

Fairfax County Affordable Housing Advisory Committee

Report of the Special Subcommittee

Progress Report: FY 2007 Penny for Affordable Housing Fund



September 28, 2007

Special Subcommittee Background

- Special subcommittee appointed to report on progress of the Penny Fund each year.
- Subcommittee chaired by Kerrie Wilson and includes:
 - *Lee Fifer, Mark Silverwood, Herb Cooper Levy, Pam Barrett, Jerry Hopkins, Bill Lauer, Michael Scheuer, Michelle Krockner, Al Smuzynski*

Report Overview

- In FY 2007, Special Subcommittee found that the Penny Fund again **met or exceeded all expectations** in nearly every principle and priority, particularly in the area of serving low and very low income households
- Highlights of the Penny Fund's FY 2007 successes include...

FY 2007 Report Highlights

- Overriding Principle 1:
Preservation of existing affordable housing is the highest priority
- Findings:
 - ✓ *All funds spent on preservation*
 - ✓ *520 units preserved using the Penny Fund in FY 2007 for a total of 1412 units*
 - ✓ *Projects preserved included Janna Lee Village, Sunset Park, Hollybrooke III and Reston Glen*



Janna Lee Village: 319 units

FY 2007 Report Highlights

- Overriding Principle 2: The fund will be fully spent or specifically obligated within the fiscal year in which it is appropriated
- Findings:
 - ✓ 99.14 percent of FY 2007 allocation spent or encumbered
 - ✓ Remaining includes unspent administrative funds (less than 1 percent)
 - ✓ \$9.9 million also obligated from FY 2008 allocation for Hollybrooke III and Janna Lee Village



Hollybrooke III: 50 units

FY 2007 Report Highlights

- *Overriding Principle 3:* The fund will be opportunity-driven
- *Findings:*
 - ✓ *All projects emerged in the market and at risk of being lost*
 - ✓ *Successful preservation of four major multifamily opportunities, half the properties sold*
 - ✓ *Also developed rezoning of ParcReston property into a preservation opportunity via proffer system*



Sunset Park: 90 units



Reston Glen: 40 units

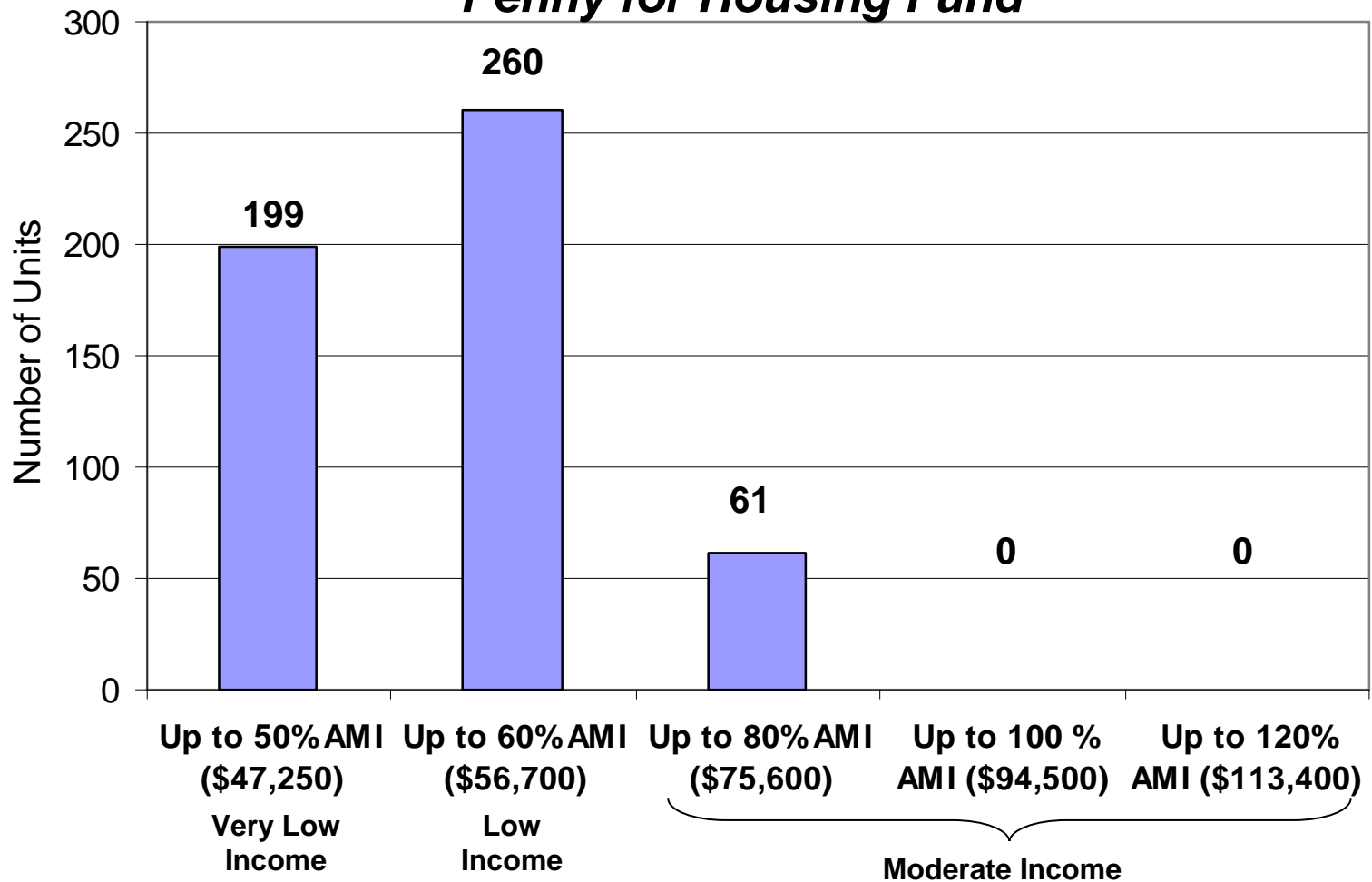
FY 2007 Report Highlights

- **Guiding Principle 1:** The fund will be leveraged at least 3:1.
 - Findings:
 - ✓ *Leverage of Penny Fund, FY 2007: 3.96:1*
 - ✓ *Per-unit investment: \$58,034 (\$45,826 in FY 2006)*
 - ✓ *Rise in per-unit subsidy attributable to larger number of units served at 50 percent AMI and below*

- **Guiding Principle 2:** Projects can be expected to range in affordability. Projects serving a lower income may be eligible for an above average subsidy, while those serving a higher income eligible for a lower subsidy.
 - Findings:
 - ✓ *Major progress in serving lower income households compared to FY 2006*
 - ✓ *1412 total units preserved through FY 2007; 1001 affordable at 60 percent AMI, including 433 units affordable at 50 percent AMI*
 - ✓ *See charts on following slides*

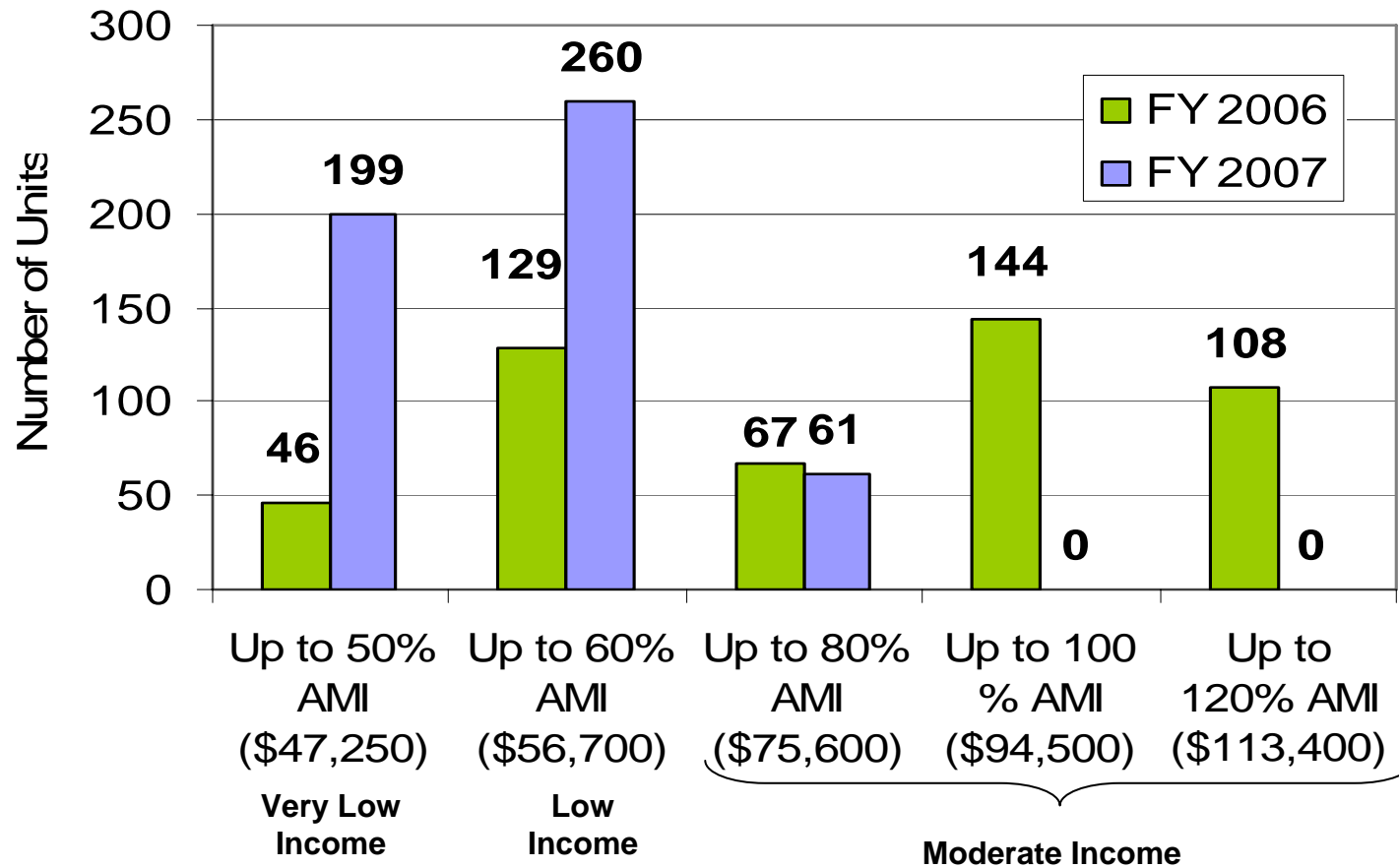
FY 2007 Report Highlights

Rent Affordability of Units Preserved in FY 2007 By Percentage of Area Median Income (AMI) *Penny for Housing Fund*



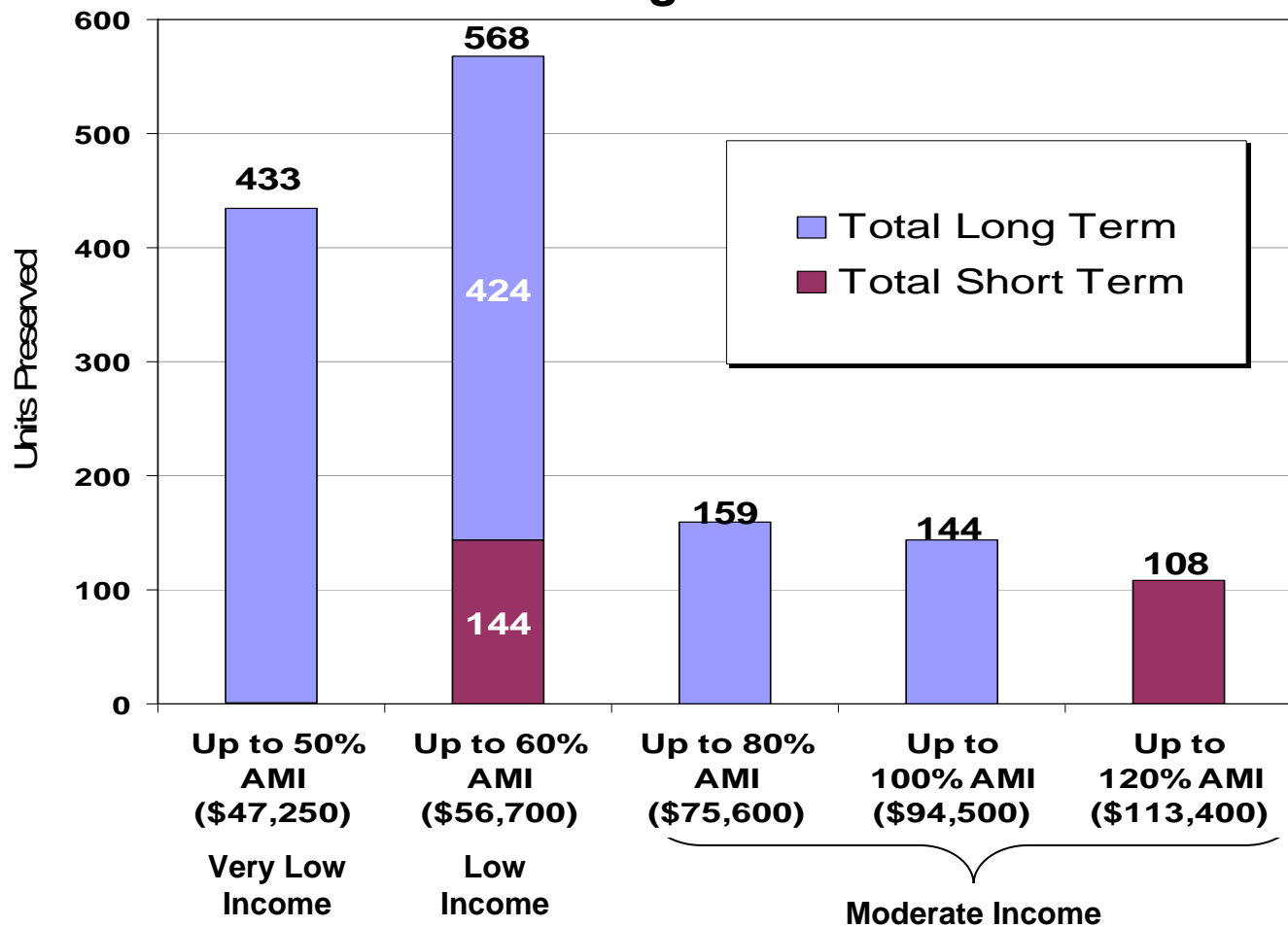
FY 2007 Report Highlights

Rent Affordability of Units Preserved; FY 2007 Compared to FY 2006 By Percentage of Area Median Income (AMI) *Penny for Housing Fund*



FY 2007 Report Highlights

Rent Affordability of Units Preserved, April 2004 through FY 2007 By Percentage of Area Median Income (AMI) *All Funding Sources*



FY 2007 Report Highlights

- **Guiding Principle 3:** All projects expected to be feasible, sustainable, affordable, completed in a timely manner, and meet threshold standards.
 - Findings:
 - ✓ *Penny Fund used in six transactions: Janna Lee, Hollybrooke III, Sunset Park, Reston Glen, ParcReston, Legato Corner. Each project underwritten by HCD and reviewed by County Financial Advisor.*

- **Guiding Principle 4:** Allocations from the Fund will be spent on capital expenditures.
 - Findings:
 - ✓ *All funds expended/encumbered, except 2.5 percent set-aside for administrative costs, were spent on capital expenditures.*

- **Guiding Principle 5:** Under appropriate circumstances, the Fund may be used for new housing production.
 - Findings: No funds used for new construction in FY 2007.

FY 2007 Report Highlights

- **Guiding Principle 6:** Loans, deferred loans, grants and other financing approaches will be used.
 - Findings:
 - ✓ *Financing approaches used in FY 2007 included deferred low interest and no interest loans, direct subsidies and bridge financing*

- **Guiding Principle 7:** The activity, status and success of the Fund will be well communicated to the Board of Supervisors and the community.
 - Findings:
 - ✓ *Activities well reported to the Board and public through a variety of means*

- **Guiding Principle 8:** The Fund should be used to finance permanent or long-term affordability; the minimum affordability period should correspond to the Fairfax County Affordable Dwelling Unit (ADU) Ordinance.
 - Findings: All projects funded by Penny Fund resources in FY 2007 have minimum affordability periods of 30 years, which corresponds to the ADU ordinance affordability period.

FY 2007 Report Highlights

- **Priority 1:** Preservation of existing affordable housing.
 - Findings:
 - ✓ *520 units preserved using Penny Fund in FY 2007; 1412 units preserved from April 2004 through FY 2007*

- **Priority 2:** Workforce housing.
 - Findings:
 - ✓ *1378 of 1412 units preserved through FY 2007 are Workforce Housing*

- **Priority 3:** Address condominium conversions.
 - Findings:
 - ✓ All projects funded by Penny Fund resources in FY 2007 directly responded to condominium conversions, rental market repositioning, or the sale of already converted units at market rate

FY 2007 Report Highlights

- **Priority 4:** Reduce homelessness.
 - Findings:
 - ✓ *No penny Funds used on projects specifically targeted to homeless population, however, a wide variety of other investments are being made by the County and FCRHA*

- **Priority 5:** Affordable housing close to work centers and transit.
 - Findings:
 - ✓ *Most units preserved were within walking distance of work centers or major transit corridors*

- **Priority 6:** Affordable housing on surplus public land.
 - Findings:
 - ✓ *No Penny Fund resources expended in FY 2007, however, significant progress being made in the form of the "Residences at Government Center"*

FY 2007 Report Highlights

- **Priority 7:** Accessible and special needs housing.
 - Findings:
 - ✓ *34 preserved units are specifically for the elderly and persons with disabilities*
 - ✓ *FCRHA adopted Universal Design Policy*

- **Priority 8:** Affordable housing and affordable assisted living for seniors.
 - Findings:
 - ✓ *County making a variety of investments in the affordable housing/affordable assisted living needs of seniors*
 - ✓ *Examples include Chesterbrook (44 affordable assisted living units) and Birmingham Green (92 units of assisted living)*

- **Priority 9:** Safe housing.
 - Findings:
 - ✓ *No Penny Fund resources expended in FY 2007*

- **Priority 10:** Replacement/preservation of affordable housing in areas undergoing redevelopment/revitalization.
 - Findings:
 - ✓ *Two properties in or adjacent to revitalization districts.*

Future Issues/Considerations

- **Prior Recommendations:** The special subcommittee reaffirms the revised recommendations to the Board of Supervisors, as amended and adopted by the Advisory Committee in June.
- **Market Conditions:** The special subcommittee notes that the Fairfax County multifamily housing market is highly competitive, making the preservation of affordable housing more difficult
- **Leveraging:** Continued to be the key to the Penny Fund's success; further leveraging opportunities should be identified
- **Homelessness:** Recommend coordination of Preservation Initiative with homelessness and other housing-related efforts

Future Issues/Considerations

- **Affordable Housing/County-owned Land:** The special subcommittee urges County to be more aggressive in identifying surplus or underutilized land for affordable housing.
- **Safe Housing:** The special subcommittee identifies the lack of affordable housing as a root cause of overcrowding; innovative housing solutions such as RSUs needed
- **General:** Responding to emerging FY 2007 opportunities required use of FY 2008 funds, likely reducing the number of units that can be preserved in FY 2008. Additional resources needed to compete in multifamily market.

End

- Questions
- Comments

