

2006 At-Risk Housing Report: Summary of Sales Activity and Market Trends; Status of At-Risk Affordable Apartment Housing Projects and the Loss of Affordability through the Expiration of Government Financing Agreements and Subsidy Contracts, Rent Escalation and Project Conversion to Condominiums

I. PROJECT SALES IN 2006

PROJECT	UNITS	PRICE	OWNER'S PLANS	AMI***	DIST
JANNA LEE	319	\$45,000,000	Preservation *	50%	LE
SUNSET PARK	90	\$17,500,000	Preservation	60%	MA
CRESCENT	181	\$49,500,000	Preservation (Partial)	60%	HM
RESTON GLEN	200	PENDING	Preservation * **	65%	HM
HOLLYBROOKE III	50	\$ 7,564,000	Preservation	60%	MA
CARTER LAKE	259	\$36,250,000	Condo Conversion	70%	HM
CARTER LAKE	259	\$40,000,000	Rental Reposition	70%	HM
CIRCLE TOWERS	606	\$97,800,000	Rental Reposition	75%	PR
ARCHSTONE FAIR LAKES	282	PENDING	Rental Reposition *	80%	SP
FAIRMONT	388	\$47,222,000	Rental with Possible ReSell '07	60%	MA
FAIRWAYS	347	\$47,609,000	Maintain As Is	80%	HM

* Sale Pending

** Forty units of 200 total will be preserved at 50% AMI

*** Rent affordability as percent of AMI: % AMI Reflects Existing Rents on Date of Sale

Ten of the county's 278 apartment complexes were sold in 2006 (Carter Lake sold twice). Of the ten transactions that took place, the FCRHA and the County participated in a capacity that will result in the preservation of affordable apartment units in half of the projects and 25% of the units. Three properties were part of the sale of the Winkler portfolio. HCD continues to explore the possibility of preserving units in one of the other five projects with the new owner. The new owners of Circle Towers, Archstone at Fair Lakes and Carter Lake have each said their plans are to upgrade these project's buildings, common areas and the units and to then to raise rents. The purchaser of the Winkler's Fairmont Gardens has indicated a possible resale of Fairmont early in 2007.

II. PROJECT CONVERSIONS TO CONDOMINIUM ACTIVITY IN 2006

PROJECT	DIST.	CONDOMINIUM NAME	STATUS
Carter Lake	HM	Commons on the Park *	Cancelled-Returned to Rental
West Falls St	PR	Oaks of Falls Church *	Cancelled-Returned to Rental
Brook Ridge	SU	Regency Park *	Cancelled-Returned to Rental

*Condominium documents filed and were pending approval.

In addition to the cancellation of the above condominium conversions, other projects such as Penderbrook Square near Fair Oaks and The Mercer in Reston that had been selling condominium units opted to rent the balance of unsold units in response to the absence of demand. Other planned new condominium communities across the county such as the Falls at Flynt Hill and Mount Vernon Gateway have been canceled. While other planned new projects such as Sunset Knolls in Centreville are in a state of flux.

Evidenced in the sales summary, and the cancellation of several conversions, is the abrupt and severe downturn in the condominium market. While the condo market has chilled, the rental market is still very active. Of note is the Carter Lake transaction during the year. Comstock Homes purchased Carter Lake in January with the intent of condominium conversion. After upgrading one of the buildings and marketing several models they decided to cancel the conversion and sell the project. Remarkably they sold Carter Lake, that had been purchased at a condominium conversion price, for almost four million more than they had paid just ten months earlier. According to Comstock the purchaser plans to upgrade the apartments and reposition the project at higher rents.

It appears that there has been a shift in the threat to the affordable rental market from loss due to condominium conversions to decreased affordability due to rent increases. As the condominium market cools clearly the rental market is gaining strength, and rents are being raised.

III. RENT ESCALATION (Non-Subsidized)

The same economic and rental market forces impacting the subsidized housing stock also affect the County's non-subsidized housing that accommodate residents with modest incomes defined as at or below 70% of AMI. HCD's prior evaluations of the non-subsidized housing with modest rents have indicated that this stock has also been steadily diminishing due to rising rents in the County.

The maximum affordable rents (see chart below) reflect the area median income for 2006. The chart lists the maximum income limits and rent limits for households with incomes up to 50%, 60%, and 70% of area median income.

Unit Type	Expected Occupancy	Maximum Income at 50% of AMI	Maximum Rent at 50% of AMI	Maximum Income at 60% of AMI	Maximum Rent at 60% of AMI	Maximum Income at 70% of AMI	Maximum Rent at 70% of AMI
Efficiency	1 person	\$31,600	\$790	\$37,920	\$948	\$44,250	\$1,106
1 BR	1.5 person	\$33,850	\$846	\$40,620	\$1,015	\$47,407	\$1,185
2 BR	3 persons	\$40,650	\$1,016	\$48,780	\$1,219	\$56,900	\$1,422
3 BR	4.5 person	\$46,950	\$1,173	\$56,340	\$1,408	\$65,740	\$1,643

In the past HCD has evaluated the affordability levels of all of the rental complexes previously identified as having modest rents. This evaluation is part of the preservation efforts identified in the Information Item presented to the FCRHA on May 25, 2000 entitled, "Proposed Strategy to Preserve Low and Moderate Income Housing". In that report HCD recommended that the non-subsidized housing in Fairfax County with modest rents affordable to those with incomes up to 70% of the Metropolitan Statistical Area (MSA) median be included in the FCRHA's preservation efforts and strategies. HCD's analysis will continue to focus on the rental complexes identified as meeting a lower affordability threshold (affordable to households with incomes up to 50% of the Metropolitan Statistical Area median).

HCD's past evaluation of rental complexes with modest rents has relied on rental data from the Rental Housing Complex Census Analysis report, which was based on an annual survey of rental complexes located in Fairfax County conducted by the Fairfax County Department of Systems Management for Human Services (DSMHS). This data is no longer available. However, HCD, working with new data, is developing a current rent affordability table that will show the number of apartments by type whose rent is affordable to house holds with modest incomes. This data should be available by the July report.

IV. EXPIRATION OF GOVERNMENT FINANCING AGREEMENTS & SUBSIDY CONTRACTS

This Section identifies subsidized projects that are considered at risk, including project-based, bond-financed, and federally insured projects. Attachment 1 lists those projects using a variety of funding sources that have prepaid their mortgages and are either considered at risk or already lost to the County's affordable housing stock. There are 12 properties with this status, which include 1,292 units of rental housing.

There are 1,014 subsidized units at risk through 2007; however the 784 project-based Section 8 units technically included within this period; however 244 units are located in FCRHA-owned developments whose contracts will continue to be renewed subject to HUD funding. The remaining 540 units will remain affordable subject to continued HUD funding and owner contract renewal.

During 2007 three projects containing 230 affordable units financed through the Fairfax County Redevelopment and Housing Authority Tax-Exempt Bond Financing Program will be at-risk due to the expiration of prepayment restrictions. The continued affordability of these units is subject to the owners keeping the existing financing in place. The projects are: Burke Shire Commons, Paul Spring Retirement Center and Shenandoah Crossing.

Financing Type	Number of Units At-Risk			
	Expired 2006	Renewed	Lost or Refinanced	Expires 2007
<i>Project-based Section 8</i>	558	558	0	226
<i>Privately-Owned FCRHA Bond-Financed</i>	102	30	72 Burke Shire Commons	128
<i>Section 236</i>	0	0	0	0
<i>Low Income Housing Tax Credit</i>	0	0	0	0
TOTALS	660	588	72	354

A. Project-Based Section 8 Housing Developments

This report includes all properties within Fairfax County that have project-based Section 8 assistance (see Attachment 2). Currently, there are 29 projects, which contain over 3,562 units. Of these units, 2,865 are Section 8-supported housing.

Attachment 2 highlights the number of units covered under the Section 8 contracts for each property and the expiration date of the contracts. Expiration dates range from July 2006 through 2021. If a project has two contracts, one of which has expired, it remains on the list until the second contract also expires. The projects with contracts expiring during the second half of 2006 and 2007 are in BOLD type on the attachments for ease of identification. It should be noted that owners can request HUD to provide contract renewals for periods up to five years, subject to yearly appropriations. This will reduce the administrative burden of yearly renewals and relieve some resident concerns.

BURKE LAKE GARDENS Section 8/202 Contract Expires 12/2007
Owner, Arlington Assembly of God, said they made application to renew the contract for 2007 and will continue to renew their contract with HUD on an annual basis into the foreseeable future. They did however indicate the voucher program, possibly beginning with a few at a time.

SHENANDOAH CROSSING Tax-exempt bond financing prepayment restrictions expire
04/2007.

AIMCO is also the owner of this 640-unit project located in Chantilly. AIMCO said it will not renew the remaining Section 8 contract that currently provides assistance to 128 households. This project is significantly at risk.

PAUL SPRING RETIREMENT Tax-exempt bond financing prepayment restrictions expired
CENTER 12/2006.

Owner of record is Paul Springs Retirement Center. Contact has been made with owner to determine status.

In 1983 the FCRHA began a tax-exempt financing program for multifamily housing that requires developers to set-aside units for lower income households in accord with IRS requirements. Developments must maintain the low-income restrictions for a specific period of time, referred to as the Qualified Project Period. In general, the Qualified Project Period is the later of ten years or the date that no bonds or Section 8 assistance are outstanding. The majority of the FCRHA financed developments have fulfilled their ten-year requirement; therefore, the "prepayment date" (when the owner can pay off bonds and remove income restrictions) is what puts a project "at risk". This report is tracking the above listed three projects, which contain 230 units that are considered at risk. See Attachment 3. This list does not include any FCRHA-financed developments with Section 8 project-based assistance as they are included with the Section 8 projects on Attachment 2.

The owners of Beacon Hill Apartments, another project previously tracked in this report, have refinanced the project with conventional financing. Beacon Hill Apartments is a privately-owned and managed 737-unit development that had 288 set-aside units that were income and rent restricted pursuant to the FCRHA's tax-exempt bond financing program. The refinancing would have resulted in the loss of the set-aside units when the deed restrictions expire in January 2006. However, in consideration for the FCRHA's consent to the owner's request to further encumber the project as part of the refinancing plan, the owner has entered into an Extended Affordability Agreement with the FCRHA. This Agreement will require the owner to maintain at least 144 of the units as Affordable Units for an additional five years beyond December 2006. Further, the owner will endeavor (to the extent the owner is economically able), but shall not be obligated, to maintain an additional 144 of the units as Affordable Units.

C. 221(d)(3)/236 Below-Market Housing Developments

A 1996 federal statute allows owners of federally insured Section 221(d)(3) or 236 projects to extend their loans, sell to new owners, or to prepay the mortgage. Should the owners elect to prepay, the County would lose this low and moderate income housing resource. Current tenants affected by an increase to market rent levels as a result of the prepayment may directly receive assistance from HUD under the Section 8 certificate or voucher program. However, this tenant-based assistance is limited and does not preserve long term affordability.

Projects that are still operating under the Section 236 or 221(d)(3) programs are listed on Attachment 4 (Projects Not At Risk). They include property owned by the FCRHA, a cooperative and two developments for senior citizens that are owned by nonprofits. This list does not include developments that also have project-based Section 8 assistance, which are listed on Attachment 2.

Reflection Lake cooperative is listed as “not at risk” because HUD approval is needed for the project to prepay its subsidized mortgage. However, the members of the cooperative have been considering conversion to a condominium structure and have previously expressed their intentions to seek HUD’s approval to prepay the subsidized mortgage. To date, HCD has not been notified by HUD that a formal prepayment request for this project has been received. It should be noted that HUD has preliminarily reviewed the project’s regulatory documents and has determined that there is no requirement for HUD to grant prepayment approval. However, HUD has the option to grant prepayment approval based on an assessment of the impact to the project, the residents and the community. HCD staff will continue to monitor this project and keep the FCRHA informed on any changes in the status.

D. Low-Income Housing Tax Credit Properties

Projects financed under the Low-Income Housing Tax Credit (LIHTC) program must meet certain affordability requirements. A minimum of 20% of the units must be occupied by households with incomes that equal 50% or less of the area median gross income (AMI), as adjusted for family size, or a minimum of 40% of the units must be occupied by households whose incomes are 60% or less of the AMI adjusted for family size. The gross rent charged may not exceed 30% of the imputed income limit applicable to such unit size. The property must comply with the income and rent limits for a minimum period of thirty years unless the developer (project owner) is unable to find a buyer after year fifteen who will keep the project low income for the remaining fifteen years and purchase it at a price determined by a formula provided by the Internal Revenue Service, and Virginia Housing Development Authority (VHDA), as the allocation agency, is unable to find a buyer at a price equal to or greater than the formula price. Thus, the minimum compliance period is fifteen years plus a three-year phase out period for existing tenants. The developer may also elect to continue the compliance for up to 50 years (to earn additional points under the competitive allocation process established by VHDA).

V. MANUFACTURED HOUSING (MOBILE HOME) PARKS

Eight parks which contain a total of 1,784 homes on some 259 acres remain in the County. The cost to live in one of these parks is a combination of the monthly pad site rental upon which the home sits and the cost of the home itself. Pad rentals range from \$200 to \$740 per month. The price to purchase a new home, dependent on size and manufacturer, ranges from approximately \$40,000 to the low \$100,000’s. One park, Penn Daw, located on Richmond Highway, had been under contract and slated for

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redevelopment, however, the developer recently cancelled their contract. Another park also located along Richmond Highway, "Ray's", is currently under contract.

ENCLOSED DOCUMENTS:

Attachment 1: Prepaid or Lost as Affordable Housing Developments

Attachment 2: Status of Developments with Project-Based Section 8 Assistance

Attachment 3: At-Risk Bond-Financed Housing Developments

Attachment 4: Section 236 or 221(d)(3) Developments

Attachment 5: Status of Developments Financed with Low-Income Housing Tax Credits

Attachment 6: Mobile Home Park Status

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