control Period

Occupancy

Must occupy the unit as primary domicile

Must certify occupancy annually

Financing

Refinance is limited to current outstanding principal balance

Resale

Must first offer unit to County at any resale

Must resell at control price

WDU PROPERTY COVENANTS

After the 30-Year Control Period

Occupancy

Do not have to occupy the unit - renting allowed

Do not have to certify occupancy

Financing

Refinance should not encumber the County equity share*

Resale

Must offer unit to County at resale

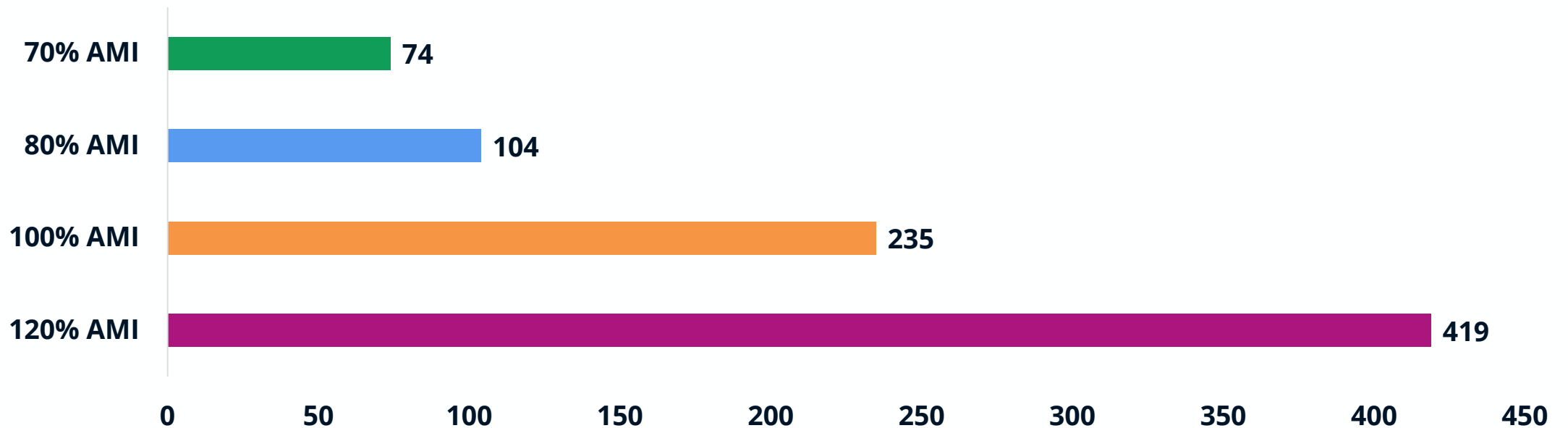
Sell at market value;
equity share

*To preserve affordable housing, an equity share is due at the sale.

WDU PROGRAM CHALLENGES: DAYS TO SELL

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

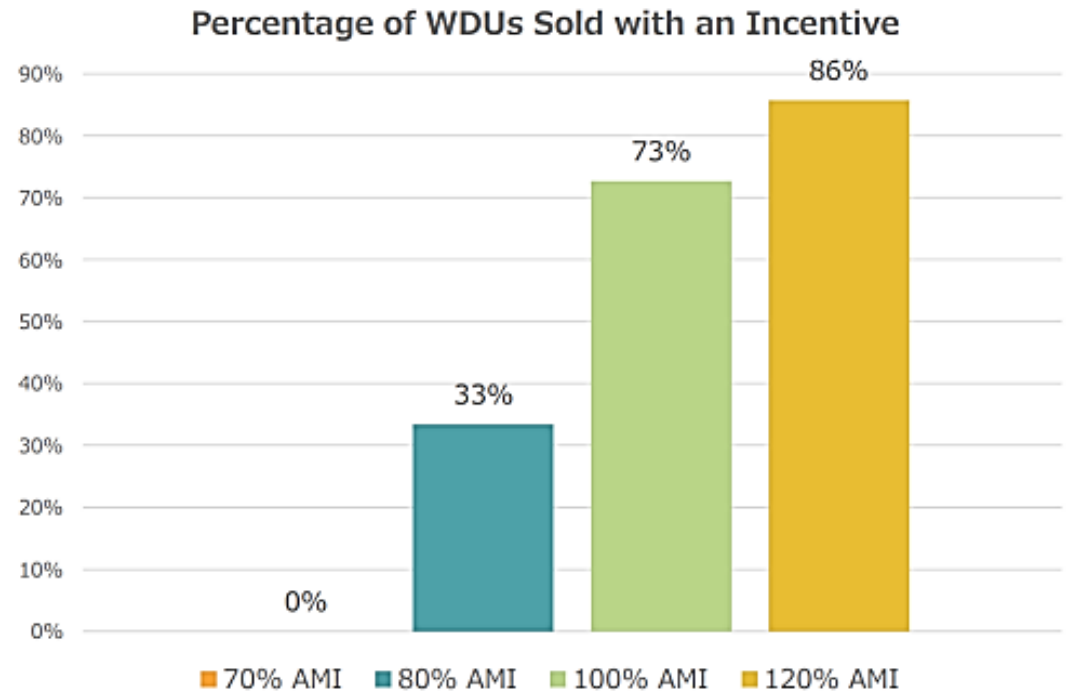
WDU PROGRAM CHALLENGES: SALES INCENTIVES

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

Representation from development industry, affordable housing providers, and advocates

Add link to report

Primary Challenge: WDUs at higher AMIs are harder to sell:

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

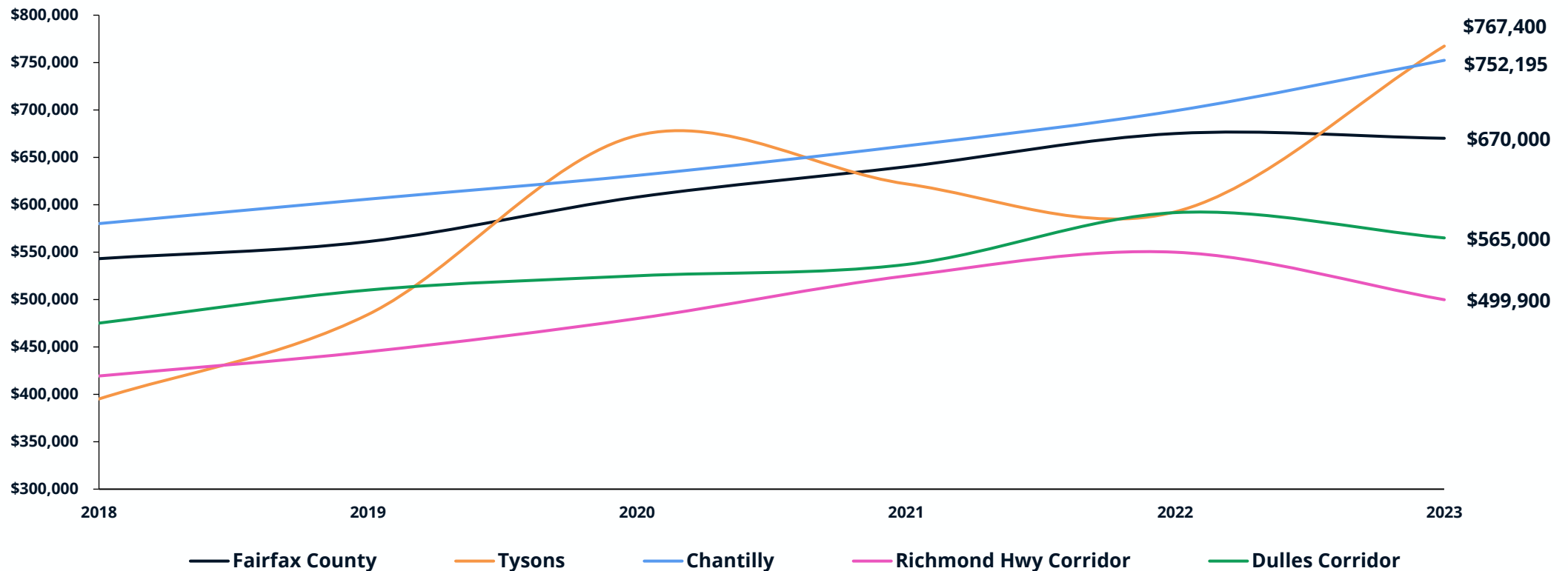
Additional challenges and opportunities impacting marketability and program administration:

- Proportion of family-sized workforce units
- Geographic equity
- Initial & Resale Pricing

MARKET ASSESSMENT: MEDIAN HOME SALES

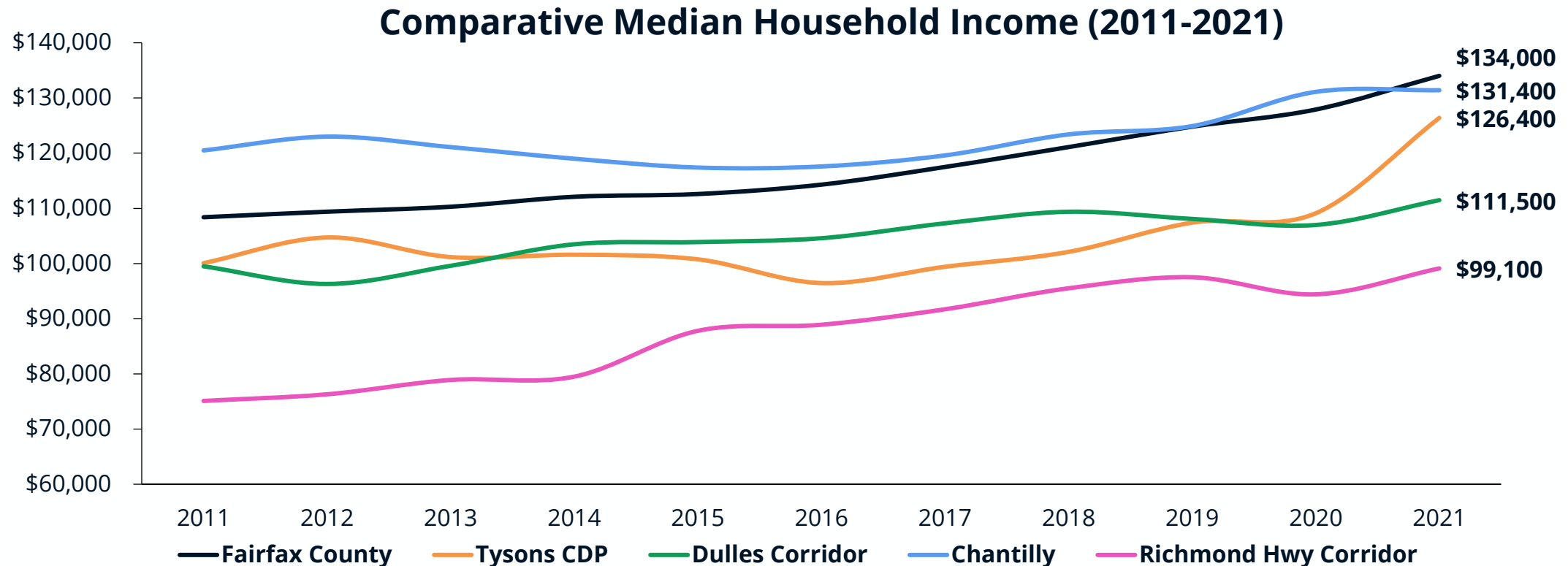
The median homes sales price in Fairfax County overall has **increased 23% since 2018, with variations by area.**

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



MARKET ASSESSMENT: MEDIAN HOUSEHOLD INCOME

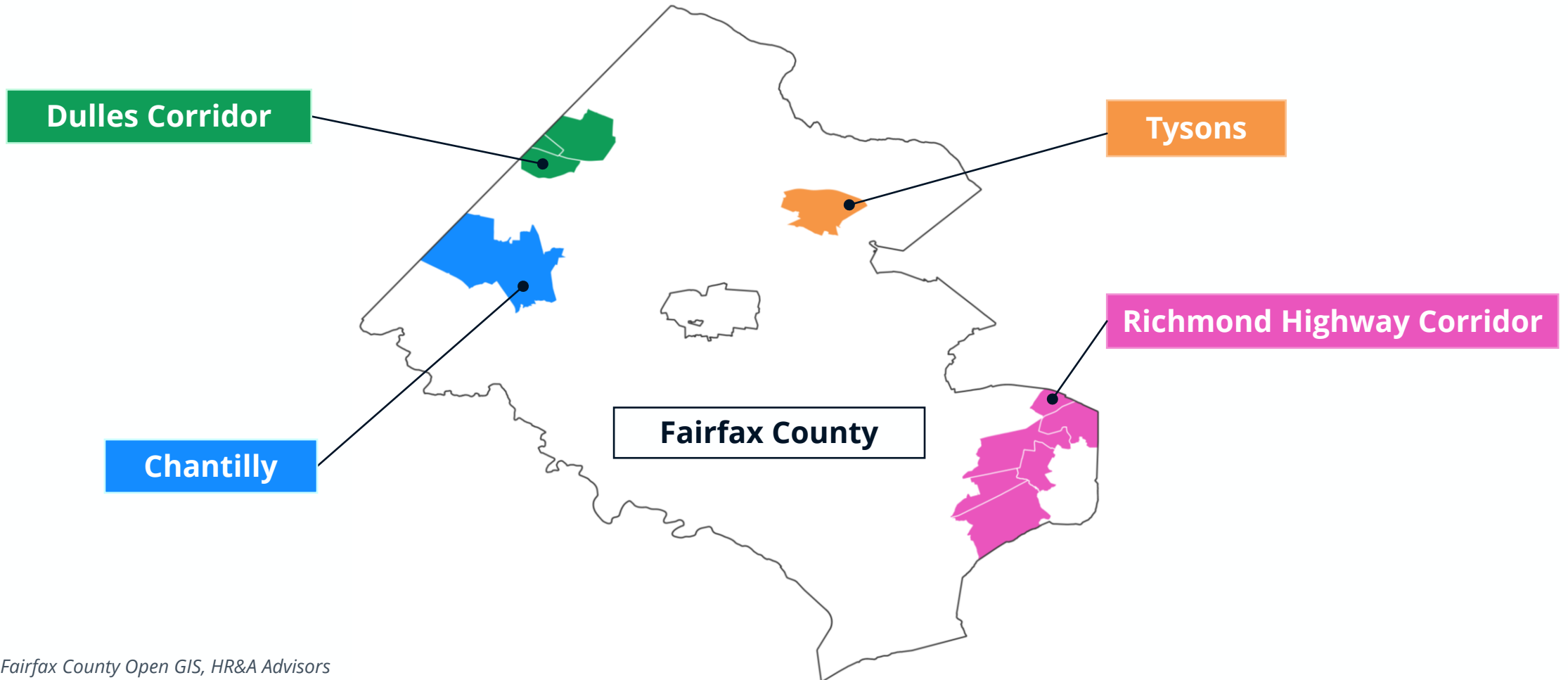
Household incomes vary across the County. While there are increases in household incomes are higher in Tysons and Chantilly, they are lower along the Dulles and Richmond Hwy Corridors. In Richmond Hwy specifically, incomes are generally lower for both renters and homeowners.



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

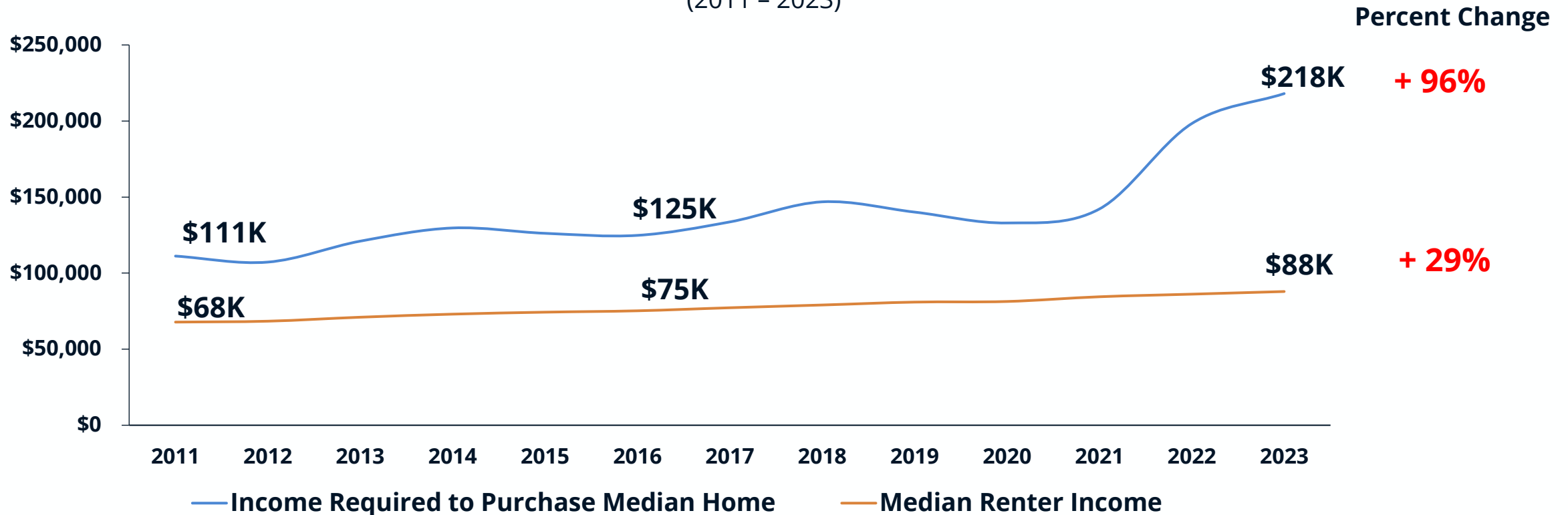
In addition to countywide trends, the following section will also highlight **characteristics of the following four submarkets.**



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.

Homebuyer Income compared to Median Renter Income (2011 - 2023)



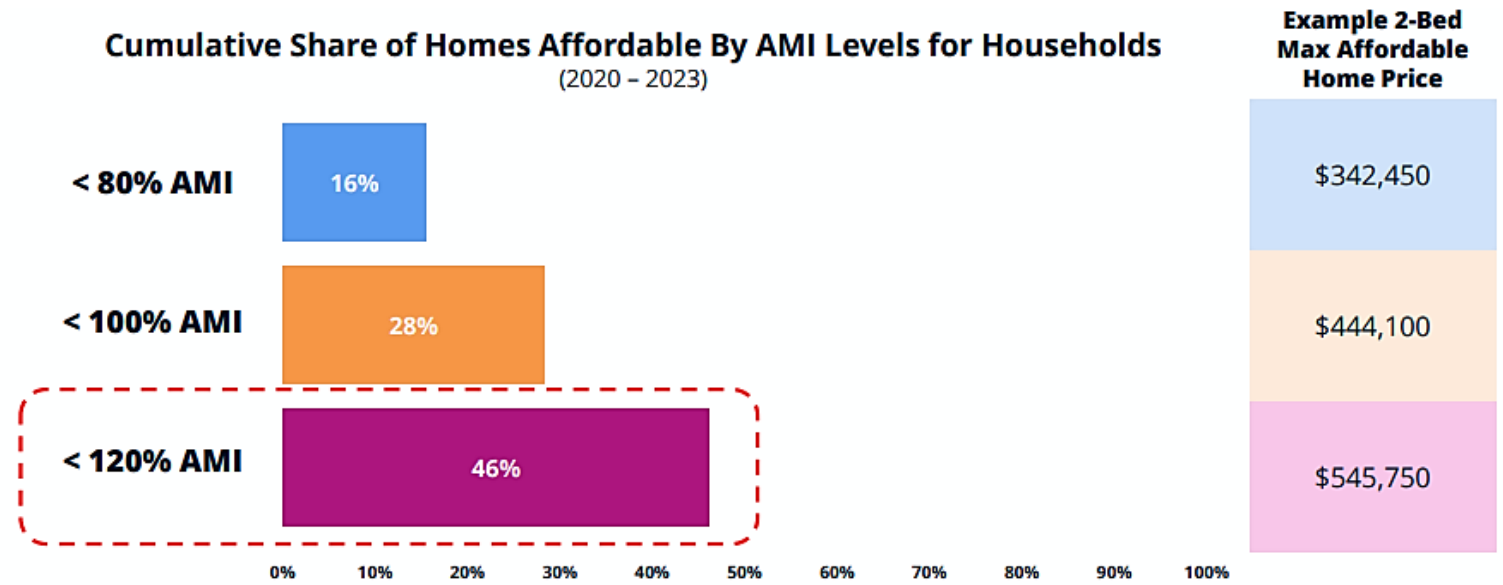
Source: The Median Income Required to Purchase a home is based on Zillow Home Value Index Data, All Homes Time Series. The mortgage payment includes, principal interest, insurance and taxes. It assumes 20% down payment, and an interest rate of 6% percent.

Affordability Levels

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

Optimize Affordability Levels: Shifting the affordability level 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.

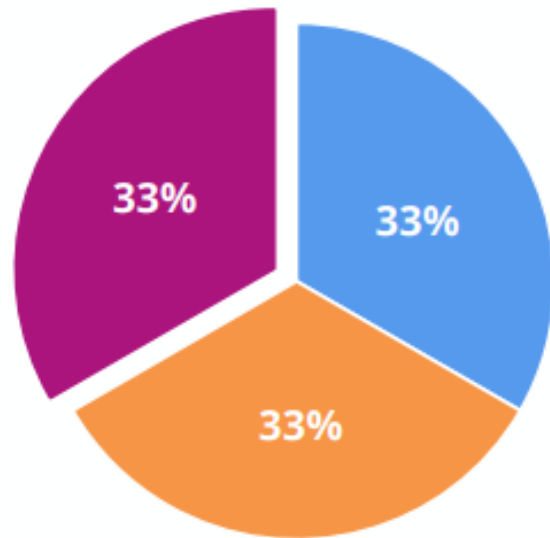
Task Force:
 4% of units at up to 100% AMI
 4% of units at up to 80% AMI
 4% of units at up to 70% AMI



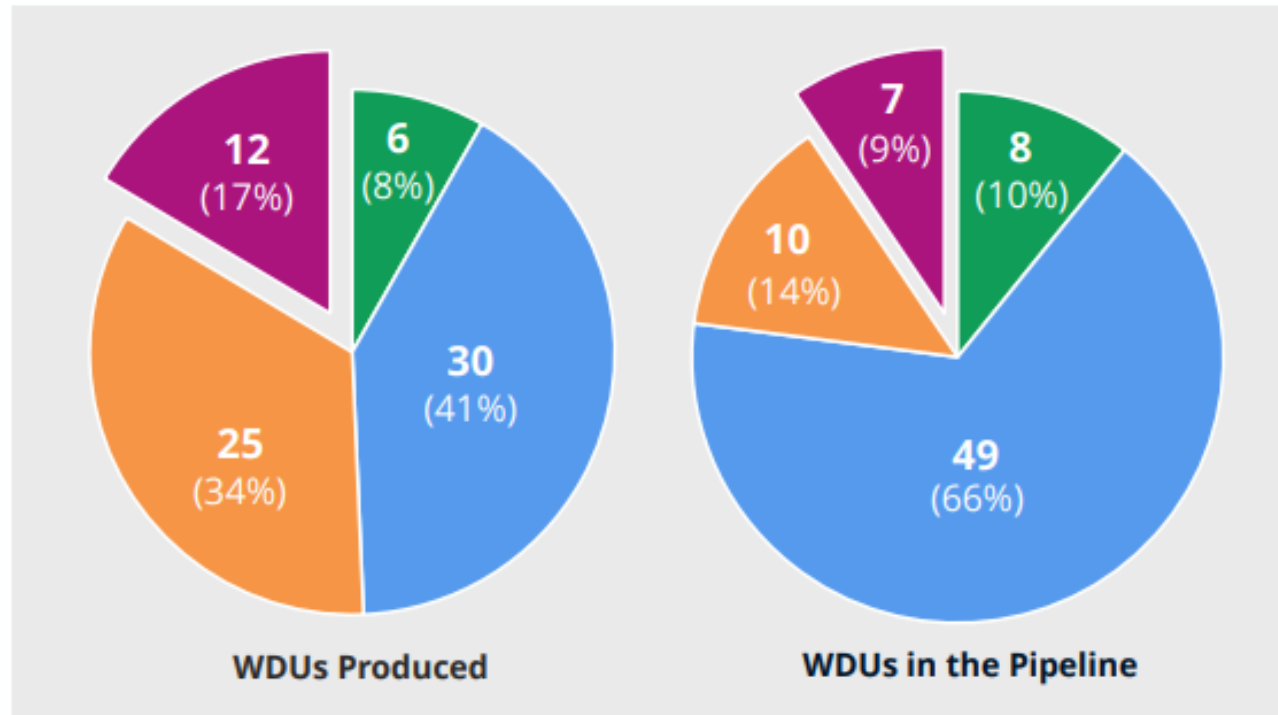
Note: Only includes "Valid and Verified Sales", Sales Prices related to price points from the WDU Program.
 Source: Fairfax County sales data, HR&A Advisors

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

70% AMI 80% AMI 100% AMI 120% AMI

Bedroom Distribution

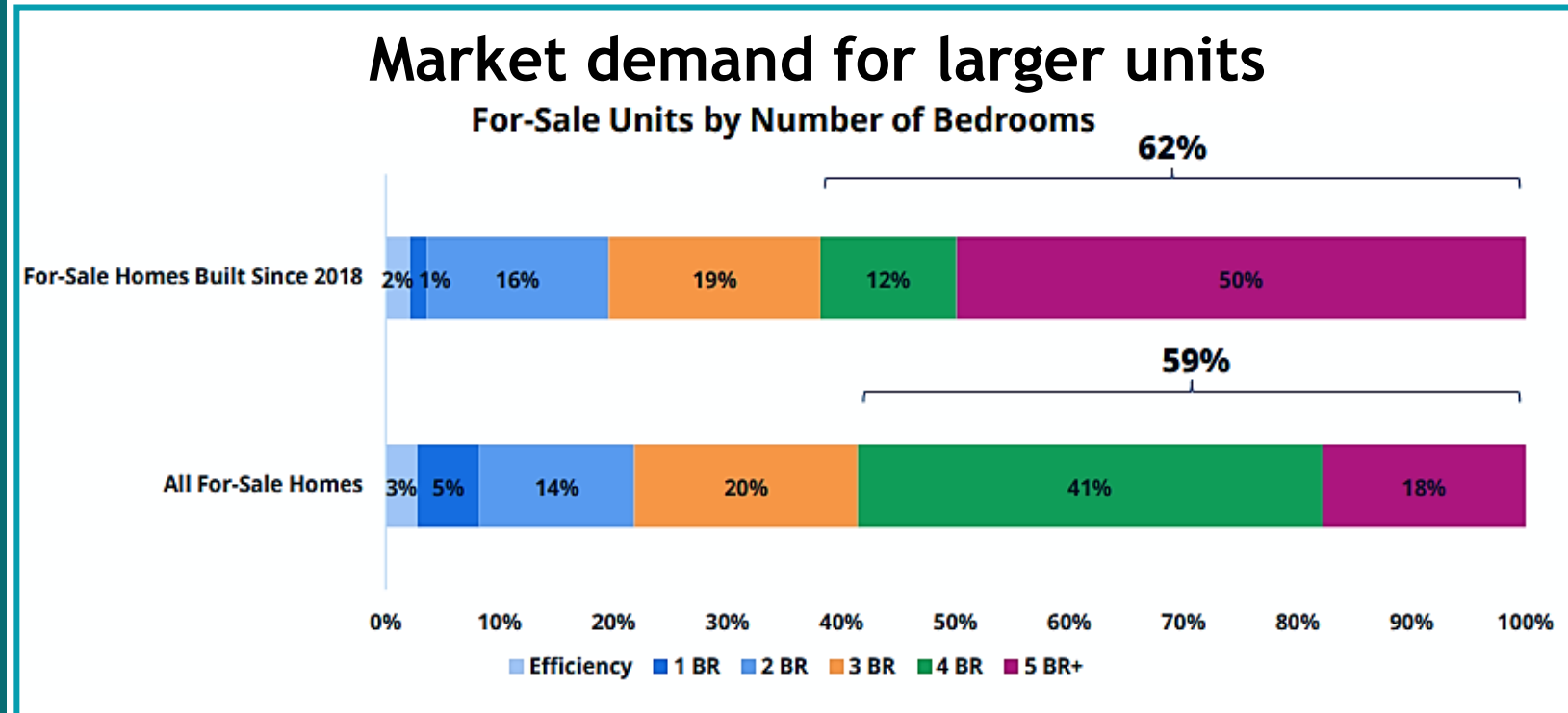
- Lack of sufficient family-sized affordable units.
- Proportionality between WDU bedroom mix and market-rate units currently limited to Tysons Urban Center plan

Room Size

- Units may not accommodate families because of small living areas and bedrooms

TASK FORCE RECOMMENDATION 2

Expand guidance on the proportionality of bedroom mix between WDUs and market-rate units, with flexibility for family-sized WDUs, which are defined as any unit with 3 or more bedrooms.



Draft Staff Recommended Additions:

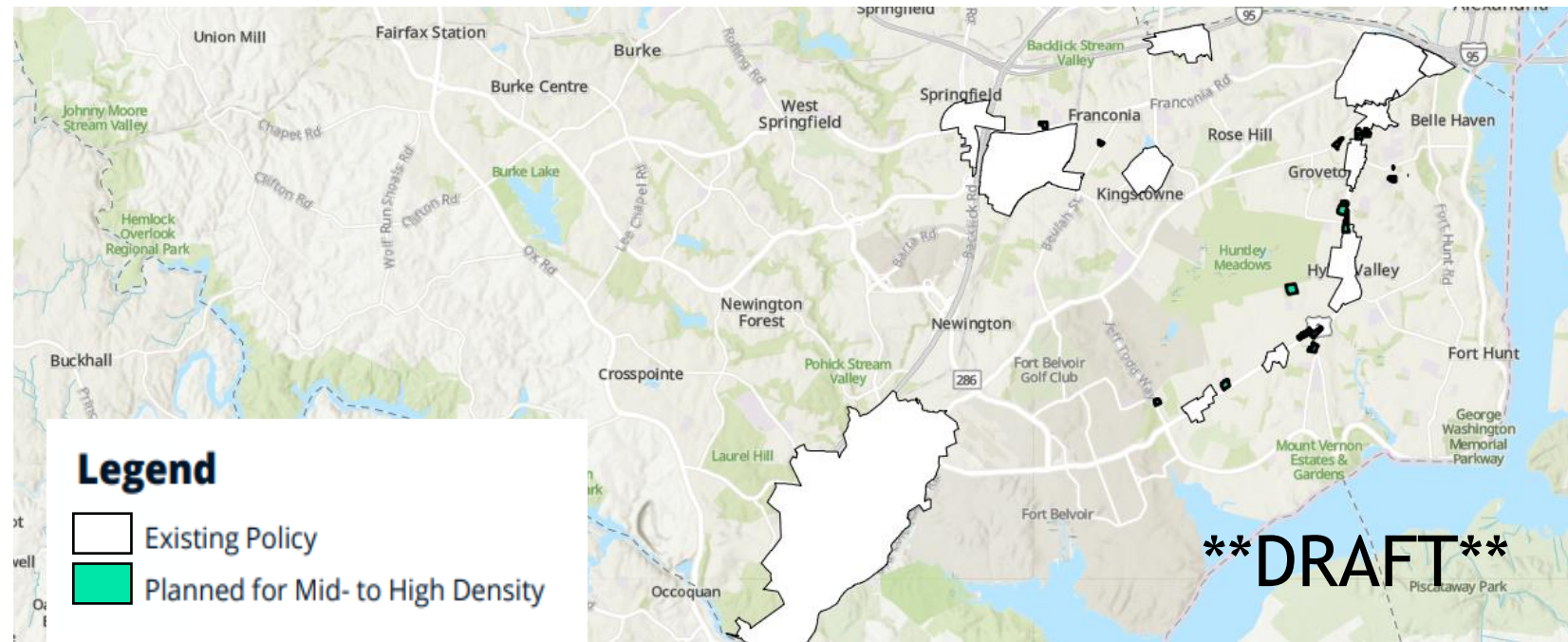
- Add Minimum Bedroom Size
- Add Minimum Living Room Size
- Refine language about transferring unit type

TASK FORCE RECOMMENDATION 3

Geographic Applicability

- Losing WDU opportunities because of limited geographic applicability
- A separate high-rise condo policy only applies to Tysons Urban Center.

- Extend the applicability of the WDU program to encompass all areas within Fairfax County that are *zoned or planned* for medium- to high-density residential (8 dwelling units per acre or greater).
- Do not extend Tysons high-rise condo policy.



Draft Staff Recommendation:

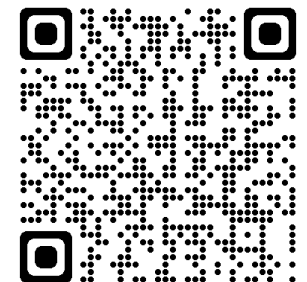
- Extend WDU policy to areas *planned* for 8 du/ac

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, if WDUs are infeasible
- Revise guidance about monetary contributions
- Editorial changes

Plan Amendment 2023-CW-1CP:

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



Applicable Sections

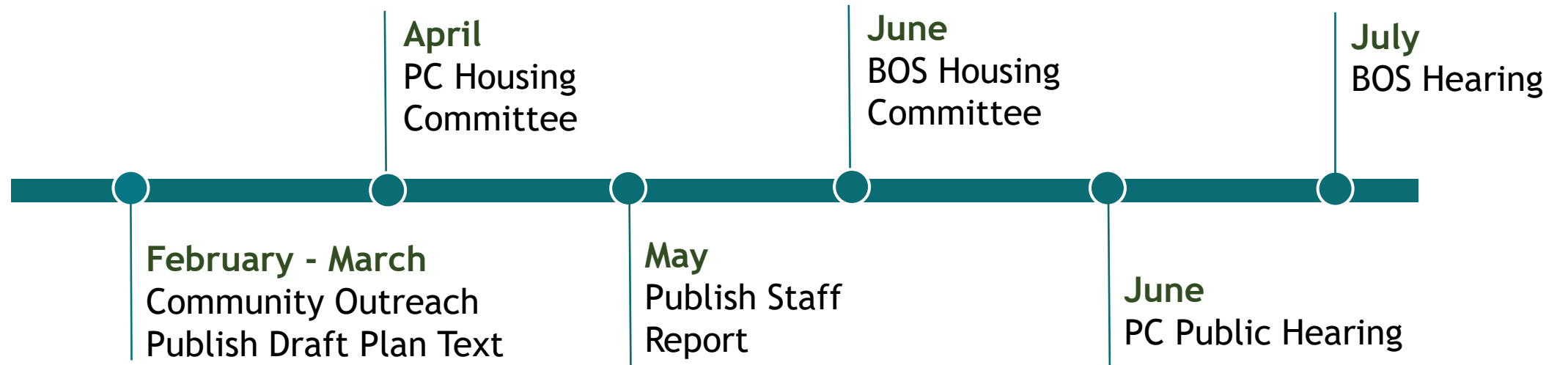
- Housing and Land Use Element of the Policy Plan
- Glossary to the Comprehensive Plan
- Area Plans (e.g., Tysons, Annandale, Seven Corners, West Falls Church, Reston, Merrifield, Dulles Suburban Center)

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

CONCLUSIONS

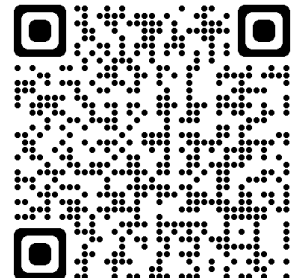
- Better match affordability levels with community needs.
- Reduce carrying cost and the need for sales incentives.
- Improve predictability as shifted affordability levels will better align policy with current practices.
- Pair with process improvements.

TIMELINE



Plan Amendment 2023-CW-1CP:

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



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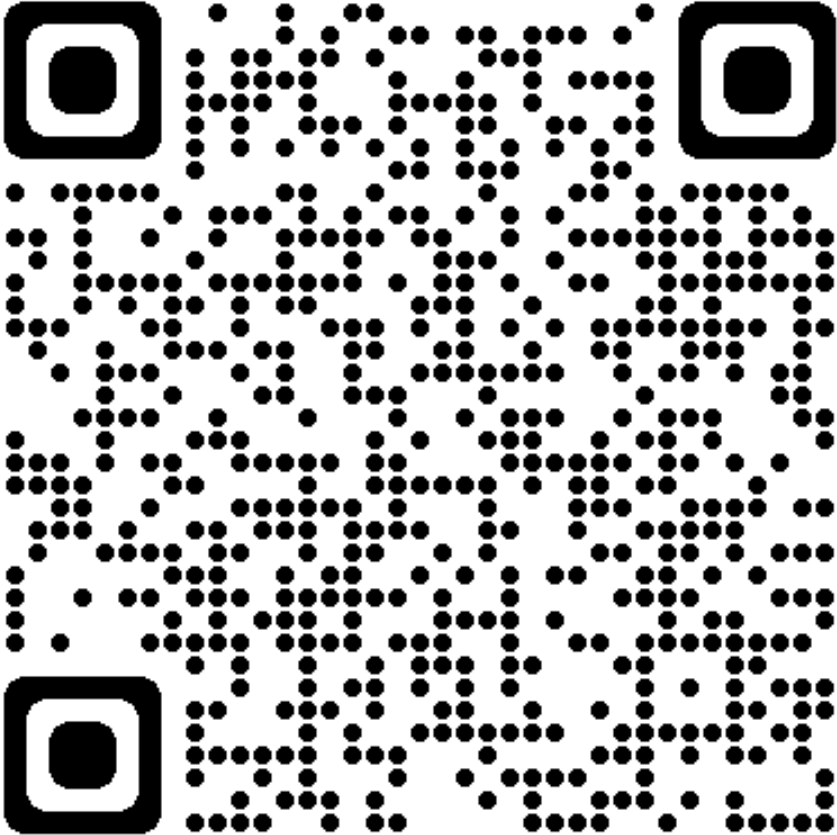
PA 2023-CW-1CP For-Sale WDU Policy



APPENDIX: WDU SALES AND RESALE PRICE ADJUSTMENTS



DRAFT 2024 WDU INITIAL SALE PRICING SCHEDULE



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.

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

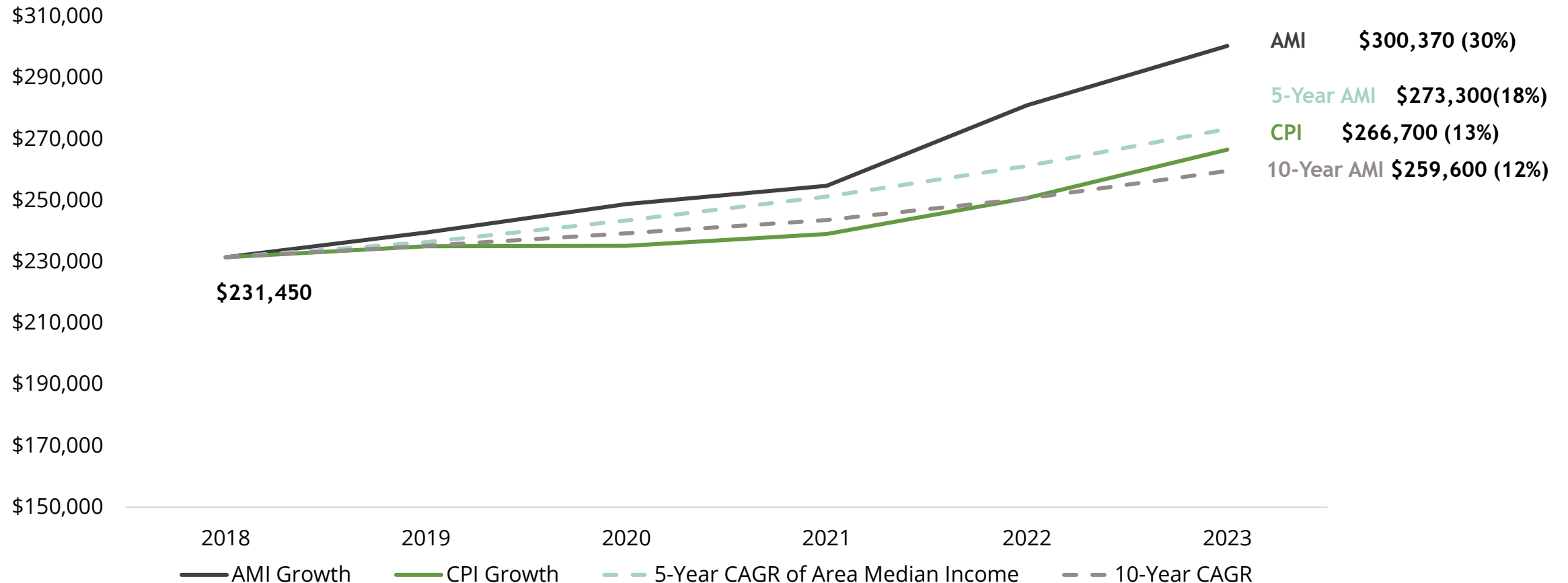
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI - which is influenced by non-housing pricing changes.

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