

**FAIRFAX COUNTY AFFORDABLE HOUSING ADVISORY COMMITTEE
RECOMMENDATIONS OF THE SPECIAL SUBCOMMITTEE**

MARCH 23, 2007

The Special Subcommittee of the Affordable Housing Advisory Committee presented an evaluation of the first year of the Penny for Affordable Housing Fund in October 2006. As a part of that report, the Subcommittee identified issues for further consideration by the Advisory Committee, within the framework of the Board of Supervisors-adopted overriding and guiding principles for the fund.

The Subcommittee has continued to meet to formulate recommendations for the full Committee for any changes in the administration of the fund, starting in Fiscal Year 2008. The four primary issues under consideration by the Subcommittee are 1) How to increase the number of households earning 50 percent of the Area Median Income (AMI) and below that are served by the Penny for Affordable Housing Fund; 2) What other tools can be brought to bear on the affordability needs of lower-income households; 3) The conditions under which the Penny for Affordable Housing Fund may be used for new construction; and 4) A new goal for the Affordable Housing Preservation Initiative.

The following are the Subcommittee's recommendations on those four primary issues:

- 1. Increasing the number of households earning 50 percent of the Area Median Income (AMI) and below that are served using the Penny for Affordable Housing Fund.**

Subcommittee Recommendation: Establish a guideline for the use of the Penny Fund that a minimum of 50 percent of units preserved shall be affordable at incomes 50 percent AMI or below.

Discussion: Maximizing the number of households served earning 50 percent of the AMI and below is a critical goal. However, setting aside a specific dollar amount within the Penny Fund for an income range has a number of potential drawbacks. First, having a set-aside of any kind reduces the County's flexibility, and its ability to respond quickly to emerging affordable housing preservation opportunities in the market. Second, funds could go unspent if opportunities to serve a specific income range do not become available. Similarly, determining a specific amount of subsidy per unit based on income served could limit the County's ability to respond to opportunities in the market.

A draft study by the George Mason University Center for Regional Analysis shows, commissioned by the Department of Housing and Community Development (HCD) and presented to the Subcommittee, shows that a total of 12,000 rental units will be needed between 2005 and 2010 for households earning up to 120 percent of AMI. Table A shows a breakdown of the rental units needed by income range, the units preserved using all funding sources

to date, and the net rental units needed. Table B shows this information with the need projected to 2025. (As of this writing, HCD has requested a supplemental analysis of the rental units needed, to feature finer increments of the Area Median Income and the units needed at those income levels.)

Table A: New Rental Units Needed, by income, 2005 - 2010

Income as percentage of AMI	Rental Units Needed	Units Preserved to Date	Net Rental Units Needed	Units Needed as % of Total
<i>50 and below</i>	6,000	389	5,611	52%
<i>50 to 80</i>	3,500	718	2,782	26%
<i>80 to 120</i>	2,500	252	2,248	22%
TOTAL	12,000	1,359	10,641	100%

Sources: George Mason University; DHCD

Table B: New Rental Units Needed, by income, 2005 - 2025

Income as percentage of AMI	Rental Units Needed	Units Preserved to Date	Net Rental Units Needed	Units Needed as % of Total
<i>50 and below</i>	16,000	389	15,611	49%
<i>50 to 80</i>	9,000	718	8,282	26%
<i>80 to 120</i>	8,000	252	7,748	25%
TOTAL	33,000	1,359	31,641	100%

Sources: George Mason University; DHCD

The data shown in Tables A and B shows that rental housing affordable at 50 percent AMI and below constitutes approximately 50 percent of the need for net new affordable/workforce housing in Fairfax County through the year 2025, with units affordable up to 80 and 120 percent of AMI constituting the other half of the need.

2. “Toolbox” of options to increase affordable opportunities for lower-income households.

Subcommittee Recommendation and Discussion: The Special Subcommittee has explored a number of potential options to use the Penny Fund, among other resources, to maximize affordable housing opportunities for households earning 50 percent of the Area Median Income and below, and recommends that the Affordable Housing Advisory Committee consider and further study the following:

- *Use of the Penny Fund as a rent subsidy:* The Special Subcommittee recognizes and affirms the Penny Fund’s primary role as a resource for the County’s capital investments in permanent or long-term housing affordability. The Panel also believes that rental subsidies may have a role in expanding, in the short-term, housing opportunities for lower-income households. Such a rental subsidy could potentially be funded by the Penny Fund, or other funding sources. A rental subsidy concept, proposed to the Special Subcommittee by Al Smuzynski of Wesley Housing, is now under review by the County’s financial advisor. A copy of the proposal is attached for reference; a report on the financial analysis of

the proposal will be presented to the Affordable Housing Advisory Committee at a later date.

- *“Care Fund”*: Similar to the rent subsidy, the Penny Fund or other funding source could be used to create a “Care Fund”, which could be used to provide short-term housing-related assistance to lower-income families.
- *High-rise Panel Recommendations*: The Special Subcommittee acknowledges and affirms the work of the Board of Supervisors-appointed High-rise Affordability Panel. The Subcommittee recommends that staff explore opportunities within any eventual policy endorsed by the Board to maximize the production of affordable/workforce housing in the County’s high-density Development Centers, as identified in the Fairfax County Comprehensive Plan. This could include using the Penny Fund or other resource to make investments in the development of affordable/workforce housing units, to make more new units produced affordable at lower incomes.
- *Investments in Single Room Occupancy (SRO)/Residential Studio Units (RSU)*: The Special Subcommittee recognizes low and moderate-income singles, particularly those with special needs, as among the most difficult to house. Significantly, aside from the Fairfax County Redevelopment and Housing Authority’s (FCRHA) Coan Ponds Community for working singles, there are no other SRO/RSU developments in Fairfax County. The Subcommittee recommends that the Penny Fund and other resources be invested in the preservation of units that could be used as SRO/RSUs, or the development of new SRO/RSU units throughout the County. The Special Subcommittee also reiterates its support for the proposed amendment to the Zoning Ordinance to facilitate the development of SRO/RSU housing in Fairfax County, as stated in Advisory Committee Co-Chair Conrad Egan’s January 12, 2007 letter to Board of Supervisors Chairman Gerry Connolly. In addition, the Special Subcommittee recognizes the High-rise Affordability Panel’s recommendation to consider allowing the development of Affordable and Workforce Housing in Commercial, Industrial, and Mixed-Use Districts through a mechanism such as the Special Exception process as a potential opportunity to facilitate SRO/RSU developments.

3. Use of the Penny Fund for new construction.

Subcommittee Recommendation: The Special Subcommittee recommends new construction as an allowable use of the Penny Fund, to include and encourage special needs projects such as Single Room Occupancy (SRO)/Residential Studio Unit (RSU) developments, senior housing, and housing for persons with physical or sensory disabilities.

Discussion: The current Board-adopted “Guiding and Overriding Principles” allow the use of Penny Fund for new construction under “appropriate circumstances”, but does not define those circumstances. This proposal would provide for such appropriate circumstances, while still allowing some

flexibility. The main goal of using the Penny Fund for new construction should be to produce housing for those populations who are most difficult to serve through preservation. The Penny Fund per-unit investment should be comparable to the per-unit investment in preservation, taking into account market conditions.

4. **New affordable housing goal.**

Subcommittee Recommendation: The Special Subcommittee recommends that the Affordable Housing Advisory Committee recommend a goal of 2,222 units by the end of Fiscal Year 2011.

Discussion: See Attachment.

Future Considerations and Recommendations: The Special Subcommittee has the following additional future considerations and recommendations:

- The Special Subcommittee recommends that the proposed goal be revisited annually, as a part of the Advisory Committee's annual progress reporting process.
- The Special Subcommittee reiterates its support for the dedication by the Board of Supervisors of a second penny of the real estate tax rate for affordable housing.
- While the Special Subcommittee is recommending a four-year goal of 2,222 units, it also notes the estimated shortfall of 8,419 units over the same period.