



Responses to Supervisor Questions to the Draft Unmet Housing Needs Strategic Plan

SUMMARY

TO: Supervisor Mike Turner, Chair of the Transportation and Land Use Committee
and members Supervisors Randall, Buffington, Glass, and Umstattd

FROM: The Unmet Housing Needs Committee

DATE: May 27, 2021

SUBJECT: The Central Policy Questions for the Unmet Housing Needs Strategy

At the April 6, 2021 Board Meeting and again at the May 12, 2021 Public Hearing the Board of Supervisors raised excellent questions. In the attached document we have attempted to provide answers to those questions using available documentation from the draft UHN Strategic Plan and our previous UHN Committee research and analysis.

We strongly support the decision to send the Strategy to TLUC for detailed review and analysis.

The Overall Objective

Based on the questions raised by Supervisors and summarized in this document we believe the Board wants a “robust, sustainable, and affordable” Unmet Housing Needs Strategy. In order to achieve this objective, the Strategy itself should be based on the real resources available. The affordable housing production targets should be based on a firm commitment of resources and clear policy choices, which can achieve specific goals laid out in the 20-year Plan period.

The Central Policy Issues Should Be Discussed First

We recommend that TLUC initially focus its review on the specific *policy issues* raised by Supervisors in their questions and comments. Material presented in this report in response to a Supervisor’s question is referenced by page number in parentheses.

Recommendations

Establish the Data Base

1. Review a complete list of every program, existing or proposed, that will increase the affordable housing stock, and where it will impact the AMI levels from <30% to 100% of AMI. (*Buffington, Question #3, pp. 9*)
2. Provide an up-to-date analysis of the existing stock of affordable houses, and the number in the pipeline, but not yet built, by type of unit. (*Buffington, Question #3, pp. 9*)
3. After excluding proffered re-zonings, how many ADU's can still be created through zoning applications and the development process in the Urban, Suburban, and Transition Policy Areas. (*Turner, Question # 4, pp. 11*)

Consider Policy Alternatives

4. Document the relationships between the potential for land mobilization based on density and location (*Letourneau & Randall, Question # 7, pp. 21*), the total availability of financial resources, and loan levels per housing unit in order to achieve a preferred allocation of resources among unit types such as rental units vs purchase units. (*Briskman, Question #5, pp. 13, Randall, Question #6, pp. 15*)
5. Decide if criteria within the Strategy should limit location choices (such as "1/4 mile of a bus or Metro Stop") if the goal is to maximize the efficient use of resources.
6. Analyze alternative levels of General Fund annual contributions on the total number of affordable housing that could be financed, and then select an annual level of funding as a firm commitment.

Clarify the County Structure for Implementation

7. Assign responsibilities, staffing, and budgets to the various County Departments for implementing the Strategy.
8. Set specific long-term and short-term affordable housing targets to be achieved based on the policy decisions taken and the resources to be made available. (*Turner, Question #2, pp. 6*)

We look forward to supporting the TLUC review in any way you find useful.

Sincerely,

Members of the Unmet Housing Needs Committee:

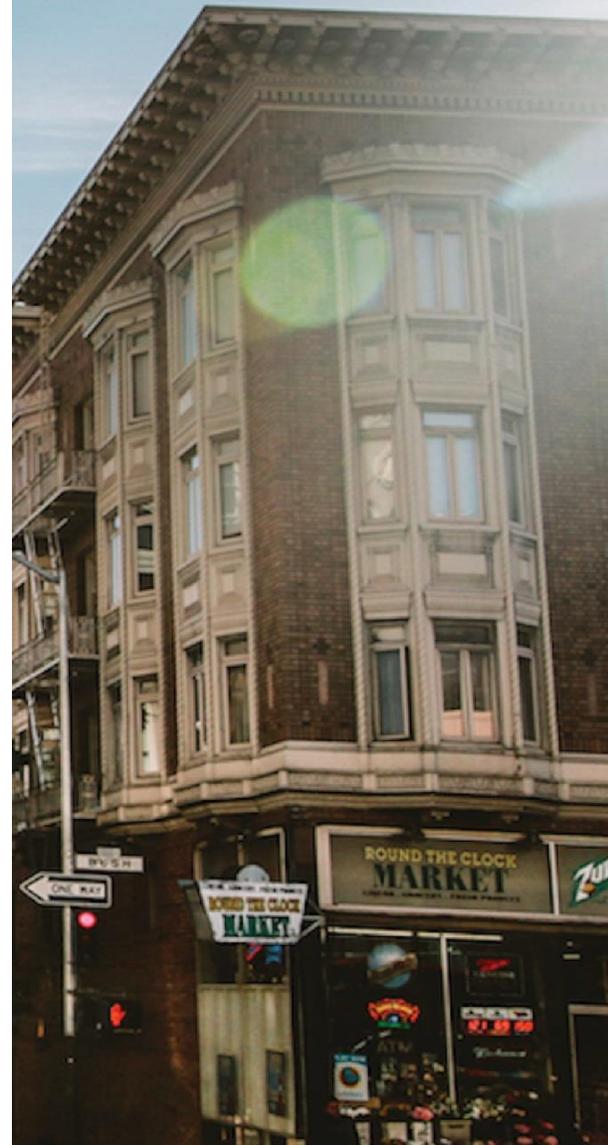
Al Van Huyck, Kim Hart, Roy Barnett, Gem Bingol, Beckwith Bolle, Grafton deButts, Judith Meany, Norman Myers, Steve Price, and Maura Walsh-Copeland.

RESPONSES
To SUPERVISOR
April 6, 2021 QUESTIONS
to
DRAFT
Unmet Housing Needs
Strategic Plan



Unmet Housing Needs
Committee

May 12, 2021



Unmet Housing Needs Strategic Plan
Responses to Supervisor Questions from April 6, 2021
Prepared by Unmet Housing Needs Committee

INTRODUCTION

On April 6, 2021, Loudoun County Housing Staff presented the first draft of the Unmet Housing Needs Strategic Plan to the Board of Supervisors at their regular business meeting. Prior to this, Staff had given individual briefings to Board members. During the discussion following the Staff presentation, Supervisors asked a series of questions about the plan and its implementation.

The following pages summarize the questions posed by Supervisors and responses prepared based on source documents from County Housing Staff and the UHN Committee.



UHN Committee Members:

Al Van Huyck, Roy Barnett, Kim Hart, Norman Myers, Gem Bingol, Beckwith Bolle, Grafton deButts, Judith Meany, Stephen Price, and Maura Walsh-Copeland

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1. Why are people moving to Loudoun? Who are we trying to help with this plan? (Glass)

RESPONSE:

- Appendix C of the Draft Unmet Housing Needs Strategic Plan is an excellent presentation of data supporting this discussion.
- This topic – focusing on the difficulty of getting workers locally to fill new jobs created – is a key focus of the Loudoun County Chamber of Commerce, who also participated on the Ad Hoc Committee.

Supporting Information: Draft UHN Strategic Plan

Housing & Jobs Research, *VCHR Brief for Loudoun County*, March 13, 2021

Introduction

VCHR’s housing a job analysis compares maximum affordable housing costs by occupation to county housing costs in order to determine which workers may struggle to afford housing in the County or commute from outside of the County because they cannot find appropriate, affordable housing close to their job. Nearly 90 percent of households living in Loudoun are working and more than a quarter of households that rent or have mortgage spend more than 30 percent of their income on housing costs. ***About 40 percent of workers also live in the County, the remaining 60 percent commute in from other jurisdictions. Nearly 14,000 workers commuting into the County make less than \$15,000 annually in their primary job, less than half of a living wage for a single person living in Loudoun.***¹

¹ A living wage in Loudoun County would require a worker to earn \$16.84 per hour, \$35,027 annually, as a singleperson and \$11.90 per hour, \$24,752 annually, as a 2-person household without children.

SOURCE: Draft Unmet Housing Needs Strategic Plan, ATTACHMENT C page A-20

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Table 3: Housing Affordability for the Top 10 Loudoun County Occupations by Employment		Maximum Affordable Monthly Housing Costs		
Occupations	Number of Employees in Loudoun (% of DC MSA)	Single Earner At the Median	Single Earner at the 90th Percentile	Doubled Up
Retail Salespersons	5,534 (8%)	\$634	\$1,072	\$1,269
Cashiers	4,972 (5.9%)	\$594	\$826	\$1,188
Combined Food Preparation and Serving Workers, Including Fast Food	4,461 (7.4%)	\$608	\$821	\$1,216
Office Clerks, General	3,417 (6.6%)	\$922	\$1,559	\$1,844
Waiters and Waitresses	3,349 (6.6%)	\$590	\$1,134	\$1,180
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	3,312 (5.8%)	\$702	\$1,089	\$1,405
Customer Service Representatives	3,149 (7%)	\$937	\$1,598	\$1,874
Electricians	2,671 (24.3)	\$1,502	\$2,433	\$3,004
Landscaping and Groundskeeping Workers	2,600 (15.2%)	\$767	\$1,181	\$1,534
Laborers and Freight, Stock, and Material Movers, Hand	2,560 (9.6%)	\$699	\$1,398	\$1,158

Criteria for Affordability (Based on median gross rent and median gross owner costs with a mortgage, 2018, 1-year estimates, ACS)
Cannot afford lower quartile rent (Affordable monthly housing cost <\$1,431)
Cannot afford median rent; can afford lower quartile rent only (Affordable monthly housing cost \$1,432-\$1,836)
Can afford median rent (Affordable monthly housing cost \$1,837-\$2,224)
Can afford to rent but cannot afford to own (upper quartile) (Affordable monthly housing cost \$2,225-\$2,760)
Can afford to rent and own (Affordable monthly housing cost >\$2,761)

SOURCE: Draft Unmet Housing Needs Strategic Plan, ATTACHMENT C page A-26

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2. What is the 10-year Strategic Goal? What is the 5-year Operational Goal? (Turner)

RESPONSE:

- Both County Staff and the Ad Hoc Committee focused on a 20-year study horizon, which matches the 20-year perspective of the 2019 Comprehensive Plan.
- The Strategic Plan, looking at need from 0-100% AMI, found that about 13,800 Affordable Units over 20 years (690 units/year) would cover about 85% of the County’s need.
- Of this overall need, the Strategic Plan projects 9,780 Affordable Units will be needed to cover 0-60% AMI rental segments. (Unmet Housing Needs Strategic Plan).
- Prior to the Strategic Plan, and after reviewing several sources, the Ad Hoc Committee had selected a target of 10,000 Affordable Units (0-60% AMI) needed over the next 20 years (500 units/year). This is excellent agreement with the Strategic Plan.
- Importantly, the Ad Hoc Committee looked past need, which can be almost unlimited, to the three variables likely to limit the County ability to respond: capital (funding); land; and density.

Supporting Information: Draft UHN Strategic Plan presentation

With a 20 percent housing affordability goal, the County could meet future low-income housing demand if development continues at the five-year average pace of approximately 3,450 new units per year. If the 20 percent goal is attained over the next 20 years, 13,800 units could relieve about 85 percent of the existing housing gap. The gap could be further reduced if other tools, like a Community Land Trust, are used to acquire and preserve existing units for households. Public investment is necessary to develop new affordable housing and preserve existing market affordable housing. The UHNSP includes a variety of tools, which if used in concert with one another, could help address Loudoun’s housing affordability issues.

SOURCE: Item I-2 Presentation of the Draft Unmet Housing Needs Strategic Plan, Board of Supervisors Business Meeting, April 6, 2021, Page 6

Housing Forecast and Targets²⁰

As the County continues to grow and prosper over the next 20 years, new households including workers and families with unmet housing needs along the housing continuum will be added.

Forecasted Households by Income 2015-2040	2015 Households	2040 Households	Notes by Ad Hoc Committee
<30% AMI	8,090	11,290	+ 3,200
30% to >50% AMI	8,220	11,690	+ 3,470
50 to >60%	5,560	8,670	+ 3,110
60 to >70%	5,410	7,635	
70 to >80	5,620	8,125	
80 to >100% AMI	12,220	17,910	

+ 9,780

SOURCE: Draft Unmet Housing Needs Strategic Plan page 16

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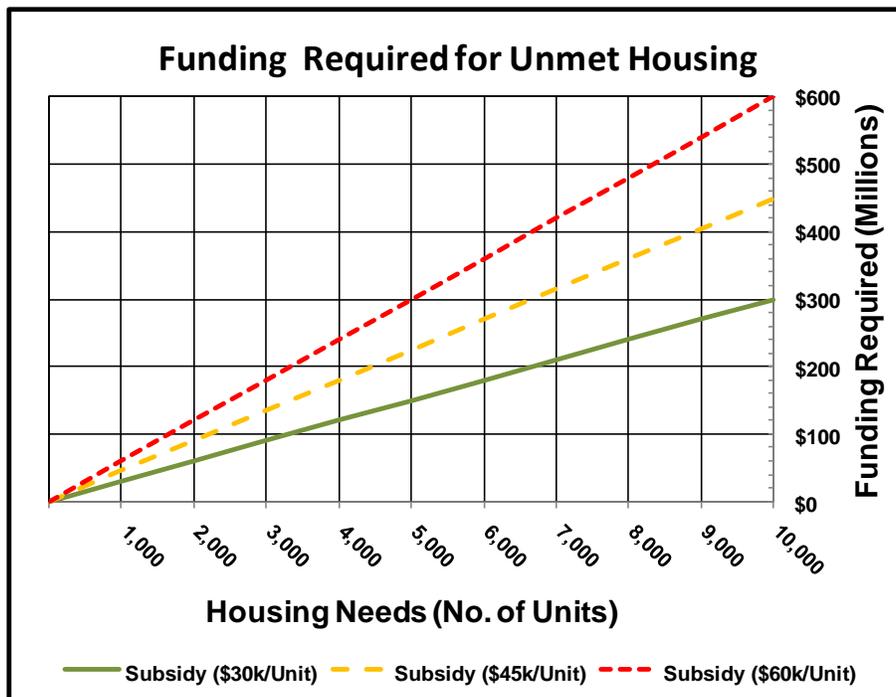
Supporting Information: UHN Committee

...Various estimates ranging from the George Mason University (GMU) study concluding that 11,000 more units are needed, ...

Essentially there are three major inputs which will determine the number of UHNU's to be built in any given year or longer period:

- 1. The Relationship of Housing Capital Allocations:** The Housing Trust Fund has been used to provide low interest loans on favorable terms for specific affordable projects. These loan funds are then used by the builder/developer recipients to subsidize funding obtained through various state and federal programs to provide housing that is more affordable. *The policy controlling the amount of loan subsidy on a per unit basis for these projects is a key factor in determining the required magnitude of funding and number of units ultimately constructed within the County.* The following graph (Figure 1 following) illustrates the impacts of various levels of subsidy on funding levels and number of housing units provided.

Figure 1: Funding Required for Unmet Housing



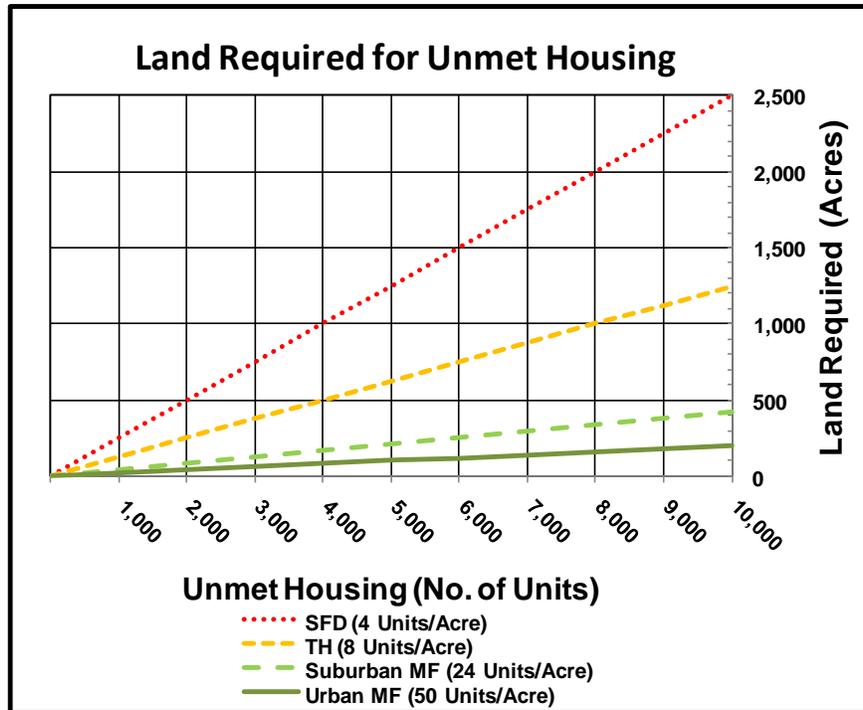
FINDING:

“Funding levels per unit of unmet housing need to be capped to be sustainable in the long term.”

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2. **Land:** Our recommendations cover a variety of ideas for obtaining land for construction of housing that addresses the unmet housing needs of Loudoun County. *Land, properly zoned, at zero basis or minimal cost, is the key driver in providing housing that is more affordable.* **Figure 2**, following illustrates this need.

Figure 2: Land Required for Unmet Housing



FINDING:

“Adoption and implementation of a land acquisition strategy is crucial to the success of an overall unmet housing solution.”

3. **Density:** An important factor in addressing the issue of providing more housing to accommodate the unmet needs of County residents is the *types of housing and resulting density*. This directly affects the amount of land area required for unmet housing development and the associated impacts. **Figure 2** illustrates the dramatic effects of typology – thus the density – required to address the identified housing needs within Loudoun County.

SOURCE: UHN Committee Report to BOS 4/24/2020 page 4 - 6

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3. How many affordable units are already in the pipeline to meet this goal? (Buffington) Can we influence projects already approved and, in the pipeline, to provide more affordable units? (Yudd)

RESPONSE:

- Staff estimates there are approximately 18,622 multifamily units (total) currently in the “pipeline:”
 - 13,622 in the Urban Policy Area (UPA) and
 - 5,000 in the Suburban Policy Area (SPA).
- Of those, Staff estimates the following ADUs are in the pipeline:
 - 2,349 ADUs in the UPA (1,232 + 1,117)
 - _____ ADUs in the SPA (TBD)
- Unfortunately, many of the large projects, still unbuilt, in the pipeline are from re-zonings that were approved prior to the County’s ADU Ordinance. Thus, the number of ADUs in the pipeline is unlikely to exceed 2,500 – 3,000.
- ***In summary, at best there may be 2,500 – 3,000 Affordable Units currently approved and permitted in the pipeline to meet projected need.***
- This estimate is slightly higher than the Ad Hoc estimate, made prior to the Strategic Plan, of 1,800 units, and depends on clarification of how many ADUs are in the pipeline in the Suburban Policy Area.

Supporting Information: Draft UHN Strategic Plan

Current pipeline data shows the potential for the significant production of multifamily units (typically rental units), with 13,622 units still to be built in the UPA and 5,000 yet to be built in the SPA.

SOURCE: Draft Unmet Housing Needs Strategic Plan page 14

As of June 30, 2020, there are 15,891 approved residential units in the UPA, and 13,622 remaining units to be permitted or built. Most of the remaining units are multi-family.⁹ The UPA has 1,232 approved ADUs, with 1,117 remaining to be permitted. The majority are multi-family.¹⁰ While these units provide 7.8% affordability in the UPA, it falls far short of the existing demand, and does not adequately address the need for affordable housing given the County’s expected population growth. Currently, there are only 1,769 existing multi-family rental units in the UPA.

⁹ Residential Pipeline: Loudoun County 2019 General Plan Policy Areas

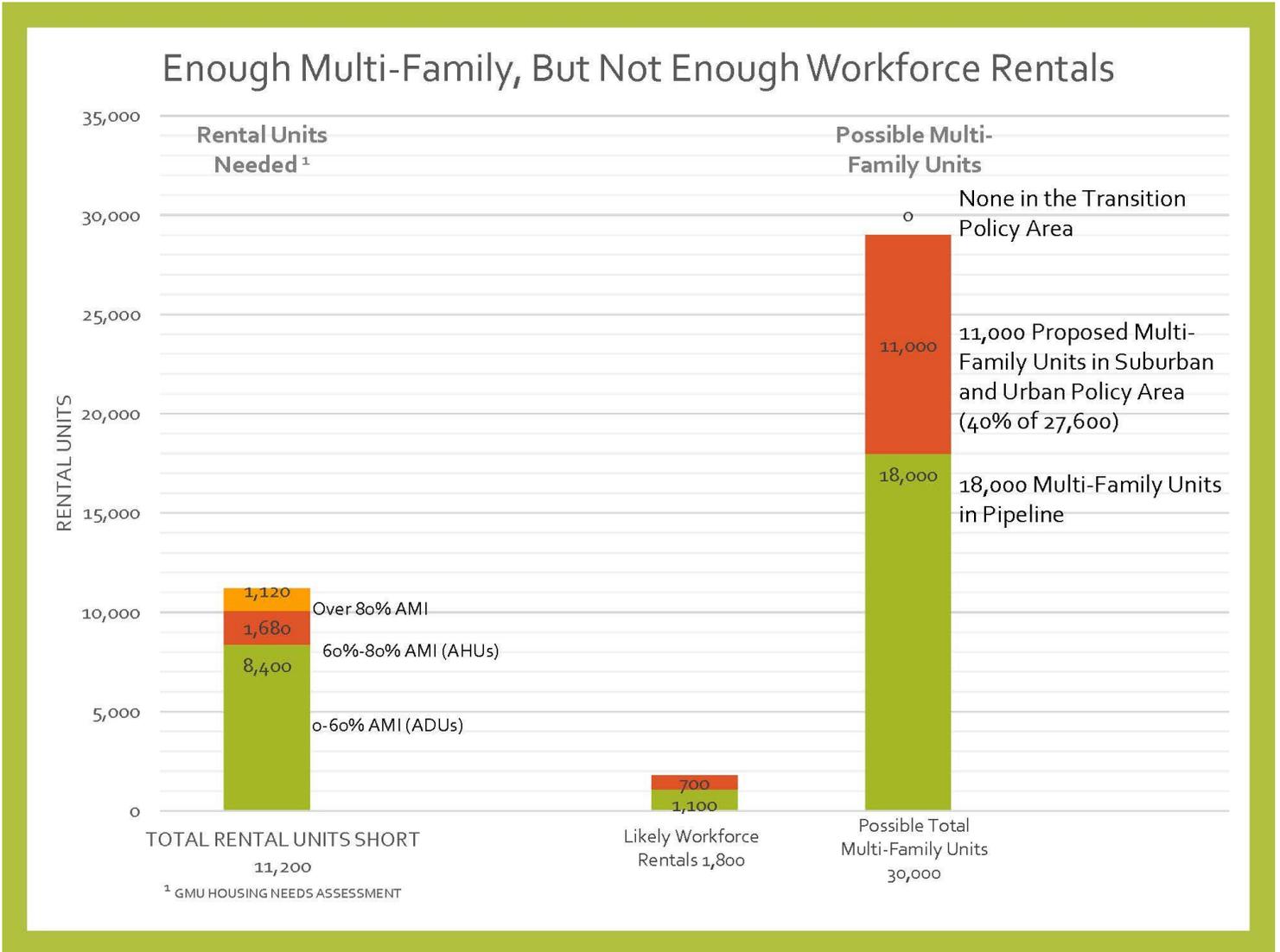
¹⁰ Residential Pipeline: Affordable Housing Units Remaining to be Built/Permitted by General Plan Policy Area as of June 30, 2020

SOURCE: Draft Unmet Housing Needs Strategic Plan pages 9-10

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Supporting Information: UHN Committee

“Enough Multi-Family, But Not Enough Affordable”



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4. After accounting for units in the pipeline, what is our annual new production goal for affordable units? What are the Action Steps needed to achieve this Goal? (Turner)

RESPONSE:

- ADUs currently in the pipeline would have been approved under the County’s current ADU Zoning Ordinance. So, rental ADUs would be 50% AMI or below and for-sale ADUs would be 70% AMI or below. So, all ADUs would be at or under 70% AMI.

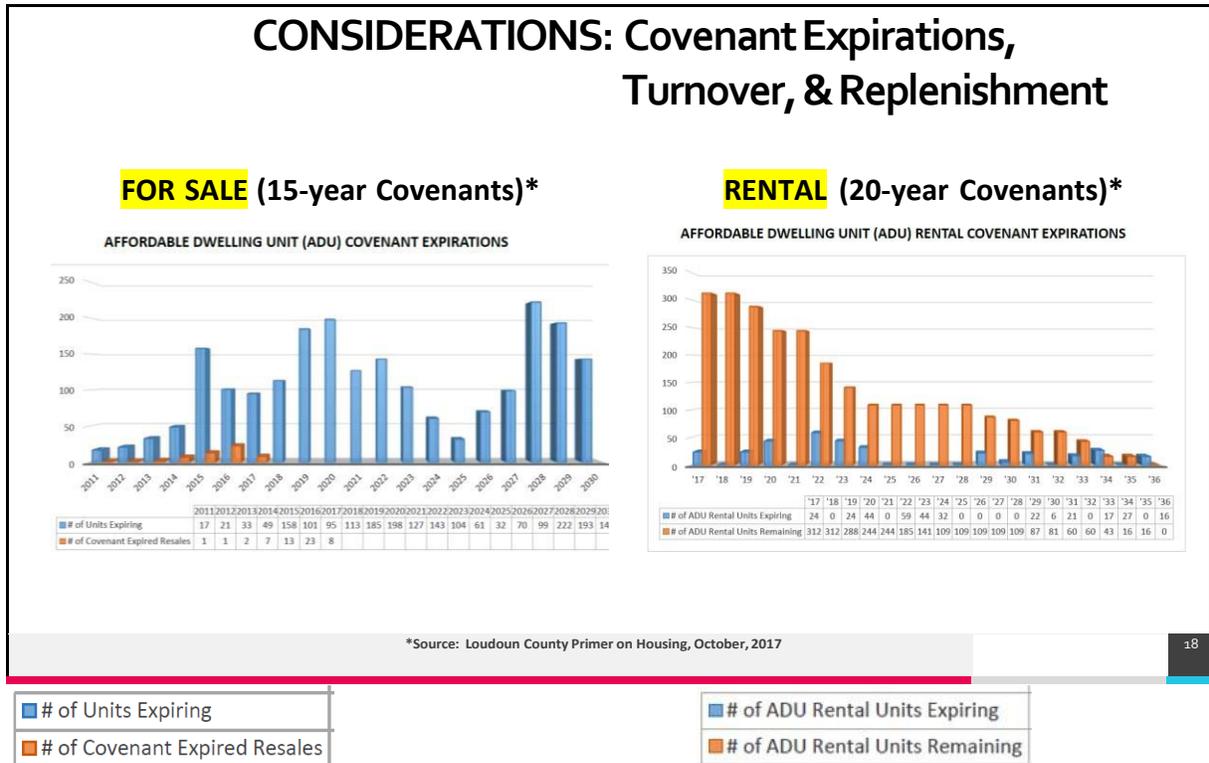
- Accounting for ADUs in the pipeline, resulting net new production needed is:

	<u>0-100% AMI</u>	<u>0-60% AMI</u>
Strategic Goal:	13,800 (690/year)	10,000 (500/year)
<u>In the Pipeline:</u>	<u>3,000 (100/year)</u>	<u>3,000 (100/year)</u>
Net Need:	10,800 (540/year)	7,000 (350/year)

- ***Preservation of existing ADUs is not new production.*** How should it be accounted for?
 - In the next 15-20 years roughly 1,200 ADUs will age out of the County’s ADU Program (970 for-sale and 244 rentals).
 - The number of Virginia Housing rentals aging out is much greater and needs to be quantified.
 - These losses likely exceed the number of ADUs currently in the pipeline.
 - For County for-sale ADUs, where the County receives half of the appreciated value at sale, it may be better to allow the sale and leverage the proceeds many times over by sending those proceeds through the Housing Trust Fund. (There is no leverage on County funds if Trust Fund money is used to re-purchase the for-sale unit directly.)
- ***If new production needs to be increased by 2,000-3,000 ADUs, to offset units lost to “aging out,” this would increase the 20-year new production goal roughly back to 10,000 units.***
- Needed action items are yet to come as part of future County implementation plans.

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Supporting Information: UHN Ad Hoc Committee



SOURCE: UHN Committee Briefing to BOS June/July 2020 page 18.

CONSIDERATIONS for BOTH the Purchase and Rental PROGRAMS:

- ADU inventory is not static.
- The charts from the October 2017 Loudoun County Primer on Housing demonstrate that in addition to 15 and 20 year covenant expirations, there is also turnover (property sales, rental move in/out).
- Therefore, there is an ongoing need for replenishment to provide sufficient affordable units throughout the County.

SOURCE: UHN Committee Briefing to BOS June/July 2020 page 18.

- # of County ADU For Sale Units expiring in years 2021 – 2030 = 970
- # of County Rental Units expiring in years 2021 – 2036 = 244

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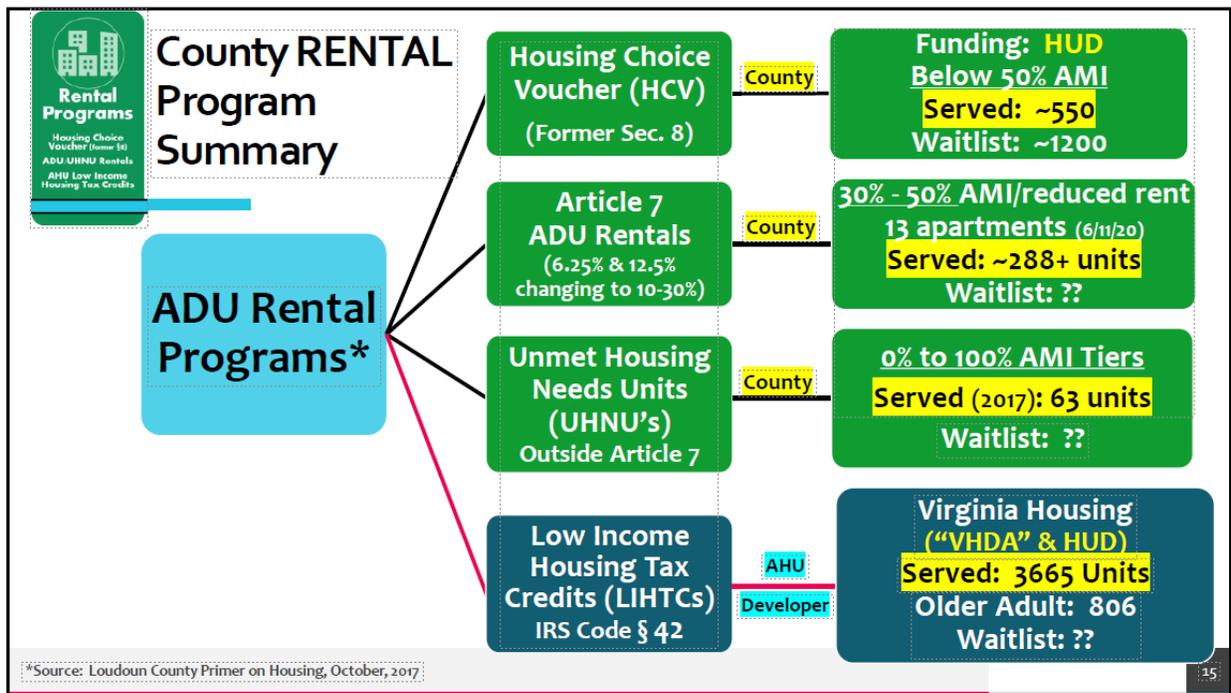
5. What are the metrics for deciding who should rent affordable units? How can we reduce eviction rates? (Briskman) How can we prevent higher-income renters from taking affordable units? (Randall)

RESPONSE:

- The best way to target Affordable Units to the residents desired, and to prevent high-income households from competing for and taking Affordable Units, is through placing household income restrictions on the unit.
- There are currently four programs in the County for implementing these income restrictions.
- The largest of these programs, the Virginia Housing Low-Income Housing Tax Credit Program has approximately 3,665 such units in Loudoun County.
- Eviction rates can be reduced by supporting more Resident Services at each property. Recently Loudoun County has been increasing the amount of loans from the Housing Trust Fund in order to support adding these services to affordable projects.

Supporting Information: UHN Committee

There are currently four rental programs in Loudoun County that set income limits on households that are eligible to rent Affordable Units:



SOURCE: UHN Committee Briefing to BOS June/July 2020 page 15.

Unmet Housing Needs Strategic Plan

Responses to Supervisor Questions from April 6, 2021

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The largest program in Loudoun County with restrictions on household income is the Virginia Housing Low-Income Housing Tax Credit Program (LIHTC).



Current Tax Credit Properties:

3665 UNITS, 5 Districts* (as of 2/13/2020)

Property Name	VHDA#	Street Address	City	Zip	Tax Credit Units	Total Units	Target Type	Cycle Name	Building Type	Has Rental Assistance?
Wingler House I	9050	20900 Runny Mead Terrace	Ashburn	20147	132	132	Elderly	1998 4% Tax Exempt	New Construction	False
Wingler House II	8800	20903 Runnymede Terrace	Ashburn	20147	132	132	Elderly	2002 4% Tax Exempt	New Construction	False
Ashburn Meadows I	5310	21030 Lowry Park Terrace	Ashburn	20147	176	176	General	1998 4% Tax Exempt	New Construction	False
Ashburn Meadows II	7046	21030 Lowry Park Terrace	Ashburn	20147 0000	160	160	General	2000 4% Tax Exempt	New Construction	False
Grove at Flynn's Crossing	5312	21892 Blossom Hill Terrace #101	Ashburn	20147	168	168	General	1998 4% Tax Exempt	New Construction	False
Shreveport Ridge	9540	42597 Prescott Green Square	Ashburn	20148	98	98	General	2012 9% Competitive	New Construction	True
Acclaim at Ashburn	5727	43848 Dodge Terrace	Ashburn	20147 0000	150	150	General	1997 9% Competitive	New Construction	False
Acclaim at Ashburn	5727	43848 Dodge Terrace	Ashburn	20147 0000	24	24	General	1998 9% Competitive	New Construction	False
Ashburn Chase II	9908	Ashburn Road	Ashburn	20147	48	48	General	2018 4% Tax Exempt	New Construction	False
Brambleton Town Center South	10026	Brambleton Town Center - NE corner of	Ashburn	20148	55	55	General	2019 4% Tax Exempt	New Construction	False
Birchwood at Brambleton II	9805	Cranford Drive at Strickland Drive	Ashburn	20148	27	27	Elderly	2016 4% Tax Exempt	New Construction	False
Birchwood at Brambleton I	9774	Cranford Drive at Strickland Drive	Ashburn	20148	56	56	Elderly	2016 9% Competitive	New Construction	True
Ashburn Chase I	9947	East of Clairborne Pkwy	Ashburn	20147	48	48	General	2018 9% Competitive	New Construction	True
Woods at Brambleton	9582	23601 Willshaw Square	Brambleton	20148	202	202	General	2013 4% Tax Exempt	New Construction	False
Stone Springs	9870	42225 Glasscock Field Drive	Dulles	20166	128	128	General	2017 4% Tax Exempt	New Construction	False
MADISON HOUSE	4086	25 Monroe Street, SE	Leesburg	20175	100	100	Elderly	2003 9% Competitive	Acquisition/Rehab	True
Evans Ridge	4519	428 Evans Ridge Terrace	Leesburg	20176	150	150	General	1994 9% Competitive	New Construction	False
Potomac Station	7661	652 Fort Evans Road	Leesburg	20176 0000	150	152	General	2000 4% Tax Exempt	New Construction	False
Fields of Leesburg I	4692	75 Plaza Street	Leesburg	20176 0000	156	156	General	1998 4% Tax Exempt	Acquisition/Rehab	True
Fields of Leesburg II	5203	75 Plaza Street	Leesburg	20175	248	248	General	1998 4% Tax Exempt	Acquisition/Rehab	True
Levis Hill House	9228	1000 West Washington Street	Middleburg	20117	20	20	Elderly	2007 9% Competitive	New Construction	False
Llewellyn Village	9381	300 Windy Hill Road	Middleburg	20117 2627	16	16	General	2009 9% Competitive	Acquisition/Rehab	True
Purcellville East	1088	110 North 16th Street	Purcellville	20132	46	46	General	1998 9% Competitive	Acquisition/Rehab	False
Main Street Commons	7607	119 North 16th Street	Purcellville	20132 6114	90	90	General	2001 4% Tax Exempt	New Construction	False
Maple Avenue	7760	650 Dominion Terrace	Purcellville	20132	60	60	General	2001 4% Tax Exempt	New Construction	True
Abbey at South Riding	4587	43001 Thoroughgood Drive	South Riding	20152	168	168	General	1997 4% Tax Exempt	New Construction	False
Fields at Cascades	4340	21260 Huntington Square	Sterling	20166 0166	320	320	General	1993 9% Competitive	New Construction	False
Heronview	9785	21391 Pacific Boulevard	Sterling	20166	96	96	General	2016 9% Competitive	New Construction	False
William Watters House	1238	22365 Enterprise Street	Sterling	20164	91	91	Elderly	2005 9% Competitive	Acquisition/Rehab	True
Cascades Village	7301	46565 Harry Byrd Highway	Sterling	20164 0000	150	150	Elderly	2001 9% Competitive	New Construction	False
Fields of Sterling	4895	46910 Shady Pointe Square	Sterling	20164 0000	102	102	General	1996 9% Competitive	New Construction	False
Mt. Sterling Senior 9% B	9982	Bartholomew Fair Drive (Between Price Cascades Plaza and Benedict Drive)	Sterling	20164	50	50	Elderly	2019 4% Tax Exempt	New Construction	False
Mt. Sterling Senior 9% B	9982	Bartholomew Fair Drive (Between Price Cascades Plaza and Benedict Drive)	Sterling	20164	48	48	Elderly	2019 9% Competitive	New Construction	True

3665

* Source: VHDA.com. **DISTRICTS:** Ashburn, Blue Ridge, Dulles, Leesburg, Sterling

SOURCE: UHN Committee Ad Hoc Briefing to BOS June/July 2020 page 17.

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6. Home ownership is important. (Glass and Randall) What is a good balance between for-sale and rental units in our production goals? We need strategies to support down payments and closing costs. (Randall)

RESPONSE:

- Detailed data analysis, by the Ad Hoc Committee, has illustrated the *great lack of for-sale Affordable Units (below \$350,000). This is often called the “Missing Middle.”*
- Unfortunately, so called “Market Rate Affordable” units (usually older and smaller for-sale units outside of any County, State, or Federal program) are snapped up by higher-income households – 48% in Loudoun County.
- Analysis by the Ad Hoc Committee has found that *Affordable Purchase Programs are best targeted at households in the 70-100% AMI income range.* These households can afford the purchase price and related costs, sometimes significant, of homeownership.
- How best to allocate scarce County funds between support of rental ADUs and for-sale ADUs is still a policy requiring significant debate. The Ad Hoc Committee found that *because of turnover rates, ADU rentals help far more households than for-sale programs.*
- Staff has provided an excellent summary of policy and program ideas to support home purchase programs.

Supporting Information: Draft UHN Strategic Plan

Access to Homeownership

VCHR conducted a study of property assessment and multiple listing service (MRIS) data to estimate the number of existing houses affordable to first-time homebuyers as well as to more established households (Appendix F). The purpose of the study was to determine the supply of ownership units for households with incomes up to 100% AMI, the geographic distribution of those units and their condition, to help identify what opportunities exist for moderate-income homebuyers. Based on 100% AMI income limits, VCHR estimates that approximately 16% (19,271) of existing units are affordable to small-family households (1.5 people) just entering the homeownership market. About 62% (76,159) of existing homeownership units are affordable to more established households with two or more earners and significant savings and equity.¹⁹ Although these units may be affordable for households with incomes up to 100% AMI, these units are not necessarily available to households in this income range; these units are not income-restricted and are not reserved for these incomes. Additionally, most are currently occupied and not for sale. Furthermore, these units are typically occupied by households with higher incomes.

Nearly 48% of owner-occupied homes that would be affordable to households with incomes along the housing continuum up to 100% AMI are occupied by higher-income households.

SOURCE: Draft Unmet Housing Needs Strategic Plan page 14

Unmet Housing Needs Strategic Plan

Responses to Supervisor Questions from April 6, 2021

Prepared by Unmet Housing Needs Committee

About 23% of home-owner housing units are affordable to households that earn up to 100% AMI. Although there may be some affordable units for households with incomes up to 100% AMI, they are typically occupied by households with higher incomes. Nearly 48% of owner-occupied homes that would be affordable to households with incomes along the housing continuum up to 100% AMI are occupied by higher income households. Homebuyers in lower income ranges experience intense competition with higher income households for affordable homes. Limited inventory also limits home ownership opportunities, keeping would be homeowners out of the market. To address these issues the County can assist homebuyers to better compete in the market and by adding to the supply.

Many households in Loudoun face housing instability due to high rents or pay a disproportionately high share of income in rent. Due to the extreme lack of housing affordable to them, these households rent higher priced units and become cost-burdened—82% of rental households with incomes up to 30% AMI and 83% of households with incomes up to 50% AMI are cost-burdened and compete for affordable rental units with higher earning households. Renters in these lower income ranges experience intense competition with higher income households for affordable homes. In addition to the production and acquisition/preservation of affordable rental units through the County's loan programs, the County can assist renters and improve housing stability by providing information, improving protections, adding to the supply, and expanding rental assistance programs.

Key Actions to Increase Access to Homeownership:

- A. Evaluate and develop recommendations for *new programs and services* that support homeownership.
- B. Establish a *shared equity program* through the CLT and/or the ADU program to purchase and preserve market affordable and new homeownership units.
- C. Develop a *housing acquisition program* to identify, acquire, income-restrict, and sell available homes that are affordable to households earning up to 100% AMI.
- D. Expand the *down payment programs* for households with incomes up to 100% AMI.
- E. Facilitate the use of federal and Virginia Housing *mortgage and other programs*.
- F. Partner with financial planning and credit counseling programs to offer programs to homeowners to *improve financial literacy*.
- G. Explore options for establishing public sector employee incentives in addition to the *Public Employee Grant program*.
- H. Assist interested businesses to create *employer assisted housing programs*.
- I. Create a *loan program* that supports the direct production of for-sale homes, like the Affordable Multi-family Housing Loan Program.
- J. Use federal CDBG and other funds for *down payments and provide bridge loans* for homeownership.

SOURCE: Draft Unmet Housing Needs Strategic Plan page 38

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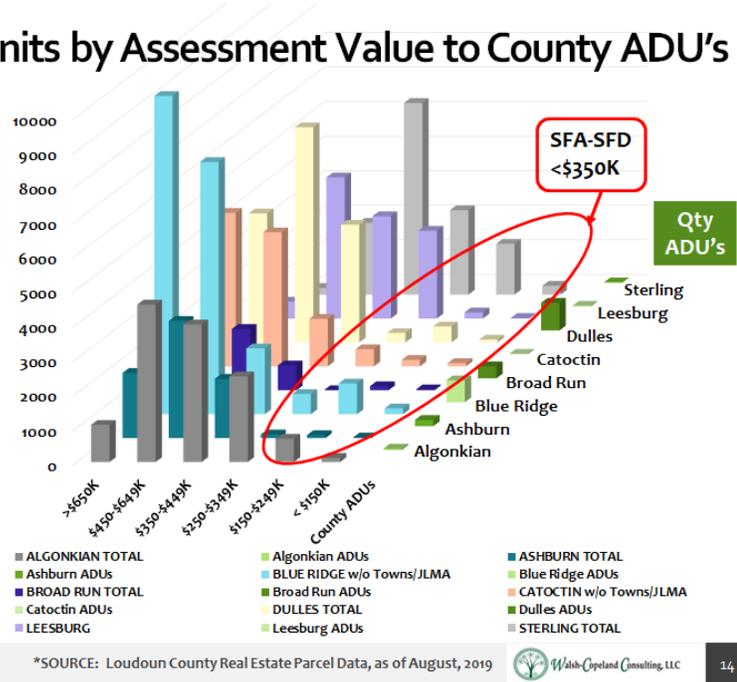
Supporting Information: UHN Committee



District SFA-SFD Units by Assessment Value to County ADU's

Total Quantity of Affordable SFA-SFD Houses in Loudoun County (<\$350K) = 15%

	> \$650K	\$450-\$649K	\$350-\$449K	\$250-\$349K	\$150-\$249K	<\$150K	County ADUs	Parcels
ALGONKIAN TOTAL	1075	4553	3979	2478	675	121	121	12881
Algonkian ADUs							40	
ASHBURN TOTAL	1887	3389	1715	106	87	17	17	7201
Ashburn ADUs							180	
BLUE RIDGE w/o Towns/JLMA	9204	7295	1905	585	888	169	169	20046
Blue Ridge ADUs							635	
BROAD RUN TOTAL	1473	1774	719	2	121	27	27	4116
Broad Run ADUs							349	
CATOCTIN w/o Towns/JLMA	4438	3877	1376	497	186	94	94	10468
Catoctin ADUs							20	
DULLES TOTAL	3732	6224	3405	274	461	84	84	14180
Dulles ADUs							801	
LEESBURG	490	4081	2960	2540	176	15	15	10262
Leesburg ADUs							24	
STERLING TOTAL	192	2075	5543	2442	1470	255	255	11977
Sterling ADUs							8	
	22491	33268	21602	8024	4064	782	2057	91131
	24.7%	36.5%	23.7%	9.8%	4.5%	0.9%		
				15.1%				



*SOURCE: Loudoun County Real Estate Parcel Data, as of August, 2019

This graph shows a unique view, using a concatenation of the County Commissioner of Revenue assessment and county parcel data.

- Analysis of the County housing units by assessment value shows the total quantity of units less than \$350K (the level considered to be “affordable” in Loudoun) = 15%. (Note: ADU’s are included in that amount.)
- The data indicate that the current approach used by the County for the Purchased ADU program has generally produced a low volume of “affordable” houses.
- Analysis supports an Unmet Housing Needs Strategic Plan review to modify and/or augment the current Purchase Program to provide more affordable and workforce housing.

SOURCE: UHN Committee Briefing to BOS June/July 2020 page 14.

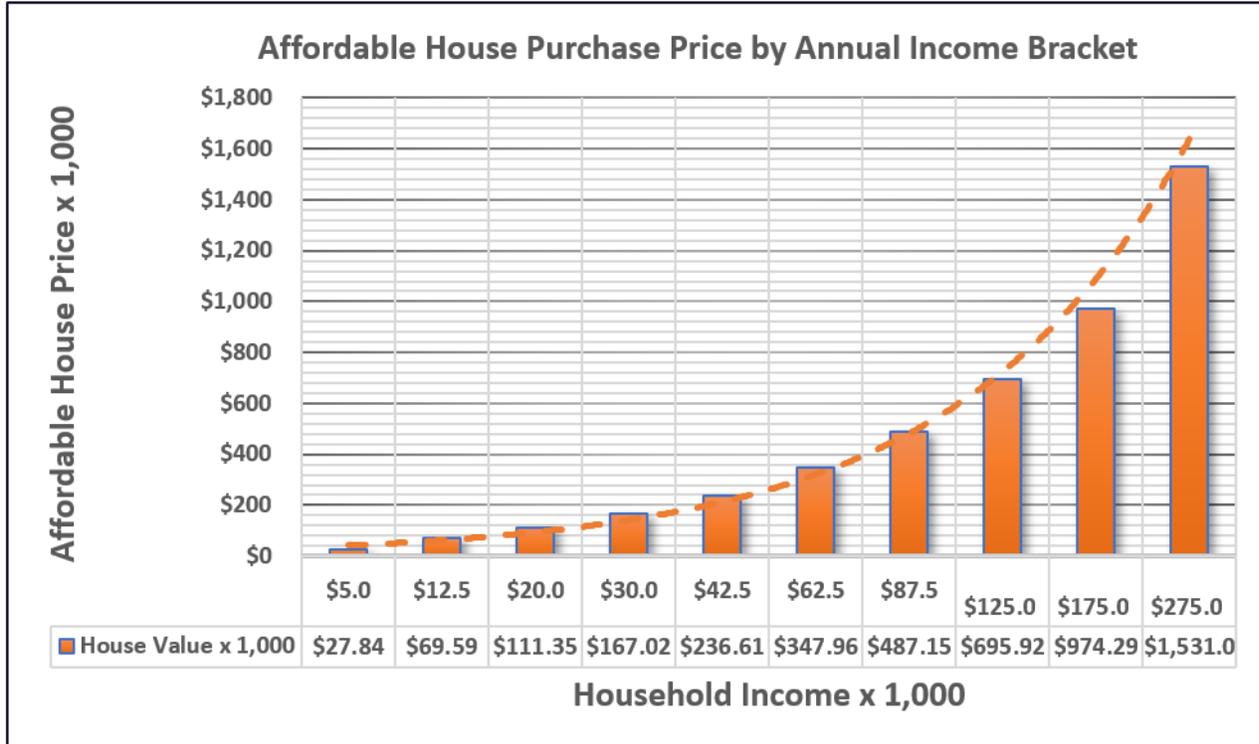
Affordability

A key question is how many units would be rented versus how many would be purchased under various methods of financing and at various levels of income. The following charts show what a household can pay for housing at each income range.

Chart B-1 illustrates increasing amounts of household income on the X axis and the amount that household can pay for a house on the Y axis. For example, looking all the way to the right, a household earning \$275,000 per year can afford a home priced at \$1.533 million.

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Chart B-1: Affordable House Purchase by Annual Income



Key Point:

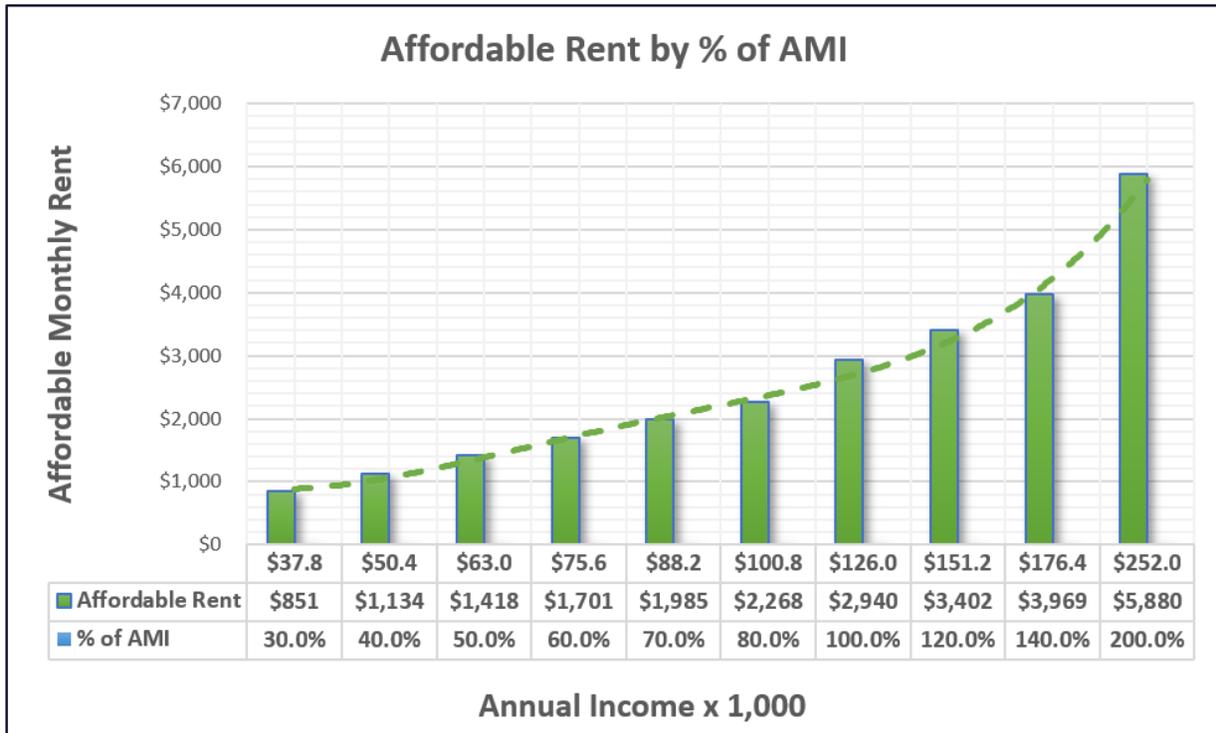
With opening market prices for homes in Loudoun County starting at approximately \$350,000, a household must be earning at least \$63,000 to qualify to purchase that home (based on current mortgage rates and 30% of income allocated to housing). At the Median Sale Price in Loudoun, as of February 2020, of \$493,750, the household income would have to be in excess of \$87,500 per year or over 70% of the Area Median Income (approximately \$130,000 for a family of four). Considering other factors, such as credit ratings, other debt obligations, job security, and history of earnings, even purchasing a home in the \$350,000 range is a considerable challenge.

In short, Chart B-1 illustrates that households earning less than \$85,000 per year, or 70% of AMI, are increasingly likely to be renters not home buyers.

Chart B-2 is built like the previous chart, but here it is to illustrate what monthly rent can be afforded based on a household's income. As before, Annual income is shown increasing on the X axis. The rent affordable at that income is shown on the Y axis.

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Chart B-2: Affordable Rent by Percent of AMI



Key Point:

With the HUD Fair Market Rent (often considered the average rent) for a 2-Bedroom apartment in Loudoun County at \$2,184 per month (in 2019), a family of four would have to be earning close to \$100,000 per year (80% of AMI) to afford that rent (based on 27% of income for housing expense). There are, of course, older apartment units and smaller apartments that rent well below this figure. ***Still, it is virtually impossible to find a non-subsidized apartment in Loudoun County for under \$1500 per month.*** According to the chart, that rent would take a household income of over \$63,000 per year (50% AMI). ***Households below 30% of AMI simply cannot afford to live in Loudoun at all.***

SOURCE: UHN Committee Report to BOS 4/24/2020 page 17-18

ADU Turnover

After reviewing the programs, locations, and capacities, is a discussion about how many families can be helped for each dollar of public spending spent.

The table has a column for each housing program:

- 1st column for **For-Sale (Purchase) ADUs** in the County Program
- 2nd column for **County ADU Rental Program units** and
- 3rd column for **VHDA Low-Income Housing Tax Credits LIHTC Affordable Units.**

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TURNOVER in Loudoun
ADU / AHU Housing Stock*
 (as of Dec. 2019)

	FOR SALE	FOR RENT	
	Loudoun ADU	Loudoun ADU	VHDA LIHTC
Approximate Total (to date)	2,728 <small>1995 to 12/2019</small>	329 <small>As of 01/2019</small>	3,397 <small>Occupied</small>
Adjustments			
Sold @ Mkt Rate <small>(exp. of 90-day purchase option) &/or Foreclosure</small>	-346 <small>(12.7%) 1995 to 12/2019</small>		
Expiration - 20yr Covenant		-41	
Recent Additions			+321
Approximate 2019 Total	2,382	288 <small>(12/2019)</small>	3,718
TOTAL		4,006	
Older Adult		681	
Family			3,325
Turnover %	1%/yr.	10%/yr.	30%/yr.
Turnover Adjustment	+ 480	2040	29,940
Total Families Helped	2,862	2,721	33,265
		38,848	

TAKE AWAYS:

1. Low Turnover in For-Sale ADUs;
2. Rentals serve significantly more citizens over life of ADU / AHU unit;
3. Ongoing need to replenish.

	TURNOVER	
	Rentals: Older Adult	Rentals: Family
15% over 15 yrs	10%/year	30%/year
x 681	x 681	x 3325
24 units/yr resold x 20 yrs =	= 68/year x 30 yrs =	= 988/year x 30 yrs =
+480+2382 = 2862	+2040+681 = 2721	+29,940+3325 = 33,265

*Source: Loudoun County Housing & Community Development Staff

SOURCE: UHN Committee Briefing to BOS June/July 2020 page 19.

The number of families helped increases as a unit “turns over.”

- In the case of **For-Sale (Purchase) units**, the turnover rate is very low = about 1% per year.
 - Owners selected for a For Sale ADU are very lucky; they are scarce and often allocated by lottery. Once owned, the owner has strong incentives to hold onto the unit (due to reduced annual real estate taxes, and more equity the longer the unit is held).
- Records show **County ADU Rental Units** turnover about 10% per year.
- By contrast, **LIHTC Rental Units** turn over much more frequently, approximately 30% per year.
 - Jobs change and people move; Families are formed or break apart;
 - Incomes can increase and families move up the housing ladder.
 - Turnover of ~30% per year in LIHTC rental units, based analysis of over 12,000 units, is consistent with market rate rentals. (According to one major Loudoun landlord, turn over at about 35% per year.)

KEY TAKEAWAYS:

- Applying turnover rates to For-Sale (Purchase) units -- an estimated 2862 families are helped.
- Applying turnover rates to Rental units -- an estimated 35,986 families are helped.
- There are valid public policy reasons to support home ownership. To serve more families requires augmentation in the current Loudoun County ADU Purchase Program.
- When considering scarce public dollars, subsidies for rental units serve more families by delivering significantly more “bang for the buck.”

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- 7. Where can we build this affordable housing? (Letourneau, Randall) Where are the right places? (Randall) How about revitalized shopping centers? (Letourneau) Can we co-locate with County facilities, like fire stations? (Randall) Are there opportunities if we revise the 60 LDN airport noise contours? (Randall) We are not in favor of using reserved park land. (Umstattd, Letourneau)**

RESPONSE:

- How much land is needed for ADUs?
 - *Even at 20% ADUs per project, there is no way Supervisors will approve 50,000 more residential units to get 10,000 ADUs.*
 - The Ad Hoc Committee proposes that the majority of the needed 10,000 ADUs will need to come as “pure” ADU projects and not as part of future, major rezonings.
 - This will still take a lot of land:
 - Over 900 acres at traditional density levels;
 - Nearly 500 acres at urban density levels.
- The UHN Strategic Plan correctly references the 2019 Comprehensive Plan, which anticipates the majority of Loudoun’s residential growth to occur in the Urban Policy Area (UPA).
 - *Staff identifies 343 vacant developable acres in the UPA;* and
 - Concludes this can be a likely area to accommodate thousands of needed ADUs.
- Unfortunately, the vast majority of the UPA is already subject to proffered rezoning:
 - According to industry experts and landowners, virtually the entire UPA is subject to existing proffered rezonings with only a small handful of lots suitable for revitalization through rezoning.
 - Given the extremely high cost to apply and process a rezoning, as well as the high risk of being exposed to an increase in proffered monetary contributions (or construction of improvements and/or facilities in lieu thereof), there is very little chance that any of these existing proffered rezonings would be reopened for the sake of increasing affordable housing.
 - *In short, the UPA is unlikely to accommodate significantly more ADUs than are already in the pipeline.*
- Given limitations on the UPA, a significant portion of the 10,000 ADUs will have to be allocated to the Suburban Policy Area and, potentially, to the Transitional Policy Area.
 - The “Suburban Compact Neighborhood” is a good concept to be studied and developed so as to meet this need.
 - However, requiring compliance to all seven of the current criteria will be far too restrictive to ever achieve the number of affordable units needed.
 - For example, applying Strategy 5.2iii (limiting projects to within ¼ of transit) will reduce available land in the SPA from 48,593 acres to 9913 acres (a reduction of 80%). Proximity to transit is highly desirable and to be encouraged. But it cannot be so restrictive as to make the delivery of essential affordable housing virtually impossible.

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Supporting Information: Draft UHN Strategic Plan

The 2019 GP lays out a vision for future location efficient development that supports new housing being location efficient. The 2019 GP “anticipates the majority of residential growth to occur in the Urban Policy Areas (UPAs), with limited higher density growth in the limited greenfield and redevelopment areas of the Suburban Policy Area (SPA) and targeted areas of the Transition Policy Area (TPA).”⁶ The 2019 GP states “the vast majority of the land planned for residential uses in the SPA is either developed or approved for development.”⁷ The UPA is the designated area for most of Loudoun’s future growth, which is expected to be between 40,000 and 50,000 housing units by 2040. The UPAs encompass approximately 2,600 acres in areas around the Silver Line Metrorail Stations. The 2019 GP “calls for complete urban communities that accommodate housing, employment, retail, education, and entertainment in close proximity to Metrorail.”⁸ By comparison, the SPA has 48,000 acres and the TPA has 24,000 acres.

... Based on a review of vacant and land use parcel data, 865 acres within the UPA are developable with 522 of those acres in approved projects (AppendixE). This leaves 343 vacant developable acres that are potentially unencumbered and may be available for new mixed-use and residential development...

⁶ 2019 General Plan, Chapter 4

⁷ 2019 General Plan, Chapter 1

⁸ 2019 General Plan, Chapter 1

SOURCE: Draft Unmet Housing Needs Strategic Plan page 9

The Board could adopt the following policy interpretation of SPA Action 2.1.I: “*Consider allowing limited areas otherwise designated as the Suburban Neighborhood or Suburban Mixed Use place type to develop according to the Suburban Compact Neighborhood place type if all of the following criteria are satisfied* (revised text is underlined):

- iii. Transit options are available within the direct vicinity; direct vicinity is defined as 0.25 miles. Transit options are metro or bus lines.*

SOURCE: Draft Unmet Housing Needs Strategic Plan page 41

Supporting Information: UHN Committee

For the purpose of building the next two charts, assume that Loudoun County is willing to commit to construction of 10,000 Unmet Housing Need Units over the next 20 years. A first question is, how much land is required? ***The following two charts show the land area, in acres per year, that would be required under two scenarios: 1) using a “traditional” mix of housing densities and 2) using an “urban” density mix.*** The number of units per year is phased in based on population growth, from Chart A-1, and providing time for long term goals to be developed and implemented.

Unmet Housing Needs Strategic Plan
Responses to Supervisor Questions from April 6, 2021
 Prepared by Unmet Housing Needs Committee

Chart C-1: Land Required in Acres by Year – Traditional Density

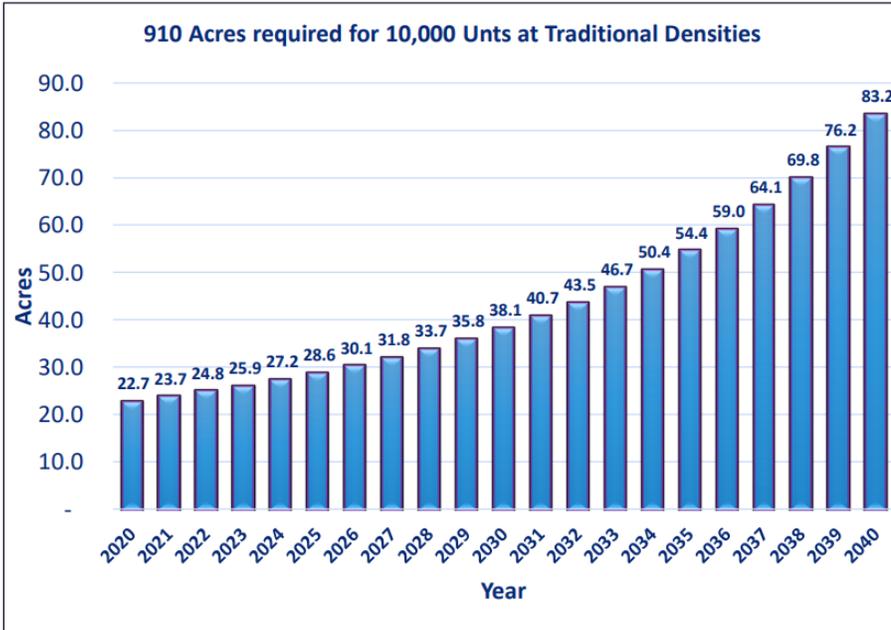


Chart C-1 is based on more typical Loudoun County densities with a mix of:
 10% single family detached (4 DU/Acre);
 40% townhouses (8 DU/Acre); and
 50% garden style apartments (24 DU/Acre).

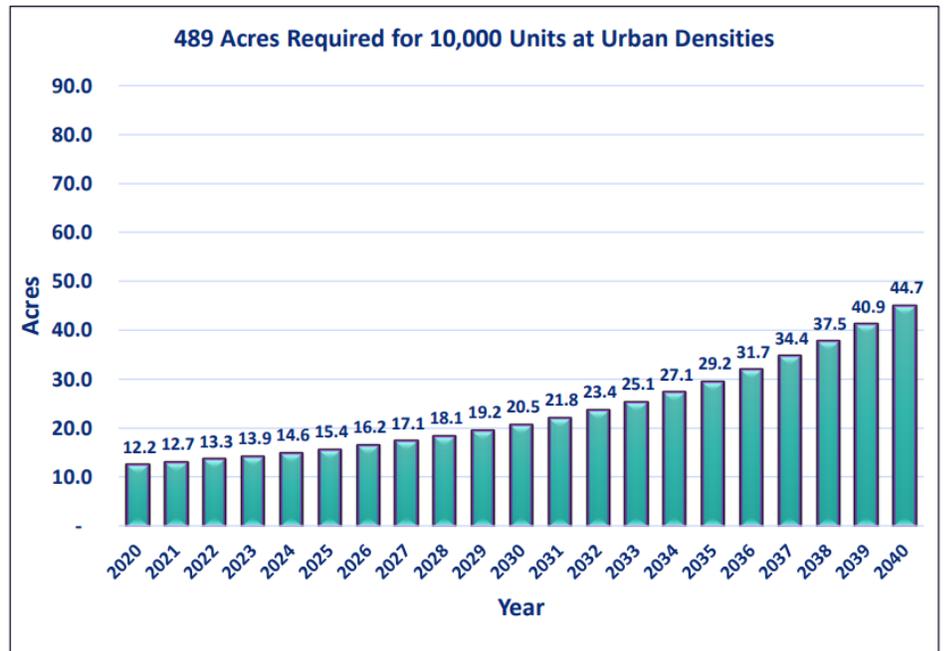
KEY POINT:
 The total area required for 10,000 dwelling units is 910 acres.

Chart C-2: Land Required in Acres by Year – Urban Density

Chart C-2 is constructed using a more urban density mix of:

- 30% townhouses (8 DU/Acre) and
- 70% apartments (50 DU/Acre).

KEY POINT:
 The total area required for 10,000 dwelling units is 489 acres, which is roughly half of the acreage needed in the scenario above. If Loudoun County is going to pursue this more urban approach to density, in order to reduce the amount of land needed for UHNUs, it will be necessary to revisit the current policy of not having UHNUs near Metro.



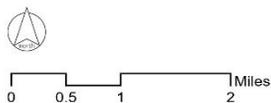
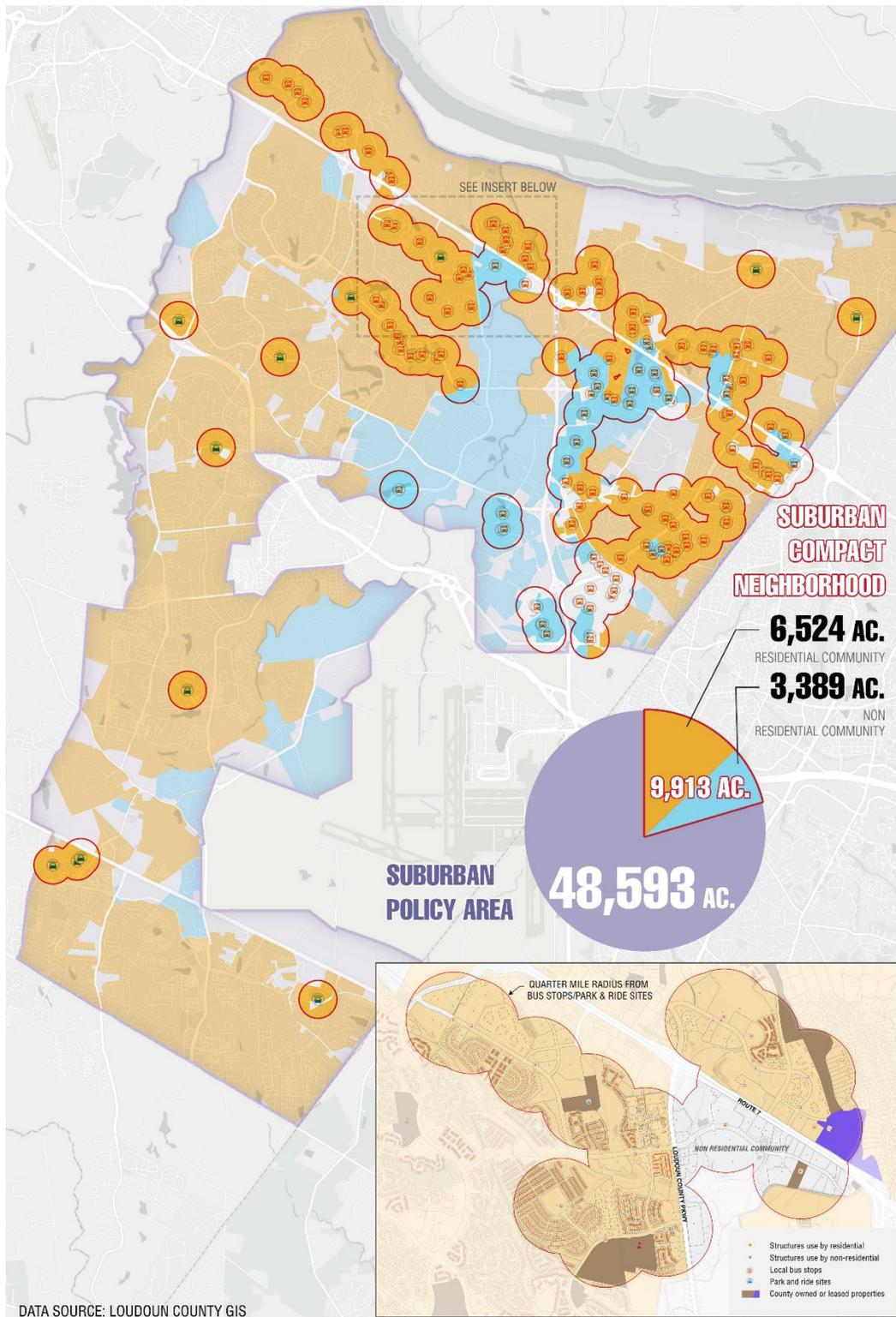
SOURCE: UHN Committee Report to BOS 4/24/2020 page 19 – 20.

Unmet Housing Needs Strategic Plan

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The graphic below illustrates the impact of applying Strategy 5.2iii (Transit within ¼ mile) to the Suburban Policy Area (SPA).



5-10-2021

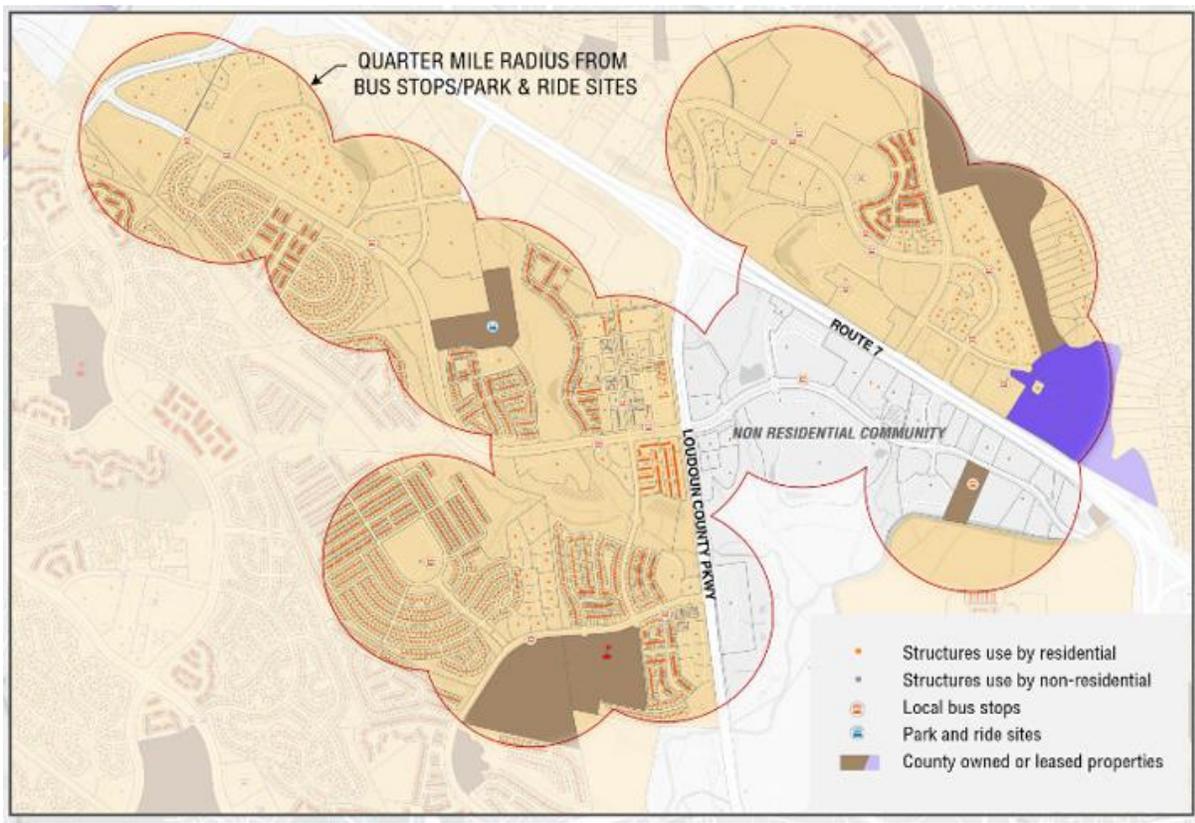
Bowman

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Prepared by Unmet Housing Needs Committee

As shown, the SPA covers 48,593 acres. However, only 9,913 acres, of that, falls within ¼ mile of a County approved local bus or Park and Ride stop. **In short, applying Strategy 5.2iii would eliminate roughly 80% of the SPA as an area suitable for future ADUs.**

During 2019 Comprehensive Plan discussions, Staff reported that the SPA had approximately 1200 acres of land still available for development. Twenty percent (20%) of that (within ¼ mile of a bus stop) is about 240 acres. A reduction of this magnitude, in available developable land, will make it impossible ever to reach the currently stated goal for new production of affordable housing stated in the UHN Strategic Plan.



5-7-2021

Bowman

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8. How can we better manage community opposition? (Randall)

RESPONSE:

Supporting Information: Draft UHN Strategic Plan

This issue was not addressed in the Draft Strategic Plan

Supporting Information: UHN Committee

With thanks to Virginia Realtors, the following links provide two great references on how to better “message affordable housing:”

<https://housingforwardva.org/toolkits/messaging-toolkit/>

https://housingforwardva.org/wp-content/uploads/2018/10/HV_OvercomingNIMBY_TrainingSlides_2018.pdf

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9. How much is this going to cost? (The big question nobody asked.)

RESPONSE:

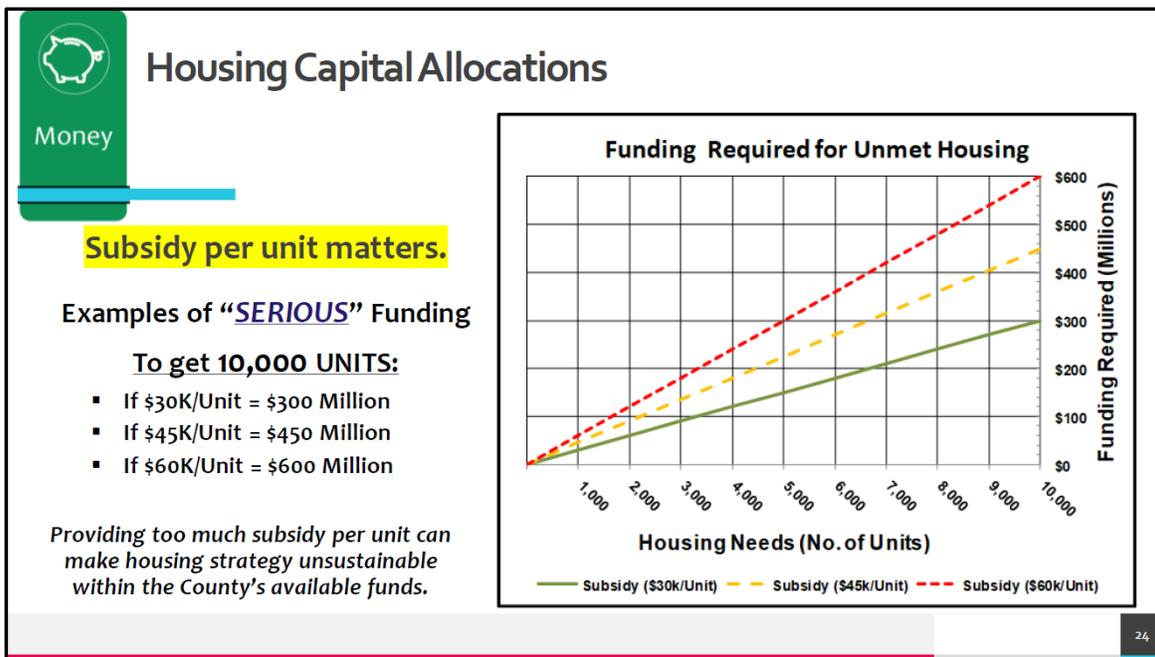
- Cost depends on County subsidy (loan) per unit.
- Ad Hoc Committee tested sensitivity of variables.
- At \$30,000/unit, 10,000 units will require \$300,000,000 over the next 20 years.

Supporting Information: Draft UHN Strategic Plan

Additionally, the County’s per unit loan amounts for recent developments range from \$60,000 to \$65,000 per unit, and this amount is anticipated to increase in the future.

SOURCE: Draft Unmet Housing Needs Strategic Plan page 30

Supporting Information: UHN Committee

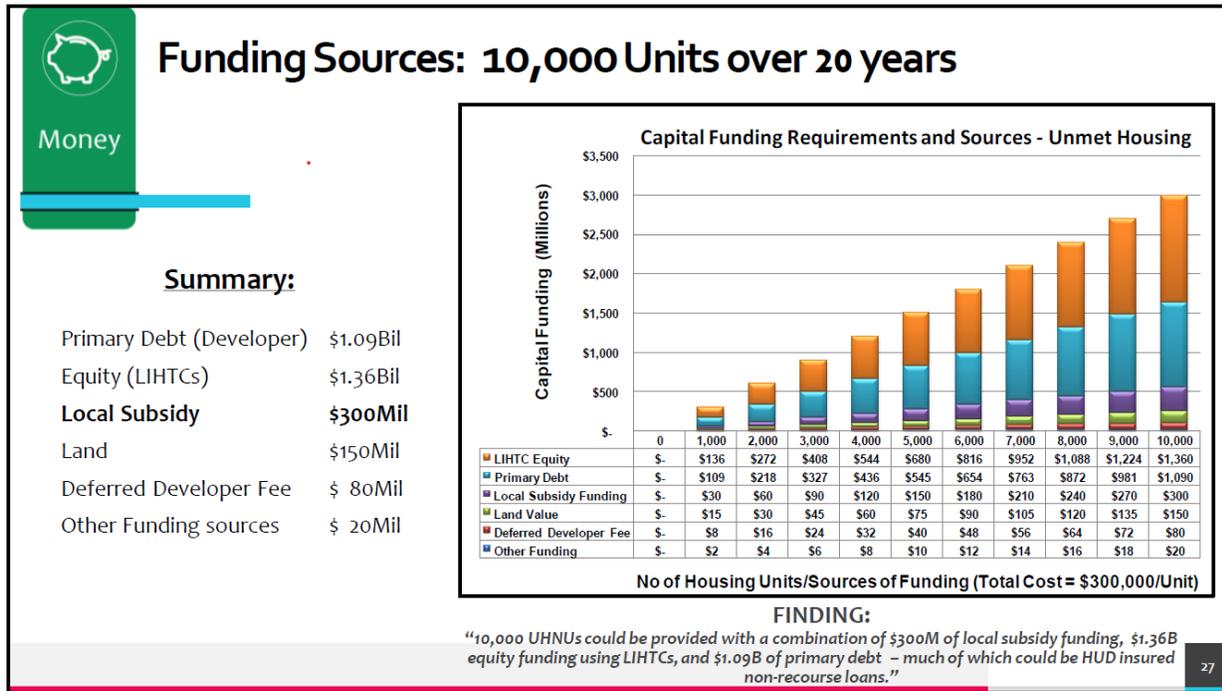


Housing Capital Allocations using local subsidies can be used to leverage other funding programs and fill capital gaps.

- Scaling efforts to achieve 10,000 units over 20 years requires getting the “most return for dollars funded.”
- The County has seen requests in development applications for various dollar amounts per units. The chart shows the impacts of such requests on overall funding requirements.

SOURCE: UHN Committee Briefing to BOS June/July 2020 page 24.

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FUNDING EXAMPLE

Using the numbers just reviewed for the various LIHTC programs, preliminary financial analysis shows how a \$300M of local subsidy and a certain amount of land contributed under a ground lease could potentially be leveraged to yield 10,000 units of housing over 20 years.

- The \$300M is not a Year 1 need – but funding over the 20-year period with an average of \$15M per year.
- In addition, current policy is that this funding is loan based – not grants – therefore the repayments allow for reuse of funds on an ongoing basis. Thus the actual amount of set aside dollars will be less than the \$15M per year.
- In addition, a portion of this annual amount could continue to come from ADU sales (via the Housing Trust Fund).
 - o The County’s share of proceeds from the sale of ADUs after expiration of the 15-year Covenant, one-half of the gain between original cost of ADU plus any improvements and the sale price of each unit.
- Sales over the past year have been generating \$85k-90k per unit with an average of 2 sales per month (= approx. \$2M per year).

The positive outcome from sales of older ADUs is that the County is “Not Losing A Units, BUT Gaining 3 Units for every unit expiring” at the \$30K/unit subsidy level.

SOURCE: UHN Committee Briefing to BOS June/July 2020 page 27.

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10. Where will the money come from? (The other big question not asked.)

RESPONSE:

- Section 3 of the Strategic Plan reviews several sources of funding.
- Other than the General Fund, only housing cash proffers (Section 3.2) represents a potentially significant source of funds for Housing.
 - But this only further adds to the cost of market rate housing overall.
- An annual funding target of approximately \$15 million matches the target recommended by the Ad Hoc Committee.
- The only reliable and sustainable source of funds for Affordable Housing will come through a County budget line item, as is the case in all other jurisdictions in Northern Virginia.

Supporting Information: Draft UHN Strategic Plan
 (Math by UHN Committee)

<u>Section</u>	<u>Per Year</u>
3.1 Belmont Ridge Housing Trust	\$750,000 / 20 years
3.2 Housing Cash Proffers	
Units per year = 3,450	
<u>Less 20% ADUs = 690</u>	
Market Rate = 2,760 X \$1,800/unit	\$4,968,000
3.3 Cash Instead of Unit	- 0 -
Discourage buy-outs	
3.4 CDBG \$1.4 million/year X 25% =	\$360,000
3.5 CDBG Revolving Loan Fund	TBD
3.6 Federal Section 108	TBD
3.7 Rental Rehab Funds – use as proposed	- 0 -
3.8 Home Funding	<u>\$420,000</u>
SUB-TOTAL:	\$5,785,500
3.9 Required from Loudoun County General Fund:	<u>\$9,000,000</u>
TOTAL:	\$14,785,000

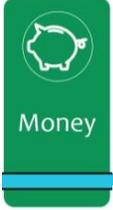
SOURCE: Draft Unmet Housing Needs Strategic Plan pages 29-35

...As directed by the Board at the March 24, 2021 Budget Work Session, staff will bring consideration of \$5 million in funding for the purposes of affordable housing to the FY 2021 Fund Balance discussion in December 2021. Subsequent year implementation plans are anticipated to be incorporated into the annual budget process beginning in the FY 2023 following Board adoption of the UHNSP.

SOURCE: Item I-2 Presentation of the Draft Unmet Housing Needs Strategic Plan, Board of Supervisors Business Meeting, April 6, 2021, Page 29

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Supporting Information: UHN Committee



What NOVA Jurisdictions Budget for Attainable Workforce Housing

Jurisdiction	Total Jurisdiction Budget	Current Annual Attainable Housing Budget	Percent of Annual Budget (%)
Fairfax County 2020	\$4.28 Billion	\$8 - \$10 Million	0.4%
Fairfax County 2021	> \$4.28 Billion	\$40 Million <small>(Proposed 1 ½ cents)</small>	0.9%
Arlington County	\$1.276 Billion	\$23.5 Million	1.84%
City of Alexandria	\$0.748 Billion	\$8 Million	1.0%
Loudoun County	\$2.6 Billion	-\$0-	0%

FINDING

Jurisdictions across Northern Virginia are each budgeting between \$8 million and \$40 million annually for Attainable Housing.

Loudoun County has yet to dedicate a budget line item for Attainable Housing.

26

LOUDOUN’S BUDGET CONTRIBUTION

A comparison of local budgets for affordable housing between Loudoun and other Northern Virginia jurisdictions shows disparity in funding levels.

- The major jurisdictions in Northern Virginia budget between \$8 million and \$40 million per year to support construction of affordable housing units.
- Loudoun budgets ZERO as a separate fiscal year line item.

NOTE:

As indicated earlier, the Housing Trust Fund receives approximately \$2 million per year. This is sourced by the sale of purchase ADUs (50% of net gain), and rezoning proffer payments in lieu of ADUs, not an annual budget line item.

SOURCE: UHN Committee Briefing to BOS June/July 2020 page 26.