



Annual Housing Report 2007

**Albemarle County Housing Committee
and
Office of Housing**

June 2008

On behalf of the Albemarle County Housing Committee as well as the County's community partners providing affordable housing options to the citizens of Albemarle County, the Office of Housing is pleased to present its Annual Housing Report for 2007. Recognizing the significant interest in housing issues in our County, this report offers a comprehensive review of activity during 2007 and includes information on production in the County's myriad of housing programs, an analysis of outside capital leveraged by our housing funds, and recommendations/next steps for further implementation of the County's Affordable Housing Policy.

This report provides specific data and information related to addressing housing issues in the county during the past year, including increasing affordable housing opportunities as directed by our Strategic Plan, preserving the existing stock of affordable units, providing resources to make emergency repairs at homes throughout the County and educating potential homebuyers in the process of securing financing for home ownership. While there is much progress that needs to be made in addressing housing needs in our community, efforts over the past year have resulted in significant advances in proffered affordable housing units on the market, availability of down payment assistance, and construction of affordable rental units, among other successes.

In introducing this report, it is important to take an environmental scan of what is currently occurring in the real estate market, particularly as it relates to affordable housing. On the positive side, an analysis of MLS data for property sales indicates a significant number of housing units on the market priced at or below \$200,000. A recent review of multifamily rental properties also indicates a healthy inventory of units (over 2000) which are deemed affordable to households with incomes at or above fifty percent (50%) of the area median income (AMI) which equates to households earning approximately \$30,000 per year. There are, however, opposing forces that temper the positive news. For those purchasing homes, obtaining a mortgage is becoming increasingly more difficult. The recent credit problems plaguing the housing industry have resulted in almost daily changes in the mortgage market. Mortgage lenders are becoming more diligent in their underwriting often seeking higher credit scores and increased equity through higher down payment requirements. Unfortunately, this often does not represent the typical client seeking affordable housing. While the unit inventory may have improved, there are fewer options for affordable mortgages.

With regard to rental units, there is currently little vacancy in those deemed as affordable. One recent market study completed for a proposed development indicated that the occupancy rate on affordable units was approximately 98%. The limited supply of affordable rental housing can result in competition for available units between lower-income households and those who could afford more. In addition, according to *The State of Housing Report* commissioned by the Thomas Jefferson HOME Consortium and conducted by the Center for Housing Research at Virginia Tech, "*college students help drive up rents in the area*" by combining financial resources of their parents who are willing to pay a high rent per bedroom. The report estimates that 53% of the rental stock in Charlottesville and Albemarle County is occupied by students leaving approximately 5,300 units for full-time permanent residents of the region. Few, if any of these remaining units are affordable to households with incomes below 30% AMI or approximately \$20,000 often putting such households in a position of paying a higher percentage of their income for rent. As noted in *The State of Housing Report*, "*renting is not a more affordable alternative to ownership*" based on the median gross rent which was \$814 in 2005. Although rents have not significantly increased since 2005, neither have incomes. The full report can be accessed at www.tjpc.org.

Given the opportunities as well as the challenges of our current environment, it is important to assess our progress in 2007 and to note areas of accomplishment as well as places where

additional investment of resources, energy and attention are warranted. The following report summarizes our status at this point in time, serves as a springboard for evaluating potential future directions, and is divided into the following three sections:

- A review of production in housing programs including
 - Housing Rehabilitation
 - Down Payment Assistance to Homebuyers
 - Homebuyer Counseling
 - Housing Choice Vouchers
- An analysis of outside capital leveraged as a percentage of total funding for housing programs; and
- Recommendations/next steps to consider in further developing and implementing the County's Affordable Housing Policy.

HOUSING PROGRAMS PERFORMANCE REPORTS

Albemarle County partners with private sector housing providers as a means to implement its affordable housing programs and initiatives. Two nonprofit providers, funded by the County, administer programs that benefit the County's lower-income residents. The Albemarle Housing Improvement Program (AHIP) works primarily with existing homeowners providing housing rehabilitation and emergency repairs. The Piedmont Housing Alliance (PHA) provides counseling and financial assistance to first-time homebuyers in part with the Albemarle County Homebuyer Assistance Program, which provides down payment assistance to eligible homebuyers.

The Albemarle County Office of Housing directly administers the U.S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher Program providing rental assistance to very-low income households. The Office also offers homebuyer education through its Homebuyer Clubs and implements the County's Affordable Housing Policy.

The following tables show production activities for each respective housing program or initiative. All activities reflect calendar year 2007 with the exception of programs administered by AHIP which reflect the fiscal year ending June 30, 2007.

Housing Rehabilitation & Emergency Home Repair

	Housing Rehab	Emergency Repair
Completed Jobs	31	49
# Persons Assisted	69	54
Income Range	\$7,476 - \$53,370	\$0 - \$39,780
Average Income	\$23,095	\$17,309
Average % Area Median	35%	26%
Range of Project Costs	\$3,350 - \$102,148 (1)	\$8 - \$4,445
Average Project Cost	\$18,314	\$744
Total Project Costs	\$567,743	\$40,932

(1) Rehab also includes replacement housing when repair is not feasible.

AHIP has generally completed twenty-five to thirty-five rehabilitation projects a year primarily depending on the amount and source of funding. Their goal for FY2007 was twenty-five. In fiscal year 2007, AHIP used at least nine different funding sources to complete 31 projects. These sources included local, state, federal and private funding. Approximately nine percent of the funding was from family contributions.

AHIP projected 35 emergency repair projects in FY2007 but were able to complete 49 with successful fundraising activities with individuals and foundations. Local, state, and private funds accounted for the total resources with approximately twenty-six percent of the costs covered by family contributions.

In FY 2006, AHIP completed 25 rehab projects and 35 emergency repairs combined for a total of \$527,865. The average income of households receiving assistance was \$27,600 and \$17,300 respectively. FY2007 resources and project costs represent a fifteen percent increase over FY2006.

Homebuyer Assistance Program

A key component to prepare families for homeownership is homebuyer education and counseling. The Piedmont Housing Alliance (PHA) and the County's Office of Housing both provide various forms of education and counseling. The County's Homebuyer Clubs will be discussed later in this report. On average, PHA provides counseling to eighteen to twenty new clients quarterly and maintains a caseload of over 500 active clients who are primarily residents of the City of Charlottesville and Albemarle County.

PHA also administers the Albemarle County Homebuyer Assistance Program and has been successful in leveraging other down payment assistance dollars and below-market-rate mortgage financing from the Virginia Housing Development Authority. The following table shows activity for the program for calendar year 2007 in comparison to 2006.

	2006	2007
# of Loans	29	38
# of persons	84	94
Income Range	\$18,593 - \$57,767	\$23,558 - \$55,684
Average Income	\$30,806	\$40,547
Average % of Median	46%	60%
County Down Payment \$	\$446,037	\$448,861
Other Assistance	\$424,100	\$574,285 (1)
Average Assistance	\$30,005	\$26,925
Mortgage \$	\$4,256,679	\$6,220,093 (2)

(1) Approximately 85% of other funding for down payment assistance was federal HOME funds.

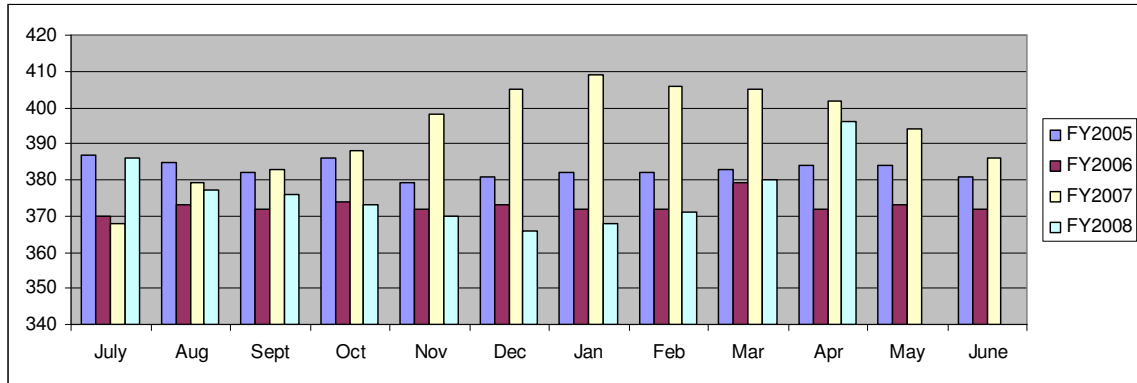
(2) Seventy-five percent (75%) of the total mortgage funds were VHDA SPARC mortgages secured by PHA for use in Albemarle County.

The County's primary homebuyer education program is its Homebuyer Clubs. At least two clubs are in session at any given time, meeting monthly to learn about the home buying process, financing options, credit issues/improvement, and budgeting. The original eighteen month curriculum has been reduced to twelve months by combining some of the sessions. In 2007, sixty-nine families participated in Homebuyer Clubs. Sixteen families that completed the club purchased homes – eight in Albemarle and eight in the City of Charlottesville.

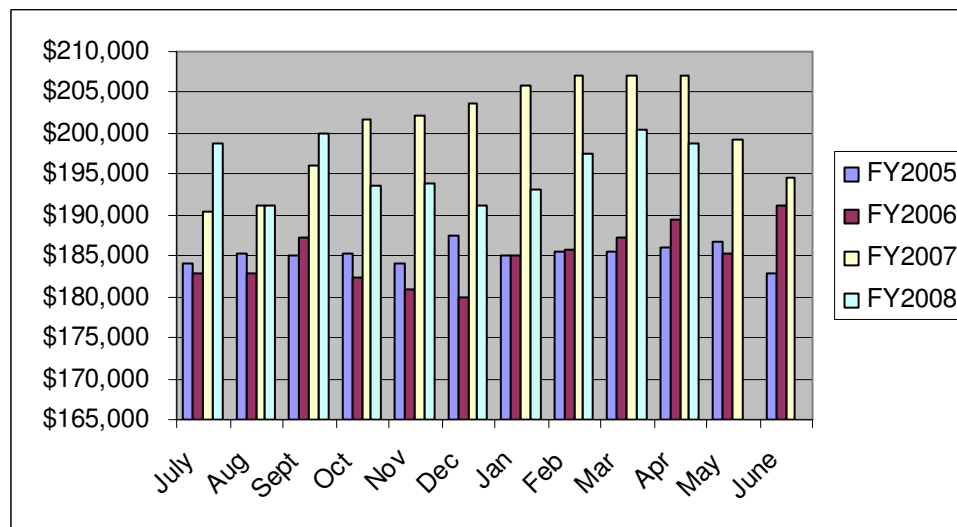
Housing Choice Voucher Program

The Office of Housing administers the federal Housing Choice Voucher Program which provides rental assistance to very low- and extremely low-income households. In 2007, approximately 480 families received assistance totaling over \$2.5 million which was paid directly to private landlords. The following tables provide a comparison of the program's usage since 2005 and the monthly assistance paid for that period.

VOUCHERS UNDER LEASE BY MONTH



RENTAL ASSISTANCE PAYMENTS BY MONTH



The number of vouchers under lease began dropping in August 2007 from their high points. This was primarily due to the length of time it was taking voucher holders to find a place to lease and the increased number of applicants that were offered opportunities for vouchers who did not follow through, likely the result of using a three-year old waiting list. As for those receiving vouchers, the main reasons for not leasing were lack of income and credit issues. In November of 2007, Albemarle County opened its waiting list for Housing Choice Vouchers. The increase that is noted in the usage charts should continue until the program maximizes the use of its allocation of vouchers and funding.

In addition to the administration of the Housing Choice Voucher Program, Albemarle County provides local general funds for rental assistance to 29 units at Woods Edge Senior Apartments. Assistance ranges from \$107 to \$127 per month with total annual assistance of \$40,000.

Proffers

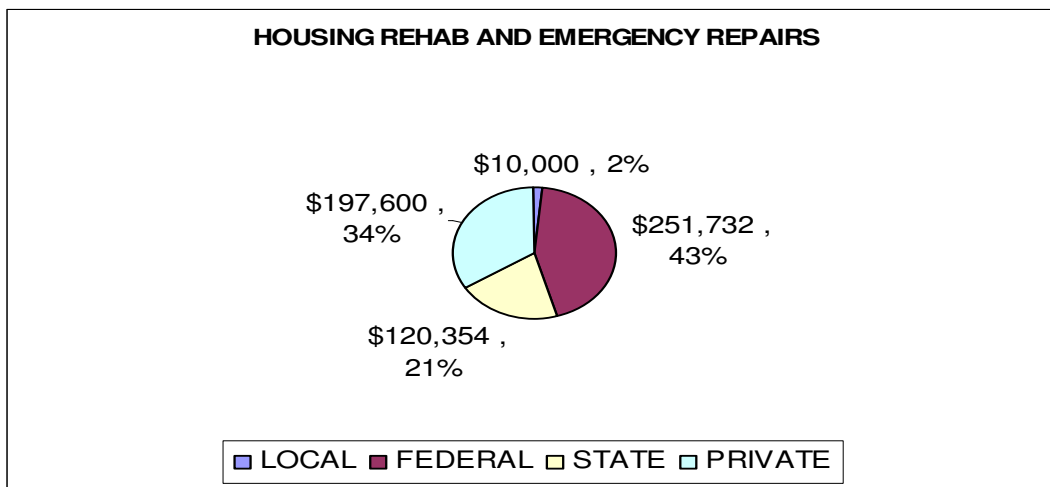
Since the adoption of the County’s Affordable Housing Policy in 2004, over one thousand, six-hundred (1600) affordable housing units have been proffered along with over \$1.5 million in cash. A list of proffers is included in **Attachment A**.

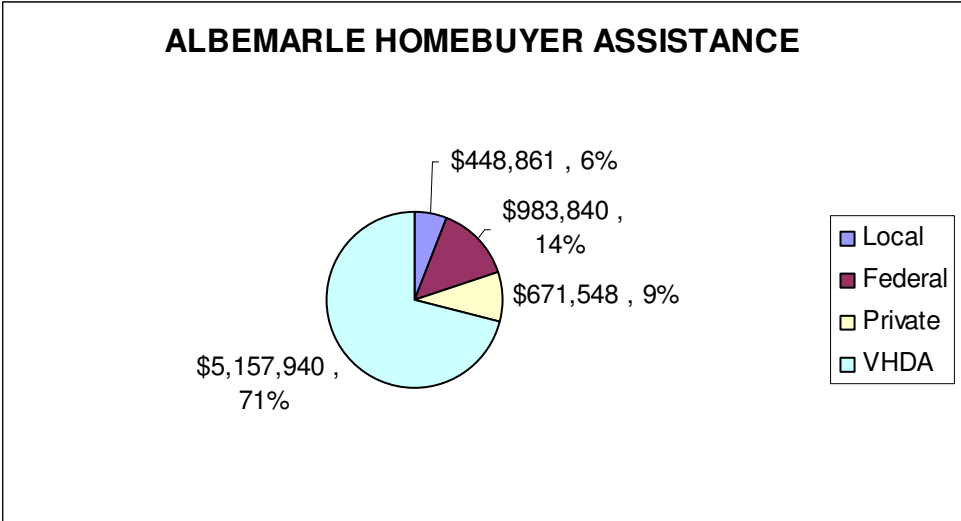
In 2007, the County received \$300,000 in cash proffers designated for homebuyer assistance. Nine units of proffered housing were also delivered and sold to eligible first-time homebuyers. These townhomes, located in Avon Park, were sold for \$175,000 each and were valued at approximately \$225,000. Eight of the nine families purchasing these homes received VHDA SPARC loans and down payment assistance through the County. Household incomes ranged from \$44,000 to \$52,000 or sixty-six (66) to seventy-eight (78) percent of the area median income.

While the Housing Committee continues to work on ways to improve the proffer system for affordable housing, particularly related to long-term affordability, one major revision to the system was implemented in 2007. Specifically, provisions to allow the County to request cash in lieu of affordable units at the time of site plan approval were added to the acceptable proffer language. This will allow the County to have some flexibility if there is little or no market projected for the proffered affordable units when they are built. This measure could also provide an opportunity to receive cash proffers that would support housing units that are not likely to be built under the proffer system such as tax credit rental housing, transitional housing, and emergency housing.

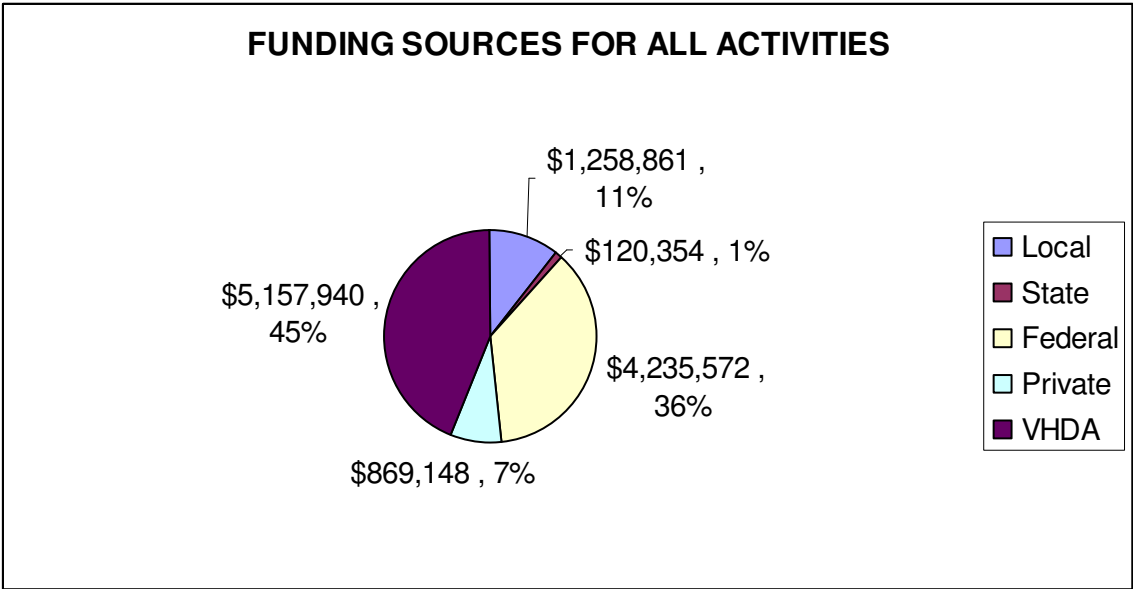
LEVERAGING LOCAL FINANCIAL CONTRIBUTIONS

While the effectiveness of housing initiatives may be viewed through production numbers, the efficiency of the investment of local funds can be viewed through the ability to leverage. Approximately 800 families received some level of assistance supported, in part, through the County’s contribution of just over \$1 million in operational support and program funding. Of this amount, two-hundred and ninety thousand dollars (\$290,000) provided direct assistance to AHIP’s Emergency Repair Program, the County’s Homebuyer Assistance Program, and Wood’s Edge Senior Housing rental subsidies. Approximately \$575,000 supported the operations of Albemarle Housing Improvement Program and the Piedmont Housing Alliance. The balance of approximately \$200,000 supported the operations of the County’s Office of Housing. The charts below illustrate the breakdown of the total funding used for housing initiatives in 2007 by program area exclusive of County-funded operational support.





The following chart illustrates total funding by source for all housing activities completed in 2007 including operational support contributed by the County to AHIP and PHA. The largest source, 45% of the total expenditures, was VHDA loans to first-time homebuyers. These loans represent only those using the County's down payment assistance. VHDA loans are actually private funds but have been shown separately from other private funds.



The second largest category was federal with approximately \$3 million of the amount attributed to the Housing Choice Voucher Program. County of Albemarle funding expended in 2007 covered approximately 11% of total expenditures. Only one percent (1%) of the funds expended came from the state.

Fifty-two percent (52%) of funds contributed to affordable housing initiatives in 2007 were from the private sector.

LOOKING BACK

The Housing Committee proposed four areas of focus in its 2006 report including the development of a sliding scale for giving credit for affordable units in different price ranges, revising the existing density bonus for clarification as a potential tool to promote affordable housing, establishing a specific dollar amount for cash proffers, and considering methods to promote long-term affordability of proffered units.

To address these initiatives, the Committee recommended the following:

- A sliding scale providing credit for a range of sales prices to serve households up to 120% of the area median income. *The Board and Planning Commission provided direction to the Committee to implement a sliding scale but cap it at household incomes not greater than 80% of the area median income.* The scale has been developed but there has been no interest from developers to commit to providing affordable units at lower prices.
- Revision of the density bonus to allow for up to a 30% increase in by-right density provided that one-half of the additional units are affordable. *A Zoning Text Amendment was adopted by the Board in October 2007 which made this revision and also defined eligible purchasers and tenants for the affordable units and changed the five-year affordable commitment on rental units to ten years.*
- Establishment of an acceptable cash proffer equal to ten percent (10%) of the defined affordable sales price. *The Board and Planning Commission agreed at a June 2007 work session to accept the recommendation to set cash proffers at ten percent of the affordable sales price at the time the proffer is made.*
- Continuing to work on methods to promote long-term affordability. Some ideas under consideration are the use of deed restrictions, deeds of trust, and a potential community land trust. A Joint City/County Task Force on Affordable Housing is also discussing this issue.

LOOKING AHEAD

The Housing Committee will continue its work on promoting long-term affordability and begin examine ways to promote the creation of affordable rental housing. The Committee is also awaiting a report from the City/County Task Force for its recommendations in these areas and possibly other areas that impact affordable housing.

Two development proposals were brought forward earlier this year that would create 128 new affordable rental units and preserve 28 existing affordable rental units. Both projects, Treesdale Park (AHIP) and Crozet Meadows (Jordan Development and PHA) were seeking federal low-income housing tax credits. Crozet Meadows did receive an allocation of tax credits and will likely move forward with development in the fall of 2008 creating 38 new rental units for seniors and renovating 28 existing units also for seniors. The County has committed up to eight project-based vouchers for this development. The Crozet Crossings Housing Trust Fund also committed \$134,400 in a deferred loan for this development. Treesdale Park did not receive tax credits and will likely be on hold until 2009.

Staff has proposed to the Housing Committee that recommendations be made to the Board to revise the way it contributes local funding to affordable housing. The current process is through the annual operating budget process which may subject the allocated funds being lost at the end

of the fiscal year if unused. Given the market-driven aspect of housing and the likelihood that affordable housing development may not be timed in a manner that works within an operating budget cycle, staff is proposing that a separate fund be established for affordable housing initiatives to be funded by the general fund. Such a fund could also be used for holding cash proffers for affordable housing and could also include cash assets of the Crozet Crossings Housing Trust Fund. If such a fund were to be developed, the Housing Committee would establish a process for accepting applications for funds and recommending projects to the Board for the appropriation of funds. Whether or not the Board dedicates one or more funding sources for housing, a designated fund separate from the operating budget for the Office of Housing may be requested for contributions to future affordable housing initiatives.

CONCLUSION

The uncertainties of the housing market are likely to remain through fiscal year 2009. The past three years have been successful from the standpoint of implementing the County's Affordable Housing Policy and having developers provide proffers for affordable housing. The County now has an inventory of proffers that could last for ten to fifteen years depending on how the market may rebound. While the long-term outlook for affordable units in a rebounding market is favorable, the more immediate inventory of affordable units has been positively impacted by the downturn with more units on the market for under \$200,000 than anytime in recent years. However, the creditworthy purchasers are not taking advantage of this opportunity. The most likely reason is the fear of entering an unsettled market during a period of rising foreclosures. As such, education and counseling will remain a critical component of any successful housing program particularly in the near-term.

Increasing the effectiveness and efficiencies in the implementation of housing initiatives is a high priority as increases in public funding are not likely. The activities undertaken in 2007 have set some benchmarks for moving forward.

- Over 800 families received some level of assistance through County-supported affordable housing initiatives.
- Housing activities in 2007 generally met or exceeded their goals.
- The County's funding in 2007 was 11% of the total expenditures for affordable housing initiatives with 89% coming from state, federal, and private sources. Over one-half of all expenditures were private funds.

Albemarle County's approach to addressing affordable housing is the combination of policy, partnerships, and leveraging. These elements must be aligned to maximize the use of local resources and other public resources in leveraging private resources to continue to address the affordable housing needs of County residents in an effective and efficient manner.

AFFORDABLE HOUSING PROFFERS BY DEVELOPMENT

Based on maximum proposed units

DEVELOPMENT	UNITS	CASH
Avinity	19	
Avon Park	9	
Avon Park II	5	
Belvedere	103	\$ 500,000
Biscuit Run	455	
Blue Ridge Co- Housing	4	
Briarwood	25	
Cascadia	50	
Fontaine Ave. TH		\$ 60,000
Fontana 4C		\$ 95,500
Glenmore S5		\$ 2,665
Glenmore K2		\$ 324,700
Haden Place	6	
Hollymead TC - A2	245	
Liberty Hall	8	
NGIC	18	
North Point	110	\$ 300,000
Oakleigh	8	\$ 162,350
Old Trail	330	
Patterson SD	2	
Popular Glen 1		\$ 84,000
Popular Glen 2		\$ 66,000
Rivanna Village	78	
Treesdale Park	90	
Westhall V	6	
Wickham Pond II	16	
Willow Glen	35	
		\$
TOTAL	1622	1,595,215