

Mount Vernon Council of Citizens' Associations

Special Committee on Affordable & Workforce Housing

REPORT ON:

***Fairfax County's One Penny Fund for Affordable Housing
Fund 319: FY 2006 & FY 2007***

January 2007

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ACRONYMS

ADU – Affordable Dwelling Unit

AHC – AHC Inc. is a private, nonprofit developer of low- and moderate-income housing in the mid-Atlantic region. (www.ahcinc.org)

AHC LP – AHC Inc. Limited Partnership

AHPP – Affordable Housing Partnership Program (www.fairfaxcounty.gov)

AMI – Area Median Income

APH Virginia – This is the Corporation purchasing the 99 year Lease of the Janna Lee Project.

BAN – Bond Anticipation Note

FCAHAC – Fairfax County Affordable Housing Advisory Committee (www.e-ffordable.org)

FCHDC – Fairfax County Department of Housing and Community Development
(www.fairfaxcounty.gov)

FCMI – Fairfax County Median Income

FCRHA – Fairfax County Redevelopment and Housing Authority (www.fairfaxcounty.gov/rha/)

FCRP – Fairfax County Rental Program (www.fairfaxcounty.gov)

FY – Fiscal Year

GMU – George Mason University (www.gmu.edu)

HDC – Department of Housing and Community Development (www.fairfaxcounty.gov)

HFHNV – Habitat for Humanity of Northern Virginia (www.habitatnova.org)

HOME – The HOME Program is flexible to provide gap financing for a range of activities from acquisition and rehabilitation to new construction of rental and single family housing.
(www.fairfaxcounty.gov/rha/)

HUD – U.S. Department of Housing and Urban Development (www.hud.gov)

MVCCA – Mount Vernon Council of Citizens' Associations (www.mvcca.org)

SCAWH – Special Committee on Affordable and Workforce Housing (www.mvcca.org)

TEFRA – Tax Equity and Fiscal Responsibility Act of 1982 (www.irta.com)

VHDA – Virginia Housing Development Authority (www.vhda.com)

INTRODUCTION

The Mount Vernon Council of Citizens' Associations (MVCCA) has supported the One Penny Fund since its inception. The support from the MVCCA has been very strong to preserve and create Workforce Housing in the Mount Vernon District as well as across Fairfax County. In September 2005, the Board of the MVCCA created a Special Committee on Affordable and Workforce Housing (SCAWH)¹. There were some concerns facing the MVCCA when the Flexible Housing Fund, (Fund 319), also known as the One Penny Fund, was actually created to be included in the FY 2006 Fairfax County Budget period. As a result, the SCAWH felt a responsibility to evaluate the use of the One Penny Fund to determine if changes are necessary in policy or guidelines to ensure its continued support and appropriate use.

The SCAWH began meeting in the fall of 2005. By February 2006, the SCAWH had a Mission Statement and Charge to its members, which outlined the goals and mission for the duration of the SCAWH's existence. This mission statement and charge to the SCAWH members was passed unanimously by the MVCCA. The SCAWH was thus on the road into the future addressing the growing housing problem within the Mount Vernon District and throughout Fairfax County.²

In April 2006 a Resolution defining "Affordable Housing" and "Workforce Housing" was approved, overwhelmingly, by the SCAWH and then by the MVCCA. This Resolution described differences between these two housing categories and provided a clear difference in the problem as well as the solutions to each.³

In September 2006, the Fairfax County Affordable Housing Advisory Committee (FCAHAC) released its first report on how the One Penny Fund was used in FY 2006. The SCAWH received this report in conjunction with the monthly Preservation Progress Report provided by the Fairfax County Department of Housing and Community Development (FCHCD). The SCAWH then began the review process of the One Penny Fund's usage. The following report is the findings of the SCAWH on the facts presented. The SCAWH reviewed all projects receiving One Penny Fund money and how this usage connects with the overall preservation of units across the Fairfax County.⁴

¹ Reference: MVCCA Record September 2005 – Establishment of SCAWH

² The Mission Statement and Charge to the Committee ref Attachment 1

³ Reference: MVCCA Record April 2006/September 2006 – Affordable & Workforce Housing Defined - Resolution

⁴ Attachment A: Fairfax County Affordable Housing Advisory Committee Progress Report FY 2006

FAIRFAX COUNTY HOUSING FUNDS BUDGETED FOR FY 2007

It is important to understand that there are several different funds within the housing budget along with the One Penny Fund. To understand how the funds are used together for a given project, it is important to understand the different funds themselves. Some of these funds receive federal monies, some receive state monies, and some receive a combination of federal and state monies. The One Penny Fund is one of the funds that are funded only by Fairfax County. Other funds listed still receive contributions on an annual basis from Fairfax County's General Fund, but by far the largest recipient from the General Fund is the One Penny Fund. The review process of this report revealed that all of the housing funds contribute a financial subsidy to housing in some way.

FY 2007 FCRHA/Department of Housing and Community Development (HCD) Operating and Capital budgets:

Some of the projects reviewed have contributions from not only the One Penny Fund, but also contributions from other funds as well. Most, if not all, federal and state funds come with restrictions on the type of public and low-income housing needs they can be used for in housing. Once these funds are mixed in a given project, the project must meet the federal and state requirements of need attached with the funds.

Fund 001: HCD General Operating	\$ 6,971,863
Fund 141: Elderly Housing Program	\$ 3,344,502
Fund 142: Community Development Block Grant	\$ 6,905,321
Fund 143: Homeowner and Business Loan Program	\$ 1,597,723
Fund 144: Housing Trust Fund	\$ 2,079,060
[*General Fund Transfer Removed in FY 06 ⁵ \$4,000,000]	
Fund 145: HOME Investment Partnership Grant	\$ 2,657,075
Fund 319: Penny for Affordable Housing Program	\$21,900,000
Fund 340: Housing Assistance Program	\$ 938,662
[*General Fund Transfer Removed in FY 06 ⁶ \$2,000,000]	
Fund 341: Housing General Obligation Bond Construction	\$ 0.00
Fund 940: FCRHA General/Operating	\$ 3,084,956
Fund 941: Fairfax County Rental Program	\$ 2,951,950
Fund 945: Non-County Appropriated Rehabilitation Loans	\$ 217,436
Fund 946: FCRHA Revolving Development	\$ 4,139,128
[Fund 947: Closed out end of FY 2005 \$0.00]	
Fund 948: FCRHA Private Financing	\$ 5,947,958
Fund 949: FCRHA Internal Service	\$ 2,942,195
Fund 950: FCRHA Partnerships	\$ 930,379
[Fund 965: FCRHA Housing Grants \$0.00]	
Fund 966: FCRHA Housing Choice Voucher Program	\$41,882,198
Fund 967: FCRHA Public Housing under Management	\$ 5,636,601
Fund 969: FCRHA Public Housing Projects Under Modernization	\$ 0.00
Total Funds FCRHA has to leverage across all properties/projects in FY 2007	\$114,127,007

⁵ Reference Published FY 04, 05, 06, 07 Budgets

⁶ Reference Published FY 04, 05, 06, 07 Budgets

***Note:** Items with asterisks are General Fund contributions that were budgeted for housing, but removed once the One Penny Fund was approved. In FY 06, this totaled about \$6 million dollars. The General Fund contribution to the Housing Trust Fund has been deleted since the creation of the One Penny Fund. The Housing Assistance Program has also lost funding from the General Fund since the creation of the One Penny Fund.

FUND 319: One Penny Fund for Affordable Housing⁷

Fairfax County provides this description for the One Penny Fund:

Focus:

Fund 319, The Penny for Affordable Housing Fund, formerly known as the Housing Flexibility Fund, was established in FY 2006 and is designed to serve as a readily available source of funding for the preservation of affordable housing in the County. The Board of Supervisors has dedicated revenue commensurate with the value of one cent on the Real Estate Tax rate to the Preservation of Affordable Housing, a major County priority. Beginning in FY 2007, this funding will be recorded as Real Estate Tax revenue directly posted to the Fund rather than as a transfer from the General Fund.

Between 1997 and 2004, the County lost 1,300 affordable units due to condo conversions and prepayments by owners of federally subsidized apartment complexes. The rapid pace of converting affordable units and selling them as market-rate condominiums accelerated through 2005 due to the significant appreciation of property values in Fairfax County. Between 1980 and 2005, the assessed value of dwellings in Fairfax County rose more than 300 percent. Similarly, rents have been driven up by the significant and growing demand for housing in the County. In fact, the annual income needed to afford a two-bedroom apartment at the fair market rate of \$1,187 per month was estimated to be \$47,486 in FY 2005. This is just over 50 percent of the Area Median Income, meaning that there are many wage earners for whom living in Fairfax County is a significant financial struggle. The Center for Regional Analysis at George Mason University estimates that there is an affordable housing deficit of 30,000 units currently, and this is projected to rise to 60,000 by 2020.

In light of these trends, the Board of Supervisors set a County goal to preserve 1,000 units of affordable housing, as well as to create 200 new affordable units, by the end of FY 2007. Given the cost of land and that the value of existing property in Fairfax County is at an all-time high, County funding and financing are critical to achieving these goals. Fund 319, The Penny for Affordable Housing Fund, represents the County's financial commitment to preserving and creating affordable housing opportunities by dedicating a portion of its revenue specifically for affordable and workforce housing. To maximize the effectiveness of these funds, the Board of Supervisors recommended a minimum leverage ratio of 3:1 with non-County funds and that units funded by Fund 319 remain affordable at a minimum for a period of time consistent with the County's Affordable Dwelling Unit Ordinance, which is currently 15 years for homeownership units and 20 years for rental units. The Affordable Housing Preservation Action Committee also recommends that timely response to preservation opportunities is essential to maintain affordable housing in a market driven by rising demand and dwindling supply.

As of April 2006, a total of 871 affordable units have been preserved for both homeownership and rental purposes in a variety of large and small projects. Of that number, 252 units are preserved as affordable housing for periods of five years or less, and 619 units are preserved for 20 years or longer. A variety of funding sources were used to preserve these units; however, Fund 319 funds were critical for the preservation efforts associated with two large multifamily complexes that were bought by private nonprofits: Madison Ridge in Centreville (Sully District) and Hollybrooke II in the Seven Corners area of Falls Church (Mason District). At Madison Ridge, 108 rental apartments have been preserved using Fund 319 for long-term affordability (40 years), while 108 condominiums will be sold to first-time homebuyers with controls to maintain affordability for at least the first two years. Similarly, Fund 319 funds were committed to preserve 89 affordable apartments at the Hollybrooke II

⁷ Fairfax County Fund Description – www.fairfaxcounty.gov [Housing_319.PDF pg. 701]

