

**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](http://www.ahcinc.org))

AHC LP – AHC Inc. Limited Partnership

AHPP – Affordable Housing Partnership Program ([www.fairfaxcounty.gov](http://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](http://www.e-ffordable.org))

FCHDC – Fairfax County Department of Housing and Community Development  
([www.fairfaxcounty.gov](http://www.fairfaxcounty.gov))

FCMI – Fairfax County Median Income

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

FCRP – Fairfax County Rental Program ([www.fairfaxcounty.gov](http://www.fairfaxcounty.gov))

FY – Fiscal Year

GMU – George Mason University ([www.gmu.edu](http://www.gmu.edu))

HDC – Department of Housing and Community Development ([www.fairfaxcounty.gov](http://www.fairfaxcounty.gov))

HFHNV – Habitat for Humanity of Northern Virginia ([www.habitatnova.org](http://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/](http://www.fairfaxcounty.gov/rha/))

HUD – U.S. Department of Housing and Urban Development ([www.hud.gov](http://www.hud.gov))

MVCCA – Mount Vernon Council of Citizens' Associations ([www.mvcca.org](http://www.mvcca.org))

SCAWH – Special Committee on Affordable and Workforce Housing ([www.mvcca.org](http://www.mvcca.org))

TEFRA – Tax Equity and Fiscal Responsibility Act of 1982 ([www.irta.com](http://www.irta.com))

VHDA – Virginia Housing Development Authority ([www.vhda.com](http://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)<sup>1</sup>. 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.<sup>2</sup>

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.<sup>3</sup>

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.<sup>4</sup>

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<sup>1</sup> Reference: MVCCA Record September 2005 – Establishment of SCAWH

<sup>2</sup> The Mission Statement and Charge to the Committee ref Attachment 1

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

<sup>4</sup> 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.

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

<sup>5</sup> Reference Published FY 04, 05, 06, 07 Budgets

<sup>6</sup> 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 Housing<sup>7</sup>***

### ***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*

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<sup>7</sup> Fairfax County Fund Description – [www.fairfaxcounty.gov](http://www.fairfaxcounty.gov) [Housing\_319.PDF pg. 701]

condominium in the Seven Corners area of the County. It is anticipated that the entire \$17.9 million will be expended or obligated for specific projects by the end of FY 2006.

### FUND STATEMENT

	Fund Type G30, Capital Project Funds		Fund 319, The Penny for Affordable Housing Fund			
	FY 2006 Estimate	FY 2006 Actual	Increase (Decrease) (Col. 2-1)	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	Increase (Decrease) (Col. 5-4)
<b>Beginning Balance</b>	\$0	\$0	\$0	\$0	\$2,865,921	\$2,865,921
Revenue:						
Bond Proceeds	\$40,600,000	\$40,600,000	\$0	\$0	\$0	\$0
Real Estate Tax Revenue Associated with the Penny for Affordable Housing	0	0	0	21,900,000	21,900,000	0
<b>Total Revenue</b>	\$40,600,000	\$40,600,000	\$0	\$21,900,000	\$21,900,000	\$0
Transfer In:						
General Fund (001)	\$17,900,000	\$17,900,000	\$0	\$0	\$0	\$0
<b>Total Transfers In</b>	\$17,900,000	\$17,900,000	\$0	\$0	\$0	\$0
<b>Total Available</b>	<b>\$58,500,000</b>	<b>\$58,500,000</b>	<b>\$0</b>	<b>\$21,900,000</b>	<b>\$24,765,921</b>	<b>\$2,865,921</b>
Total Expenditures	\$58,500,000	\$55,634,079	(\$2,865,921)	\$21,900,000	\$24,765,921	\$2,865,921
<b>Total Disbursements</b>	<b>\$58,500,000</b>	<b>\$55,634,079</b>	<b>(\$2,865,921)</b>	<b>\$21,900,000</b>	<b>\$24,765,921</b>	<b>\$2,865,921</b>
<b>Ending Balance<sup>1</sup></b>	<b>\$0</b>	<b>\$2,865,921</b>	<b>\$2,865,921</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup> FY 2006 ending balance due to encumbered carryover and unexpended project balances.

Figure 1 – FY 2006 Revenue<sup>8</sup>

- Acquisition of Crescent Apartments \$40,600,000**  
 FY 2006 expenditures are required to increase \$40,600,000 due to the acquisition of Crescent Apartments, which includes 180 units of affordable housing. Total costs for this project are estimated at \$50,100,000, including \$49,500,000 for acquisition and \$600,000 for finance issuance and other start up costs. A bond anticipation note (BAN) was issued on February 16, 2006 in the amount of \$40,600,000. Funding of \$9,500,000 within Fund 319 was reallocated to Project 014239, Crescent Apartments.<sup>9</sup>

#### FY 2006 Third Quarter Summary of Capital Projects

Fund: 319 The Penny for Affordable Housing Fund

Project #	Description	Total Project Estimate	FY 2005 Actual Expenditures	Pre-Third Qtr Revised Budget	FY 2006 Budget	Increase/Decrease
014196	Affordable/Workforce Housing Projects		\$0.00	\$1,900,000.00	\$1,900,000.00	\$0
014198	Madison Ridge		0.00	2,500,000.00	2,500,000.00	0
014232	Hollybrooke II Apartments		0.00	3,750,000.00	3,750,000.00	0
014237	Yorkville Apartments	\$250,000	0.00	250,000.00	250,000.00	0
014239	Crescent Apartments	\$50,100,000	0.00	9,500,000.00	50,100,000.00	40,600,000
<b>Total</b>		<b>\$50,350,000</b>	<b>\$0.00</b>	<b>\$17,900,000.00</b>	<b>\$58,500,000.00</b>	<b>\$40,600,000</b>

Figure 2 – FY 2006 Projects

<sup>8</sup> Fairfax County Fund Description – www.fairfaxcounty.gov [Housing\_319.PDF pg. 703]

<sup>9</sup> Fairfax County Fund Description – www.fairfaxcounty.gov [Housing\_319.PDF pg. 702]

FY 2006 Carryover Summary of Capital Projects

Fund: 319 Housing Flexibility Fund

Project #	Description	Total Project Estimate	Prior Year Actual Expenditures	Adopted Budget	Adopted + Carryover + Out of Cycle Adj.	Adjustments to Carryover	Carryover Revised Budget
014196	Affordable/Workforce Housing Projects		\$31,910.75	\$21,900,000	\$22,315,589.25	(\$12,011,351)	\$10,304,238.25
014198	Madison Ridge	2,500,000	2,500,000.00	0	0.00	0	0.00
014232	Hollybrooke II Apartments	3,350,000	3,350,000.00	0	0.00	0	0.00
014237	Yorkville Apartments	250,000	15,342.58	0	234,657.42	0	234,657.42
014239	Crescent Apartments	53,027,326	49,736,825.88	0	290,500.12	3,000,000	3,290,500.12
014250	Fairfield at Fair Chase	961,525	0.00	0	961,525.00	0	961,525.00
014252	Janna Lee Village I	6,783,000	0.00	0	963,649.00	5,819,351	6,783,000.00
014253	Janna Lee Village II	3,192,000	0.00	0	0.00	3,192,000	3,192,000.00
<b>Total</b>		<b>\$70,063,851</b>	<b>\$55,634,079.21</b>	<b>\$21,900,000</b>	<b>\$24,765,920.79</b>	<b>\$0</b>	<b>\$24,765,920.79</b>

Figure 3 – FY 2007 expenditures<sup>10</sup>

<sup>10</sup> Fairfax County Fund Description – www.fairfaxcounty.gov

## Housing Committee Summary

The following chart is the collective effort by the SCAWH to gauge the effectiveness of each project reviewed by the SCAWH with the guidelines supported by the MVCCA, which were included in the Mission Statement and Charge to the SCAWH. The graph below shows the MVCCA's guidelines that apply across the top. Down the left side are each of the projects reviewed by the SCAWH. The SCAWH then used a scale of 1 to 5 to grade the success of each guideline as it applied to each project. On this scale the following applied:

**Mixed Income Development** – A development with a mixture of housing incomes ranging from poverty to market rate units included within the given project or development.

**One Penny Fund Guidelines** – These are the guidelines, which the Board of Supervisors created for the Fairfax County Redevelopment and Housing Authority in their efforts to allocate One Penny Funds.

**Inclusionary Housing Needs Met** – This item considers how well each project has provided special housing needs and accessibility to units for persons with special needs or disabilities e.g.

**Per Unit Cost Effectiveness** - This item considers the per unit cost to the taxpayer, measuring the overall cost of the unit, compared against the current market rate of a similar unit.

**Homeownership vs. Long-term Preservation** – This item compares each project by the units used for new home ownership as it compares with units preserved for Fairfax County program participation by ownership.

**Leverage of Multiple Funding Sources** – This item evaluated the ability of using One Penny Funds to leverage all public and private funding sources needed for the project.

**Diversification of Household Incomes** – The extent to which the project includes a broad range of household incomes.

**Private, Public & Program Partnerships** – This item evaluates the multiple innovative partnerships, in different forms, as they apply to each project.

**0 = NA    1 = Poor    2 = Below Average    3 = Average    4 = Above Average    5 = Excellent**

Project	Mixed Income Development	One Penny Fund Guidelines	Inclusionary Housing Need Met	Per unit Cost Effectiveness	Homeownership vs. Long-Term Preservation	Leverage of multiple funding sources	Diversification of Housing Incomes	Private, Public & Program Partnerships	TOTAL POINTS	Percentage of Achievement
14198 - Madison Ridge	5	5	5	3	5	4	5	3	35	88%
14232 - Hollybrooke II	3	1	3	1	2	3	1	3	17	43%
14237 - Yorkville Apartments	0	0	0	0	0	0	0	0	0	Unavailable
14239 - Crescent Apartments	3	2	3	1	5	2	3	2	21	53%
Administrative Costs	3	3	3	3	3	3	3	3	24	60%
14253 - Janna Lee Village I & II	2	1	2	3	3	1	2	2	16	40%
Legato Corner	1	5	1	4	4	1	1	1	18	45%
Hollybrooke III	2	3	2	2	2	3	1	3	18	45%
Fairfield at Fair Chase	1	5	1	4	4	3	1	1	20	50%
Glenwood Mews	1	3	1	0	4	3	1	2	15	38%
Sunset Park Apartments	3	1	3	1	2	4	3	2	19	48%
Administrative Costs	0	0	0	0	0	0	0	0	0	Unavailable

In creating this report, the SCAWH realized that reporting to the Council on how the “One Penny Fund” was used would be a challenge based on the FCRHA’s report of ALL preserved units and the report of the FCAHAC’s report on the FY06 One Penny Fund. Both of these reports include many projects utilizing broad range approaches in leveraging Federal, State and local funds with private/public partnerships to allow minimal funds to be maximized to preserve or create the most units possible. This process is then further complicated by the fact that there are several funds used in part or in whole to make each of these projects possible.

As the committee reviewed the reports and the reporting process, it became clear the accounting of units and the analysis applied to both reports did not produce a complete representation of the effectiveness of the One Penny Fund. In the SCAWH’s review, a process was used that accounts for the One Penny Fund contribution by showing the cost per unit to make the preservation possible within any project. The process of identifying the actual units preserved with the One Penny Fund evaluated at each project listed above, identified all funding sources, reviewed the entire cost of the project, and determined the actual ratio of funding per unit required to preserve each unit, within each project. Once this amount was determined, the committee could then make a determination the actual contribution the One Penny Fund made to preserve affordable and workforce housing.

Based on facts acquired by the committee, there are differences in results from the reports presented by the RHA and the FCAHAC. These are mainly differences in the count of units preserved in a total project in which they report the total number of units, while our committee has reported the actual units preserved based on the percent of contribution to the overall cost of the project. The second issue that produced different reporting results is that our committee has separated contributions from other funding sources and tracked One Penny Funds separately.

***FY 2006 One Penny Fund Contribution: \$17,100,000***

Project 14198 – Madison Ridge (10 units)	\$2,500,000
Project 14232 – Hollybrooke II (15 units)	\$3,350,000
Project 14237 – Yorkville Apartments (0 units)	\$250,000
Project 14239 – Crescent Apartments (31 units)	\$9,136,826
Project – Administrative Costs (0 units)	\$247,511

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**FY 2006 – 56 Units Preserved – Total cost \$15,484,337**

**Carry over Funds to FY 2007 - \$2,865,921**

***Total Fund 319 Expenditures - \$18,350,258***

***FY 2007 One Penny Fund Contribution: \$22,900,000.00***

Project 14198b – Madison Ridge (10 units)	\$3,290,500
Project 14252 – Janna Lee Village I (20 units)	\$6,783,000
Project 14253 – Janna Lee Village II (13 units)	\$3,192,000
Project ? – Legato Corner (10 units)	\$952,500
Project ? – Hollybrooke III (50 units)	\$1,600,000
Project ? – Sunset Park Apartments (17 units)	\$5,000,000
<del>Project 14250 – Fairfield at Fair Chase (10 units)</del>	<del>\$961,525</del>
Project – Administrative Costs (0 units)	\$746,498

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**FY 2007 -120 Units Preserved – Total cost \$21,564,500**

## ***COMMITTEE RECOMMENDATIONS***

The MVCCA Special Committee on Affordable and Workforce Housing makes seven recommendations concerning the One Penny Fund.

### **1. INCREASE PUBLIC ACCOUNTABILITY.**

Reporting on a cash per unit basis, along with reporting of leveraged public and private resources, will provide a clearer picture of how funds were used and will be vital to ensuring full community support for the One Penny Fund in future years. Such reporting should include:

- a. All actual funding sources, identified by fund and by project, that contribute to the total funding of projects that receive dollars from the One Penny Fund (319);
- b. A total for units preserved by the Fund contribution (rather than project total), so the public may understand the per unit cost of preserving any one unit for affordable housing;
- c. A separate location on the monthly Preservation report showing the 319 Fund contributions, by funding and units, against all other funding and units preserved;
- d. Clear reporting of projects with multiple parts that carry from year to year, indicating changes, especially when funding has increased or decreased from what was reported in prior years;
- e. Full public disclosure of project details (such as the contracting terms for Sunset Park Apartments cited in this report) that are essential to evaluating the cost-effectiveness of decisions.

### **2. PROMOTE DIVERSITY IN OCCUPANT INCOMES.**

Use One Penny funds to support housing that includes diverse income ranges, and clarify that these ranges have a minimum as well as a maximum expectation for income eligibility. This will make clear the mission of the County to provide a step-by-step process by which everyone from the homeless to renters, may have the opportunity to achieve homeownership. Promoting diversity within each multi-unit project will encourage private developers to invest, knowing that they can propose a wider range of housing that includes market-rate homeownership. Income guidelines might encourage proposals, **for example**, that break out total units as:

- 20% Very Low Income (0-30% AMI),
- 10% Low Income (30-60% AMI),
- 20% Workforce Rental (60-90% AMI),
- 20% Workforce Homeownership (90-120% AMI),
- 30% Open Market Sales.

### **3. COMPARE PROJECT BENEFITS OF NEW CONSTRUCTION VS. PURCHASE & REHAB PRESERVATION.**

To compare cost-effectiveness of potential projects more rigorously, the benefits of new construction should be weighed against the full estimated per-unit costs of acquisition, rehabilitation and long-term liabilities (including maintenance, insurance etc.). Rather than using “preservation” funds to shore up aging public housing projects throughout the county, the Fairfax County Redevelopment and Housing Authority (FCRHA) should explore partnerships that will build affordable housing and/or workforce housing at a lower unit cost than such preservation. For example, the cost of making units accessible for those with disabilities is often much lower in new construction than when “adapting” older buildings. Failure to account for higher costs over the long-term affects the actual per unit costs of construction and maintenance.

#### **4. EVALUATE FCRHA OWNERSHIP VS. OTHER LONG-TERM OPTIONS.**

Compare the cost/benefit ratio of FCRHA's ownership of units vs. other strategies for assuring long-term affordability. Acquiring and leasing land to a developer, under covenants, is one important example. The uses of multi-year air or land lease are also good option. Additionally, a plan for using the One Penny Fund to contribute to the development of new workforce housing, instead of using all funds to preserve existing public housing projects throughout Fairfax County is recommended.

#### **5. CHANGE THE ADU PROGRAM GUIDELINES.**

Two changes in current practices will improve the ability of the Affordable Dwelling Unit (ADU) program to meet the needs of working households currently on the ADU waiting list, waiting to obtain a home through the First-Time Homeownership Program:

- a. A minimum of 66% of ADU's should be made available during the first 30 days on the market to eligible, qualified households on the County's ADU Waiting List for the First Time Home Ownership Program.
- b. Discourage practices enabling FCRHA from procuring units through foreclosure etc., by developing or providing mediation or mitigation programs currently utilized by private industry.

Currently Fairfax County has authorized the RHA to purchase up to 25 ADU's<sup>11</sup> per year and 10 in any one development, with the purpose of placing these units in the County's Rental Program. In addition to these units, there are several (40% of ADU's) units purchased by organizations not currently on the ADU waiting list. This practice prevents those on the Homeownership Waiting List (currently nearly 700 households) from having a chance to buy an ADU.

#### **6. SEPARATE THE WAITING LISTS FOR COUNTY HOUSING PROGRAMS.**

The County staff should create 3 distinct lists, with clarified guidelines for eligibility for each. These should separate three types of programs: (1) Public Housing and other programs (including Vouchers) under state and federal eligibility guidelines, (2) the Fairfax County Rental Program, and (3) the Homeownership Program (for ADU's). Whereas federally funded programs allow eligibility for persons applying from out-of-state, the county-funded programs can and should give priority to long-term county residents for their subsidized assistance in housing. A tracking system would identify duplication and remove such inflation from the total count of households on each list. Establish reportability that more clearly identifies the actual number of persons on a waiting list so that persons on more than one waiting list are counted only once, and not multiple times, which contributes to current lists being inflated.

#### **7. ESTABLISH AN INDEPENDENT HOUSING OMBUDSMAN.**

The purpose of the ombudsman would be to represent citizens on issues relative to all aspects of FCRHA activities which include public funds including , but not limited to:

- Cost Accounting
- One Penny Project Funding
- Asset Management
- Creation of Workforce Housing

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<sup>11</sup> Since the closing date of this report the BOS has changed the ADU Policy to allow FCRHA to purchase up to 50 ADU's per year.

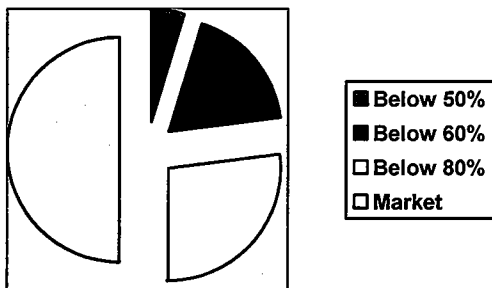
## FY 2006 Fund 319 Project-by-Project Review

### Project 14198 – Madison Ridge

#### FAIRFAX COUNTY PROVIDES \$8.6 MILLION IN FINANCING TO PRESERVE AFFORDABLE HOUSING AT MADISON RIDGE.

*“Fairfax County has awarded the first allotment of funding from the One Penny for Housing Flexibility Fund to Wesley Housing Development Corporation of Northern Virginia. The \$2.5 million allocation is only a portion of the county financing that will help preserve 216 units of affordable housing at Madison Ridge in Centreville (Sully District). The county has also provided \$1 million in funding from the Preservation Loan Fund; \$5.1 million from the Affordable Housing Partnership Program of the Housing Trust Fund bringing the county’s total financing of this project to \$8.6 million. Wesley Housing, an active local non-profit, is the purchaser and project developer for Madison Ridge. Of the total number of units to be preserved, 98 units will remain as affordable rental housing and 118 units will be converted to condominiums which will be sold at prices in the affordable range (\$210,000 to \$290,000 depending on size). Of the 118 units converted to condos, the FCRHA will purchase 10 units, which will remain permanently affordable rental units. The remaining 108 will be sold at affordable prices for two years. Wesley acquired Madison Ridge on July 15, 2005.”<sup>12</sup>*

*Info provided by FCRHA states that “the interim financing and permanent financing for the 98 rental units is Housing Trust Fund funds not one-penny funds. The one penny funds used for this project was \$2,500,000.00 used to purchase 10 condo units to be added to the FC rental portfolio.”<sup>13</sup>*



**The overall question for this project is how many units in the below 80% AMI are going to households below 50% AMI or even 30% AMI. The actual criteria on the distribution of the units by income are not clear and the facts of ensuring these income guidelines were not available at the time this report was completed.**

#### SCAWH Evaluation of the Madison Ridge Project -

TOTAL COST OF PROJECT:	\$38,450,000
FAIRFAX COUNTY SUBSIDIES:	\$ 8,600,000
(Site Acquisition)	\$ 6,100,000
ONE PENNY FUND:	\$ 2,500,000
TOTAL UNITS	216
WESLEY HOUSING	98 units for low-income rental
ONE PENNY FUND	10 units preserved for FCRHA
BALANCE FOR SALE	108 units to be sold at prices no greater than VHDA price limits.

The reported total cost of the Madison Ridge Project is \$38,450,000 with Fairfax County leveraging subsidies totaling \$8,600,000. A total of \$6,100,000 was funded for acquisition of the site including assisting Wesley Housing to purchase 98 units for low-income rentals. This project also includes a future possibility to develop part of the site for additional affordable housing. The One Penny Fund contributed \$2,500,000 to purchase 10 units of the 216 total units in the project to be preserved for

<sup>12</sup> News Release from FCRHA

<sup>13</sup> FCRHA Doc – refer to report pg 46 figure 8

FCRHA ownership and to be used by the Fairfax County Rental Program. The remaining 108 units on this project would be sold at sale prices no greater than VHDA sales price limits.

The FCRHA reporting indicates that One Penny Fund funds on this project were used to purchase units to be owned by FCRHA and to be used to provide low-income rental units to families on the county's waiting list. While the cost per unit on this site is high, the total leverage of all funding outside the One Penny Fund may allow FCRHA to develop new housing on the site in the future. There is SCAWH concern that future plans for this site include a complete mixture of housing incomes and not allow additional project based housing on the site because FCRHA owns the land.

The SCAWH agrees that this was a good investment and would like to see future development on the site open to new ideas in diversity of housing types and income levels



**\$250,000 each unit**

**One-Penny Contribution - \$2,500,000**

**10 Units Preserved**

***Project 14232 – Hollybrooke II***

***FCRHA RESOLUTION NUMBER 63-05***

***ISSUANCE OF FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY  
MULTIFAMILY HOUSING REVENUE BONDS (HOLLYBROOKE II PROJECT) SERIES 2005  
RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF AN AGGREGATE PRINCIPAL AMOUNT NOT TO  
EXCEED \$10,500,000 OF FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY MULTIFAMILY  
HOUSING REVENUE BONDS (HOLLYBROOKE II PROJECT) SERIES 2005; DESIGNATING BONDS AS LIMITED  
OBLIGATIONS OF THE AUTHORITY; APPROVING AND AUTHORIZING THE SALE OF THE BONDS;  
AUTHORIZING THE EXECUTION AND DELIVERY OF THE TRUST INDENTURE, LOAN AGREEMENT, LAND USE  
RESTRICTION AGREEMENT, AND BOND PURCHASE AGREEMENT IN SUBSTANTIALLY THE FORM MADE  
AVAILABLE FOR REVIEW, AND THE NO ARBITRAGE CERTIFICATE AND TAX AGREEMENT, AND OTHER  
DOCUMENTS RELATED TO THE ISSUANCE AND SALE OF THE BONDS AND AUTHORIZING PROPER OFFICERS  
TO DO ALL OTHER THINGS DEEMED***

***FCRHA RESOLUTION NUMBER 88-05***

***AUTHORIZATION TO MAKE REVISIONS TO THE TERMS OF THE LOAN IN THE AMOUNT OF UP TO \$3,750,000  
FROM FUND 319, HOUSING FLEXIBILITY FUND (ONE PENNY FOR HOUSING), TO AHC LIMITED  
PARTNERSHIP12 FOR THE ACQUISITION REHABILITATION AND PRESERVATION OF 98 UNITS AT  
HOLLYBROOKE II CONDOMINIUMS (MASON DISTRICT)***

***BE IT RESOLVED that the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby authorizes, subject to the approval of the Fairfax County Board of Supervisors, the making of a loan from the Affordable Housing Partnership Program (AHPP Loan) to AHC Limited Partnership – 12 in an amount not to exceed \$3,750,000 from Fund 319, Housing Flexibility Fund (One Penny for Housing) for the purpose of providing financing to be used toward the acquisition, rehabilitation, and preservation of Hollybrooke II Condominiums;***

***BE IT FURTHER RESOLVED that the FCRHA hereby authorizes Paula C. Sampson to act as its authorized negotiator and further authorizes its Chairman, Vice Chairman or any Assistant Secretary to execute all documents and agreements necessary or appropriate in connection with the AHPP Loan in accordance with the revised terms and conditions, as stated in the Affordable Housing Partnership Program Revised Summary Term Sheet as of October 27, 2005 provided as Attachment 2 to the item presented to the FCRHA at its October 27, 2005 meeting.***

*A vote was taken after the discussion, and the motion carried unanimously.*

**FAIRFAX COUNTY**

**BOARD OF SUPERVISORS**  
**AUGUST 1, 2005**

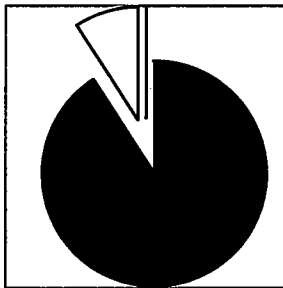
5 **Approved**

*Issuance and Sale of Bonds by the Fairfax County Redevelopment and Housing Authority for the Financing of the Acquisition and Rehabilitation of 98-Units in the Hollybrooke II Condominium Complex by AHC, Inc. (Mason District)*

**FAIRFAX COUNTY**  
**BOARD OF SUPERVISORS**  
**SEPTEMBER 26, 2005**

2 **Approved**

*Approval of Award from Fund 319, One Penny For Housing Flexibility Fund, to AHC Limited Partnership -12 for the Acquisition, Rehabilitation and Preservation of 98 Units at Hollybrooke II Condominium Complex and Authorizing the Fairfax County Redevelopment and Housing Authority to Make the Loan (Mason District)*



**The overall question for this project is how many units in the below 60% AMI are going to households below 50% AMI or even 30% AMI. The actual criteria on the distribution of the units by income are not clear and the facts of ensuring these income guidelines were not available at the time this report was completed.**

**SCAWH Evaluation of the Hollybrooke II Project -**

The total Hollybrooke II Project cost for 98 units was \$21,906,199. The total Fairfax County subsidized funding for this project in partnership with AHC to purchase 98 units was \$14,200,000. The One Penny Fund contribution for this project as a Loan was \$3,750,000. The per unit cost was \$223,500. The One Penny Fund source preserved 15 units. Of the 98 units preserved in this project, 89 units are for affordable rentals below 60% of the AMI. The 9 remaining units are preserved as rentals for households below 80% of the AMI.

The FCRHA reporting indicates that One Penny Fund funds on this project were used to purchase units by AHC Inc. to provide low-income rental units to families on the county's waiting list. All subsidized funds used on this project were used for purchase and rehabilitation of the existing units. The cost per unit is high, given that the owner of this site is not FCRHA. While this project includes a 50-year preservation, other current units similar to these are being rehabilitated by FCRHA after 25 to 30 years. Given this history, the SCAWH questions the value of purchasing older buildings, rehabilitating the existing units at a high cost per unit, and then being faced half way through the 50 year preservation of these units with the cost of rehabilitating units again that are not owned by FCRHA.

The SCAWH has determined that this was NOT a good long-term investment. The SCAWH would like to see a commitment in future projects to evaluate the long term cost of investing in older buildings that require rehabilitation at the time of initial investment and at least once more during the life of the potential preservation. Preservation projects just to preserve units or spend funds within one fiscal year are not what the SCAWH believes the taxpayer wants to see from the One Penny Fund. The

cost per unit preserved in the Hollybrooke II Project is too high when the investment is only preservation and rehabilitation and not FCRHA ownership.

**\$223,500 each unit**



**One-Penny Contribution - \$3,350,000**

**15 Units Preserved**

***Project 14237 – Yorkville Apartments***

**RESOLUTION NUMBER 83-05**

**AUTHORIZATION, SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS, TO REALLOCATE HOME INVESTMENT PARTNERSHIP PROGRAM (HOME) FUNDS, IN THE AMOUNT OF \$500,000, FOR STUDIES RELATED TO FEASIBILITY OF ACQUISITION OF YORKVILLE COOPERATIVE, PROJECT 014237 (PROVIDENCE DISTRICT)**

*BE IT RESOLVED, that the Fairfax County Redevelopment and Housing Authority hereby authorizes, subject to the approval by the Board of Supervisors and the appropriate determination of eligibility of the use for the Yorkville pre-acquisition feasibility and suitable finding of environmental assessment, the reallocation of \$500,000 in HOME Funds to Project 014237, Yorkville Cooperative for studies related to feasibility of acquisition.*

*A motion was made by Commissioner Rau, seconded by Commissioner Jasper, that the FCRHA adopt Resolution Number 83-05.*

*A brief presentation was made by Michael Pearman, after which he responded to questions from the Commissioners. A vote was taken after discussion, and the motion carried unanimously.*

**• Out of Cycle Adjustment \$993,430**

***A total increase of \$993,430 includes an increase of \$943,430 in Buildings Expenses associated with interim financing for the acquisition of seven Affordable Dwelling Units at Willow Oaks and an increase of \$50,000 in Professional Consultant and Contractual Services associated with Acquisition Fees for Yorkville Apartments. Funding for Yorkville was advanced from the Fund 946 Fund Balance and will be repaid at a later date.***

**SCAWH Evaluation of the Yorkville Apartment Project -**

The initial \$500,000 set aside from HOME funds for a feasibility study on this site could not be used for this purpose. The One Penny Fund then set aside a new amount of \$250,000.00 to help in pre-acquisition and feasibility costs. An additional \$50,000 came from Fund 946 for a cost increase above the One Penny Fund contribution. This project is in a pre-acquisition phase, and thus it is unfair to judge this One Penny Fund contribution while the project is still in its initial stage. It is, however, important to the SCAWH that this project is reported because funds were used from the One Penny Fund.

With the limited information available on this project, there are no objections at this time other than a concern about spending One Penny Fund funds for Tier I or Tier II studies instead of taking these funds from other sources and repaying the other funds once a clear project is approved in Tier III. The SCAWH would like to see future studies not funded from Fund 319 until a project that preserves units is committed to for funding.

**\$0.00 each unit**

**One Penny Contribution - \$250,000**

**0 Units Preserved**

***Project 14239 – Crescent Apartments***

The Board of Supervisors approved \$17.9 million in funding in this year's budget for affordable housing—an amount equal to the value of one penny of the real estate rate. A portion of those funds, approximately \$9 million, will be used for the acquisition of the Crescent. The purchase price for Crescent Apartments and the valuable underlying land is \$49,500,000. The majority of the acquisition funding, \$40.5 million, will be raised from a one-year Bond Anticipation Note issued by the Fairfax County Redevelopment and Housing Authority. The FCRHA will be exploring permanent financing options.<sup>14</sup>

***RESOLUTION NUMBER 59-06  
APPROVAL OF ADMISSIONS AND OCCUPANCY GUIDELINES  
AT CRESCENT APARTMENTS (HUNTER MILL DISTRICT)***

*WHEREAS, the Fairfax County Redevelopment and Housing Authority ("FCRHA") is a political subdivision of the Commonwealth of Virginia, established pursuant to the Virginia Housing Authority Law, Title 36, Chapter 1, Code of Virginia, 1950, as amended (the "Act"), and is authorized thereby to acquire, lease and operate "residential buildings," within the meaning of the Act, to further FCRHA's goal of preserving existing affordable housing in Fairfax County; and*

*WHEREAS, the FCRHA, under a ground lease agreement with the Board of Supervisors, operates the Crescent Apartments as a "residential building" after the purchase thereof; and*

*WHEREAS, the Act defines "residential building" to be a multifamily residential property in which no less than 20% of the units will be occupied by persons and families of low income and the remainder therein by persons and families of moderate income, both as determined by FCRHA using the criteria set forth in the definition of "persons and families of low and moderate income" in Section 3655.26, being part of the Virginia Housing Development Authority Act, Title 36, Chapter 1.2, Code of Virginia, 1950, as amended (the "§3655.26 criteria"); and*

*WHEREAS, at its meeting on July 27, 2006, the FCRHA adopted as its revised definition of moderate income, as follows: persons and families with household incomes at or below 100% of Area Median Income (AMI), as published annually by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size;*

*NOW THEREFORE, BE IT RESOLVED THAT the FCRHA hereby approves the Admissions and Occupancy Guidelines for the Crescent Apartments as follows: (1) 20% of the units would be rented to low income persons and families with household incomes at or below 60% of Area Median Income (AMI), as published annually by the United States Department of Housing and Urban Development, adjusted for family size; and (2) 80% of the units would be rented to moderate income persons and families with household incomes at or below 100% of AMI, adjusted for family size; and*

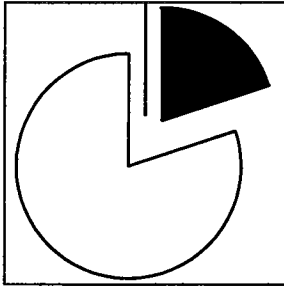
*BE IT FURTHER RESOLVED THAT the FCRHA authorizes payment of appropriate relocation benefits from funds available within property operations to qualified over income households as outlined in the item presented to the FCRHA at its meeting on July 27, 2006.*

*A motion was made by Commissioner Rau, seconded by Commissioner Dunn, that the FCRHA adopt Resolution Number 59-06.*

*A vote was taken, and the motion carried unanimously.*

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<sup>14</sup> FCRHA New release



**The overall question for this project is how many units in the below 80% AMI are going to households below 60% AMI, 50% AMI or even 30% AMI. The actual criteria on the distribution of the units by income are not clear and the facts of ensuring these income guidelines were not available at the time this report was completed.**

**SCAWH Evaluation of the Crescent Apartment Project -**

This project consists of 180 units purchased by Fairfax County and preserved as affordable rental units owned and operated by Fairfax County. The total cost of this project was estimated at \$53,027,326. The per unit cost is approximately \$295,000. When the per unit cost is calculated against the One Penny Fund contribution, 31 units of the 180 total were actually preserved by One Penny Fund funds because other funding was used for the majority of the project. In both the E-ffordable.org Report and the FCAHAC Report, all 180 units are counted as being preserved by One Penny Fund funds.

There are two problems with this type of reporting. First, the per unit cost of preservation is reported by the FCAHAC as being only \$45,826 instead of the actual cost based on the projected cost of this project. Based on the “reported” average cost, this project total should be around \$8,250,000, instead of the \$50 million it is projected to cost.

Secondly, this hurts the efforts of the County in future planning because the vastly understated cost per unit will affect estimating the cost of preserving units in the future. It is critical in the early stages of the 319 Fund that the taxpayer understands the cost of each project, where the funds are coming from, and what is the One Penny Fund contribution in each project. With this information, the taxpayer will be able to evaluate accurately the effectiveness of the One Penny Fund and the actual return on investment in affordable housing.



**\$295,000 each unit**

**One-Penny Contribution - \$9,136,826**

**31 Units Preserved**

***Administrative Costs -***

**Explanation from FCRHA –**

“With One Penny, the RHA was allowed 2.5% for administrative costs. In FY2006, that equaled \$447,500. Of that all but \$198,989 was spent, largely on transaction related costs-- appraisals, environmental studies, outside legal counsel. We also paid for the GMU study out of these funds. None was spent on staff. For FY07, the 2.5% equals \$547,500. The unspent \$198,989 was added to this at carryover.”<sup>15</sup>

<sup>15</sup> E-mail answer from FCRHA Direct in response to Admin Costs - Dated Nov 30, 2006

**SCAWH Evaluation of Administrative Costs -**

Based on expenses from FY 2006, the SCAWH believes these set aside funds were used appropriately. The anticipation is these monies will continue to grow as they are rolled over each year. The recommendation on Administrative Costs, however, is that these funds should be used by the end of the FY in which the One Penny Fund was assigned to preserve additional affordable units. For example, the \$198,000 carryover from FY 2006 could have purchased 2 additional ADU's. Since there is a 2.5% set aside each year for administrative costs, there is no reason for these funds to carryover to the next year; they should roll back into the One Penny Fund account and be used to preserve additional affordable units.



**\$248,511.00**

## ***FY 2007 Fund 319 Projects Analysis***

### ***Project 14252 – Janna Lee Village I & Project 14253 – Janna Lee Village II***

**RESOLUTION NUMBER 43-06**  
**AUTHORIZATION OF THE FINANCING TERMS AND CONDITIONS OF**  
**THE JANNA LEE VILLAGE PROPERTY BY THE FCRHA, SUBJECT**  
**TO THE APPROVAL OF THE BOARD OF SUPERVISORS,**  
**AS DISCUSSED IN CLOSED SESSION**

*Be it resolved that the Fairfax County Redevelopment and Housing Authority, subject to approval by the Board of Supervisors, hereby authorizes the financing terms and conditions, as described in Closed Session by the FCRHA at its meeting on May 4, 2006 regarding the Janna Lee Village property.*

*A motion was made by Commissioner McAloon, seconded by Commissioner Rau, that the Fairfax County Redevelopment and Housing Authority, subject to approval by the Board of Supervisors, hereby authorizes the financing terms and conditions, as described in Closed Session to the FCRHA at its meeting on May 4, 2006, in relation to the Janna Lee project. The motion carried, with Commissioner Kershenstein voting nay.*

### **A-7 – APPROVAL OF THE FINANCING PLAN FOR THE PRESERVATION OF JANNA LEE**

*Supervisor Kauffman moved that the Board concur in the recommendation of staff and approve the financing plan for Janna Lee Village for the purpose of acquiring, rehabilitating, and preserving Janna Lee Village, a 319-unit affordable rental complex located in the Hybla Valley area of the Lee District. Supervisor Hyland seconded the motion.*

*Discussion ensued, with input from Paula Sampson, Director, Department of Housing and Community Development (HCD) and Aseem Nigam, Director, Real Estate Finance and Grants Management Division, HCD, regarding the preservation of affordable housing.*

*Chairman Connolly disclosed that he received a campaign contribution from Dr. Cyrus Katzen, General Partner of Buckman Road Associates, and seller of the property.*

*Supervisor Hyland also disclosed that he received a campaign contribution from Dr. Katzen.*

*The question was called on the motion and it carried by a vote of nine, Supervisor McConnell not yet having arrived.*

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16. ***I-3 – LOCAL COMMENT LETTERS TO THE VIRGINIA HOUSING DEVELOPMENT AUTHORITY (VHDA) ON JANNA LEE VILLAGE APARTMENTS, PHASE I AND PHASE II (LEE DISTRICT) (11:39 a.m.)***

*The Board next considered an item contained in the Board Agenda dated March 13, 2006, requesting authorization for the County Executive to sign letters of support for Janna Lee Village Apartments, Phase I and Janna Lee Village*

*Apartments, Phase II and forward them to VHDA for consideration with the tax credit application.*

*The staff was directed administratively to proceed as proposed.*

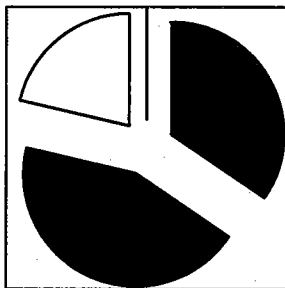
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**Board Summary -46- October 23, 2006**

**73. MOTION APPROVING TWO GROUND LEASES IN JANNA LEE VILLAGE (LEE DISTRICT) (4:45 p.m.)**

*Supervisor Kauffman moved that the Board approve two ground leases each with a maximum term of 99-years, in substantially the form distributed, between Fairfax County Redevelopment and Housing Authority, as the ground landlord thereunder, and AHP Virginia, LLC and/or one or more limited partnerships formed by AHP Virginia, LLC, as the ground tenant(s) thereunder, for the purpose of effecting financing previously approved by the Board for the acquisition, rehabilitation, revitalization, and preservation of Janna Lee Village, a 319-unit affordable rental complex located in the Hybla Valley area of the Lee District.*

*Supervisor Bulova seconded the motion and it carried by unanimous vote.*



**The overall question for this project is how many units in the below 80% AMI are going to households below 60% AMI, 50% AMI or even 30% AMI. The actual criteria on the distribution of the units by income are not clear and the facts of ensuring these income guidelines were not available at the time this report was completed.**

**SCAWH Evaluation of the Janna Lee Village I and II Project**

The affordability of the units in this project is as follows:

35% (110 units): affordable at 50% or below AMI (Section 326)

45% (141 units): affordable at 60% or below AMI

20% (68 units): affordable at 80% or below AMI.

The total funds required for the Janna Lee Village Project are \$66,944,149 for acquisition and development costs. The total subsidy coming from the One Penny Fund is \$19,000,000. Of the \$19,000,000, \$4,785,000 will be used toward the land purchase, and \$14,215,000 will be used toward loan costs. The details of how the total funds for this project are being used are still NOT clear. The total subsidies required for this project are about \$19,000,000. It appears that Project 14252/14253 is funding rehabilitation of the 319 units to fix living conditions. The other \$10,000,000 for the purchase of this site is being funded by FY 2008 One Penny Funds.

**\$209,856 each unit**



**One-Penny Contribution - \$6,783,000**  
**33 units preserved**

***Project ? – Legato Corner***

*“This project is part of the Magnet housing program of Fairfax County that is owned by Fairfax County. The ownership includes 13 units at a total cost of \$1,270,000.00 of which 75% of this total project was funded by the One Penny Fund. Legato Corner includes 6) one bedroom units, 6) two bedroom units and 1) 3 bedroom units. Four of these units are being reserved for newly hired schoolteachers in critical field areas and the other nine units are being reserved for Fairfax County government employees. These are rental units that will be available from \$715.00 to \$980.00 per month. Of the three teachers selected for the first 3 of 4 units for schoolteachers they will be provided with a year-to-year lease at a subsidized rate with the second year of residency included until he or she reaches the FCAMI of \$50,570.00”<sup>16</sup>*

**PUBLIC HEARING**

***PURCHASE OF UP TO TWENTY-SEVEN AFFORDABLE DWELLING UNITS (ADUS) AT LEGATO CORNERS (FAIRCHASE)***

*The Chairman opened the public hearing at 7:11 p.m. With no one signed up, and no one in the audience wishing to speak, the Chair closed the public hearing at 7:12 p.m.*

***RESOLUTION NUMBER 35-06***

***AUTHORIZATION TO: 1) PURCHASE UP TO TWENTY-SEVEN AFFORDABLE DWELLING UNITS AT THE FAIRFIELD AT FAIRCHASE DEVELOPMENT, 2) WAIVE THE CURRENT ADU POLICY WHICH LIMITS THE NUMBER OF UNITS ACQUIRED TO TWENTY-FIVE IN ONE YEAR AND TEN UNITS IN ANY ONE DEVELOPMENT, 3) APPLY FOR A LOAN FROM A PRIVATE LENDER FOR A PORTION OF THE FINANCING OF THE ACQUISITION, SUBJECT TO APPROVAL OF A FINANCING PLAN BY THE BOARD OF SUPERVISORS, 4) REALLOCATE AND DISBURSE, SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS, FUNDS FROM HOUSING TRUST FUND AND THE PENNY FOR AFFORDABLE HOUSING FUND FOR A PORTION OF THE FINANCING FOR THIRTEEN UNITS AT LEGATO CORNER CONDOMINIUMS, AND 5) EXPEND UP TO \$115,023 IN FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY REVOLVING DEVELOPMENT FUND AS A PORTION OF THE INTERIM FINANCING FOR THE PROPOSED ACQUISITIONS OF THIRTEEN UNITS AT LEGATO CORNER CONDOMINIUMS (SPRINGFIELD DISTRICT)***

***BE IT RESOLVED that the Fairfax County Redevelopment and Housing Authority (FCRHA) authorizes the purchase of up to 27 affordable dwelling units (the ADU Units) in the Fairfield at Fairchase development, of which 13 ADUs shall be located in Phase I of the development known as Legato Corner Condominiums and 14 ADUs in Phase II that will be known as the Bristol at Fairchase, and***

***BE IT FURTHER RESOLVED that the FCRHA authorizes Paula C. Sampson to act as its authorized negotiator for the purchase of the ADU Units, and further authorizes its Chairman, Vice Chairman or any Assistant Secretary to execute all documents and agreements necessary or appropriate in connection with the purchase of the ADU Units; and***

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<sup>16</sup> News Release from FCRHA

*BE IT FURTHER RESOLVED that the FCRHA approves the financing plan as described in the item presented to the FCRHA at its meeting on May 4, 2006; for the purchase of up to 13 ADU Units at Legato Corner Condominiums; and  
BE IT FURTHER RESOLVED that the FCRHA authorizes Paula C. Sampson to act as its authorized negotiator for the obtaining of a loan for a portion of the permanent financing of the Legato Corner Condominiums ADU units, and further authorizes its Chairman, Vice Chairman or any Assistant Secretary to execute all documents and agreements necessary or appropriate in connection with the loan as described in the item noted above on behalf of the FCRHA from a private lender; and*

*BE IT FURTHER RESOLVED that the FCRHA hereby authorizes, subject to the approval of the Board of Supervisors, up to \$195,000 to be drawn down from Fund 144, Housing Trust Fund and \$961,525 from Fund 319, The Penny for Affordable Housing Fund, for a portion of the acquisition cost of 13 units at Legato Corner Condominiums; and*

*BE IT FURTHER RESOLVED that the FCRHA hereby authorizes up to \$115,023 to be drawn down from Fund 946, FCRHA Revolving Development Fund, as a portion of the interim financing to purchase the ADU units at Legato Corner Condominiums to be repaid at the time permanent financing is arranged; and*

*BE IT FURTHER RESOLVED that the FCRHA hereby waives its ADU policy that limits the number of ADUs purchased by the FCRHA per year to 25 and the number of ADUs in any one development to 10, to allow the purchase of 27 ADUs in the Fairfield at Fairchase development, of which 13 ADUs shall be located in Phase I of the development known as Legato Corner Condominiums and 14 ADUs in Phase II that will be known as the Bristol at Fairchase; and*

*BE IT FURTHER RESOLVED that the FCRHA hereby makes available the ADUs that are hereby authorized for purchase for occupancy by employees of Fairfax County Schools, Fairfax County Government and critical occupations as defined by the Board of Supervisors.*

*A motion was made by Commissioner Kershenstein, seconded by Commissioner Dunn, that the FCRHA adopt Resolution Number 35-06. A brief presentation was given by Derek Dubard. Cynthia Ianni, Director, Design, Development and Construction Division, noted that the closing on the units is expected by June 30 or shortly thereafter. After the presentation, Mr. Dubard responded to questions from the Commissioners. Commissioner Kershenstein commended staff for their work with the project and urged the other Commissioners to approve this resolution.*

*A vote was taken after discussion, and the motion carried unanimously.*

**A-4 – AUTHORIZATION TO REALLOCATE AND DISBURSE FUNDS FROM FUND 144, HOUSING TRUST FUND, AND FUND 319, THE PENNY FOR AFFORDABLE**

**HOUSING FUND, FOR THE ACQUISITION AND PRESERVATION OF 13 UNITS AT LEGATO CORNER CONDOMINIUMS (SPRINGFIELD DISTRICT) (11:33 a.m.)**

*On motion of Supervisor Hudgins, seconded by Chairman Connolly, and carried by a vote of nine, Supervisor McConnell not yet having arrived, the Board concurred in the recommendation of staff and approved the reallocation of \$195,000 from Fund 144, Housing Trust Fund and \$961,525 from Fund 319, The Penny for Affordable Housing Fund, to be used as interim financing to purchase the 13 units in Legato Corner Condominiums until permanent financing can be arranged. As part of the permanent financing, \$265,766 from Fund 319, and \$93,889 from Fund 144, will remain in the project as subsidy.*

## SCAWH Evaluation of the Legato Project

There are several key concerns with the Legato Project. First, this project preserved new construction units by purchasing ADU's from the developer and placing the units into county owned rental units. This process then adds costs on an annual basis to Fund 941, Fairfax County Rental Program. These new units may be costly to maintain. As the units age, the maintenance cost will continue to rise. How much will this be costing the county in FY 2009 or FY 2015? Because these future recurring expenses are distributed to different funds, it is difficult to follow the exact true cost of each unit today or 10 years from now.

The second issue is that these units are for rent to "select teachers" or Fairfax County employees who are earning no more that 52% of the FCMI. This policy to rent units only to a select "lucky few" is going to do nothing for the working families in the county who work for other employers.

Each time an ADU is purchased by the county, the long-term financial commitment increases. The county is no longer preserving units; it owns the units as landlords. The SCAWH believes that ADU's either purchased by the county or purchased by non-profit corporations should be instead available for homeownership. ADU's should not be a rental program, halfway house, transitional housing, or other type of program-based housing initiative. The purpose of the ADU Program is long-term affordability home-ownership. Using "preservation funds" to purchase ADU's goes against the purpose of the ADU Program.

**\$98,000 each unit**



**One-Penny Contribution - \$952,500**

**10 units preserved**

### ***Project ? – Hollybrooke III***

*"On October 23, 2006, the Board of Supervisors approved the financing plan for the acquisition, rehabilitation and preservation of 50 units at Hollybrooke III Condominiums by a limited partnership formed by AHC, Inc. The project consists of 50 condominium units in Hollybrooke III Condominium complex in Falls Church, Virginia (Fairfax County) that will be purchased and rehabilitated by AHC Limited Partnership - 16. Hollybrooke III Housing Corporation, an affiliate of AHC Inc. is the general partner of AHC Limited Partnership - 16. In December 2005, AHC Inc. purchased 98 units in the same Condominium complex and is currently rehabilitating these units. The total complex consists of 249 units. After purchase of the additional 50 condominium units, AHC will own a total of 148 units and will, therefore, assume control of the condominium association, which will help improve the decision-making and the day-to-day operations of the property. AHC, Inc. anticipates spending approximately \$26,000 per unit to rehabilitate the project. The units will be affordable to households with income not exceeding 60% of the area median income (AMI). However, AHC has committed to lower the rents on 20% (10) of the units so that they will be affordable to households with income not exceeding 50% AMI within 5 years. \$3,100,000.00 will be provided from the One Penny initially, with the permanent deferred loan reduced to \$2.9 million after 2-5 years.*

*The anticipated closing date is December 12, 2006."*<sup>17</sup>

**RESOLUTION NUMBER 60-06**

**AUTHORIZATION, SUBJECT TO APPROVAL OF THE BOARD OF SUPERVISORS, TO REALLOCATE AND AUTHORIZE DISBURSEMENT OF UP TO \$40,000 IN TIER ONE PREDEVELOPMENT FUNDS AND UP TO \$35,000 IN TIER TWO PREDEVELOPMENT FUNDS FROM THE AFFORDABLE HOUSING PARTNERSHIP PROGRAM FUND OF THE HOUSING TRUST FUND; APPROVAL OF THE FINANCING PLAN INCLUDING MAKING A LOAN OF UP TO \$3,200,000 FOR THE ACQUISITION AND REHABILITATION OF 50 UNITS AT THE HOLLYBROOKE III CONDOMINIUMS BY AHC LIMITED PARTNERSHIP – 16 (MASON DISTRICT)**

*WHEREAS, AHC Limited Partnership 16 submitted a request for financing from the Affordable Housing Partnership Program (AHPP) as a source of financing for the acquisition and rehabilitation of 50 condominium units at Hollybrooke III; and*

*WHEREAS, the Fairfax County Redevelopment and Housing Authority (FCRHA) wishes to assist AHC Limited Partnership 16 acquire 50 condominium units at Hollybrooke III in order to preserve affordable rental housing in Fairfax County;*

*NOW, THEREFORE, BE IT RESOLVED that the FCRHA, subject to approval by the Board of Supervisors, hereby authorizes:*

- 1) The making of the following loans as more particularly described in the item presented to the FCRHA at its July 27, 2006 meeting:*
  - a) in the amount of \$40,000 in AHPP Tier 1 Predevelopment Funds to AHC Limited Partnership – 16*
  - b) in the amount \$35,000 in AHPP Tier 2 Predevelopment Funds to AHC Limited Partnership – 16*
  - c) in an amount not to exceed \$3,200,000 in AHPP Tier 3 Funds to AHC Limited Partnership – 16*
- 2) The reallocation and disbursement of the*
  - a) \$40,000 in Tier 1 Predevelopment Funds to AHC Limited Partnership 16 from Fund 144, Housing Trust Fund; and*
  - b) \$35,000 in Tier 2 Predevelopment funds to AHC Limited Partnership 16, from Fund 144, Housing Trust Fund; and*
- 3) The reallocation of Tier 3 funds as follows:*
  - a) the reallocation of \$1,000,000 from Fund 319, The Penny for Affordable Housing Fund for the purpose of acquiring and rehabilitation 50 condominium units at Hollybrooke III; and*
  - b) the reallocation of \$600,000 from Fund 142, Community Development Block Grants for the purpose of acquiring and rehabilitation of 50 condominium units at Hollybrooke III; and*

**RESOLUTION NUMBER 61-06**

**AUTHORIZATION FOR SUBMISSION TO THE BOARD OF SUPERVISORS OF A PROPOSAL FOR TAXEXEMPT FINANCING IN CONNECTION WITH THE ISSUANCE AND SALE OF BONDS FOR THE ACQUISITION AND REHABILITATION OF 50 CONDOMINIUM UNITS AT THE HOLLYBROOKE III PROJECT BY AHC LIMITED PARTNERSHIP 16 AND AUTHORIZATION TO HOLD A TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING (MASON DISTRICT)**

*WHEREAS, the Fairfax County Redevelopment and Housing Authority (the "Authority") is a political subdivision of the Commonwealth of Virginia, established pursuant to the Virginia Housing Authority Law, Title 36, Chapter 1, Code of Virginia, 1950, as amended (the "Act"), and is authorized thereby to issue its notes and bonds from time to time to fulfill its public purposes within the meaning of the Act; and*

*WHEREAS, pursuant to and in accordance with the Act, the Authority desires to issue and sell its Multifamily Housing Revenue Bonds (Hollybrooke III Project) Series 2006 in the aggregate principal amount not to exceed \$6,500,000 (the "Bonds"); of tax-exempt bonds and*

*WHEREAS, the proceeds of the Bonds will be used in part to provide financing for the acquisition and rehabilitation of 50 condominium units in the multifamily housing project known as Hollybrooke III (the "Project"), located in Fairfax County, on Patrick Henry Drive between Arlington Boulevard and Leesburg Pike, Falls Church, Virginia; and*

WHEREAS, the Project will be owned by AHC Limited Partnership 16 for with Hollybrooke III Housing Corporation, an affiliate of AHC Inc. will be the general partner; and

WHEREAS, the Bonds are and will be limited obligations, payable from the revenues pledged thereto pursuant to the Trust Indenture pursuant to which the Bonds will be issued; and as required by the Act, the Bonds shall not be a debt of Fairfax County, Virginia, the Commonwealth of Virginia or any political subdivision thereof (other than the Authority) and neither Fairfax County, Virginia, nor the Commonwealth of Virginia or any political subdivision thereof (other than the Authority) will be liable thereon, nor in any event shall the Bonds be payable out of any funds other than those received by the Authority from the Project, and the Bonds shall not constitute an indebtedness by the Authority within the meaning of any constitutional or statutory debt limitation or restriction; and

WHEREAS, Paula C. Sampson as Assistance Secretary on behalf of the Authority executed a Declaration of Intent on July 13, 2006, evidencing its intent to issue and sell the Bonds in an aggregate principal amount not to exceed \$6,500,000 of tax-exempt multifamily housing revenue bonds.

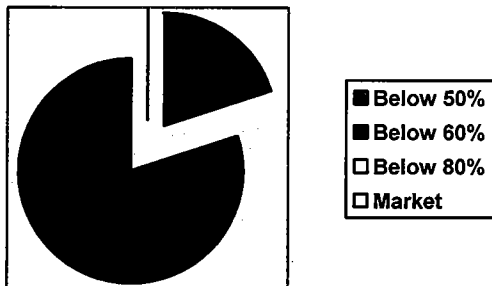
WHEREAS, pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), the Authority is required to hold a public hearing ("TEFRA Hearing") in connection with the issuance of the Bonds; and

WHEREAS, the Authority will hold a TEFRA Hearing on September 21, 2006; and

WHEREAS, for the purposes of compliance with Section 147(f) of the Internal Revenue Code of 1986, as amended, the proposed bond issue must be approved by the Fairfax County Board of Supervisors.

NOW, THEREFORE, BE IT RESOLVED, that Authority authorizes submission to the Fairfax County Board of Supervisors for approval of the proposed bond issue for the purpose of acquisition and rehabilitation of the Project as outlined in the item presented to the FCRHA at its meeting on July 27, 2006.

A motion was made by Commissioner Dunn, seconded by Commissioner Christian, that the FCRHA adopt Resolutions 60-06 and 61-06 jointly. A vote was taken, and the motion carried unanimously.



**The overall question for this project is how many units in the below 60% AMI are going to households below 50% AMI or even 30% AMI. The actual criteria on the distribution of the units by income are not clear and the facts of ensuring these income guidelines were not available at the time this report was completed.**

### SCAWH Evaluation of Hollybrooke III

The total funds required for the Hollybrooke III Project are \$11,560,711, with \$3,100,000 coming from the One Penny Fund. A total of \$1,600,000 would come from the FY 07 One Penny Fund. The remaining \$1,500,000 would come from the FY 08 One Penny Fund. All of these units are preserved for 60% AMI (53% FCAMI) or less.

There is concern about committing funds from future years that do not yet exist. This is the second project in FY 07 that is spending FY 08 funds. This means that with 6 months left in FY 07, well over 50% of the FY08 One Penny Fund funds have already been committed.

The overall cost per unit is high for a 30-year-old building requiring rehabilitation in all units. The concept that it is cheaper to purchase old units and rehabilitate them is not the findings of the SCAWH.

The funds used to purchase these units could have purchased new construction at the same price or less. The county does not own this property. The One Penny Fund funds used for this project purchased affordability of the units for an unknown number of years and paid the developers cost to rehabilitate all the units.

**\$231,215 each unit**



**One-Penny Contribution - \$1,600,000**

**7 units preserved**

***Project ? - Glenwood Mews***

***RESOLUTION NUMBER 45-06***

***AUTHORIZATION TO ENTER INTO MEMORANDA OF UNDERSTANDING WITH 1) THE FAIRFAX COUNTY PUBLIC SCHOOLS AND 2) FAIRFAX COUNTY, ACTING ON BEHALF OF THE DEPARTMENT OF HUMAN RESOURCES, FOR THE MAGNET HOUSING RENTAL PROGRAM***

*NOW THEREFORE BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby authorizes any Assistant Secretary to negotiate and enter into Memoranda of Understanding with the Fairfax County Public Schools and Fairfax County, acting on behalf of the Department of Human Resources, with respect to the establishment of the Magnet Housing Rental Program for Fairfax County Public School personnel such as teachers and bus drivers, and Fairfax County Government employees, as outlined in the item presented to the FCRHA at its meeting on June 15, 2006.*

*A motion was made by Commissioner Jasper, seconded by Commissioner McAloon, that the FCRHA adopt Resolution Number 4506. A brief presentation given by Elisa Johnson, HCD Grants Coordinator. Ms. Johnson announced that the Magnet Housing Program will serve the Schools as well as County employees, with priority given to public health nurses. Sherry Rowe, Department of Human Resources, talked about the difficulties her department is encountering in hiring and keeping nurses in the County. She noted that about 70% of the nurses in the County will be ready to retire within a year. And that it is common for prospective employees to turn down employment offers because they cannot afford to live in Fairfax County. Ms. Rowe encouraged the Commissioners to adopt this resolution. The Director of Employment Services of Fairfax County Public Schools, Debra Reeder, talked about the loss of highly qualified teachers who prefer to seek employment in lower cost areas. She praised the FCRHA for being honest, creative and productive in its dealings. Linda Farbry, Director, Department of Facilities and Transportation Services, Fairfax County Public Schools, testified on behalf of the bus driver program and called the bus drivers her heroes. She encouraged support for and approval of the program to prevent the shortage of and provide stability to the bus drivers. After the presentation, Ms. Johnson responded to questions from the Commissioners.*

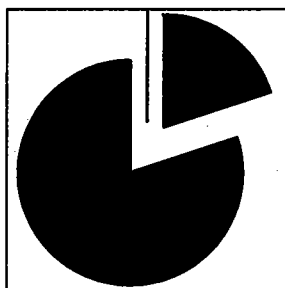
*A vote was taken after discussion, and the motion to adopt Resolution Number 45-06 carried unanimously.*

*“The Fairfax County Redevelopment and Housing Authority (FCRHA) will soon begin construction on 17 affordable townhouse units at Glenwood Mews (Lee District) by the end of 2006. The project is located at the intersection of Telegraph Road and Old Telegraph Road and will include 15 townhouses that will provide affordable living to nurses and healthcare providers in training with Inova Health System through a partnership with the FCRHA as part of the county’s Magnet Housing program. The remaining two units will be developed by the FCRHA and sold to Habitat for Humanity of Northern Virginia (HFHNV) at a cost affordable to HFHNV participants. Habitat volunteers will work on the interiors of the units by installing such things as drywall, carpeting, kitchen cabinets, major appliances and painting.”<sup>18</sup>*

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18 New Release from FCRHA

*“Centennial Contractors Enterprises, Inc will construct the project. The exterior design will be similar to the market rate units nearby. All 17 units will have three finished levels. Ten of the units will be 3-bedroom and approximately 1,630 square feet in size. The remaining seven units will be 4-bedroom and approximately 1,840 square feet in size. In addition, the FCRHA has elected to include visitability into the design of two of the townhouses. This design concept includes accessible entrances, hallways and a bathroom and bedroom on the ground floor level. The existing parking lot will be renovated to provide two accessible parking spaces and sidewalks. Development cost is approximately \$376,000 per townhouse.”<sup>19</sup>*



■ Below 50%  
 ■ Below 60%  
 □ Below 80%  
 □ Market

**The overall question for this project is how many units in the below 60% AMI are going to households below 50% AMI or even 30% AMI. The actual criteria on the distribution of the units by income are not clear and the facts of ensuring these income guidelines were not available at the time this report was completed.**

**SCAWH Evaluation of Glenwood Mews Project**

The cost per unit on the Glenwood Mews Project is very high, at almost double the cost per unit for all the other projects. The affordability is limited to a select employment group with a lower income. The county again maintains ownership; thus the General Fund expenses will increase to pay for yearly up keep, maintenance and other costs. The county has contracted with Inova to rent these units to their employees. This is taking the housing affordability problem and using subsidy from the One Penny Fund to help a corporation recruit employees and house them at an annual cost to Fairfax County.

The overall review of this project reveals a very costly price tag. There are some unknown expenses at this time on this project. It is not clear if the One Penny Fund will be paying for this entire project or what the One Penny Fund contribution will be in the end. There is also no clear answer as to what will be done with the units that are not filled by Inova. In addition, will Inova employees who live outside Fairfax County be allowed to live in these units? The SCAWH would like to see a participatory partnership with Inova instead of just an agreement as to who will rent these units.



**\$376,000 each unit**

**One-Penny Contribution – unknown**

**17 units preserved**

**Project 014240 - Sunset Park Apartments**

BOS  
 December 4, 2006  
 ACTION - 8

<sup>19</sup> New Release from FCRHA

Approval to Make a Loan from The Penny for Affordable Housing Fund from Fiscal Year 2007 as Part of the Financing Plan for the Acquisition, Rehabilitation and Preservation of the 90-Unit Sunset Park Apartments by AHC Limited Partnership – 15 (Mason District)

ISSUE:

*Approval by the Board to reallocate up to \$5,000,000 from Fund 319, The Penny for Affordable Housing Fund from Fiscal Year 2007 as part of the financing of Sunset Park Apartments in conjunction with the proposed acquisition, rehabilitation and preservation of the 90-unit Sunset Park Apartments by AHC Limited Partnership – 15.*

RECOMMENDATION:

*The County Executive recommends that the Board award up to \$5,000,000 from Fund 319, The Penny for Affordable Housing Fund, to AHC Limited Partnership – 15 as part of the financing plan for the acquisition, rehabilitation and preservation of Sunset Park Apartments.*

TIMING:

*Approval by the Board is requested on December 4, 2006, due to a closing date of December 15, 2006.*

BACKGROUND:

*Sunset Park will contribute 90 units to the Board of Supervisors' preservation goal of 1,000 units. As of November 2006, 899 units have been preserved. There is the potential to preserve 471 units which includes the 90 units at Sunset Park. By December 31, 2006, 459 of the potential units are expected to be preserved. This would raise the number of preserved units to 1,358.*

*AHC, Inc. (AHC) proposes to purchase the 90-unit Sunset Park Apartments (the Property), located at 5710 - 5738 Seminary Road, Falls Church, Virginia. A portion of the units (18 units or 20%) are proposed to be affordable to households with income not exceeding 50% of the Area Median Income (AMI) and the remaining units (72 units or 80%) are proposed to be affordable to households with income not exceeding 60% AMI. The current acquisition cost is approximately \$194,444 per unit or approximately \$17,500,000.*

*In conjunction with the purchase of the Sunset Park Apartments, AHC has formed a limited partnership, AHC Limited Partnership – 15 (AHC LP), a Virginia limited partnership, which will be the owner. Sunset Park Housing Corporation, an affiliate of AHC is the general partner. AHC is currently the limited partner and will be replaced at the time of closing by*

Project Description

*AHC LP proposes to purchase the 90-unit Sunset Park Apartments, located at 5710-5738 Seminary Road, Falls Church, Virginia from the Abramson Family Partnership Limited Partnership No.1. The development consists of 3-story walk-up garden apartments and was built in 1962. The project has 18 one-bedroom units, 60 two-bedroom units, and 12 three-bedroom units.*

Potential Benefits

*Preservation of the project will result in the following benefits:*

- 1. A property that is at high risk for market rate development will be preserved in affordable housing. This property was in fact, identified by the Affordable Housing Action Committee as one to pursue and preserve. This property is located in an area that is redeveloping as part of a revitalization plan. Further, the urban nature of the area would support higher density housing. The proposed transaction will result in the preservation of these 90 units of affordable housing and avoid the likely demolition and redevelopment of this site. Even if density were not increased, the site could be scraped and redeveloped by-right as two-over-two luxury townhouses. This development offers large family-friendly apartments in a location close to transportation, services and jobs. Typically, it is difficult to find affordable rental three bedroom units in the market place. The number and the size of three-bedroom units make this project especially attractive for preservation for families.*
- 2. Currently there are no rent restrictions on this property. The acquisition by AHC LP presents the opportunity to keep the project affordable for an extended period of time. Affordability term is 50 years.*

3. The site is located in the southeast quadrant of the Bailey's Crossroads revitalization area and would contribute in revitalizing the area.
4. Twenty percent (20%) of the units will be affordable to households at 50% or less of the Area Median Income.
5. The FCRHA will have the Right of First Refusal behind AHC's Right of First Refusal at a price equal to the debt and any exit taxes should the property ever be sold.
6. The FCRHA will receive 33% of the cash flow until the Seller Note is paid and then 50% of the cash flow.
7. Should the site be redeveloped in the future, the FCRHA will have the opportunity to negotiate additional affordable units.

Rehabilitation

AHC Inc. has submitted an application for AHPP Tier Three funds for the permanent financing of Sunset Park. AHC Inc. was approved for \$40,000 in Tier One funds at the March 27, 2006 Board of Supervisors meeting. The predevelopment funds are being used to perform studies and due diligence to determine the feasibility of the project. The Tier Three Funds will be used for the acquisition and rehabilitation of the property.

AHC Inc. estimates that approximately \$49,000 per unit in rehabilitation will be needed. The construction team has performed a walk-through of a 10-unit sample. Based on this walk-through, the renovations will be the same for all units regardless of condition.

Rehabilitation will include the following:

- New kitchens
- New appliances
- New bathrooms
- New HVAC units
- New flooring throughout the unit
- New plumbing (as needed)
- Upgraded electrical
- Improvements and repairs to existing balconies
- Improvements to the current landscaping

Total Development Cost is estimated to be \$26,303,522.

Accessibility

Five percent of the units (4 units) will be accessible for persons with disabilities. Universal design will be incorporated throughout the rehabilitation to the extent possible and reasonable.

Affordability

The property consists of 90 units with an average rent of \$1,095. Borrower will maintain the Property as affordable housing for a period of 50 years where 20% of the units are affordable to households whose income upon initial occupancy does not exceed 50% of the area median income (AMI) and 80% of the units are affordable to households whose income upon initial occupancy does not exceed 60% of the AMI. The term "affordable" refers to rents and income limits as defined by the tax credit program under IRC Section 42 of the Internal Revenue Code.

**Proposed Unit Rents**

Unit Size	# of Units	Proposed Rent	Utility * Allowance	Gross Rent	% Median
1 BR	14	\$ 939	76	\$1,015	60%
2 BR	48	\$1,127	92	\$1,219	60%

3 BR	10	\$1,300	108	\$1,408	60%
1 BR	4	\$ 770	76	\$ 846	50%
2 BR	12	\$ 924	92	\$1,016	50%
3 BR	2	\$1,065	107	\$1,173	50%
Total Units 90					

*\*The Tenant pays other electric (lighting) heating, and air conditioning. Cooking and water heating are gas utilities and paid by the owner.*

*The proposed 50% rents are below the current market rents. The proposed 60% rents will be an increase from the current street rents. The term of affordability of the units in the project is 50 years. AHC LP plans to apply for project-based section 8 vouchers when the competition for project based vouchers is available. AHC Management will work with existing tenants to minimize any rent increases. AHC LP has agreed that any relocation funds remaining after paying relocation expenses will be used to provide rental assistance to any existing tenants in need of assistance to pay the increased rent as they are currently doing at Hollybrooke II. To alleviate any concerns regarding steep rent increases, AHC LP has the following plan and is committed to take appropriate actions to address those concerns.*

- Over-Income Households. AHC LP has committed to work with long-term (5 years or more) over-income tenants at Sunset Park as they will not qualify for a tax credit unit under the tax credit guidelines. AHC LP will provide them with priority access to any market rate vacancy at other AHC properties. In addition, they will work closely with interested residents to see if they qualify for any of AHC's homeownership programs.*
- Tax Credit Eligible Households. For existing tenants who are eligible to remain in the units with rents that are affordable at or below 60% AMI, AHC LP has committed that for the first year after the purchase of Sunset Park the rent increase will be limited to 5%. Subsequent increases will be governed by tax credit limits.*
- Units affordable at 50%. There will be 18 units (20% of the total number of units) that will be affordable at or below 50% AMI. Of the tenants that qualify for the units, nine will experience a rent reduction that will range from \$20 to \$80 per month. The other nine may experience rent increases but the increases will be below 5% in all cases.*

Relocation

*The rehabilitation will require that tenants be relocated for a period of 30 days while their unit is being rehabilitated. The project will pay the moving costs. The Relocation Plan has been approved by HCD staff.*

Financing

*On March 27, 2006, AHC was awarded \$40,000 in Affordable Housing Partnership Program (AHPP) Tier One Predevelopment funds for the proposed Sunset Park project. In addition, AHC Limited Partnership - 15 successfully competed in the VHDA 2006 9% Tax Credit cycle. The tax credits are an integral part of the financing plan as this allows the project to receive a significant amount of equity from private investors which reduces the amount of debt needed to finance the project and ensures that the rents remain affordable. AHC LP has received an annual tax credit allocation of \$900,000. Through syndication, AHC LP is expecting to receive \$9,179,082 in tax credit equity. AHC LP has received a commitment from a national tax credit equity provider to purchase the tax credits. This project will not proceed without the tax credit equity.*

<b>Sources</b>		<b>Uses</b>	
VHDA Senior Note	\$5,180,000	Acquisition	\$17,500,000
VHDA Reach Loan	3,500,000	Rehab Costs	4,497,150
FCRHA Loan	5,000,000	Developers Fee	2,491,804

