

HR&A +



**Fairfax County Workforce  
Dwelling Unit For-Sale Policy  
Task Force Final Report:**  
*Analysis and Recommendations*

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# Executive Summary

## EXECUTIVE SUMMARY: TASK FORCE OVERVIEW

Initiated in February 2023, **the members of the Workforce Dwelling Unit (WDU) For-Sale Policy Task Force** represented a diverse set of perspectives, including both stakeholders from the development community and affordable housing advocates.

The Task Force met over a period of six months to **review program challenges, discuss best practices, and ultimately reach consensus on the recommendations that follow.**

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### **Eric Maribojoc**

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*Deputy Director, Housing and Community  
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### **Lenore Stanton**

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### **Jill Norcross**

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### **Scott Adams**

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*Affordable Housing Advisory  
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## EXECUTIVE SUMMARY: TASK FORCE OVERVIEW

To examine possible program adjustments that might address these challenges, Fairfax County established the WDU For-Sale Task Force in Spring 2023. **The Task Force was initially formed around the following five focus areas:**

1. WDU Pricing

2. Affordability Levels

3. Resale Components

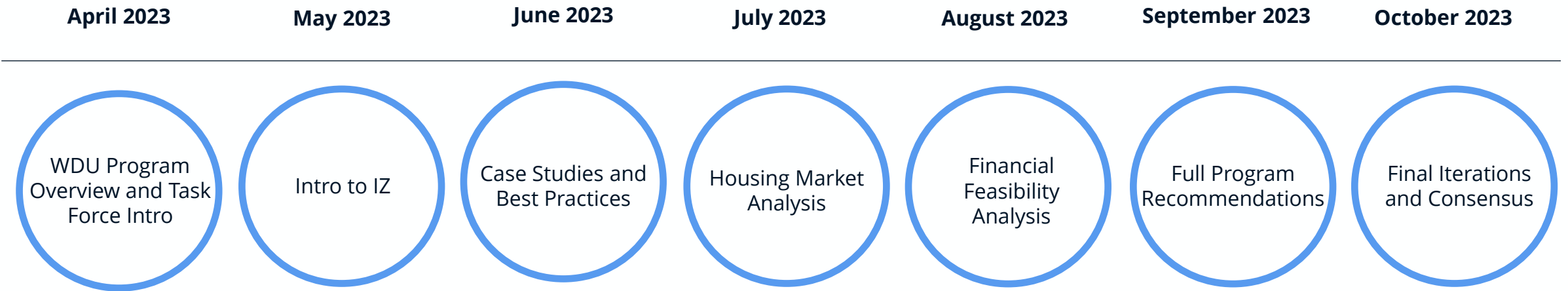
4. Term Of Price Control

5. Geographic Applicability

## EXECUTIVE SUMMARY: TASK FORCE OVERVIEW

To arrive at a set of final programmatic recommendations, **the Task Force met over the course of several months** to review and discuss the analysis and recommendations summarized in the sections that follow.

In the October meeting, **the Task Force reached consensus and approved all six recommendations submitted for their consideration.**



## EXECUTIVE SUMMARY: WDU PROGRAM OVERVIEW

**The For-Sale Workforce Dwelling Unit (WDU) Program is a component of the larger WDU policy** and a complement to the required Affordable Dwelling Unit (ADU) program. The WDU program is designed to encourage the development of units affordable to individuals and families with a wide range of income throughout Fairfax County.

WDU program requirements vary by geography and by development type. Although **the focus of these recommendations is on the countywide policy**, some will address the Tysons policy.

Applicability	Expectations	Bonus Density
<ul style="list-style-type: none"> <li>Tysons Urban Center</li> <li>Suburban Centers</li> <li>Community Business Centers</li> <li>Transit Station Areas</li> </ul>	<ul style="list-style-type: none"> <li>A minimum of 12% of units as ADUs and/or WDUs</li> <li>Required ADUs calculated first, then WDUs are added</li> </ul>	<ul style="list-style-type: none"> <li>Generally, 12% to 20% above maximum planned density</li> <li>For use as residential or non-residential</li> </ul>

Income Levels	Countywide	Tysons Non-High-rise	Tysons High-rise Condo (On-site)	Tysons High-rise Condo (Off-site)
120% AMI	4% of total units	5% of total units		
100% AMI	4% of total units	5% of total units	4.67 % of total units	5.33% of total units
80% AMI	4% of total units	5% of total units	4.67 % of total units	5.33% of total units
70% AMI		3% of total units	4.67 % of total units	5.33% of total units
60% AMI		2% of total units		
<b>Total</b>	<b>12% of total units</b>	<b>20% of total units</b>	<b>14% of total units</b>	<b>16% of total units</b>

Source: Fairfax County

## EXECUTIVE SUMMARY: RECOMMENDATIONS OVERVIEW

**Program recommendations encompass both administrative updates and policy changes,** requiring approval from the Board of Supervisors.

### 1: Optimize Affordability Levels

**1.1:** Align affordability levels to reduce competition with market rate units by shifting the program away from the 120% AMI level.

**1.2:** Shift the program affordability distribution to include units affordable at or below 70% AMI.

### 2: Bedroom Distribution

Require proportionality between the bedroom mix of WDUs and that of market-rate units, with flexibility for family-sized WDUs.

### 3: Geographic Applicability

**3.1** Extend the WDU program to encompass all areas within Fairfax County's jurisdiction that are zoned or planned for medium- to high-density residential.

**3.2** The high-rise policy should not be extended outside of Tysons at this time.

*Policy Changes*

### 4: WDU Pricing Adjustments

**4.1:** Update the WDU pricing model to better reflect affordability for households.

**4.2:** Create two pricing schedules to better capture variability in HOA and condo fees across unit types.

### 5: Refine Resale Requirements

Tie maximum WDU resale prices to AMI growth rather than CPI as is currently used.

### 6: Assess Price Control Term

Maintain the existing 30-year renewing affordability term.

*Administrative Updates*



## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

Align affordability level to reduce competition with market rate units by **shifting the program away from the 120% AMI level.**

### Findings

- **46% of all homes sold** since 2020 are affordable to households earning between 100% and 120% AMI.
- Households earning 100-120% AMI have **options** across different **unit sizes and locations** within the County.
- **42%** of all 120% AMI WDUs **have not sold** (compared to 12% of 100% AMI WDUs).

### Recommendations

- **Remove the 120% AMI level from the program** and serve only households earning up to 100% AMI.

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Shift the required program affordability distribution to **include units affordable at or below 70% AMI.**

### Findings

- As compared to the affordability mix of the program in practice, **including more units at 70% AMI will have a minimal revenue impact.**
- There is significant demand for units at 80% AMI and below, suggesting **these units will sell quickly and reduce carrying costs.**
- Some participating **developments already include WDUs priced at 70% AMI.**

### Recommendations

- **Expand the program** to include units priced up to 70% AMI.
- Building on the previous recommendation to remove 120% AMI units, create a required program unit distribution as follows:
  - 4% of units at up to 100% AMI
  - 4% of units at up to 80% AMI
  - 4% of units at up to 70% AMI

## RECOMMENDATION 2: BEDROOM DISTRIBUTION

**Require proportionality between the bedroom mix of WDUs and that of market-rate units** in participating developments, with flexibility for family-sized (3+ BR) WDUs.

### Findings

- WDUs in developments primarily consisting of 3-BR units **do not significantly impact project feasibility**.
- Requiring 5-BR WDUs has a **much larger negative impact on revenue**.

### Recommendations

- Adopt a flexible requirement that **the proportion of family-sized WDUs must match the proportion of family-sized market-rate units** in a participating development.
- Family-sized WDUs are any units with 3 or more bedrooms, ensuring that **larger WDUs are produced without the potential production impacts** of strict proportionality.

## RECOMMENDATION 3.1: GEOGRAPHIC APPLICABILITY

**Extend the WDU program** to encompass all areas within Fairfax County's jurisdiction that are zoned or planned for medium- to high-density residential.

### Findings

- **Homes within medium- to high-density zones outside the WDU program areas sold for equivalent or higher prices** than homes within the program area.
- Medium to high-density zoned and planned sites are **primarily adjacent to areas with existing WDU** applicability.
- Financially feasible **high-rise condo prices (~\$850 PSF) are currently unsupportable** in vast majority of the Fairfax County market.

### Recommendations

- **Extend the WDU policy** to all areas within the County's jurisdiction **zoned or planned** for medium- to high-density residential (8 dwelling units per acre or greater).

## RECOMMENDATION 3.2: GEOGRAPHIC APPLICABILITY – HIGH-RISE

The high-rise policy **should not be extended outside of Tysons at this time.**

### Findings

- Financially feasible **high-rise condo prices (~\$850 PSF) are currently unsupportable** in vast majority of the Fairfax County market.

### Recommendations

- The high-rise policy **should not be extended outside of Tysons at this time.**
- Although there is not value in extending the high-rise policy beyond Tysons at this time, this analysis should be reevaluated in the future.

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

**Update the WDU pricing model** to better reflect affordability for households in Fairfax County.

### Findings

- Of WDUs that have sold, 17%\* have had to **reduce prices**.
- **Mortgage rates have increased considerably** (5.85% to 6.32%+) over the past year.
- Recently built WDUs have average condo and HOA fees of \$308. **These fees can grow over 3% annually** and vary by unit type.

### Recommendations

- **Reduce assumption on persons per bedroom from 2 to 1.5**, aligning with HUD program standards.
- Update pricing calculator to account for:
  - **Changes to AMI** levels (annually)
  - Current **interest rates** (as-needed)
  - **Tax rate** updates (as-needed)
  - **Condo/HOA Fee** assumptions (as-needed)
- Add homeowner's insurance costs to the pricing model.

*Note: Condo and HOA fee data is from Fairfax County HCD;*

*\*11 out of 64 units*

## RECOMMENDATION 4.2: WDU PRICING ADJUSTMENTS (CONDO AND HOA FEES)

Create two pricing schedules to better capture the **variability in HOA and condo fees** across unit types.

### Findings

- Condo and HOA structure and fee prices vary significantly across developments.
- **Fees for stacked townhomes are often closer to fees for condo flats** because they are frequently subject to both condo and HOA fees.
- Townhome fees range from **\$100-\$188** while fees for stacked townhomes and condo flats range from **\$252-\$404**.

### Recommendations

- **Establish two pricing schedules**, one with a fee assumption of **\$0.15 PSF for townhomes** and another with an assumption of **\$0.35 PSF for stacked townhomes and condo flats**, applied to minimum unit size requirements.
- For units with fees **not within 30% of those estimates**, pricing will be based on the actual fee amount.

*Note: Fee estimates drawn from market research, developer interviews, and WDU production data provided by HCD*

## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

**Tie maximum WDU resale prices to AMI growth rather than CPI** as is currently used, better matching prices with what households can afford.

### Findings

- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI – which is influenced by non-housing pricing changes.

### Recommendations

- Tie changes to maximum resale prices to the **5-Year AMI Compound Annual Growth Rate**, rather than using the current formula which is tied to CPI.



## RECOMMENDATION 6: ASSESS PRICE CONTROL TERM


**Maintain the existing 30-year renewing affordability term.** This covenant structure already provides extended affordability, while changes to the resale formula will address wealth building.

### Findings

- There is **no standard affordability term** for similar programs in the area or in comparable jurisdictions nationally.
- Fairfax County is interested in providing long-term affordability, with **units serving more than one household**.
- Currently, only **the most-recent sale** of a unit needs to be monitored to track the affordability covenant.

### Recommendations

- Maintain the existing **30-year renewing covenant** period.
- Improve communication of the **benefits of homeownership**, even with the restricted resale value.



# Fairfax County Workforce Dwelling Unit Program Overview

## WDU PROGRAM OVERVIEW: APPLICABILITY AND EXPECTATIONS

**The For-Sale Workforce Dwelling Unit (WDU) Program is a component of the larger WDU policy** and a complement to the required Affordable Dwelling Unit (ADU) program. The WDU program is designed to encourage the development of units affordable to individuals and families with a wide range of income throughout Fairfax County through an incentive system.

Applicability	Expectations	Bonus Density
<ul style="list-style-type: none"><li>Tysons Urban Center</li><li>Suburban Centers</li><li>Community Business Centers</li><li>Transit Station Areas</li></ul>	<ul style="list-style-type: none"><li>A minimum of 12% of units as ADUs and/or WDUs</li><li>Required ADUs calculated first, then WDUs are applied</li></ul>	<ul style="list-style-type: none"><li>Generally, 12% to 20% above maximum planned density</li><li>For use as residential or non-residential square feet</li></ul>

## WDU PROGRAM OVERVIEW: APPLICABILITY AND EXPECTATIONS

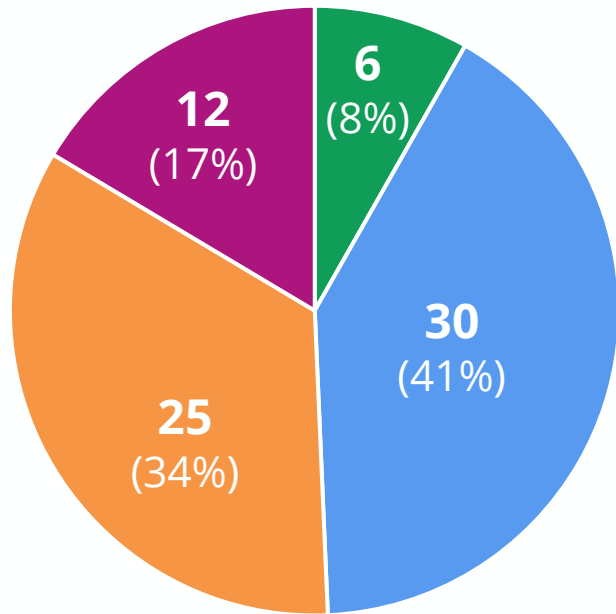
WDU program requirements vary by geography and by development type. Although **the focus of these recommendations is on the countywide policy**, some will address the Tysons policy.

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Source: Fairfax County

## WDU PROGRAM OVERVIEW: PRODUCTION

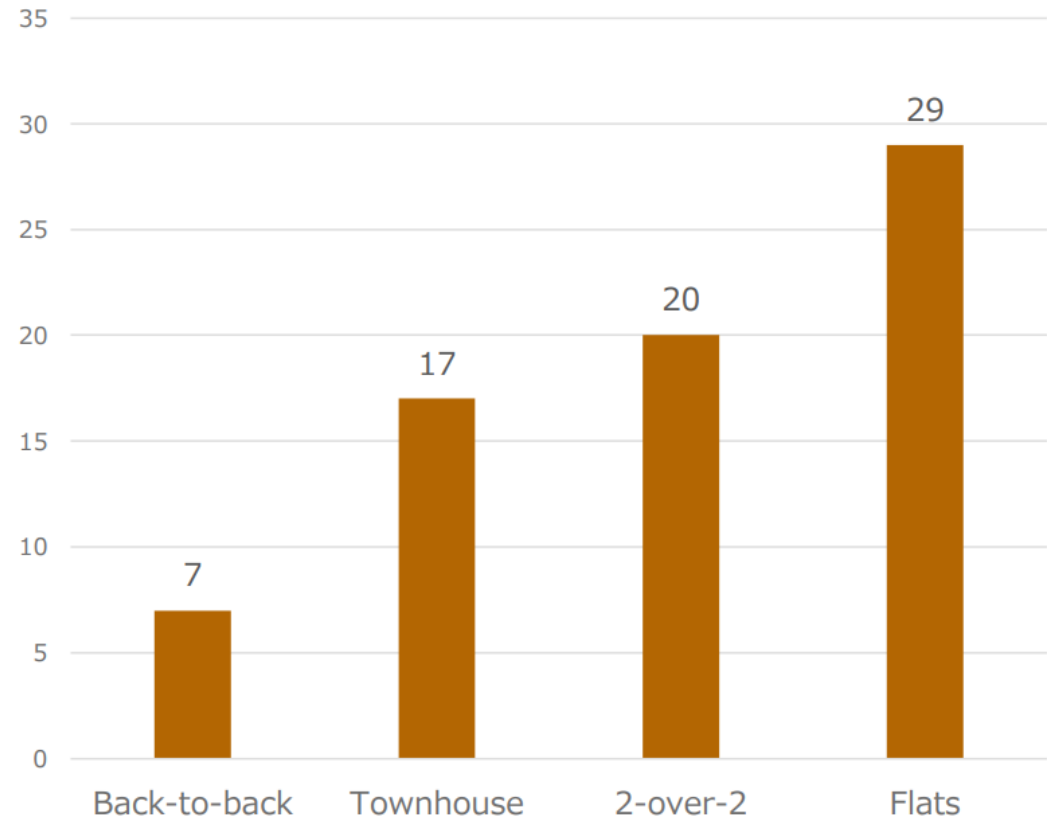
**As of April 2023, 73 WDUs had been produced** under the program.



**WDUs Produced**

70% AMI 80% AMI 100% AMI 120% AMI

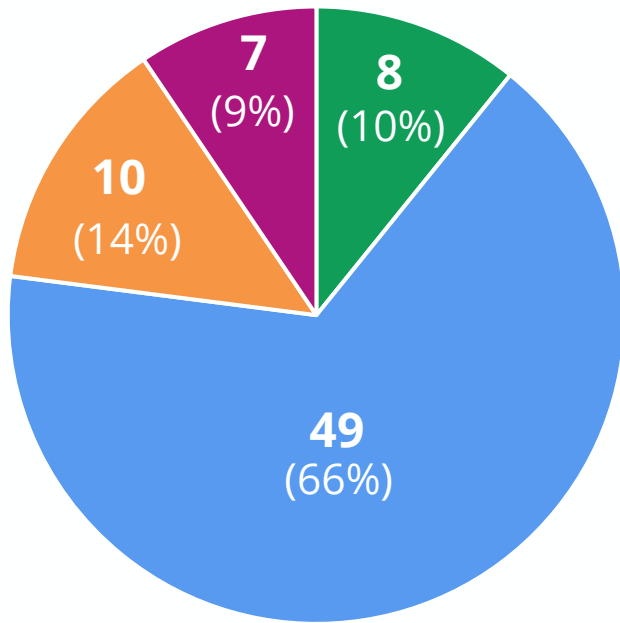
## WDUs Delivered by Structure Type



Source: Fairfax County WDU Production Data, April 2023

## WDU PROGRAM OVERVIEW: PIPELINE

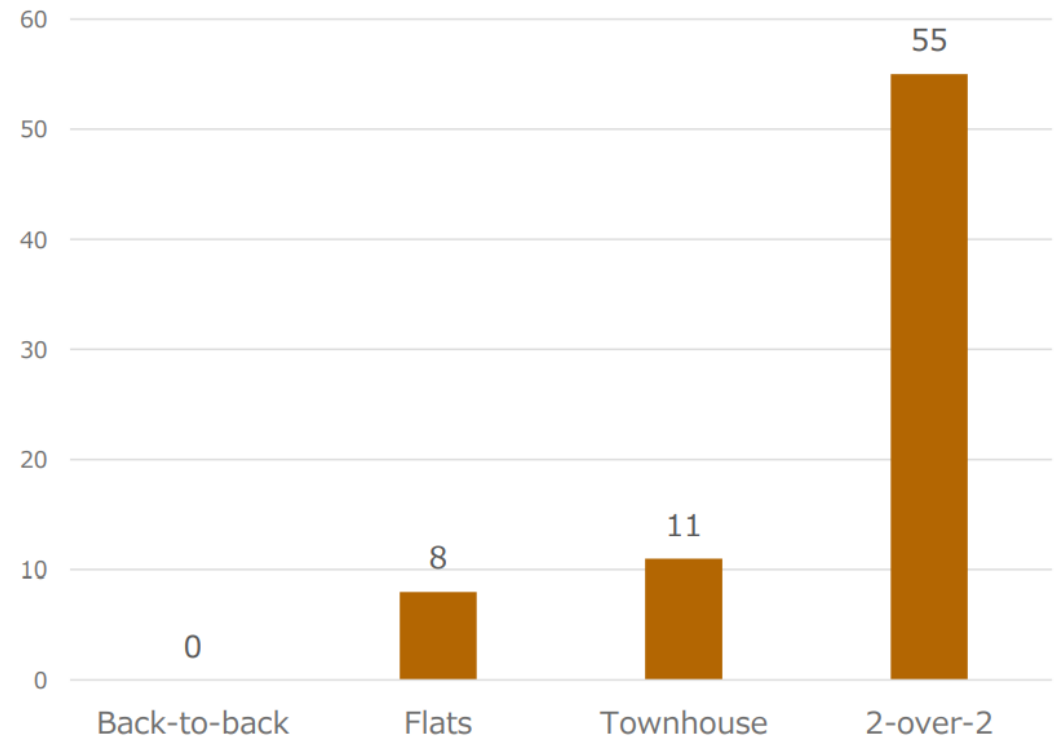
As of April 2023, there were 74 WDUs in the pipeline. Different from those already produced, **most in the pipeline are affordable at 80% AMI.**



WDUs in the Pipeline

70% AMI 80% AMI 100% AMI 120% AMI

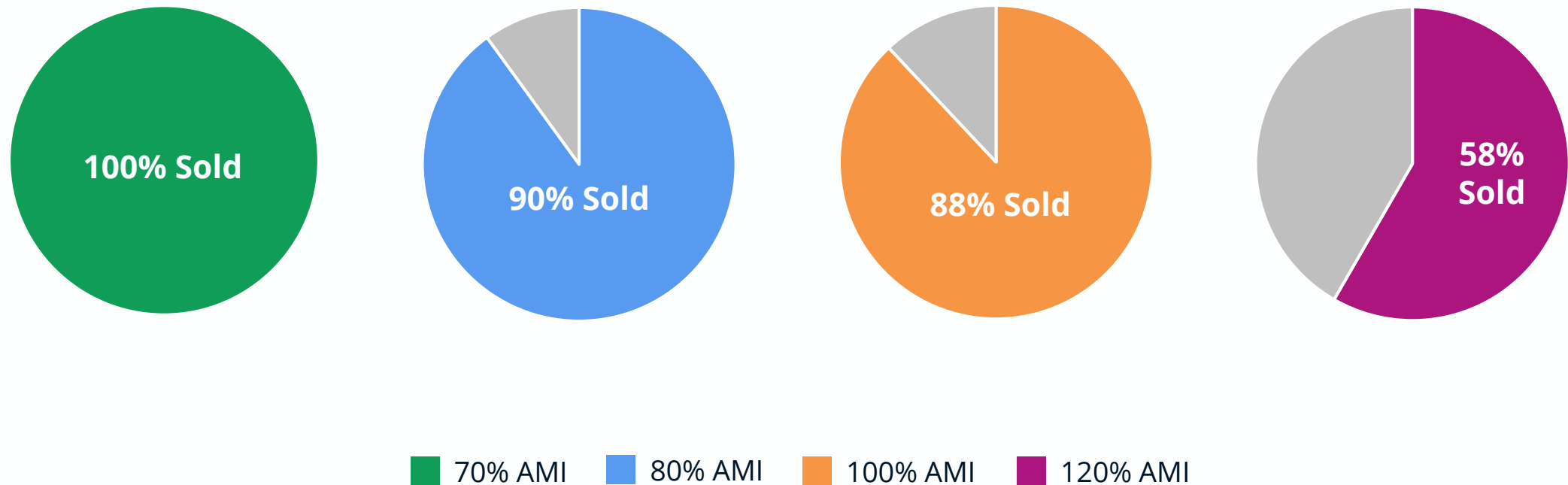
Pipeline WDUs by Structure Type



Source: Fairfax County WDU Production Data, April 2023

## WDU PROGRAM OVERVIEW: SALES

As of April 2023, many higher-priced WDUs, especially **those priced at 120% AMI, have not yet sold.**

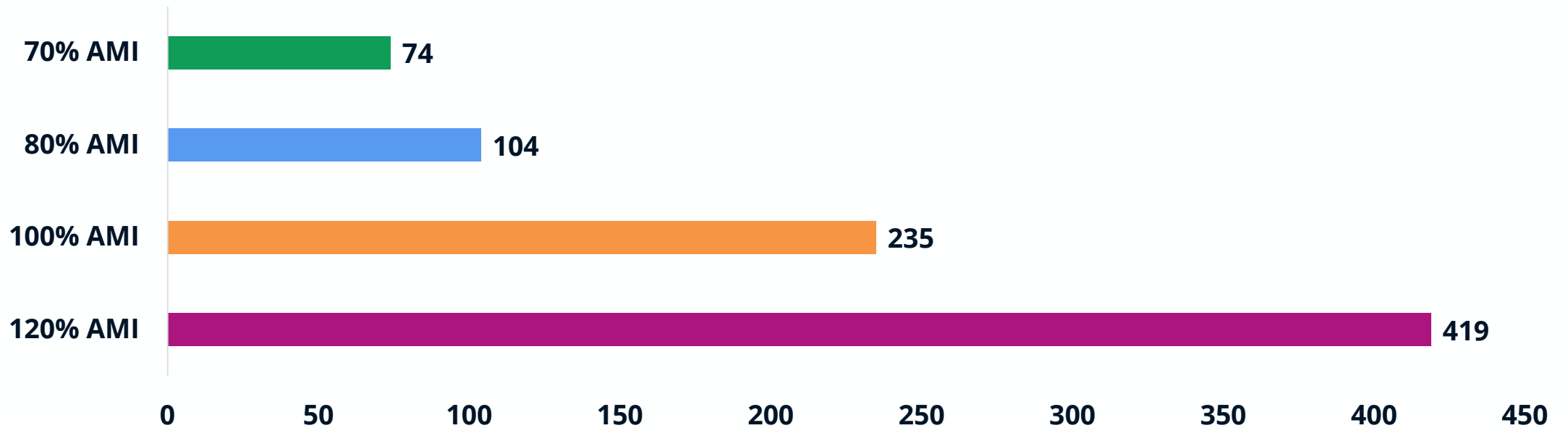


Source: Fairfax County WDU Production Data, April 2023

## WDU PROGRAM OVERVIEW: SALES

WDUs priced at **120% AMI and 100% AMI** have spent the longest time on the market.

Average WDU Unit Days to Sale by AMI



Source: Fairfax County WDU Production Data, April 2023



## WDU PROGRAM OVERVIEW: SALES

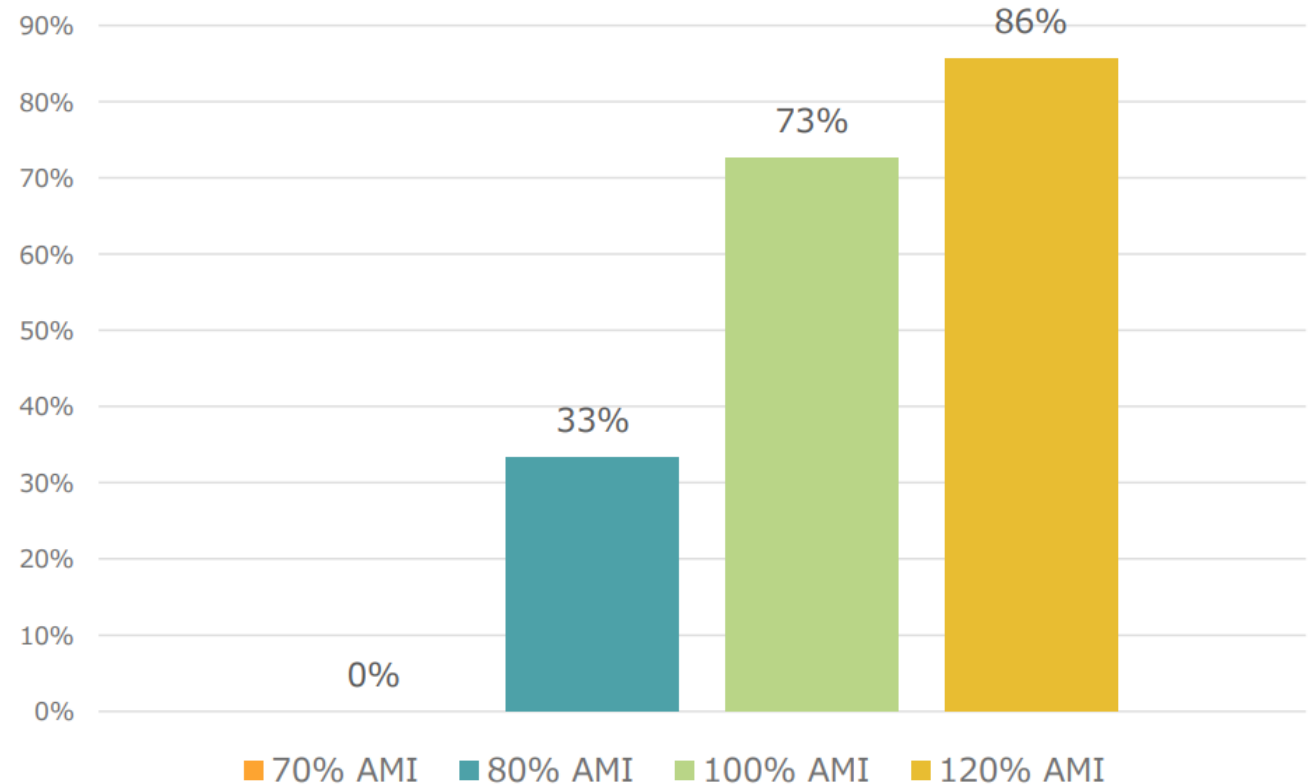
Higher-priced WDUs often **require incentives to sell.**

### Seller incentives include:

- Lowering AMI
- Sales price reduction
- Closing cost assistance / seller credit
- Prepayment of condo fees

*CDBG downpayment assistance from the FCRHA is additionally available to buyers with income at or below 80% AMI.*

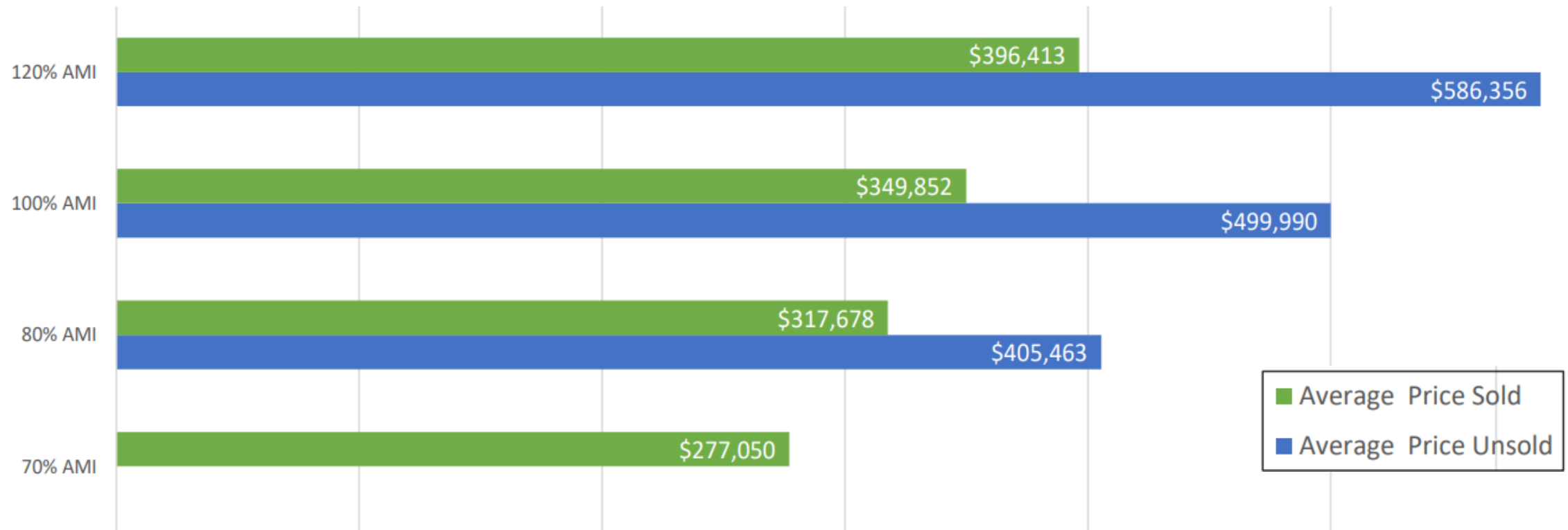
Percentage of WDUs Sold with an Incentive



Source: Fairfax County WDU Production Data, April 2023

## WDU PROGRAM OVERVIEW: SALES

As a result of the incentives offered, **higher AMI units on average sold for less than the maximum allowable price.**



Source: Fairfax County WDU Production Data, April 2023

## WDU PROGRAM OVERVIEW: CHALLENGES

Although the WDU program continues to succeed in adding to the supply of affordable homes in Fairfax County there are challenges. **Addressing those described requires changing the WDU policy.**

### Affordability Levels

- **WDUs priced at higher AMI levels, especially at 120% AMI, stay on the market** for long periods of time and often require price reductions to sell.
- **There is significant demand in for units affordable at or below 80% AMI**, but there are also challenges to maintain homeownership at deep levels of affordability.

### Bedroom Distribution

- Although not initially a Task Force focus area, **Fairfax County has a goal to ensure sufficient family-sized affordable units.**
- **The WDU Tysons High-Rise Policy requirements that the WDU unit mix** for any participating development be **proportional** to the mix of market-rate units, however, the **County-wide policy does not.**

### Geographic Applicability

- Currently, the WDU for-sale policy **applies to development centers** while the adjusted **high-rise policy applies only to Tysons Urban Center.**
- However, Fairfax County is growing with **more medium- and high-density development planned** in other parts of the jurisdiction.

## WDU PROGRAM OVERVIEW: CHALLENGES

Although the WDU program continues to succeed in adding to the supply of affordable homes in Fairfax County there are challenges. **Addressing the those described here requires only administrative adjustments.**

### WDU Pricing

- The maximum initial sales price can affect both future affordability and ease of sale or resale if **prices compete with market rate units.**
- High and escalating **condo and HOA fees can be a significant challenge** for maintaining affordability.

### Resale Pricing

- Current resale prices for WDUs are based on **CPI growth, which does not necessarily correlate directly to affordability.**
- **Large increases in resale prices,** while allowing for more potential wealth building **threaten affordability** for future WDU buyers.
- Significant escalations in resale prices may also place WDUs in **competition with market-rate units,** hindering resales altogether.

### Price Control Term

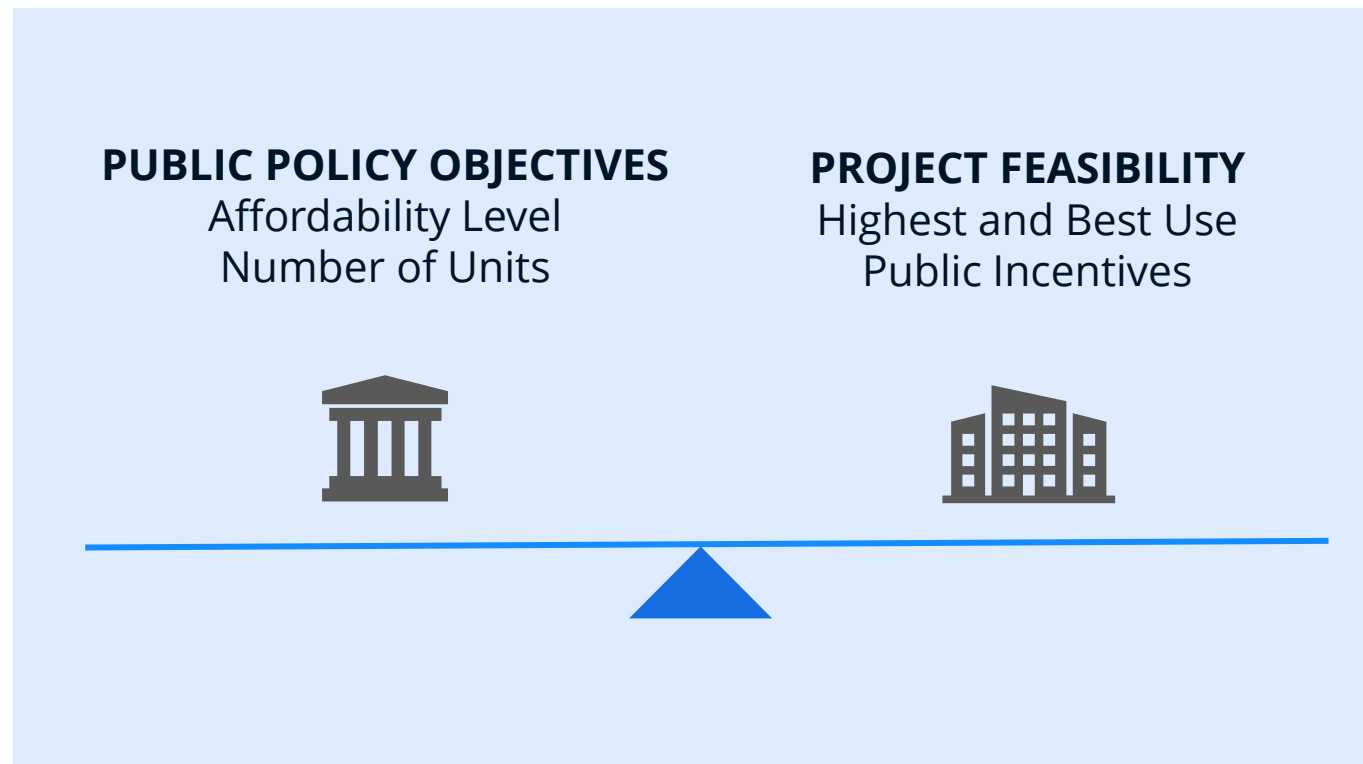
- WDU program affordability **restrictions do not expire** until the homeowner has **lived in the unit for at least 30 years.**
- The County's **goal is to preserve affordability** for as long as is feasible .



# Development Economics Inclusionary Zoning

## INTRODUCTION TO INCLUSIONARY ZONING

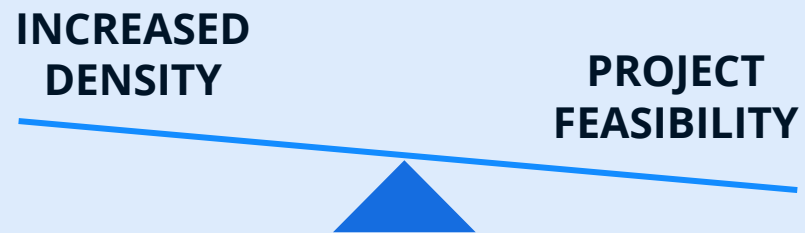
IZ policies must be **calibrated appropriately to the local market** by weighing policy objectives with their impact on project feasibility.



## INTRODUCTION TO INCLUSIONARY ZONING

If a program is not calibrated correctly, **developers may choose to not pursue the development outright.**

For some projects, the risks on impact to project feasibility may outweigh the benefit of increased density through a voluntary IZ program.



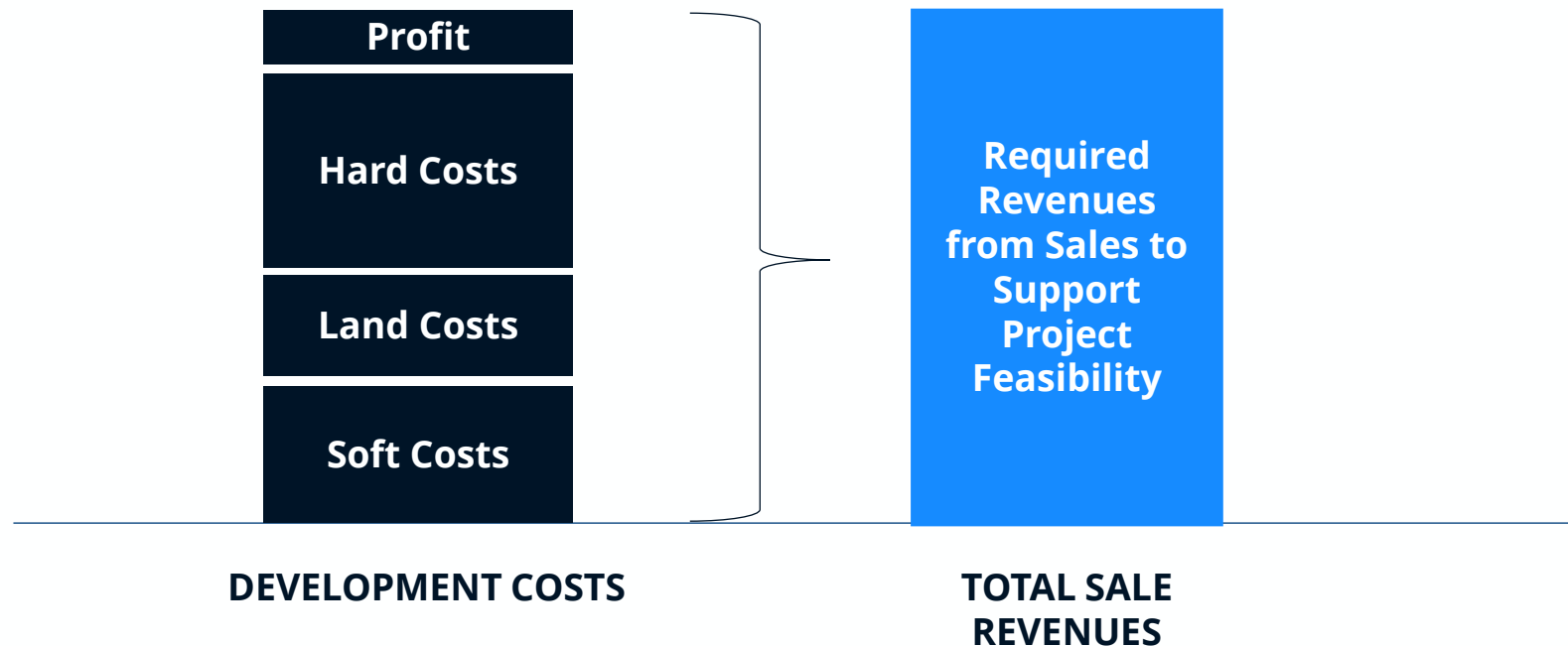
### Considerations in Pursuing Increased Development Density:

- **High Parking Requirements:** The number of parking spots per unit may impact total development costs or impact feasibility of larger amounts of units.
- **Rising Construction Costs:** Changes to construction costs, brought on by market shifts or regulatory requirements may reduce the value of increased density.
- **Longer Approvals Process:** The risk associated with a longer entitlements process.
- **Insufficient Incentives:** Offered density bonus may not sufficiently entice developers to include more income-restricted units.

## INTRODUCTION TO INCLUSIONARY ZONING

The **sales price** of a home for purchase is based on the **developers' cost to develop**, including the construction costs, land costs, soft costs (such as developer fees or building designs), **and profit sufficient to motivate developer** to undertake the project.

### Development Project Feasibility with IZ

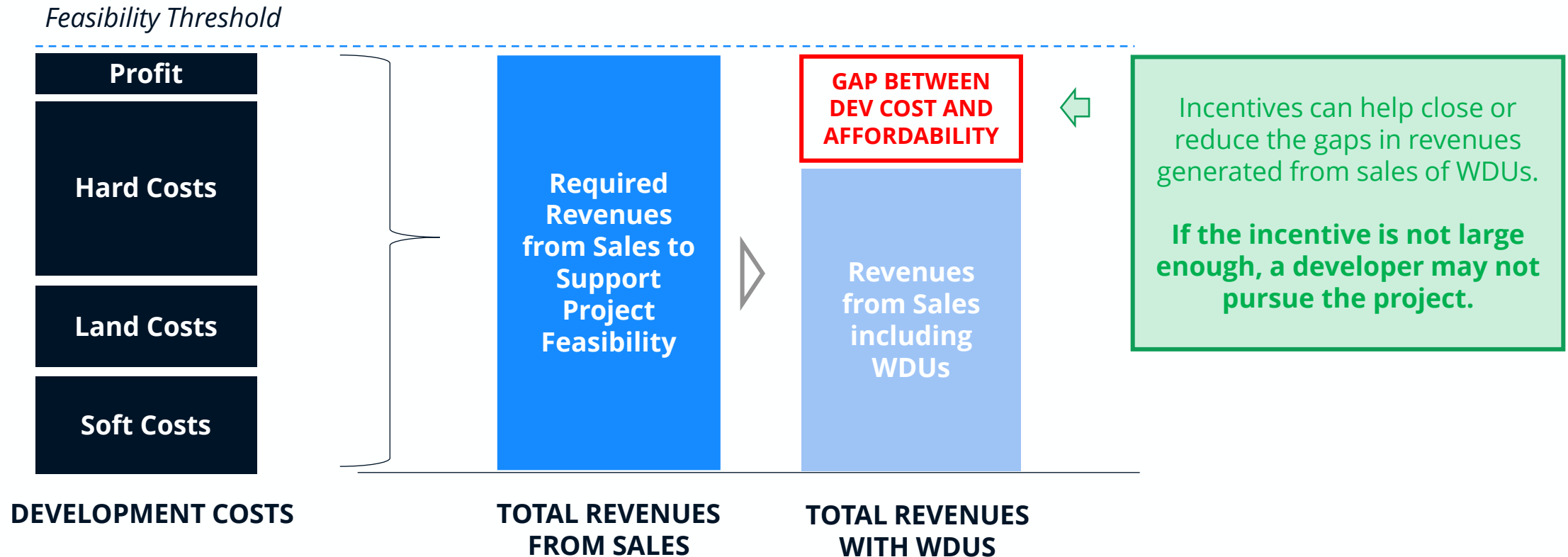




## INTRODUCTION TO INCLUSIONARY ZONING

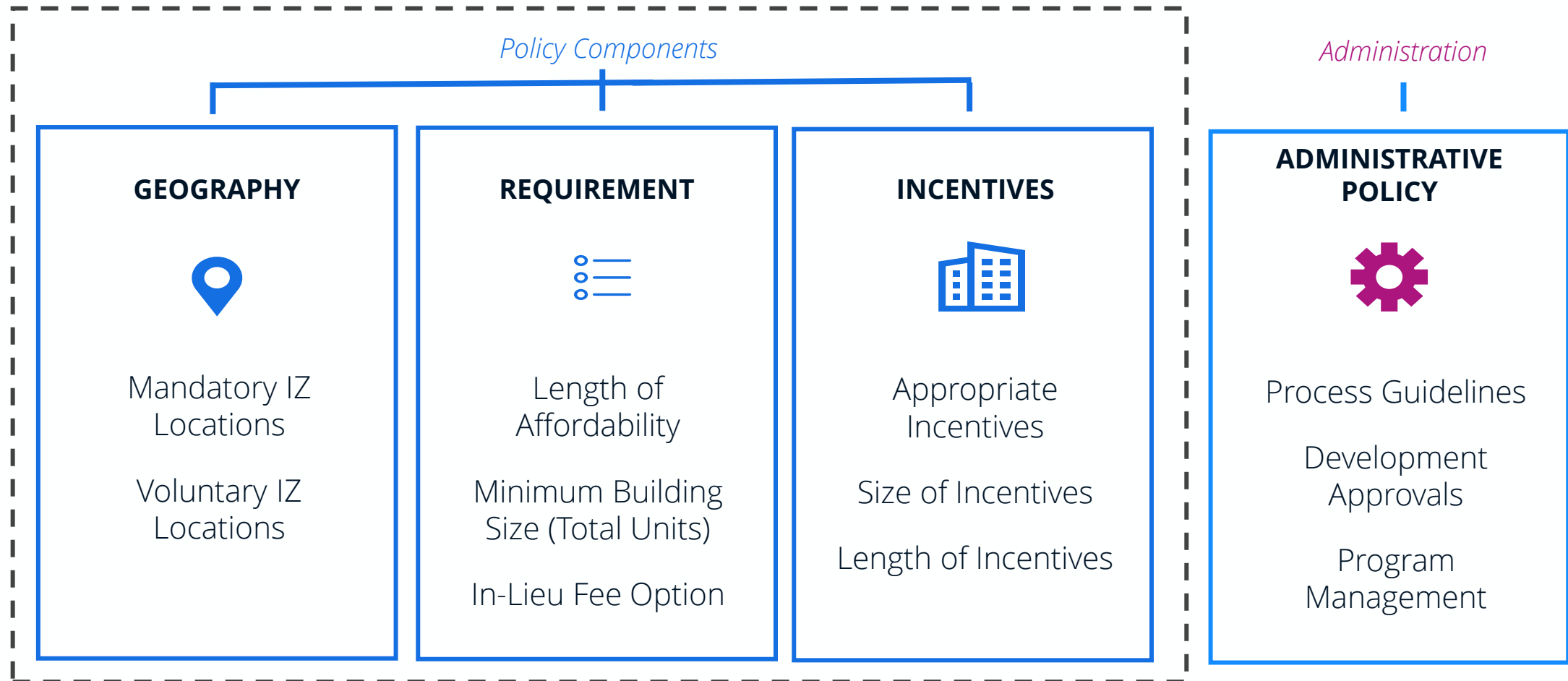
An inclusionary zoning policy **reduces the total revenues** from home sales. The developer is offered an **incentive, such as increased density**, which offsets the cost to the developer from lost sales revenue.

### Development Project Feasibility with IZ



## INTRODUCTION TO INCLUSIONARY ZONING

IZ policies can be calibrated through four main levers: **geography, affordability requirements, incentives, and administrative policy.**

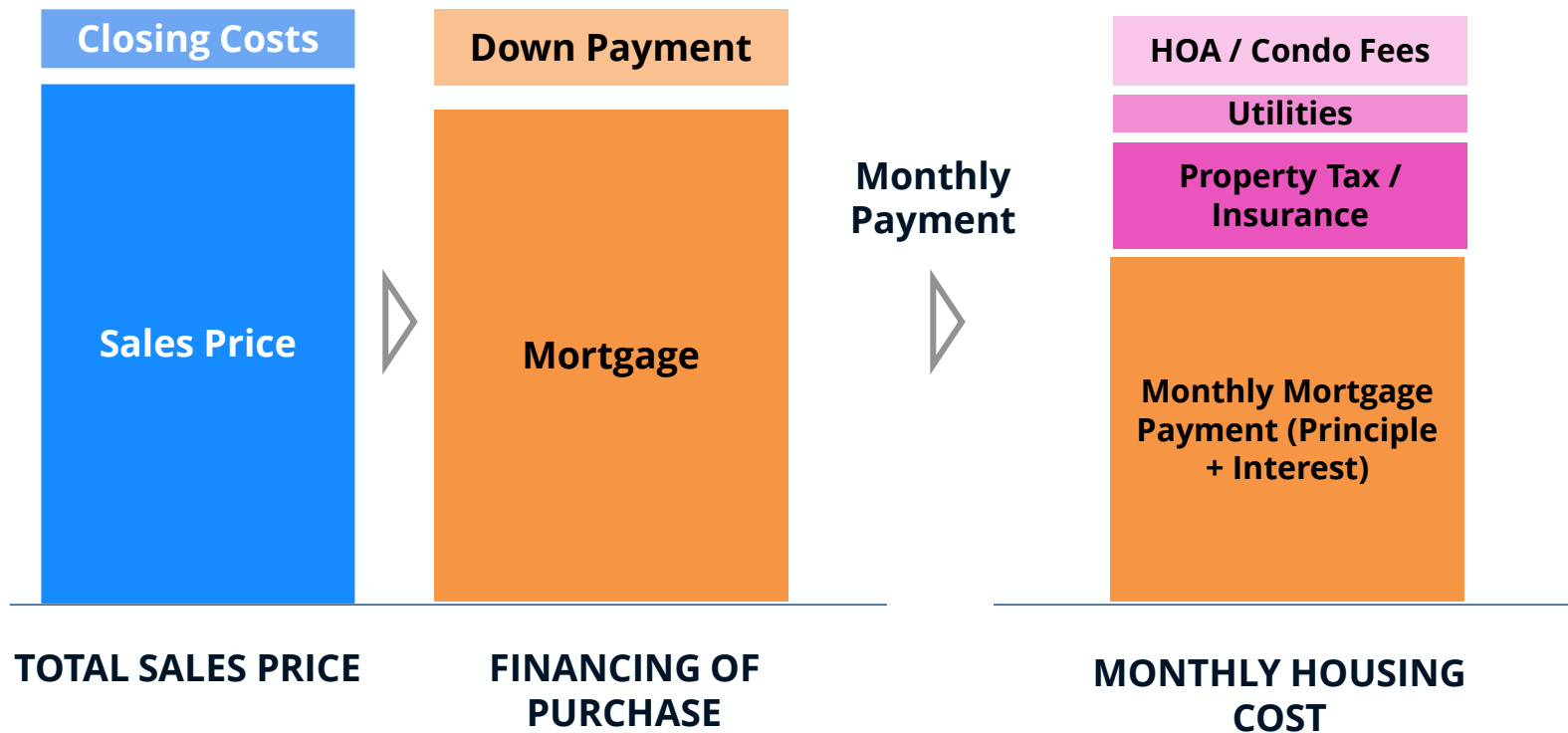


*Task Force focus areas addressed policy interventions*

## INTRODUCTION TO INCLUSIONARY ZONING

In addition to balancing developer costs and incentives, IZ policies targeting homeownership must consider **all costs impacting affordability.**

### What Does it Cost to own a home?

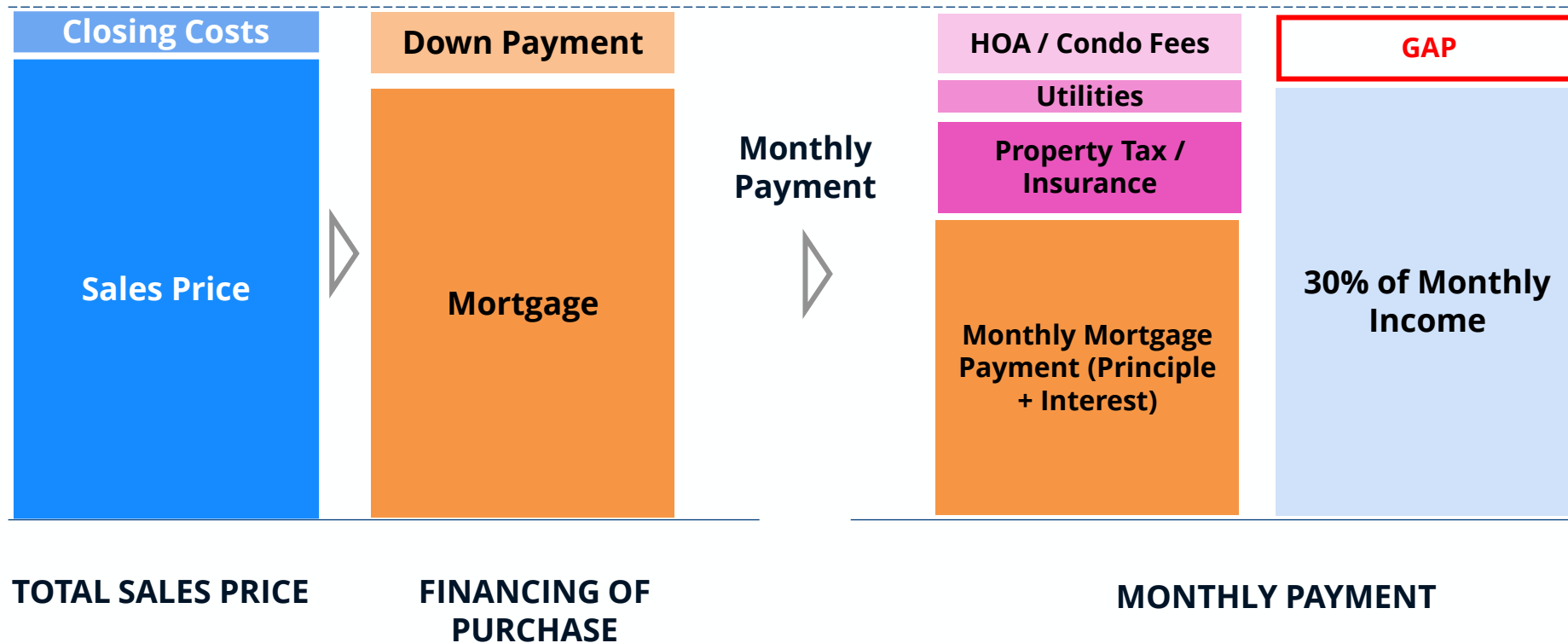


*Note: Size of boxes does not necessarily correspond with percentage of cost.*

## INTRODUCTION TO INCLUSIONARY ZONING

If the set affordable **purchase price does not account for all monthly housing costs**, households will **not be able to afford housing**.

### Cost of Home Purchase to Monthly Housing Payment

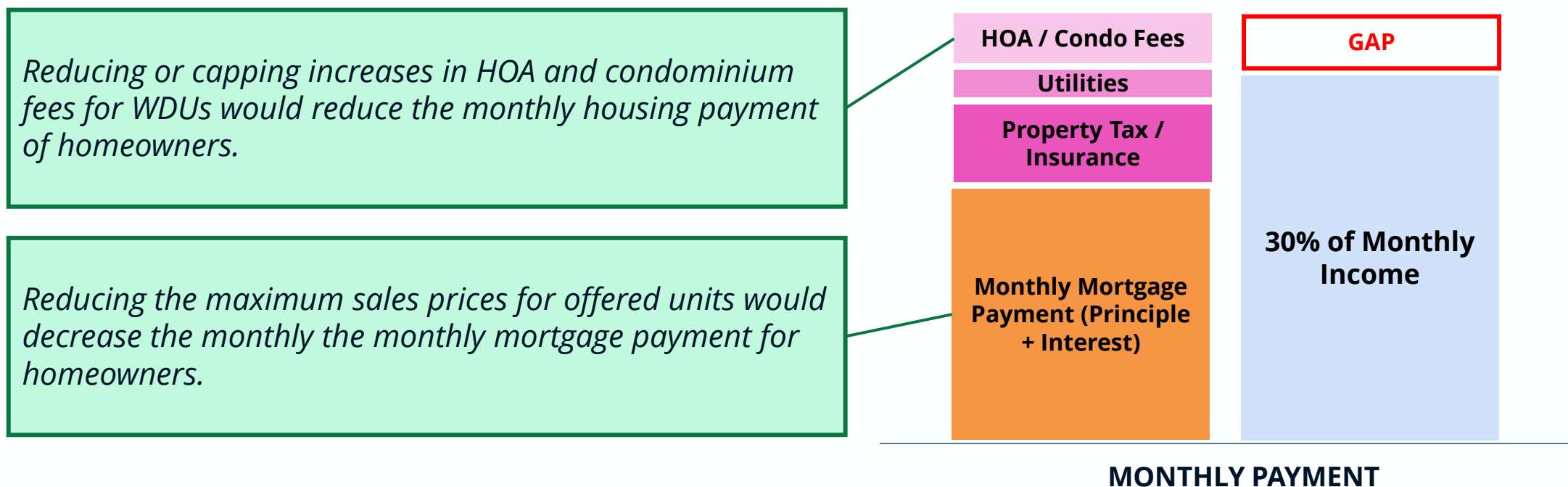


Note: Size of boxes does not necessarily correspond with percentage of cost.


## INTRODUCTION TO INCLUSIONARY ZONING

If the set affordable **purchase price does not account for all monthly housing costs**, households will **not be able to afford housing**.

### ADDRESSING AFFORDABILITY GAPS



Note: Size of boxes does not necessarily correspond with percentage of cost.

An aerial photograph of a large, multi-unit residential building, possibly a townhome complex or a large apartment building. The building features a central entrance with a prominent white porch and is surrounded by lush green trees. Several cars are parked in the foreground, including a silver sedan, a dark car, a red SUV, and a black car. The overall scene is set in a suburban or urban residential area.

# Case Studies

## Inclusionary Zoning for Homeownership

## FOR-SALE IZ CASE STUDIES

Case studies were selected based on the location, effectiveness and programmatic similarities.

Location	Program Name	AMI Levels Served	Applicability
Fairfax County, VA	Affordable Dwelling Unit Program (ADU)	Up to 70% AMI	Mandatory for 50+ Unit Projects
	Workforce Dwelling Unit Program (WDU)	70% - 120% AMI	Proffer-based Incentive
Loudon County, VA	Affordable Dwelling Unit Program (ADU)	30% - 70% AMI	Mandatory for 24+ Units and < 4 Stories*
Montgomery County, MD	Moderately Priced Dwelling Units Program (MPDU)	Up to 70% AMI	Mandatory for 20+ Unit Projects
	Workforce Housing Program (WHP)	Up to 120% AMI	Voluntary for some 35+ Unit Projects
Washington, D.C.	Inclusionary Zoning Program (IZ)	50% - 80% AMI	Mandatory for 10+ Unit Projects
Palm Beach County, FL	Workforce Housing Program (WHP)	60% - 120% AMI	Mandatory for 10+ Unit Projects

*\*Note: Ongoing Loudon County Zoning rewrite will likely remove the ADU exemption for buildings over 4 stories and update to 7 stories.*

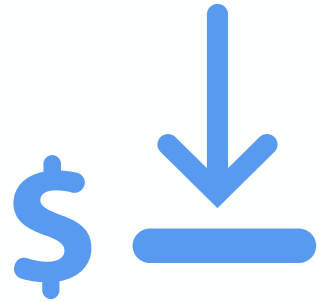
## FOR-SALE IZ CASE STUDIES

The case studies highlight several **levers that similar jurisdictions use to adjust their for-sale inclusionary zoning programs.**



### Targeted AMI Levels

The income group of the households



### Affordability Restrictions

The restrictions placed on the level of affordability



### Incentives

What level of indirect funding is provided for the development of these units



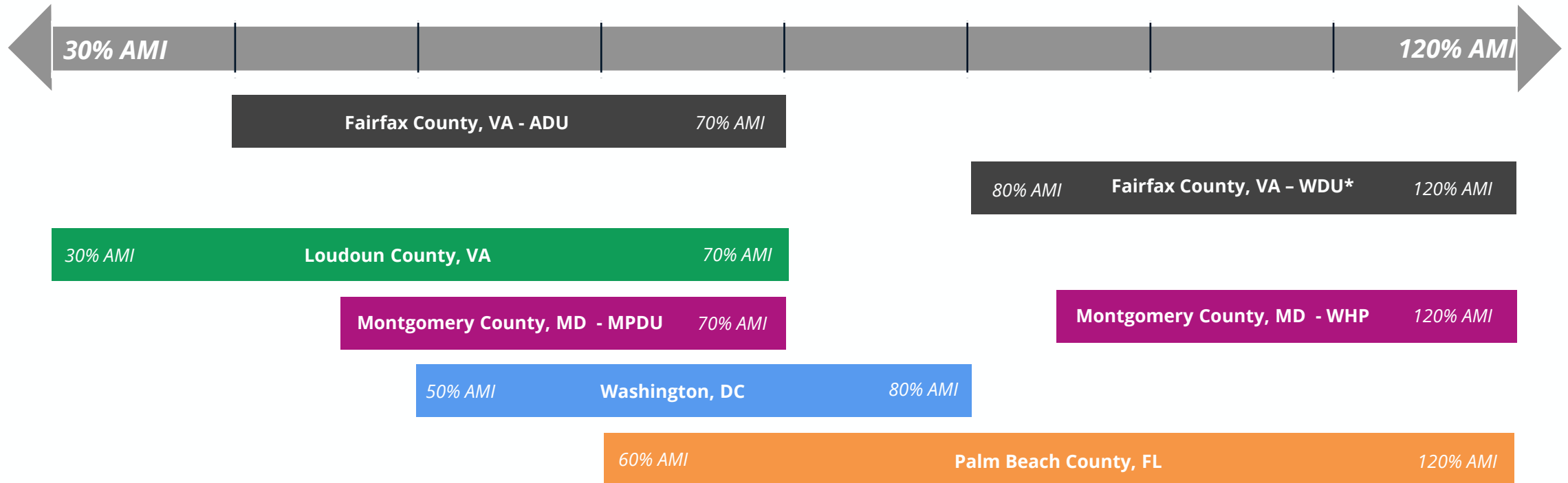
### Resale Requirements

What degree of profit can be made on these properties



## FOR-SALE IZ CASE STUDIES

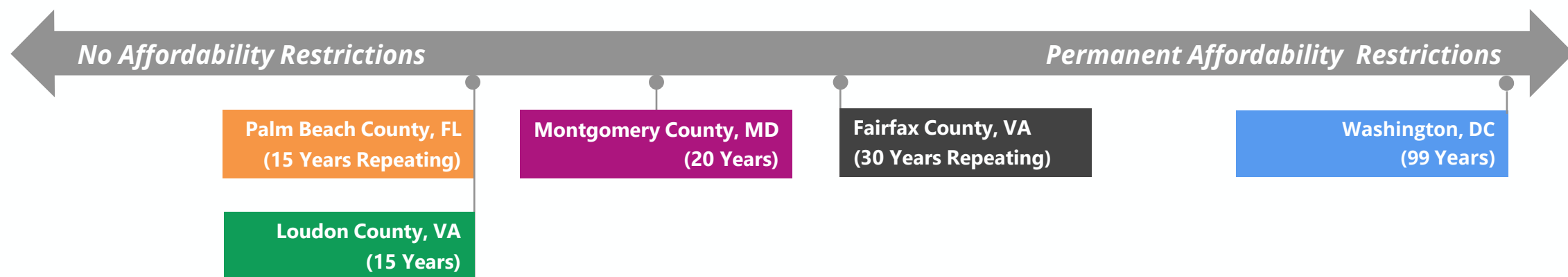
Most municipalities reviewed, in line with national trends, are **targeted at lower AMI levels (below 80% AMI)**.



\*Note: This excludes the Tysons WDU policy which requires units affordable at 70% AMI.

## FOR-SALE IZ CASE STUDIES

The length of affordability restrictions reflects a **balance between wealth building opportunity and affordability preservation.**



### Shorter Affordability Restrictions

- Affordability for a single household
- Larger ability to grow equity

### Longer Affordability Restrictions


- Affordability for multiple households
- Smaller equity gains

## FOR-SALE IZ CASE STUDIES

Jurisdictions outside of Virginia **tie resale prices to AMI rather than CPI.**

Location	Resale Price Calculation	Resale Requirements
Fairfax County - ADU	CPI-U and fair market value of some improvements	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the County Trust after control period.*
Fairfax County - WDU	CPI-U and fair market value of some improvements.	<b>Renewing Covenant Period:</b> if the home is sold within 30 years, the clock resets.
Loudon County - ADU	CPI and fair market value of some improvements.	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the County Trust after control period, between 15- 50 years.
Montgomery - MPDU	CPI-U and capital improvements up to 10% of purchase price.	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the county after 30-year control period.*
Montgomery - WHP	Based on the <b>pricing of new workforce housing units</b> , tying resale price to AMI.	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the county after 20-year control period.*
Washington, D.C.	Based on the <b>Ten-Year CAGR of Median Income</b> from the year of purchase to the year of the unit's sale by the owner, tying resale price to AMI.	<b>Standard Covenant:</b> no resale limits following control period, however covenant period is 99 years.
Palm Beach County, FL	The resale price is determined by the designated <b>income category of the unit</b> , and the <b>current sales price</b> for that category.	<b>Renewing Covenant Period:</b> if the home is sold within 15 years, the clock resets.

\*Note: For the first resale.

A large, multi-story house with a combination of brick and white siding. The house features a central porch with a gabled roof and several windows. The house is surrounded by lush green trees and a driveway with several cars parked. The overall scene is a residential neighborhood.

# Fairfax County Housing Market Assessment

## HOUSING MARKET ASSESSMENT

Through an analysis of Fairfax County demographic and housing data, **the following housing market trends emerged.**

### Greater Availability of Homes at 120% AMI

**48% of homes sold in the last 3 years** were affordable to under **120% AMI Households** under current WDU pricing.

### Lack of Availability of Homes at <100% AMI

Meanwhile, **only 16% of homes sold in the last 3 years** were affordable to under **80% AMI Households**.

### Limited Supply of Affordable Larger Homes

Only **11% of homes sold had 3+ bedrooms** and were affordable to households **earning under 100% AMI**.

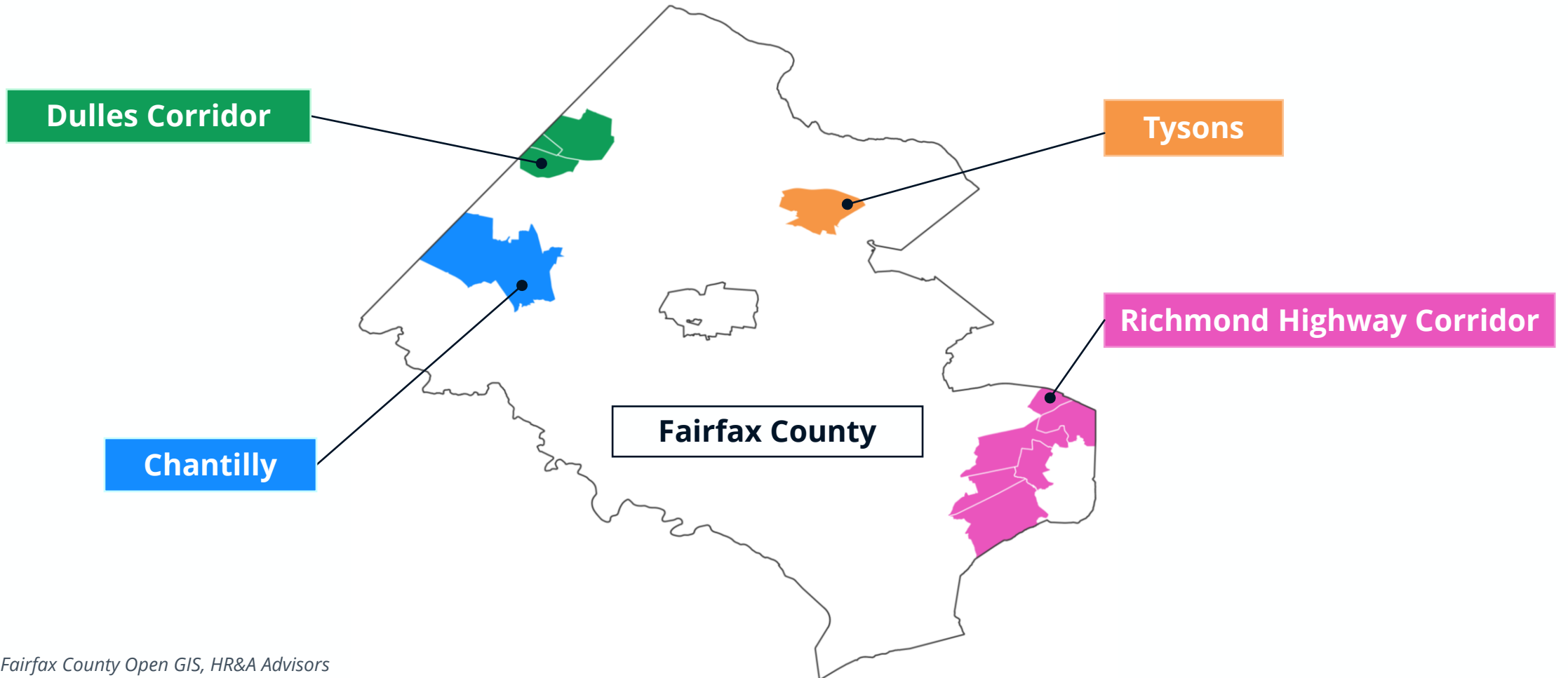
### Variation Across Submarkets

Availability and size of homes affordable to households earning under 100% AMI varies **significantly by location within the county**.

*Note: Data from the ACS, the US Census, PUMS, and Fairfax County sales records were used in this analysis. Corresponding sources and years are noted on each slide.*

## HOUSING MARKET ASSESSMENT

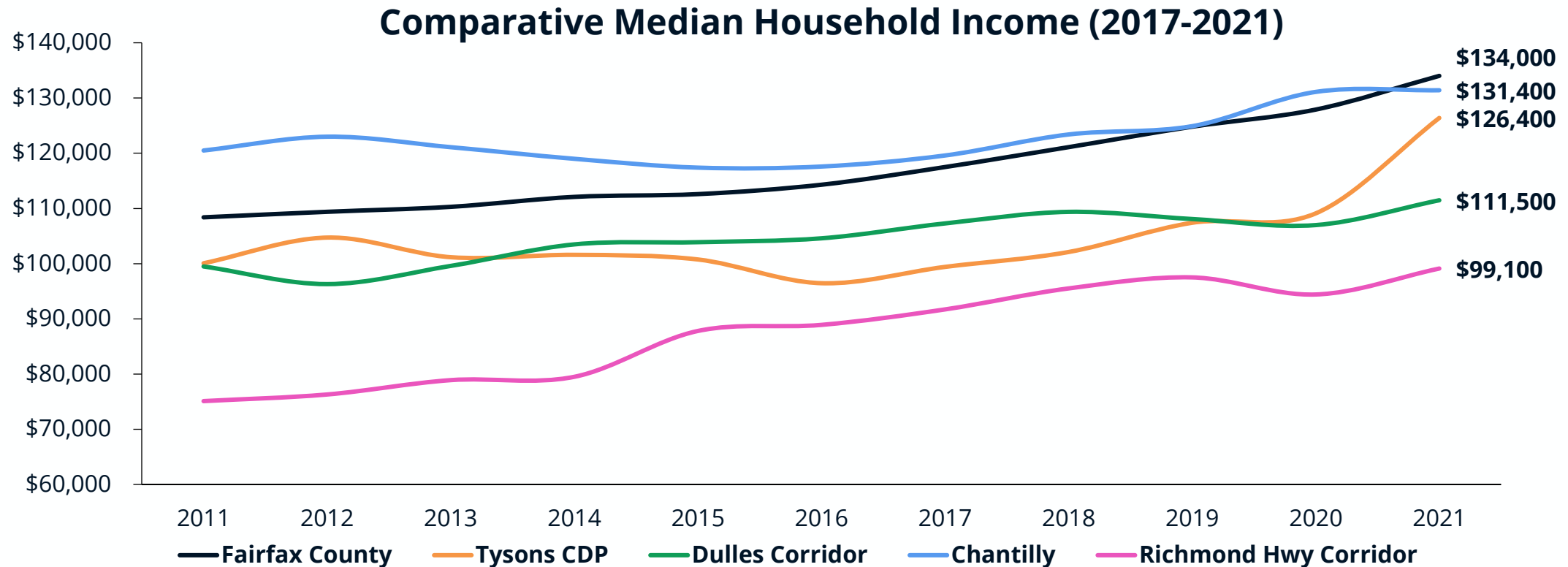
In addition to countywide trends, the following section will also highlight **characteristics of the following four submarkets.**



Source: Fairfax County Open GIS, HR&A Advisors

## HOUSING MARKET ASSESSMENT: DEMOGRAPHICS

**Household incomes vary across the County.** While they are higher in Tysons and Chantilly, they are lower along the Dulles and Richmond Hwy Corridors. In Richmond Hwy specifically, incomes are generally lower for both renters and homeowners.

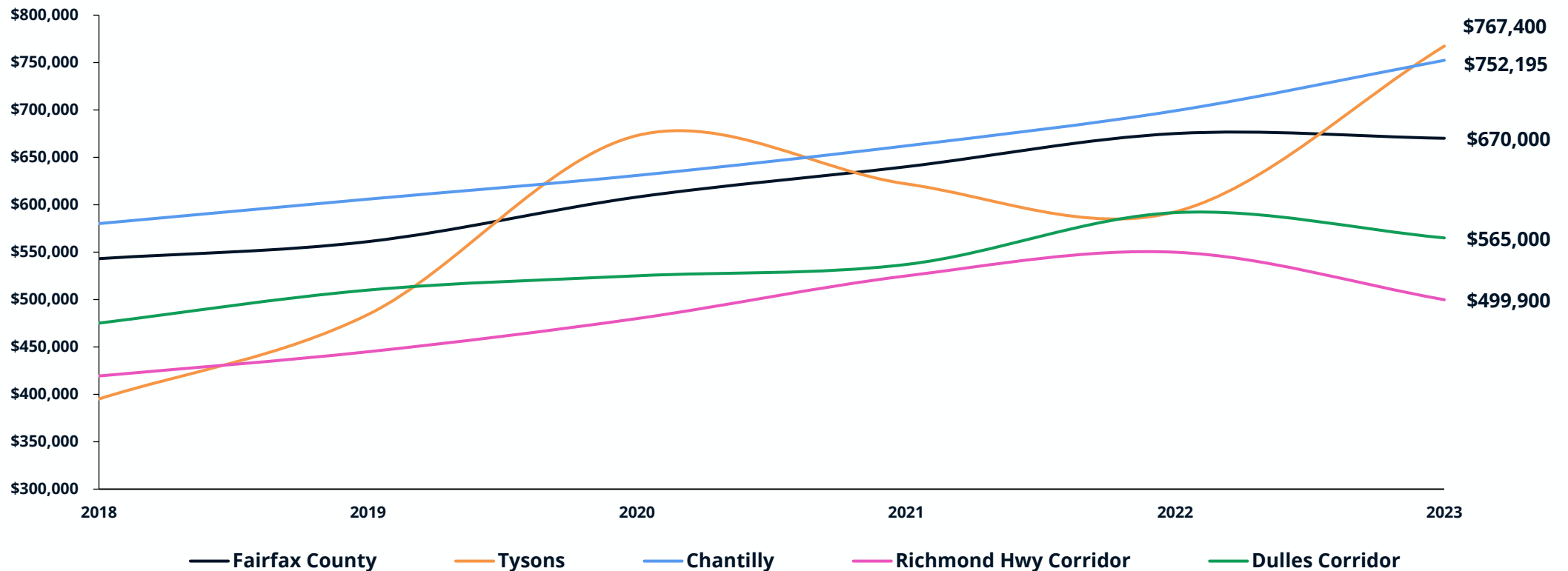


*Source: American Communities Survey, 2011-2021 5-year estimates. 2011 – 2016 Estimates for Tysons utilize different geographic boundaries, as CDP boundaries changed in 2017.*

## HOUSING MARKET ASSESSMENT: DEMOGRAPHICS

The median homes sales price in Fairfax County overall has **increased 23% since 2018**, with **Tysons experiencing the largest increase**.

Median Home Sale Price by Year and Geography (2018 - 2023)

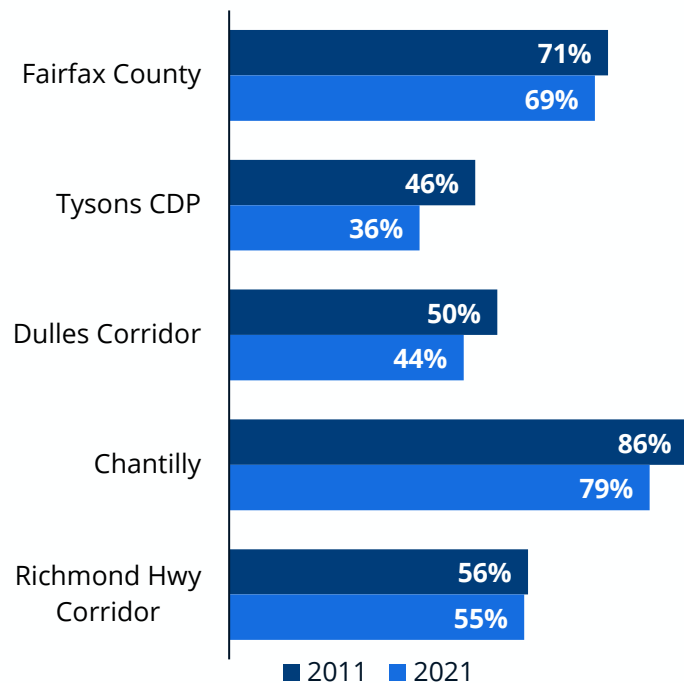




## HOUSING MARKET ASSESSMENT: DEMOGRAPHICS

**Fairfax County is adding renters at a faster rate than new homeowners,** a function of the unit types being produced.

### Comparative Homeownership Rates (2011 – 2021)



### New Households by Tenure (2011 – 2022)

Net Owner Change

**+6,300 (+2%)**

Net Renter Change

**+16,800 (+15%)**

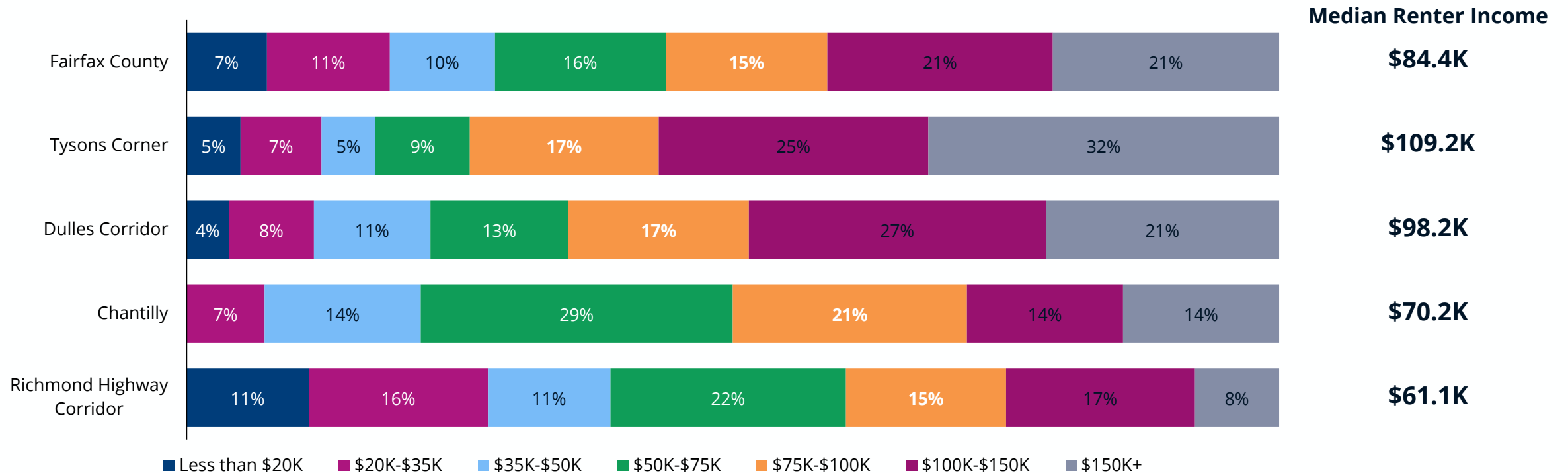
*Source: American Communities Survey, 2011-2021 5-year estimates. 2011 Estimates for Tysons utilize different geographic boundaries, as CDP boundaries changed in 2017.*

## HOUSING MARKET ASSESSMENT: DEMOGRAPHICS

**Nearly 40% of renter households earned more than \$100K a year.**

Of renters in Tysons, more than half earn more than \$100K.

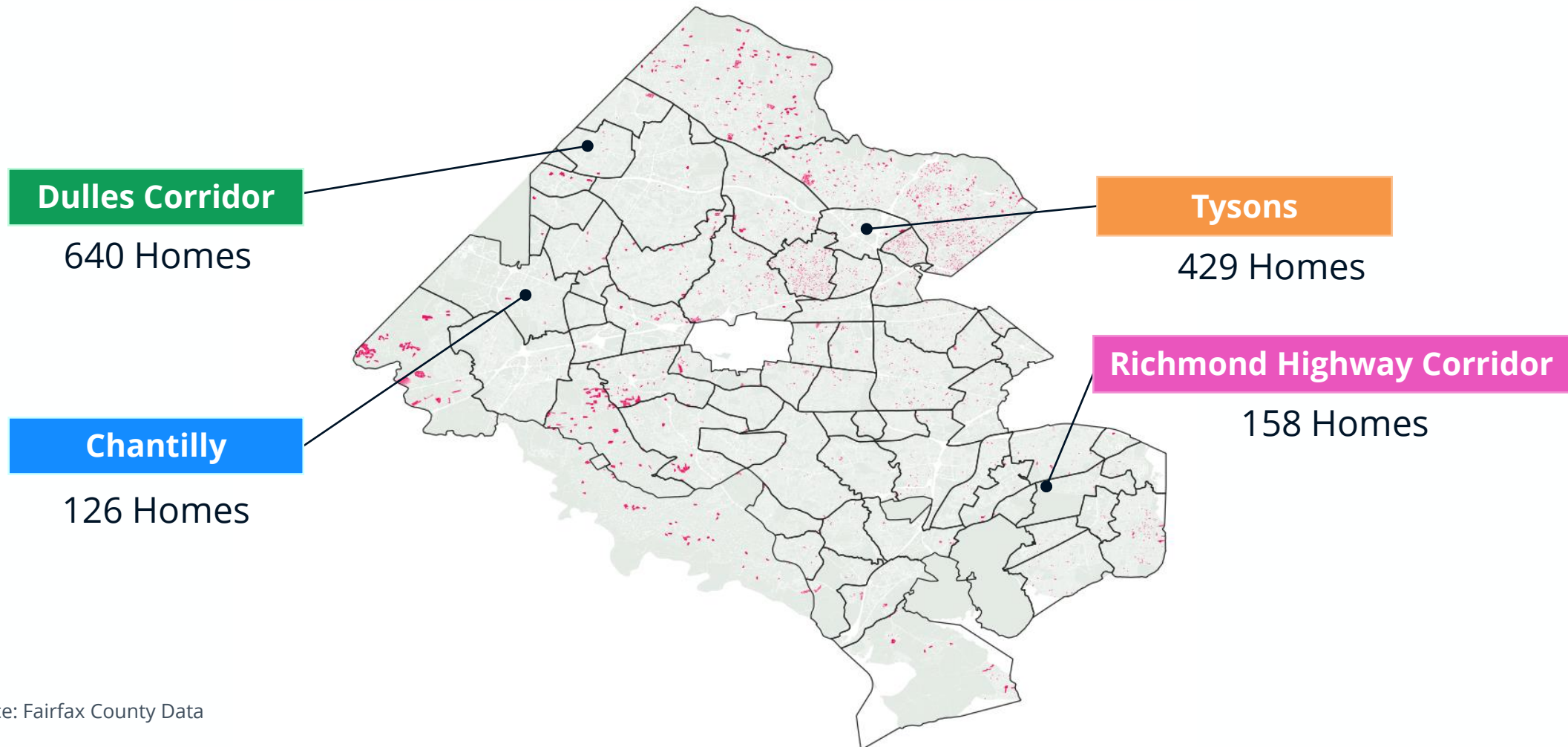
### Renter Income Distribution (2021)



Source: American Communities Survey, 2011-2021 5-year estimates

## HOUSING MARKET ASSESSMENT: SUPPLY

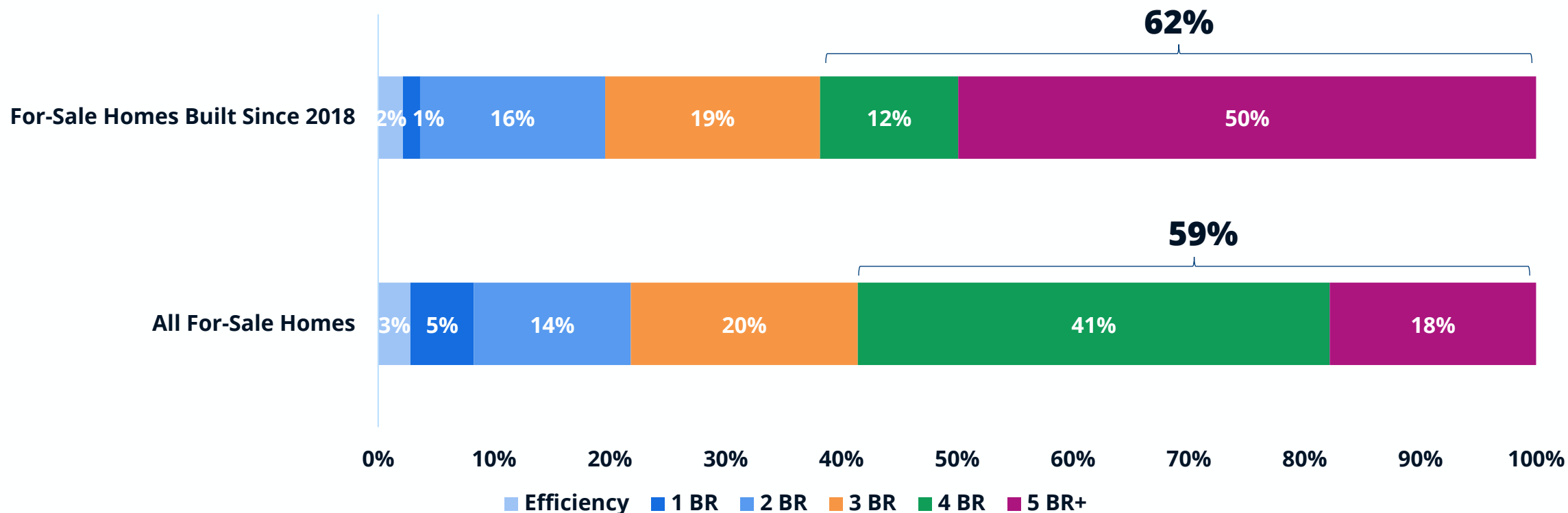
Since 2018, there have been **over 6,400 new homes built** in Fairfax County, accounting for 2% of all existing homes.



## HOUSING MARKET ASSESSMENT: SUPPLY

For-sale homes built since 2018 are **heavily weighted towards larger units** with 4 and 5+ bedrooms. Since 2018, 50% of homes built had 5+ bedrooms.

### For-Sale Units by Number of Bedrooms



Source: Fairfax County sales data

Note: For-sale homes built since 2018 reflects all units produced. This data is not restricted to units produced through entitlements.

## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

The following summary trends are based on the market supply and demographic information presented in the preceding analysis.

### High Level Takeaways

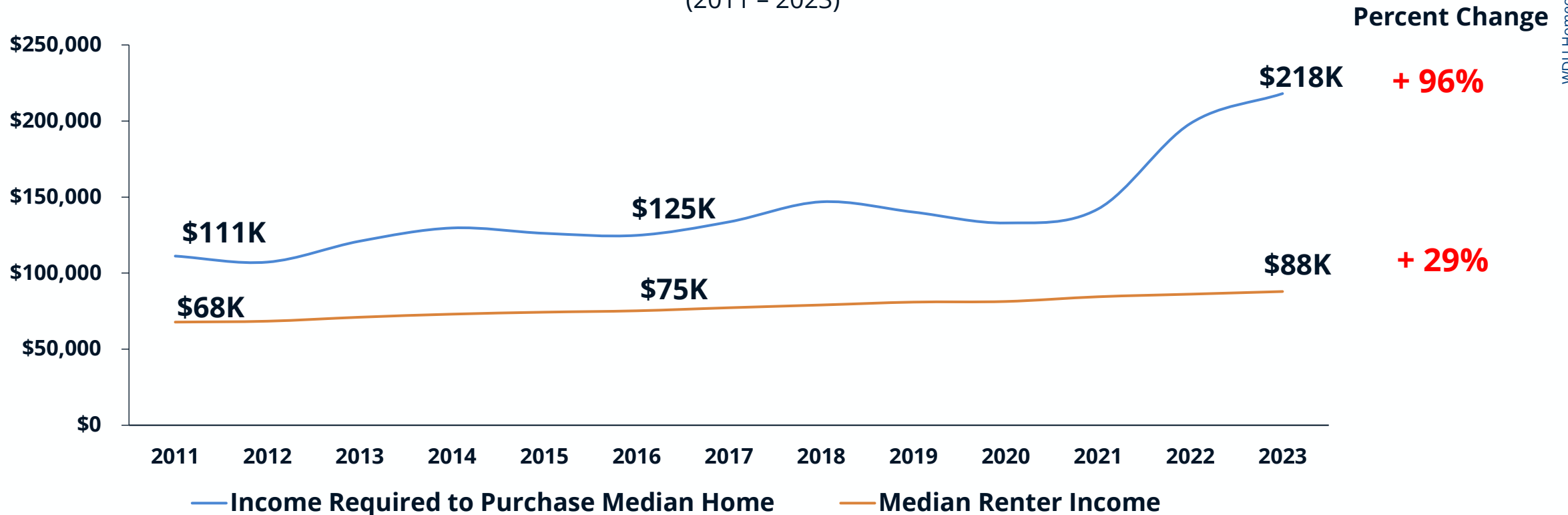
- Since 2011, the income requires to purchase a **median priced home has increased by over \$100K**. Meanwhile, **median renter incomes increased by only \$20K**.
- Renter households earning **below 80% AMI have limited options** throughout the county, only **16% of homes sold** in the last 3 years would be affordable to 80% AMI households.
- Renter households **earning between 100%-120% AMI, have alternative options** compared to units priced at WDU pricing levels.

*Source: The Median Income Required to Purchase a home is based on Zillow Home Value Index Data, All Homes Time Series. The mortgage payment includes, principal interest, insurance and taxes. It assumes 20% down payment, and an interest rate of 6% percent.*

## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

The **income required to purchase a median priced home has increased by over \$100K** while median renter incomes increased only \$20K.

**Home Values Compared with Median Renter Income**  
(2011 - 2023)



*Source: The Median Income Required to Purchase a home is based on Zillow Home Value Index Data, All Homes Time Series. The mortgage payment includes, principal interest, insurance and taxes. It assumes 20% down payment, and an interest rate of 6% percent.*

## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

The next piece of analysis **compares existing 2022 WDU pricing to home sale prices** in Fairfax County from the past 3 years.

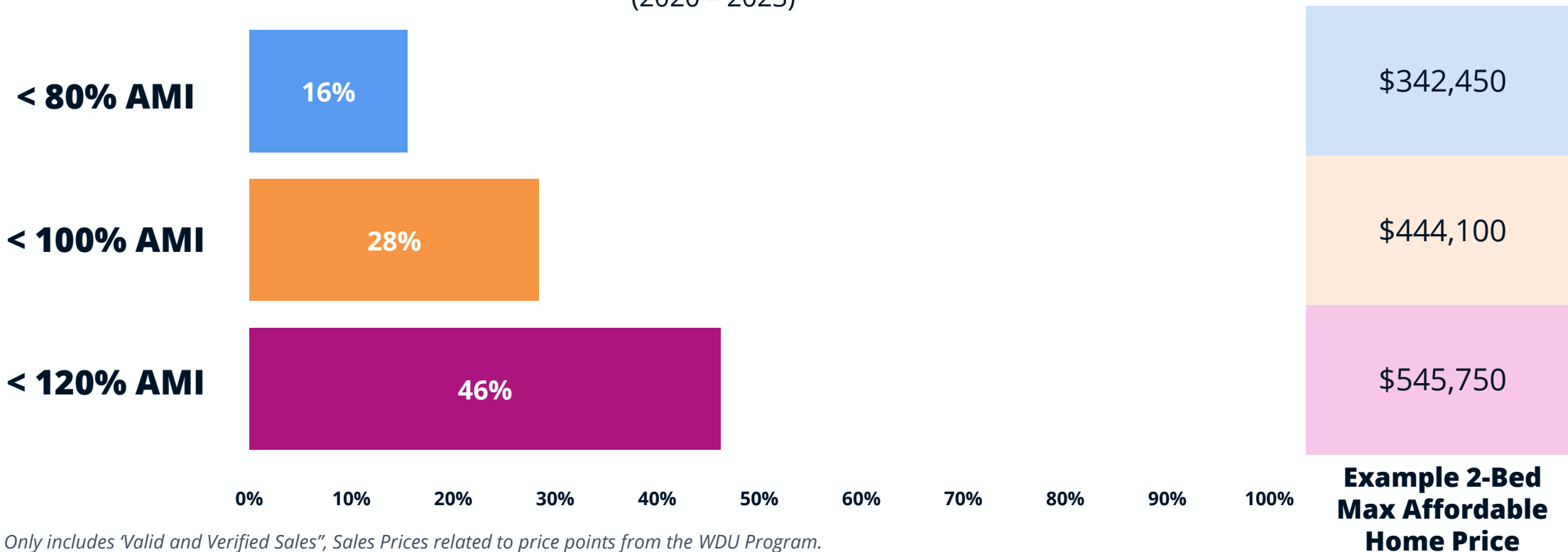
### County WDU Program Pricing by AMI

	4-Person Household Income	Maximum Affordable 2-Bedroom Home Under 2022 WDU Pricing
<b>&lt; 80% AMI</b>	\$113,850	\$342,450
<b>&lt; 100% AMI</b>	\$142,300	\$444,100
<b>&lt; 120% AMI</b>	\$170,750	\$545,750

## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

**For households earning below 100% AMI, options within a households' price range are limited.** However, for households earning 100% - 120% AMI, nearly half of all homes sold fall in that price range.

**Cumulative Share of Homes Affordable By AMI Levels for Households**  
(2020 - 2023)



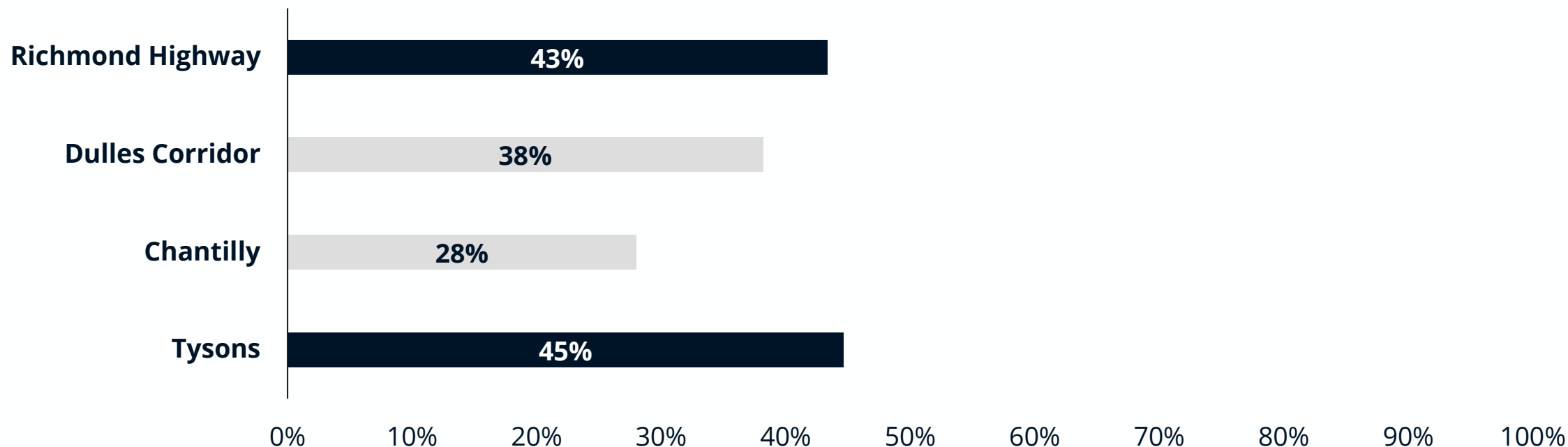
*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County sales data, HR&A Advisors*



## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

**The share of sales affordable to households earning <100% AMI varies by location** with a greater share in Richmond Highway and Tysons.

**Share of Home Sales Affordable to Households <100% AMI**  
(2020 - 2023)

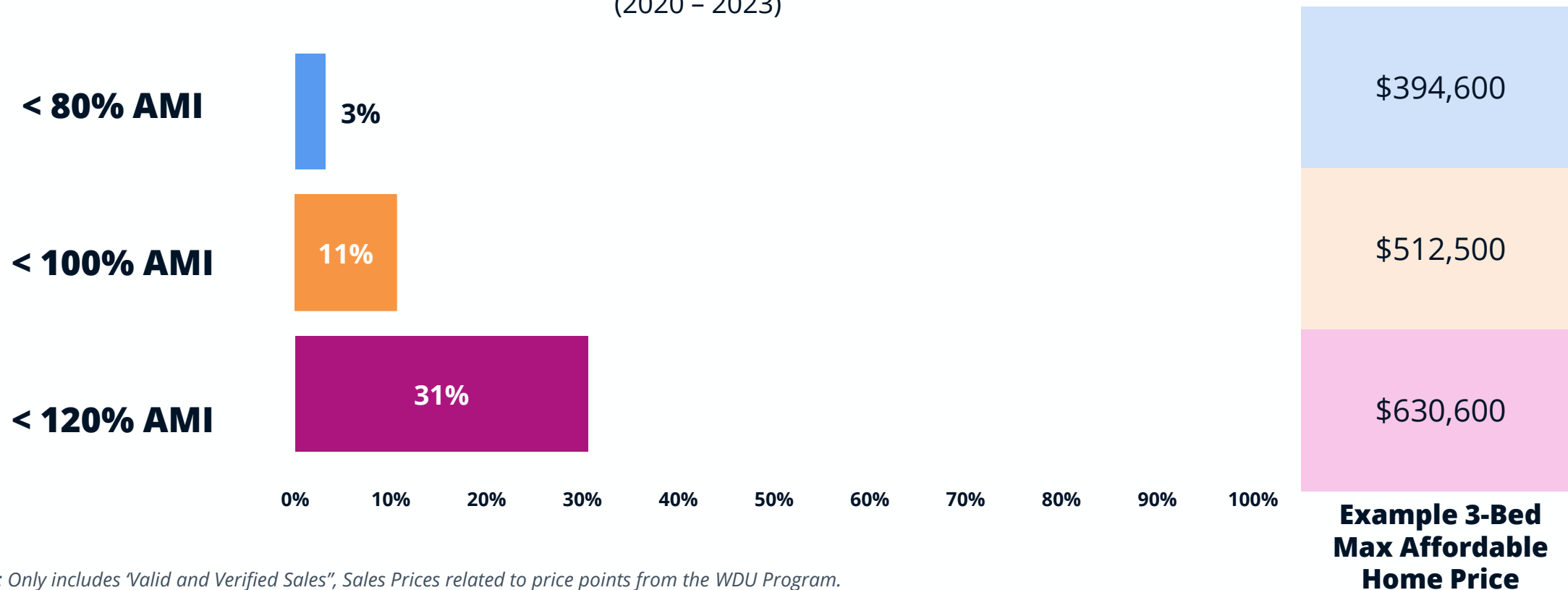


*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County, HR&A Advisors*

## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

**All AMI groups have somewhat limited options for three-bedroom or larger units.** Households earning under 100% AMI are most constrained and likely competing with higher-income households for these units.

**Cumulative Share of Homes with 3+ Bedrooms, Affordable By AMI Levels**  
(2020 – 2023)

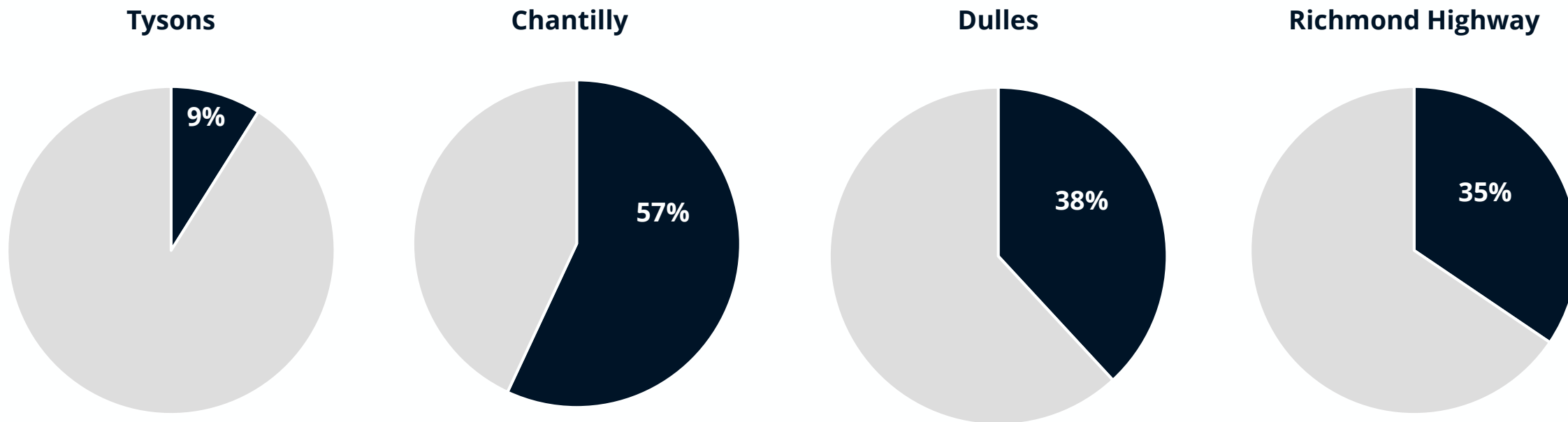


*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County sales data, HR&A Advisors*


## HOUSING MARKET ASSESSMENT: GAPS AND OPPORTUNITIES

However, **the size of units affordable to households earning <100% AMI do vary significantly by submarket.**

Share of Home Sales Affordable to Households <100% AMI with 3+ Bedrooms  
(2020 - 2023)



*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County sales data, HR&A Advisors*

The background image shows a large, multi-story residential or institutional building with a mix of brick and white siding. It features a prominent central entrance with a glass-enclosed porch. The building is surrounded by lush green trees, and several cars are parked in the foreground on a paved area. The overall scene is captured in a slightly dimmed, high-angle perspective.

# Fairfax County Workforce Dwelling Unit Program Recommendations

## RECOMMENDATIONS OVERVIEW

**Program recommendations encompass both administrative updates and policy changes,** requiring approval from the Board of Supervisors.

### 1: Optimize Affordability Levels

**1.1:** Align affordability levels to reduce competition with market rate units by shifting the program away from the 120% AMI level.

**1.2:** Shift the program affordability distribution to include units affordable at or below 70% AMI.

### 2: Bedroom Distribution

Require proportionality between the bedroom mix of WDUs and that of market-rate units, with flexibility for family-sized WDUs.

### 3: Geographic Applicability

**3.1** Extend the WDU program to encompass all areas within Fairfax County's jurisdiction that are zoned or planned for medium- to high-density residential.

**3.2** The high-rise policy should not be extended outside of Tysons at this time.

*Policy Changes*

### 4: WDU Pricing Adjustments

**4.1:** Update the WDU pricing model to better reflect affordability for households.

**4.2:** Create two pricing schedules to better capture variability in HOA and condo fees across unit types.

### 5: Refine Resale Requirements

Tie maximum WDU resale prices to AMI growth rather than CPI as is currently used.

### 6: Assess Price Control Term

Maintain the existing 30-year renewing affordability term.

*Administrative Updates*



# Optimize Affordability Levels

## RECOMMENDATION 1: OPTIMIZE AFFORDABILITY LEVELS

The countywide WDU policy currently requires **a proportional mix of units at 120% AMI, 100%, AMI, and 80% AMI.**



### Challenges and Considerations

- WDUs priced at higher AMI levels, especially at 120% AMI, stay on the market for long periods of time and often require price reductions to sell
- There is significant demand in Fairfax County for units affordable at or below 80% AMI, but there are also challenges to maintain homeownership at deep levels of affordability



### Goals for Program Recommendations

- *Balance supply and demand to avoid competition with market rate units, reducing the time units take to sell and limiting the need for seller incentives*
- *Ensure sufficient options for households at lower AMI levels while minimizing impacts to overall housing production and potential overlap with ADUs*



# 1.1

## Optimize Affordability Levels



## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

Align affordability level to reduce competition with market rate units by **shifting the program away from the 120% AMI level.**

### Findings

- **46% of all homes sold** since 2020 are affordable to households earning between 100% and 120% AMI.
- Households earning 100-120% AMI have **options** across different **unit sizes and locations** within the County.
- **42%** of all 120% AMI WDUs **have not sold** (compared to 12% of 100% AMI WDUs).

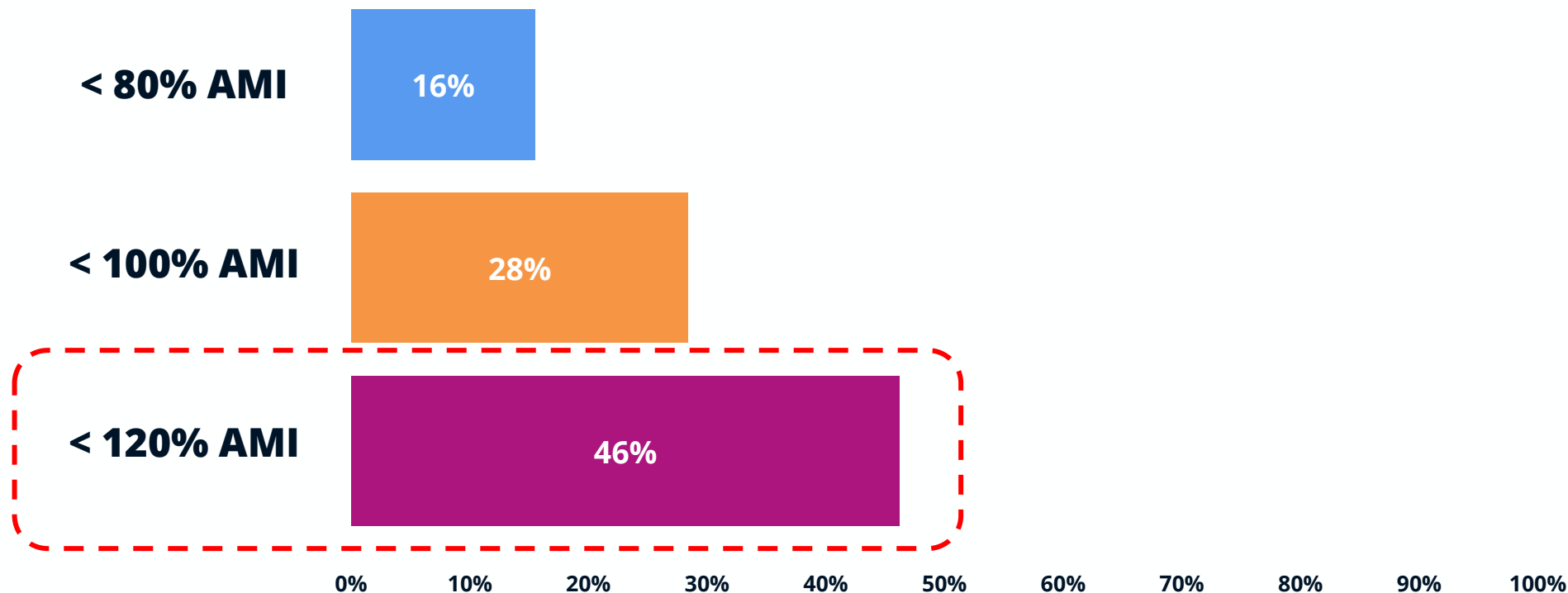
### Recommendations

- **Remove the 120% AMI level from the program** and serve only households earning up to 100% AMI.

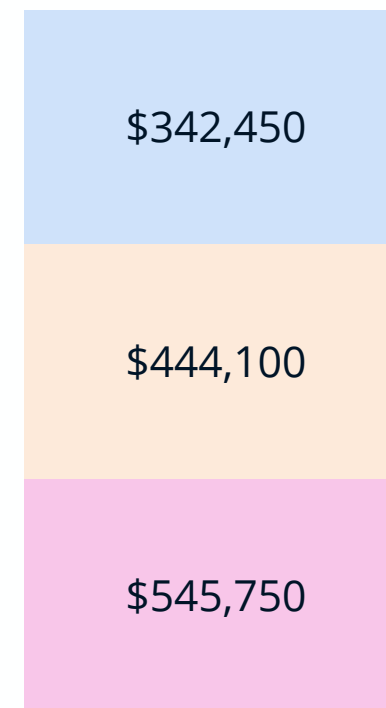
## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

There are **many market-rate homes for sale that are affordable to households earning between 100% and 120% AMI.**

Cumulative Share of Homes Affordable By AMI Levels for Households  
(2020 – 2023)



Example 2-Bed  
Max Affordable  
Home Price

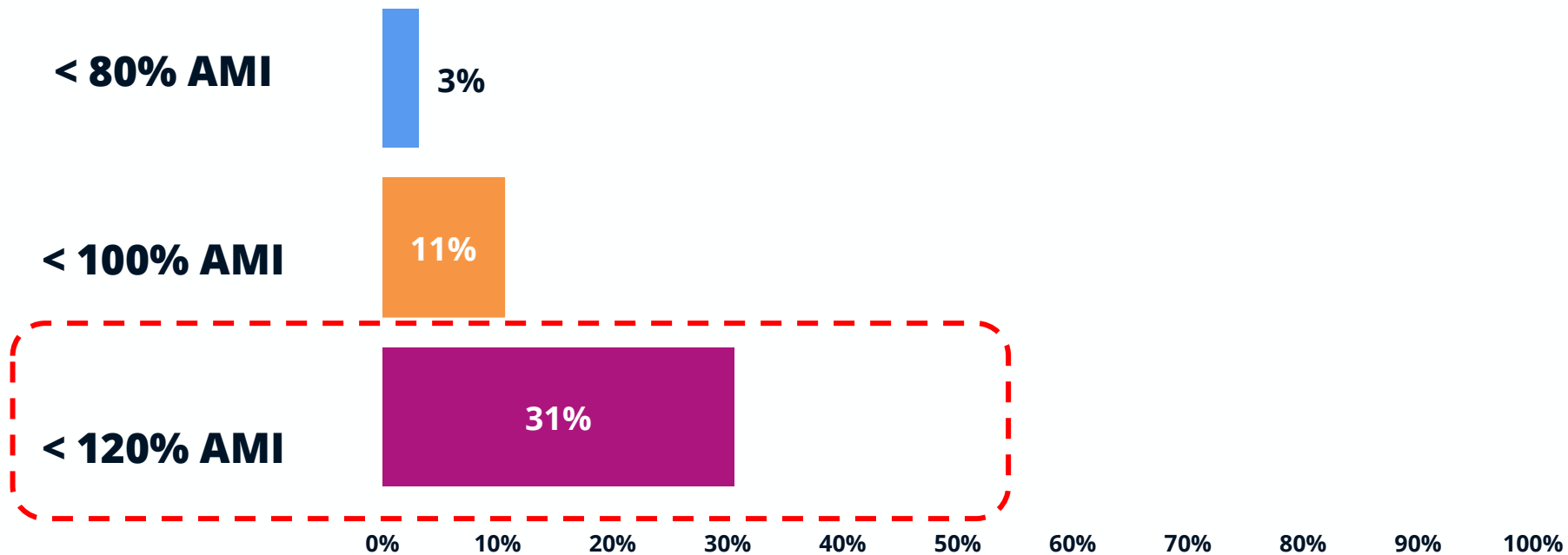


Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County sales data, HR&A Advisors

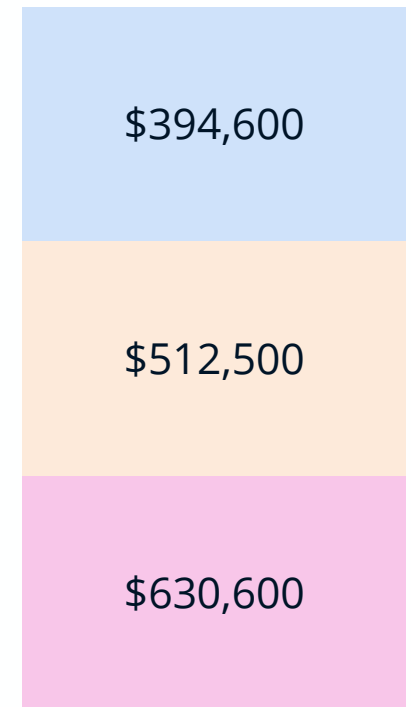
## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

While still constrained, there is also a **greater supply of larger (3+ BR) homes** affordable to households earning between 100% and 120% AMI.

**Cumulative Share of Homes with 3+ Bedrooms, Affordable By AMI Levels**  
(2020 – 2023)



**Example 3-Bed  
Max Affordable  
Home Price**

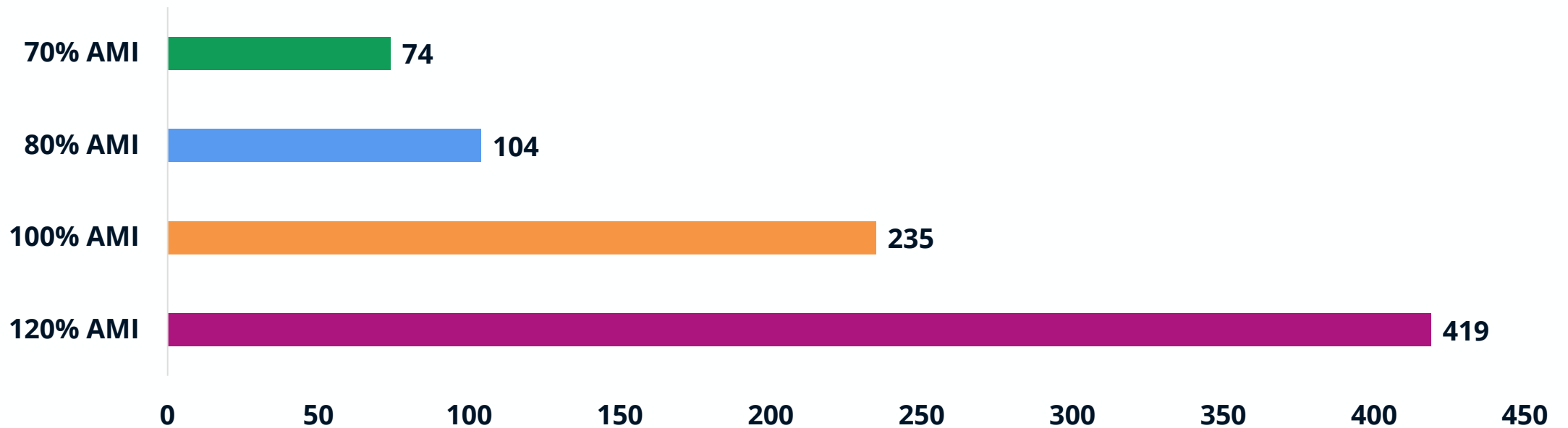


*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program.  
Source: Fairfax County sales data, HR&A Advisors*

## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

Likely in part due to competition with market rate units, **WDUs priced at 120% AMI and 100% AMI spend the longest time on the market.**

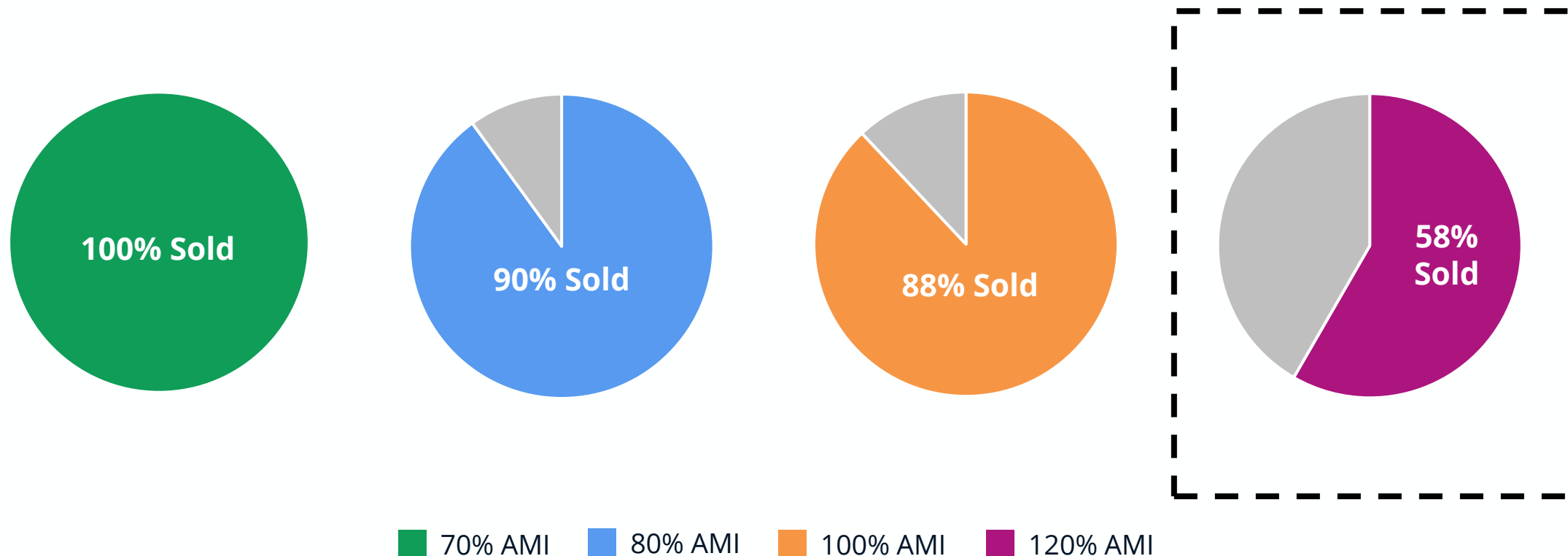
Average WDU Unit Days to Sale by AMI



Source: Fairfax County WDU Production Data April 2023

## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

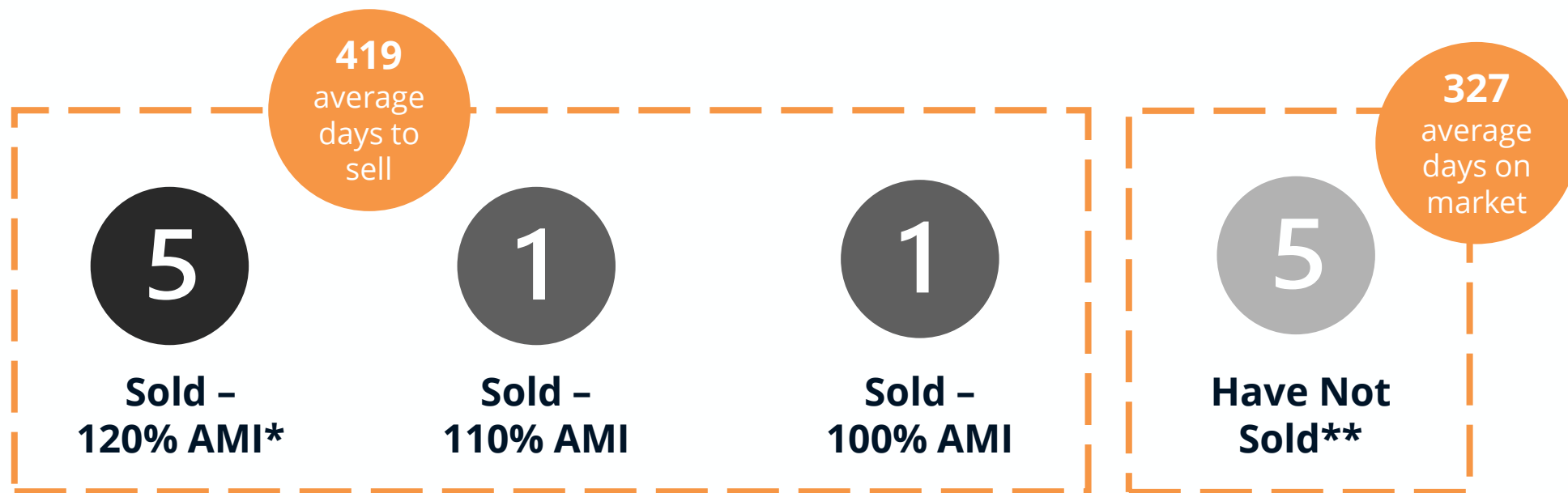
Similarly, as of April 2023, **a greater proportion of WDUs priced at 120% AMI had not yet sold**, likely also reflecting market competition.



Source: Fairfax County WDU Production Data April 2023

## RECOMMENDATION 1.1: OPTIMIZE AFFORDABILITY LEVELS

Meanwhile, 120% AMI units that have sold did so under either outdated, lower pricing or outright price reductions.



*\*These sales were implicitly discounted because they were priced according to 2017 AMIs*

*\*\*List price reduced to ~100% AMI*

*Note: Homes that sold saw \$65K and \$112K price reductions, respectively. Those still on the market include \$50-\$180K in reductions.  
Source: Fairfax County WDU Production Data April 2023*



# 1.2

## Optimize Affordability Levels (70% AMI)

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Shift the required program affordability distribution to **include units affordable at or below 70% AMI.**

### Findings

- As compared to the affordability mix of the program in practice, **including more units at 70% AMI will have a minimal revenue impact.**
- There is significant demand for units at 80% AMI and below, suggesting **these units will sell quickly and reduce carrying costs.**
- Some participating **developments already include WDUs priced at 70% AMI.**

### Recommendations

- **Expand the program** to include units priced up to 70% AMI.
- Building on the previous recommendation to remove 120% AMI units, create a required program unit distribution as follows:
  - 4% of units at up to 100% AMI
  - 4% of units at up to 80% AMI
  - 4% of units at up to 70% AMI



## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Without 120% AMI units, there are **several possible ways to distribute WDU**s across other affordability levels, including introducing 70% AMI units to provide deeper affordability.

Baseline Scenario	Scenario 2	Scenario 3
<b>Even Distribution</b> 6% at ≤ 80% AMI 6% at ≤ 100% AMI	<b>More ≤ 80% AMI</b> 9% at ≤ 80% AMI 3% at ≤ 100% AMI	<b>Extended Affordability</b> 4% at ≤ 70% AMI 4% at ≤ 80% AMI 4% at ≤ 100% AMI

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

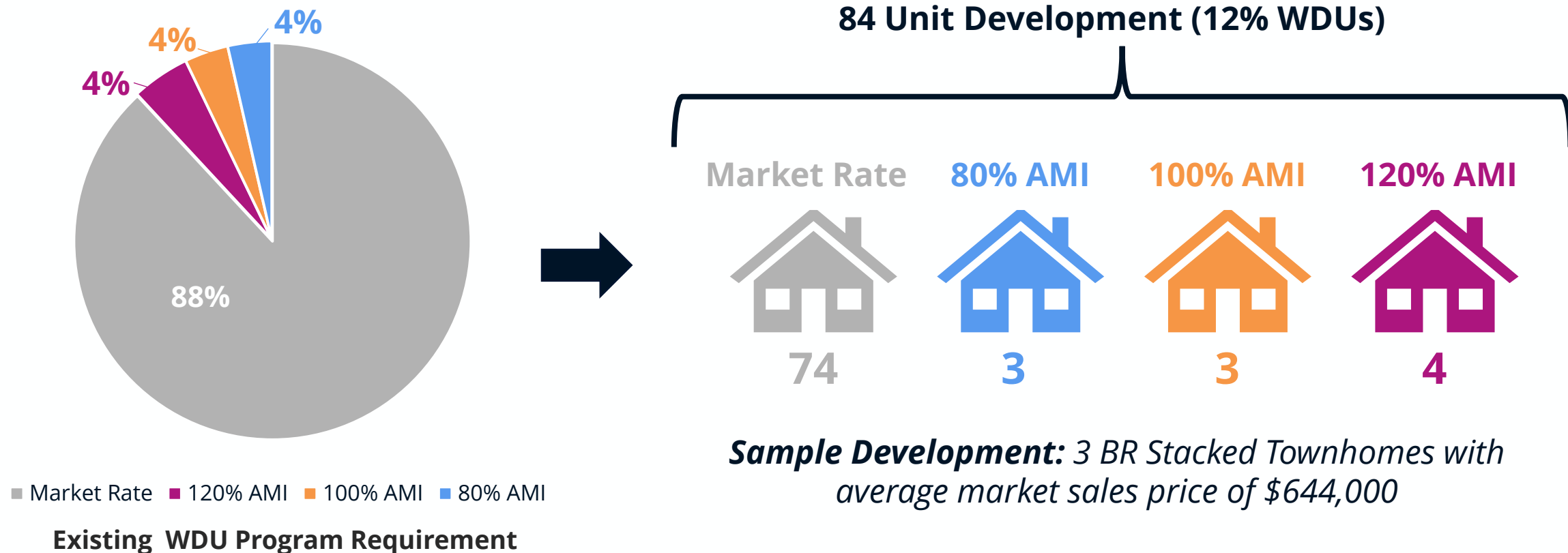
**None of the potential distributions tested adversely impacted development feasibility,** including extending the program to 70% AMI.

Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
<b>Even Distribution</b> 6% at ≤ 80% AMI 6% at ≤ 100% AMI	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>
<b>More ≤ 80% AMI</b> 9% at ≤ 80% AMI 3% at ≤ 100% AMI	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>
<b>Extended Affordability</b> 4% at ≤ 70% AMI 4% at ≤ 80% AMI 4% at ≤ 100% AMI	<b>Feasible</b>	<b>Borderline</b>	<b>Feasible</b>	<b>Feasible</b>	<b>Feasible</b>

*Note: This feasibility testing followed the methodology described in the previous Introduction to Inclusionary Zoning section. An equity multiple calculation (a ratio of developer equity invested to net profit) was used to evaluate feasibility. A feasible project is defined as one with an equity multiple of 2.0x or higher. Borderline reflects a project with an equity multiple below 2.0x but above 1.70x. Any project with an equity multiple below 1.70x is considered infeasible.*

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

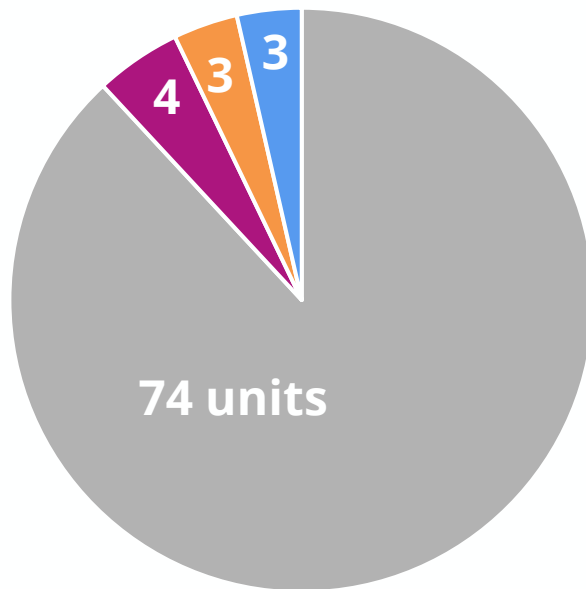
**As written, the WDU program requires an even split of units** between 120%, 100%, and 80% AMI.



Note: Hypothetical 75-unit stacked townhome development with 3-BR units; total units are 84 after 12% WDU bonus

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Using a sample development **including WDUs** in accordance with the existing policy as written **yields total sales of \$52.5M.**



■ Market Rate ■ 120% AMI ■ 100% AMI ■ 80% AMI

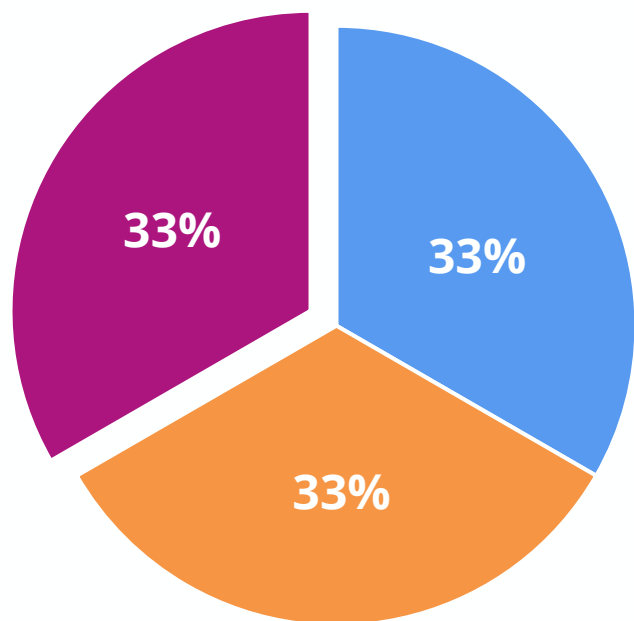
**Existing WDU Program Requirement**  
**84 Unit Development (12% WDUs)**

Existing WDU Program Requirement	
<b>Market Sales</b>	<b>\$47,600,000</b> $\$643,500 \times 74 \text{ units}$
<b>WDU Sales</b>	<b>\$4,700,000</b> $\$551,800 \times 4 \text{ units}$ $\$455,700 \times 3 \text{ units}$ $\$359,400 \times 3 \text{ units}$
<b>Total Sales</b>	<b>\$52,300,000</b>

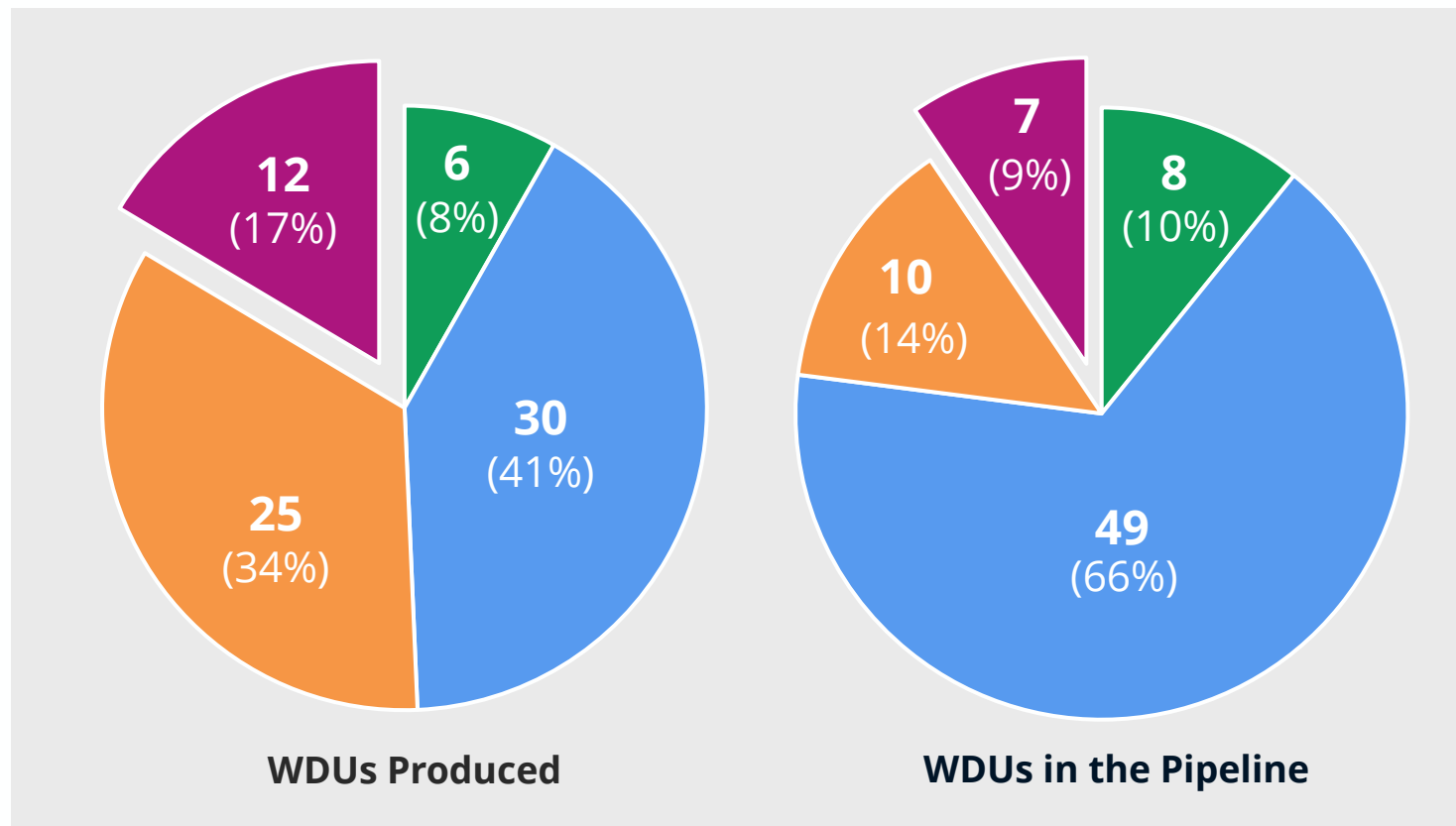
*Note: WDU prices reflect updated pricing as of September 2023 for stacked townhomes and condo units. Pricing will be different for townhome units due to the distinct condo fee assumption.*

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Due to unique proffer agreements, **fewer 120% AMI units are being produced** or are in the pipeline than are required.



Existing WDU Program Requirement



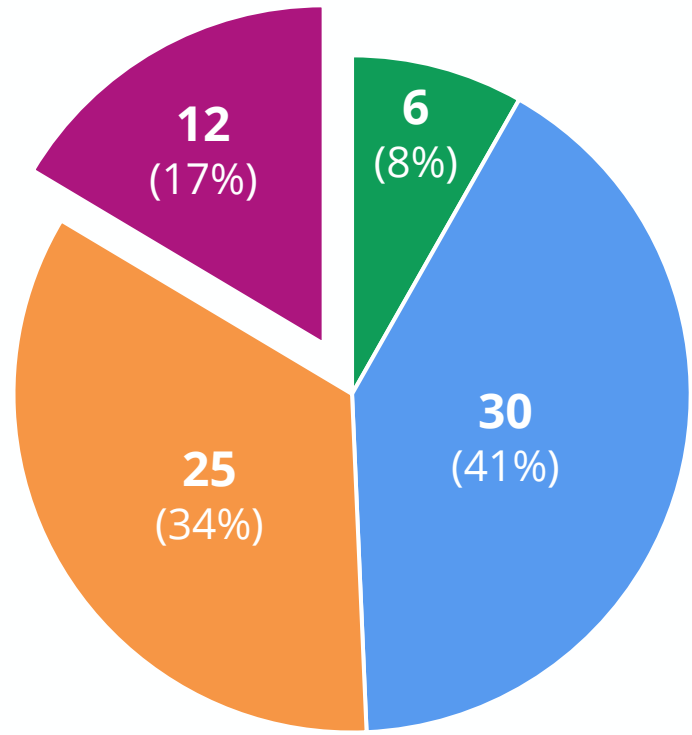
WDU Units Produced

WDU Units in the Pipeline

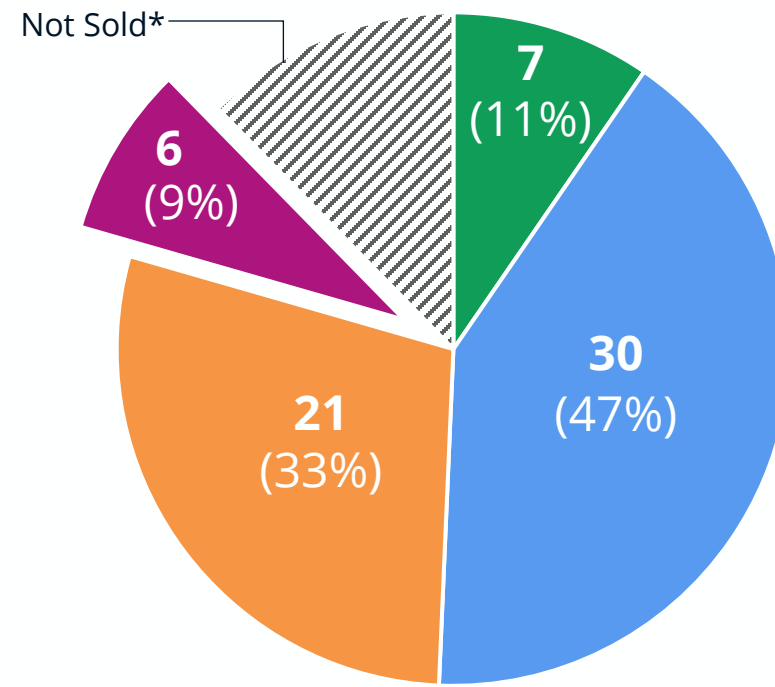
70% AMI 80% AMI 100% AMI 120% AMI

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

**Only half of units proffered at 120% AMI have sold for the original price** set for this AMI category.



WDUs Produced



WDUs Sold By Actual Sales Price

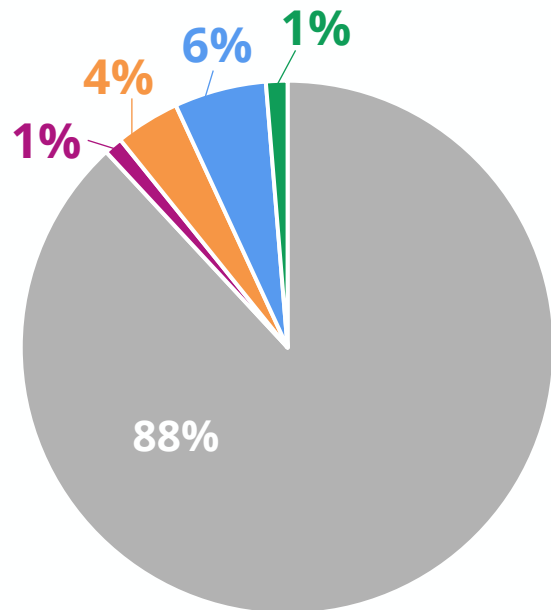
70% AMI 80% AMI 100% AMI 120% AMI

*\*"Actual sales prices" reflect one 80% AMI unit that sold at 70% AMI, two 100% AMI units that sold at 80% AMI, and one 120% AMI unit sold at 100% AMI plus units that have not sold*

*\*As of April, one 80% AMI unit, three 100% AMI units, and five 120% AMI units had not yet sold*

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

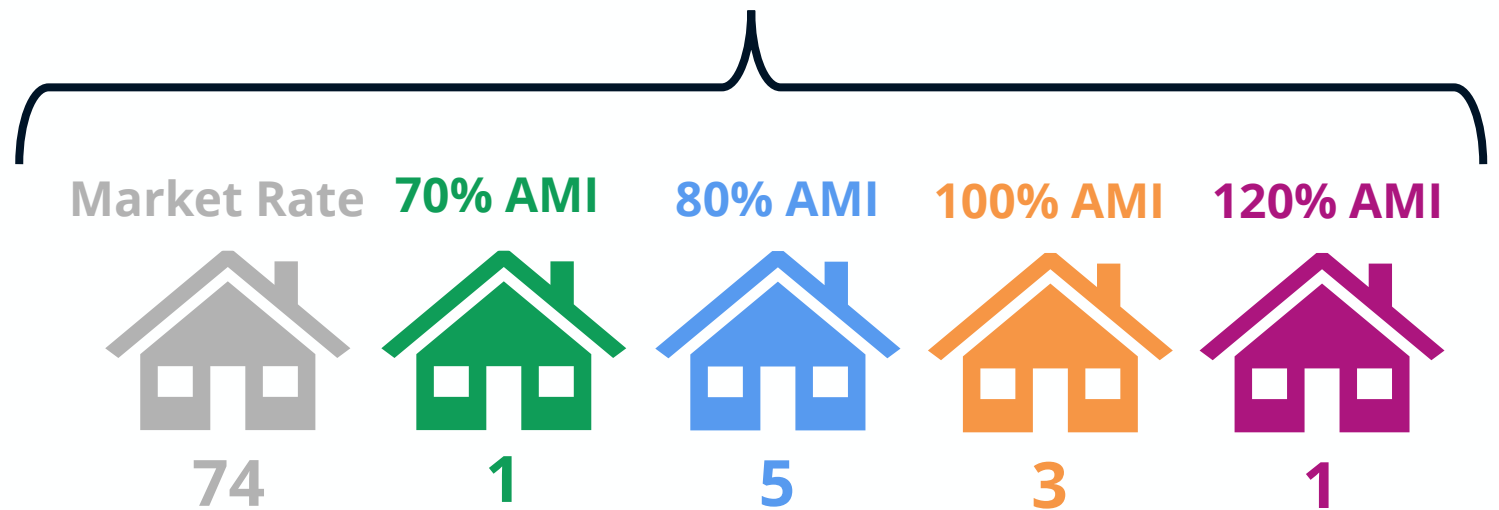
Although the program requires that one-third of all WDUs be priced at 120% AMI, in practice only **9% of WDUs are sold at that price point.**



**WDUs Sold By Actual Sales Price  
84 Unit Development (12% WDUs)**

■ Market Rate ■ 120% AMI ■ 100% AMI ■ 80% AMI ■ 70% AMI

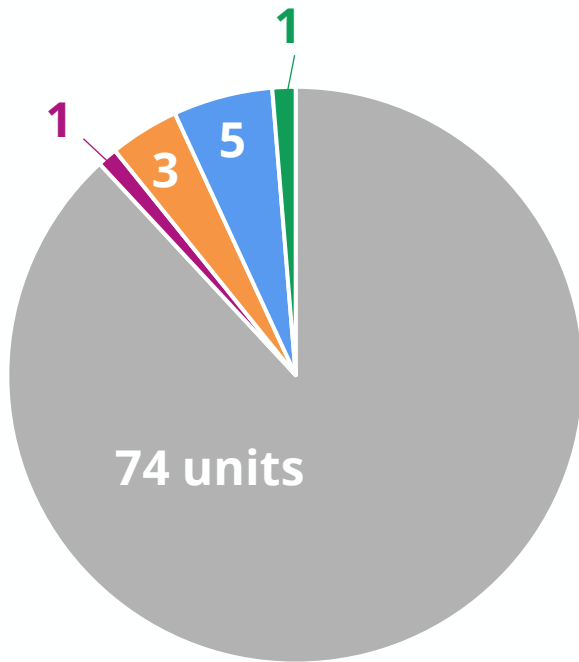
### 84 Unit Development (12% WDUs)



**Sample Development:** 3 BR Stacked Townhomes with average market sales price of \$644,000

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

Given that units proffered at 120% AMI often sell at lower prices, in practice **revenues generated** from the sale of WDUUs are **lower**.



WDUs Sold by Actual Sales Price  
84 Unit Development (12% WDUUs)

■ Market Rate ■ 120% AMI ■ 100% AMI ■ 80% AMI ■ 70% AMI



	WDU Program Requirement	WDUs Sold By Actual Sales Price
<b>Market Sales</b>	<b>\$47,600,000</b> <i>\$643,500 x 74 units</i>	
<b>WDU Sales</b>	<b>\$4,700,000</b> <i>\$551,800 x 4 units</i> <i>\$455,700 x 3 units</i> <i>\$359,400 x 3 units</i>	<b>\$4,200,000</b> <i>\$551,800 x 1 units</i> <i>\$455,700 x 3 units</i> <i>\$359,400 x 5 units</i> <i>\$311,350 x 1 unit</i>
<b>Total Sales</b>	<b>\$52,300,000</b>	<b>\$51,700,000</b>
	<b>Difference: \$600,000</b>	

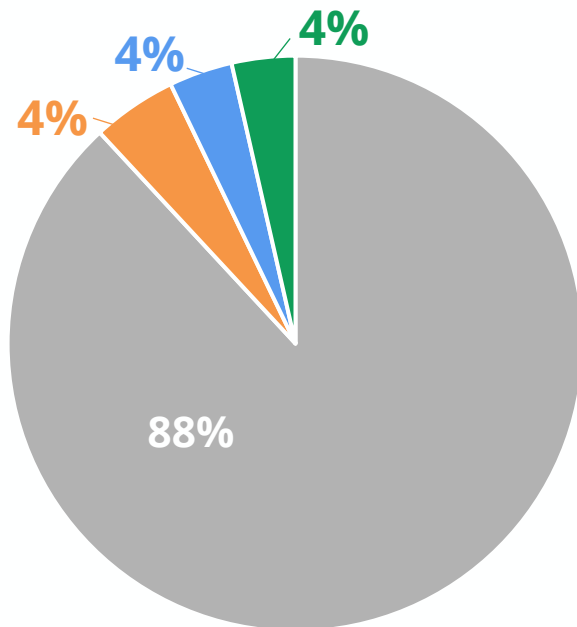
**Note:** WDU prices reflect updated pricing as of September 2023 for stacked townhomes and condo units. Pricing will be different for townhome units due to the distinct condo fee assumption.



## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

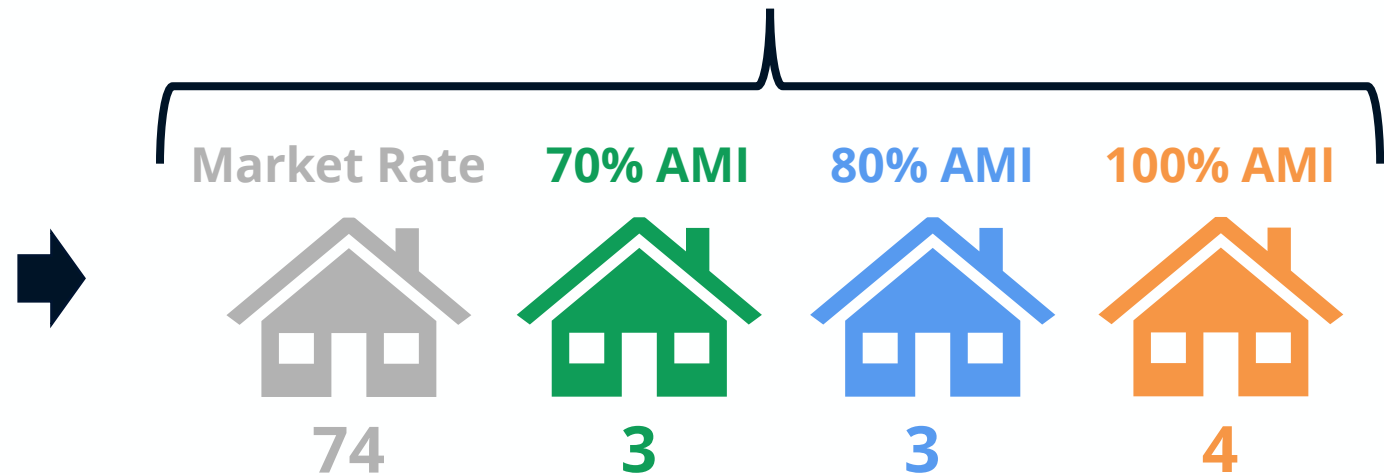
**As proposed, WDUs at 70% AMI are a small fraction** (4%) of the total units in a development.

Proposed Program by AMI Levels



■ Market Rate ■ 100% AMI ■ 80% AMI ■ 70% AMI

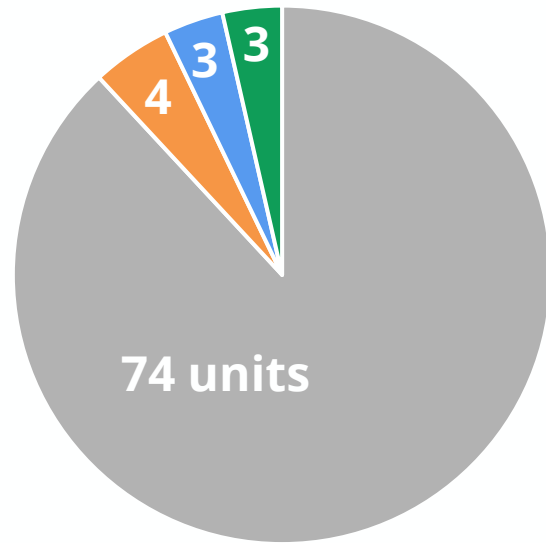
84 Unit Development (12% WDUs)



**Sample Development:** 3 BR Stacked Townhomes with average market sales price of \$644,000

## RECOMMENDATION 1.2: OPTIMIZE AFFORDABILITY LEVELS (70% AMI)

As compared to the program in practice currently, **requiring additional 70% AMI units will have a minimal impact** on revenue.



■ Market Rate ■ 100% AMI ■ 80% AMI ■ 70% AMI

**Proposed Program by AMI Level  
84 Unit Development (12% WDUs)**

	WDUs Sold By Actual Sales Price	Proposed Program
<b>Market Sales</b>	<b>\$47,600,000</b> <i>\$643,500 x 74 units</i>	
<b>WDU Sales</b>	<b>\$4,200,000</b> <i>\$551,800 x 4 units</i> <i>\$455,700 x 3 units</i> <i>\$359,400 x 3 units</i> <i>\$311,350 x 1 unit</i>	<b>\$4,200,000</b> <i>\$455,700 x 4 units</i> <i>\$359,400 x 3 units</i> <i>\$311,350 x 3 unit</i>
<b>Total Sales</b>	<b>\$51,700,000</b>	<b>\$51,500,000</b>
<b>Difference: \$200,000</b>		

**Note:** WDU prices reflect updated pricing as of September 2023 for stacked townhomes and condo units. Pricing will be different for townhome units due to the distinct condo fee assumption.



# 2

## Bedroom Distribution

## RECOMMENDATION 2: BEDROOM DISTRIBUTION

There is **significant demand for affordable, family-sized units**, but the countywide WDU policy does not explicitly require them.



### Challenges and Considerations

- There is significant demand for family-sized (three-bedroom or larger) units in Fairfax County broadly
- The Tysons WDU policy requires WDUs in participating developments to reflect the same bedroom distribution as the market-rate units



### Goals for Program Recommendations

- Adjusting WDU program requirements must balance impact to development economics against important policy goals such as requiring the production of family-sized units

## RECOMMENDATION 2: BEDROOM DISTRIBUTION

**Require proportionality between the bedroom mix of WDUs and that of market-rate units** in participating developments, with flexibility for family-sized (3+ BR) WDUs.

### Findings

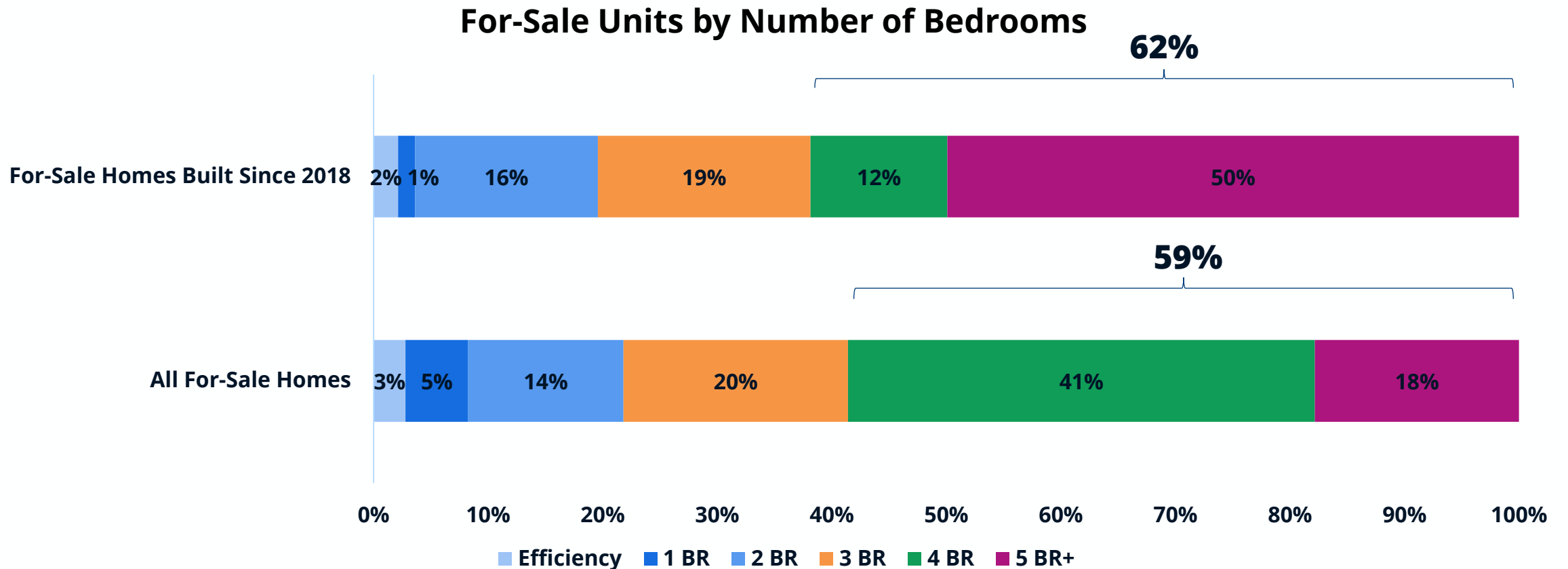
- WDUs in developments of primarily consisting of 3-BR units **do not significantly impact project feasibility**.
- Requiring 5-BR WDUs has a **much larger negative impact on revenue**.

### Recommendations

- Adopt a flexible requirement that **the proportion of family-sized WDUs must match the proportion of family-sized market-rate units** in a participating development.
- Family-sized WDUs are any units with 3 or more bedrooms, ensuring that **larger WDUs are produced without the potential production impacts** of strict proportionality.

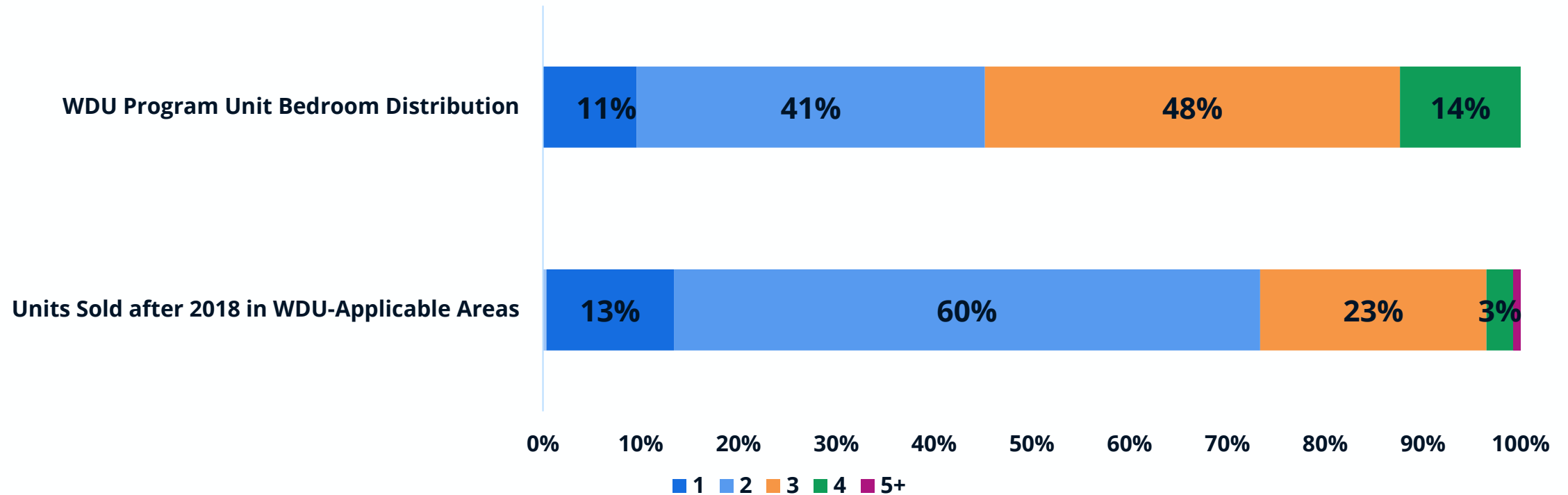
## RECOMMENDATION 2: BEDROOM DISTRIBUTION

**For-sale homes built since 2018 are more heavily weighted towards those with 4 and 5+ bedrooms** indicating overall market demand for larger units.



## RECOMMENDATION 2: BEDROOM DISTRIBUTION

**Sufficient large WDUs are being produced under the current policy** suggesting that market pressures are not significantly reducing the number of large WDUs produced.



*Note: Only includes 'Valid and Verified Sales', Sales Prices related to price points from the WDU Program. Units Sold after 2018 in WDU – Applicable Areas indicates that the sold unit was located in a residential rezoning in the development centers where the WDU policy applies.*

*Source: Fairfax County, HR&A Advisors*

## RECOMMENDATION 2: BEDROOM DISTRIBUTION

Requiring that WDU unit mix match that of the market-rate program (inclusive of 4-bedroom units) is **feasible in most scenarios.**

Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
All Market Rate No Affordable Units	Feasible	Feasible	Feasible	Feasible	Feasible
Proportional Unit Mix	Feasible	Borderline	Feasible	Feasible	Feasible

*Note: This feasibility testing followed the methodology described in the previous Introduction to Inclusionary Zoning section. An equity multiple calculation (a ratio of developer equity invested to net profit) was used to evaluate feasibility. A feasible project is defined as one with an equity multiple of 2.0x or higher. Borderline reflects a project with an equity multiple below 2.0x but above 1.70x. Any project with an equity multiple below 1.70x is considered infeasible.*



## RECOMMENDATION 2: BEDROOM DISTRIBUTION

The difference in pricing between market-rate 5-BR units and 5-BR WDUs is greater than between other, smaller family-sized units causing a **greater impact on overall project feasibility.**

3-Bedroom Sale Price Comparison			5-Bedroom Sale Price Comparison		
Market	WDU	Difference	Market	WDU	Difference
\$731,250	\$476,150	<b>-\$255,100</b> (-29%)	\$1,040,000	\$584,650	<b>\$455,350</b> (-48%)

Note: WDU pricing is 100% AMI and reflects updates to the pricing schedule presented to the WDU For-Sale Policy Task Force



3

Geographic  
Applicability

## RECOMMENDATION 3: GEOGRAPHIC APPLICABILITY

Currently, the WDU policy **applies only to development centers** in Fairfax County.



### Challenges and Considerations

- The current WDU for-sale policy is limited to certain areas of Fairfax County though the geographic applicability of the WDU rental policy was recently expanded
- Moderate to high-densities are planned outside of development centers, usually along major corridors or transit corridors, or near neighborhood shopping centers, which may be appropriate for WDU homeownership opportunities



### Goals for Program Recommendations

- An extension of the policy should advance and potentially expand the production of for-sale WDUs
- As a component of the WDU program, the Tysons High-Rise Policy should also be addressed in any recommendation related to geographic applicability



# 3.1

## Geographic Applicability

## RECOMMENDATION 3.1: GEOGRAPHIC APPLICABILITY

**Extend the WDU program** to encompass all areas within Fairfax County's jurisdiction that are zoned or planned for medium- to high-density residential.

### Findings

- **Homes within medium- to high-density zones outside the WDU program areas sold for equivalent or higher prices** than homes within the program area.
- Medium to high-density zoned and planned sites are **primarily adjacent to areas with existing WDU** applicability.
- Financially feasible **high-rise condo prices (~\$850 PSF) are currently unsupportable** in vast majority of the Fairfax County market.

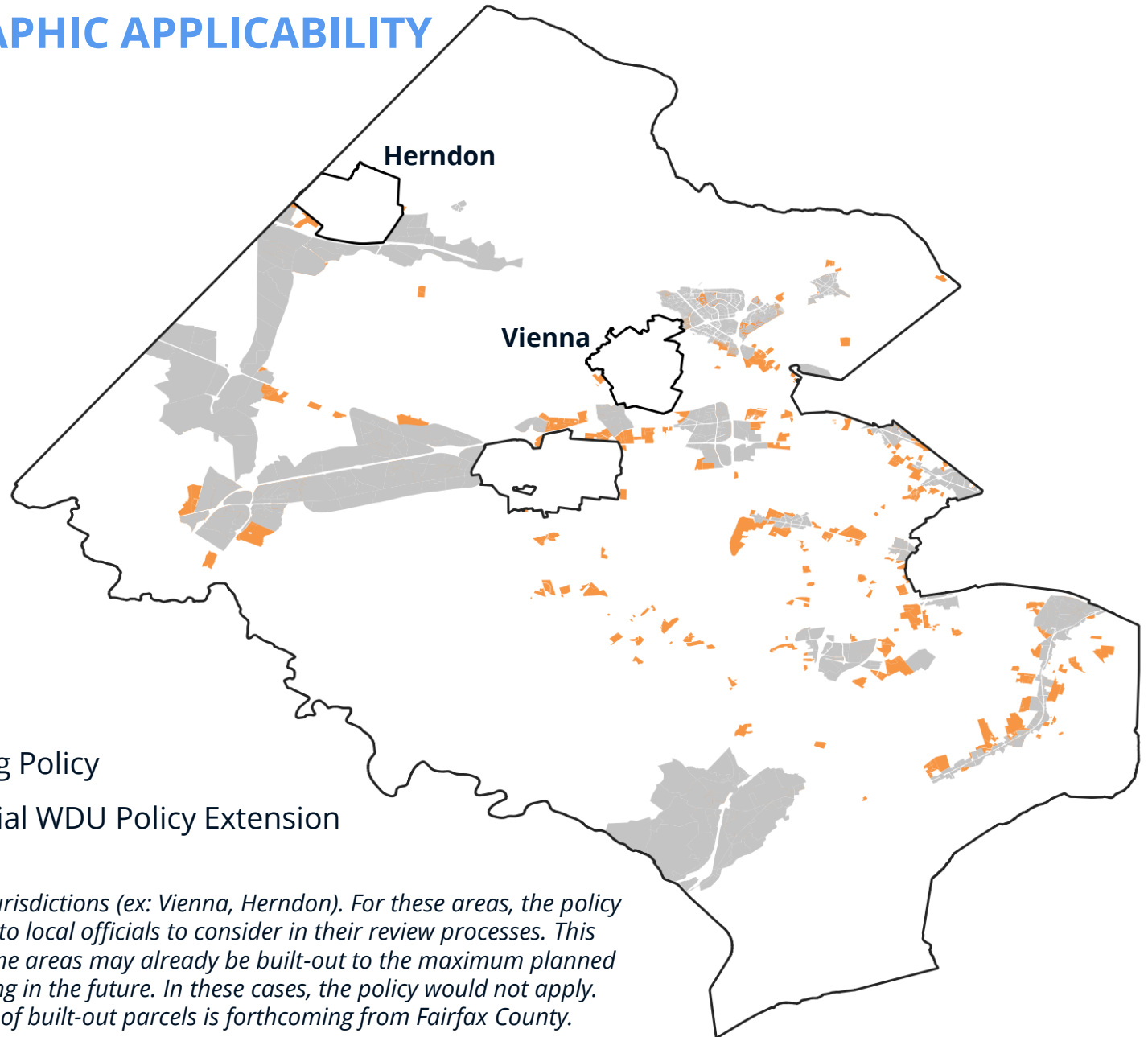
### Recommendations

- **Extend the WDU policy** to all areas within the County's jurisdiction **zoned or planned** for medium- to high-density residential (8 dwelling units per acre or greater).

## RECOMMENDATION 3.1: GEOGRAPHIC APPLICABILITY

### Extend the WDU

**program** to encompass all areas within County jurisdiction zoned or planned for medium- to high-density residential (8 or more dwelling units per acre).



### Legend

- Existing Policy
- Potential WDU Policy Extension

*Note: This map excludes areas under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas, the policy will not be applicable, but the County may make a recommendation to local officials to consider in their review processes. This map shows areas that are zoned or planned for 8 units or more. Some areas may already be built-out to the maximum planned and zoned residential density and therefore would not seek a rezoning in the future. In these cases, the policy would not apply. A comprehensive map outlining the proposed changes and exclusive of built-out parcels is forthcoming from Fairfax County.*

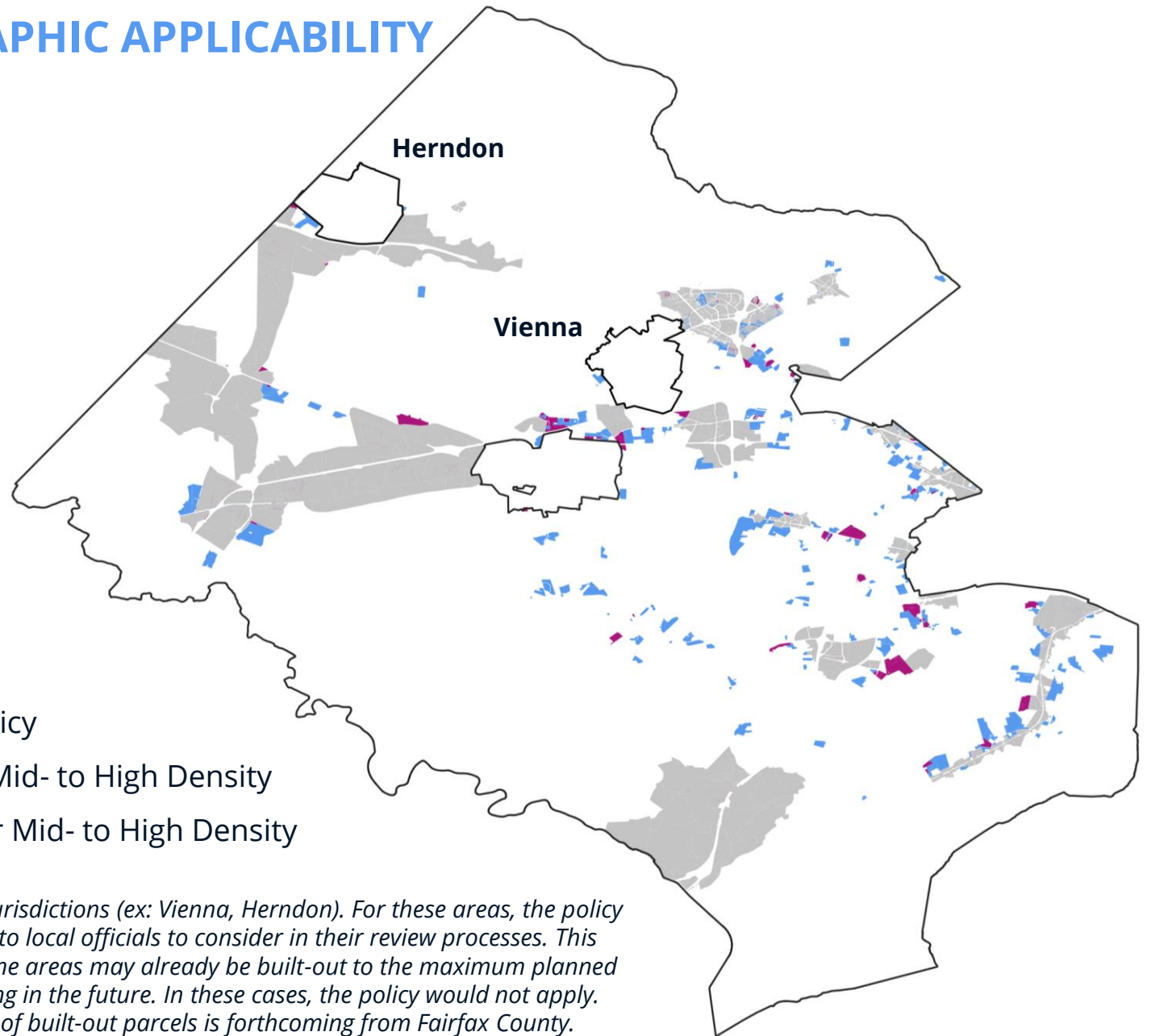
## RECOMMENDATION 3.1: GEOGRAPHIC APPLICABILITY

### Extend the WDU

**program** to encompass all areas within County jurisdiction zoned or planned for medium- to high-density residential (8 or more dwelling units per acre).

#### Legend

- Existing Policy
- Zoned for Mid- to High Density
- Planned for Mid- to High Density



*Note: This map excludes areas under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas, the policy will not be applicable, but the County may make a recommendation to local officials to consider in their review processes. This map shows areas that are zoned or planned for 8 units or more. Some areas may already be built-out to the maximum planned and zoned residential density and therefore would not seek a rezoning in the future. In these cases, the policy would not apply. A comprehensive map outlining the proposed changes and exclusive of built-out parcels is forthcoming from Fairfax County.*

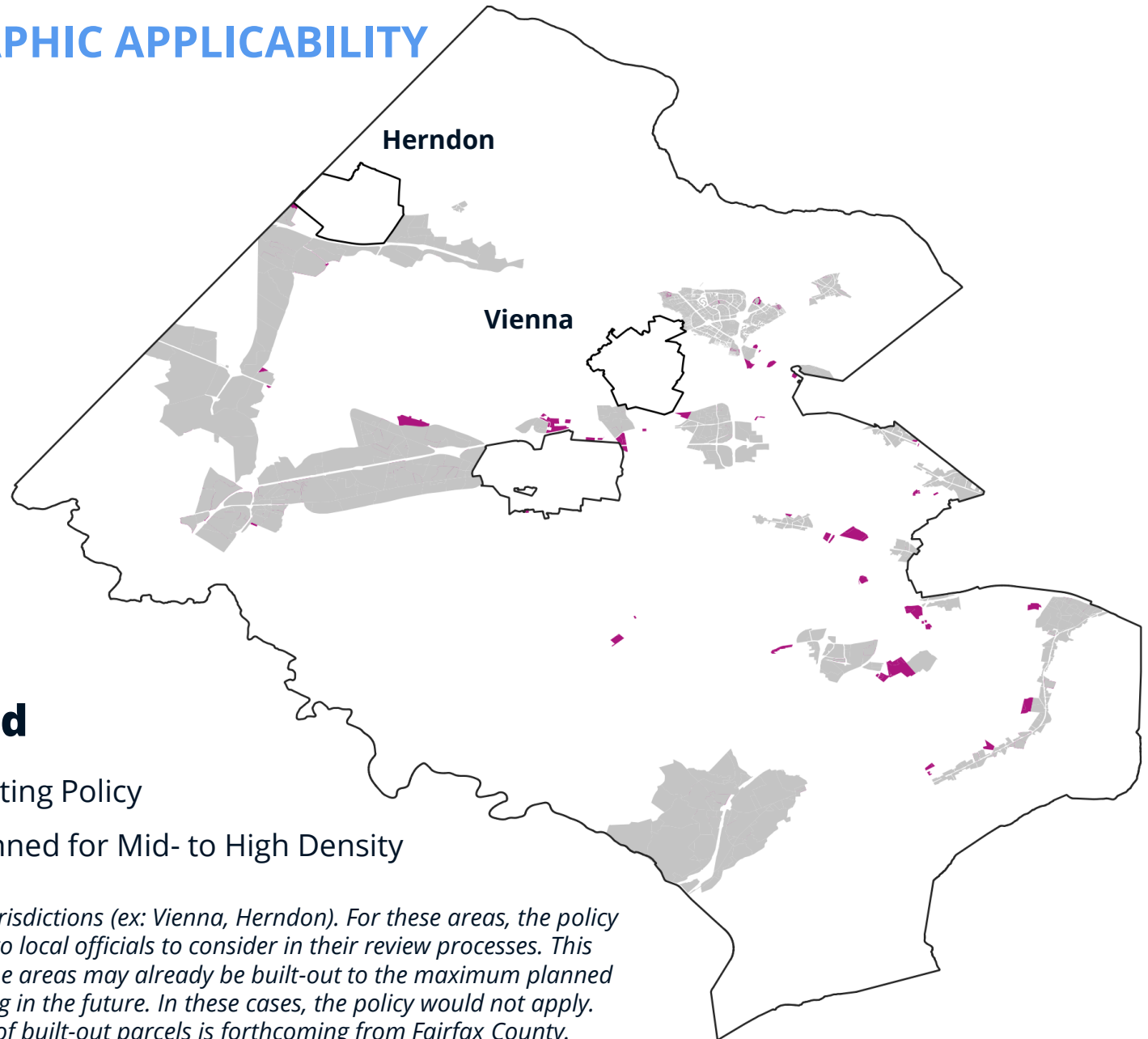
## RECOMMENDATION 3.1: GEOGRAPHIC APPLICABILITY

### Extend the WDU

**program** to encompass all areas within County jurisdiction zoned or planned for medium- to high-density residential (8 or more dwelling units per acre).

#### Legend

- Existing Policy
- Planned for Mid- to High Density



*Note: This map excludes areas under the purview of local planning jurisdictions (ex: Vienna, Herndon). For these areas, the policy will not be applicable, but the County may make a recommendation to local officials to consider in their review processes. This map shows areas that are zoned or planned for 8 units or more. Some areas may already be built-out to the maximum planned and zoned residential density and therefore would not seek a rezoning in the future. In these cases, the policy would not apply. A comprehensive map outlining the proposed changes and exclusive of built-out parcels is forthcoming from Fairfax County.*





# 3.2

## Geographic Applicability – High-Rise

## RECOMMENDATION 3.2: GEOGRAPHIC APPLICABILITY – HIGH-RISE

The high-rise policy **should not be extended outside of Tysons at this time.**

### Findings

- Financially feasible **high-rise condo prices (~\$850 PSF) are currently unsupportable** in vast majority of the Fairfax market.

### Recommendations

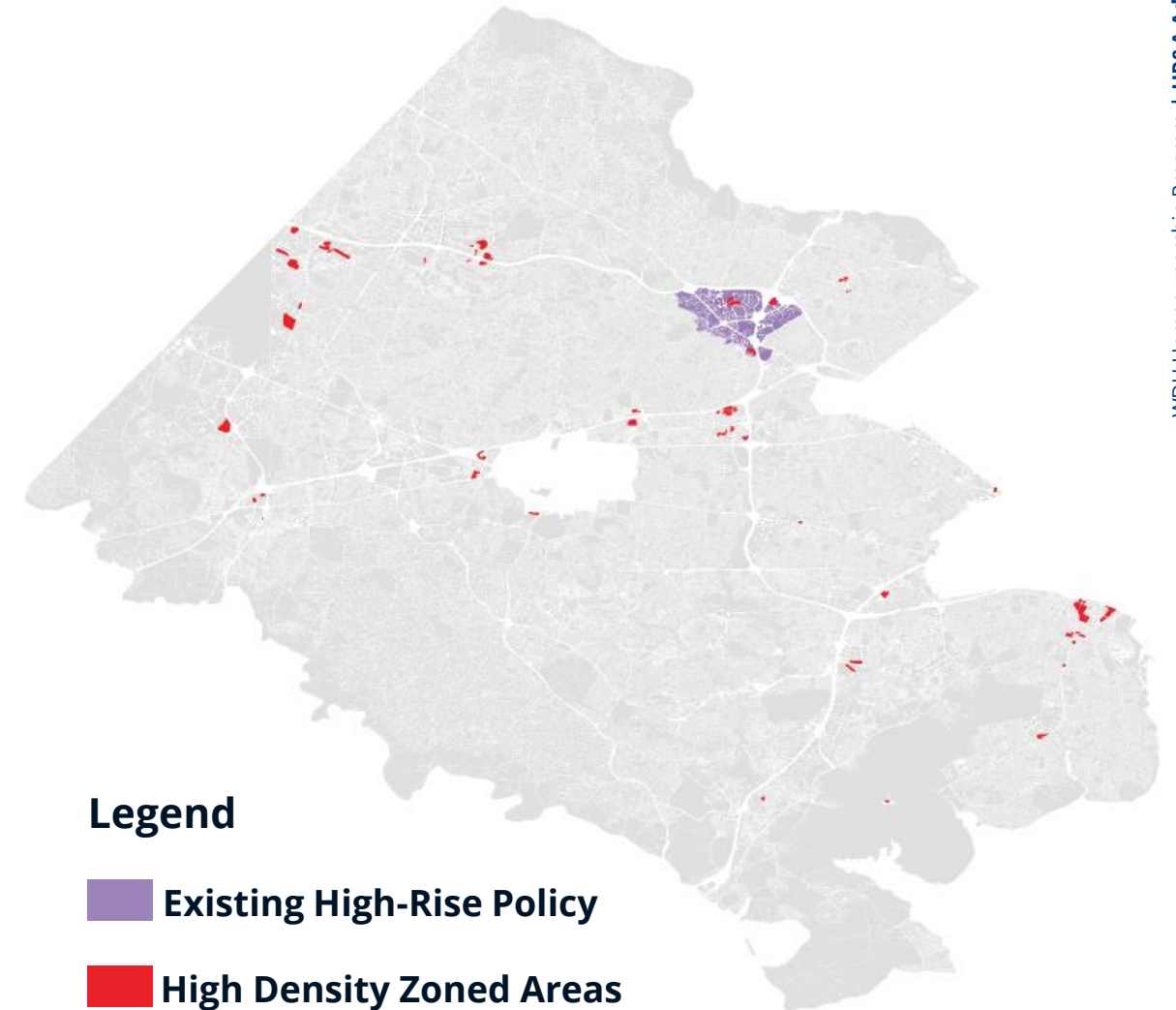
- The high-rise policy **should not be extended outside of Tysons at this time.**
- Although there is not value in extending the high-rise policy beyond Tysons at this time, this analysis should be **reevaluated in the future.**

## RECOMMENDATION 3.2: GEOGRAPHIC APPLICABILITY – HIGH-RISE

**Few areas in Fairfax County are zoned for high-rise development.**

**High-rise buildings cost considerably more to build** than low-rise developments. As a result, feasible sales prices for high-rise condos in this market are ~\$850+ per square foot.

Likely as a result, **only one high-rise has been proposed outside Tysons in the past 5 years.**



*Note: These findings are based on zoning areas of R-30 or greater (PDH-3-,PDH-40, PRM). There are other areas in the jurisdiction that this may be applicable to.*



4

WDU Pricing  
Adjustments

## RECOMMENDATION 4: WDU PRICING ADJUSTMENTS

The maximum initial WDU sales price is set according to **a formula that determines an affordable price based on unit size and AMI level.**



### Challenges and Considerations

- The maximum initial sales price can affect both future affordability and ease of sale or resale if prices compete with market rate units
- Condo and HOA fees can be a significant challenge for maintaining affordability,



### Goals for Program Recommendations

- Ensure the formula for calculating affordable sales prices reflects today's market conditions and variables affecting affordability, including household size, interest rates, and condo and HOA fees



4.1

WDU Pricing  
Adjustments

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

**Update the WDU pricing model** to better reflect affordability for households in Fairfax County.

### Findings

- Of WDUs that have sold, 17%\* have had to **reduce prices**.
- **Mortgage rates have increased considerably** (5.85% to 6.32%+) over the past year.
- Recently built WDUs have average condo and HOA fees of \$308. **These fees can grow over 3% annually** and vary by unit type.

### Recommendations

- **Reduce assumption on persons per bedroom from 2 to 1.5**, aligning with HUD program standards.
- Update pricing calculator to account for:
  - **Changes to AMI** levels (annually)
  - Current **Interest rates** (as-needed)
  - **Tax rate** updates (as-needed)
  - **Condo/HOA Fee** Assumptions (as-needed)
- Add homeowner's insurance costs to the pricing model.

*Note: Condo and HOA fee data is from Fairfax County HCD;*

*\*11 out of 64 units*

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

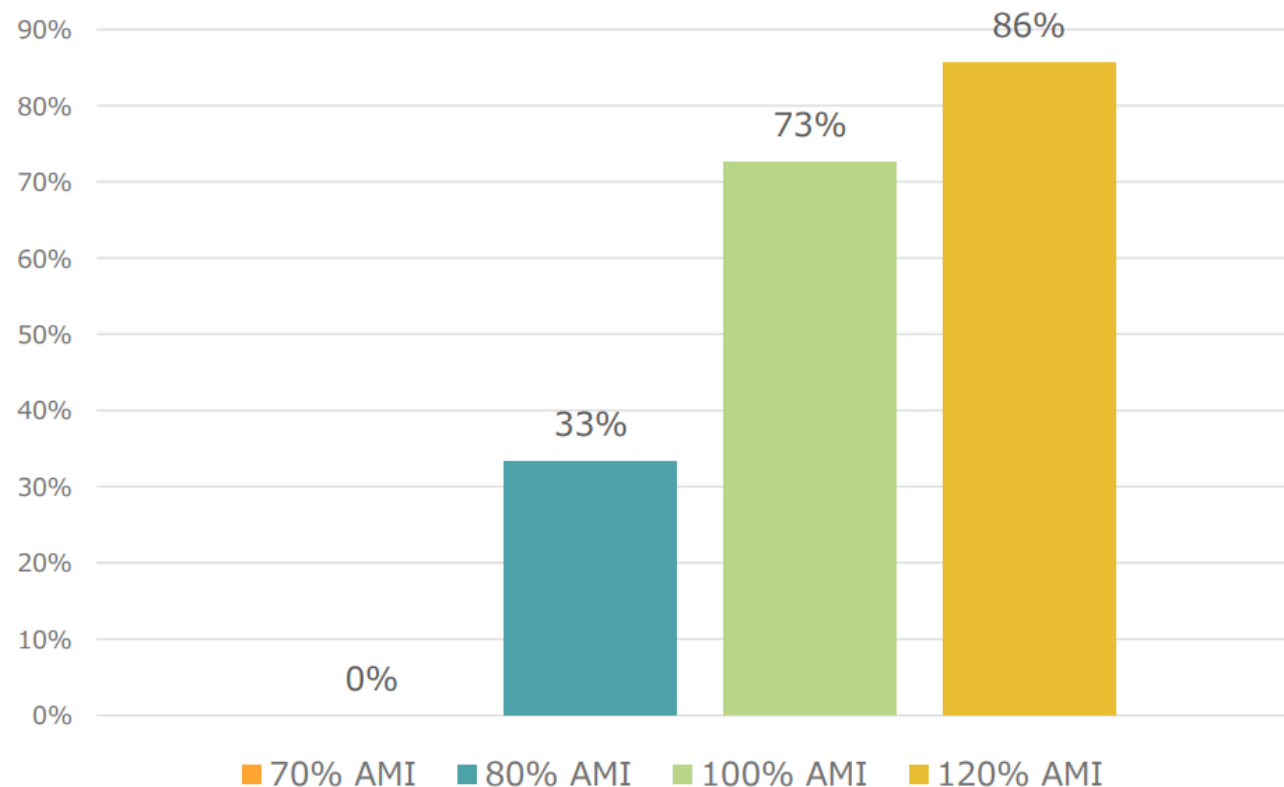
**Close to half of all WDUs sold required an incentive,** representing a conflict between market prices, WDU max prices, and borrower incomes.

### Seller incentives include:

- Lowering AMI
- Sales price reduction
- Closing cost assistance / seller credit
- Prepayment of condo fees

*CDBG downpayment assistance from the FCRHA is additionally available to buyers with income at or below 80% AMI.*

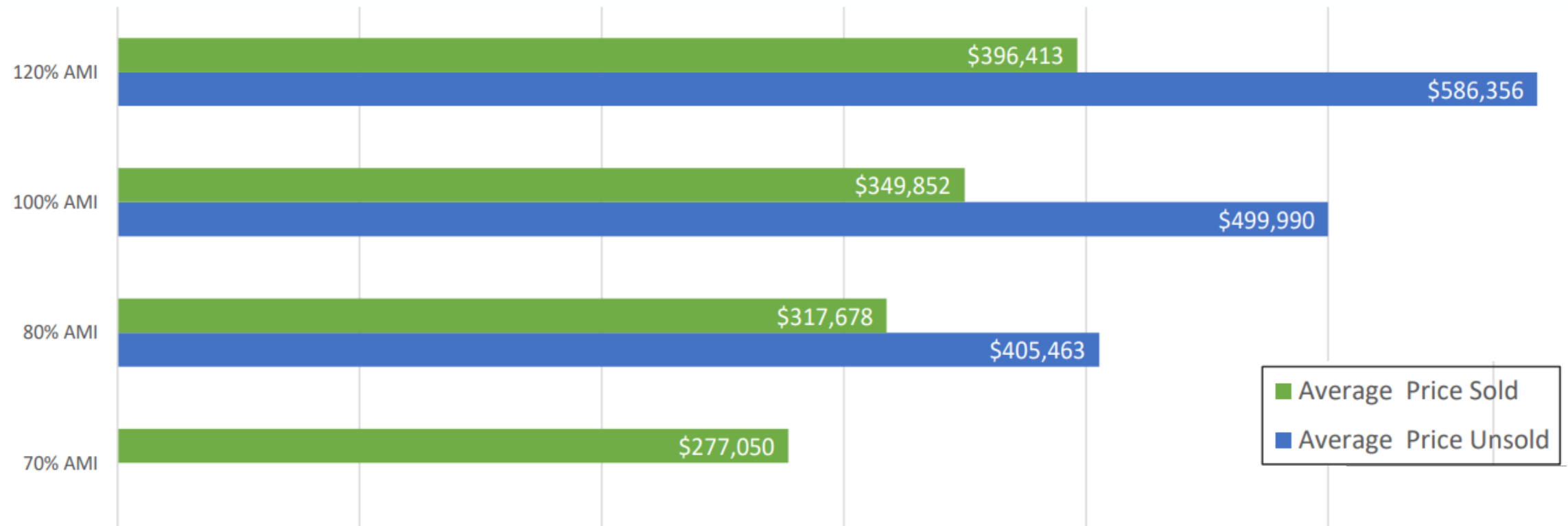
Percentage of WDUs Sold with an Incentive





## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

As a result of the incentives offered, **higher AMI units sold on average for less than the maximum allowable price.**



Source: Fairfax County

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

	2 Bedroom (80% AMI)	2 Bedroom (100% AMI)
<b>Current Max Sales Price</b>	<b>\$342,450</b>	<b>\$444,100</b>
2023 AMI Level Increase	↑ \$12,600	↑ \$15,050
<b>Updated Price</b>	<b>\$355,050</b>	<b>\$459,150</b>

AMI for a family of four increased from \$142,000 to \$152,000 in 2023.

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

	2 Bedroom (80% AMI)	2 Bedroom (100% AMI)
<b>Current Max Sales Price</b>	<b>\$342,450</b>	<b>\$444,100</b>
2023 AMI Level Increase	↑ \$12,600	↑ \$15,050
Updated Price	\$355,050	\$459,150
<b>Annual Interest Rate Updates</b>	<b>↓ \$(40,100)</b>	<b>↓ \$(51,850)</b>
<b>Updated Price</b>	<b>\$314,950</b>	<b>\$407,300</b>

Average Mortgage Rates have increased from 5.85% to 7.31% in 2023.

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

	2 Bedroom (80% AMI)	2 Bedroom (100% AMI)
<b>Current Max Sales Price</b>	<b>\$342,450</b>	<b>\$444,100</b>
2023 AMI Level Increase	↑ \$12,600	↑ \$15,050
Updated Price	\$355,050	\$459,150
Annual Interest Rate Updates	↓ \$(40,100)	↓ \$(51,850)
Updated Price	\$314,950	\$407,300
<b>Aligning Household Sizes to National Standards</b>	<b>↓ \$(37,050)</b>	<b>↓ \$(46,150)</b>
Updated Price	<b>\$277,900</b>	<b>\$361,150</b>

HUD assumes 1.5 persons per bedroom.

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

	2 Bedroom (80% AMI)	2 Bedroom (100% AMI)
<b>Current Max Sales Price</b>	<b>\$342,450</b>	<b>\$444,100</b>
2023 AMI Level Increase	↑ \$12,600	↑ \$15,050
Updated Price		
Annual Interest Rate Updates		
Updated Price		
Aligning Household Sizes to National Standards		
Updated Price	\$277,900	\$361,150
<b>Updating Condo/HOA Fee Assumptions</b>	↑ <b>\$27,350</b>	↑ <b>\$27,350</b>
Updated Price	<b>\$305,250</b>	<b>\$388,500</b>

Assumes \$0.35 PSF for Condo fees.\*

**\*Note:** As is detailed in the following section, this fee assumption will apply only to stacked townhomes and condo flats. Townhome units will be priced according to a lower fee assumption of \$0.15 which will result in higher prices.

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

	2 Bedroom (80% AMI)	2 Bedroom (100% AMI)
<b>Current Max Sales Price</b>	<b>\$342,450</b>	<b>\$444,100</b>
2023 AMI Level Increase	↑ \$12,600	↑ \$15,050
Updated Price	\$355,050	\$459,150
Annual Interest Rate Updates		
Updated Price		
Aligning Household Sizes to National Standards		
Updated Price		
Updating Condo/HOA Fee Assumptions	\$27,350	\$27,350
Updated Price	\$305,250	\$388,500
<b>Final Updated Price</b>	<b>\$330,650</b>	<b>\$425,050</b>

Add an assumption for homeowner's insurance and update the property tax rate as needed.

*Note: These numbers are for illustrative purposes only. The update includes adjustments to 2023 AMI levels, household size, updated mortgage interest rates, a condo fee reduction to \$0.35 PSF, and the addition of a homeowner's insurance assumption. These figures represent the MAXIMUM possible prices for condo flats and stacked townhome units only and are subject to change based on changes to interest rates, tax rates, or other assumptions. Pricing for townhomes assumes a lower condo/HOA fee of \$0.15 PSF. The full updated pricing schedule will be published online for public comment before any changes are finalized.*

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

### Illustrative Change in WDU Pricing from 2022

	80% AMI				100% AMI			
	Existing	Updated	Gross Difference	Percent Difference	Existing	Updated	Gross Difference	Percent Difference
<b>Efficiency</b>	\$246,150	\$261,450	\$15,300	6%	\$317,250	\$334,600	\$17,350	5%
<b>1 Bedroom</b>	\$273,850	\$275,200	\$1,350	0%	\$355,300	\$353,900	-\$1,400	0%
<b>2 Bedroom</b>	\$342,450	\$330,650	-\$11,800	-3%	\$444,100	\$425,050	-\$19,050	-4%
<b>3 Bedroom</b>	\$394,600	\$382,150	-\$12,450	-3%	\$512,500	\$491,150	-\$21,350	-4%
<b>4 Bedroom</b>	\$446,800	\$425,200	-\$21,600	-5%	\$581,100	\$546,800	-\$34,300	-6%

Note: These numbers are for illustrative purposes only. The update includes adjustments to 2023 AMI levels, household size, updated mortgage interest rates, a condo fee reduction to \$0.35 PSF, and the addition of a homeowner's insurance assumption. These figures represent the MAXIMUM possible prices for condo flats and stacked townhome units only and are subject to change based on changes to interest rates, tax rates, or other assumptions. Pricing for townhomes assumes a lower condo/HOA fee of \$0.15 PSF. The full updated pricing schedule will be published online for public comment before any changes are finalized.

## RECOMMENDATION 4.1: WDU PRICING ADJUSTMENTS

Adjusting the pricing model does decrease the maximum price for larger bedroom units, but this **change does not impact development feasibility** regardless of development type and construction typology.

Affordability	Mid-Rise New Construction	High-Rise New Construction	All Townhomes	Townhomes and Stacked Townhomes	THs, STHs, and Mid-Rise Condo
Existing Pricing Scheme	Feasible	Borderline	Feasible	Feasible	Feasible
New Pricing Scheme	Feasible	Borderline	Feasible	Feasible	Feasible

*Note: This feasibility testing followed the methodology described in the previous Introduction to Inclusionary Zoning section. An equity multiple calculation (a ratio of developer equity invested to net profit) was used to evaluate feasibility. A feasible project is defined as one with an equity multiple of 2.0x or higher. Borderline reflects a project with an equity multiple below 2.0x but above 1.70x. Any project with an equity multiple below 1.70x is considered infeasible.*





# 4.2

## WDU Pricing Adjustments (Condo and HOA Fees)

## RECOMMENDATION 4.2: WDU PRICING ADJUSTMENTS (CONDO AND HOA FEES)

Create two pricing schedules to better capture the **variability in HOA and condo fees** across unit types.

### Findings

- Condo and HOA structure and fee prices vary significantly across developments.
- **Fees for stacked townhomes are often closer to fees for condo flats** because they are frequently subject to both condo and HOA fees.
- Townhome fees range from **\$100-\$188** while fees for stacked townhomes and condo flats range from **\$252-\$404**.

### Recommendations

- **Establish two pricing schedules**, one with a fee assumption of **\$0.15 PSF for townhomes** and another with an assumption of **\$0.35 PSF for stacked townhomes and condo flats**, applied to minimum unit size requirements.
- For units with fees **not within 30% of those estimates**, pricing will be based on the actual fee amount.

*Note: Fee estimates drawn from market research, developer interviews, and WDU production data provided by HCD*

## RECOMMENDATION 4.2: WDU PRICING ADJUSTMENTS (CONDO AND HOA FEES)

Creating two separate pricing schedules will better **capture variation across different development and unit types.**

	Townhomes	Stacked Townhomes	Condo Flats
<b>WDU Pipeline Projects</b> (Developer Provided)	\$167 per month	\$335 per month	--
<b>Market Data</b> (Redfin)	\$100 per month	\$280 per month	\$315 per month
<b>WDU Units Sold</b> (HCD)	\$188 per month	\$252 per month	\$404 per month
<b>Proposed</b>	\$135 per month	\$315 per month	\$315 per month

*Note: Proposed fee per unit and max price are based on the minimum square footage and pricing for a 3-bedroom WDU at 100% AMI.*

## RECOMMENDATION 4.2: WDU PRICING ADJUSTMENTS (CONDO AND HOA FEES)

Allowing for **flexibility if fees at a development are beyond 30%** of the assumed fee will better preserve affordability and ensure reasonable pricing.

Townhome	PSF Fee	Monthly Fee	Max Price
<b>Baseline Assumption</b>	\$0.15	\$135	\$493,950
<b>30% Over Baseline</b>	\$0.20	\$176	\$488,550 <i>(-\$5,420)</i>
Stacked Townhome and Condo Flats	PSF Fee	Monthly Fee	Max Price
<b>Baseline Assumption</b>	\$0.35	\$315	\$470,200
<b>30% Over Baseline</b>	\$0.46	\$409	\$457,800 <i>(-\$12,400)</i>

*Note: Fee and max price are based on the minimum square footage and pricing for a 3-bedroom unit at 100% AMI.*



5

# Refine Resale Requirements

## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

Resale restrictions are a **balance between allowing for potential wealth-building and protecting future affordability.**



### Challenges and Considerations

- Current resale prices for WDUs are based on CPI growth, which is variable and does not necessarily correlate directly to affordability for households
- Large increases in resale prices, while allowing for more potential wealth building on the part of WDU owners, threaten affordability for future WDU buyers
- Significant escalations in resale prices may also place WDUs in competition with market-rate units, hindering resales altogether



### Goals for Program Recommendations

- Any revisions to the resale formula should reduce barriers to WDU resales, while balancing wealth building and affordability preservation

## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

**Tie maximum WDU resale prices to AMI growth rather than CPI** as is currently used, better matching prices with what households can afford.

### Findings

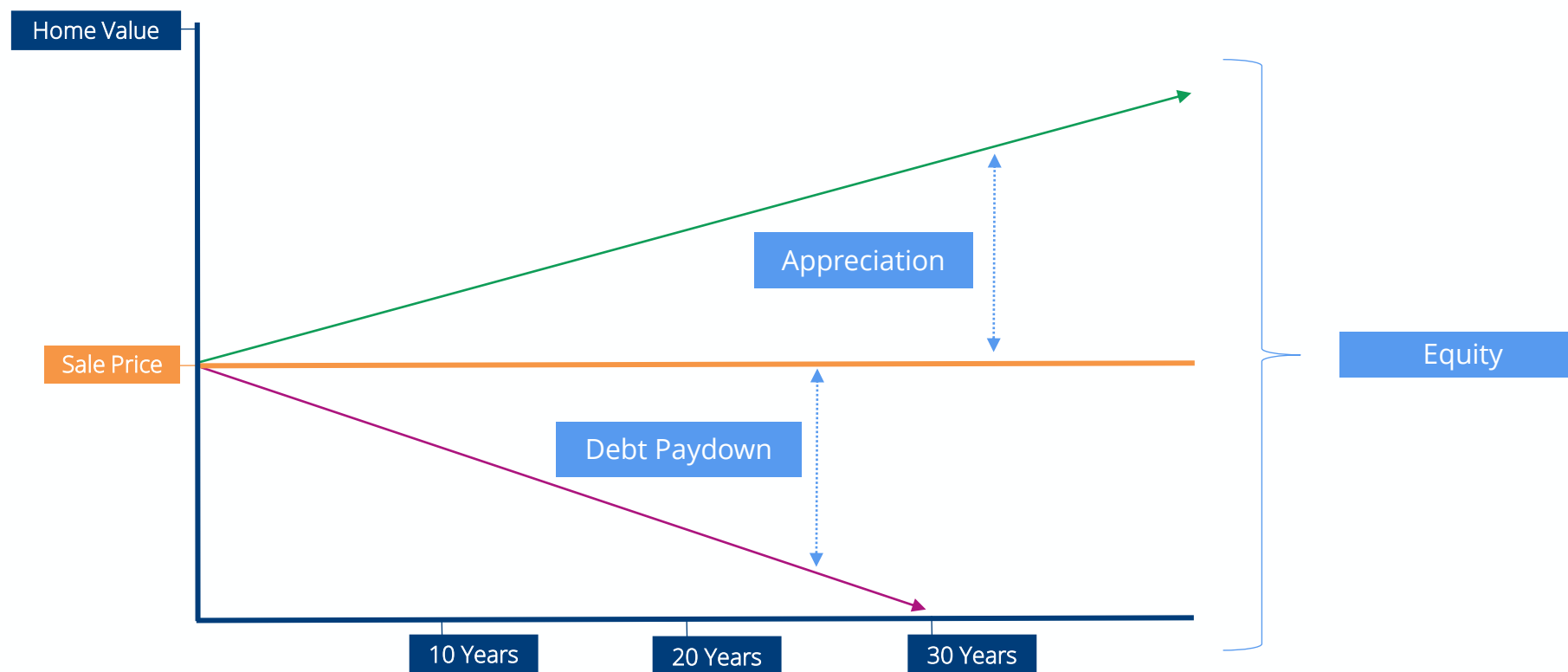
- **Other jurisdictions**, such as Washington DC, tie resale prices to AMI changes.
- AMI is more **directly correlated with housing affordability** than CPI – which is influenced by non-housing pricing changes.

### Recommendations

- Tie changes to maximum resale prices to the **5-Year AMI Compound Annual Growth Rate**, rather than using the current formula which is tied to CPI.

## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

Wealth building is a relationship between appreciation in a home's value and outstanding mortgage debt. **Resale restrictions limit the amount of appreciation homeowners can capture at sale.**





## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

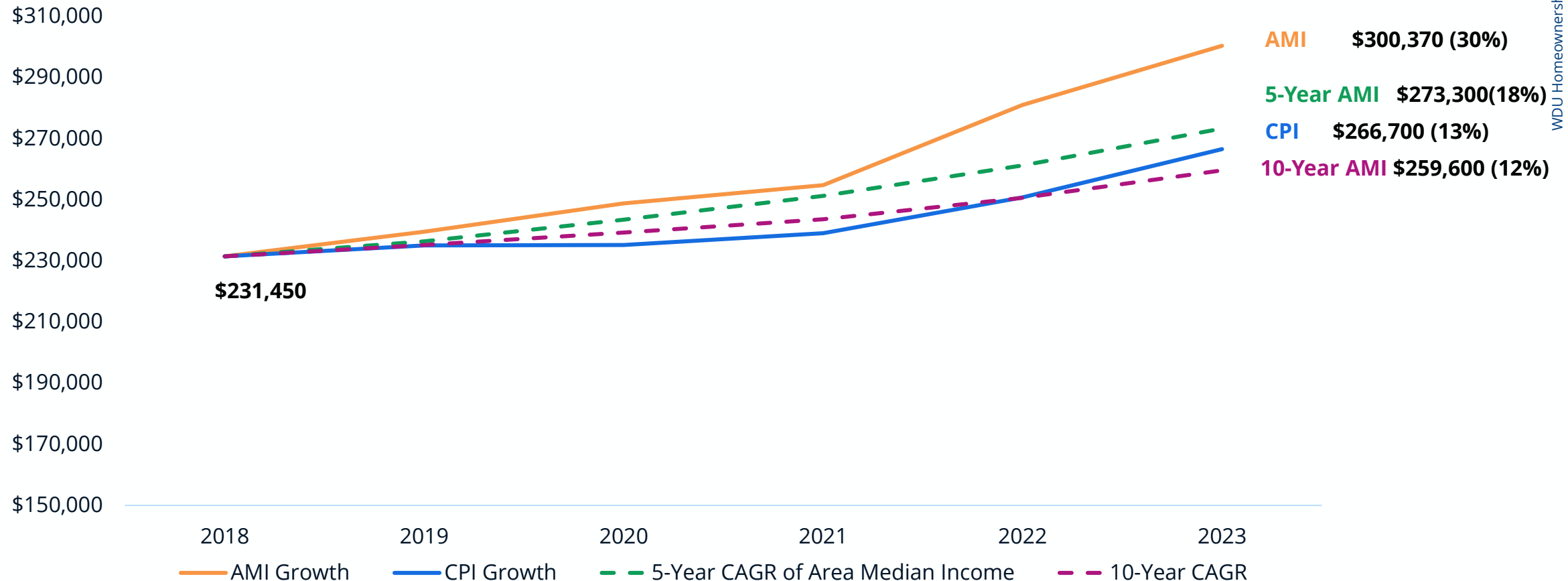
Jurisdictions outside of Virginia **tie resale prices to AMI rather than CPI.**

Location	Resale Price Calculation	Resale Requirements
Fairfax County - ADU	CPI-U and fair market value of some improvements	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the County Trust after control period.*
Fairfax County - WDU	CPI-U and fair market value of some improvements.	<b>Renewing Covenant Period:</b> if the home is sold within 30 years, the clock resets.
Loudon County - ADU	CPI and fair market value of some improvements.	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the County Trust after control period, between 15- 50 years.
Montgomery - MPDU	CPI-U and capital improvements up to 10% of purchase price.	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the county after 30-year control period.*
Montgomery - WHP	Based on the <b>pricing of new workforce housing units</b> , tying resale price to AMI.	<b>Covenant and Profit Share Agreement:</b> requires half of sales profit to be shared with the county after 20-year control period.*
Washington, D.C.	Based on the <b>Ten-Year CAGR of Median Income</b> from the year of purchase to the year of the unit's sale by the owner, tying resale price to AMI.	<b>Standard Covenant:</b> no resale limits following control period, however covenant period is 99 years.
Palm Beach County, FL	The resale price is determined by the designated <b>income category of the unit</b> , and the <b>current sales price</b> for that category.	<b>Renewing Covenant Period:</b> if the home is sold within 15 years, the clock resets.

\*Note: For the first resale.

## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

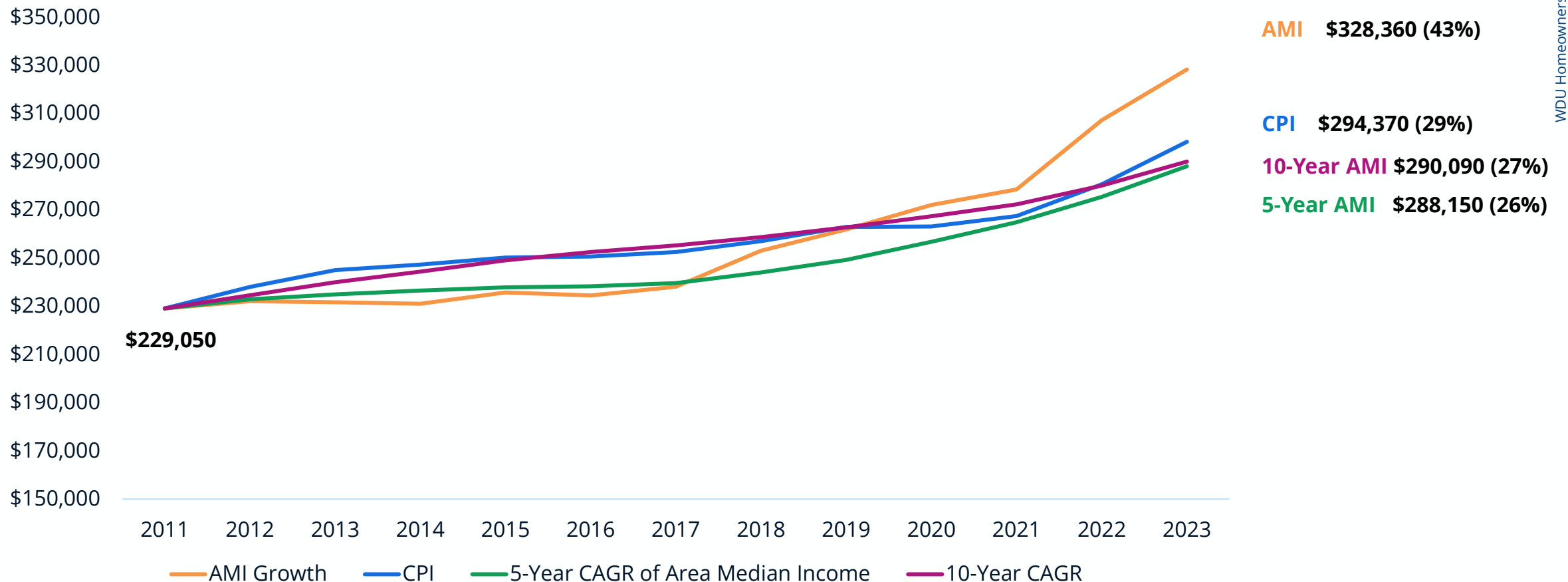
The 5-Year AMI CAGR allows WDU owners to **benefit from periods of high growth and offers protection in times of slow growth.**



Note: CPI data from Fairfax County HCD; AMI data from HUD

## RECOMMENDATION 5: REFINE RESALE REQUIREMENTS

**The 5-Year AMI CAGR smooths volatility in AMI growth over time,** producing a more predictable result.



Note: CPI data from Fairfax County HCD; AMI data from HUD



6

Assess Price  
Control Term

## RECOMMENDATION 6: ASSESS PRICE CONTROL TERM

Resale restrictions are a **balance between allowing for potential wealth-building and protecting future affordability.**



### Challenges and Considerations

- WDU program affordability restrictions do not currently expire until the homeowner has lived in the unit for at least 30 years.
- Although the current restrictions preserve long-term affordability, they may also present challenges at resale leading to the need for FCRHA repurchase of units



### Goals for Program Recommendations

- Any adjustments to the term of resale price restrictions should allow for wealth-building while maintaining WDU affordability for as long as feasible

## RECOMMENDATION 6: ASSESS PRICE CONTROL TERM

**Maintain the existing 30-year renewing affordability term.** This covenant structure already provides extended affordability, while changes to the resale formula will address wealth building.

### Findings

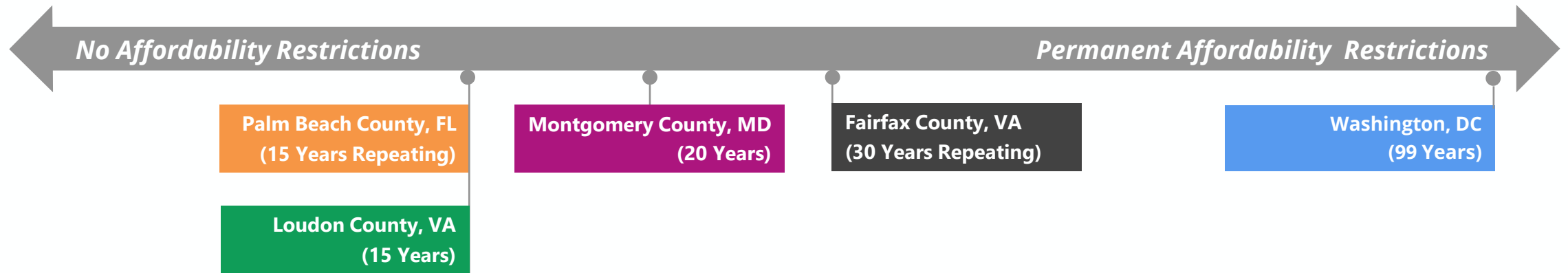
- There is **no standard affordability term** for similar programs in the area or in comparable jurisdictions nationally.
- Fairfax County is interested in providing long-term affordability, with **units serving more than one household**.
- Currently, only **the most-recent sale** of a unit needs to be monitored to track the affordability covenant.

### Recommendations

- Maintain the existing **30-year renewing covenant** period.
- Improve communication of the **benefits of homeownership**, even with the restricted resale value.

## RECOMMENDATION 6: ASSESS PRICE CONTROL TERM

**There is no standard affordability term for similar programs** in the area or in comparable jurisdictions nationally.



### Shorter Affordability Restrictions

- Affordability for a single household
- Larger ability to grow equity

### Longer Affordability Restrictions

- Affordability for multiple households
- Smaller equity gains