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Ensuring Housing Opportunities in Fairfax: Making the Most of the One Penny Fund by Serving Working Families with the Greatest Need

A research report by Danilo Pelletiere, PhD¹

Introduction

All across the country, most Americans make sacrifices to find affordable places to live. In a county such as Fairfax, with higher than average median incomes and housing costs, the situation for the lowest income households is quite dire. A high proportion of families earning even 50 percent of the area median income, roughly \$45,000 a year, face significant challenges finding and moving into affordable housing in the County. Yet while Fairfax County stands out as one of the most expensive communities nationwide, most families earning \$75,000 or more seem to be finding housing within their means. Though these households may feel financial stress, it is not because affordable housing options do not exist for them in Fairfax County. Even in Fairfax County, the current housing market serves these income levels well.

This report uses the most recent data on housing costs and income to assess who faces the greatest need for affordable housing in Fairfax County. The data show while many households face challenges in the affluent county's housing market, lower income households are largely shut out of finding affordable housing close to the communities they serve. The data show that Fairfax County can address the most acute housing challenges by ensuring local government housing investments focus resources on those who are Very Low Income (VLI), i.e. those earning 50 percent of the area's adjusted median family income (AMI) or below (see Figure 1).

What is Affordable?

The standard rule of thumb for affordability used today is 30 percent of household income spent on housing costs. This report uses this housing cost to income ratio as it is used by most housing programs today to determine need, ability to pay and subsidy level.² While simple and useful, this is an extremely inexact measure of need. For example, it is important to remember a

Figure 1.

2005 Area Median Income, Washington, D.C. Region

Income	# of Persons in Family			
	1	2	3	4
120% AMI	75,012	85,728	96,444	107,160
100% AMI	62,510	71,440	80,370	89,300
80% AMI	50,008	57,152	64,296	71,440
60% AMI	37,506	42,864	48,222	53,580
50% AMI	31,255	35,720	40,185	44,650
30% AMI	18,753	21,432	24,111	26,790

Source: HUD

¹ Research Director, National Low Income Housing Coalition (for identification purposes only). This work was undertaken entirely in a private, volunteer capacity as a resident of the Washington Region and does not necessarily reflect the opinions or positions of the National Low Income Housing Coalition. The author would like to recognize the research of Jared Bernstein in forming the discussion of income and thank him for the use of Table 1.

² Spending 50 percent or more is considered a severe housing cost burden. Historically, spending "a week's wages for a month's rent" was the rule of thumb, and some analyses today use standards near 25 percent. The more restrictive 30 percent has been the federal standard since 1983.

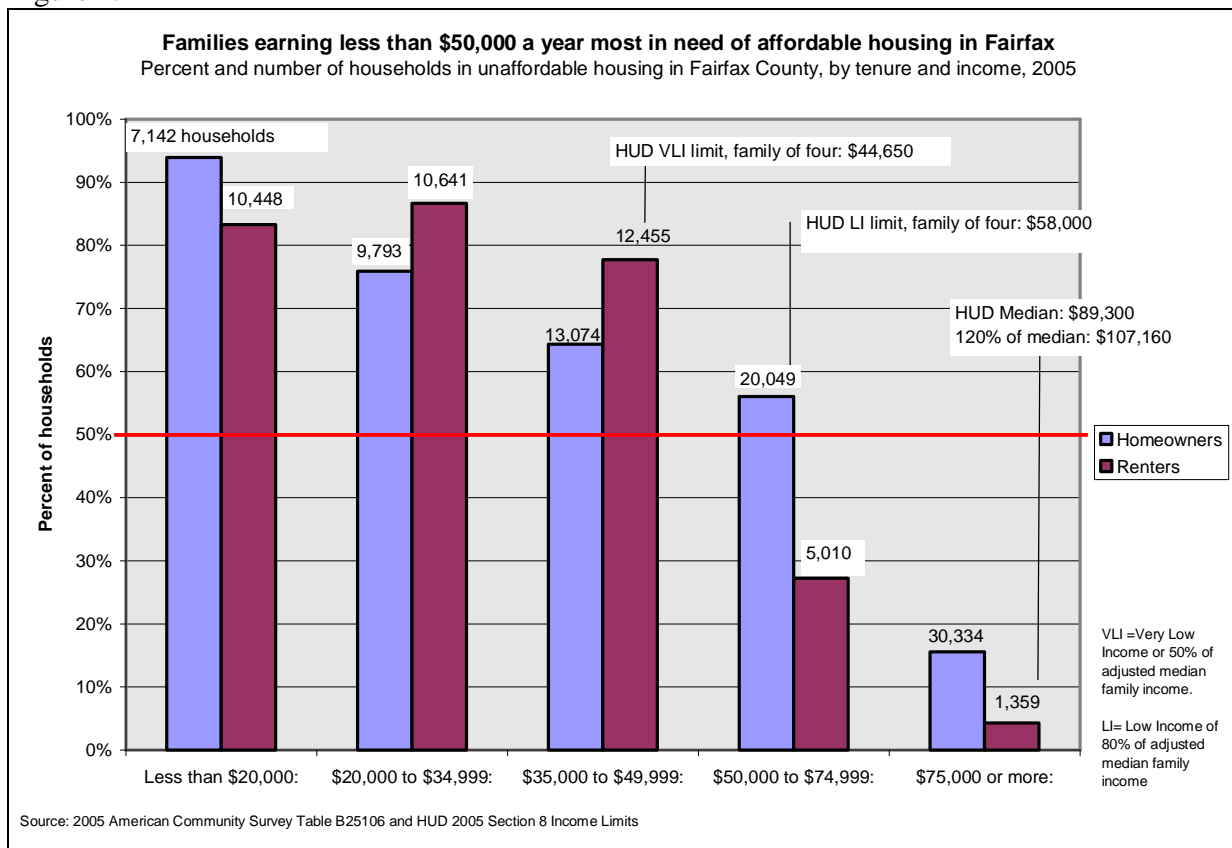
household earning \$18,000 a year will have just \$5,400 to spend on housing (\$450 a month) and just \$12,600 left to spend on all other expenses each year. A household earning \$89,300 (HUD's 2005 Median Income Estimate for the region³) and spending 30 percent on housing, by contrast, would have \$62,510 a year to spend on other needs and \$2,233 a month to spend on housing. Clearly, spending 30 percent or more on housing is considerably less limiting for the second family. The discussion here must be viewed in this context.

Who has the Greatest Need for Affordable Housing in Fairfax?

In general, the lowest income people have the greatest difficulty finding housing they can afford, and in an expensive market such as Fairfax, this problem is compounded. Federal housing assistance is not an entitlement like food stamps, and even households that receive assistance, such as housing vouchers, may find themselves shut out of Fairfax County's market as local rents often exceed regional Fair Market Rents and landlords are not compelled to accept a voucher as payment. The housing assistance that does exist is targeted primarily at low income households below 80 percent of AMI.

The question that communities such as Fairfax often consider is at what income level do families find it difficult or even impossible to find housing they can afford. Figure 2, which shows both the number of households and the proportion of households by income category living in unaffordable housing, addresses this question at a general level.

Figure 2.



³ 2005 Income Limit data are used to match the most recent 2005 ACS housing and income data. HUD's 2007 estimated median income for Fairfax is \$94,500.

While almost everyone feels the pinch of ever increasing housing costs, the data show that families earning less than \$50,000 a year are the ones predominantly spending over 30 percent of their income on housing. According to the 2005 American Community Survey from the US Census Bureau (Figure 2), over 90 percent of owners and over 80 percent of renters earning less than \$20,000 a year live in unaffordable housing in Fairfax County. While this proportion is similar to other areas of the country, what makes an expensive community such as Fairfax stand out is that the incidence of unaffordable housing falls little when the income is raised: 75 percent of owner households and over 85 percent of renter households earning between \$20,000 and \$35,000, and 64 percent of owner households and over 78 percent of renter households earning between \$35,000 and \$50,000 in Fairfax lived in unaffordable housing in 2005. Conversely, only 16 percent of families earning \$75,000 or more live in unaffordable housing. At \$75,000 a family can spend \$22,500 a year on housing costs and still have \$52,000 a year for other expenditures.

Of the over 120,000 households with unaffordable housing costs in Fairfax, roughly half earned less than 50 percent of AMI in 2005. HUD refers to these households as Very Low Income (VLI). Fully 75 percent of those in unaffordable housing had incomes of \$75,000 or less a year.

While some individual households may find themselves in financial difficulty in Fairfax, in general it appears the current housing market has provided sufficient housing, rental and ownership, for current middle income households. Policies that provide housing assistance to those earning between 80 percent and 120 percent of AMI (roughly \$107,000 a year) are not where the greatest current need lies.

This pattern of need is reflected in the County's waiting lists for housing assistance, the Fairfax County Rental Program and federal Housing Choice Vouchers and Public Housing. In 2005, the vast majority of the over 10,000 households on waiting lists earned less than 30 percent of AMI, contained 2 or more people, and had a working age householder (25-55 years old).⁴

But current populations are not all about which policy makers need to be concerned. While current households may have found adequate affordable housing, new arrivals and current residents changing their stages of life, e.g. starting a family or retiring, may not have housing choices they can afford. The American Community Survey (ACS) data indicate there is no dearth of households earning \$75,000 or more in Fairfax: 62 percent of the nearly 367,000 households in the County in 2005 had incomes of \$75,000 or more while just 12 percent earned less than \$35,000. This suggests even if they are working in Fairfax, the latter households have considerably more difficulty finding a foothold in Fairfax County. While it is difficult to assess beyond this the extent to which families and workers do not move to Fairfax or move out of Fairfax due to high housing costs, the National Low Income Housing Coalition's *Out of Reach* report provides one set of indicators, essentially addressing two important and related questions:

1. Could someone who gets a full-time job in Fairfax County today reasonably expect to find a modest rental unit he or she could afford?
2. What would a family in Fairfax County have to earn in order to be reasonably assured of quickly finding an affordable rental unit?

⁴ Fairfax County Department of Housing and Community Development (2005) INFOpage: The Housing Waiting List: A Demographic Snapshot. Retrieved March 13, 2007 from www.e-fordable.org/documents/infopage-demographics.pdf.

The *Out of Reach* study finds that in the Washington region a household needs \$45,360 a year (what one person might earn working 40 hours a week, 52 weeks a year at \$21.81 an hour) to afford a one bedroom apartment at the Fair Market Rent of \$1,134. The Fair Market Rent is HUD's official estimate of what one needs to be able to spend to be reasonably assured of finding a modest rental unit in a short amount of time at today's rental prices.

In Fairfax County, the estimated average wage of an individual renter is \$19.97 an hour or \$41,537 a year. This one-person household can afford to pay \$1,039 for a one bedroom apartment. Therefore, for an individual moving to the area and earning the average renter wage in Fairfax, a one bedroom apartment at the region's Fair Market Rent of \$1,134 is just out of reach. Renter households in Fairfax, however, earn an estimated \$65,114 a year, sufficient to afford a two bedroom unit and putting a three bedroom unit just out of reach. Thus, for the average renter the housing in Fairfax is expensive, but within reason. For low income households this is not the case. Among low income wage earners, even households with two fulltime jobs in the county may find themselves with insufficient income to afford a one bedroom apartment (Table 1).

Table 1: Selected Low-Wage Occupations, DC, Northern VA, 2005

Occupation	Median Wage	Median Wage* at Annual Rate (deducting payroll tax)
Janitors and Cleaners, except maids	\$9.63	\$18,498
Maids and Housekeepers	\$9.71	\$18,652
Child Care Workers	\$9.04	\$17,365
Home Aides	\$8.94	\$17,173
Cashiers	\$8.32	\$15,982
Other Retail Sales Persons	\$9.36	\$17,979
Hotel Clerks	\$10.10	\$19,401
Stock Clerks	\$10.30	\$19,785
Low-end Construction	\$8.11	\$15,578
Ambulance Drivers and Attendants	\$10.10	\$19,401
Parking Lot Attendants	\$8.78	\$16,865
Service Station Attendants	\$10.09	\$19,382

Source: Bureau of Labor Statistics, Occupation and Employment Statistics.
 * For one wage earner; multiply by 2 for a 2 earner household income

Even with available tax credits, like the Earned Income Tax Credit, and other forms of assistance a household may receive, given the cost of housing in Fairfax and their earnings potential, these households are in clear need of housing assistance.⁵

While current middle income households in Fairfax do not demonstrate a high degree of problems with housing affordability, this does not mean that they are not in need of assistance. When it comes to home-ownership, their choices are certainly limited in Fairfax where the median home for sale costs over \$500,000 in 2005 according to the ACS, which would require over \$142,000 in annual income to be affordable (CHP, 2006). Providing homeownership opportunities or allowing households to buy bigger homes in better school districts may be a worthy public policy goal, but it is different from helping all Fairfax workers find affordable housing opportunities within the county. If the goal of the

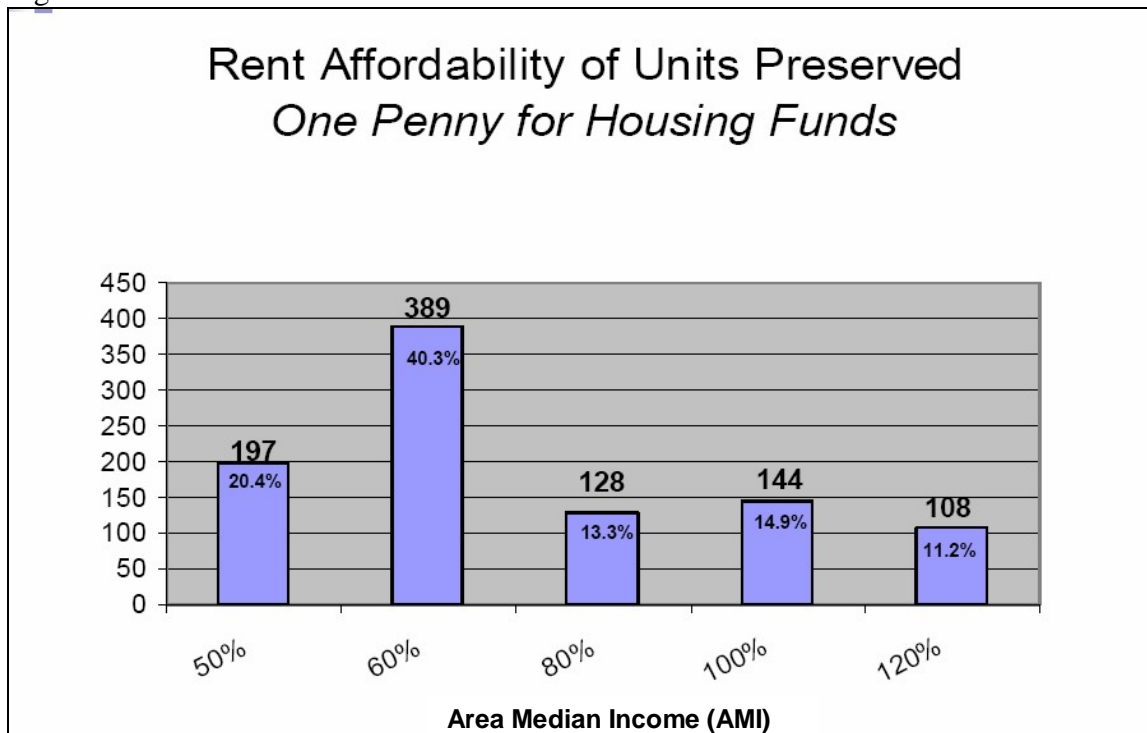
⁵ It is important to note that while housing costs can vary substantially, wages for low income professions vary substantially less, creating an incentive for low income workers to incur a relatively small wage penalty and a large rent reward from moving away from expensive realty markets see <http://www.nlihc.org/doc/06-01.pdf>.

Penny Fund is to ensure housing affordable for more of those who do not otherwise have access to affordable housing, it must be targeted at 50 percent of AMI or below.

Current Distribution of the Penny Fund

The Penny for Affordable Housing Fund was created in 2005 by dedicating one penny on the real estate tax rate for affordable housing preservation. Its initial amount was \$17.9 million. For next fiscal year FY08, the fund will provide \$22.7 million for affordable housing. The Fund was originally set up with an Advisory Committee to implement the principles endorsed by the Board of Supervisors. The Fund has successfully secured the long term preservation of over 1,000 housing units. To date the One Penny Fund has primarily produced and preserved housing affordable to households earning 60 percent AMI or greater (Figure 3). The Fund was late in making any significant contribution to the needs of those earning less than 50 percent of AMI, the households with the greatest demonstrable need. In the first two years of the program, only about 4 percent of all housing units preserved by the fund were affordable at 50 percent AMI. In fiscal year 2008 (FY08), the County has made a dramatic contribution to housing choices for very low income families through the preservation of the Janna Lee apartments. This project will preserve 319 affordable units 410 of the units will be affordable to families earning 50 percent of the area median income. This FY08 project puts the total number of units affordable at 50 percent of AMI supported by the Penny Fund to over 20 percent.

Figure 3.



Source: Fairfax County Department of Housing and Community Development, Affordable Housing Preservation Progress Report, March 23, 2007.

While only 20 percent of One Penny Fund units will provide housing for those earning 50 percent of AMI or less to date, this result is within the current guidelines for targeting funds for low and moderate income households. The current distribution of assistance likely reflects the relative ease with which units serving 60 percent of AMI or more can be developed, at least relative to units serving lower income households.

The preservation of the Janna Lee apartments providing 110 units affordable to those with incomes below 50 percent of AMI and an additional 141 affordable to those at 60 percent of AMI, may be an example of what is possible in Fairfax for future projects.

However, without a clear policy that allocates resources to households with incomes that demonstrate the primary need for government assistance, the Penny Fund is unlikely to fulfill its potential to serve those workers and families least able to live in the county.

Conclusion: A Policy Targeting Need

The housing situation for lower income households in Fairfax County is dire. While housing is within reach for most moderate and higher income households, lower income families face tremendous challenges to finding homes they can afford anywhere in the county. Without using local public dollars to help Fairfax County workers live near the communities they serve, low income working families will have fewer and fewer opportunities to live in the county. Longer commutes for low wage working families strain the transportation system, workforce recruitment and retention, household budgets and family life. While many households face challenges in the affluent county's housing market, lower income households are largely shut out of finding affordable housing opportunities close to the communities where they work. Focusing on low income workers will keep Fairfax's economy competitive and demand for housing overall strong.

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Households by income and housing cost burden, Fairfax County, VA 2005

Percent of household income spent on housing by income category	Homeowners	Percent	Renters	Percent
Less than \$20,000:	7605	100%	12543	100%
Less than 20 percent	174	2%	687	5%
20 to 29 percent	289	4%	1408	11%
30 percent or more	7142	94%	10448	83%
\$20,000 to \$34,999:	12900	100%	12282	100%
Less than 20 percent	771	6%	54	0%
20 to 29 percent	2336	18%	1587	13%
30 percent or more	9793	76%	10641	87%
\$35,000 to \$49,999:	20326	100%	16025	100%
Less than 20 percent	4510	22%	225	1%
20 to 29 percent	2742	13%	3345	21%
30 percent or more	13074	64%	12455	78%
\$50,000 to \$74,999:	35770	100%	18405	100%
Less than 20 percent	7241	20%	2025	11%
20 to 29 percent	8480	24%	11370	62%
30 percent or more	20049	56%	5010	27%
\$75,000 or more:	194758	100%	31668	100%
Less than 20 percent	107470	55%	20028	63%
20 to 29 percent	56954	29%	10281	32%
30 percent or more	30334	16%	1359	4%
Zero or negative income	486		1327	
No cash rent			2811	
Total Occupied housing units:	271845		95061	

B25106. TENURE BY HOUSING COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME IN THE PAST 12 MONTHS - Universe: OCCUPIED HOUSING UNITS
Data Set: 2005 American Community Survey, Survey: 2005 American Community Survey

Table note. Data are limited to the household population and exclude the population living in institutions, college dormitories, and other group quarters. For information on confidentiality protection, sampling error, non-sampling error, and definitions, see Survey Methodology.

Endnote: this is the April 5, 2007 revised version of the report. It corrects text referring to unaffordable housing by income.