FAIRFAX COUNTY AFFORDABLE HOUSING ADVISORY COMMITTEE
REPORT OF THE SPECIAL SUBCOMMITTEE
PROGRESS REPORT - YEAR THREE – FY 2008

September 26, 2008

Background: *In May 2005, the Fairfax County Board of Supervisors appointed the Affordable Housing Advisory Committee to assist in prioritizing and monitoring affordable housing preservation initiatives through the Penny for Affordable Housing Fund. The Penny Fund generated a total of $17.9 million for affordable housing in FY 2006, $21.6 million in FY 2007 and $22.7 million in FY 2008. A special subcommittee of the Advisory Committee was formed in June 2006 to, among other things, review the progress of the Penny for Affordable Housing Fund directly in relation to the principles, priorities and guidelines recommended by the Advisory Committee and endorsed by the Board of Supervisors on November 21, 2005 (see Attachment 1). The Advisory Committee adopted progress reports for both Fiscal Years 2006 and 2007; this document constitutes the report on FY 2008.*

Summary: *The special subcommittee of the Advisory Committee finds that the expectations set forth by the Board in its November 21, 2005 Penny Fund Overriding and Guiding Principles were nearly all met or exceeded during FY 2008. This progress report includes a point-by-point assessment of the progress made by the Department of Housing and Community Development (HCD) in view of the Board's overriding and guiding principles and priorities in FY 2008. Every case involving the use of the Penny Fund complied with the Board's principles and priorities. In cases where the Board set forth a priority and the Penny Fund was not used, HCD and the Fairfax County Redevelopment and Housing Authority (FCRHA) moved aggressively to apply other resources and take additional steps to address the issue. Overall, the subcommittee finds that the progress made in FY 2008 represents solid foundation for continued funding in FY 2009 and beyond.*

Preservation Initiative Status: As of June 30, 2008, 2,224 units of affordable housing have been preserved, of which 1,805 were preserved in transactions involving the Penny for Affordable Housing Fund. In FY 2008, in addition to the Penny Fund, a total of $1,021,974 in federal HOME Investment Partnership (HOME) funds and $1,076,450 in federal Community Development Block Grant (CDBG) funds were committed to affordable housing preservation transactions in FY 2008.

Analysis: The Board of Supervisors divided their guidance on the use of the Penny for Affordable Housing Fund into <u>overriding</u> and <u>guiding</u> principles, and <u>top priorities</u>. The following is an analysis of HCD's progress in view of the Board's overriding principles:

- ***Overriding Principle 1:*** *Preservation of existing affordable housing is the highest priority.*
  - *<u>Progress/findings:</u>* The special subcommittee finds that all activities funded by the Penny Fund in FY 2008 preserved existing affordable housing. A total of 791 units were preserved using the Penny Fund in FY 2008. The following is a

description of each new preservation project funded by the Penny Fund in FY 2008:

- *Wedgewood Apartments, 672 units, Braddock District: Penny Fund investment:* $5 million. *Description:* Fairfax County purchased Wedgewood Apartments in November 2007 for a sales price of $107,500,000, or approximately $159,970 per unit. Wedgewood was built in phases between 1963 and 1967, and is located on 34.8 acres off of Heritage Drive in Annandale.

  About the property: The FCRHA operates the Wedgewood Apartments as part of the Fairfax County Rental Program (FCRP), using a third-party management agent. Rents are currently affordable to households with incomes at an average of approximately 65 percent of the Washington Metropolitan Area Median Income (AMI). However, it is anticipated that rents for 135 units (20 percent of the property rounded) will be affordable at 50 percent of AMI, 403 units (60 percent) will be affordable at 60 percent of AMI, and 134 units (20 percent) will be affordable at 80 percent of AMI.

  About the acquisition: Wedgewood Apartments was the largest single residential acquisition by Fairfax County in its history. Interim financing currently in place for the acquisition of Wedgewood includes the issuance and competitive sale of $106,100,000 in Bond Anticipation Notes (BANs) by the Fairfax County Redevelopment and Housing Authority (FCRHA) and an initial investment of $5,000,000 from the FY 2008 allocation of Penny for Affordable Housing Fund.

  Activities in FY 2008: Immediately after acquiring the property, staff from the Department of Housing and Community Development (HCD) began work on absorbing this large property into the FCRP. The first step was to determine the incomes of the households living at Wedgewood; to date, 66 percent of the household incomes have been verified. In addition, staff conducted an analysis to determine the rehabilitation needs at the property, and to identify units that could potentially be converted to be handicapped accessible. A total of 424 units were identified for rehabilitation including new appliances and floors, and new patio doors. A total of 25 ground level units were identified as good candidates for accessibility conversion. In addition, a renovation of the community building is planned. It is anticipated that the rehabilitation work will be completed in FY 2010.

  Future commitment of the Penny Fund: It is important to note that additional Penny Fund resources will be needed in future years to complete the permanent financing for Wedgewood. In FY 2009, it is anticipated that a second one-year temporary financing package will be put into place in the form of BANs with a six-month payoff while the permanent financing for the property is completed.

  In the spring of 2009, the FCRHA will be asked to issue bonds to provide the permanent financing for all of the land at Wedgewood, and partial permanent financing of the improvements on the Wedgewood West portion of the property. A total of approximately $10.6 million from the FY 2009 Penny Fund is earmarked to finance the rest of the improvements at Wedgewood

West. Annual estimated debt service for this portion of the financing is anticipated to be approximately $3.7 million per year, for the next fifteen years, out of the Penny Fund. An additional pledge of up to $500,000 per year will be used for a pledge reserve; however, it is not anticipated that these funds will be used. BANs will be issued for the financing of the improvements at Wedgewood East and Wedgewood Manor; in FY 2010, some additional funding from the Penny Fund will be needed to permanently finance these improvements. It is anticipated that some "Housing First" units will be developed as part of these two phases.

- *Coralain Gardens, 105 units, Mason District:* *Penny Fund investment:* $5.3 million. *Description:* The FCRHA provided financing in the amount of $5,300,000 from the Penny for Affordable Housing Fund for the acquisition, rehabilitation and preservation of Coralain Gardens by a limited partnership of RST Development LLC, a for-profit developer. Coralain Gardens is located off Route 50 just inside the beltway and was built in 1962. This transaction resulted in the long term preservation of this 105-unit apartment complex. A total of 22 units (20 percent of the complex) are affordable to households earning up to 50 percent of AMI; the remaining 83 units (80 percent) are affordable to households earning up to 60 percent of AMI. Five of the units will be rehabilitated to be fully ADA compliant. These units will remain affordable for 50 years.

- *Fair Oaks Landing, 3 units, Springfield District:* *Penny Fund investment:* $187,572   *Description:* The FCRHA purchased three new Affordable Dwelling Units (ADUs) for a total of $450,452. One unit purchased by the FCRHA is rented under the FCRP. The remaining two units are part of the Magnet Housing Program and available to employees of Fire and Rescue, Police, Fairfax County Public Schools and other county agencies and partners in the Magnet Housing Program. All three units are affordable to households earning up to 50 percent of AMI.

- *Bryson at Woodland Park, 4 units, Hunter Mill District:* *Penny Fund investment:* $107,887. *Description:* The FCRHA purchased 4 new ADUs at Bryson at Woodland Park for the FCRP for a total of $395,989; units are affordable to households earning up to 50 percent of AMI.

- *Stockwell Manor, 3 units, Dranesville District:* *Penny Fund investment: $182,990 Description:* The FCRHA purchased 3 new ADUs for the FCRP for a total of $458,651; units are affordable to households earning up to 50 percent of AMI.

- *Halstead, 4 units, Providence District:* *Penny Fund investment:* $176,514 *Description:* The FCRHA purchased four new ADUs for the FCRP for a total of $445,471; units are affordable to households earning up to 50 percent of AMI.

➢ ***Overriding Principle 2:*** *The Fund will be fully spent or specifically obligated within the fiscal year in which it is appropriated.*

  - *Progress/findings:* In FY 2008, 95.6 percent of the funds in the revised budget – which includes funds carried over from prior years – were either spent or encumbered by Board action (94.3 percent spent, 1.3 percent encumbered). Of the remaining 4.4 percent, the majority is reserved for ongoing preservation projects or unspent administrative funds, both of which will carry over to FY 2009. It should also be noted that a total of $12,902,810 was expended from the FY 2008 Penny Fund allocation for the financing on prior year preservation transactions or debt service, including Crescent ($3,000,000), Janna Lee ($8,402,810), and Hollybrooke III ($1,500,000).

- ***Overriding Principle 3:*** *The Fund will be opportunity-driven.*
  - *Progress/findings:* Six major multifamily rental complexes were sold in Fairfax County in FY 2008. Of these six transactions, two – Coralain Gardens and Wedgewood Apartments – ensured the long-term preservation of affordable housing through the Penny Fund. It was the Penny Fund, and Fairfax County's ability to respond quickly and effectively to opportunities emerging in the market, which made these the two preservation actions financially possible. Without the Penny Fund, however, these opportunities would have been lost as affordable housing. Conversely, with additional Penny Fund resources, some of the other four multifamily rental complexes might have also been preserved.

    The acquisition of Wedgewood, in the Braddock District, is a critically important example of opportunity intersecting with the capacity to act in a very limited window of time. Wedgewood was first offered for sale in May 2007 by the original owners/developers of the property as a "value add project" that was a prime opportunity for repositioning in the rental market with higher rents, or redevelopment as higher-end housing.

    The 35-acre Wedgewood property represented a historic opportunity to preserve affordable housing, inside the Capital Beltway, adjacent to other county-owned properties (Ossian Hall Park, Annandale Terrace Elementary School, and Annandale High School). Following an extensive due diligence process, the Board of Supervisors authorized staff to make an initial offer of $92 million on behalf of Fairfax County to purchase Wedgewood.

    At the end of the sales process, Fairfax County made a "best and final" offer to purchase the property for $107.5 million. The seller closed the bidding in mid-July 2007 after requesting additional information from some of the final bidders, including Fairfax County. The owners then negotiated to sell the property to a New York-based investor. In mid-September, staff became aware that the sale of Wedgewood had effectively failed due to the potential buyer's failure to secure financing. Staff aggressively pursued the owners and reiterated the Board's offer of $107.5 million for the property; the seller accepted the offer with the daunting caveat that the purchase close in 60 days.

    Using Bond Anticipation Notes and a portion of the FY 2008 Penny for Affordable Housing Fund, Fairfax County was able to act quickly to purchase the property. Closing took place on November 28, preserving 672 high-quality rental units as affordable housing for many years to come. The Board's leadership and investment in the Penny Fund, coupled with the credibility the county has earned in closing large preservation transactions were critical to the successful preservation of this property.

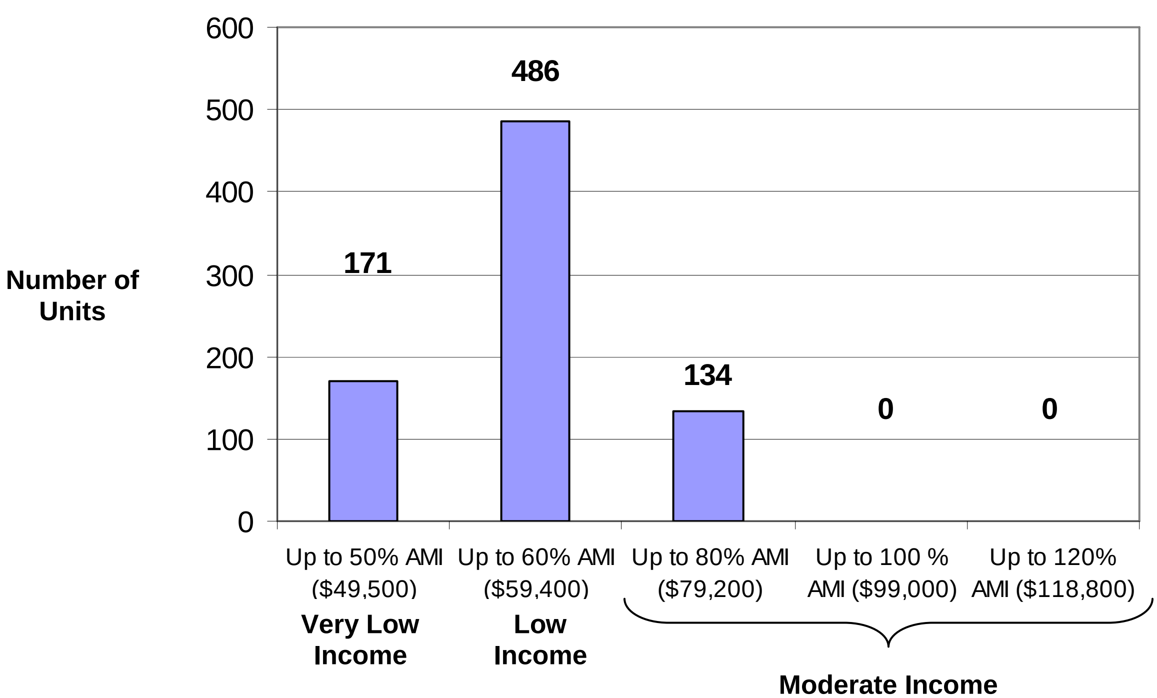
The following is an analysis of progress in view of the guiding principles adopted by the Board:

- ***Guiding Principle 1:*** *The Fund will be leveraged at least 3:1.*
  - Progress/findings: The leveraging of the FY 2008 Penny for Affordable Housing Fund was 3.31:1, not including the Wedgewood transaction, for which permanent financing is pending. The average per-unit investment of Penny Funds in FY 2008 was $50,042, compared to $58,034 in FY 2007.

    Wedgewood is excluded from these numbers because the structure of the temporary financing – $5,000,000 in equity from the FY 2008 Penny Fund and $106,100,000 in Bond Anticipation Notes – would skew the leveraging ratio and give an incomplete picture of the Penny Fund investment for the permanent financing of the project. Permanent financing on all three parcels of Wedgewood is expected within the next 18 months and will appropriately be assessed for its leverage.

- ***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. The affordability range will be set by the Advisory Committee.*
  - Progress/findings: The affordability range set by the Advisory Committee is 0 percent to 120 percent of AMI (FY 2008: $99,000). The average Penny Fund subsidy per unit for projects in FY 2008 was $50,042. The income ranges served by Penny Fund in FY 2008 are shown in the chart below:

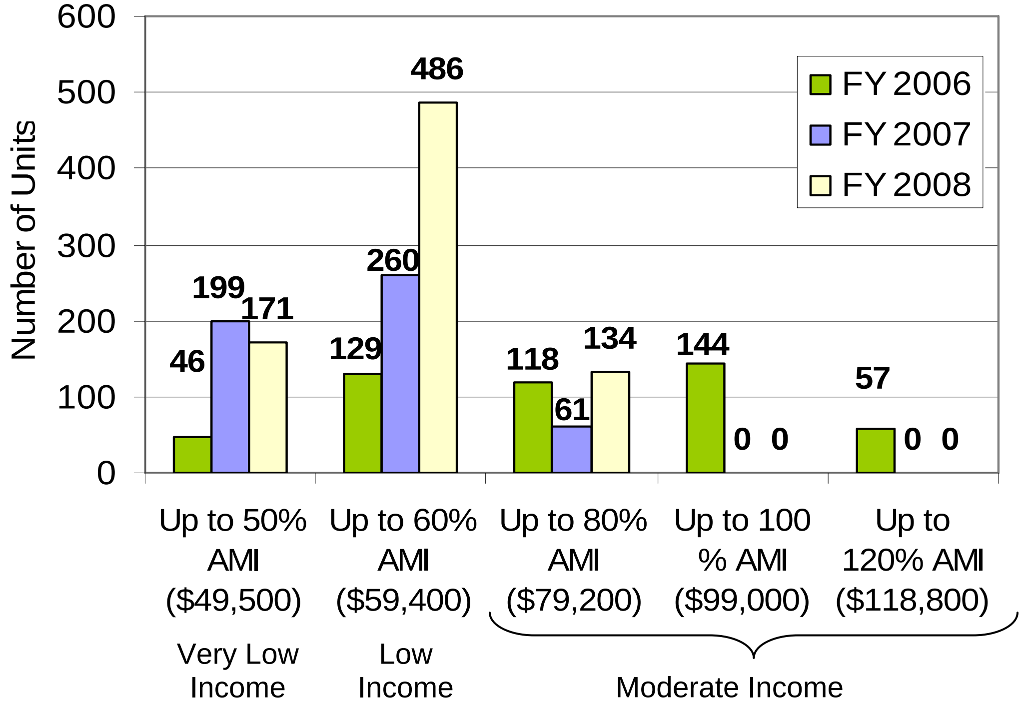
Rent Affordability of Units Preserved in FY 2008
By Percentage of Area Median Income (AMI)
Penny for Housing Fund



Note: Includes tentative rents at Wedgewood, which is projected to have 135 units affordable at up to 50 percent of AMI, 403 units affordable at up to 60 percent of AMI, and 134 units affordable at up to 80 percent of AMI.

The special subcommittee finds that continued progress was made in FY 2008 in terms of the preservation of housing affordable to lower income households. The following chart compares the rent affordability of units preserved using the Penny Fund in FY 2006, FY 2007, and FY 2008:

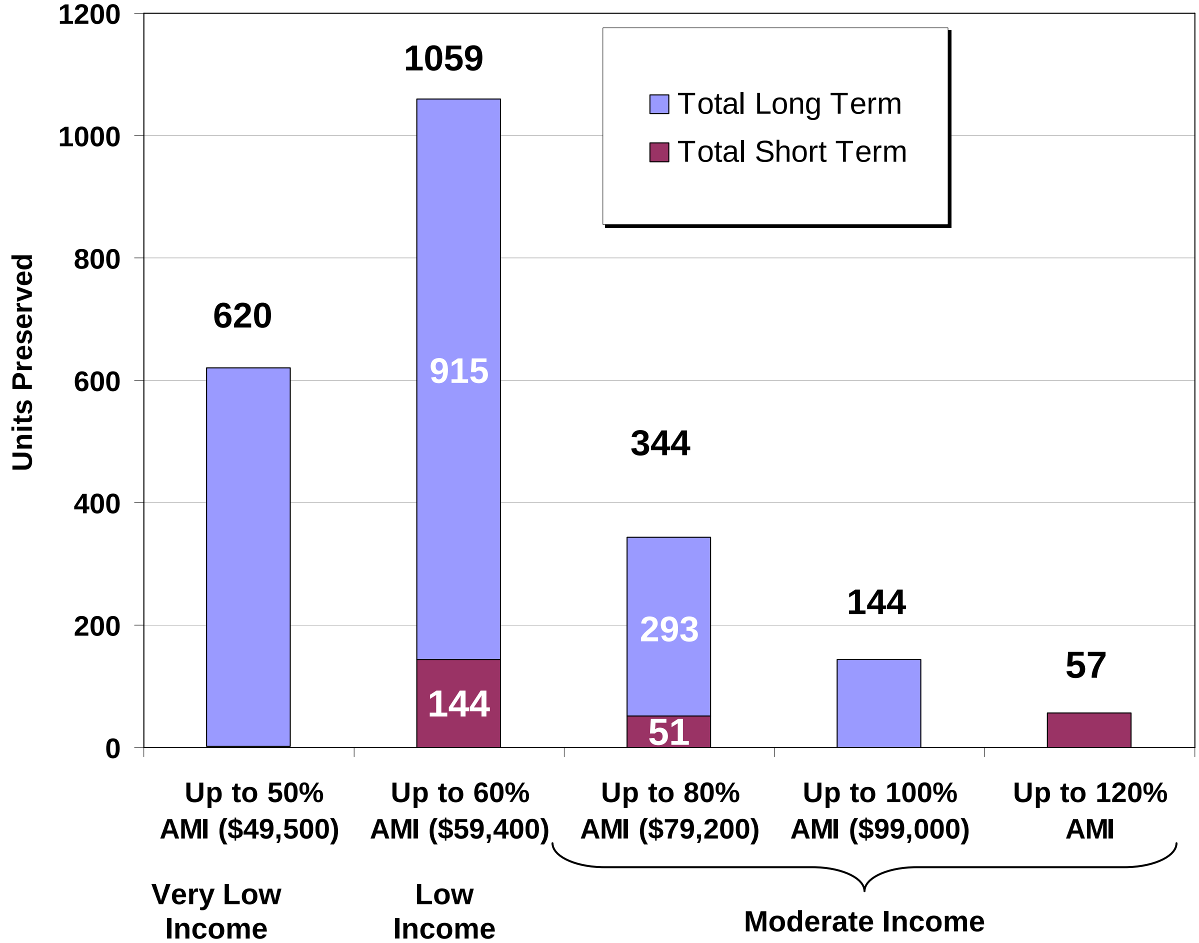
Affordability of Units Preserved; FY 2008 Compared to FY 2006 and FY 2007
By Percentage of Area Median Income (AMI)
Penny for Housing Fund



A total of 108 units preserved at Madison Ridge (Sully District) in FY 2006 were condominiums offered to moderate income households earning up to 120 percent AMI. As of April 2008, 51 of these units had been sold to households earning 80 percent of AMI and below, and 57 units were made available to households earning between 80 and 120 percent of AMI.

A total of 2,224 units were preserved through the Affordable Housing Preservation Initiative through the end of FY 2008. A total of 1,679 units – or about 75 percent of the total – were affordable to households earning up to 60 percent of AMI, including 620 units – about 28 percent of the total – affordable at up to 50 percent of AMI. The income ranges served by all funding sources (Penny Fund, Housing Trust Fund, HOME, CDBG), for the Preservation Initiative through the end of FY 2008, are shown in the chart below:

Rent Affordability of Units Preserved, April 2004 through FY 2008
By Percentage of Area Median Income (AMI)
All Funding Sources



- ***Guiding Principle 3:*** *All projects are expected to be feasible, sustainable, affordable, completed in a timely manner, and meet threshold standards set by the Department of Housing and Community Development.*
  - *Progress/findings:* The Penny Funds were used in six projects for acquisition and rehabilitation: Halstead, Stockwell Manor, Wedgewood, Bryson at Woodland Park, Fair Oaks Landing and Coralain Gardens. Each project was underwritten by HCD. Coralain Gardens and Wedgewood Apartments were reviewed by the County Financial Advisor for feasibility. All projects were completed in a timely manner.
- ***Guiding Principle 4:*** *Allocations from the Fund will be spent on capital expenditures.*
  - *Progress/findings:* The Board of Supervisors, in authorizing the Penny Fund, allowed for the use of up to 2.5 percent of the annual allocation for administrative costs. All funds expended or encumbered in FY 2008, except for that 2.5 percent set-aside, were spent on capital expenditures.

- ***Guiding Principle 5:*** *Under appropriate circumstances, the Fund may be used for new housing production.*
    - <u>*Progress/findings:*</u> No funds were used for new construction in FY 2008.
    - ***Also Noted:*** In December 2007, the Board of Supervisors approved the financing plan for the construction of Olley Glen, a new 90-unit active senior development on the FCRHA's Glens at Little River senior housing campus (Braddock District). The Olley Glen financing plan includes the use of $6.3 million from the FY 2009 Penny Fund allocation. It is anticipated that the $6.3 million from the Penny Fund will be swapped with an equal amount from a Section 108 Community Development Block Grant (CDBG) loan, which will be used for affordable housing preservation. The Section 108 loan is currently pending approval by the United States Department of Housing and Community Development (HUD).
- ***Guiding Principle 6:*** *Loans, deferred loans, grants and other financing approaches will be used.*
    - <u>*Progress/findings:*</u> Transactions involving the Penny Fund in FY 2008 included a deferred low interest loan and direct subsidies for County purchases.
- ***Guiding Principle 7:*** *The activity, status and success of the Fund will be well communicated to the Board of Supervisors and the community.*
    - <u>*Progress/findings:*</u> Activities, status and successes of the Fund are reported regularly in the on-line newsletter at www.e-ffordable.org. The newsletter is published bi-weekly and sent to approximately 400 "subscribers" including the Board of Supervisors, the FCRHA, and County staff. The Preservation Initiative, including the Penny Fund, continues to receive coverage in a wide variety of local and regional newspapers. At the end of FY 2007, the Advisory Committee published its annual report on the use of the Penny Fund on e-ffordable.org.
- ***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.*
    - <u>*Progress/findings:*</u> All projects funded by Penny Fund resources in FY 2008 have minimum affordability periods of 30 years, which corresponds to the ADU ordinance affordability period.

The following is an analysis of progress in view of the top priorities adopted by the Board:

- ***Priority 1:*** *Preservation of existing affordable housing.*
    - <u>*Progress/findings:*</u> A total of 812 units were preserved in FY 2008, of which 791 units were preserved using the Penny Fund. A total of 2,224 units were preserved through FY 2008 using all funding sources since the inception of the Preservation Initiative in April 2004.

- ***Priority 2:*** Workforce housing.
  - *Progress/findings:* 2,173 of the 2,224 units preserved through FY 2008 are for working families and individuals.
  - ***Also Noted:*** In the fall of 2007, the Board of Supervisors created Fairfax County's groundbreaking new Workforce Housing Program via amendments to the Comprehensive Plan and Zoning Ordinance.

    The amendment to the Comprehensive Plan created a proffer-based incentive system designed to encourage the voluntary development of new housing affordable to a range of moderate-income workers earning up to 120 percent of the Area Median Income (AMI) in Fairfax County's high-rise/high-density areas. The Plan now provides for a density bonus of up to one unit for every workforce unit provided by a developer, with the expectation that at least 12 percent of units in new developments be affordable or workforce housing. The amendment to the Zoning Ordinance accommodates any density bonus associated with the provision of workforce units through proffered rezoning applications. Other amendments to the Comprehensive Plan approved by the Board included:

    - Expanding the definition of "Affordable Housing" to include "Workforce Housing," to recognize that persons living in units produced under the Affordable Dwelling Unit (ADU) program and other Fairfax County housing programs represent a critical segment of Fairfax County's workforce;
    - Adding a definition of "Workforce Housing" to include rental and for-sale housing affordable at up to 120 percent of the Area Median Income (AMI), and stating that the intent of the Workforce Housing initiative is to encourage affordable housing in Fairfax County's Mixed-Use Centers (such as Tyson's Corner). And
    - Adding a policy that ADUs and Workforce Housing Units shall constitute *a minimum of 12 percent* of all new residential units.

    The Board's actions implemented, as policy, the major recommendations of the Board-appointed High-rise Affordability Panel. The Panel, chaired by FCRHA Commissioner Lee Rau (Hunter Mill District), was appointed by the Board to develop policies to promote the development of new affordable housing in projects using high-rise construction. The Panel worked for nearly two years to develop its recommendations, which included the 12 percent affordable/workforce housing expectation, bonus density, and the income range implemented by the Board's actions. The Panel also recommended that the County, on a separate track, initiate a process to allow, under certain circumstances, housing as a permitted use in commercial, industrial and mixed-use districts. This recommendation is currently under consideration by staff.

    As of the end of FY 2008, a total of 845 Workforce Dwelling Units had been committed by private developers in rezoning actions approved by the Board of Supervisors.

    (See also Priority Six below.)

- ***Priority 3:*** Address condominium conversions.
  - *Progress/findings:* The multi-family housing market in FY 2008 continued to transition and change from conditions that prevailed throughout the markets of previous years. There have been no condominium conversions to address, and the acquisition capital is no longer abundant. The rental market, however, remains highly challenging for low- and very-low income families. According to the George Mason University Center for Regional Analysis, rents are projected in increase by 6 to 7 percent through 2009[1].
- ***Priority 4:*** Reduce homelessness.
  - *Progress/findings:* No Penny Fund resources were used on projects specifically targeted to the needs of the homeless in FY 2008.
  - ***Also Noted:*** The FCRHA continues to make critical investments and take other vital steps to serve homeless families and individuals.

    Countywide Homelessness Plan: The FCRHA reaffirmed its role in implementing the Plan to Prevent and End Homelessness in Ten Years, which was approved by the Board of Supervisors on March 31, 2008. The central concept behind the homelessness plan is "Housing First", which calls for rapid re-housing of the homeless, with supportive services provided once the individual or family is in a unit.

    In both its Strategic Plan – Action Plan for FY 2009 (adopted December 13, 2007) and its HUD-mandated FY 2009 Annual Plan for Housing Choice Voucher and Public Housing (adopted March 6, 2008), the FCRHA targeted specific steps to implement "Housing First". In FY 2009, the FCRHA plans to:

    - Use federal HOME-funded Tenant Based Rental Assistance (TBRA) vouchers to serve 48 households to prevent homelessness;
    - Deliver six new "Housing First" units at the Hanley Shelter campus (Springfield District).
    - Continue of the Partnership for Permanent Housing program, serving 25 households using HOME TBRA vouchers.
    - Give priority for Housing First for 50 Housing Choice Vouchers, and assisting non-profit developers in acquiring 18 units for Housing First.
    - Identify opportunities to replicate the SRO/Residential Studio Unit (RSU) model for Housing First; and
    - Conduct benchmarking and review its admissions, occupancy and administrative data and policies to identify opportunities to better facilitate with its partner agencies the "Housing First" model

    Fairfax County's non-profit partners are playing a critical role in implementing the "Housing First" strategy. In FY 2008, the FCRHA provided nine Project-Based Vouchers (converted Housing Choice Vouchers) to Reston Interfaith for its new "Housing OpportUnities Strengthens Everyone" (HOUSE) program. Thirty-

[1] George Mason University, Center for Regional Analysis, "Definition of Moderate Income in Fairfax County"; July 2006.

four townhomes will be immediately available in the Reston and Herndon areas for HOUSE applicants.

FY 2008 Policy Accomplishments: In FY 2008, the FCRHA also continued to make important policy changes designed to enhance the way Fairfax County serves its homeless population. Specifically, the FCRHA:

- Approved a policy to allow participants in the Transitional Housing and Health-Danger programs onto the waiting lists when they are otherwise closed. Previously, when waiting lists were closed, only participants in the Project Homes and Special Needs Homeless Assistance programs were still permitted to apply for housing.
- Approved a policy that exempts all households applying for Public Housing, Housing Choice Vouchers and the Fairfax County Rental Program, earning 50 percent of the Area Median Income ($49,500 for a family of four) and below, from the rent burden requirement, with the exception of those already housed by the FCRHA. This would effectively exempt most, if not all, homeless applicants from the rent burden requirement. (This will be a one-year pilot to monitor the impact of the policy change.)

Partnership for Permanent Housing: The FCRHA continued its Partnership for Permanent Housing (PPH) program in FY 2008. PPH has a goal of moving 25 homeless families into permanent housing. As of the end of FY 2008, 25 families had been accepted into the program, 21 of which had leased units using their HOME-funded Tenant Based Rental Assistance (TBRA) vouchers; four families were either completing the TBRA intake process or searching for rental housing with their TBRA vouchers. Five TBRA vouchers are also set aside for participants in the hypothermia prevention program, four of which were in use at the end of FY 2008.

- ***Priority 5:*** Affordable Housing close to work centers and transit.
  - <u>*Progress/findings:*</u> Most of the units preserved using the Penny Fund are within walking distance of work centers or major transit corridors. For example, Wedgewood Apartments is in Annandale on Little River Turnpike (Route 236). Coralain Gardens is on Arlington Boulevard (Route 50), inside the Beltway near Loehmann’s Plaza. Both properties are near employment centers and are well-served by public transportation.
- ***Priority 6:*** Affordable Housing on surplus public land.
  - <u>*Progress/findings:*</u> No Penny Fund resources were expended on this priority in FY 2008.
  - ***Also Noted:*** It should be noted that significant progress has been made regarding the development of approximately 270 units of affordable/workforce housing on the campus of the Fairfax County Government Center. “The Residences at the Government Center” are planned to be 100 percent workforce housing serving incomes ranging from 50 percent to 100 percent of AMI. As of the end of FY 2008, Fairfax County was in negotiations with JPI, one of the nation’s largest multifamily developers, for the development of the site.

- ***Priority 7:*** Accessible and special needs housing.
    - *Progress/findings:* Of the 2,224 units preserved since the inception of the Preservation Initiative through the end of FY 2008, 51 units are specifically for the elderly and persons with disabilities. In addition, staff is currently evaluating ground level units at Wedgewood for their potential to be converted to serve persons with physical disabilities.

      Also Noted: The FCRHA and the Board of Supervisors continue to take important policy steps to address the housing needs of persons with disabilities. At the recommendation of the FCRHA, the Board of Supervisors amended the guidelines for the Affordable Housing Partnership Program (AHPP) in FY 2008 to incorporate a policy supporting universal and accessible design and the construction of affordable housing for persons with disabilities. The AHPP is the gateway through which affordable housing developers apply for affordable housing preservation and construction funds, including the Penny Fund and the Housing Trust Fund.

      The FCRHA recognized the need for more coordination in addressing the housing needs of the homeless and persons with disabilities as a critical issue. In response to comments received during the development of the FCRHA FY 2009 Annual Plan for Housing Choice Voucher and Public Housing, the FCRHA adopted a two-pronged approach to enhance collaboration at the policy and operations levels at its special meeting on June 11, 2008:

      - *Policy Level:* The FCRHA will conduct an annual joint meeting with the Disability Services Board (DSB), the Community Services Board (CSB) and the Long-term Care Coordinating Council (LTCCC) to discuss policy issues, exchange information and receive progress reports from the staff.
      - *Operations Level:* HCD staff will establish an interagency working group at the staff level, similar to the Partnership for Permanent Housing and Hypothermia working groups, to work together on specific client cases and operational issues.

      These meetings are currently in planning at HCD.

- ***Priority 8:*** Affordable housing and affordable assisted living for seniors.
    - *Progress/findings:* Penny Funds were not expended for this priority in FY 2008.
    - ***Also noted:*** As stated under Guiding Principle 5 above, the Board of Supervisors approved the financing plan for the construction of Olley Glen in December 2007. Olley Glen is the 90-unit active senior development proposed to be built on the FCRHA's Glens at Little River senior housing campus in the Braddock District. As a part of the financing plan, the Board approved the use of $6.3 million from the FY 2009 Penny Fund allocation for this project. It is anticipated that construction will begin on Olley Glen in the fall of 2008.

      In addition, progress continues on the construction of other new affordable senior housing, including:

      - *Chesterbrook (Assisted Living); Dranesville District:* Chesterbrook Residences, which opened in November 2007, provides 97 units (85 onebedroom units, 12 two-bedrooms) of assisted living in the McLean area. Fifty-five units have been specifically designated for low-income residents: 44 units allocated for low-income residents who qualify for Section 8 vouchers, five units being reserved for those seniors who qualify for Virginia's auxiliary help program and six units are rented for below market rate (including food and other services), depending on the unit's size and number of residents per unit. The FCRHA has also made loans to Chesterbrook Residences, Inc. for the project and has a second trust lien in the amount of $1,229,000 and a fourth trust lien in the amount of $275,000 on the project securing loans made from the Housing Trust Fund. In addition, the FCRHA has a third trust lien in the amount of $250,000 securing a loan in that amount made with Community Development Block Grant (CDBG) funds.

- *Birmingham Green (Assisted Living):* This facility was completed in FY 2008. Birmingham Green is located on 54 acres of land owned by five local jurisdictions: the Counties of Fairfax, Fauquier, Loudoun and Prince William and the City of Alexandria. Previously, the facility included a 180-bed nursing facility built in 1991 and a 64-bed assisted living facility built in 1927. The new construction adds 92 units with 77 units of assisted living and 14 units for persons with disabilities. One unit will be targeted for community space for the residents. The assisted living units will be leased to seniors with extremely low incomes and in need of assistance with the activities of daily living. Fairfax County paid a proportion of the total cost of the new facility based on the County's use of the current facility – about 45 percent of the beds at Birmingham Green are occupied by Fairfax County residents.

- *Lewinsville; Dranesville District:* As of the end of FY 2008, the project was in predevelopment and site plan review; construction pending funding availability. The project has been expanded to include:

  - 60 new units of assisted living;
  - Construction of 22 units of independent living (to replace 22 existing units on the site);
  - Two child day care facilities with upgraded playgrounds which will serve a total of approximately 200 children;
  - Expansion of the existing senior center;
  - Two adult day care centers, including a privately-run Alzheimer's day care; and
  - Site improvements which will increase and improve parking, lighting and landscaping.

➢ ***Priority 9:*** Safe housing.

- o *Progress/findings:* No resources from the Penny Fund were expended in FY 2008. The county's Code Enforcement Strike Team continued to seek code compliance from landlords, with the goal of ensuring safe housing for tenants and eliminating overcrowding.

➢ ***Priority 10:*** Replacement and preservation of affordable housing in areas undergoing redevelopment and revitalization.

- o *Progress/findings:* The Wedgewood Apartments are located at the gateway to the Annandale revitalization area *(Braddock District)*.

General Observation: The special subcommittee notes that the entire FY 2009 Penny Fund has been earmarked for debt service on prior year projects (Wedgewood Apartments and Crescent Apartments), the construction of Olley Glen, and the "Silver Lining" initiative, which is part of the Board of Supervisors' response to the foreclosure crisis in Fairfax County. The number of additional units preserved in FY 2009 therefore will likely be significantly less than prior years as a result, and will depend largely on the availability of funds from sources other than the Penny Fund.

Federal Housing Bill: The special subcommittee notes the passage of the federal "Housing and Economic Recover Act of 2008" and recognizes its potentially significant positive impact in Fairfax County. Of most immediate interest is the $3.92 billion emergency aid package, which may directly provide Fairfax County with funding to address the foreclosure crisis. Such funds could be used, in part, to replace the FY 2009 Penny Fund resources currently planned for the county's foreclosure initiative; the Penny Fund allocation could be reprogrammed to preservation. In addition, the volume cap increases for low-income housing tax credits for 2008 and 2009 could also provide additional affordable housing preservation funding, to be leverage by the Penny Fund. Finally, the National Housing Trust Fund – to be funded by profits from mortgage giants Freddie Mac and Fannie Mae – could eventually also be a significant new source of preservation funds for Fairfax County.

Recommendation: Significant progress has been made in increasing the number of units preserved which are affordable to very low-income households (those earning 50 percent of the Area Median Income (AMI) and below); through FY 2008, about 28 percent of the units preserved are affordable to this income level. However, the special subcommittee recommends a goal that to the extent feasible, 30 percent of units preserved in future preservation projects have rents affordable at 50 percent of the AMI and below. The special subcommittee also recommends that, for FY 2009 going forward, the number of units affordable at 30 percent of the AMI and below be tracked and reported.

ATTACHMENT 1

"One Penny for Housing" Flexibility Fund (Fund 319) Overriding and Guiding Principles

Endorsed by the Board of Supervisors on November 21, 2005

Overriding Principles

- **Preservation of existing affordable housing is the highest priority.**
- **The Fund will be fully spent or specifically obligated with the fiscal year in which it is appropriated.**
- **The Fund will be opportunity-driven.**

Guiding Principles

In addition to the overriding principles, the following principles will guide the use of the Fund:

- The Fund will be leveraged at least 3:1.
- 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. The affordability range will be set by the Advisory Committee.
- All projects are expected to be feasible, sustainable, affordable, completed in a timely manner, and meet threshold standards set by the Department of Housing and Community Development.
- Allocations from the Fund will be spent on capital expenditures.
- Under appropriate circumstances, the Fund may be used for new housing production.
- Loans, deferred loans, grants and other financing approaches will be used.
- The activity, status and success of the Fund will be well communicated to the Board of Supervisors and the community.
- 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

Top Priorities

- Preservation of existing affordable housing
- Workforce housing
- Address condominium conversions
- Reduce homelessness
- Affordable Housing close to work centers and transit
- Affordable Housing on surplus public land
- Accessible and special needs housing
- Affordable housing and affordable assisted living for seniors
- Safe housing
- Replacement and preservation of affordable housing in areas undergoing redevelopment and revitalization.