

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

Planning Commission Housing Committee

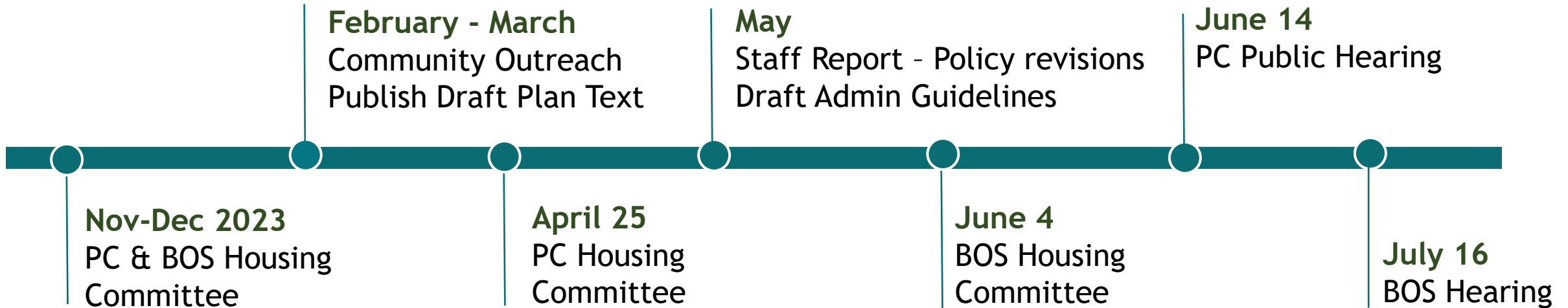
April 25, 2024



# AGENDA

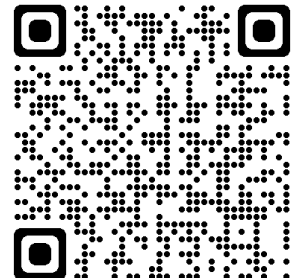
1. Timeline
2. Workforce Dwelling Unit (WDU) For-sale Program
3. WDU For-sale Task Force Analysis & Recommendations
4. Community Engagement and Feedback
5. Plan Amendment Considerations
6. Discussion

# TIMELINE



Plan Amendment 2023-CW-1CP:

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



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

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		
<b>Total</b>	<b>12% of total units</b>	<b>20% of total units</b>	<b>14% of total units</b>	<b>16% of total units</b>

Source: Fairfax County

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

**For Calendar Year 2024, the Area Median Income (AMI) is \$108,300 for an individual and \$154,700 for a family of four in the Washington Metropolitan Area.**

# 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

# POLICY CHALLENGE

## 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%.

# TASK FORCE RECOMMENDATION 1

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.

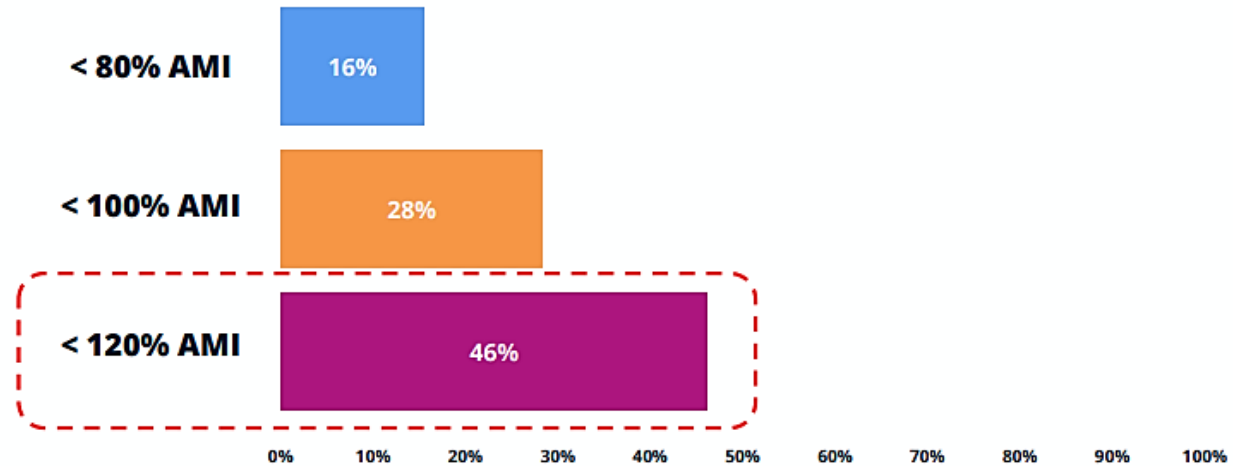
Task Force:

4% of units at up to 100% AMI

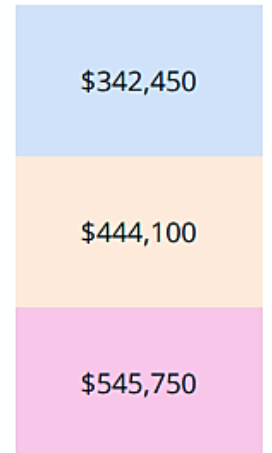
4% of units at up to 80% AMI

4% of units at up to 70% AMI

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



Example 2-Bed  
Max Affordable  
Home Price



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

# POLICY CHALLENGE

## Bedroom Distribution

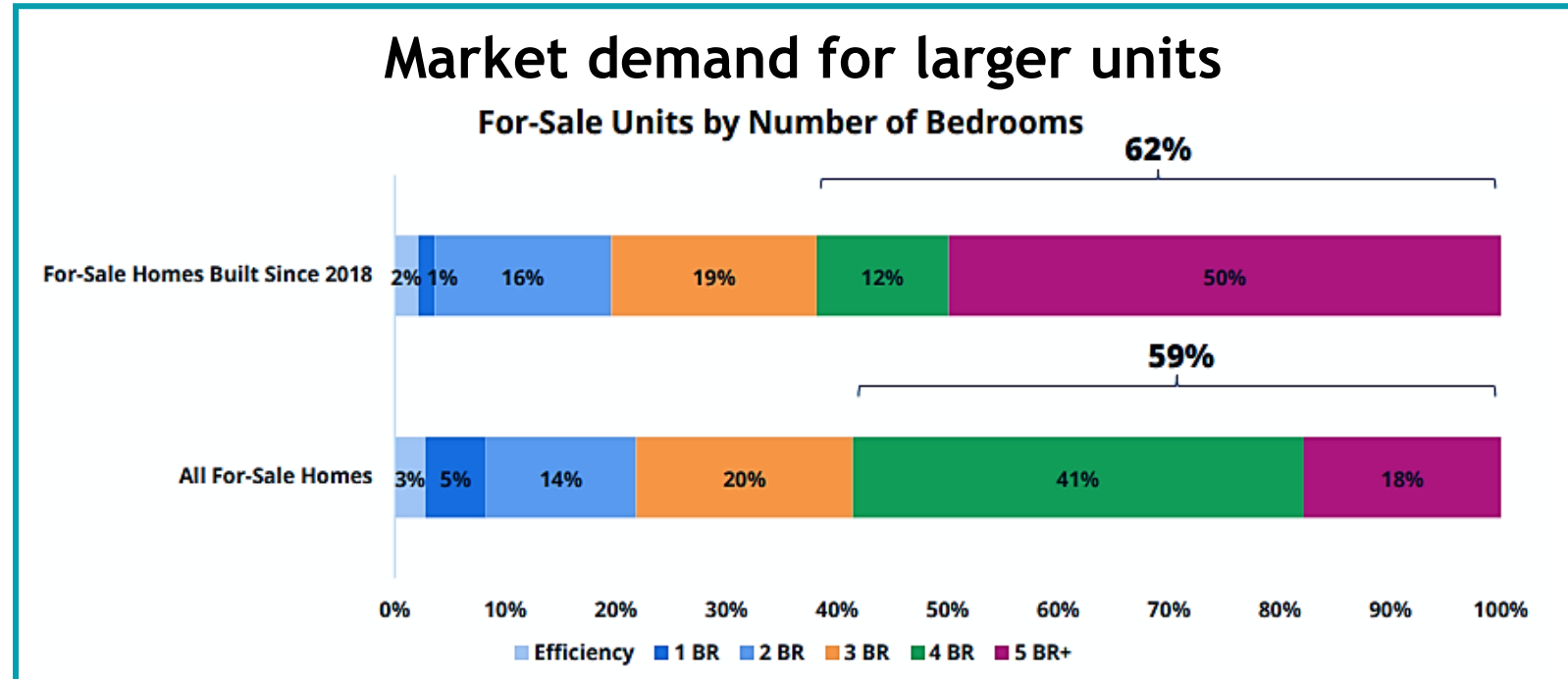
- Lack of sufficient family-sized affordable units.
- Proportionality between WDU bedroom mix and market-rate units currently limited to Tysons Urban Center plan

## 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 (deferred into Admin Guidelines)

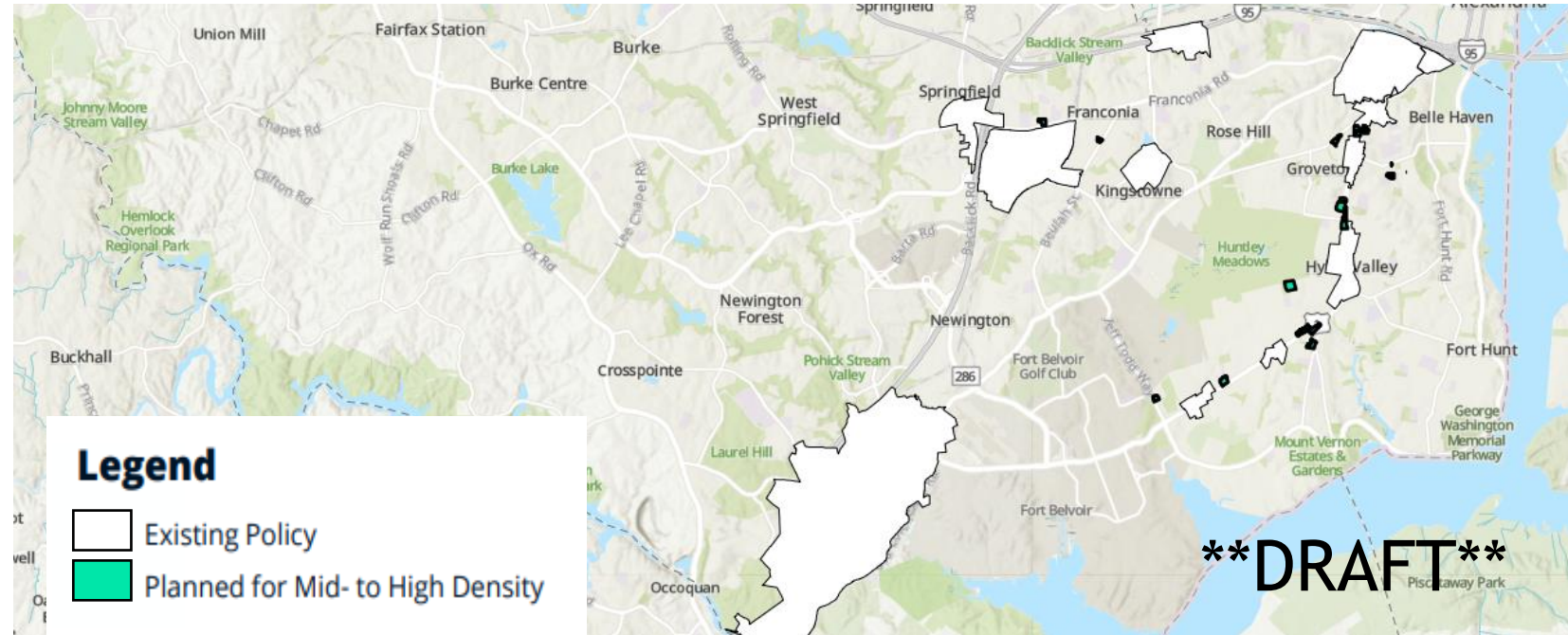
# POLICY CHALLENGE

## Geographic Applicability

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

# TASK FORCE RECOMMENDATION 3

- 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



# COMMUNITY ENGAGEMENT

## Professional Organizations

- Land Use Attorney Working Group
- Northern Virginia Building Industry Association (NVBIA)
- Northern Virginia Commercial Real Estate Development Association (NAIOP)
- Northern Virginia Association of Realtors
- Fairfax Healthy Community Network
- Crossroads & Corners Coalition (formally known as BC7RC)
- Tysons Community Alliance (TCA)
- Affordable Housing Advisory Council

# COMMUNITY ENGAGEMENT

## Supervisor Organizations and Citizen Associations

- Braddock Land Use Committee
- Hunter Mill Land Use Committee
- Franconia Land Use Committee
- Providence District Council
- Sully District Council
- Mason District Council
- South County Federation
- Reston Association
- McLean Citizens Association
- Mount Vernon Council of Citizens Association
- Springfield Land Use Committee (June 2024)

Two virtual meetings open to the public

# FEEDBACK HIGHLIGHTS

In general, attendees gave positive feedback on the information sessions as opportunities to learn about the program, how it functions, and how it is administered.

General support for:

- Shifting in AMI levels from up to 80%-120%AMI to up to 70-100% AMI.
- Expanding the geography, but there were questions about the proposed density threshold and suggestions to increase applicability threshold
- Bedroom mix proportionality between WDUs and market rate, although received a comment on the effect of minimum bedroom and living room sizes on project feasibility.
- Limiting the transfer of WDUs within developments with multiple housing types in concept, but there was concern about the effect on project feasibility. Further analysis over the transfer of units is needed.

Questions on:

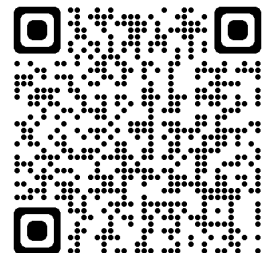
- Effective date of policy and impact on submitted applications.
- Timing of Administrative Guidelines revisions.

# 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
- Revise guidance about monetary contributions
- Editorial changes
- Defer revisions to language that suggests allowance for transferring WDUs between unit types in development with multiple unit types, if WDUs are infeasible

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)

## 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.

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

# Contact Information

## Housing and Community Development

Meghan Van Dam

[Meghan.vandam@fairfaxcounty.gov](mailto:Meghan.vandam@fairfaxcounty.gov)

## Department of Planning and Development

Lia Niebauer

[Lia.Niebauer@fairfaxcounty.gov](mailto:Lia.Niebauer@fairfaxcounty.gov)

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



# APPENDIX 1: 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

**Feb 7 - March 7**  
Public Comment Period

**April 1**  
US HUD Published  
2024 Area Median  
Income

**May**  
County Executive review  
of public comment and  
action

- **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.
- **Establish two pricing schedules with Fee assumption**, applied to minimum unit size requirements
  - **\$0.15 PSF for townhomes**
  - **\$0.35 PSF for stacked townhomes and condo flats.**
- For units with fees **not within 30% of those estimates**, pricing 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

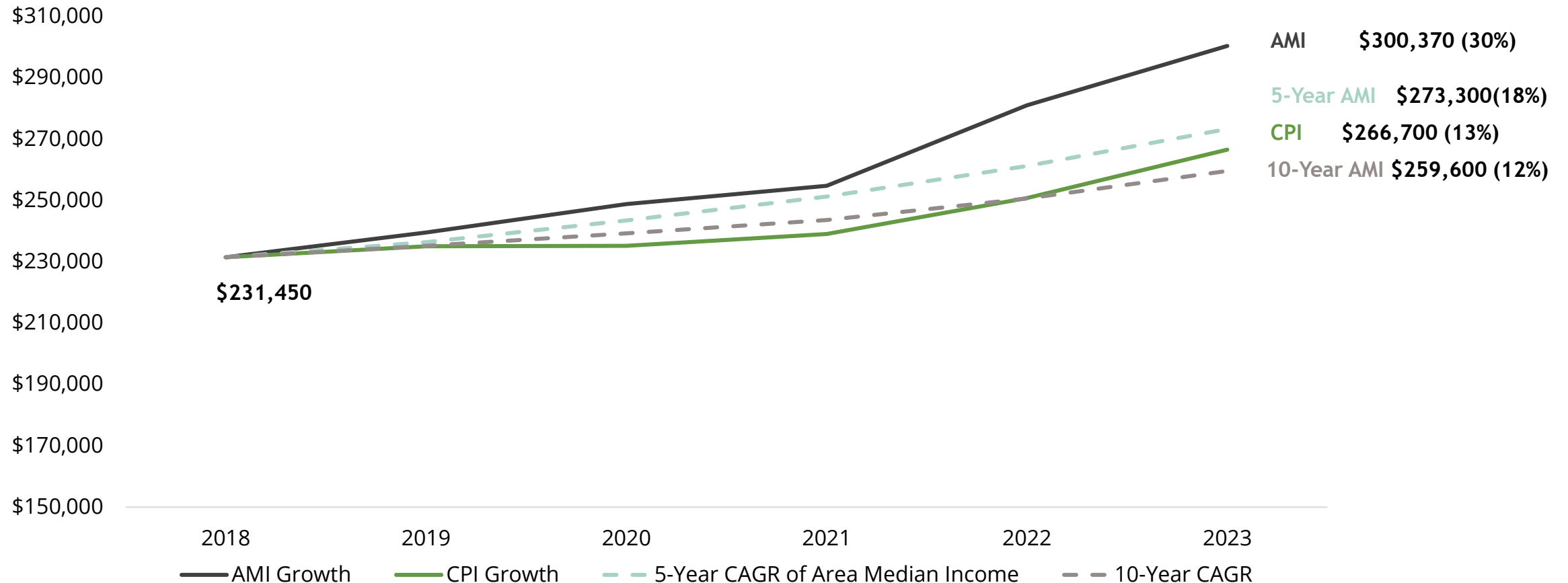
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI - which is influenced by non-housing pricing changes.

### 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

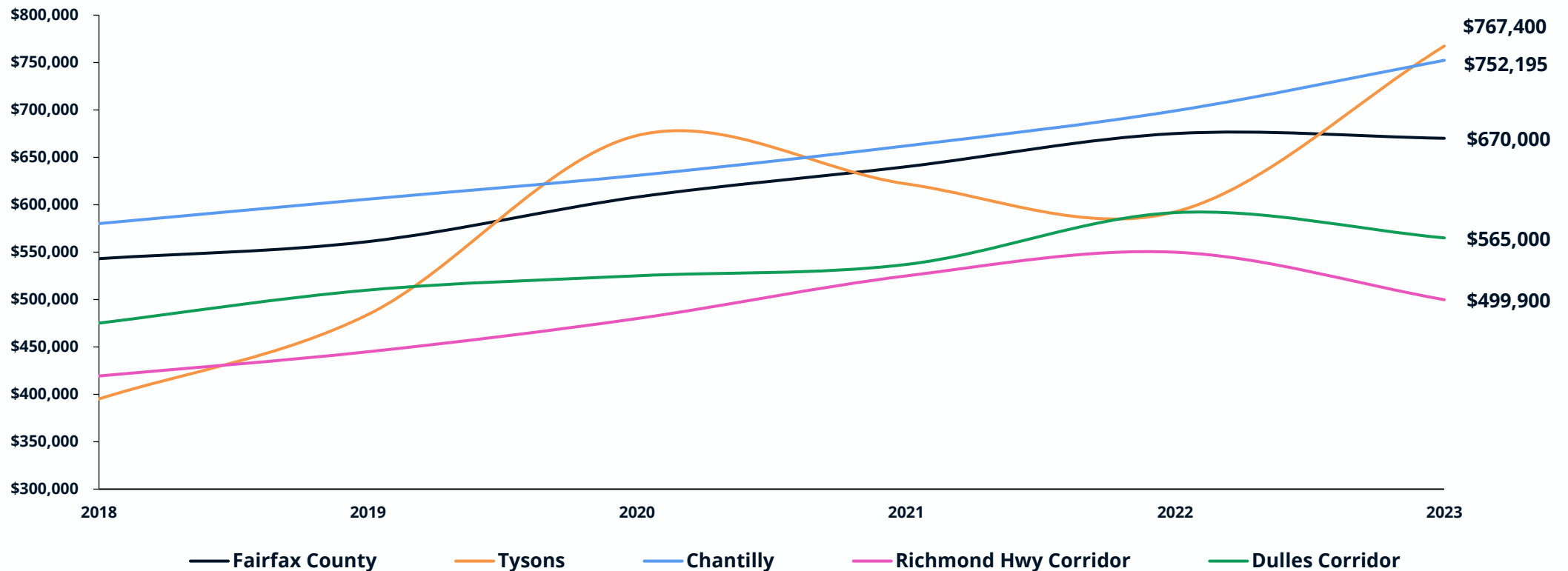
# APPENDIX 2: MARKET ANALYSIS WDU PRODUCTION AND SALES



# MARKET ASSESSMENT: MEDIAN HOME SALES

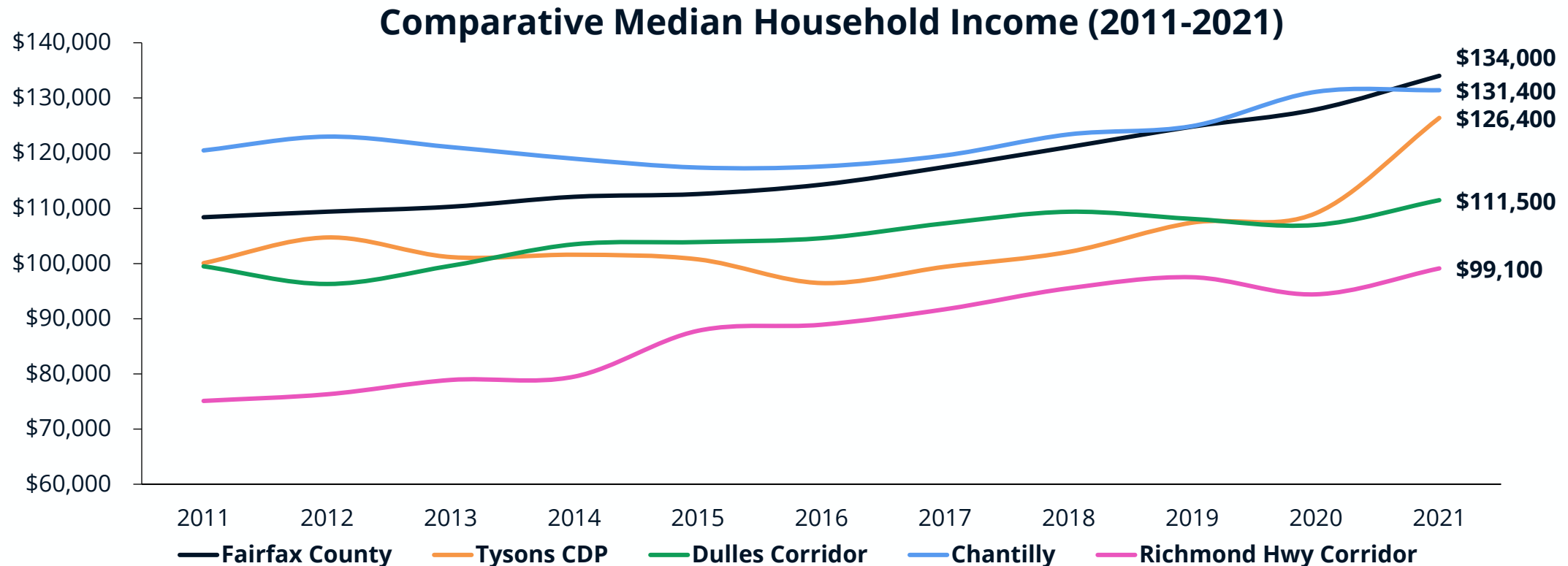
The median homes sales price in Fairfax County overall has **increased 23% since 2018, with variations by area.**

### 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.

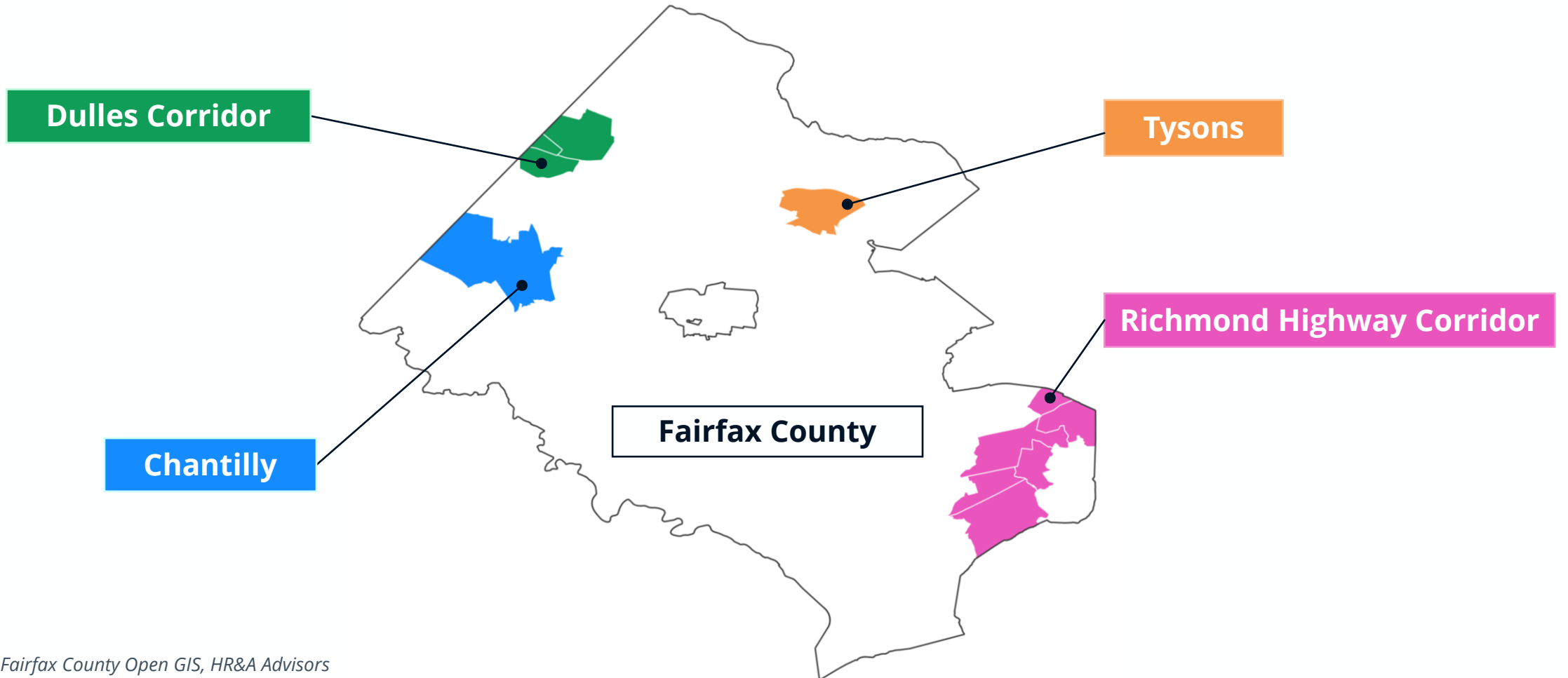


Source: American Communities Survey, 2011-2021 5-year estimates. 2011 – 2016 Estimates for Tysons utilize different geographic boundaries, as CDP boundaries changed in 2017.



# MARKET ASSESSMENT: SUBAREA GEOGRAPHY

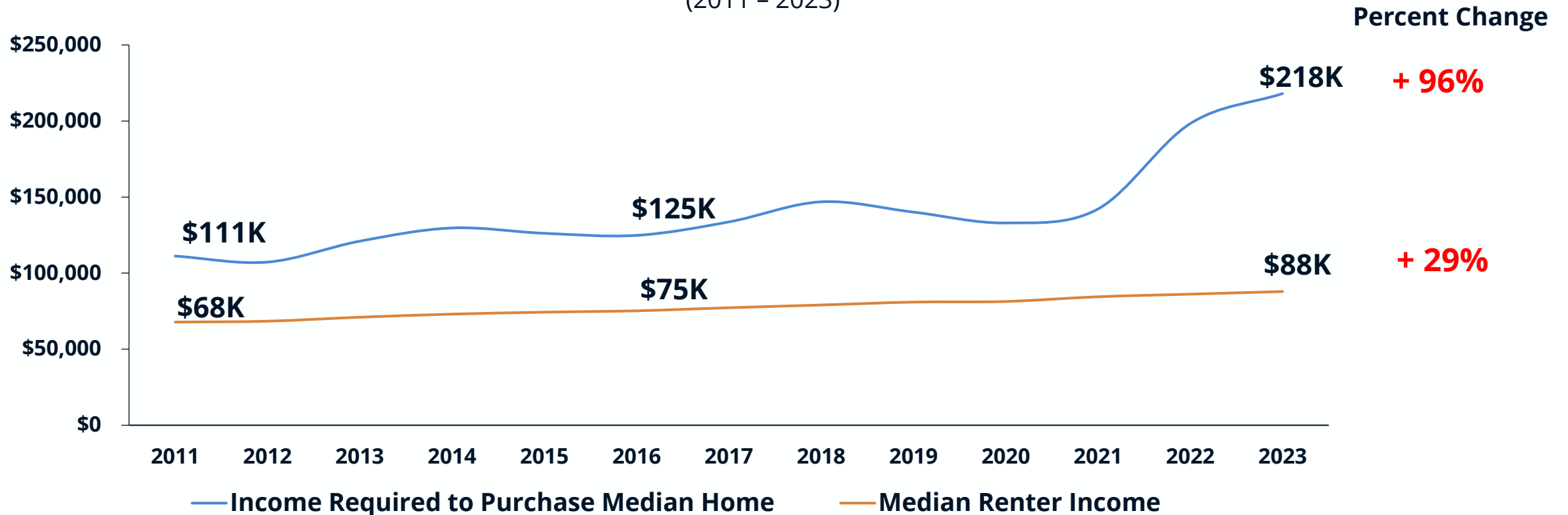
In addition to countywide trends, the following section will also highlight **characteristics of the following four submarkets.**



# 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)

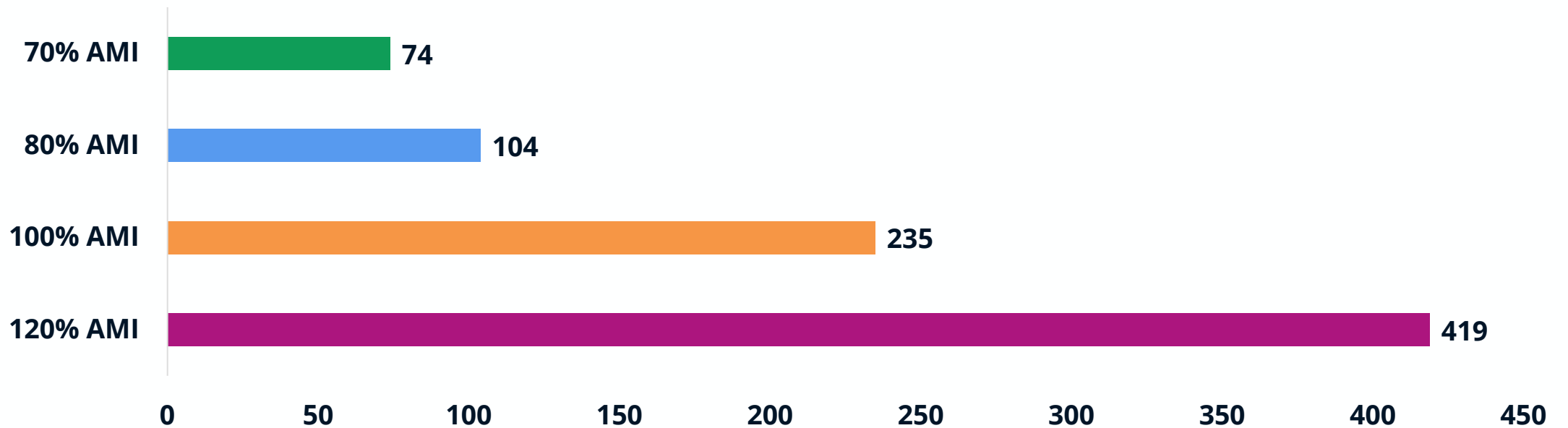


*Source: The Median Income Required to Purchase a home is based on Zillow Home Value Index Data, All Homes Time Series. The mortgage payment includes, principal interest, insurance and taxes. It assumes 20% down payment, and an interest rate of 6% percent.*

# WDU PROGRAM CHALLENGES: DAYS TO SELL

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

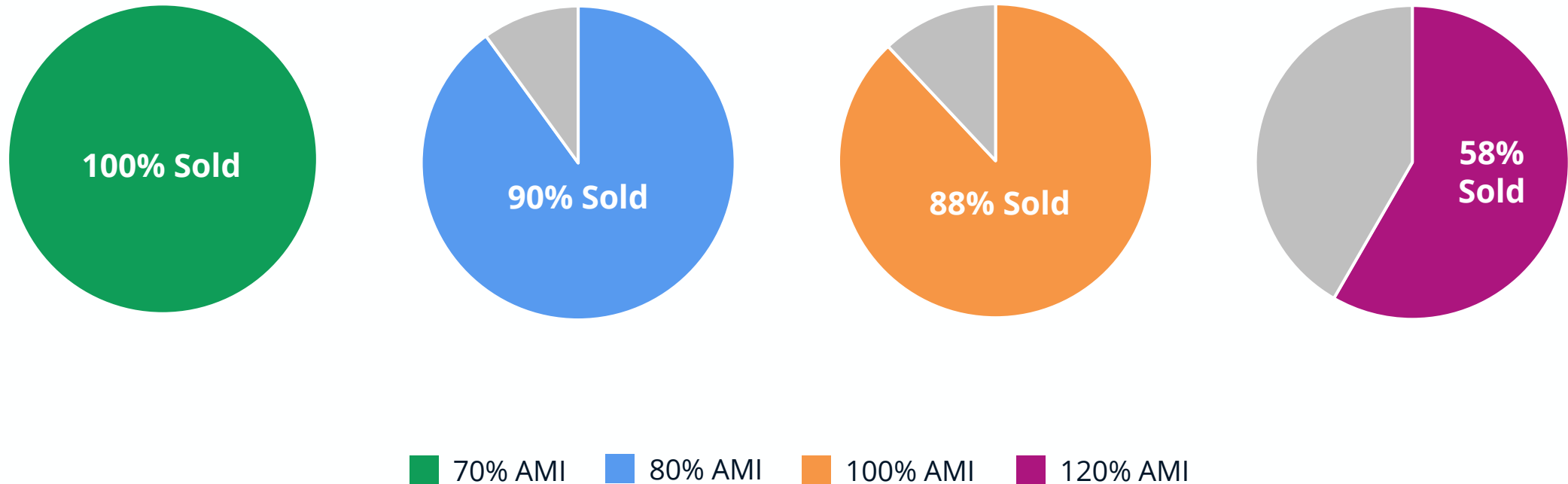
Average WDU Unit Days to Sale by AMI



Source: Fairfax County WDU Production Data, April 2023

# WDU PROGRAM OVERVIEW: SALES

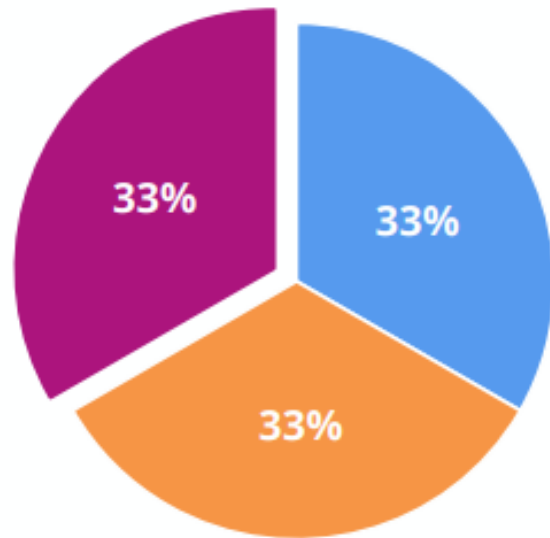
As of April 2023, many higher-priced WDUs, especially **those priced at 120% AMI, have not yet sold.**



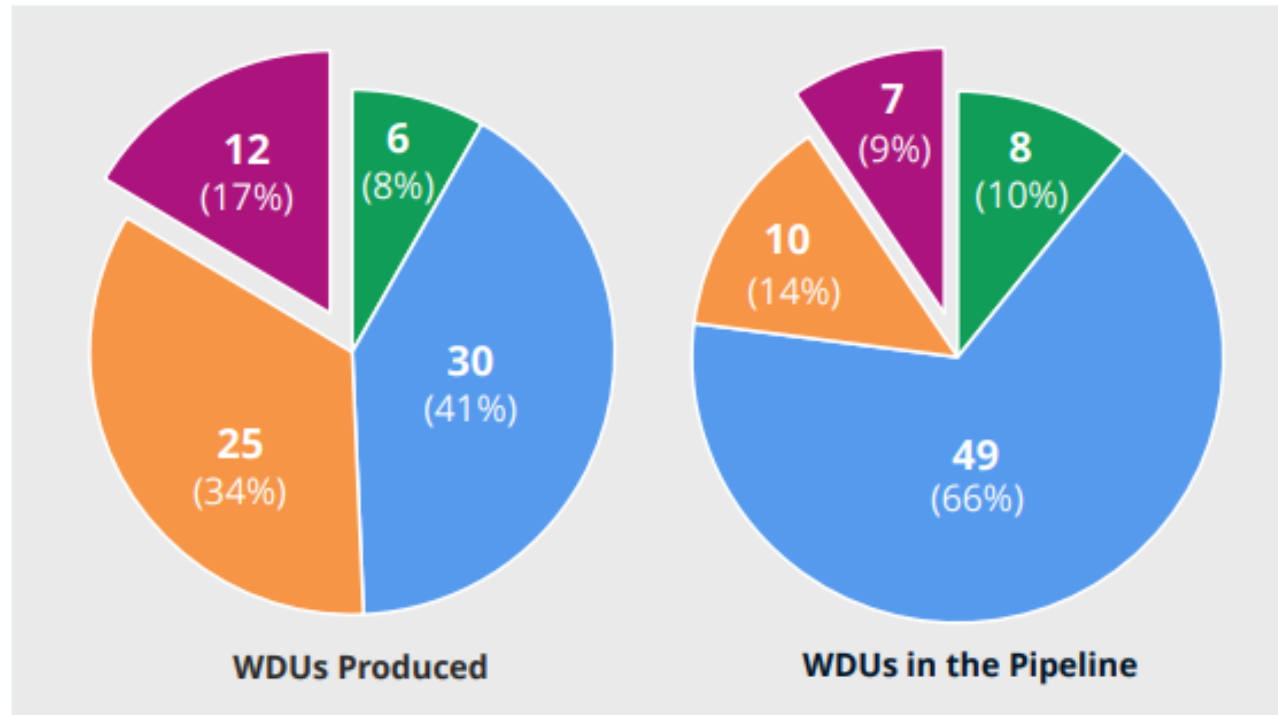
Source: Fairfax County WDU Production Data, April 2023

# WDU 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

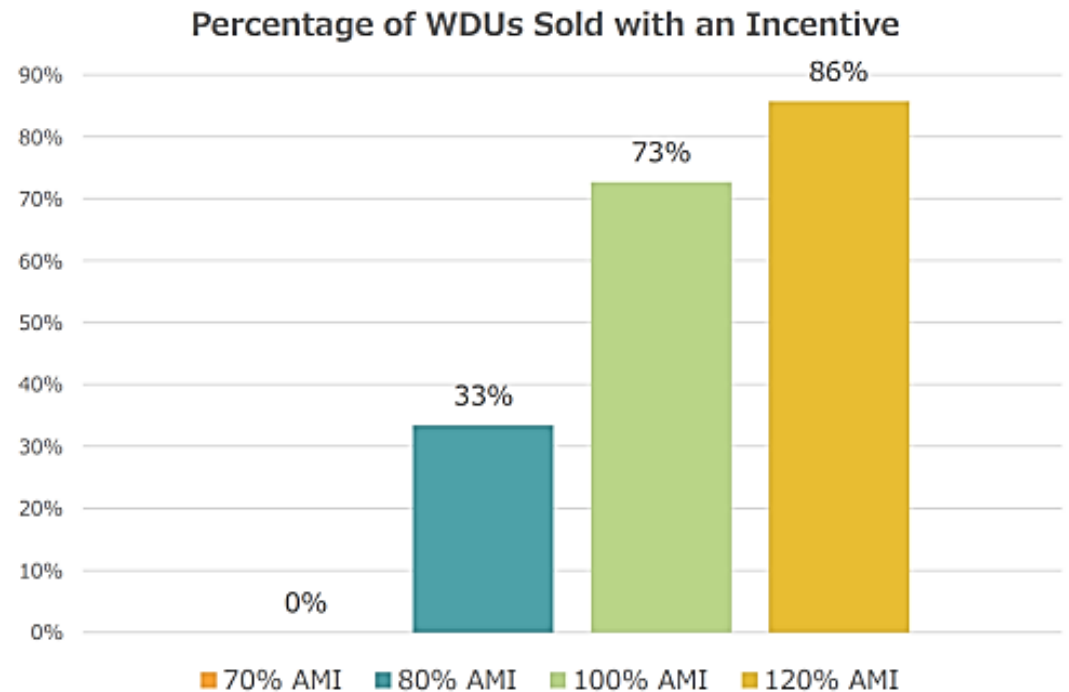
# WDU PROGRAM CHALLENGES: SALES INCENTIVES

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.*

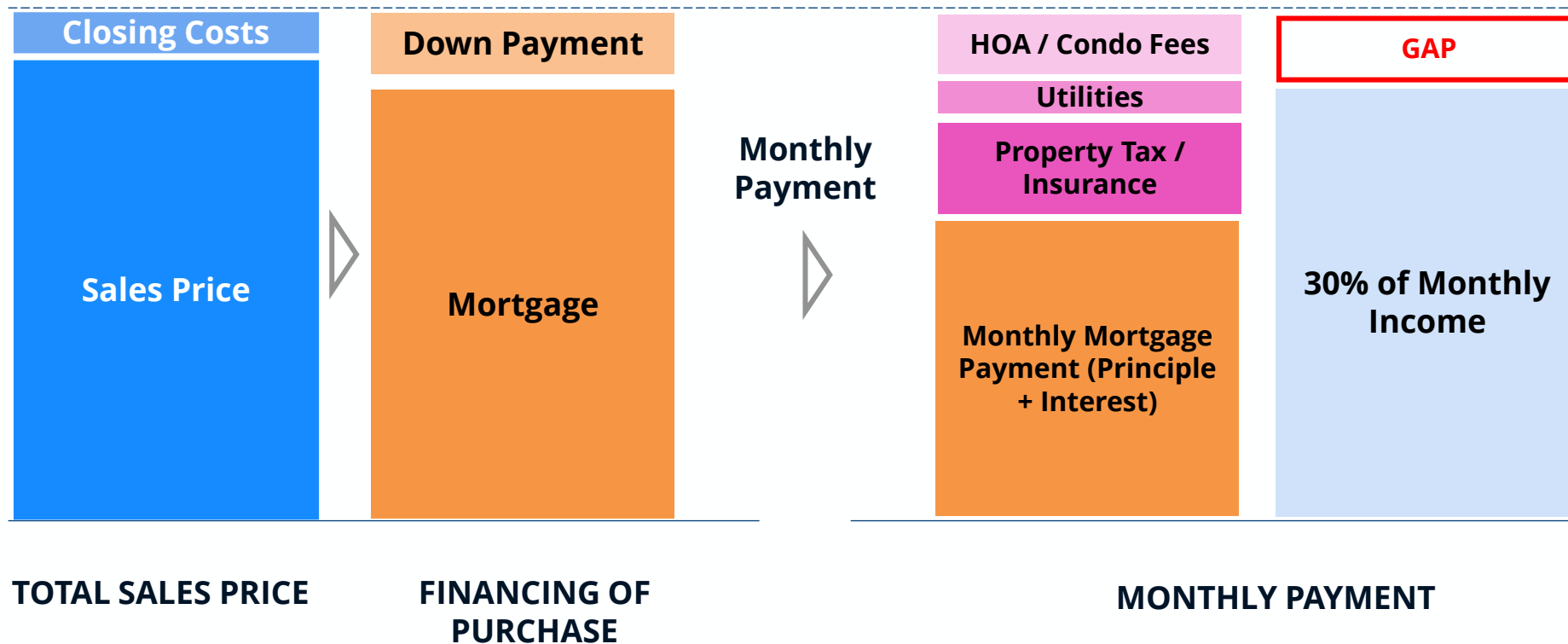


Source: Fairfax County WDU Production Data, April 2023

# MARKET ASSESSMENT: HOUSING AFFORDABILITY

If the set affordable **purchase price does not account for all monthly housing costs**, households will **not be able to afford housing**.

## Cost of Home Purchase to Monthly Housing Payment

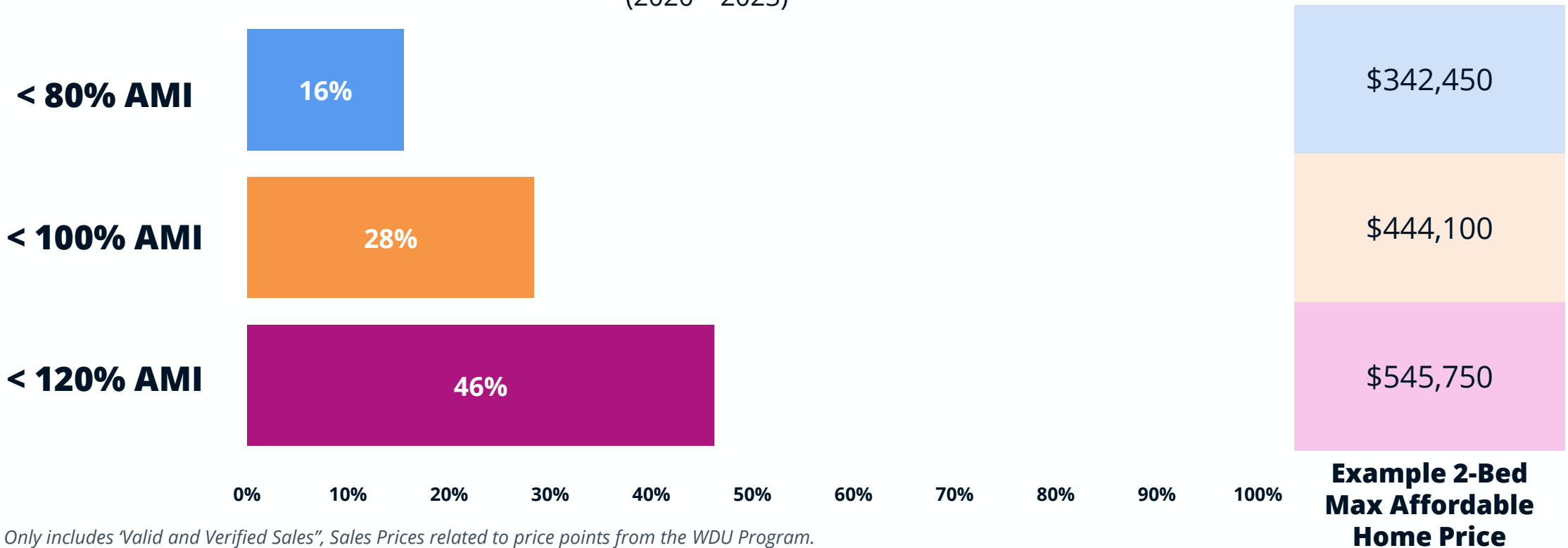


*Note: Size of boxes does not necessarily correspond with percentage of cost.*

# 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*

## 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.**

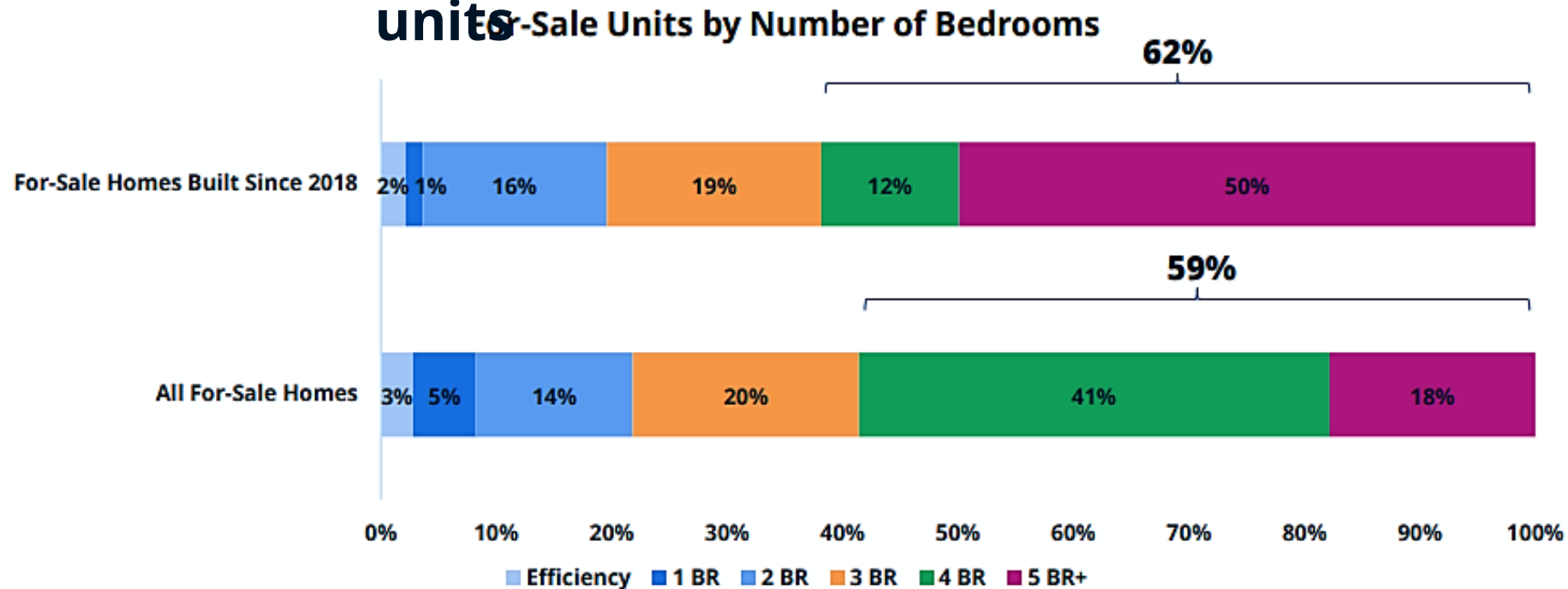
### Recommendations

- 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

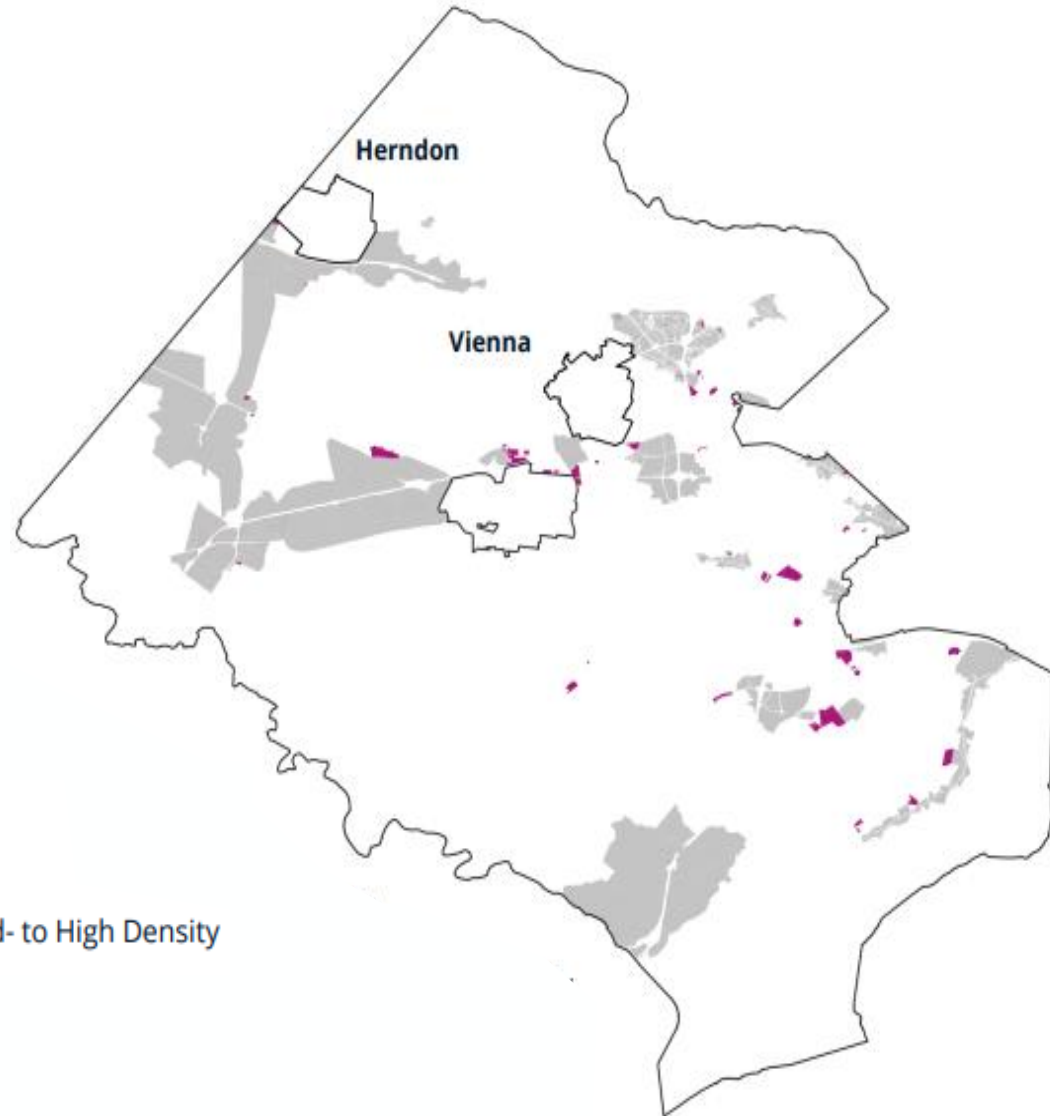
- Adopt a flexible requirement that **the proportion of family-sized WDUs must match the proportion of family-sized market-rate units** in a participating development.
- Family-sized WDUs are any units with 3 or more bedrooms, ensuring that **larger WDUs are produced without the potential production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

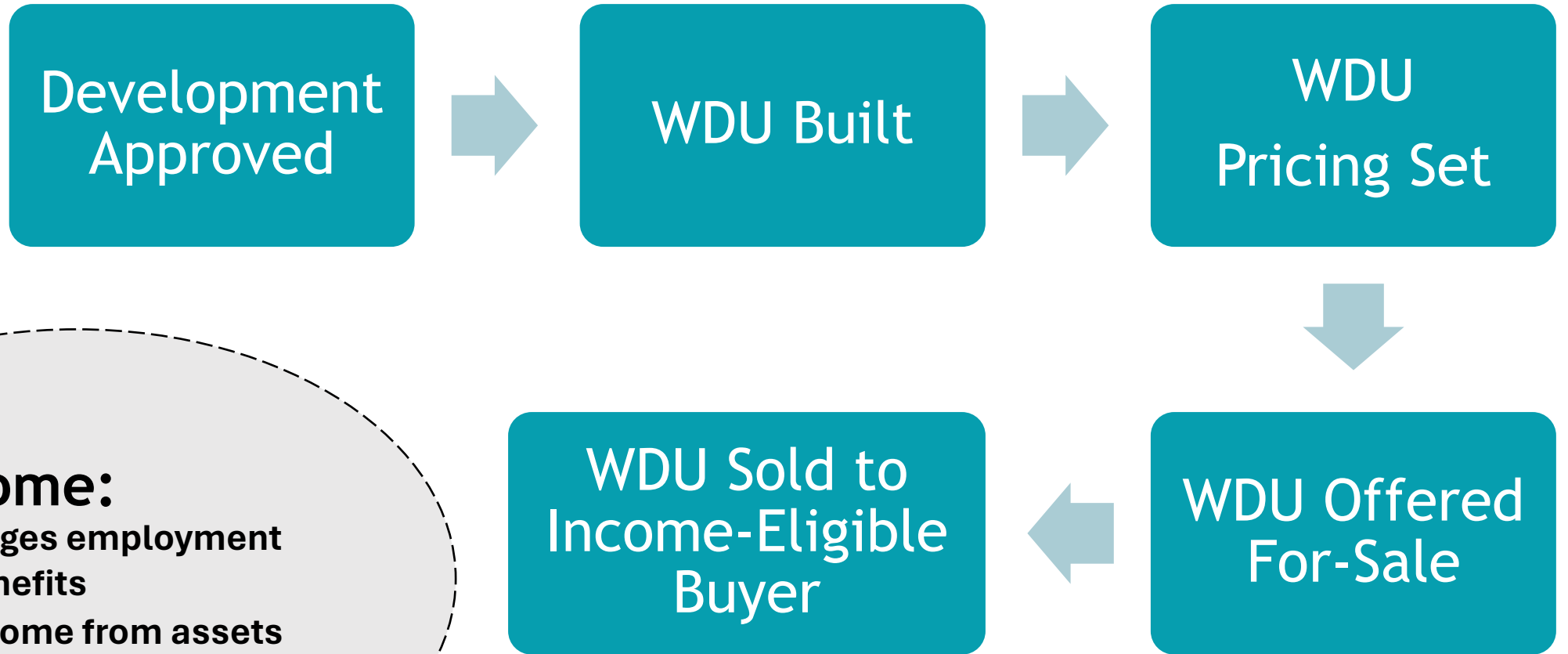
- The high-rise policy **should not be extended outside of Tysons at this time.**
- Although there is not value in extending the high-rise policy beyond Tysons at this time, this analysis should be reevaluated in the future.

# APPENDIX 3: WDU PROGRAM





## WDU - APPROVAL TO SALE



### **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.