

**Fairfax County Affordable Housing Advisory Committee  
For-Sale Workgroup Recommendations - FINAL**

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The following compilation is the result of the AHAC For-Sale Work Group, with suggested recommendations intended to provide guidance to County policy makers, with a view to the creation and preservation of affordable for-sale units in the County.

It should be noted that there is no one single strategy but many strategies that should be implemented to bring about change or movement toward more for-sale units in the County.

Some major factors that contribute to insufficient production of affordable units, including for-sale:

- Scarcity of land
- Restrictive land use controls
- Environmental/regulations
- Cumbersome permitting
- Community opposition to higher density
- Tight credit & financing
- Declining productivity of the Affordable Dwelling Unit program due to changing development patterns

For perspective, it should be noted that in 2006-2007 HCD facilitated approximately 150 families becoming first-time homebuyers, using a combination of new and re-sale ADUs, and below-market financing from the Virginia Housing Development Authority (VHDA). This past year that number was 15, mainly through the re-sale of ADUs.

There are a variety of reasons for this decline in the capacity of Fairfax County to facilitate homeownership for low- and moderate-income residents. The Workforce Dwelling Unit program, which holds much promise, has not yet produced any units on the market.

VHDA SPARC monies are no longer available. These large sums of money were instrumental in the expansion of affordable housing opportunities with new construction, ADUs and foreclosed properties. And finally, the County's for-sale ADU program is no longer producing

meaningful quantities of new units, as most new construction in the county is of a type that is not subject to the ADU requirements in the Zoning Ordinance. It should also be noted that many of the units delivered during the early days of the ADU program are “aging out” of the program, meaning their restrictive covenants are expiring and the units will be able to be sold at market prices.

Moving forward, and along with the Capital Formation Work Group, this committee believes that implementation of these *for-sale* recommendations “will have the most positive outcomes if Fairfax County, the FCRHA and DHCD take assertive action to 1) examine current processes and procedures regarding development proposals; 2) adequately staff the DHCD and fund new or revamped positions within the County with expertise to manage, negotiate, and expedite more complex real estate transactions; and 3) adopt a more entrepreneurial, solutions based approach to overcome the many housing challenges facing the County.”

Recommended For-Sale Considerations:

**If accepting Cash Contributions from Developers in Lieu of Units, use these funds to --**

- Allow nonprofit for-sale developers to find ways to leverage cash contributions with grants, loans, private contributions, foundation awards, state contributions, and CDBG funds
- Contributions from developers of for-sale market rate units should be allocated for affordable for-sale units development
- Provide financing for homeownership opportunities for those between 80 – 100% AMI in the gap of where the Federal Government provides assistance, or down payment assistance
- County’s purchase of existing affordable units in the marketplace to preserve them as affordable units
- Recognizing the somewhat controversial nature of this recommendation, as well as the current disposition of the BOS toward units over contributions, accepting cash could be a “trial policy” that can be later removed if quantified over time as not working well or not viable. In any case, the committee understands that any cash contributions would be governed by State requirements related to proffers

### **Reconfigure the Housing Trust Fund**

- Change the regulations to allow the Housing Trust Fund to align some portion of the funding specifically for affordable homeownership projects
- Allocate a small, permanent amount from the Fund for staffing positions in the HCD in order to increase capacity for moving projects through the pipeline. See below for further potential tools. With this suggestion, we realize that the HTF is a capital fund, and other staff funding sources would likely be sought
- Housing Trust Fund and the Penny for Affordable Housing Funds are severely and structurally under-funded, as they are dependent on proffered contributions,

rental income, and a contribution from real estate tax income sufficient to support debt on previous projects. The annual capital that is made available through the HTF and Penny Fund is barely sufficient to serve even as gap financing for 1 project each year.

- As stated earlier, many of the County's ADUs are into their extended control period. Some 600 units will roll out of compliance over the next 5-6 years. From the equity splits associated with the sale of "expired" ADUs, use these potentially several millions of dollars to revive affordable for-sale tools such as direct lending, closing costs assistance, assistance with condominium fees, and other resources to facilitate and support first-time, income-qualified home buyers

### **Improve the Development and Redevelopment Process**

- Streamline the process and timeline of approval of projects so that developers are able to arrange for debt and equity sources in a timely way for their projects
- Determine unit requirements on a case by case basis by creating a consistent menu of options for developers to contribute cash, units, or a combination of the two with clear guidelines
- Refocus homeownership efforts on 70 – 100% AMI families, as 60% AMI ends up costing developers, and families at 120% AMI are close enough to market price that the small reduction is not worth the lengthy process involved in securing the unit
- Incentivize the production of moderately-priced for sale housing through land use and zoning policy
- Explore flexibility in housing types and residential uses in single-family neighborhoods and buffer zones
- Current Restrictive land use controls: The County has identified only 10% of its land for higher-density development. This could be reexamined with a view to add other areas, especially on high traffic corridors, and rezone these areas
- Scarcity of land: Aggressively explore land-banking, such as through community land trusts (CLT), particularly with regards to Tysons and other designated transit-oriented corridors. The CLT retains ownership of land (usually 75-99 years) and sells housing on that land at affordable rates. Homeowners on CLT land are legally required to sell their home to another income qualified family, which preserves the home's affordability for generations to come. Low and moderate income families benefit from CLTs through equity built by owning the home, and future residents will have the opportunity to own a piece of their neighborhood.
- Reduce or waive County fees for non-profit development projects, particularly those projects that are not LIHTC deals
- Hire additional County Staff for P/Z and HCD to process proposals in a more timely fashion. Currently, HCD is a "cheap date" vis a vis County funds. Only 1 in

4 staff are paid for by the County. Some suggested HCD new hires could be for support of Inclusionary Zoning policies, a loan officer, and additional experienced staff to facilitate the delivery of new units

### **Improve Transparency of the Developers' Contributions**

- Provide greater clarity on where contributions from developers are allocated and how they are used, in order to improve public perception and developer confidence
- If not already available, staff and BOS should establish clear (and readily publically available) guidelines for contributions and/or units to be delivered, and “stick to their guns” with developers, to prevent uneven handling of proposals, resulting in lost units or lost money

### **Staff Development and Learning**

- Staff be given latitude (and appropriate resources) to reach out to other jurisdictions for best practices and/or conduct independent research regarding the creation and preservation of affordable for-sale (and rental) units and developments. This will provide staff and BOS further tools and a menu of options to address housing affordability challenges in the County