



Workforce Dwelling Unit For-Sale Policy Task Force Recommendations

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December 7, 2023

Agenda

- Task Force Overview & Process
- Current WDU For-sale Policy
- WDU For-sale Program Challenges
- Task Force Recommendations
- Next Steps

EXECUTIVE SUMMARY: TASK FORCE OVERVIEW

Initiated in February 2023, **the members of the Workforce Dwelling Unit (WDU) For-Sale Policy Task Force** represented a diverse set of perspectives from affordable housing advocates, market-rate residential developers, land use counsel, County staff, and other industry experts.

Candice Bennett

*At-Large Planning
Commissioner (Chair)*

Eric Maribojoc

*George Mason Center for Real
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Anna Shapiro

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*Northern Virginia Affordable
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Habitat for Humanity

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Supervisor Palchik (advisory)*

Consultant Support: HR&A Advisors

EXECUTIVE SUMMARY: TASK FORCE OVERVIEW

Task Force members met from April – October to review program challenges, discuss best practices, and ultimately reach consensus on the recommendations to be discussed.

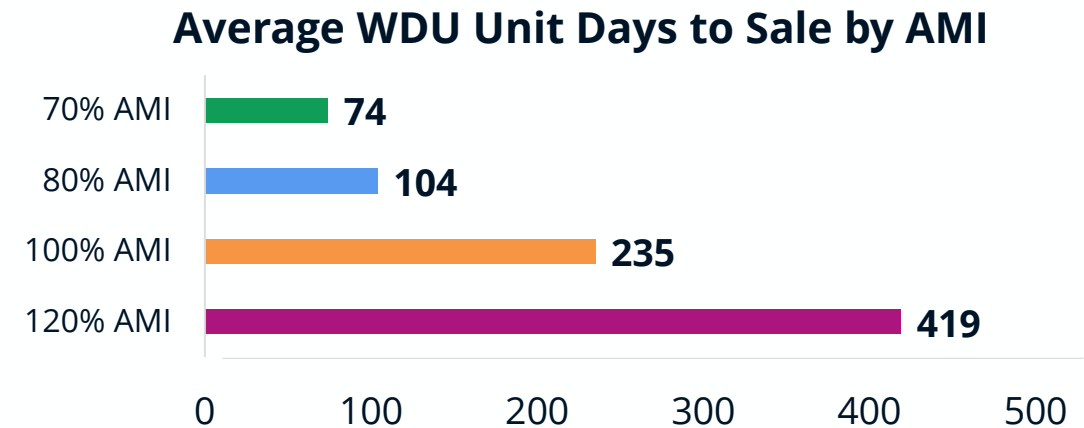


EXECUTIVE SUMMARY: TASK FORCE FOCUS

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

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

- WDUs at the higher AMIs are priced close to market-rate units
- Smaller applicant pool for higher AMI WDUs



Additional challenges and opportunities impacting marketability and program administration:

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

EXECUTIVE SUMMARY: 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

PRIMARY CHALLENGE: MARKET ANALYSIS

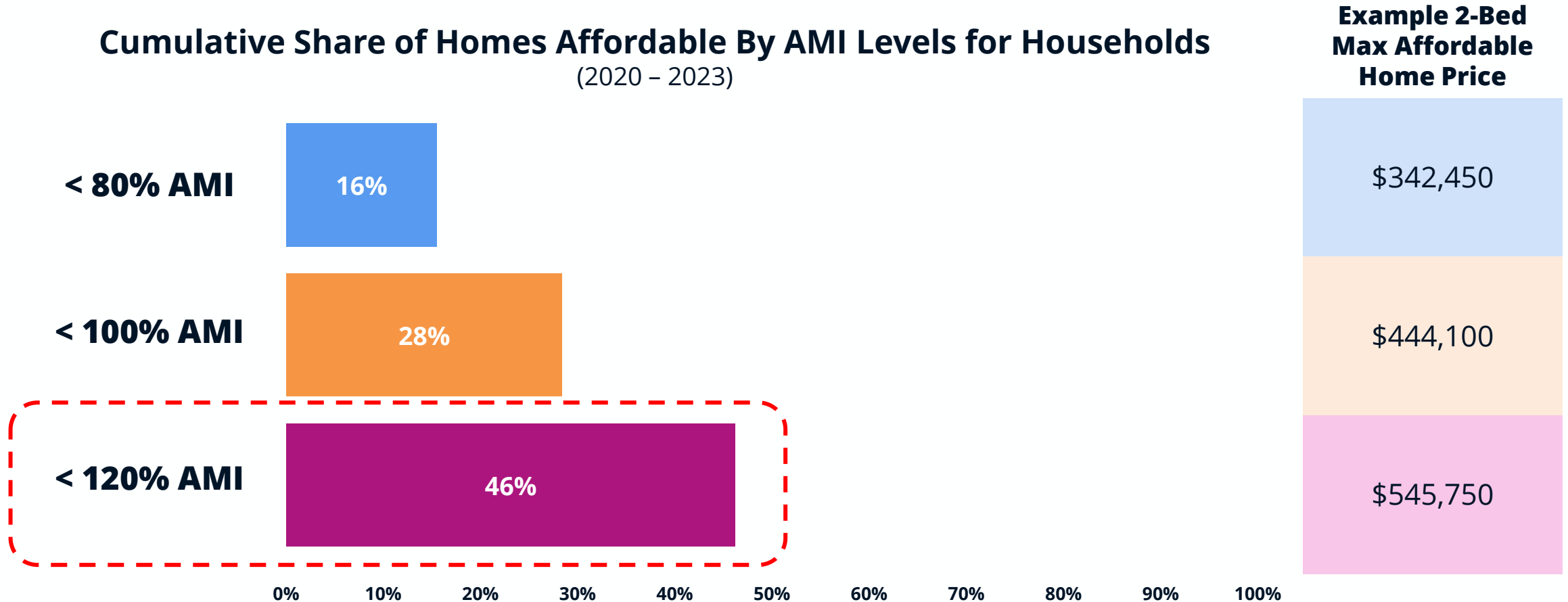
Align affordability level to reduce competition with market rate units by **shifting the program away from the 120% AMI level.**

Findings

- Households earning 100-120% AMI have **options** across different **unit sizes and locations** within the County
- **46% of homes sold** since 2020 are affordable to households 100% - 120% AMI
- **42%** of all 120% AMI WDUs **have not sold.**
- Many WDUs **require price reductions and other incentives** to sell.
- Significant demand for units at 80% AMI and below, suggesting **these units will sell quickly and reduce carrying costs.**
- Some participating **developments are already including WDUs at 70% AMI.**

WDU PROGRAM CHALLENGE: MARKET AVAILABILITY

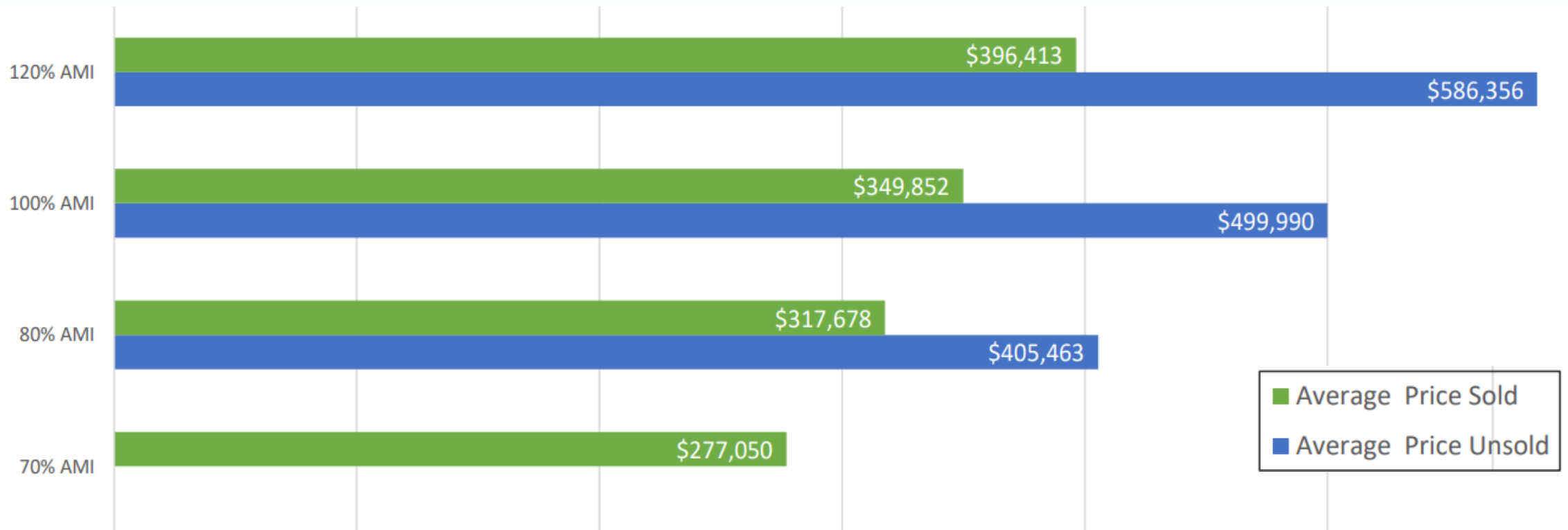
There are **many market-rate homes for sale that are affordable to households earning between 100% and 120% AMI.**



*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 PROGRAM CHALLENGE: PRICE REDUCTIONS

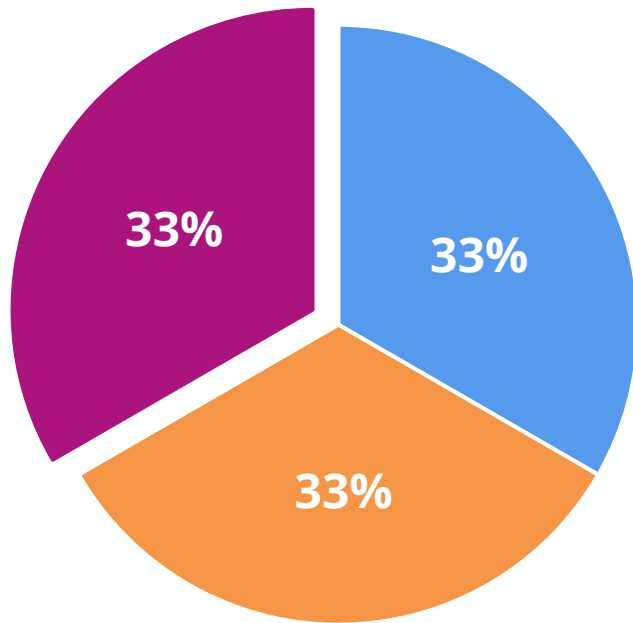
As a result of the incentives offered, **higher AMI units on average sold for less than the maximum allowable price.**



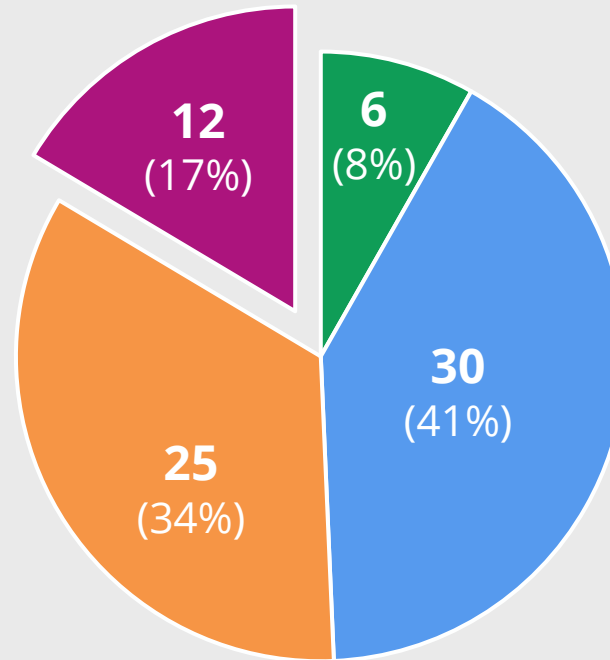
Source: Fairfax County WDU Production Data, April 2023

WDU PROGRAM OPPORTUNITY: ACTUAL PRODUCTION VS. POLICY

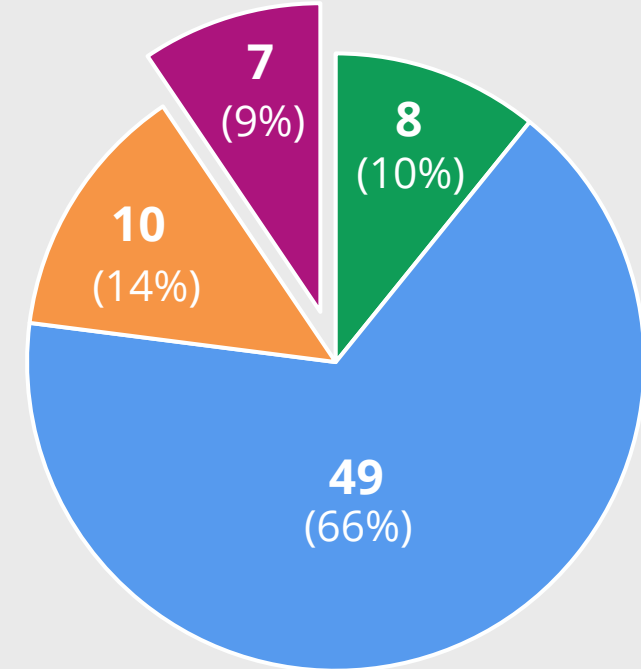
Due to unique proffer agreements, **fewer 120% AMI units are being produced** or are in the pipeline than are outlined in the Policy.



Existing WDU Program Requirement



WDUs Produced



WDUs in the Pipeline

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

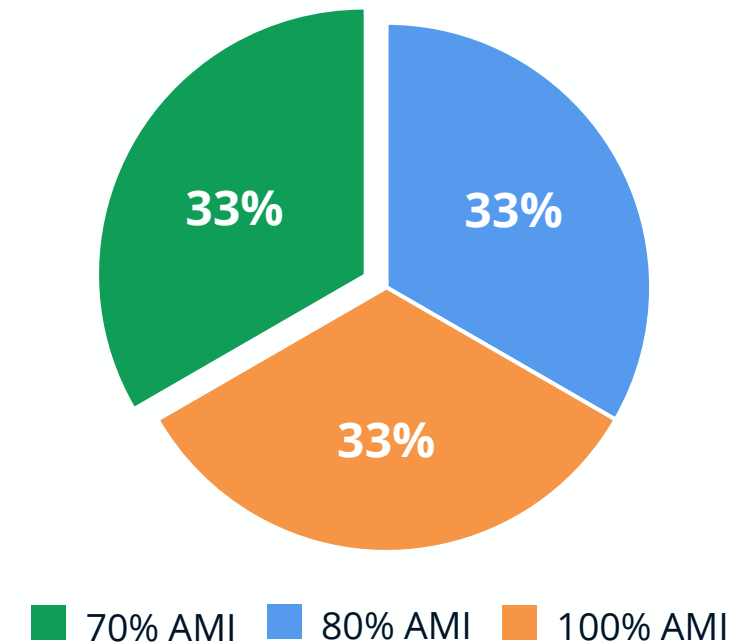
RECOMMENDATION 1 (POLICY): OPTIMIZE AFFORDABILITY LEVELS

Align affordability level to reduce competition with market rate units by **shifting the program away from the 120% AMI level.**

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.
- Create a **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

Proposed WDU
Program Distribution



RECOMMENDATION 2 (POLICY): BEDROOM DISTRIBUTION

Require 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.
- Define “family-sized” WDUs as any units with 3 or more bedrooms, ensuring that **larger WDUs are produced without the potential production impacts** of strict proportionality.

RECOMMENDATION 3 (POLICY): 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.
- Financially feasible **high-rise condo prices (~\$850 PSF) are currently unsupportable** in vast majority of the Fairfax County market.

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).

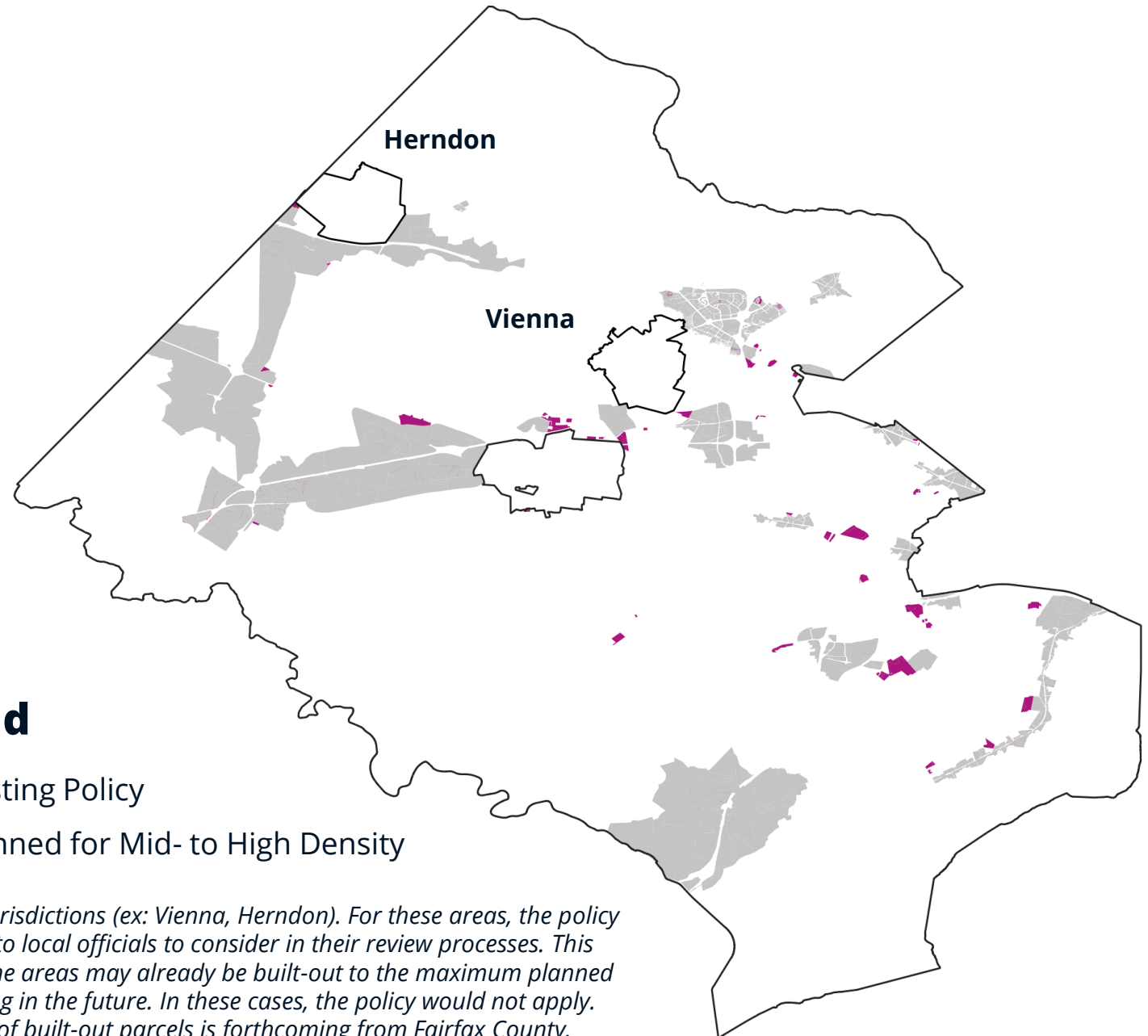
RECOMMENDATION 3 (POLICY): GEOGRAPHIC APPLICABILITY

Extend the WDU

program to encompass all areas within County jurisdiction zoned or planned for medium- to high-density residential (8 or more dwelling units per acre).

Legend

- Existing Policy
- Planned for Mid- to High Density



Note: This map excludes areas under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas, the policy will not be applicable, but the County may make a recommendation to local officials to consider in their review processes. This map shows areas that are zoned or planned for 8 units or more. Some areas may already be built-out to the maximum planned and zoned residential density and therefore would not seek a rezoning in the future. In these cases, the policy would not apply. A comprehensive map outlining the proposed changes and exclusive of built-out parcels is forthcoming from Fairfax County.

RECOMMENDATION 4 (ADMINISTRATIVE): 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

RECOMMENDATION 5 (ADMINISTRATIVE): 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

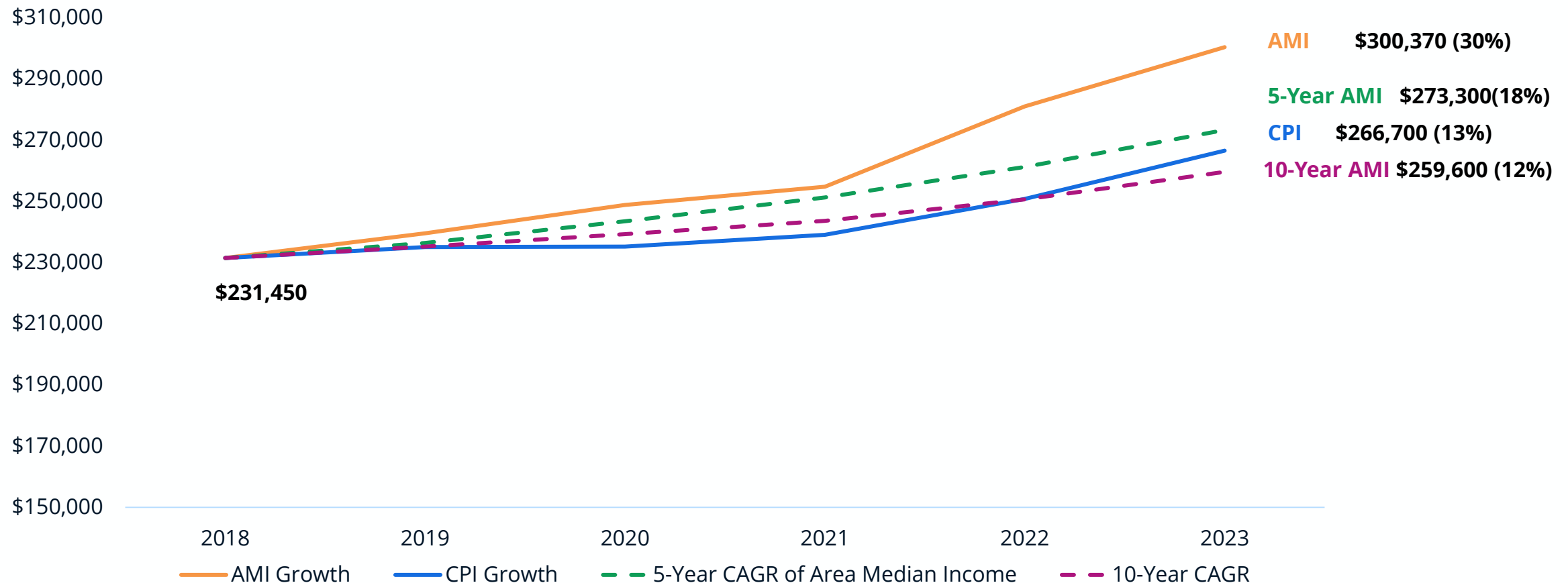
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI – which is influenced by non-housing pricing changes.

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.

RECOMMENDATION 5 (ADMINISTRATIVE): REFINE RESALE REQUIREMENTS

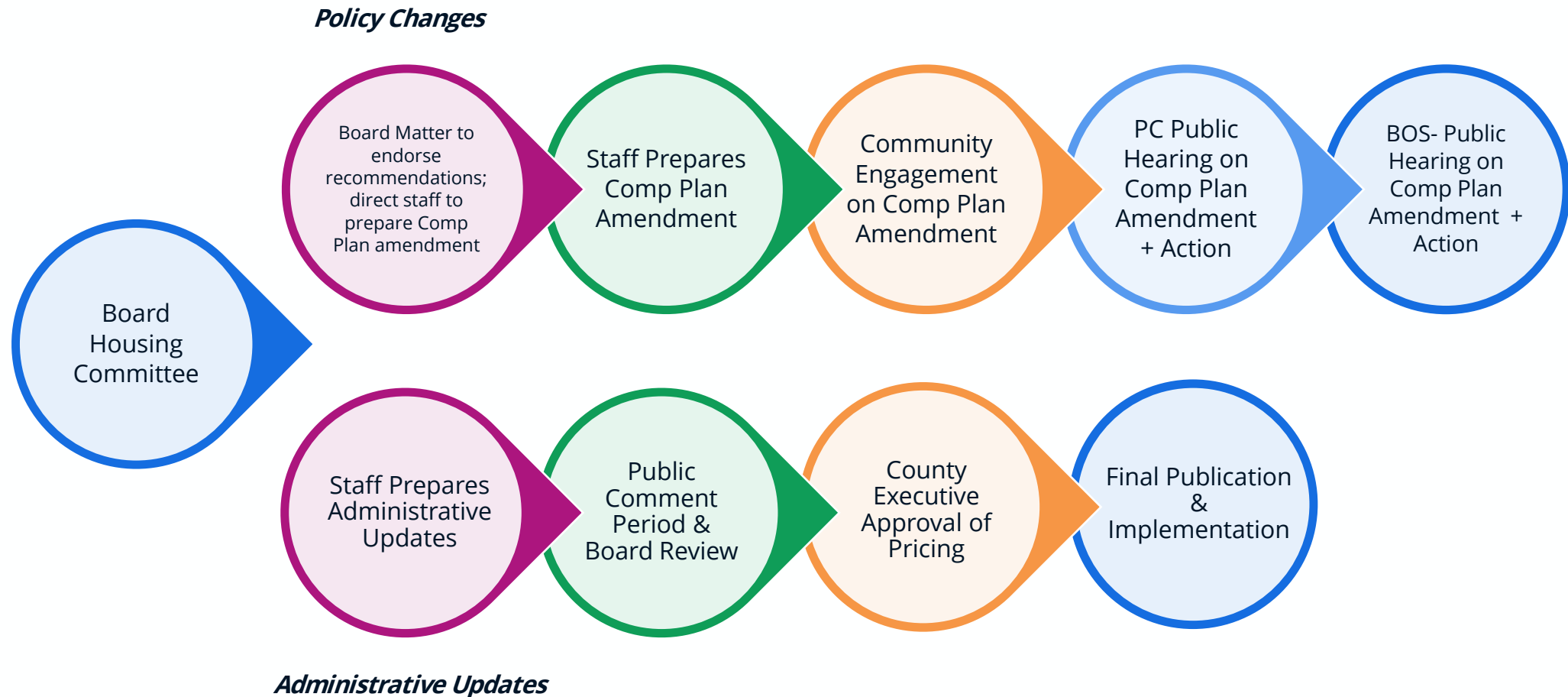
The 5-Year AMI CAGR allows WDU owners to **benefit from periods of high growth and offers protection in times of slow growth.**



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

NEXT STEPS

Next steps will include **public comment** and **approval from the Board** of Supervisors on policy changes.



RECOMMENDATIONS OVERVIEW

Program recommendations encompass both administrative updates and changes to the policy, requiring approval from the Board of Supervisors.

Policy Changes

1: Optimize Affordability Levels

- 1.1:** Align affordability levels to reduce competition with market rate units by shifting the program away from the 120% AMI level.
- 1.2:** Shift the program affordability distribution to include units affordable at or below 70% AMI.

2: Bedroom Distribution

Require proportionality between the bedroom mix of WDUs and that of market-rate units, with flexibility for family-sized WDUs.

3: Geographic Applicability

- 3.1** Extend the WDU program to encompass all areas within Fairfax County's jurisdiction that are zoned or planned for medium- to high-density residential.
- 3.2** The high-rise policy should not be extended outside of Tysons at this time.

Administrative Updates

4: WDU Pricing Adjustments

- 4.1:** Update the WDU pricing model to better reflect affordability for households.
- 4.2:** Create two pricing schedules to better capture variability in HOA and condo fees across unit types.

5: Refine Resale Requirements

Tie maximum WDU resale prices to AMI growth rather than CPI as is currently used.



WDU For Sale Program Task Force: Appendix

WDU PROGRAM OVERVIEW: CHALLENGES

Although the WDU program continues to succeed in adding to the supply of affordable homes in Fairfax County there are challenges. **Addressing those described requires changing the WDU policy.**

Affordability Levels

- **WDUs 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.
- **There is significant demand in for units affordable at or below 80% AMI**, but there are also challenges to maintain homeownership at deep levels of affordability.

Bedroom Distribution

- Although not initially a Task Force focus area, **Fairfax County has a goal to ensure sufficient family-sized affordable units.**
- **The WDU Tysons High-Rise Policy requirements that the WDU unit mix** for any participating development be **proportional** to the mix of market-rate units, however, the **County-wide policy does not.**

Geographic Applicability

- Currently, the WDU for-sale policy **applies to development centers** while the adjusted **high-rise policy applies only to Tysons Urban Center.**
- However, Fairfax County is growing with **more medium- and high-density development planned** in other parts of the jurisdiction.

WDU PROGRAM OVERVIEW: CHALLENGES

Although the WDU program continues to succeed in adding to the supply of affordable homes in Fairfax County there are challenges. **Addressing the those described here requires only administrative adjustments.**

WDU Pricing

- The maximum initial sales price can affect both future affordability and ease of sale or resale if **prices compete with market rate units.**
- High and escalating **condo and HOA fees can be a significant challenge** for maintaining affordability.

Resale Pricing

- Current resale prices for WDUs are based on **CPI growth, which does not necessarily correlate directly to affordability.**
- **Large increases in resale prices**, while allowing for more potential wealth building **threaten affordability** for future WDU buyers.
- Significant escalations in resale prices may also place WDUs in **competition with market-rate units**, hindering resales altogether.

Price Control Term

- WDU program affordability **restrictions do not expire** until the homeowner has **lived in the unit for at least 30 years.**
- The County's **goal is to preserve affordability** for as long as is feasible.

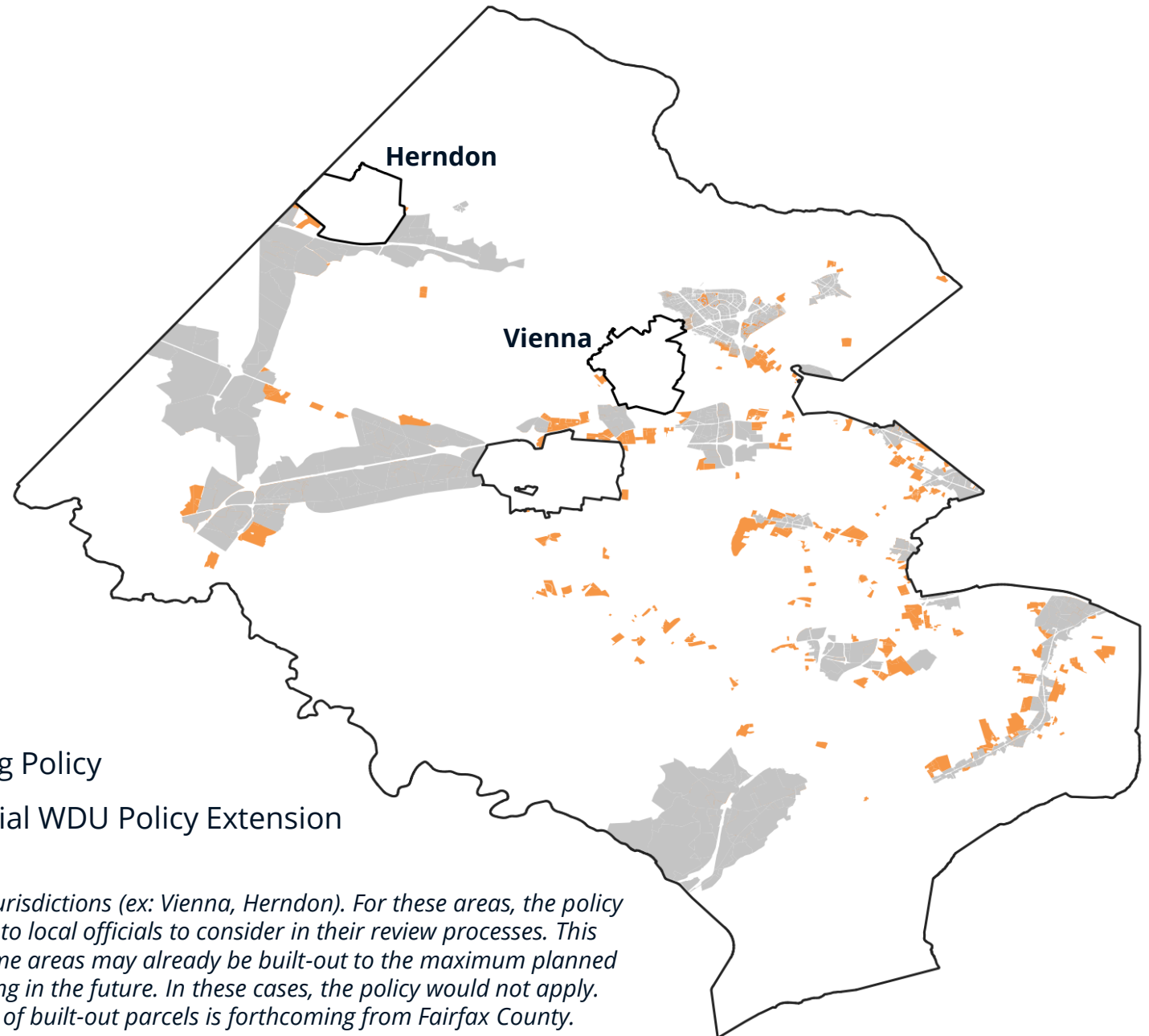
RECOMMENDATION 3 (POLICY): GEOGRAPHIC APPLICABILITY

Extend the WDU

program to encompass all areas within County jurisdiction zoned or planned for medium- to high-density residential (8 or more dwelling units per acre).

Legend

- Existing Policy
- Potential WDU Policy Extension



Note: This map excludes areas under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas, the policy will not be applicable, but the County may make a recommendation to local officials to consider in their review processes. This map shows areas that are zoned or planned for 8 units or more. Some areas may already be built-out to the maximum planned and zoned residential density and therefore would not seek a rezoning in the future. In these cases, the policy would not apply. A comprehensive map outlining the proposed changes and exclusive of built-out parcels is forthcoming from Fairfax County.

RECOMMENDATION 4.1: 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)
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 - **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*

RECOMMENDATION 4.2: 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.

Note: Fee estimates drawn from market research, developer interviews, and WDU production data provided by HCD

RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

	2 Bedroom (80% AMI)	2 Bedroom (100% AMI)
Current Max Sales Price	\$342,450	\$444,100
2023 AMI Level Increase	↑ \$12,600	↑ \$15,050
Updated Price	\$355,050	\$459,150
Annual Interest Rate Updates	— \$(40,100)	— \$(51,850)
Updated Price	\$314,950	\$407,300
Aligning Household Sizes to National Standards	— \$(37,050)	— \$(46,150)
Updated Price	\$277,900	\$361,150
Updating Condo/HOA Fee Assumptions	\$27,350	\$27,350
Updated Price	\$305,250	\$388,500
Final Updated Price	\$292,050	\$375,400

Note: These numbers are for illustrative purposes only. The update includes adjustments to 2023 AMI levels, household size, updated mortgage interest rates, a condo fee reduction to \$0.35 PSF, and the addition of a homeowner's insurance assumption. These figures represent the MAXIMUM possible prices for condo flats and stacked townhome units only and are subject to change based on changes to interest rates, tax rates, or other assumptions. Pricing for townhomes assumes a lower condo/HOA fee of \$0.15 PSF. The full updated pricing schedule will be published online for public comment before any changes are finalized.

RECOMMENDATION 4.2 (ADMINISTRATIVE): 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.
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RECOMMENDATION 5: 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

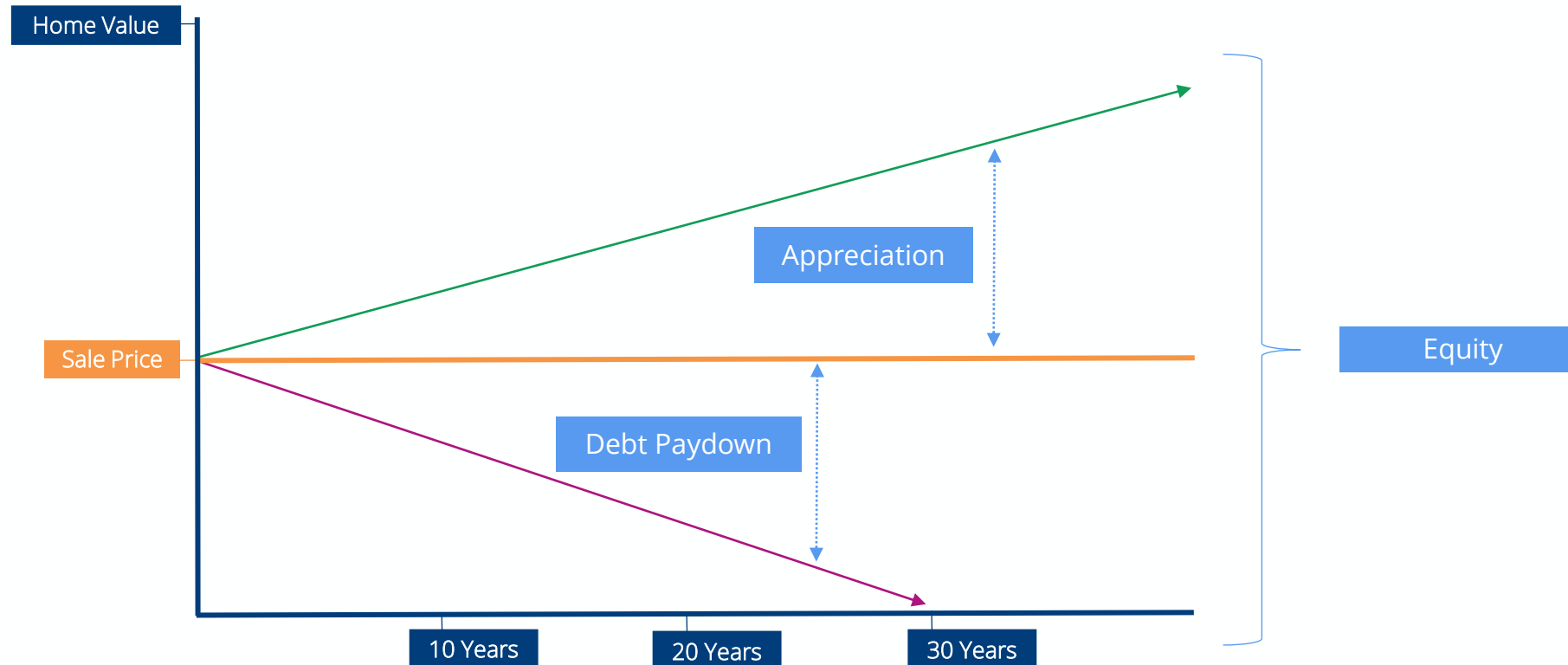
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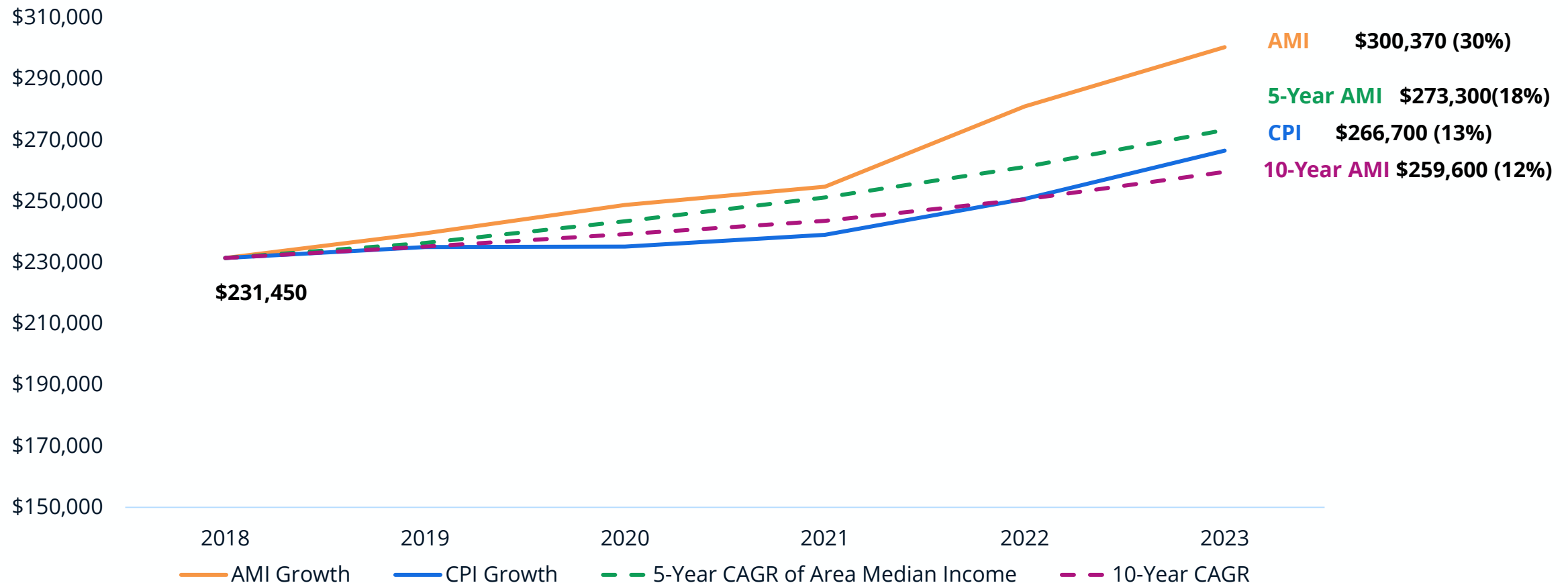
RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

Wealth building is a relationship between appreciation in a home's value and outstanding mortgage debt. **Resale restrictions limit the amount of appreciation homeowners can capture at sale.**



RECOMMENDATION 5: 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

RECOMMENDATION 3.2: 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.

RECOMMENDATION 6: ASSESS PRICE CONTROL TERM

Maintain the existing 30-year renewing affordability term. This covenant structure already provides extended affordability, while changes to the resale formula will address wealth building.

Findings

- There **is no standard affordability term** for similar programs in the area or in comparable jurisdictions nationally.
- Fairfax County is interested in providing long-term affordability, with **units serving more than one household**.
- Currently, only **the most-recent sale** of a unit needs to be monitored to track the affordability covenant.

Recommendations

- Maintain the existing **30-year renewing covenant** period.
- Improve communication of the **benefits of homeownership**, even with the restricted resale value.

WDU PROGRAM OVERVIEW: SALES

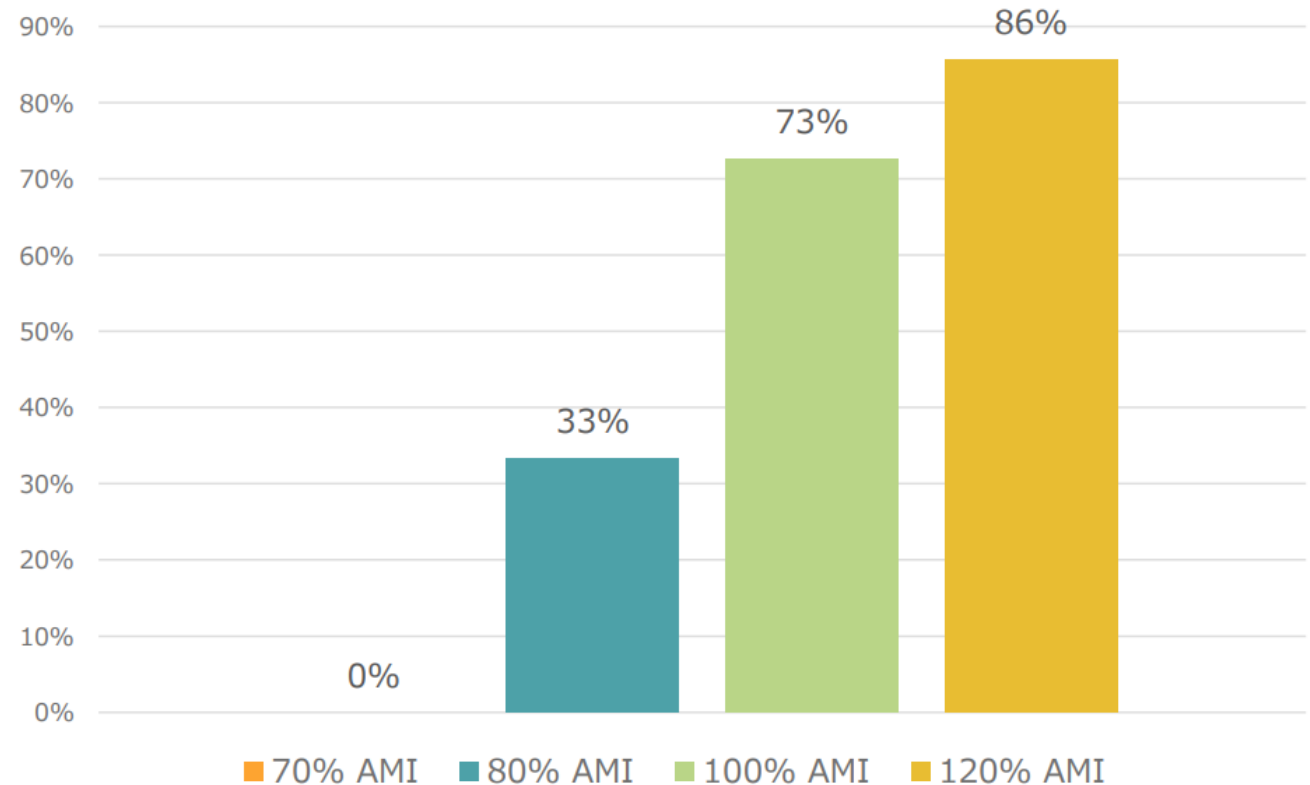
Higher-priced WDUs often **require incentives to sell**.

Seller incentives include:

- Lowering 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.

Percentage of WDUs Sold with an Incentive



HOUSING MARKET ASSESSMENT

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

Greater Availability of Homes at 120% AMI

48% of homes sold in the last 3 years were affordable to under **120% AMI Households** under current WDU pricing.

Lack of Availability of Homes at <100% AMI

Meanwhile, **only 16% of homes sold in the last 3 years** were affordable to under **80% AMI Households**.

Limited Supply of Affordable Larger Homes

Only **11% of homes sold had 3+ bedrooms** and were affordable to households **earning under 100% AMI**.

Variation Across Submarkets

Availability and size of homes affordable to households earning under 100% AMI varies **significantly by location within the county**.

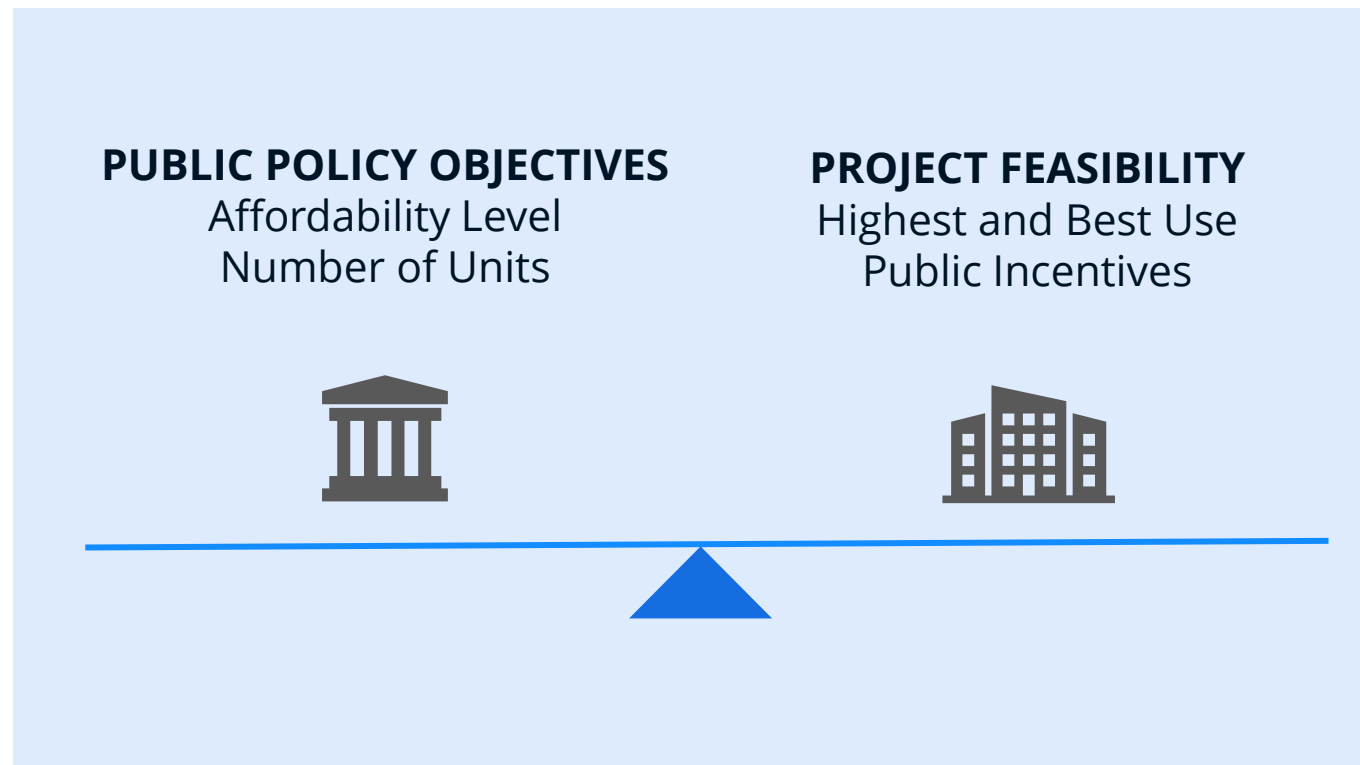
***Note:** Data from the ACS, the US Census, PUMS, and Fairfax County sales records were used in this analysis. Corresponding sources and years are noted on each slide.*



Development Economics Inclusionary Zoning

INTRODUCTION TO INCLUSIONARY ZONING

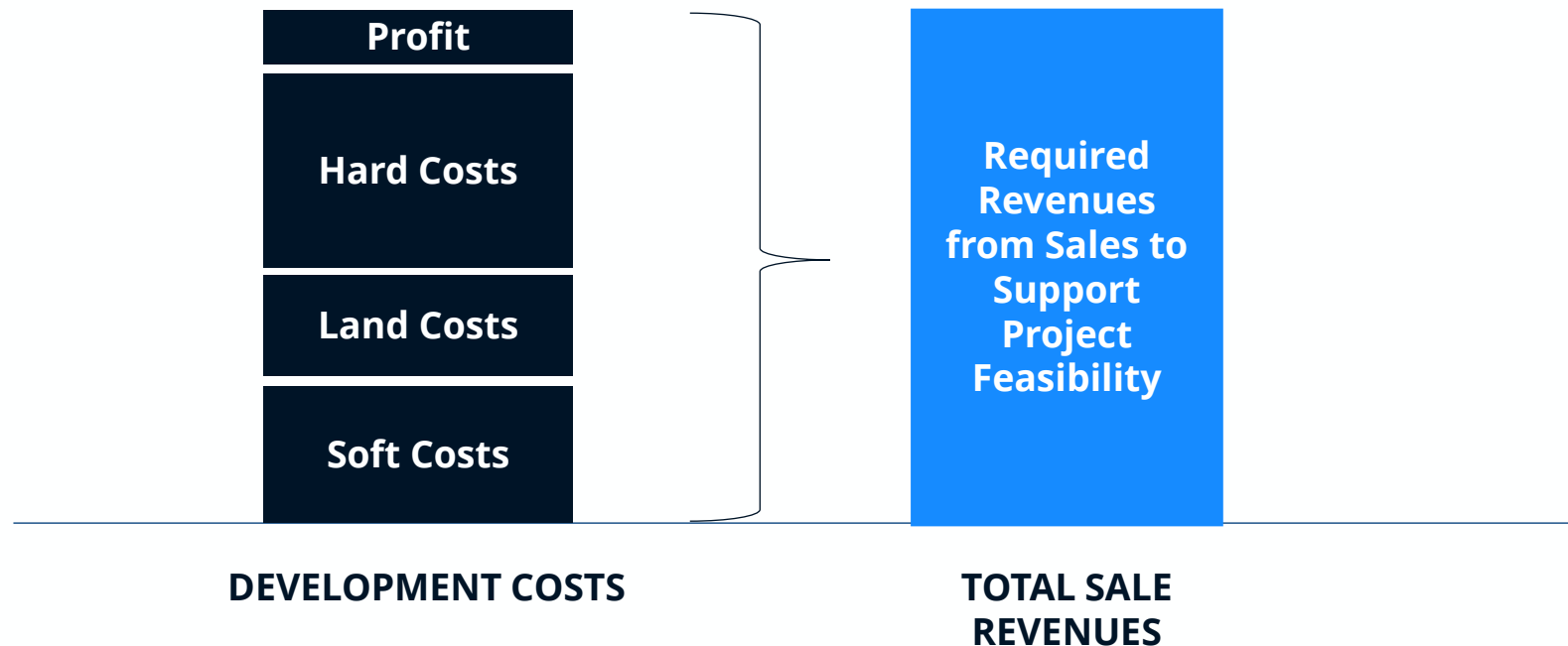
IZ policies must be **calibrated appropriately to the local market** by weighing policy objectives with their impact on project feasibility.



INTRODUCTION TO INCLUSIONARY ZONING

The **sales price** of a home for purchase is based on the **developers' cost to develop**, including the construction costs, land costs, soft costs (such as developer fees or building designs), **and profit sufficient to motivate developer** to undertake the project.

Development Project Feasibility with IZ





1

Optimize Affordability Levels

RECOMMENDATION 1: OPTIMIZE AFFORDABILITY LEVELS

The countywide WDU policy currently requires **a proportional mix of units at 120% AMI, 100%, AMI, and 80% AMI.**



Challenges and Considerations

- WDUs 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
- There is significant demand in Fairfax County for units affordable at or below 80% AMI, but there are also challenges to maintain homeownership at deep levels of affordability

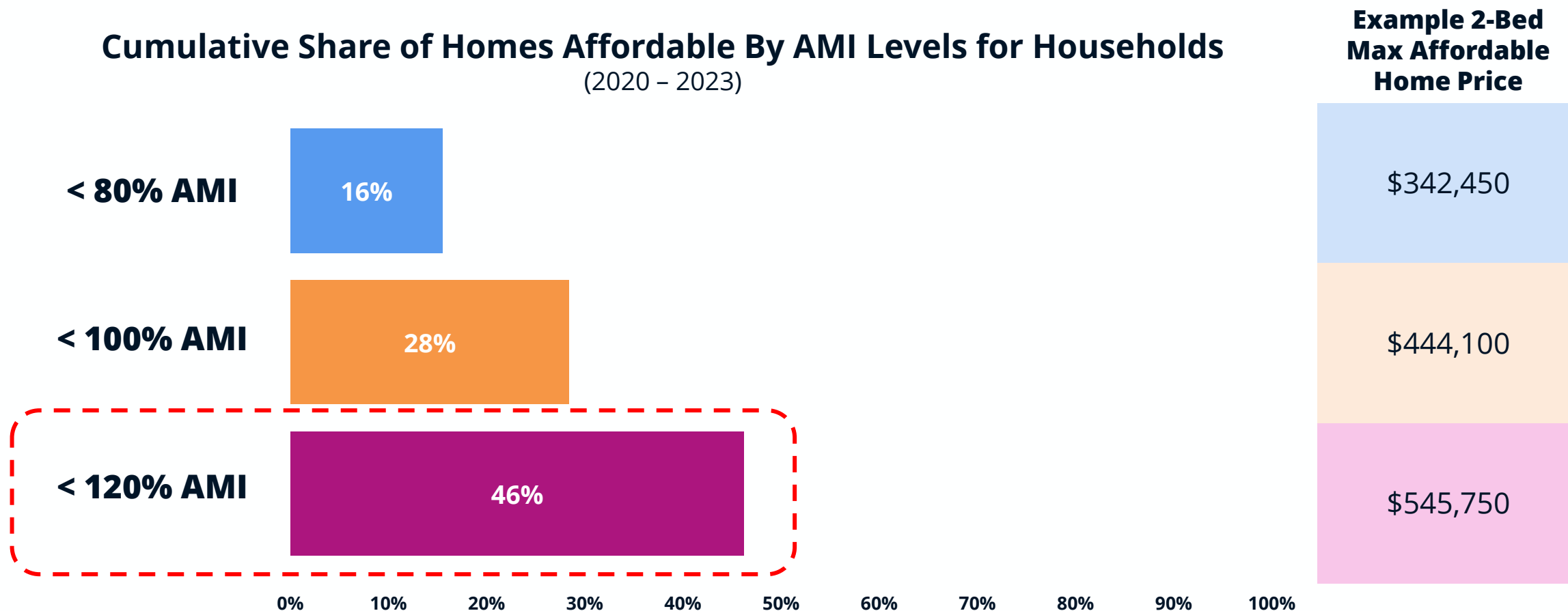


Goals for Program Recommendations

- *Balance supply and demand to avoid competition with market rate units, reducing the time units take to sell and limiting the need for seller incentives*
- *Ensure sufficient options for households at lower AMI levels while minimizing impacts to overall housing production and potential overlap with ADUs*

RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

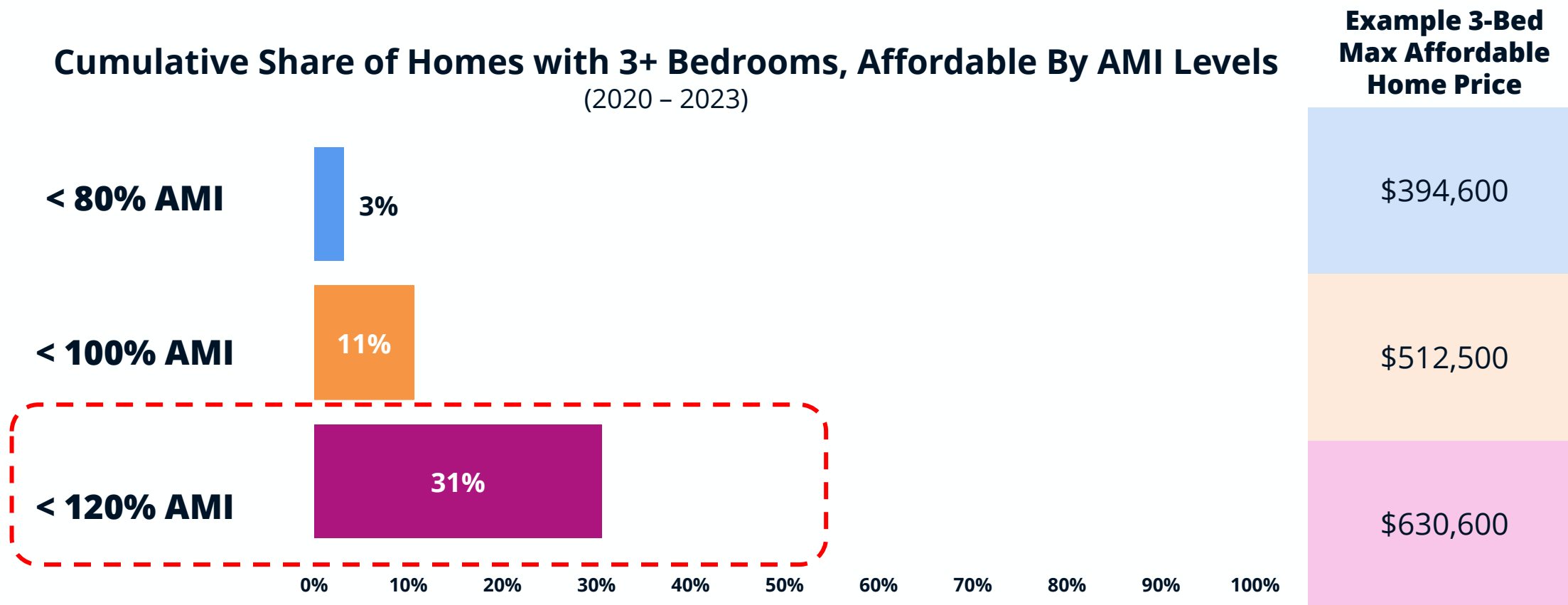
There are **many market-rate homes for sale that are affordable to households earning between 100% and 120% AMI.**



*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*

RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

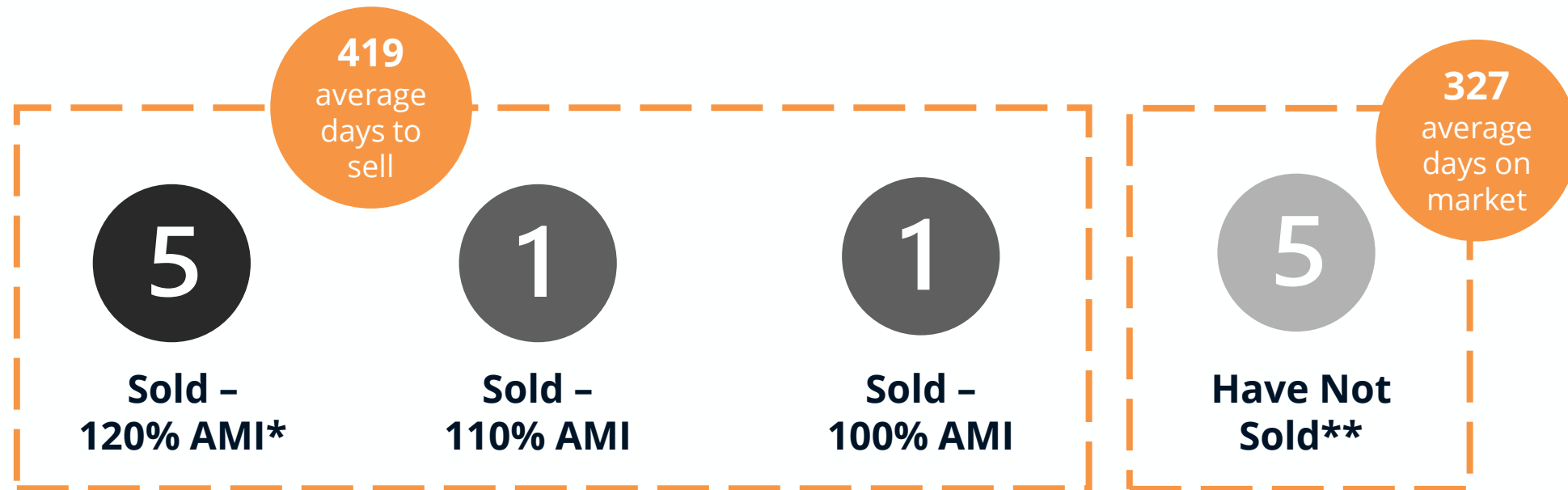
While still constrained, there is also a **greater supply of larger (3+ BR) homes** affordable to households earning between 100% and 120% AMI.



*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*

RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

Meanwhile, 120% AMI units that have sold did so under either outdated, lower pricing or outright price reductions.



**These sales were implicitly discounted because they were priced according to 2017 AMIs*

***List price reduced to ~100% AMI*

*Note: Homes that sold saw \$65K and \$112K price reductions, respectively. Those still on the market include \$50-\$180K in reductions.
Source: Fairfax County WDU Production Data April 2023*



| 1.2

Optimize Affordability Levels (70% AMI)

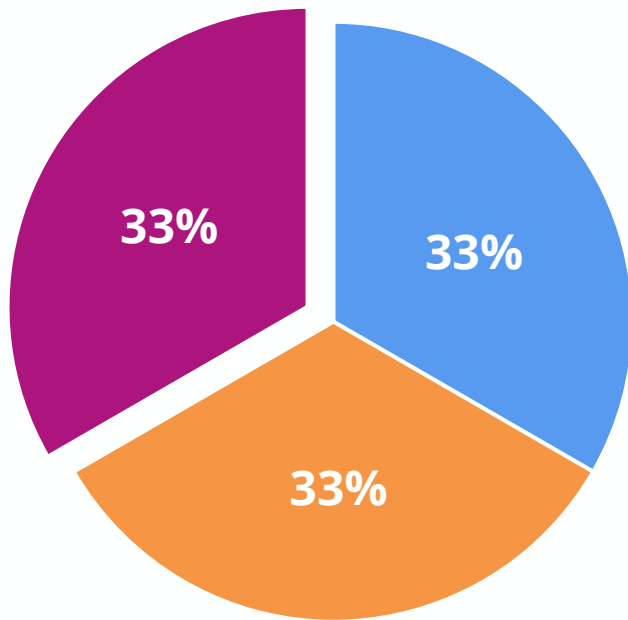
RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Without 120% AMI units, there are **several possible ways to distribute WDU across other affordability levels**, including introducing 70% AMI units to provide deeper affordability.

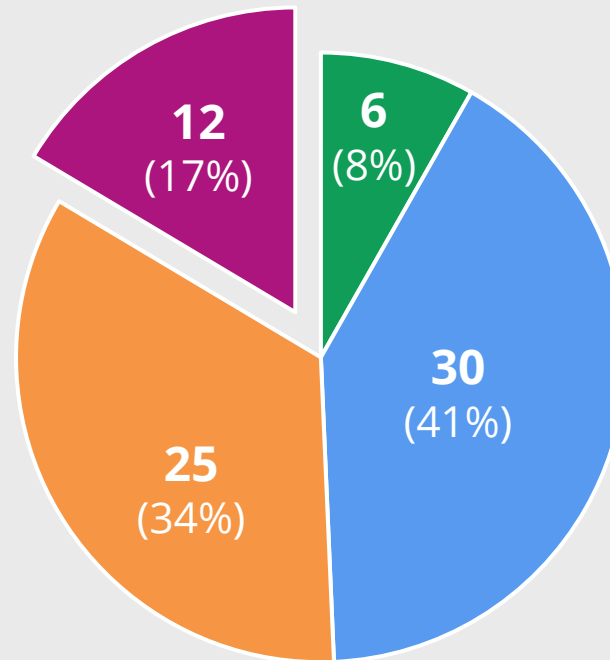
Scenario 1	Scenario 2	Scenario 3
Even Distribution 6% at $\leq 80\%$ AMI 6% at $\leq 100\%$ AMI	More $\leq 80\%$ AMI 9% at $\leq 80\%$ AMI 3% at $\leq 100\%$ AMI	Extended Affordability 4% at $\leq 70\%$ AMI 4% at $\leq 80\%$ AMI 4% at $\leq 100\%$ AMI

RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

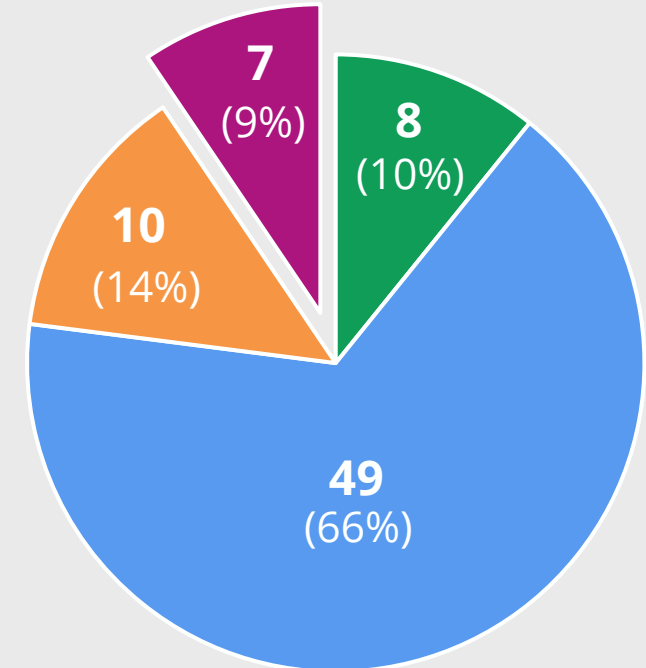
Due to unique proffer agreements, **fewer 120% AMI units are being produced** or are in the pipeline than are required.



Existing WDU Program Requirement



WDUs Produced

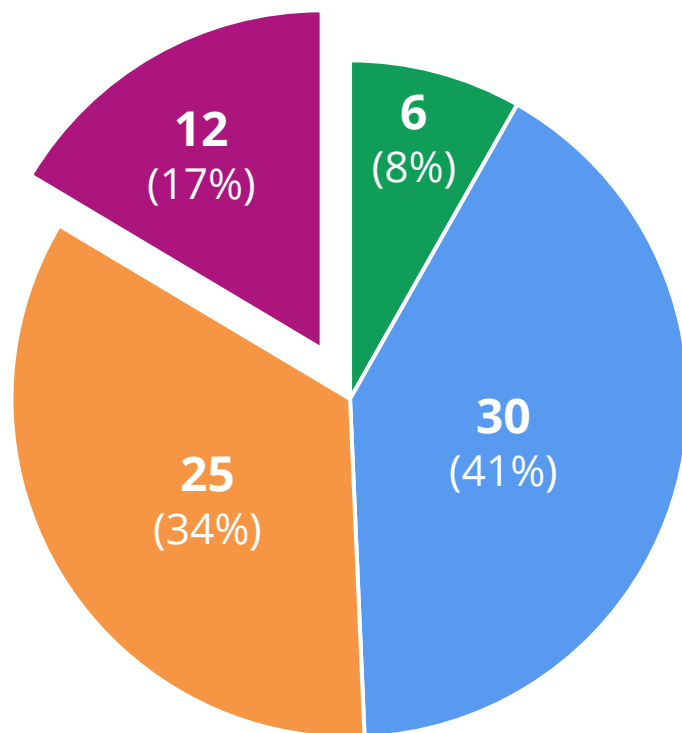


WDUs in the Pipeline

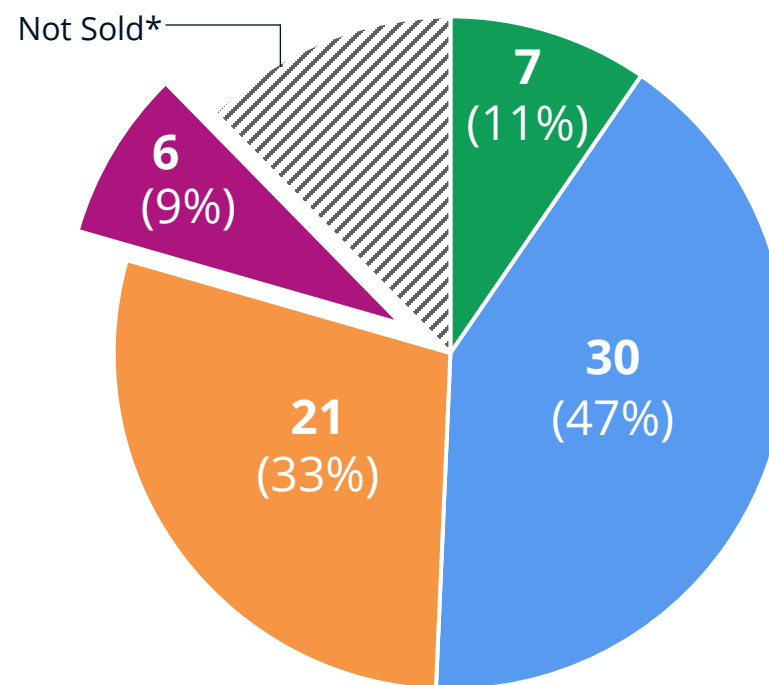
70% AMI 80% AMI 100% AMI 120% AMI

RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Only half of units proffered at 120% AMI have sold for the original price set for this AMI category.



WDUs Produced



WDUs Sold By Actual Sales Price

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

**"Actual sales prices" reflect one 80% AMI unit that sold at 70% AMI, two 100% AMI units that sold at 80% AMI, and one 120% AMI unit sold at 100% AMI plus units that have not sold*

**As of April, one 80% AMI unit, three 100% AMI units, and five 120% AMI units had not yet sold*



2

Bedroom Distribution

RECOMMENDATION 2: BEDROOM DISTRIBUTION

There is **significant demand for affordable, family-sized units**, but the countywide WDU policy does not explicitly require them.



Challenges and Considerations

- There is significant demand for family-sized (three-bedroom or larger) units in Fairfax County broadly
- The Tysons WDU policy requires WDUs in participating developments to reflect the same bedroom distribution as the market-rate units

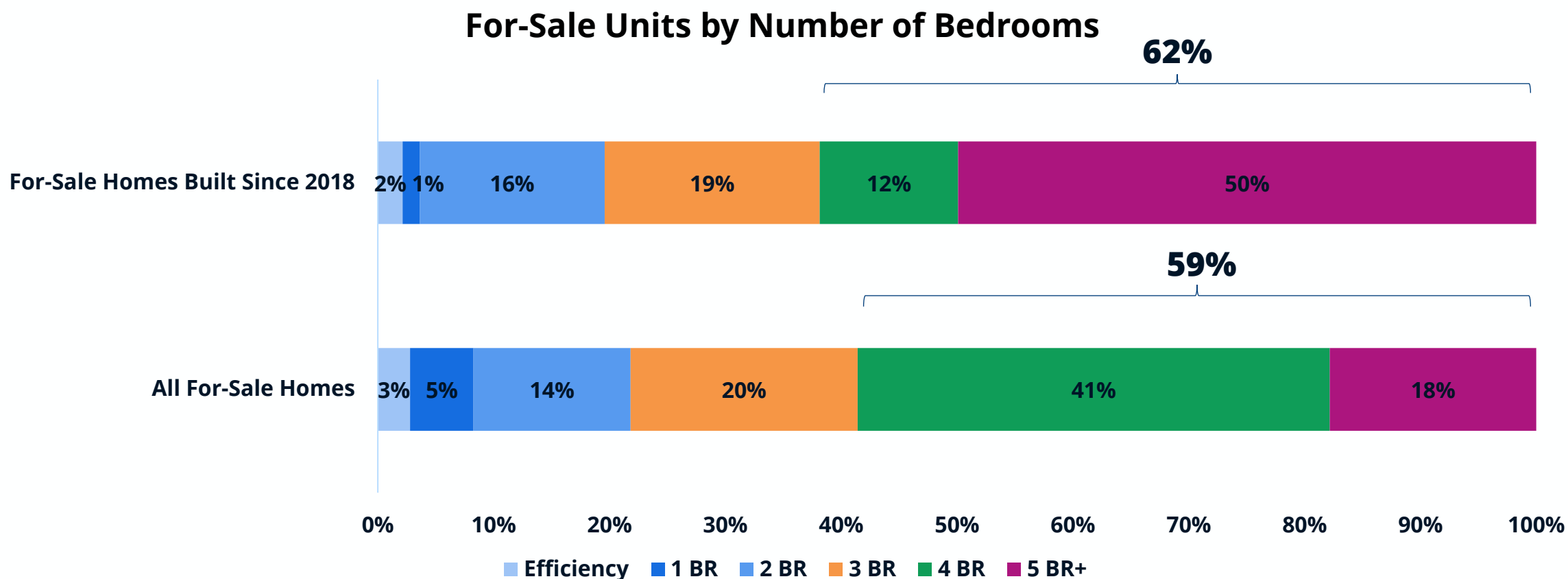


Goals for Program Recommendations

- Adjusting WDU program requirements must balance impact to development economics against important policy goals such as requiring the production of family-sized units

RECOMMENDATION 2: BEDROOM DISTRIBUTION

For-sale homes built since 2018 are more heavily weighted towards those with 4 and 5+ bedrooms indicating overall market demand for larger units.



RECOMMENDATION 2: BEDROOM DISTRIBUTION

The difference in pricing between market-rate 5-BR units and 5-BR WDUs is greater than between other, smaller family-sized units causing a **greater impact on overall project feasibility.**

3-Bedroom Sale Price Comparison			5-Bedroom Sale Price Comparison		
Market	WDU	<i>Difference</i>	Market	WDU	<i>Difference</i>
\$731,250	\$476,150	-\$255,100 (-29%)	\$1,040,000	\$584,650	\$455,350 (-48%)

Note: WDU pricing is 100% AMI and reflects updates to the pricing schedule presented to the WDU For-Sale Policy Task Force



| 3

Geographic Applicability

RECOMMENDATION 3: GEOGRAPHIC APPLICABILITY

Currently, the WDU policy **applies only to development centers** in Fairfax County.



Challenges and Considerations

- The current WDU for-sale policy is limited to certain areas of Fairfax County though the geographic applicability of the WDU rental policy was recently expanded
- Moderate to high-densities are planned outside of development centers, usually along major corridors or transit corridors, or near neighborhood shopping centers, which may be appropriate for WDU homeownership opportunities



Goals for Program Recommendations

- An extension of the policy should advance and potentially expand the production of for-sale WDUs
- As a component of the WDU program, the Tysons High-Rise Policy should also be addressed in any recommendation related to geographic applicability



| 4

WDU Pricing Adjustments

RECOMMENDATION 4: WDU PRICING ADJUSTMENTS

The maximum initial WDU sales price is set according to **a formula that determines an affordable price based on unit size and AMI level.**



Challenges and Considerations

- The maximum initial sales price can affect both future affordability and ease of sale or resale if prices compete with market rate units
- Condo and HOA fees can be a significant challenge for maintaining affordability,



Goals for Program Recommendations

- Ensure the formula for calculating affordable sales prices reflects today's market conditions and variables affecting affordability, including household size, interest rates, and condo and HOA fees

RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

Illustrative Change in WDU Pricing from 2022

	80% AMI				100% AMI			
	Existing	Updated	Gross Difference	Percent Difference	Existing	Updated	Gross Difference	Percent Difference
Efficiency	\$246,150	\$230,900	-\$15,250	-6%	\$317,250	\$295,550	-\$21,700	-7%
1 Bedroom	\$273,850	\$243,050	-\$30,800	-11%	\$355,300	\$312,550	-\$42,750	-12%
2 Bedroom	\$342,450	\$292,050	-\$50,400	-15%	\$444,100	\$375,400	-\$68,700	-15%
3 Bedroom	\$394,600	\$337,500	-\$57,100	-14%	\$512,500	\$433,800	-\$78,700	-15%
4 Bedroom	\$446,800	\$375,550	-\$71,250	-16%	\$581,100	\$482,900	-\$98,200	-17%

Note: These numbers are for illustrative purposes only. The update includes adjustments to 2023 AMI levels, household size, updated mortgage interest rates, a condo fee reduction to \$0.35 PSF, and the addition of a homeowner's insurance assumption. These figures represent the MAXIMUM possible prices for condo flats and stacked townhome units only and are subject to change based on changes to interest rates, tax rates, or other assumptions. Pricing for townhomes assumes a lower condo/HOA fee of \$0.15 PSF. The full updated pricing schedule will be published online for public comment before any changes are finalized.



| 5

Refine Resale Requirements

RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

Resale restrictions are a **balance between allowing for potential wealth-building and protecting future affordability.**



Challenges and Considerations

- Current resale prices for WDUs are based on CPI growth, which is variable and does not necessarily correlate directly to affordability for households
- Large increases in resale prices, while allowing for more potential wealth building on the part of WDU owners, threaten affordability for future WDU buyers
- Significant escalations in resale prices may also place WDUs in competition with market-rate units, hindering resales altogether



Goals for Program Recommendations

- Any revisions to the resale formula should reduce barriers to WDU resales, while balancing wealth building and affordability preservation

RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

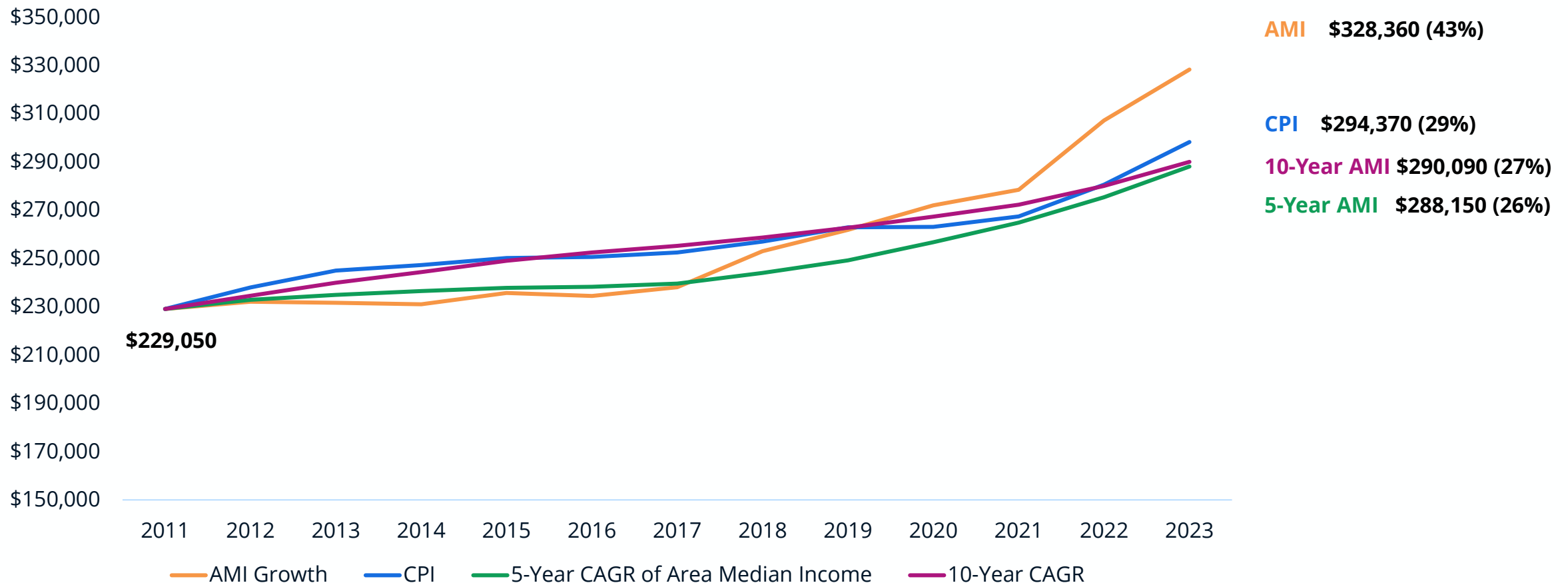
Jurisdictions outside of Virginia **tie resale prices to AMI rather than CPI.**

Location	Resale Price Calculation	Resale Requirements
Fairfax County - ADU	CPI-U and fair market value of some improvements	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the County Trust after control period.*
Fairfax County - WDU	CPI-U and fair market value of some improvements.	Renewing Covenant Period: if the home is sold within 30 years, the clock resets.
Loudon County - ADU	CPI and fair market value of some improvements.	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the County Trust after control period, between 15- 50 years.
Montgomery - MPDU	CPI-U and capital improvements up to 10% of purchase price.	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the county after 30-year control period.*
Montgomery - WHP	Based on the pricing of new workforce housing units , tying resale price to AMI.	Covenant and Profit Share Agreement: requires half of sales profit to be shared with the county after 20-year control period.*
Washington, D.C.	Based on the Ten-Year CAGR of Median Income from the year of purchase to the year of the unit's sale by the owner, tying resale price to AMI.	Standard Covenant: no resale limits following control period, however covenant period is 99 years.
Palm Beach County, FL	The resale price is determined by the designated income category of the unit , and the current sales price for that category.	Renewing Covenant Period: if the home is sold within 15 years, the clock resets.

**Note: For the first resale.*

RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

The 5-Year AMI CAGR smooths volatility in AMI growth over time, producing a more predictable result.



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