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Representing Fannie Mae, Northern Virginia Partnership Office:

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Kerem M. Oner, Department of Finance/Real Estate Assessments

Patricia Thomas, Office of Planning

Special Representative:

Pamela Struss, Re/Max Allegiance

Founder, Housing All Teachers (HAT) and

Housing Essential Personnel (HEP) Programs

Consultant:

C. Theodore Koebel, Ph.D.

Professor and Director

Center for Housing Research

Virginia Polytechnic Institute and State University

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Executive Summary

Citizen focus groups, called to assist in the preparation of the Prince William County 2005-2009 Strategic Plan, highlighted “Affordable Housing” as an issue of growing concern. Further consideration of this issue by the Board of County Supervisors led to the appointment of a Workforce/Affordable Housing Task Force (hereinafter referred to as the “Task Force”) in April 2004, charged with analyzing the impact of housing stock and market forces on citizens classified as being of low to moderate income. U.S. Department of Housing and Urban Development standards define that segment of society as those earning 50-120% of the Area Median Family Income (AMFI). The most recent determination of AMFI for the metropolitan Washington area has been determined to be \$89,300, thus focusing the attention of the citizen task force on homeownership potential for workforce families with an income ranging from \$44,650 to \$107,160, with specific focus on those earning between \$44,650 and \$71,440 (50-80% AMFI).

The Task Force also looked at the impact of the local economy on rental properties for families earning less than 50% of AMFI. Because of the constraints of the Task Force charter and current market forces, the Task Force did not analyze the issues of safe and affordable housing for families earning less than 30% of AMFI. It was determined that this is an income range in which home ownership is almost universally precluded by the market, and rentals must often be supplemented by other means such as the Housing Choice Voucher Program. While the Task Force could not address households in this income range, it should not be forgotten that individuals earning between minimum wage and \$20.00 per hour are not served by much of this report.

An analysis of Prince William housing stock for both for-sale and rental markets in the year 2000, revealed a shortage of approximately 600 rental units and 1,400 ownership units. Since then, market pressures have significantly increased that shortfall as median sales prices have risen to over \$300,000. At that price, a family would have to earn an income of approximately \$100,000 (112% AMFI) to qualify for a mortgage on a new townhouse and \$143,000 (160% AMFI) to qualify to purchase a new single family dwelling.

Vacancy rates for both ownership and rental units in Prince William are less than four percent. This small margin reflects the necessary turnover time between tenants. As tight as the housing market is in 2005, the Center For Housing Research projects that by 2010, there will be an increase in demand based on projected job growth of another 60,000 units (43,000 owner-occupied and 17,00 rental). Projected housing production in the same time-frame slightly lags the demand. Accordingly, there are no factors that can promise an easing of the current price escalation curve.

To meet the challenge of attempting to make housing more available to those in the 50-120% AMFI, the task force has proposed a proactive, multi-pronged approach. It begins with annual progress reviews and establishment of production goals for moderately priced housing units as well as follow-on action steps to reach those goals ranging from public education to the review of the comprehensive plan and regulatory regime; improved/expanded first-time home buyer programs; preservation of existing stock of moderately-priced rental and owner-occupied

housing; establishment of a Housing Preservation and Development Trust Fund to underwrite a variety of activities including innovative housing projects by both for-profit and not-for-profit developers; development of Employer Assisted Housing programs in both the public and private sectors; drafting and adopting a Moderately Priced Dwelling Unit Ordinance and; finally, continued cooperation with surrounding jurisdictions to seek innovative regional solutions to what has now been recognized as a bona fide regional issue.

While the challenges seem daunting, Prince William County has the benefit of being able to avail itself of the storehouse of experiences of several surrounding jurisdictions. Reinventing the wheel is not necessary; focused and persistent attention by citizens as well as by elected and appointed officials can make a substantial and positive contribution to housing our workforce close to the place where they work.

A. Introduction

In preparation for the development of the County's new 4-year Strategic Plan, a series of citizen meetings were hosted throughout the County during the fall 2003 to solicit information, comments, and ideas from citizens regarding "issues" confronting the County. From these meetings, fourteen specific issue areas were identified and selected for further research and analysis. In January 2004, the newly-elected Prince William Board of County Supervisors (hereinafter referred to as "the Board") received fourteen "white papers" and formal briefings by teams of County staff.

As a result of the information and staff analysis presented in the "**Strategic Issue Analysis - Affordable Housing**" (found at Appendix B), and in consultation with the Prince William Housing Advisory Board, the Board of County Supervisors organized and chartered the "**Workforce/Affordable Housing Task Force**" in April 2004. The Task Force was composed of key representatives from the housing industry (developers, builders and Realtors), business community (both chambers of commerce), pertinent County agencies and citizens (See Board Resolution 04-494 at Appendix A). In their resolution, the Board also appropriated funds to provide consultant services to the Task Force. The Task Force, in turn, contracted with the Director (Dr. Theodore Koebel) and staff of Virginia Tech's Center for Housing Research.

At their initial meeting, Mr. Paul Moessner, former Chairman of the County's Housing Advisory Board and Paul Kaminsky, Coles Magisterial Representative to the Housing Advisory Board, were elected Chairman and Vice-Chairman of the Housing Task Force, respectively. The task force met twice monthly from July 2004 to December 2004, and weekly from January through March 2005. The meetings were held alternately at the McCoart Government Center and the offices of Quaker Homes, L.L.C.

B. Approach

The County has significant influence over the housing market, particularly on the supply of housing. County policies and regulations influence the amount of housing built, the type of housing built, and its location. The County also directly affects the cost of housing through taxes and fees, and indirectly through land use and building regulations. In addition, the County, in partnership with the State and Federal governments, provides assistance to residents in obtaining housing that is affordable and of good quality.

Reflecting its role in the housing market, the County adopted a Housing Goal and Housing Policies, as expressed in the 2003 Comprehensive Plan, with the intent “to provide a framework for providing for the housing needs of all residents of Prince William County” and to:

- “Encourage the provision of affordable housing for all segments of the County’s population” (Housing Policy 2);
- “Cooperate with Federal, State, and local public and private agencies to address housing needs” (Housing Policy 3); and
- “Foster public and private partnerships to address County housing needs” (Housing Policy 4).

Throughout the Task Force’s discussions, and in the process of making its recommendations, the Task Force has adhered to the basic principles implicit in the County’s Housing Goal:

- reliance on the private housing market to meet housing needs within the County;
- identifying critical problems in the private supply of housing; removing barriers to market provision of housing to all residents;
- providing incentives to private (for-profit and non-profit) developers to build a diversity of housing reflective of the diversity of demand; and
- promoting public-private partnerships in order to increase capacity to build a diversity of housing reflective of the diversity of demand.

With these principles in mind, the Task Force embraced its charge as a reflection of the County’s commitment to exercise its full powers in fulfillment of its goal to provide for the housing needs of all residents of Prince William County.

Given its mandate to examine housing issues impacting County households, particularly working households whose occupations are essential to the economic well being and essential to quality of life in the County, the task force researched the definition of “affordable housing” and “workforce housing” and agreed to the following:

Affordable Housing – The term “affordable housing” is used popularly to describe a wide variety of housing situations. The task force acknowledges that “affordable housing” can mean housing that is subsidized with public funds as well as housing that is truly affordable to a wide variety of working households. Technically, “affordable housing” was defined by Congress in the Housing Act of 1937, as amended to mean that a household’s “housing cost” should not exceed 30% of their gross income. This is commonly referred to as the “National Affordability Standard.” Housing cost includes rent and utilities or mortgage (principal and interest), insurance, taxes and utilities.

Workforce Housing – The term “workforce housing” is relatively new and is used mainly to describe the types of housing that is affordable to working, middle income families. The County’s Workforce/Affordable Housing Task Force agreed that “workforce housing” means housing options that are affordable to households in the 50-120% of the Area’s median family income. The current metropolitan Area median family income, set by the U.S. Department of Housing and Urban Development (HUD) is \$89,300. Thus, affordable, workforce housing would serve households which earn between \$44,650 and \$107,160. The lower end of this income range encompasses teachers, architects, public safety personnel, registered nurses, and network administrators, to name a few occupations deemed essential to the County’s economic well-being and quality of life.

Because the Board specified workforce housing for those in the low to moderate income sector, as defined by HUD, the Task Force’s report does not address home ownership options for those households earning less than 50% of the Area Median Family Income (AMFI). Given today’s housing market, very few families earning less than 50% AMFI are viable candidates for home ownership. However, the Task Force is concerned that the Board not lose sight of the fact that families in the less than 50% AMFI range are, indeed, members of the workforce and vital to the functioning of the community’s economy. For these citizens, affordable rental housing is as real an issue as home ownership is for those above 50% AMFI. For that reason, the Task Force has made recommendations concerning preservation of housing units that were built and/or operated under the provisions of federal tax credit programs.

C. Findings and Conclusions

Based on full U.S. Census data from 2000, there was a gross deficit of 2,000 housing units sufficiently affordable for residents with incomes between 50 to 80% of the Area Median Family Income (AMFI) to avoid paying greater than 30% of their incomes for housing. The total number of households across all income levels paying more than 30% of their income for housing costs was substantially higher (22,600), including 10,900 households (4,700 renters and 6,200 owners) paying more than 40% of income for housing costs. Housing cost burdens of this magnitude can cause families to under-consume other necessary goods and services, reduce families' independence and security, and contribute to family instability.

The workforce housing deficit included 600 renter units and 1,400 owner units. The deficit was due to otherwise affordable housing units being occupied by households with higher incomes paying less than 30% of income for their housing.

As illustrated by Figure 1, the units needed to correct this deficit are similar to many houses that already existed in Prince William County in the year 2000. Workforce housing is not different in size, physical appearance or value than a significant portion of the housing stock that already exists in the County. In 2004, the average assessed value of homes in Prince William County was \$261,206 – within the price range affordable to our targeted “workforce.”

However, since 2000 housing prices have escalated rapidly, far outpacing the growth in incomes in both Prince William County and in the Metropolitan Area, as shown in Chart 1. The median price of all houses sold in Prince William in 2004 was \$284,400 as reported by the Virginia Association of Realtors™. According to the Washington Post (March 23, 2005), the median sales price of all houses sold in Prince William in 2004 was \$303,000, up from \$240,000 in 2003, a 26.3% increase. Both sources indicate the same upward trend in housing prices.

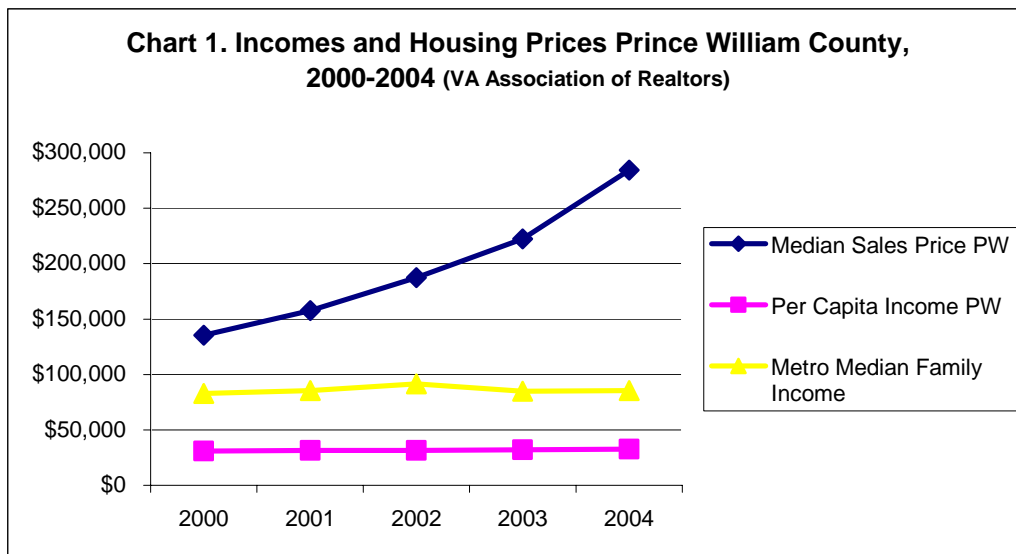
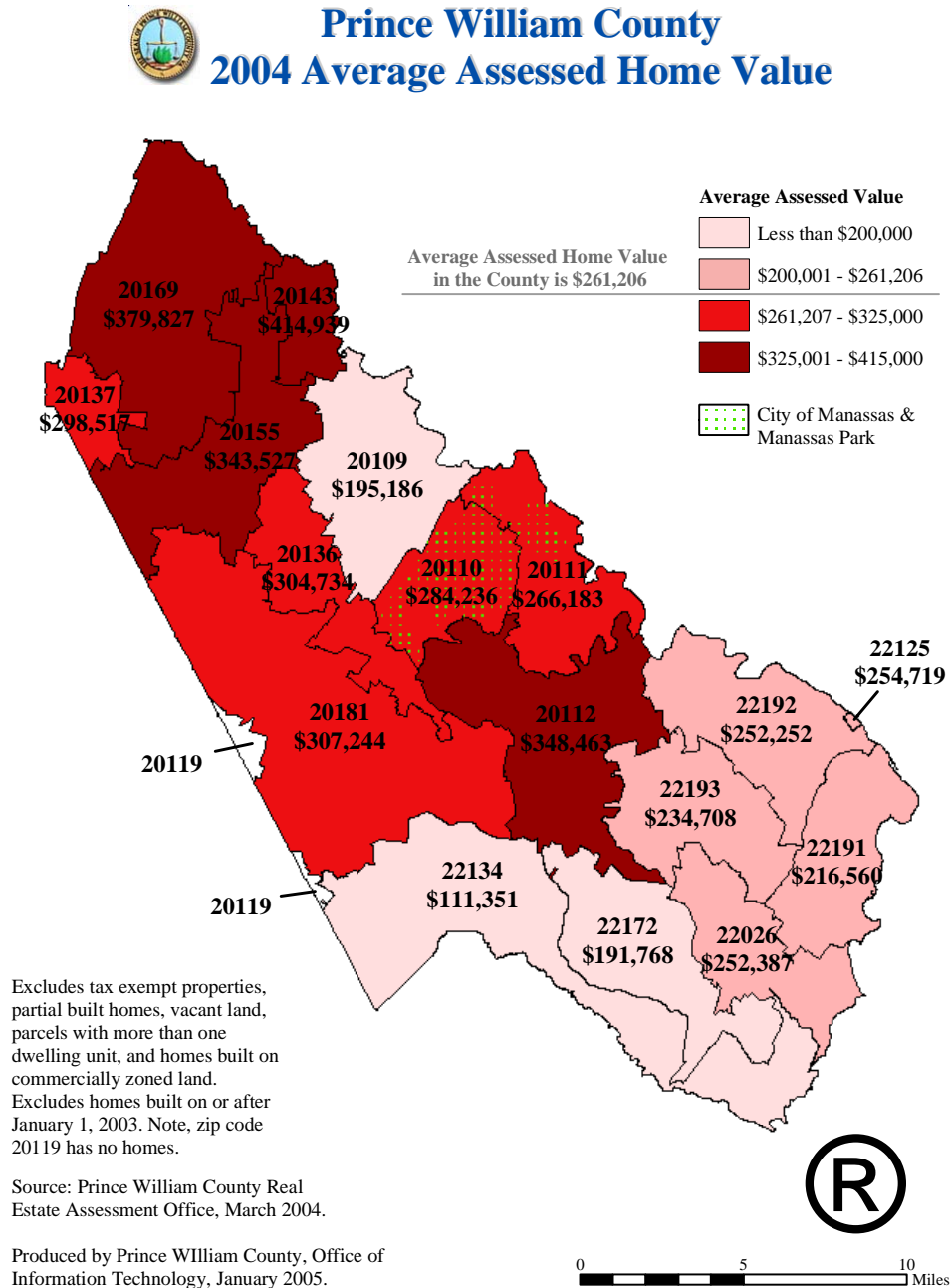
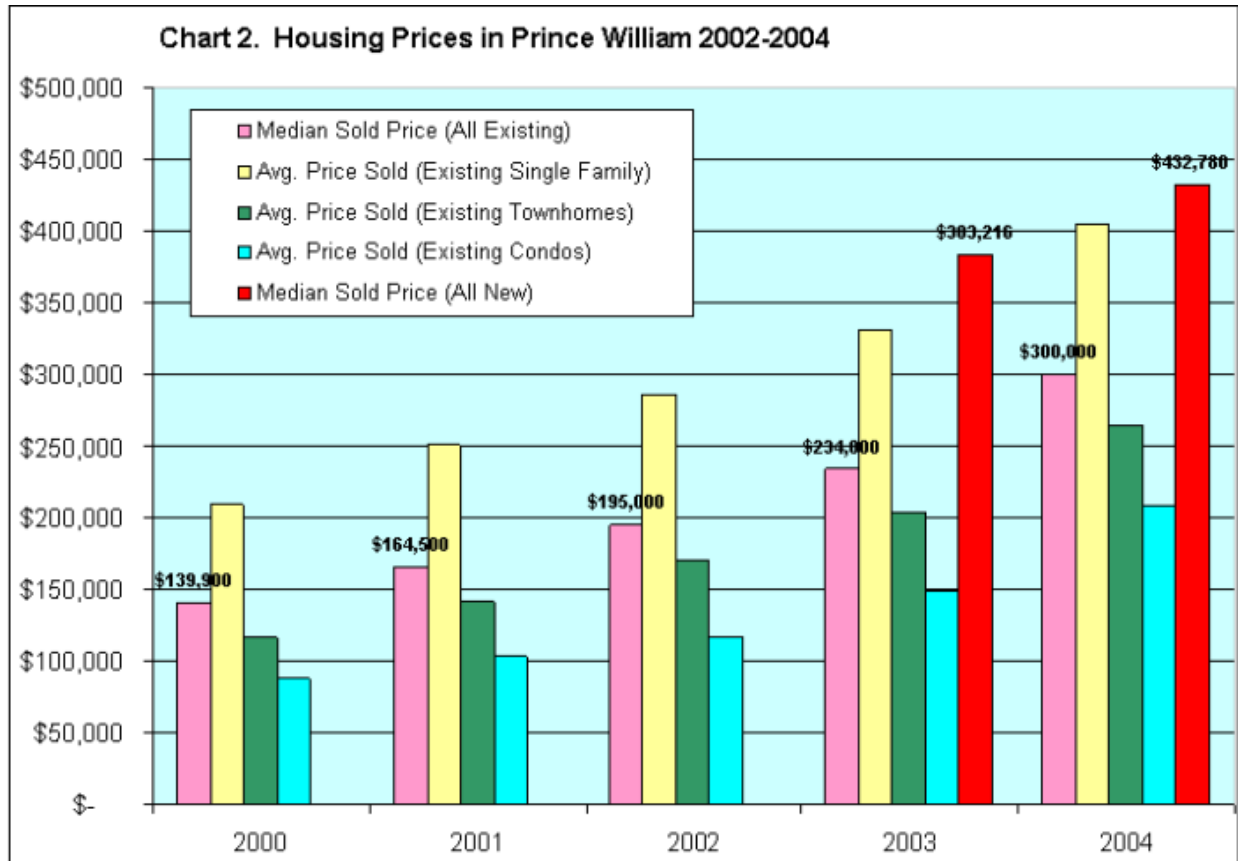


Figure 1.



New homes are, of course, the most expensive in Prince William County. Chart 2 below depicts median and average price data obtained from the Metropolitan Regional Information System – Multiple Listing Service Resale Data. From 2000 through to 2004, the median sold price of all existing homes, of all types, grew from \$139,900 to \$300,000. That’s a 214% increase in five years. The median price of all new homes sold in the County grew from \$383,216 in 2003 to \$432,780 in 2004. That’s a 13% increase in just one year. Similar trends in escalating prices are seen for condominiums and townhouses over the same five year period.



Given current interest rates, the median new house (\$432,780) requires a minimum income of \$105,000 in order to afford a 30-year mortgage, property insurance, and property taxes. A minimum income of approximately \$50,000 was needed to purchase the average existing condo unit or townhouse.

All available evidence indicates that prices have increased across the entire owner-occupied housing stock. Table 1 shows that the percentage of sales that are affordable to the workforce buyer, decreased constantly from 2003 to 2004 – in 2003, 26% of all sales were beyond the reach of workforce households as the Task Force has defined them; by 2004, almost 40% of all sales were beyond their reach.

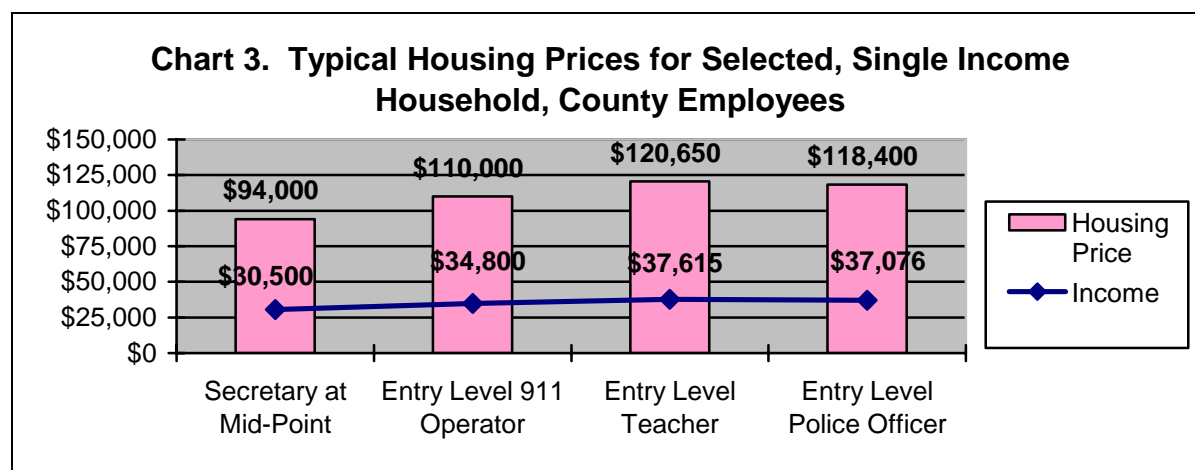
Table 1. Percentage of Recent Home Sales Affordable to Workforce Income Range

Sales Price	Affordable to	2003 Sales	% of Sales	2004 Sales	% of Sales
< \$145,500	< 50% AMFI	750	6.4	158	1.0
\$145,500 - \$241,999	50% - 80% AMFI	4166	35.4	2913	19.3
\$242,000 - \$303,999	80% - 100% AMFI	2266	19.3	3485	23.1
\$304,000 - \$368,299	100% - 120% AMFI	1519	12.9	2551	16.9
\$368,300 +	>120% AMFI	3069	26.1	5962	39.6
TOTAL		11770		15069	

With prices increasing at all levels, the bottom half of the housing market is increasingly unaffordable to households with incomes below the median. The maximum price at current interest rates for a family making \$44,650 (50% of the median income) is \$145,500. Only 158 housing units sold in 2004 with prices below \$145,500 (almost all of which were existing condo or townhouse units). The maximum price for someone with a family income of \$71,440 (80% of the median income) is \$242,000. There were 3,071 units sold in 2004 below that price, most of which were above \$145,500.

According to the Prince William County Office of Information Technology, at least 1,240 (39%) of Prince William County’s 3,214 annual salaried employees live outside the County. Of those living outside the County, approximately 41% earn less than the median salary of County government workers (\$45,660), and 59% earn above that median.

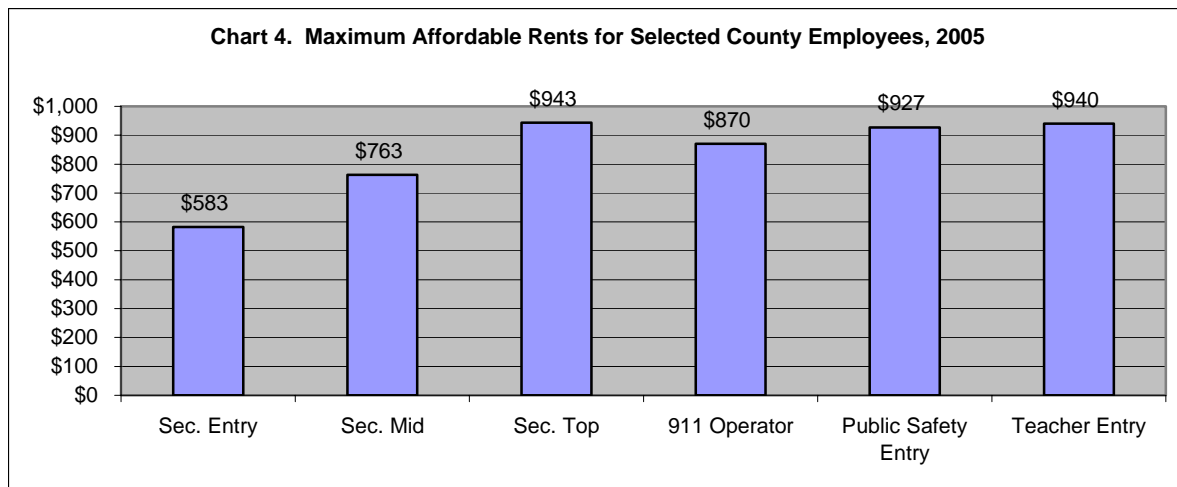
Chart 3 illustrates that current levels of homeownership are unaffordable to many households, including many employees of Prince William County. The entry salary for teachers and police officers is just over \$37,000, which requires a house priced below \$120,000. An entry-level secretary can only purchase a house priced below \$52,000 (and below \$95,000 at the mid-point of the salary scale).



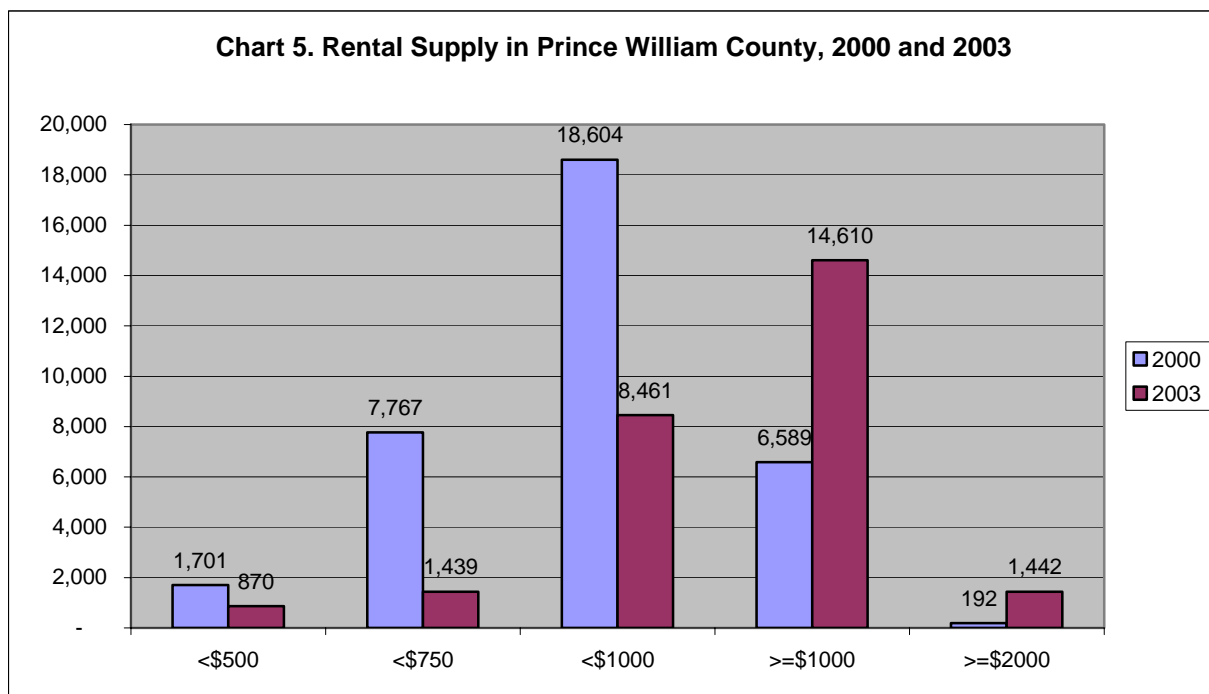
Examples of large employers and average incomes (50 weeks/year), as reported by U.S. Bureau of Labor Statistics and the Virginia Employment Commission for industry groups that include these local employers are:

- American Signature, IKEA -- \$25,450
- Giant Food Store, Food Lion, Safeway -- \$22,550
- Lowes, Home Depot -- \$26,050
- Nautica -- \$16,750
- S.W. Rogers - \$37,550
- Wal Mart, US Marine Corps Community Services, Jumbo Food Store, Target, Price Costco - \$19,500
- William A. Hazel - \$41,100 and
- Prince William County - \$45,660

Chart 4 presents the maximum affordable rents for selected County employees in 2005. Entry-level secretaries can only afford \$583 in gross rent per month without additional income. Even at the midpoint for secretaries, the maximum affordable gross rent is only \$763. Maximum affordable rents for 911 operators, public safety officers (entry), teachers (entry) and secretaries at the top of the pay scale range from \$870 to \$943. None of these positions could afford the Fair Market Rent established by HUD for even a one-bedroom apartment (\$1,045). (Fair Market Rents are estimated to represent the rent amount for the bottom 40% of the unassisted rental housing supply.)



In addition, the overall supply of rental units (of any size) affordable at these income levels has shrunk dramatically since 2000. Based on data from the 2003 American Communities Survey for Prince William County (the most recent year available), the number of rental units with gross rents below \$1,000 declined by approximately 10,000 units between 2000 and 2003, illustrated on Chart 5. The total supply of units with gross rents below \$500 declined by half to only 870 units, most of which have rents below \$300. Rents at this level are most likely subsidized and occupancy is limited to very low-income renters. Although there were 7,000 units with gross rents between \$750 and \$1,000 in 2003, very few of these would be vacant at any given time. The only increase in the rental housing supply is for units with rents of \$1,000 or more. Based on the 2003 American Communities Survey, even the total supply of occupied rental housing declined between 2000 and 2003, despite an increase in rental demand due to growth and due to the more rapidly increasing unaffordability of owner-occupied housing.



The vacancy rate in Prince William County confirms that the housing market is extremely tight. Even at the time of the Census (Spring, 2000), only 3.4% of rental units and 1.8% of the owner units were vacant. This was well below the levels considered necessary for typical mobility (about 5%). The rental vacancy rate in Prince William was substantially lower than the national average (7.0%) and slightly below the Washington DC metropolitan average (4.3%). Owner vacancy rates were closer to national and metropolitan averages (2.0% and 1.6%). Although detailed data are unavailable to estimate current vacancy rates, the overall vacancy rate in Prince William County decreased from 3.6% in 2000 to 2.1% in 2003.

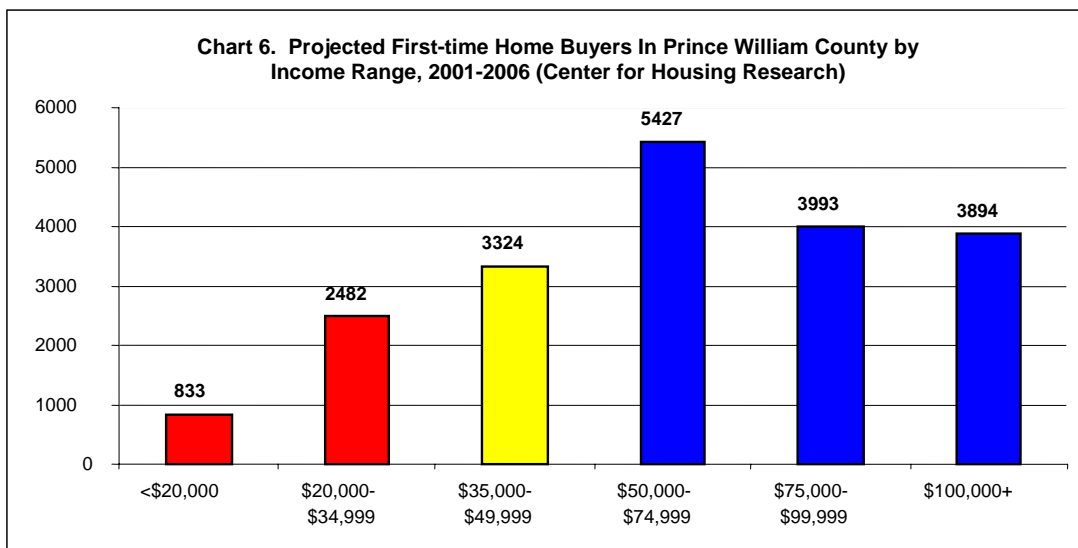
Housing production has been sufficient to numerically meet housing demand related to job growth in Prince William County. On a long-term basis, approximately 3,700 net jobs are created in the County. With an average of 1.7 jobs per household, this equates to about 2,200

additional housing units per year related to job growth. During the 1990s, the housing supply increased by 2,600 net units per year on average, sufficient for the pace of job growth.

Prince William’s problem with insufficient housing that is affordable to its workforce, is part of a larger, regional problem that requires a regional solution. Housing production throughout the metropolitan area has been insufficient to meet demand as the regional economy has created new jobs. Regional housing supply is in desperate short supply, as demonstrated by the frenzied competition for any unit that comes into the market. As developable land within the beltway and beyond has disappeared, housing development has pushed farther and farther into the outer rural areas. These rural communities are the least equipped to handle rapid growth and lack the urban infrastructure needed for the full range of residential development required. Thus, no single community can solve its housing problems without a solution to the regional shortage of housing.

Between 2000 and 2010, the Center for Housing Research projects housing demand in the County to increase by 60,000 households, including 43,000 owner-occupied units and 17,000 rental units. Low interest rates since 2000 have caused owner demand to increase even faster than projected and the level of owner demand is likely to be even higher. Housing production has averaged about 5,600 units per year since 2000 and over 6,000 per year since 2002. Housing production is only slightly lower than projected annual demand if current levels of home building are continued.

Chart 6 profiles the Center for Housing Research’s forecast of 20,000 first-time homebuyers during the current decade. However, the Prince William housing market has essentially priced households with incomes less than \$45,000 out of the home ownership market.



The data presented in this report mirrors that of most large metropolitan areas in the United States and shows a consistent pattern of continuing regional growth in which job growth continues to lead the creation of housing. The result is a market in which there is little prospect that “the bubble” of upward pressure on prices will break in the next decade. The rapidly

dwindling supply of sizeable parcels of land for housing development will add to the rising cost of new housing.

It is becoming increasingly difficult for the normal market forces to produce housing that is “affordable” for first-time homebuyers whose salaries place them in the category of 50-80% of Area Median Family Income. Accordingly, any measures of public policy that attempt to make home ownership accessible to key elements of a community’s infrastructure – teachers, public safety workers, nurses, etc. – must work to offset the dynamics of the existing housing market. Measures that work exactly in that manner were introduced on an experimental basis a generation ago, but they are now being introduced across the country at an accelerating rate. The experiences of several metropolitan Washington jurisdictions have pointed the way, demonstrating both successes and failures. This is the time for Prince William County to consider an appropriate plan of action, given the factors of a stable and growing economic base, an efficient governmental structure, a predictable tax base, sufficient flexibility in its land-use future and apparent public support for taking on the challenge of affordable housing.

D. Task Force Recommendations

The lack of housing affordable to many households in Prince William's workforce is a multi-faceted problem that cannot be fixed with a single approach. Solutions need to address the availability of units, both existing and new housing stock, the education of potential home buyers and the broader community, and the larger, regional balance of jobs and housing. Based on a review of housing trends in Prince William County, the Task Force recommends that the Board of Supervisors adopt a comprehensive workforce housing program that includes the following approaches, in priority order:

1. Adopt specific, annual, moderately-priced workforce housing unit production goals and conduct annual community summit to review progress toward meeting the goals.
2. Review and revise Comprehensive Plan and other regulatory regimes to promote enhanced production of moderately-priced workforce housing.
3. Establish a Housing Preservation and Development Trust Fund to underwrite innovative approaches to reaching annual housing production goals.
4. Preserve existing stock of moderately-priced owner-occupied and rental housing units.
5. Improve and expand first-time homebuyer programs.
6. Establish Employer Assisted Housing (EAH) Program to benefit employees of Prince William County and serve as a template for replication by private sector employers.
7. Adopt a Moderately-Priced Dwelling Unit (MPDU) Ordinance that partners government and the development industry in attaining annual production goals for moderately-priced workforce housing.
8. Provide financial and technical assistance to for-profit and not-for-profit developers in the provision of moderately-priced workforce housing, and, in parallel, inform the citizens of Prince William County about all aspects of the need for and methods for achieving annual housing production goals.
9. Participate in regional approaches to balance housing and economic development activity through the Metropolitan Council of Governments and other appropriate forums.

1. Workforce Housing Goals

A community's progress toward solving any type of problem begins with the recognition of the extent of that problem and the setting of both short and long term goals to eradicate the problem. In the case of workforce housing, this report sets out a clear picture of the problem facing Prince William County and the Washington Metropolitan Area. Now, as a community, we need to decide what goals we should aspire to with respect to workforce housing.

- Prince William County should establish a standing Workforce Housing Committee (WHC), to be comprised of representatives from the community at large, the residential development community, the Housing Advisory Board, the Office of Housing and Community Development, and the Planning Office. The WHC could be a continuation of this Task Force, a new group with fresh perspectives, or a combination of both.
- One of the responsibilities of the WHC would be to develop and adopt 10-year and annual numeric goals for each of the following components:
 - new workforce housing units produced;
 - existing workforce housing units preserved;
 - households served by the First Time Homebuyers program; and
 - households served by the Employer Assisted Housing program.

These goals would be presented to the Board of County Supervisors for incorporation into the County's Strategic Plan.

- The WHC would also hold an "Annual Housing Summit" to report on progress toward those 10-year and annual goals, identify impediments to achieving those goals, brainstorm creative solutions to those impediments, and educate the broader community on the need for workforce housing and the impacts the deficit poses to all our citizens.

2. Comprehensive Plan Review

The Comprehensive Plan should be reviewed, prior to the 2008 update, to incorporate language and a specific goal that housing opportunities shall be available to all persons who live and or work in Prince William County. The Comprehensive Plan should contain objectives and reference policies for moderately priced housing that :

- Specify the number of moderately priced units to be produced on an annual basis as a percentage of all units serving a defined income range.
- State that additional densities shall be provided in exchange for the provision of moderately priced housing.
- Prioritize the making of policies for moderately priced housing.
- Give a priority for moderately priced housing to the reuse of any government owned buildings or land sites.
- Provide for expedited processing for projects that provide land, units, or cash for moderately priced housing.
- Encourage multifamily housing especially near mixed-use or employment centers.
- Provide for programs that stabilize and conserve neighborhoods.
- Establish moderately priced multifamily rental preservation as a goal.
- Encourage taking advantage of all existing Federal and state housing assistance programs where appropriate in the county.
- Provide for the supply of housing for special populations, the disabled, and elderly residents.

3. Housing Preservation and Development Trust Fund

The work of the Task Force has highlighted the need for an organizational entity and source of funds to implement its workforce housing program. Thus, the Task Force recommends the establishment of a local housing trust fund to be called the **“Prince William County Housing Preservation and Development Trust Fund”** (hereinafter referred to as “the Trust Fund”). The ultimate size of the Trust Fund will be dictated by the requirements it is designed to support.

Housing trust funds have been in existence for more than 30 years and are considered one of the most effective and versatile tools commonly used by state and local governments to finance a variety of housing initiatives important to their communities. Locally, the counties of Fairfax and Arlington as well as the cities of Alexandria and Manassas have some form of a housing trust fund. Under the leadership of the Metropolitan Washington Council of Governments (COG) and the Washington Area Housing Partnership, there is now a regional trust fund which is providing essential capital for workforce and affordable housing projects in southern Maryland, Northern Virginia and the District of Columbia.

Housing trust funds can be used for almost any purpose relating to the provision of housing opportunities for its citizens. Another essential, powerful feature of a local trust fund is that the local community establishes the priorities for the use of its funds. Typical uses of trust fund monies include:

- Equity for preserving existing affordable owner-occupied and rental housing
- Funds for first-time home buying assistance programs
- Pre-development funding for private or non-profit housing development
- Funds for rehabilitation of existing owner-occupied homes
- Financing of emergency, transitional or special needs housing
- Match funds to leverage other financing such as CDBG, HOME, and many other federal and state housing programs

The Prince William County Office of Housing and Community Development (OHCD), in cooperation with the County Finance Department, would administer the Trust Fund. A Trust Fund Advisory Committee, consisting of County staff and others, would be established to recommend policies and procedures, program structure, and specific funding recommendations to the Board of County Supervisors.

Another approach would be that OHCD and Finance would provide staff support to a new, non-profit entity that would receive funds generated for the Trust Fund and be responsible for funding and monitoring individual initiatives and projects, based on policy guidance provided by the Board of County Supervisors.

Finally, the core mission and purposes of the Trust Fund will need to be well understood and clearly articulated, and reflected in the Trust Fund’s allowed and preferred activities. This may include the types of projects to be supported, the extent to which there could be a set-aside

for non-profit or community-based developers, and the question of providing organizational operating support, and the advisability of regional approaches.

Generally, trust funds administer monies that are provided from a variety of sources. Of primary importance is that the Trust Fund have a significant initial capitalization and thereafter receive periodic contributions. The close to \$1 million of voluntary cash contributions made for “affordable housing” by applicants as part of their rezoning applications can be used to initially capitalize the Trust Fund. Additional and periodic capitalization of the Trust Fund is essential and should come from, but not be limited to, the following sources:

- Transfer taxes and/or recordation fees
- Property taxes
- Cash contributions in lieu of units in communities with inclusionary zoning
- General Obligation bonds
- Linkage fees from commercial development
- Federal appropriations
- General Fund appropriations
- Foundations
- Private contributions

4. Preservation

In order to preserve affordable housing that already exists, the County should:

- Identify existing housing with affordable occupancy requirements subject to expiration within the next five years
- Provide assistance in the extension of these affordable occupancy requirements through:
 - Working with Federal and State agencies to provide on-going commitments to maintaining these units as affordable housing
 - Working with the property owner in addressing operating problems affecting the physical quality and financial security of the property
 - Working with potential purchasers interested in preserving the property as affordable housing
 - Providing assistance through the County's CDBG, HOME and other federal and state housing allocations
 - Providing financial assistance through the Housing Preservation and Development Trust Fund
- Identify, purchase and resell currently affordable market-rate housing, and require the housing to remain as affordable to households at or below 80% of the Area Median Family Income through deed restrictions or other available means
- Include buy-back requirements on first-time homebuyer units in default of their loans

5. First-time Homebuyer Program

There are several options that may be available to the County for improving assistance to would-be, first-time homebuyers. In order to exercise some of these options, the County may need legal and regulatory authority:

- Add funding to support the existing loan programs:

Use cash proffers and/or housing trust fund, dedicated revenue source, or other non federal revenue source to supplement funding for the existing County homeownership assistance programs. Due to higher sales prices, larger loans are needed to help families in certain income ranges to reach the prevailing prices of existing or new homes. With limited federal funding from the HOME program, escalating sales prices will continue to result in the need for additional secondary financing. Fewer households will be served using only the annual federal HOME allocation.

- Consider changing the terms of homeownership assistance loans:

Consider adding provisions to the County homeownership assistance loans to include equity sharing such that the County would share in the profit realized from the sale of an assisted property. The amounts to be share between the County and the homeowner would be determined at the time of re-sale or when refinancing of the first loan occurs. Simple formulas and ratios can be researched and developed to keep the transactions fair and simple.

- Explore ways to maintain the affordability of housing purchased with County assistance:

Consider adding covenants and other deed restrictions to homeownership loans which allows the County the “right of first refusal” in purchasing the homes assisted by the County, so long as those restrictions are acceptable to the private financing market. These homes, in turn, would be sold to other income eligible families at prices that they can afford.

- Consider adding interest to homeownership loans:

Consider adding interest and deferring such interest on homeownership loans made by the County. The principal and interest on County loans would be deferred until re-sale of the property, defaulting on the loan or refinancing of the first trust with the intent to remove equity from the property. If the family lives in their home for the 30 year control period, the loan and interest would be forgiven, as they have met the long term affordability of the property.

6. Employer Assisted Housing Program

The County should implement an Employer Assisted Housing Program (EAH) for employees as well as provide technical assistance in the form of model programs and “templates” that can be shared and promoted to other public and private employers in the County.

EAH is a benefit an employer can offer an employee to help them purchase a home locally; they may also include a rental component. EAH is a valuable tool being used more and more in high cost areas, where employers are using them very effectively for recruitment, retention, reduce commuting times, recognition, or simply as a benefit that strengthens the relationship with an employee. Trend data shows that when employees become homeowners where they work, they tend to stay with that employer for longer periods of time.

An EAH can take many forms. They can be as simple as providing employees counseling and “how to” seminars on the home-buying process to the provision of actual financial assistance in the form of forgivable grants, deferred second trusts, matched savings plans or other assistance for down payment and closing costs that will allow an employee to purchase a home.

Significant savings resulting from reductions in turnover, recruitment, relocation and replacement training, etc. and from higher productivity and morale can minimize the costs of providing this program. Data from EAH programs already in existence show that as little as one-half staff person is needed to operate such a program.

7. Moderately Priced Dwelling Unit (MPDU) Ordinance

The Virginia General Assembly has adopted provisions for affordable dwelling unit ordinances. Two types of regulations are permitted – one applies to counties with an urban executive form of government (Fairfax), Albermarle and Loudon Counties and the City of Alexandria, and the second applies to all other localities. The Task Force recommends that the Board develop and adopt such an ordinance, targeting households with incomes up to 80% of the AMFI. The Task Force also recommends that the moniker “moderately priced dwelling unit (MPDU) ordinance” be used to dispel the notion that these units are public housing, low-income or subsidized by the government.

The following is a list of components of a Moderately Priced Dwelling Unit (MPDU) Ordinance that the Task Force believes to be appropriate to increase Prince William County’s workforce housing inventory.

- Definitions:
 - A Moderately Priced Dwelling Unit (MPDU) is either (a) a for-sale unit that is within reach of households with incomes up to 80% of Prince William County’s AMFI, or (b) a rental unit that is within reach of households with incomes up to 60% of the AMFI.
 - Sales price of an MPDU would cover direct costs (bricks and sticks), lot improvement costs, tap fees, and an additional 10% for overhead
 - Net acreage is the total acreage of the site, minus any acreage designated Environmental Resource
- Application:
 - Mandatory for all multi-family and townhouse (attached single family) rezonings
 - Mandatory for single family rezonings that involve more than 50 units
- Density Bonuses:
 - Multi-family and/or townhouse developments with buildings 4 stories or less – up to 10% over maximum allowable density in the chosen zoning district, based on net acreage
 - Multi-family and/or townhouse developments with buildings more than 4 stories – up to 17% over maximum allowable density in the chosen zoning district, based on net acreage
 - Single family developments of more than 50 units – up to 20% over the maximum allowable density in the chosen zoning district, based on net acreage
 - In mixed unit developments, appropriate bonus would be applied to individual land bays, depending on the unit type
- Production of MPDUs:
 - One-half of all units gained through the density bonus must be MPDUs
 - MPDUs in multi-family and/or townhouse developments must match the unit mix of the entire development – i.e., if half of the total units are 2 bedroom units, half of the MPDUs must be 2 bedroom units
 - MPDUs in single family developments may be provided as quads/manor house, townhouses or duplexes

- Proffer Contributions:
 - No Housing Fund contribution would be recommended for any MPDU provided

- Deed Restrictions:
 - Resales and rentals under MPDU limits for 30 years, with provisions for equity sharing in owner-occupied units

The recommendations above may require specific enabling legislation from the Virginia General Assembly. Items that may conflict with the current enabling legislation for Prince William County include the mandatory nature of the ordinance, application to buildings over 4 stories, application to buildings with elevator service, and density bonuses over 10% for multi-family. The Task Force estimates the initial need for two (2) additional full-time staff members to monitor ordinance implementation and the actual unit sales.

8. Financial and Technical Assistance

To promote the provision and occupancy of workforce housing, the County should:

- Establish an Affordable Housing Unit, with one (1) additional employee, within the Office of Housing and Community Development, with one full time staff member, charged with:
 - Identifying technical assistance needs of developers interested in affordable housing
 - Providing training and other technical assistance to non-profit developers
 - Administering financial assistance programs as provided by the Housing Preservation and Development Trust Fund
- Review the Policy for Monetary Contributions as it pertains to moderately-priced units, to include the possibility of deferring or waiving the proffers
- Establish a Housing Information Resource Center within the Office of Housing and Community Development that would gather and analyze housing data as well as be a resource and linkage to state and regional housing initiatives.

9. Regional Approaches

The metropolitan Washington region is one of the most vital and dynamic in the nation. However, jobs and population growth have increased and continue to increase the market pressures on the need for housing, sufficient in quantities, types and prices to meet the growing demands. New jobs in the region are simply outpacing new housing production. When workers live outside of the immediate area, their incomes leave the regional economy. In a recent analysis of the region's economy by Dr. Stephen Fuller of George Mason University, it was found that "metropolitan Washington loses about \$8 billion a year because many of its workers live and spend their incomes in distant communities."

According to HUD's recent national study on housing needs, more than 90,000 Washington area families (or 16% of all area families) pay over half of their income for housing or live in severely inadequate housing.

According to the Metropolitan Washington, D.C Council of Governments (COG), in less than ten years, the number of new jobs is projected to grow three times faster than housing. The region's increased number of people competing for housing, combined with the scarcity of units, drives up prices in both rental and ownership markets. In December 2001, the COG issued a special report entitled "Finding a Way Home: Building Communities with Affordable Housing," which outlined a set of "Housing Principles" and "Housing Goals" which when implemented by local governments will begin to turn the tide on the need for affordable housing. Top among its recommended set of practices and approaches, is the need to establish a regional housing trust fund to assist the financing of affordable housing and to develop new housing near employment centers and existing transportation corridors.

Most recently, upwards of 300 of the region's top officials and leaders from the housing industry, local government, non-profit and community interest groups, as well as selected other representatives, came together to conduct the new regional planning simulation exercise known as "Reality Check." This exercise revealed many exciting perspectives and insights for addressing housing and land use in the region. The follow-on analysis should produce much needed ideas and options for consideration by all parties and localities in the region.

E. Matrix of Recommendations

The following matrix identifies which segments of the workforce are assisted through the various programs recommended by the Task Force:

Household Income	less than \$44,650 less than 50% AMFI	\$44,650 to \$71,400 50-80% AMFI	\$71,400 to \$89,300 80-100% AMFI	\$89,300 to \$107,160 100-120% AMFI
Affordable Home Ownership		\$145,500 to \$242,000	\$242,000 to \$304,000	\$304,000 to \$368,300
Affordable Rent	up to \$1,116	\$1,116 to \$1,786	\$1,786 to \$2,223	\$2,223 to \$2,679
Workforce Housing Goals	X	X	X	X
Comprehensive Plan Review	X	X	X	X
Housing Preservation & Development Trust Fund	X	X	X	X
Preservation	X	X		
First Time Home Buyer Program		X	X	
Employer Assisted Housing Program	X	X	X	X
Moderately Priced Dwelling Unit Ordinance	X	X		
Financial & Technical Assistance	X	X	X	X
Regional Approaches	X	X	X	X

Appendix A

MOTION: CADDIGAN

April 20, 2004

SECOND: BARG

**Regular Meeting
Res. No. 04-494**

RE: APPROVE – CREATION OF A WORKFORCE/AFFORDABLE HOUSING TASK FORCE AND TRANSFER \$20,000 FROM THE CONTINGENCY RESERVE FUND

ACTION:

WHEREAS, developing viable and cost-effective approaches for meeting the affordable housing needs of the County's growing population is of major importance to the Prince William Board of County Supervisors and the community; and

WHEREAS, the Prince William Board of County Supervisors wishes to identify, examine and consider the use of all available financial and land use tools, methods and practices for addressing the growing housing needs; and

WHEREAS, the advice, input and recommendations from developers, builders, lenders, business, and community representatives are essential to developing viable options and for building the necessary partnerships and working relationships to enhance the effectiveness of County government; and

WHEREAS, the Prince William Board of County Supervisors wishes to garner data and information essential for policy determinations aimed at addressing the County's affordable housing needs;

NOW, THEREFORE, BE IT RESOLVED, that the 2004 Workforce/Affordable Housing Task Force is hereby created for the purposes of:

- Researching and documenting current and future needs for housing affordable to low and moderate-income County households.
- Identifying and evaluating the various financial and land use tools, methods and practices available to address the identified needs.
- Producing a report for the Board of County Supervisors with specific recommendations including a cost/benefit analysis of proposed tools and approaches.

BE IT FURTHER RESOLVED, that the task force shall be comprised of 14 members to include the following:

- 2 representatives appointed by the Prince William County Housing Advisory Board.
- 2 representatives appointed by the Northern Virginia Building Industry Association.

**April 20, 2004
 Regular Meeting
 Res. No. 04-494
 Page Two**

- 2 representatives appointed by the Prince William Association of Realtors.
- 1 representative appointed by the Prince William Regional Chamber of Commerce.
- 1 representative appointed by the Prince William County – Greater Manassas Chamber of Commerce.
- 1 representative appointed by Fannie Mae.
- 1 representative appointed by Freddie Mac.
- 1 representative each appointed by the Prince William County Attorney’s Office, Planning Office, Office of Housing and Community Development and Finance Department.

BE IT FURTHER RESOLVED that the task force will select its own Chairperson and Vice-chairperson(s) as it deems appropriate;

BE IT FURTHER RESOLVED that the task force shall report directly to the Board of County Supervisors;

BE IT FURTHER RESOLVED that the Office of Housing and Community Development shall provide general staff and other administrative support;

BE IT FURTHER RESOLVED that a professional consultant be hired to staff the task force, perform the essential tasks and produce the requisite work products relative to accomplishing the purposes of the task force, to wit, \$20,000 of Contingency Reserve is hereby transferred as follows:

TRANSFER:

FROM:

<u>OCA:</u>	<u>Object Level 3 Code</u>	<u>Amount</u>
690008	5800	\$20,000
	TOTAL:	\$20,000

TO:

<u>OCA:</u>	<u>Object Level 3 Code</u>	<u>Amount</u>
090804	3204 – Consultant Services	\$20,000
	TOTAL:	\$20,000

April 20, 2004
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Page Three

Votes:

Ayes: Barg, Caddigan, Connaughton, Covington, Jenkins, Nohe

Nays: Steward, Stirrup

Absent from Vote: None

Absent from Meeting: None

Attachment

For Information:

County Attorney
Planning Director
Finance Director
Housing Advisory Board

CERTIFIED COPY _____ **Original Signed by Phillip Campbell**
Clerk to the Board

Appendix B

STRATEGIC ISSUE ANALYSIS AFFORDABLE HOUSING

Introduction

During the months of September and October 2003, thirty-one (31) citizen focus groups were convened throughout the County to identify issues and concerns of greatest interest to the Community. These groups consisted of a wide range of age, gender, social, economic and ethnic backgrounds in order to obtain the most representative points of view. Organizational representatives from various community groups include homeowner associations, non-profit agencies, religious and civic groups, and County high schools.

Twenty-four (24) or two-thirds (74%) of the 31 focus groups identified “Affordable Housing” as a major strategic issue. Of the 485 focus group participants, 181, or more than one-third, identified Affordable Housing as a vital strategic issue (4th highest), only slightly below Education (184 participants) and Economic Development (189 participants).

The Affordable Housing Strategic Issue includes the following sub-issues identified by the focus groups:

- Mixed communities (balance between residential, retail and commercial uses).
- Housing for special needs populations (elderly, disabled, very low-income and homeless)
- Developer set-asides (a portion of new for-sale and rental units targeted for certain income groups).

Most of the housing terms and phrases used throughout this analysis can be found in the Glossary of Terms in Appendix A. Before going any further, however, it is essential to define the terms “affordability” and “affordable housing.” According to Webster’s dictionary, “affordability” is simply the notion that *“a person or family can bear the cost of something without serious inconvenience; to have enough money to pay for something.”* Thus, the term “affordable housing” or the “affordability” of housing is more closely related to a household’s financial ability to pay for housing without undue financial hardship. Affordability can be determined from two perspectives:

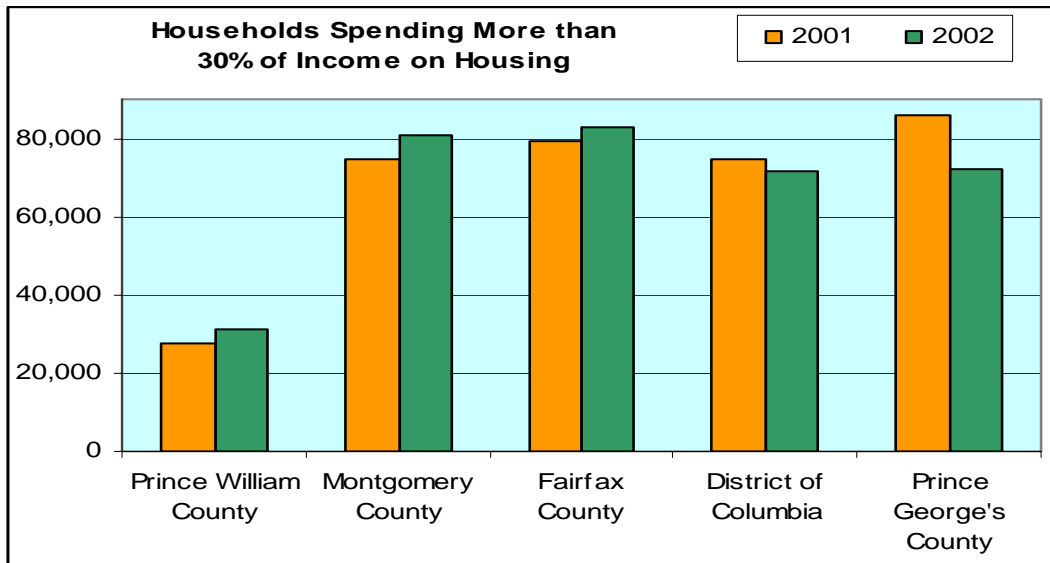
- A. Income-Driven Affordability – If a household’s gross income, number of persons in the household, need for food, clothing, etc, is known, it can be determined what amount is available for housing cost “without any undue financial hardship.” By knowing what the household can “afford” for housing, the types and cost of housing units that their income can handle can be identified. In the mortgage lending industry, this process is called “pre-qualification” i.e., determining the maximum loan amount prior to shopping for a property. The greater their amount of income, the greater the number of housing options a family can afford in the marketplace.

- B. Market-Driven Affordability – This is an easier and more popular method for determining affordability. If the cost of a particular housing unit is known (for sale or rental) an objective housing cost standard can be used to work backwards to determine the amount of gross income needed by a household to purchase or rent a housing unit, at an “affordable” level.

For example: Assuming a family has down-payment funds, the principal and interest on a home costing \$200,000 with a 30-year fixed loan @ 6.0% would be about \$1,200 a month. By adding \$400 per month for taxes, insurance and utilities, their housing cost will reach \$1,600 per month. Applying the national “affordability” standard of no more than 30% of gross income, this family would have to earn at least \$64,000 to “afford” this home.

- C. National Housing Standard – Since passage of the Housing Act of 1937, which established the foundation for most federal and state housing programs, the U.S. Congress determined that, in order for a housing unit to be truly “affordable,” the “Housing Cost (mortgage or rent plus utilities)” should not exceed 30% of a household’s gross income, adjusted for family size. In 1992, the Prince William Board of County Supervisors (BOCS) adopted this 30% standard for determining “affordability” for all County housing programs.

According to the U.S. Census 2002 American Community Survey, in some area localities the number of households spending 30% or more of their income on housing increased from 2001 to 2002; in others there was a decrease, as follows:



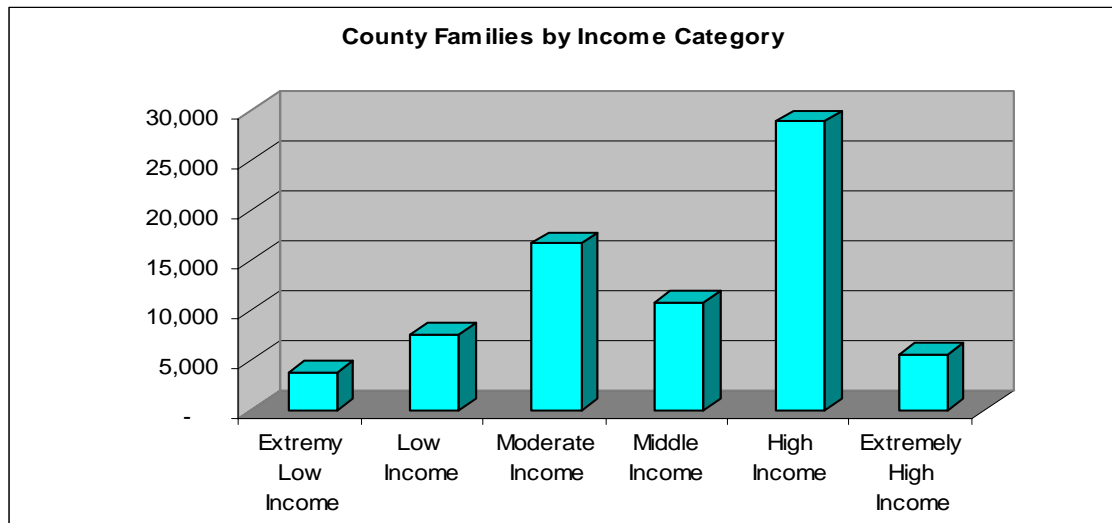
For Prince William County, households experiencing this problem grew from 27,747 to 30,957 or 11.6%. This increase was the highest among the five Washington metropolitan area localities surveyed.

I. Population/Customers

This chapter of the Strategic Issue Analysis describes the population/customers that are served by this issue. It details the characteristics and changing demographics of the customer group, describes their expectations for service/outcomes, and notes instances of service demand that are not currently being met. This chapter answers the question - - Who are we serving?

A. County Residents

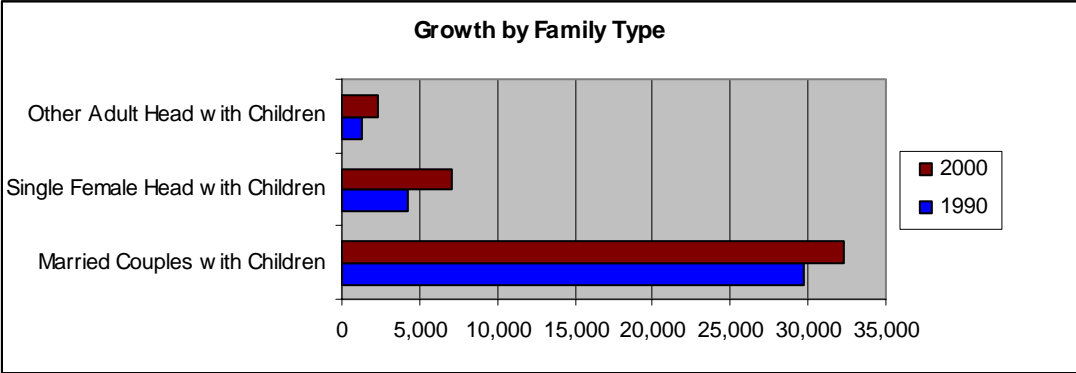
1. Extremely Low-Income - As of the 2000 U.S. Census, there were close to 3,900 families (5% of the 72,737 County families) whose income was at or below \$20,000 or 27% of the County's Median Family Income of \$71,622. Many of these families are on fixed-incomes, receiving public assistance or the "working poor." More than 70% of these families are paying more than 35% of their income on "housing," be they renters or homeowners. The majority of these families currently receive and/or qualify for County support and services.
2. Low Income - As of the 2000 U.S. Census, there were more than 7,600 families (10% of all County families) whose income ranged between \$20,000 and \$34,999 or 27-48% of the County's Median Family Income. Many of these families receive some sort of public assistance and/or are under-employed. Almost two-thirds of these families are paying more than 35% of their income on "housing." Many of these families also receive or qualify for County support and services. The County's rental assistance program requires that at least 75% of all families assisted, be in this income category or lower.



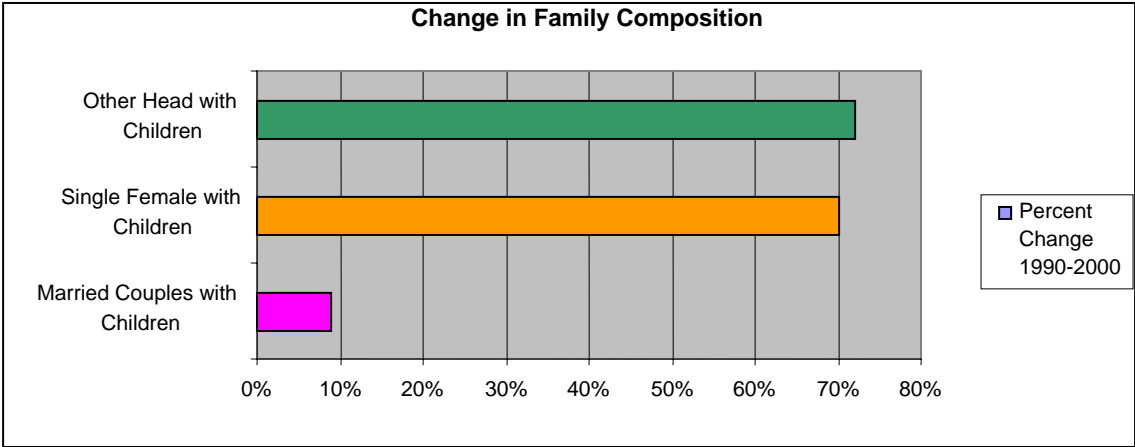
3. Moderate Income - As of the 2000 U.S. Census, there were almost 17,000 families (23% of all County families) whose income ranged between \$35,000 and \$59,999 or 48-84% of the County's Median Family Income. More than one-third of the families in this income category are spending more than 35% of their income on housing. A great number of these Moderate Income families are

employed in technical, managerial and professional jobs, including “essential” public employees such as law enforcement, fire & rescue, public safety communications, and teachers. Many of these families qualify for or are already receiving County services such as first-time homebuyer’s assistance, financial counseling, etc.

- 4. Single Parent Families - Per the 2000 U.S. Census, there were 72,737 “family” (related by blood, marriage or adoption) households in the County. These consisted of either a married couple with children or one adult with children.

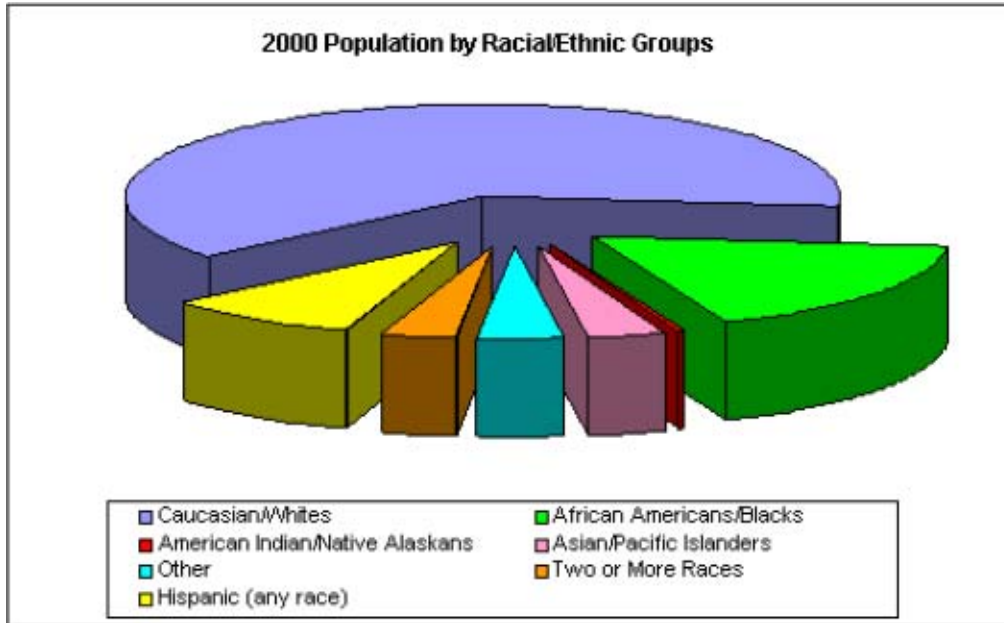


More than 7,000 County families or about 10% of all County families consisted of a “single female with children.” Another 2,000 or more families consisting of “one adult with children” represent another 3% of all County families. As can be seen in the graph below, each of these types of families experienced a 70% or more increase over the decade of the 1990s.

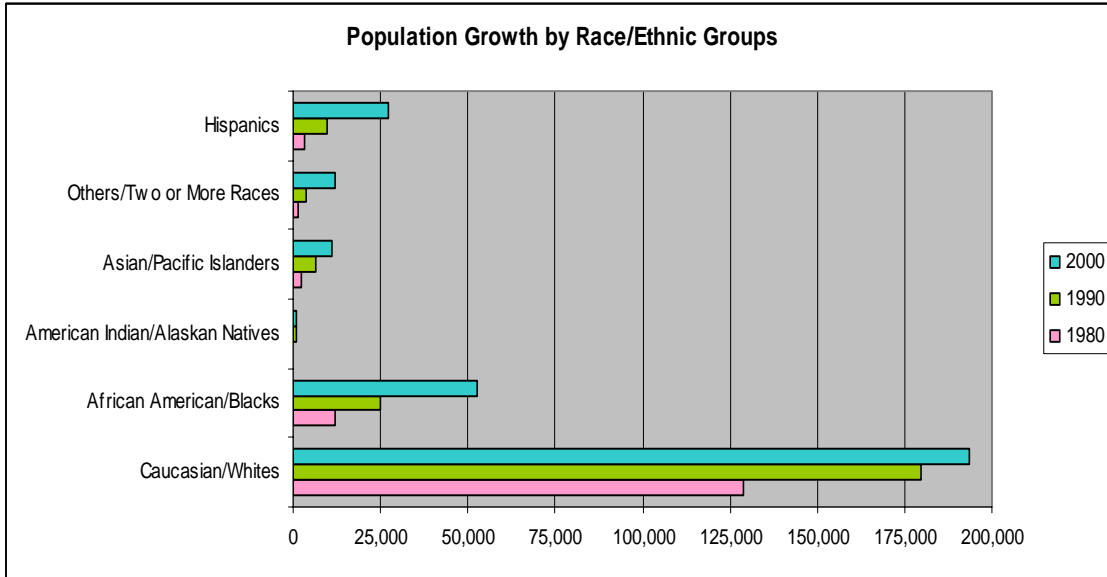


Many of these single-head families, particularly those in the lower income categories, are already receiving or qualify for many of the County’s housing and related services, including rental assistance, homeownership assistance and financial counseling. More than 3,000 (or 83%) of the applicants currently on the rental assistance waiting list are “female head of household with children.”

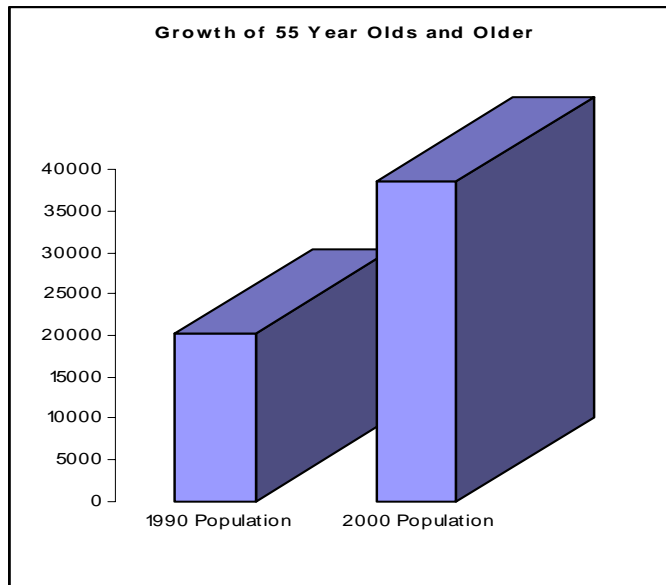
5. Racial/Ethnic Minorities – According to the 2000 U.S. Census, there were several significant changes in the County’s population. Not only did the County grow by another 65,127 persons (or 30% more), but there was also noticeable changes in the racial/ethnic composition, as seen in the graphs that follow:



The most dramatic changes occurred in the African American and Hispanic groups. African Americans more than doubled from 25,078 to 52,691 and now comprise 19% of all County residents. Half of all African American families have incomes at or below 80% of the County’s Median Family Income (\$71,622 as of the 2000 Census). Hispanics in the County almost tripled from 9,662 to 27,338, and now comprise 8% of all County residents. Six out of ten Hispanic families have incomes at or below 80% of the County’s Median Family Income.

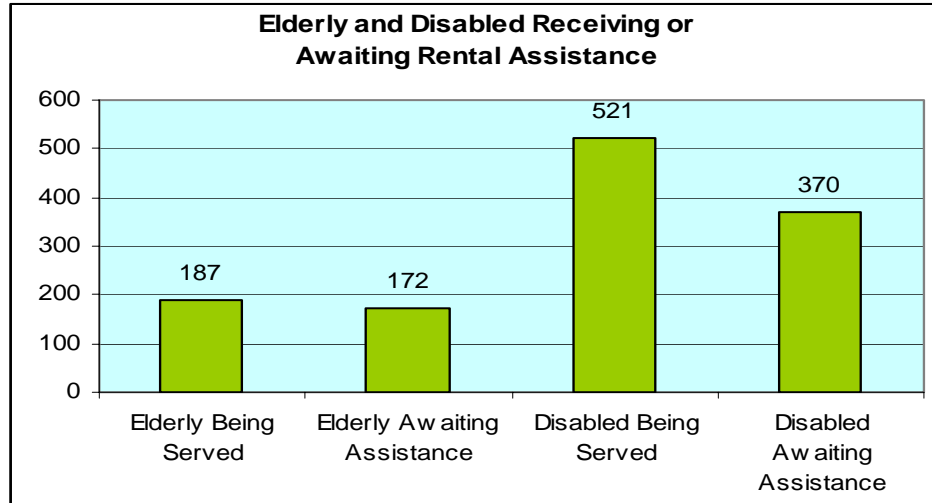


6. Elderly Residents - As of the 2000 U.S. Census, there were 38,532 (or 14%) County residents age 55 and older. This represents an increase of 90% or almost doubling from 1990. Of this 55 and older group, 14,041 were 65 years and older.



Many of the County's elderly are independent active adults who are seeking to stay in, or find housing they can continue to afford. Other somewhat independent elderly (i.e., need supportive services in managing 2 or more of their daily functions such as dressing, eating, walking, etc.) are also seeking affordable housing but where supportive services are

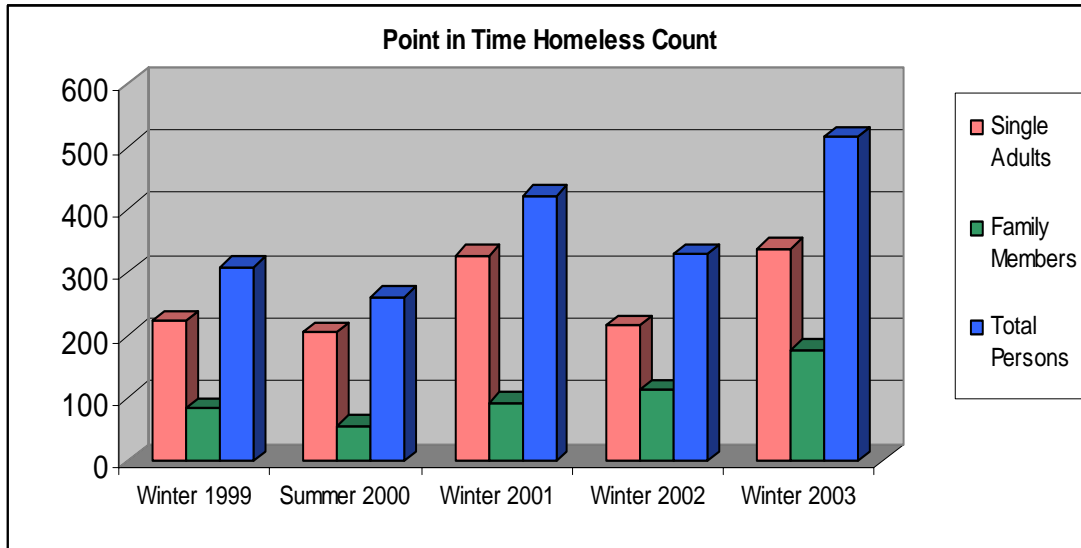
provided. Many of the County's lower income elderly qualify for or are already receiving housing and related services via subsidized apartments, rental assistance and state and federal support. As seen in the graph below, 187 or 10% of the 1,898 households receiving rental assistance as of November 30, 2003 are elderly. Another 172 or 5% of the 3,629 applicants on the waiting list are elderly.



7. Disabled Residents – According to the 2000 U.S. Census, there were 31,603 (or 11% of all) County residents who identified themselves as having a disability. There is a wide range of disabilities covered by various federal and state programs. The definition of “disabled” encompasses not only physical impairments such as blindness or deafness, but also mental illness, mental retardation, HIV/AIDS and drug dependencies.

Many of the County’s disabled residents are limited in their ability to obtain employment, or if employed, they earn very little income. Many of the County’s disabled residents expect to remain in what decent, affordable and accessible housing they now have. They cannot afford to live alone due to financial as well functional limitations and therefore look to the County for rental assistance and supportive services. A significant portion of the disabled residents qualify for or already receive County housing and related services. As can be seen from the graph above, 521 or 27% of all households receiving rental assistance are disabled. Another 370 or 10% of all applicants on the rental assistance waiting list have identified themselves as having a disability.

8. Homeless - According to the County’s January 22, 2003 “Point in Time” homeless count, there were 515 homeless persons in the County, of which 320 were being housed via the County’s Winter-Only shelter, several privately operated emergency shelters, transitional housing and supportive housing. As can be seen in the graph below, 75% of homeless persons are in some form of family unit, most commonly, a female adult with children. One third or more of all homeless persons are children under the age of 18.



B. County Renters

As of the 2000 U.S. Census, renters accounted for 26,783 or a little more than 28% of the County's occupied housing units. This is down from 30% in 1990. Renters occupy a variety of housing types including apartments, condominiums, townhouses and single family homes, with a median rent of \$862.00 per month. About two-thirds of all rental units cost \$750 or more per month, as of the 2000 U.S. Census. Only 740 (or 3%) of the total 26,783 rental units cost less than \$300 per month. According to the County's September 2003 Apartment Survey, the average rent for a 2-bedroom apartment was \$925; up from \$897 in September 2002.

Currently, the County provides rental assistance to about 1,980 families who are paying an average monthly rent of \$1,042 with an average monthly rent subsidy of \$795 coming from federal funds.

As of November 2003, there were more than 3,600 households on the County's waiting list for rental assistance. Applications for the waiting list are received only during one day each month, and have been averaging close to 120 new applicants per month. Federal funding for rental assistance vouchers have not kept pace with the demand, thus the waiting list has been experiencing significant net growth over the last few years.

Almost 70% of the applicants on the rental assistance waiting list are County residents seeking financial assistance to help cover their monthly housing cost. Many are experiencing "severe housing cost," i.e. using more than half of their income for housing. Some are experiencing "overcrowding" in that they are sharing housing with their extended family or living in substandard rental housing that is inadequate for their need. Another 29% of the applicants are Virginia residents from nearby localities. Only 2% are non-County, non-Virginia residents who have applied for rental assistance from the County.

C. County Homeowners

As of the 2000 U.S. Census, homeowners accounted for 67,787 or close to 72% of the County's occupied housing units. This is up from 70% in 1990. Owners occupy a variety of housing types including condominiums, townhouses and single family homes; the latter being the most popular housing type accounting for more than half of all housing types in the County. Depending on their income category, many County homeowners qualify for and utilize the County's housing and related services, such as deferred or forgivable loans for rehabilitating their current property, mortgage default counseling, etc.

D. Homebuyers/Potential Homebuyers

Homebuyers consist of two types of households - - those who are buying their first home and those who are "buying-up", i.e., using the equity in their existing home to buy a bigger and/or newer property. As for the working middle class (Moderate-Income households), each day, the number of requests for homeownership assistance increases, especially from new professionals and young families who want to buy their first home but cannot do so.

For many potential homebuyers, the main obstacle is down payment money; for others their incomes just do not reach the level needed to qualify for a first trust mortgage. The persistent rise in the price of homes in the County, over the last several years, makes it increasingly difficult for these County residents to reach homeownership.

According to the Metropolitan Regional (Real Estate) Information System, the median sold price of a house in the County was \$130,000 in 1997. By 2002, the median sold price had risen to \$199,900 - a 54% increase in six years. As of November 2003, the median sold price reached \$234,000, a 17% increase in less than one year, with six out of ten homes sold in the \$200,000 to \$400,000 price range.

E. Non-County Residents

There are a number of families in the greater Washington, D.C. metropolitan area and the Northern Virginia region who are considering moving into the County as renters or homebuyers. Data is not readily available on potential homebuyers of properties in the County. As of November 2003 however, of the 3,629 families on the rental assistance waiting list, 1,067 were "Non-County, Virginia" applicants and 52 were "Non-County, Non-Virginia" applicants.

As was discussed under "Potential Homebuyers" above, there many other non-County residents wanting/needing housing services, including public service employees who would seriously consider purchasing a home in the County, depending on their financial ability and availability of financial assistance for down payment and closing costs. A recent survey of the County Departments of Police, Fire and Rescue and Public Safety Communications identified close to 300 employees, as well as 100 teachers who showed

an interest in homeownership assistance, either for first-time purchase or to finance the sale of their current home in order to relocate to the County.

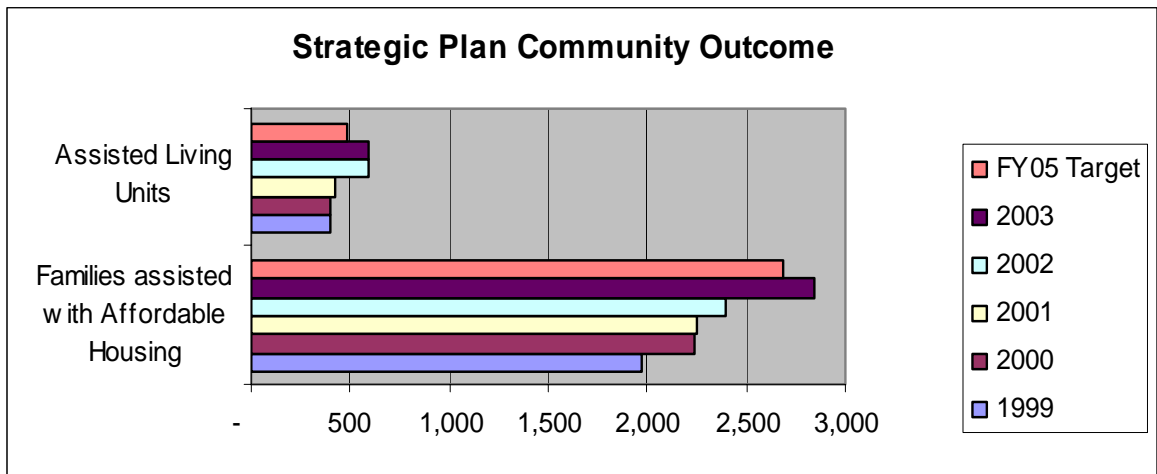
II. Outcome/Trends/Results

This chapter of the Strategic Issue Analysis details the results and outcomes the County has been achieving in this issue area. It includes a description of the multi-year outcome and performance trends. This chapter answers the question - - What results have we achieved?

A. Community Outcomes

The County’s identification of specific affordable housing outcomes can be found in two (2) important multi-year documents which have been adopted by the Board of County Supervisors. These are the “Strategic Plan” and the “Consolidated Housing and Community Development Plan,” as follows:

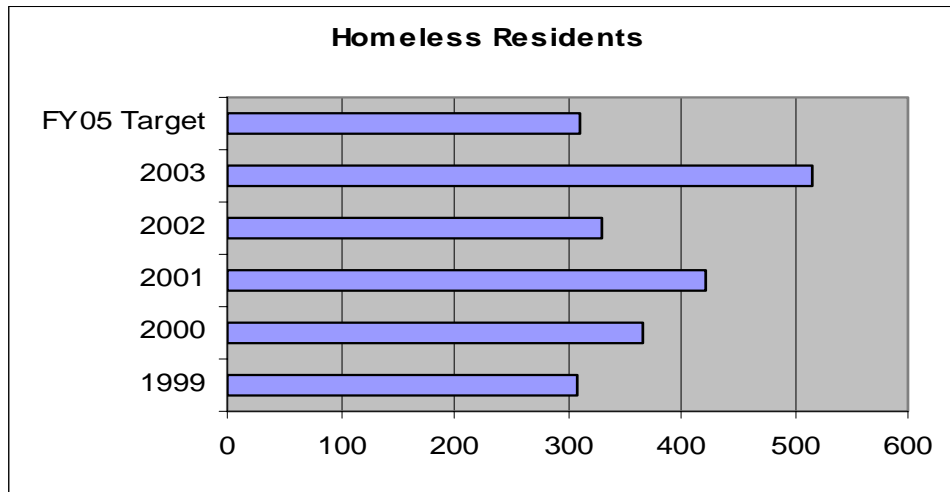
1. Strategic Plan - The County’s current Strategic Plan contains two (2) “Community Outcomes” relative to affordable housing, as follows:
 - a. ***“Help 20% more low-income families secure assisted living units and affordable housing units.”***



*FY00 is the base year for the adopted 2001-2005 Strategic Plan.

As can be seen from the graph above, the FY05 target of 478 “Assisted Living Units” was reached during FY02 due to the construction of new assisted living units. The FY05 target of 2,683 “Families Assisted with Affordable Housing” was reached and exceeded during FY03, with the use of state and federal funds.

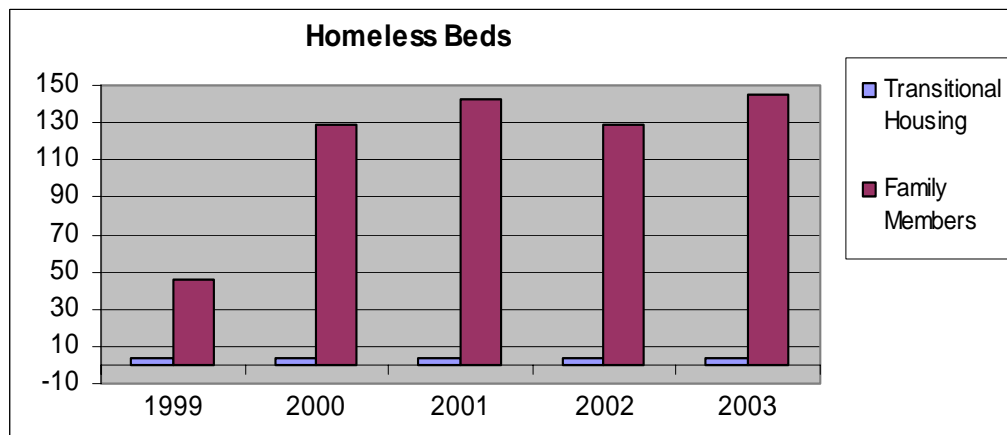
b. “Decrease the number of homeless residents in the County by 15%.”



* FY00 is the base year for the adopted 2001-2005 Strategic Plan.

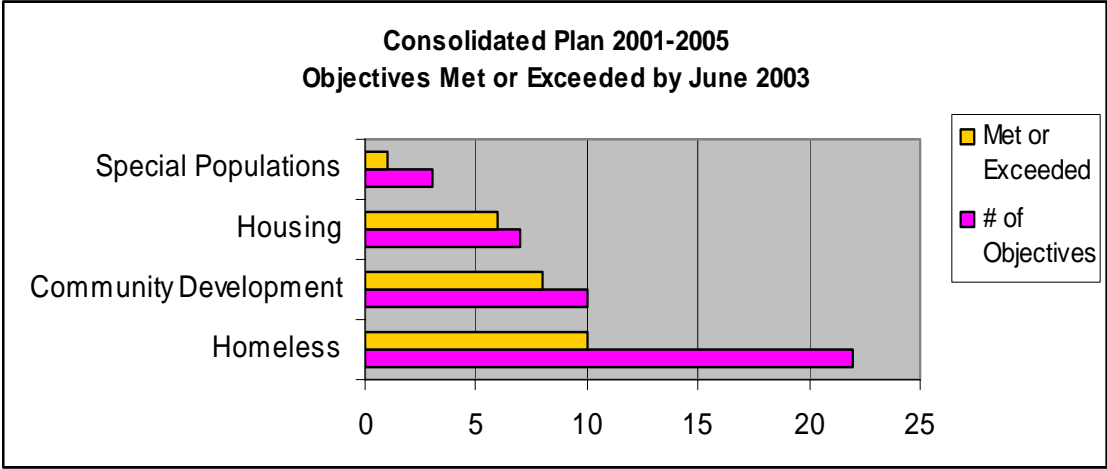
This Community Outcome, to reach 311 homeless residents in the County by 2005, has proven to be much more difficult than anticipated, due in part to the many factors which account for why persons and families become homeless or stay homeless. As can be seen in the chart below, progress is being made in the provision of emergency shelter beds and transitional housing. In 2003, sixteen (16) additional shelter beds were added, along with five (5) leased units for homeless families in domestic violence situations. Three (3) more transitional housing units were added also during FY03.

During FY04, twenty-five more shelter beds are scheduled to become available in the western end of the County. Although none of these units represent “permanent” housing for the homeless, one faith-based, non-profit group has created four (4) housing units with supportive services for families.



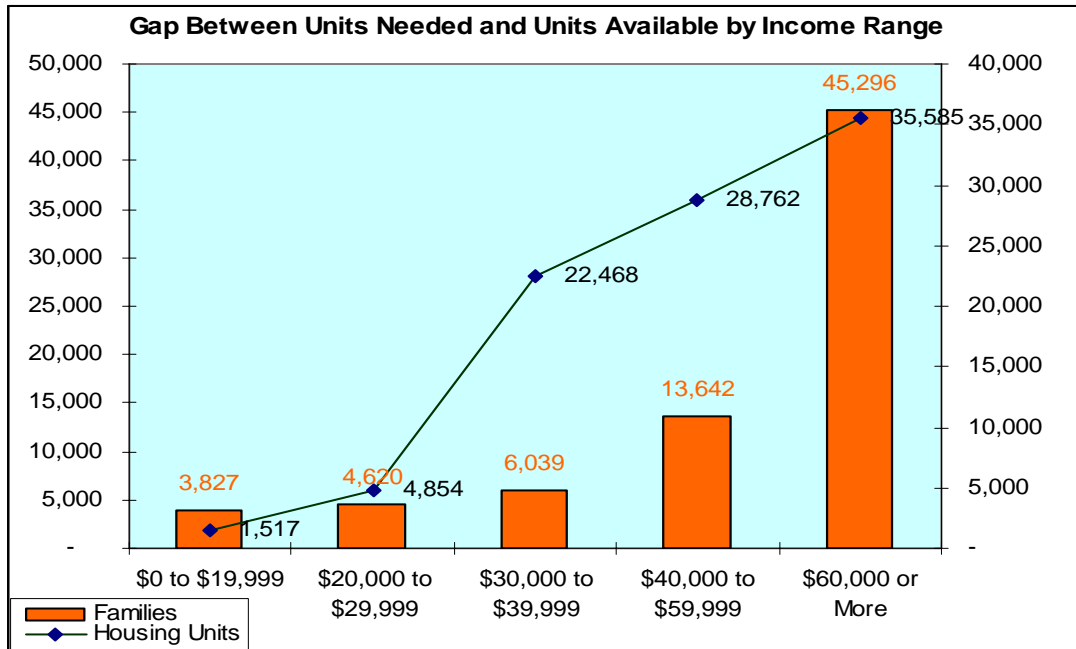
The desired Outcome for County homeless residents is to secure permanent, affordable housing, especially for homeless families with children. Given the rising cost of housing, lack of affordable units, limited funding and lack of earning power on the part of homeless adults, this outcome continues to be a challenge.

- 2. Consolidated Plan - The County’s adopted Consolidated Housing and Community Development Plan for Fiscal Years 2001-2005 (required by the Federal government), includes 42 specific objectives within 12 goals which reflect the community’s priorities for affordable housing and related community services. The graph below shows the progress made as of June 30, 2003), shown by the four (4) major program areas of the Consolidated Plan. See Appendix B for a full report of the specific objectives reached in the Consolidated Plan.



B. Housing Gap Analysis

As of the 2000 U.S. Census there were 73,424 families in the County, with a Median Family Income of \$71,622, living in 93,186 housing units. By using the 30% affordability standard, an analysis shows how many housing units currently exists that are affordable to County families by the various income groups. The following graph shows, for example, that there are 3,827 Extremely-Low Income families in the County, but only 1,517 housing units are affordable to them.

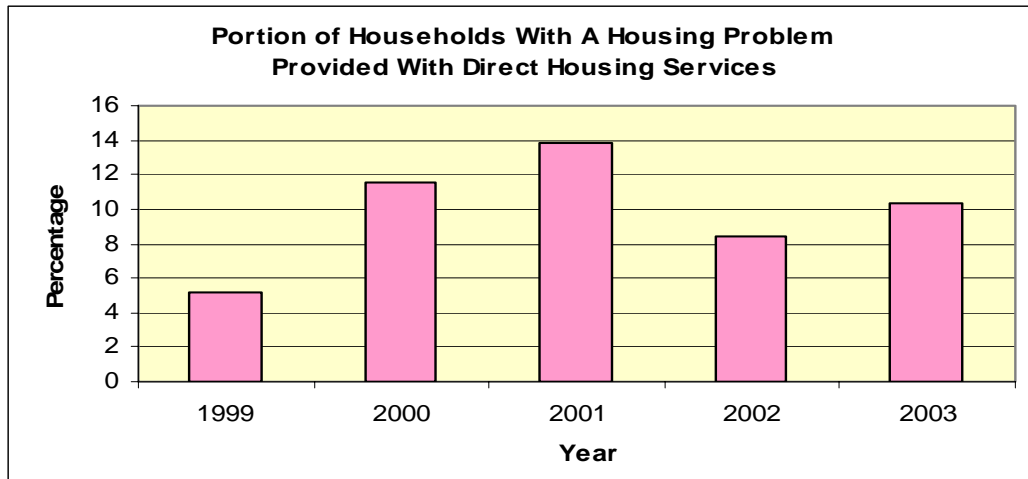


This data suggests that there is a “gap” or “shortage” of 2,310 units affordable to the lowest income families in the County. For the Moderate-Income families (incomes from \$30,000-\$59,999), there seem to be more than enough units affordable to them. However, for the higher income families, (\$60,000 or more), there appears to be a shortage of almost 10,000 units affordable to this income group. However, families in this income group can afford to rent or buy housing in the lower price ranges where there appears to be a “surplus” of more than 31,000 available units.

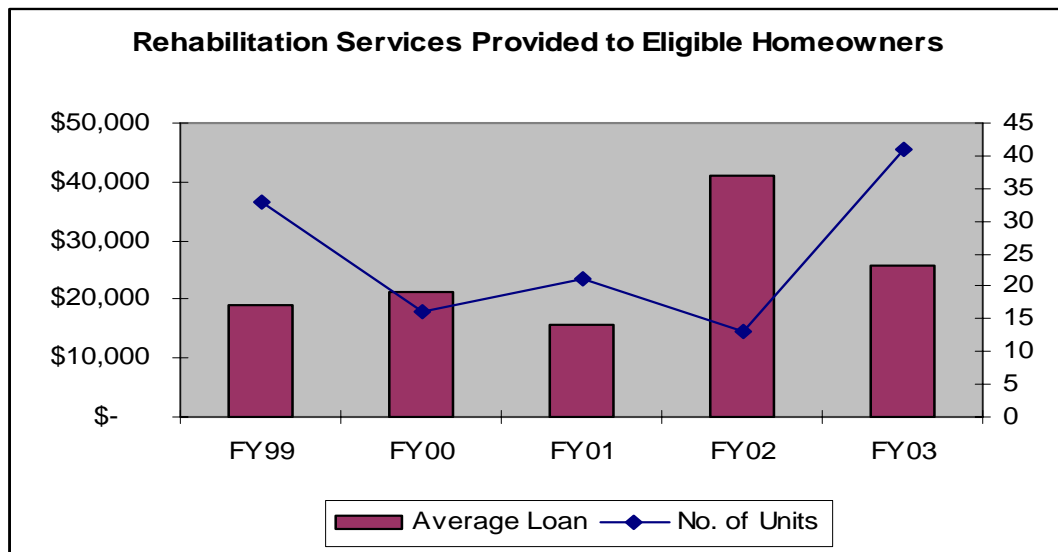
C. Other Significant County Outcomes

- a. Households with a Housing Problem – The U.S. Department of Housing and Urban Development (HUD) considers that a household has a “housing problem” when they are experiencing:
- Excessive Housing Cost – When a household is paying more than 30% of its income for housing (rent or mortgage plus utilities).
 - Severe Housing Cost – When a household is paying more than 50% of its income for housing.
 - Overcrowded - When a household is living in a housing unit with more than one (1) person per room (U.S. Census definition) or when multiple families are sharing a housing unit.
 - Substandard Housing - When a household is living in a housing unit that has identifiable health and safety concerns and/or is deficient in one or more of the major structural systems such as heating, plumbing, electrical, roofing, etc.

The County's five (5) year track-record in serving households with a "housing problem" can be seen in the graph below:



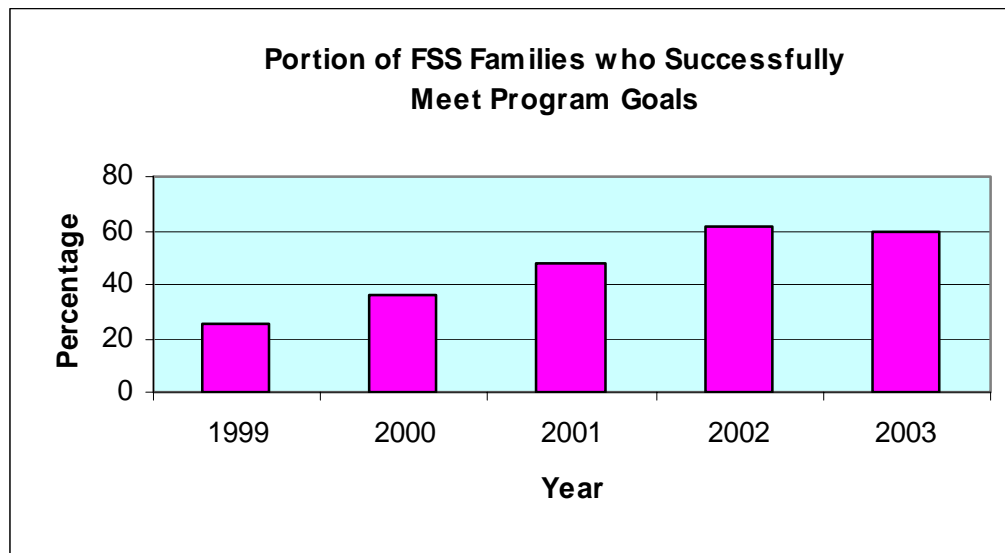
Included in the households served, are those who receive homeownership assistance, rehabilitation services, rental assistance or transitional housing. The number of households, who receive services in any given year, depends largely on the level of federal and state funds available to meet the demand for such services. The County has provided rehabilitation services (in the form of forgivable, deferred or no interest loans) to an average of 25 owner households per year.



The cost of rehabilitating properties has fluctuated to some extent, based on the condition of the properties, especially older homes which tend to require major systems work such as heating, plumbing, electrical, etc. as well as lead-based paint testing and remediation, required by the federal government. To maximize the use of federal funds while addressing

critical needs, priority for rehabilitation services is given to elderly, disabled and Extremely-Low Income households. Since FY99, the County has provided 124 homeowners with rehabilitation services at a total cost of more than \$2.8 million.

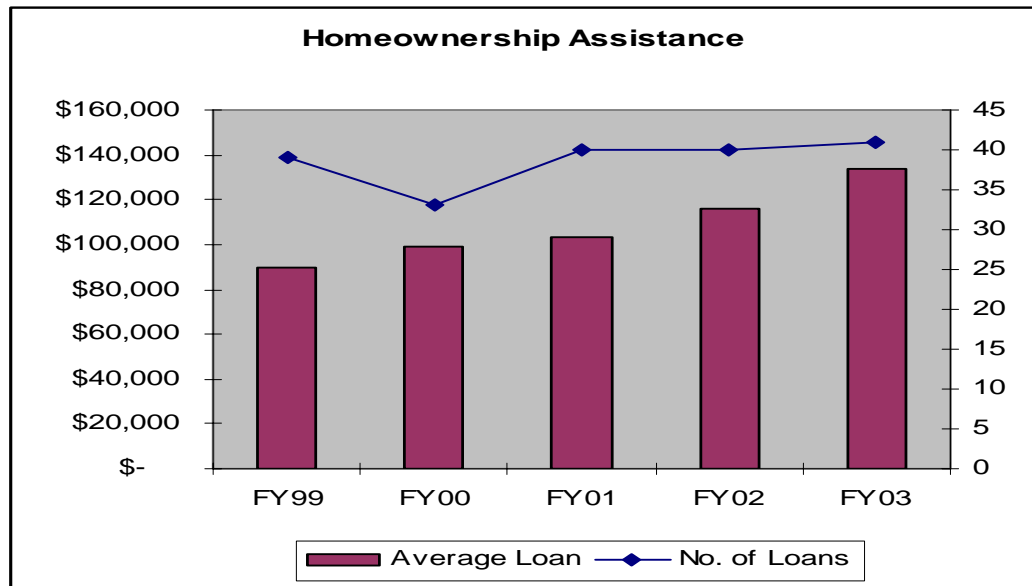
- b. Family Self Sufficiency (FSS) - Within the County’s rental assistance program, there is a component that provides special services and assistance to those families who are willing to forego an extended period of rental assistance. These families define their own 3-5 year goals and then are provided financial, family and employment counseling as well as case management services as they work towards their own economic independence (i.e., receiving no public assistance or rental assistance.)



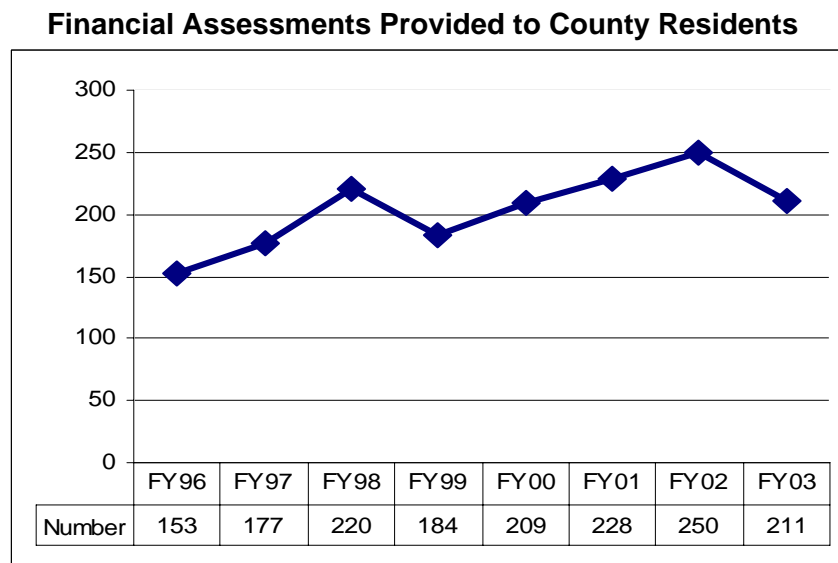
* In 2001, this measure was refined per an internal performance measure audit.

Going into each fiscal year, projections are made as to which and how many FSS families are expected to “graduate” from the program, having met their established goals. The graph above represents the five (5) year track record of FSS families. Many of the families who do not meet their goals include those who experience some economic setback, such as loss of employment or incur a major medical expense or some other unforeseen adverse situation.

- c. Homeownership Assistance – For many renter households, the County has provided financial assistance, in the form of second mortgages for down payment and closing costs. These second mortgages are deferred for 30 years and must be repaid then or whenever the first loan is refinanced or the property changes in ownership. Per the graph below, the County has provided homeownership loans to 193 first-time homebuyers, mostly Moderate-Income families, with a total of \$21 million in federal, state and private financing.



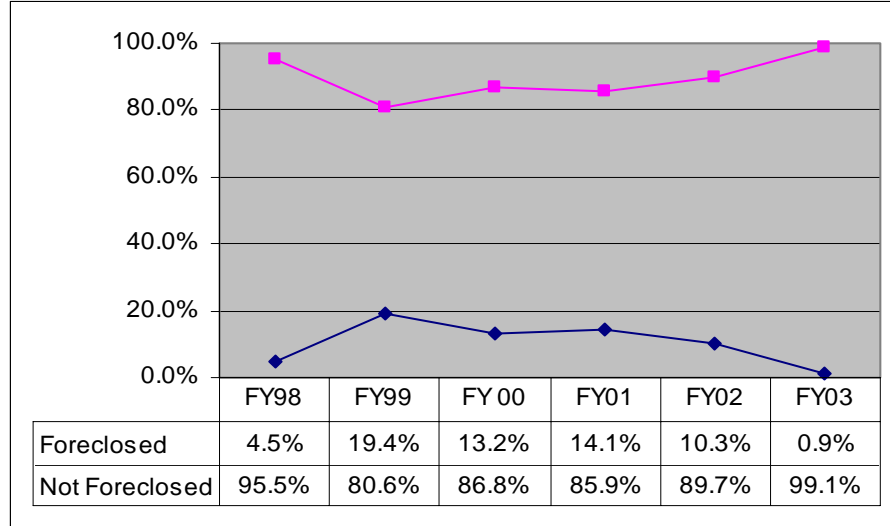
- d. Housing Counseling - As can be seen in the graph below, the County provides a variety of family counseling programs including “Financial Assessments” to about 200 or so families a year who are experiencing financial difficulties. Such counseling includes a thorough analysis of their economic circumstances and are then counseled over time to solve or alleviate their financial problem.



On average, between 40 and 100 County households are provided specific financial counseling concerning the potential risk of losing their home through mortgage default. By combining a comprehensive educational component with pre- and post-purchase home buying counseling, the County’s loan default rate has been less than 1% as compared to the

industry average of 1-2%. As can be seen from in the graph below, due to the County’s effective intervention and counseling, practically nine out of ten families do not end in foreclosure.

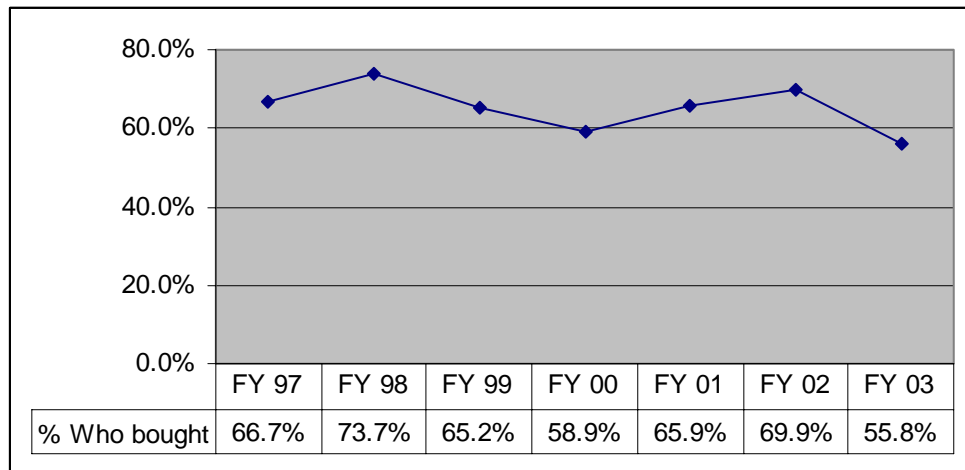
County Residents Provided Mortgage Default Counseling



Another group of County households are provided formal coursework on the entire home buying process. This homebuyer education program consists of a series of five courses, and is a requirement of the County’s homeownership assistance programs.

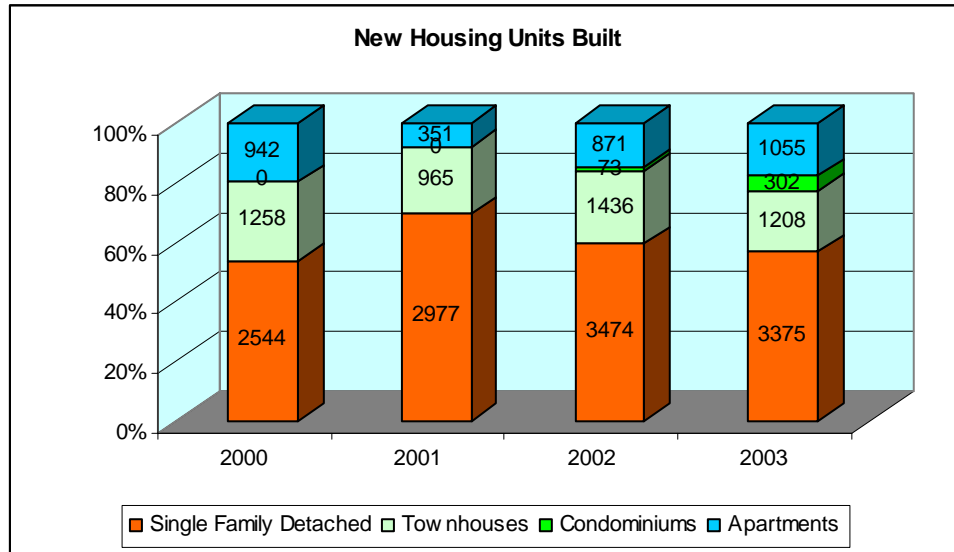
In 2003, the County provided home buying seminars (consisting of 5 classes) to 115 first-time homebuyers, of which 67 or 58% actually purchased a home within one year. As seen in the graph below, two-thirds of all attendees buy a home within a year.

Home Buying Seminars Provided to County Residents

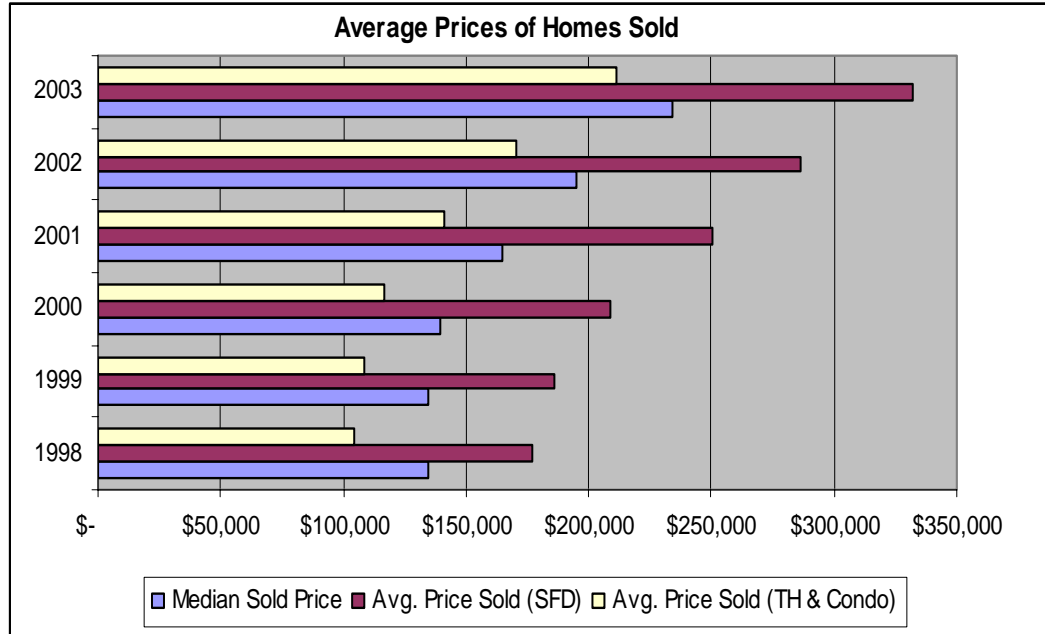


D. Trends

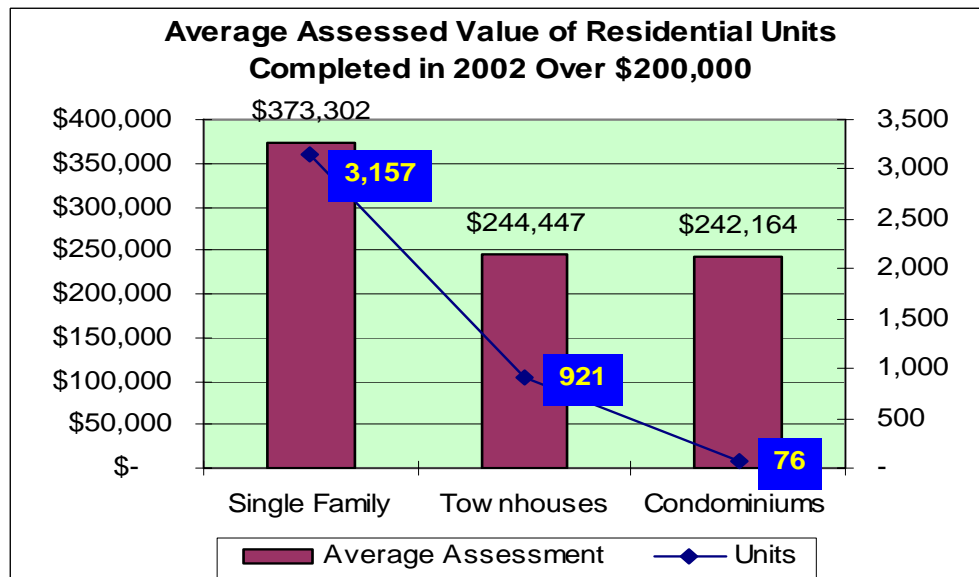
1. Housing Units - There were 98,052 housing units in the County as of the 2000 U.S. Census, an increase of 23,000 units or 31.2% over 1990. As of September 2003, according to the County's Office of Information Technology, there were an estimated 113,305 housing units in the County - - an additional 15,253 or 13% growth. In 2000 and 2001, no condominiums were built in the County. As can be seen from the graph below, single family detached homes continue to be the dominant housing type in the County.



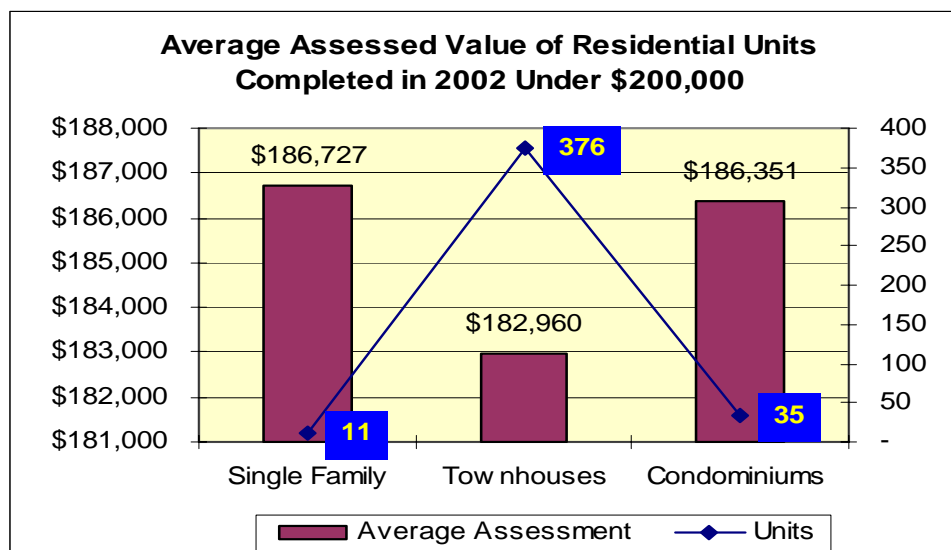
2. Housing Prices – Per actual sales data obtained from the Metropolitan Regional (Real Estate) Information System data base, County's housing sale prices have increased consistently over the last several years, for all housing types.



As seen in the table below, 99.7% of all new single family detached homes built in 2002 were assessed at an average of \$373,302. Of the 4,154 new homes built in 2002 (assessed at over \$200,000) 3,157, or more than three-quarters, were single family detached units. 921 new townhouses and 76 condominiums were assessed at an average of \$244,447 and \$242,164, respectively.



Per the graph below, Only 422 (or 9%) of the total 4,576 new housing units built in 2002 were assessed below \$200,000. Only eleven single family detached homes were assessed at an average of \$186,727; another 376 townhouses were assessed at an average of \$182,960 and 35 condominiums were assessed at an average of \$186,351.



III. Partners

This chapter of the Strategic Issue Analysis describes the County’s community partners and how they impact on this issue. This includes non-profit organizations, volunteer organizations, other levels of government, and businesses among others. This chapter answers the question - - Who are our partners in achieving results for the community?

In providing programs and services to County residents, County government combines its resources and efforts with other public, private and non-profit entities, as follows:

- Non-Profit Organizations - The County provides funding (through set-aside and competitive grants as well as through contractual fees) to numerous private, non-profit agencies to provide direct services and support to many of the County’s Extremely-Low and Low-Income residents. These services include case management, training, counseling, residential care facilities, home repair and transportation. Consistent with the County’s goals, the non-profit partners strive to promote economic independence while preserving family stability.
- Churches/Faith Community - There are many churches, congregations and faith-based groups which work alongside the County to provide essential services to single persons and families, many of whom are Extremely-Low and Low-Income. Much of this support takes the form of meals, clothing, sheltering, counseling and transportation at no cost to the County.
- Homeless Services - The County operates the winter (hypothermia) shelter and pays for the family homeless shelter on Jefferson Davis Highway on the east side of the County. The County also provides partial funding for programs operated by private, non-profit agencies including emergency homeless shelters, domestic

violence shelters and transitional housing programs. During 2003, the County's Homeless Intervention Program (HIP) provided urgent financial assistance to 189 households to save their housing, but turned away another 249 households for lack of funds. Most of the requests for emergency financial assistance are prompted by unanticipated problems such as layoffs or major health expenses.

- Realtors/Lenders - The County works closely with a number of mortgage lenders and banks to operate its homeownership programs serving mostly Moderate-Income households. Many of the lenders and Realtors devote extra time and attention to learn about the special conditions and constraints of publicly-funded housing assistance programs.
- Landlords - The County contracts with local property owners to rent or lease housing units on behalf of hundreds of County residents, including elderly, mentally ill, disabled, homeless, the working poor and those receiving rental assistance, all of whom are Extremely-Low Income or Low-Income.
- Economic Development Community - The County works collaboratively with both chambers of commerce and other business and economic development groups to enhance the climate for business opportunities and for expanding the County's commercial and industrial tax base. The County is working closely with chamber staff and committees to identify solutions and resources for developing "workforce housing" to serve Low to Moderate-Income employees.
- Federal/State Government - The County is in direct relationship with several federal and state agencies for many of its programs and services. Most governmental agencies provide ongoing grants to the County for housing and counseling services as well as competitive funding opportunities. One state agency provides direct, low-interest loans for Low to Moderate-Income households to purchase their first home or to relocate to the County.
- Contractors - Through a formal bidding process, the County utilizes the services of local, licensed contractors to perform rehabilitation work on owner-occupied housing units. The County provides deferred, forgivable or no interest loans to eligible Low-Income and Moderate-Income homeowners who qualify for the County's rehabilitation services programs.

IV. External and Internal Analysis - SWOT

This chapter of the Strategic Issue Analysis looks at the external opportunities and challenges and internal strengths and weaknesses/challenges associated with this issue. A factor is considered "external" if the County has no direct control over it. A factor is considered "internal" if it is within the County's direct control. This chapter is meant to provide important information and analysis for the next phase of the strategic planning process - - developing strategies and objectives (solutions). As such, this chapter answers

the question - - “What are the external and internal factors that will affect this issue over the next four years?”

I. External Analysis

A. External Opportunities

- Special Needs Housing - This refers to housing units that are built to meet the special needs of elderly, frail elderly, mentally ill, mentally retarded or disabled persons. HUD finances the development of such “special needs housing” through their competitive Section 202 (elderly) and Section 811 (mentally ill/ mentally retarded) housing development programs. Due to HUD’s financing and operating subsidies, these housing units are governed by caps in their rents, such that are truly affordable to Extremely-Low and Low-income, elderly, mentally ill or developmentally disabled residents.
- Rent Restricted Housing - Most public housing in the Washington metropolitan region, was developed by local housing authorities more than 30 years ago, using a variety and combination of financing sources, including local General Funds, Tax Exempt Bonds, HUD’s Section 236 or Section 221(d)(3) multi-family subsidies. The contribution or use of public funds into housing development projects translates into rents that are indeed affordable to Low to Moderate-Income households. Unfortunately, Congress has not funded these new housing production programs in some time. The state’s housing financing agency and housing authority (namely the Virginia Housing Development Authority) has participated in and contributed to financing, development, and/or operating subsidies of affordable rental housing in the County.
- Fair Housing - The issue of housing discrimination is of concern to all local jurisdictions. Housing discrimination involves the extent to which landlords, property managers, Realtors, lenders and others engaged in the sale or rental of housing, violate federal, state and local Fair Housing laws. Federal, state and local laws specifically prohibit any type of housing discrimination based on race, color, sex, religion, national origin, familial (marital) status, age or disability. Federal laws and regulation, require that any jurisdiction which receives federal funds, and in particular federal housing funds, is required to develop and implement “Fair Housing Plans” and to take definitive actions to “affirmatively further fair housing.”
- Affordable Dwelling Unit (ADU) Ordinance - The Virginia General Assembly has the authority to allow localities to adopt an “Affordable Dwelling Unit” (ADU) ordinance. An ADU ordinance would require developers of multi-family units (condominiums, apartments and townhouses) to set aside a portion of the units for rent or purchase by families with Low to

Moderate-Incomes. In exchange for the ADU units, the County would give developers a bonus density, i.e., the approval to build more units than the current zoning allows. The critical challenge is to reach a balance between the number of ADUs desired versus the bonus density, without undue financial burden on the developer.

In the Commonwealth of Virginia, Fairfax and Loudoun Counties have received General Assembly approval to adopt their own ADU ordinance. Combined, Fairfax and Loudoun have more than fifteen (15) years of experience with this tool for creating truly affordable units. In Maryland, Montgomery County's "Moderately Priced Dwelling Unit" (MPDU) program has also been in operation for several years. Indications are that these programs are difficult to design and challenging to administer, as several professional staff are required to oversee and manage the units, per the local ordinance.

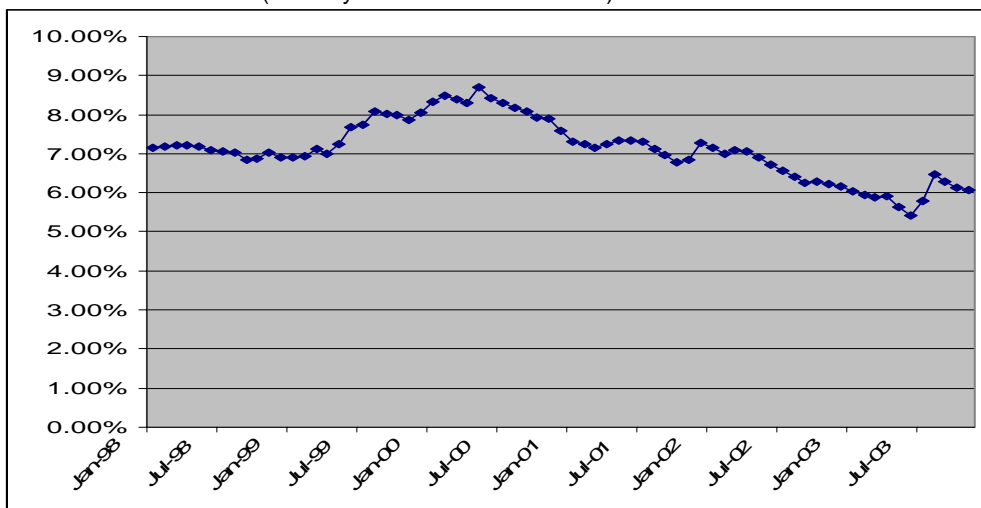
- Federal Funding - In 1992, the County was designated an "Entitlement Urban County" by HUD, such that thereafter the County has received direct annual allocations of federal housing funds from HUD. The County has also effectively competed for other federal funds as well as small state grants. Thus, the County has received an average of \$1.5 million in "Community Development Block Grant" (CDBG) and about one half million in "HOME Investment Partnerships" (HOME) funds. The County's portion of these nation-wide program funds is based on national criteria and formulas used by HUD to allocate such funds.
- Home Stretch Program - In June 2003, the Virginia Housing Development Authority (VHDA) announced the start of a new homeownership initiative to assist Low and Moderate-Income households to purchase their first home or to relocate to their area of employment. Each Northern Virginia locality, including Prince William County, was given access to \$750,000 for second mortgages in the amount of \$20,000 each. VHDA will offer applicants a variety of their first mortgage products, at prevailing or better interest rates. In October 2003, the Board of County Supervisors passed a resolution agreeing to participate in this new program and adopted program guidelines for use in serving County residents. The official Program Guidelines established a priority system for serving public safety employees first, followed by public school teachers and then open to any and all County residents who work in the County but who do not now own a home in the County. This program will be operated between November 3, 2003 and June 30, 2004, when the funds expire.
- American Dream Downpayment Initiative - On December 16, 2003, President Bush signed into law Senate Bill 811 which is designed to assist first-time homebuyers with down payment funds. Congress appropriated \$75 million for federal fiscal year 2003 and \$87 million in FFY 2004, to be distributed

using on a formula based on the number of Low-Income renters in participating localities. Only localities with populations of 150,000 or more and those which stand to receive a minimum allocation of \$50,000 will be included in this program. The program will be operated under the HOME Investment Partnerships regulations. Fund allocations and final regulations are expected spring 2004.

- Mortgage Interest Rates - As can be seen in the following graph, interest rates for mortgages have decreased dramatically and consistently over the last three years. This steady drop in interest rates has not only generated a remarkable number of home sales, but has also produced a considerable volume of mortgage refinancing.

National Monthly Mortgage Rate Averages

(January 1998 - November 2003)



- Partnerships With Faith-Based and Non-Profit Organizations - There are many churches, congregations and faith-based groups which work alongside County government to provide essential services to single persons and families, most of whom are Extremely-Low and Low-Income. Much of this support takes the form of meals, clothing, sheltering and counseling, at no cost to the County. The County also provides funding (through set-aside and competitive grants as well as through contractual fees) to numerous private, non-profit agencies to provide direct services and support to many of the County’s needy households. For example, the Northern Virginia Family Service provides case management, counseling, and training to families enrolled in the Family Self Sufficiency program and to homeless families residing at the Dawson Beach transitional housing program.

B. External Challenges

- Housing Concentrations - A prevailing perception among some of the area localities is that there is “too much” subsidized and special needs housing and

that such housing is concentrated in certain neighborhoods and subdivisions to “the detriment of the nearby community.” Thus, there have been instances in the metropolitan Washington area and in the County, when strong community opposition has affected the placement of residential facilities such as homeless shelters, group homes for mentally ill/mentally retarded, transitional housing, etc. The challenge continues to be to dispel the fears and anxieties that accompany such projects.

- Community Opposition - Somewhat related to item “a” above, this challenge refers to the real or perceived opposition to certain types of housing, sometimes referred to as the “Not In My Back Yard (NIMBY)” problem. Open, visible community opposition presents a dilemma for many communities which want to help less fortunate residents with lower cost or special needs housing, but not necessarily at the expense of property values and/or perceived threats to public safety.
- Residential Growth Management - Most every jurisdiction in the region is concerned about, or struggling with, controlling its residential growth. The two major sub-issues accompanying residential growth are:
 - 1). Balancing the residential tax base with the commercial and industrial tax base
 - 2). Volume and type of residential growth.

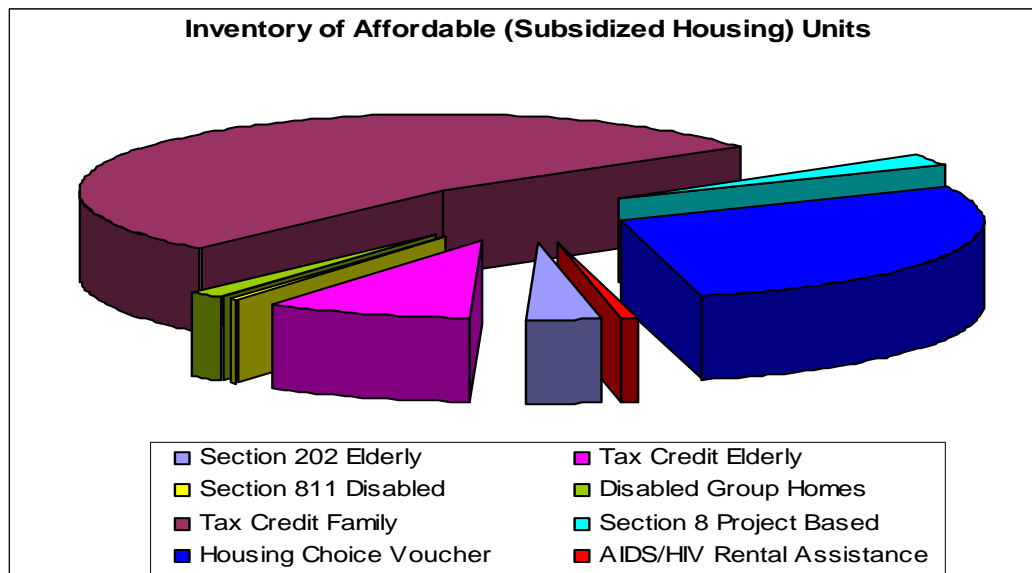
The latter involves the effects of population growth population factors that tend to place greater demands on County services, the total cost of which is not always covered by the taxes and fees that come from the added housing units.

- School Aged Population - The growth of multi-family units, but more so the growth of townhouse developments, has drawn younger families with children, thus accelerating the need for additional school facilities and resources. Lower income African American and Hispanic renters in particular have larger families with school aged children. On the other extreme, higher priced homes, generally owned by Very High Income families (i.e., those earning more than \$150,000 annually) tend to generate less school aged children or have children who attend private schools.
- Population Growth/Diversification - A review of the 2000 U.S. Census data shows that the County is growing in absolute numbers as well as becoming more and more diversified. The County has grown so much, as of the 2000 U.S. Census that it has become the third largest locality behind Fairfax County and the City of Virginia Beach. The County’s growing diversity is also quite dramatic, as evidenced by:

- 1). African Americans - In 1980, African-Americans accounted for only 8% of all County residents. By 2000, African-Americans had grown by 442% and now comprise almost 19% of all County residents.
- 2). Hispanics - In 1980, Hispanics (of all races) comprised 2.3% of all County residents. By 2000, Hispanics had grown by 836% and now represent 9.7% of all County residents.
- 3). Noteworthy Factors - Historical demographic data shows that Whites and Asians enjoy relatively better incomes and have smaller sized families than African-Americans and Hispanics. Thus, the County’s growing numbers of the latter groups suggests that they are experiencing higher housing costs and/or are having to live in cheaper, less adequate housing, mainly rental housing. The lower rent units tend to be older units with no or few amenities in neighborhoods with not so great reputations.

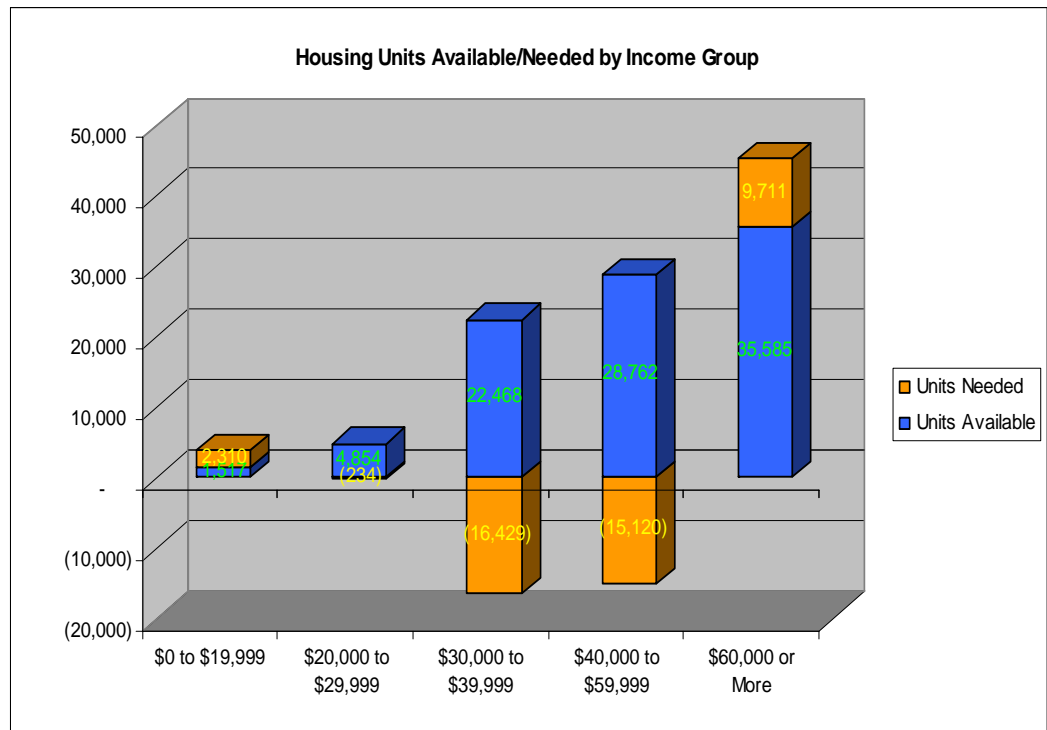
The main challenge the growing demographic diversity of the County poses is two fold - the limited financial capacity of these families to afford adequate housing coupled with the lack of available lower cost units. These lower income families as well as many elderly and disabled families also face major transportation challenges in being able to access jobs, commerce, recreation and other community amenities. The Issue Analysis pertaining to “Human Services” and “Transportation” should also provide additional insights into this aspect of the County’s growth.

- Affordable/Subsidized Units - As can be seen from the graph below, the County has 6,577 truly “affordable” units currently serving Extremely-Low to Moderate-Income families. The two larger portions of affordable housing consist of 4,119 rental units financed with federal housing tax credits (elderly and family) and 1,893 portable (rental assistance) housing vouchers.



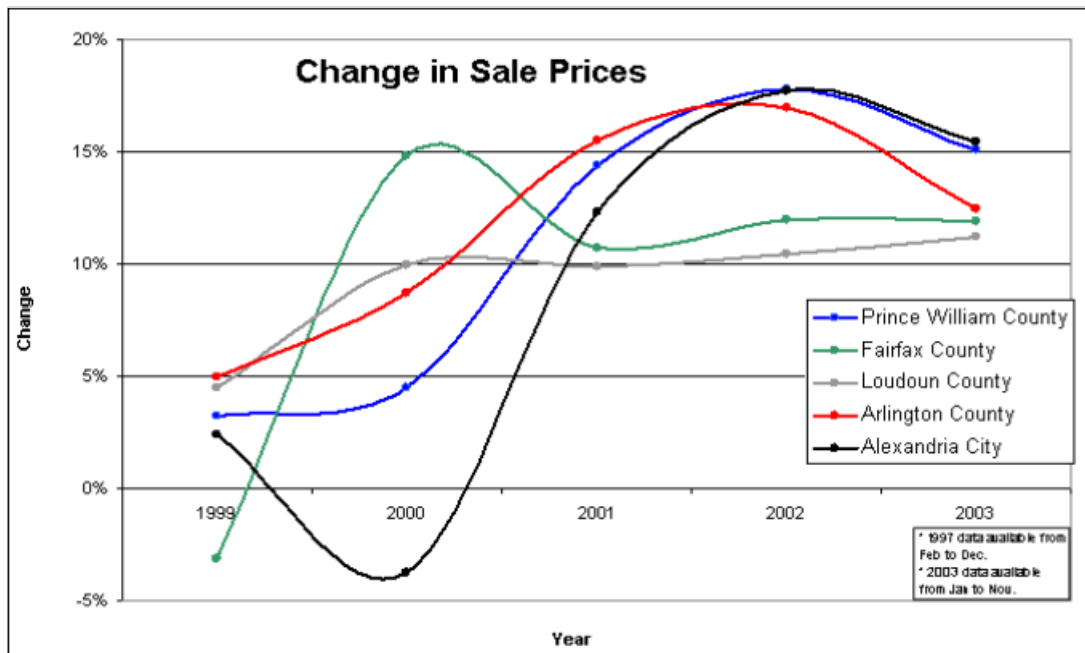
Even though there are more than 6,000 truly affordable housing units in the County, not all are meeting the needs of those Extremely-Low Income households who are experiencing “severe housing costs.” For example, the housing build with federal tax credits, of which there are more than 4,000 in the County now, are rented only to households whose incomes are no less than 50% and not higher than 60% of the Area Median Family Income. This leaves out a large number of families who earn too little or too much to qualify for these rental units. To complicate matters, most tax credits housing built in the County in the last couple of years has been age-restricted (i.e., for ages 55 and older.)

As can be seen in the graph below, there is a shortage of housing that is affordable to certain income groups. According to the 2002 American Community Survey (U.S. Census), there are 3,827 households whose incomes are below 30% of the Median Family Income, but for whom only 1,517 units are affordable to them. For the 45,296 households earning \$60,000 or more annually, there are 35,585 units affordable to them. However, these households do have the financial capacity and option to own less costly housing, if which there are plenty. It is the lowest income group that poses the greatest challenge in terms of housing units needed that are affordable at about \$500 per month housing cost (rent or mortgage plus utilities).



- Housing Marketplace - The trend data clearly shows that the local economy is very much impacting housing prices in the County. For years now, the relative cost of housing is highly associated with the distance to the major

employment centers. Washington, D.C. continues to be the dominant employment center including the federal government as the major regional employer.



Whereas a young family could buy a 3-bedroom townhouse for \$100,000 in the County a few years ago, a similar bedroom sized townhouse can easily cost more than \$200,000 today. The same townhouse can cost \$300,000-\$400,000 in other Northern Virginia localities. The County's trend toward relatively more single-family detached homes is a response to the demand for such. If a single family detached home is what the market demands, then developers have no real incentives to build condominiums, apartments or townhouses. Without major financial subsidy, the final sales price or rent of any new units will reflect the increased cost of construction as well as the prevailing market prices. Lower interest rates are also fueling this trend, thus a family may opt to buy a single family home rather than a townhouse or condominium, if their income can qualify them. To the extent that the County still has considerable land on which to build, and residential growth is not slowed in any significant way, marketplace forces will continue to drive the volume, type and cost of new housing.

- **Federal Funding** - Through the 1960s and into the mid 1970's, the federal government provided substantial subsidies and loan guarantees to generate low-cost housing, including most of the public housing built then. For the last 20 years or so, the federal government has not funded any new housing developments and thus, there are very few new developments whose rents are affordable to the lowest income groups. Federal emphasis has shifted mostly

to tax credit financing for new construction (discussed above), homeownership initiatives and rental assistance. Regarding rental assistance, there again, the federal government has limited the growth of new housing vouchers due to the escalating cost of existing vouchers.

Localities have turned to their own local housing authorities to generate bond financing or similar tools for financing and writing down the cost of new affordable units. Other viable measures include the use of trust funds and affordable dwelling unit (ADU) programs.

- Cost of Housing Rehabilitation - Another effective affordable housing strategy is to preserve what affordable housing lower income households currently have. Thus, since 1992, the County's rehabilitation program has provided significant financial assistance to more than 124 owner households whose properties were substandard and unsafe. In 2001, the federal government began to require that all housing units, built prior to 1978 and rehabilitated using federal funds, undergo testing and remediation for lead-based paint. Lead-based paint remediation has added up to \$10,000 to rehabilitation projects on top of the escalating costs of labor and materials associated with such rehabs. The challenge is to be able to stretch the annual federal funding allocations to continue to provide such rehabilitation services to the elderly, disabled and the Extremely-Low Income households, and thereby keep them in familiar, affordable housing.
- Homeless Housing - One way to meet the Strategic Plan goal of reducing the number of homeless residents in the County is to provide more shelter beds and related services for the homeless, especially those families with children. The challenge is to identify and secure resources that can be leveraged by the County and its community partners to generate the homeless facilities and services need to meet the demand. Beyond homeless shelters and transitional housing, the need continues for creating affordable housing options for such families, as they work their way out of homelessness. The County's rental assistance program does help many families transitioning to self sufficiency, but there are not enough housing vouchers to meet the demand. The County has neither public housing nor any low cost housing for such families, thus this challenge is compelling and difficult.

II. Internal Analysis

A. Internal Strengths

- Entitlement Urban County Status - Since the County was designated by HUD as an "Entitlement Urban County" in 1991, the County has been receiving annual allocations of federal housing funds. As Congress considers responding to the pressing need for affordable housing for the lower income population by adding additional funding and creating new initiatives, the

County is poised to receive its share of such resources. Thus, the County may be in a position to expand its homeownership, rehabilitation and rental assistance services to more needy families. Otherwise, the County is eligible to compete for non set-aside programs and funding opportunities as they arise at the federal and state levels.

- Homeownership Programs - The County's award-winning homeownership program can be used to attract additional funding from federal and state sources as well as leverage those funds to generate additional private sector financing and resources. In FY 03, the County used its federal HOME grant of almost \$500,000 to leverage more than \$2.4 million in first-trust private mortgage financing to help 41 County households to become first-time homeowners. The County's homeownership program also enjoys excellent relations with several community partners in the housing industry, which it can use to create additional other homeownership opportunities for eligible County residents. The County's homeownership educational programs also contribute significantly to the realization and continued viability of new homeowners.
- Local Administration of Housing Choice Voucher Program - The Housing Choice Voucher rental assistance (formerly known as the "Section 8" program) accounts for only 20% of the metropolitan Washington region's total assisted rental housing and only 2% of the County's households. In 2003, the County assumed full responsibility for this program and is now directly accountable to HUD for its operation. Thus, in FY03, the County received control of 1,983 housing vouchers with more than \$12 million for rental subsidies and \$1.4 million for program management. By operating this program on its own, the County gained policy and administrative control of the entire program while providing more responsive customer service to both landlords and program participants. The Housing Choice Voucher program provides "affordable" housing to income-eligible households by supplementing the amount of rent paid to landlords by participating families. Federal rental assistance comes in two forms:
- Project-Based Rental Assistance - This type of rental assistance is provided by way of an individual housing unit, usually in an apartment complex, such that an income-eligible household will pay reduced rent while living in that unit. The difference between the monthly contract rent of the unit and 30% of the household's income is paid to the owner of such units by a third party, usually HUD or the local housing authority. If, for example, the contract rent on an apartment is \$1,000 and 30% of the resident household's gross income is \$200, the owner will receive a monthly payment of \$800 from the 3rd party. The County has 166 such units (in Coverstone IV Apartments only) in the Sudley North area.

- Tenant-Based Rental Assistance - This type of rental assistance, sometimes referred to as “portable” vouchers, is provided to an income-eligible, individual family and remains with that family whenever and wherever they move. The amount of rental assistance provided is re-calculated each time the family moves to another unit or whenever there is a change in their family size, income or continued eligibility. The County currently serves 1,983 families with as many housing vouchers. This program enjoys excellent relationships with its community partners, especially private landlords, Realtors and apartment managers.
- Priority Preferences - The Board of County Supervisors adopted a “system of preferences” in 2003 for serving applicants on the rental assistance waiting list. This system of preferences was instituted to better respond to the growing needs of the County’s most needy residents, especially the elderly, those with disabilities, victims of domestic violence and graduates of transitional housing. These applicants now receive top priority for any new housing vouchers. Non-County residents and non-Virginia residents will be served behind County residents.
- Housing Advisory Board - In 1991, as the County became an Entitlement Urban County, the Board of County Supervisors created and appointed the Housing Advisory Board with the mission to serve as the main citizen group who would provide them with advice on housing issues. This citizen group represents all seven magisterial district plus such constituencies as the aging, homeless, disabled, elderly and mentally ill. The Housing Advisory Board also hosts public meetings and forums to solicit and garner citizen input.
- Housing Preservation and Development Fund - In response to the 1988 Housing Task Force report, the Board of County Supervisors created the “Housing Preservation and Development Fund” to garner voluntary cash contributions from housing developers seeking rezoning approvals for their projects. Over the years, contributions have been received at the average rate of \$250 per new residential unit built and now hold upwards of \$600,000. These funds may be used, per the adopted guidelines, as loans and grants for projects that generate affordable housing for lower income County households.
- Inter-Agency Collaborations - Several County agencies, particularly those in the human services arena have formal working relationships and agreements regarding the management of their respective clientele, many of whom they serve in common. For example, the Office of Housing and Community Development and the Department of Social Services have a formal Memorandum of Understanding that guides the management of families receiving public assistance who also have a Welfare-to-Work housing voucher. In particular, case management is enhanced by tracking and sharing vital eligibility information concerning the families served by both agencies.

A similar agreement is in place between OHCD and the Community Services Board for their mutual program participants. These agreements help to serve County residents better by maximizing the effective use of resources, better customer service, minimizing overlap, and by increasing efficiency in day-to-day program operations.

- Housing Discrimination - Starting in FY99, the County, along with several area localities began “testing” the marketplace for evidence of housing discrimination. During the first year of the County’s 5-Year Fair Housing Plan, testing (“using the secret shopper” method) was conducted on 22 randomly selected apartment complexes in the County. The results were very encouraging in that no major evidence of housing discrimination was found. Subsequent testing has been done targeting apartment management companies, real estate offices and mortgage lenders, all with good results.
- Tax Relief for Elderly and Disabled - Senior citizens and disabled persons who meet certain criteria may be granted relief from all or part of their real estate taxes, solid waste fee, vehicle license decal fee and personal property tax. The main criteria for determining eligibility, involves the amount of household income and the value of their property. Households with income at or below \$38,000 are 100% exempted from real estate taxes, while those earning up to \$55,100 can receive up to 25% tax exemption.
- Tax Exemption for Rehabilitated Real Estate - As an incentive to encourage renovation and revitalization of aging structures, the County offers a program whereby owners of such properties can receive a real estate tax exemption. The exemption is limited to \$750,000 over 15 years, but is transferable should the property change owner. Different age and size of property criteria apply for residential, commercial, industrial and hotel structures.
- Potomac Communities - Based on a recent major study of the Route 1 corridor of the County, plans are underway to create master plans and zoning designations that can radically improve the quality and type of residential, business and commercial development in this area of the County. Opportunities can be created for the enhanced use of natural and man-made tourism assets, better transportation flow and access, mixed-use development within a range of housing options, and enhanced office and commercial facilities.
- Birmingham Green - The County shares in the operation and use of the residential facilities on Centreville Road that serves 64 indigent residents, many of whom are developmentally or physically disabled. This facility is owned by the five Northern Virginia localities and therefore, the residents can be referred from any of these localities. Plans are underway by the governing board to secure federal, state and local funding to expand the facility from 64 to 92 beds.

- Customer/Partner Satisfaction - The County's housing programs enjoy an excellent track record of serving County residents as well as the many community partners involved in the provision of services. Positive evidence includes a 98% satisfaction rating from area landlords participating in the rental assistance program, and a 100% program management score from HUD. The County's housing programs have also received high marks from other federal and state agencies. Results of the annual Single Audit also reflect a high degree of program accountability, effectiveness and efficiency.
- Comprehensive Plan - The County's Comprehensive Plan is the principal policy document which impacts residential and other development. The Housing Chapter of the Comprehensive Plan does indeed address the need for "affordable housing" as well as the need for a variety of housing types to meet the County's growing and diverse population.
- Year-Round Homeless Shelter - In 2003, the Board of County Supervisors granted approval for several community agencies to staff and operate the County's Winter-Only shelter year-round. Thus, many more of the County's homeless residents now benefit from the many contributions of food, clothing and supportive services provided by the County's faith-based community partners.

2. Internal Weaknesses/Challenges

- Workforce Housing - In recent years, greater interest has emerged from County employees who want to be able to purchase a home in the County or be able to sell their current home and relocate to the County. Most of the County's housing programs are governed by income limits that exclude many County employees. Although the County has targeted the homeownership resources offered by the VHDA Home Stretch program to public employees, the demand appears to be greater than the level of support available. Additional work remains to be done to identify and obtain the financial resources needed to meet this demand.

Beyond the County's own workforce, there are hundreds of other employees who work in the County but live elsewhere. This is true of small and large companies as well as the major care hospitals and health providers.

Glossary of Housing Terms

1. Housing Unit – a housing, apartment, mobile or trailer home, group of rooms or single room, occupied as a separate living quarter or, if vacant, intended for occupancy as a separate living quarter.
2. Family – a group of two or more persons related by birth, marriage or adoption living together.
3. Household – a single person, a family or families, two or more unrelated individuals or any combination of these, occupying a single housing unit.¹
4. Contract Rent/Gross Rent – monthly rent for a housing unit which includes the cost of utilities.
5. Housing Payment – monthly mortgage payment (principal and interest) plus taxes and insurance.
6. “Housing Problem” – defined by the U.S. Department of Housing and Urban Development (HUD) as those families or households:
 - a. Living in a unit with physical defects, no kitchen or bathrooms;
 - b. Living in overcrowded conditions (more than one person per room);
 - c. Paying more than 30% of household income on housing cost; or
 - d. Paying more than 50% of household income for housing cost (considered to be a “severe housing cost burden”).
7. Housing Cost – Contract Rent or House Payment (includes principal, interest, taxes and insurance) plus utilities, if not included in either.
8. “Excessive Housing Cost Burdened” – defined by HUD as those households who pay more than 30% of their gross income for Housing Cost.
9. “Severe Housing Cost Burdened” – defined by HUD as those households who pay more than 50% of their gross income for Housing Costs.
10. “Overcrowded” Household – as defined by the U.S. Bureau of the Census, exists when there is more than one person per room, living in a Housing Unit.

¹In 2002, the Board of County Supervisors passed a zoning text amendment revising the definition of “family” that allows not more than 3 unrelated individuals to occupy a single housing unit.

11. “Area Median Income” – the amount of gross income calculated and published by the U.S. Bureau of the Census periodically representing that one half of the Washington, D.C. metropolitan area’s families and households earn more than, and one half earn less than that amount.²
12. “County Median Family Income” – the amount of gross income calculated and published by the U.S. Bureau of the Census representing that one half of the County’s families and households earn more than, and one half earn less than that amount.
13. “Extremely Low-Income” – defined by HUD as those families or households earning 30% or less of the Area’s Median Income.
14. “Low-Income” – defined by HUD as those families or households earning between 31-50% of the Area’s Median Income.
15. “Moderate-Income” – defined by HUD as those families or households earning between 51-80% of the Area’s Median Income.
16. “Middle-Income” – defined by HUD as those families or households earning between 81-95% of the Area’s Median Income.
17. “Substandard unit” – defined by HUD means that a housing unit:
 - a. Is not physically and structurally sound;
 - b. Is not free of health and safety hazards;
 - c. Does not have a full working kitchen;
 - d. Does not have working, indoor bathrooms (tub/shower, toilet);
 - e. Does not have working, indoor plumbing;
 - f. Does not have a safe and adequate heating source; and
 - g. Does not have safe and adequate electrical systems.

²The Washington, D.C. Metropolitan Statistical Area’s (DCMSA) Median Family Income (MFI) was \$91,500, effective January 31, 2002. Jurisdictions included in the DCMSA are Arlington, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania and Stafford Counties; the Cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas and Manassas Park in Virginia; the District of Columbia; and Calvert, Charles, Frederick, Montgomery and Prince George’s Counties in Maryland.