AFFORDABLE HOUSING FOR
LOW AND MODERATE INCOME FAMILIES
IN RESTON

Reston Interfaith Housing Corporation

Background Paper

January, 1984

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BACKGROUND PAPER

RESTON: A PLANNED NEW TOWN

Reston as a planned residential community owes much of its character to its creator, R. E. Simon. To think that just a little more than twenty years ago where Reston stands were just a handful of homes and the Bowman distillery. Fortunately first and foremost in Simon's mind was that the development of Reston <u>not</u> be characterized by random suburban sprawl but, rather, be a planned New Town.

Seven goals have guided Reston's development since its beginnings. The second of these goals states: "It should be possible for anyone to remain in a single neighborhood throughout his life, uprooting being neither inevitable nor always desirable. By providing the fullest range of housing styles and prices -- from high-rise efficiencies to six-bedroom townhouses and detached houses, housing needs can be met at a variety of income levels and at different stages of family life. This kind of mix permits residents to remain rooted in the community -- if they so choose -- as their particular housing needs change. As a by-product this also results in the heterogeneity that spells a lively and varied community."

Cedar Ridge, Reston's first rental development for low income families was not completed until 1970. The process leading to Cedar Ridge had, in fact, begun much earlier. The Reston Times reported on the plan three years earlier in a front page article on August 16, 1967. The headline read, "Reston Residents Have Formed a Unified Front in Defense of the Lower Income Housing Plans". This lag time between the proposal of a low and moderate income housing development, the funding and the construction would prove to be typical in Reston. Also, the goal of a full range of housing styles and prices continued through the years to have a large amount of support from the Reston community and the Reston Community Association (RCA).

By early 1970, concern about the lack of affordable housing for low and moderate income families wishing to live and work in the new town of Reston had brought together representatives of seven Reston religious organizations. The group, Reston Interfaith Housing Corporation, is a nonprofit corporation established to increase the housing opportunities for low and moderate income persons. Utilizing federal funds, Reston Interfaith sponsored Laurel Glade Apartments in a joint venture with a private developer. With the completion of Laurel Glade in 1974, 200 more low and moderate income families were able to find affordable housing in Reston.

The number of assisted family units completed in Reston at the end of 1974 was 688 units. Although Reston experienced steady economic and residential growth, no additional units have been built for families at the lower end of Reston's income scale since 1980. Ownership of Island Walk's 102 cooperative units was turned over to the residents that year.

ASSISTED FAMILY 1/ UNITS IN RESTON

438	Number of assisted family units available at the end of 1973, the end of Reston's first decade of occupancy.
	Cedar Ridge (1970) - 198 units
	Stonegate (1973) - 240 units
368	Number of assisted family units that became available during Reston's second decade of occupancy, 1974 through 1983.
	Laurel Glade (1974) - 200 units
	The Green (1975) - 50 units
	Shadowood (1975) - 16 units
	Island Walk Coop (1980) - 102 units
806	Total number of assisted family units available in Reston, representing approximately 5.9% of Reston's 13,550 housing units

Toward the end of 1980 it became apparent to Reston Interfaith that a slowdown in the production of assisted family units was occurring in Reston. This was a result of general community wariness following the growth between 1970-1975. From their experiences with Laurel Glade, Reston Interfaith recognized

1/ Omission of any discussion in this paper of elderly households does not imply that housing for elderly low and moderate income households is not needed in Reston.

that typically a number of years elapses from the time of a non-profit group's first involvement and the occupancy of any assisted units. What concerned Reston Interfaith was the possibility that low- and moderate-income housing construction in Reston would grind to a stop. In that case, future villages would not contain a full range of housing, and low- and moderate-income families would remain concentrated along Glade Drive. As the detrimental effect of concentration of low- and moderate-income housing had been demonstrated in other communities, Reston Interfaith feared that this would not be good for the new town of Reston. Meanwhile, commercial, light industrial, and business growth in Reston continued to create a full range of new jobs.

FAMILY (AND ELDERLY) ASSISTED UNITS BY VILLAGES

Dogwood	Hunters Woods	Lake Anne	North Point	South Lakes	Tall Oaks
The Green - 50	(Fellowship House - 224	(Fellowship House - 240)	0	0	Cedar Ridge - 198
Laurel Glade - 200	Shadowood - 16				Island Walk Coop - 102
Stonegate - 240					

Reston Interfaith applied for Community Development Block Grant (CDBG) funding in 1981. The application read: "Funds will be used to determine the feasibility of building cluster, townhouse and/or cooperative low and moderate housing in the

Phase III section of north Reston. Funding will cover administrative costs associated with planning and developing community support." Subsequently $15,000 of Year 7's CDBG funds were approved by the Fairfax County Board of Supervisors and the Department of Housing and Urban Development (HUD) for that purpose.

Reston Land Corporation's housing policy begins with the second of the original goals set in planning the development of Reston, a full variety of housing and income levels would be available in the new town. Furthermore, Al Hagelis, a Reston Land planner, in a letter to Reston Interfaith in 1981, pointed out that Reston has always been open to the development of low and moderate income housing. Mr. Hagelis also wrote of Reston Land Corporation's commitment to work for the achievement of a full range of housing. Reston Land has been quite successful in attracting developers of townhouses that sell at prices below the county median.

According to the Fairfax County Office of Research and Statistics (ORS), the latest, 1981, median family income figure for the Upper Potomac Planning District, which includes Reston, is $41,500 compared to a county median family income of $41,600. The current Reston Land Corporation Population Market Profile gives $41,600 as the median household income in Reston. The median housing values for Upper Potomac and the County as a whole are shown below.

MEDIAN HOUSING VALUE OF OWNED UNITS

1982 AND 1983

Upper Potomac	1982	1983	Fairfax County	1982	1983
Single Family	$127,500	$125,900		$114,500	$115,200
Townhouse	81,900	81,200		87,100	87,300
Condominium	42,800	44,800		59,200	59,900
All	99,000	98,800		104,100	103,600

EMPLOYMENT IN RESTON

Simon envisioned an economically viable new town which included business, commercial, light industrial and governmental as well as residential development. Since employment opportunities and housing were planned for Reston, Simon's fourth goal was feasible, "People should be able to live and work in the same community."

According to Reston Land Corporation's market profiles almost 40% of Reston's jobs are held by Restonians. The market profiles also stress that the number of young families in Reston has "been one of the major attractive forces in drawing business to Reston. Residents in the 25-44 age bracket represent the heart of an active labor force." Significantly, between 1970 and 1980 this 25-44 age group increased at an annual rate of 56% in Reston compared to 6% of the County as a whole.

Besides local businesses such as retail and grocery stores and restaurants and local government including schools, Reston is home to six major categories of employers: governmental agencies; professional technical service firms; national trade and eduction associations; corporate administrative headquarters or operations centers; specialists offering personal services; and companies engaged in electronic product design, assembly or manufacturing. This last category, more commonly called high technology companies, currently is the source of the greatest amount of employment growth. Employment growth has been so rapid in Reston these last few years, according to the Fairfax County Office of Economic Development, that jobs now outnumber households. Reston at present has approximately 13,550 households and 14,000 jobs.

Competition for the desirable hi-tech market is keen in Fairfax County. Reston has emerged as one of the most successful areas in attracting hi-tech firms. Hi-tech firms generally have aesthetically pleasing buildings, are environmentally sound, and prefer campus-type settings. Reston's hi-tech firms employ many technicians and semi-skilled employees earning below $20,000 in additional to their professional staff of engineers, managers, etc. according to a Reston Interfaith employer survey conducted in 1982. The Reston Land Employment Profile states that hi-tech firms have all been drawn to Reston not only by the quality of the physical environment, but also by the quality and availability of the labor force.

A recent article in <u>The Washington Post</u> outlined the difficulties faced by lower paid employees of hi-tech firms in Reston when trying to find affordable housing in Reston. In particular, many of Reston's new hi-tech firms are trying to fill clerical jobs paying $12,000 to $16,000. To quote from this article, "For Reston, a planned town based on the concept of providing an environment where people could live and work without leaving the community, the growth of high-technology industries in Western Fairfax County has created a gap between who works in Reston and who can afford to live there."

If housing is tight now for employees at the lower end of Reston's income scale, consider that Reston's 1000 acre Business Center is only about one-half developed!

RENTAL HOUSING SUPPLY

Rental vacancy rates are extremely low for private, unassisted rental apartments in Reston. A survey done by the Wellborn Realty Company September 14, 1983, revealed a rental vacancy rate of less than 1/3 of 1% for these apartments. Traditionally Restons 806 assisted family units have had substantial waiting lists. This situation has been exacerbated by three factors: (1) Unlike other older communities in Fairfax County, Reston contains no older rental apartments, those often referred to as trickle-down housing; (2) currently, according to the Fairfax County Office of Research and Statistics, condominium conversion has removed approximately 430 rental units from the housing market in Reston; 2/ and (3) no new new rental housing complexes have been built by private enterprise in Reston during the last few years.

Rents in the fall of 1983 for an unassisted two bedroom apartments in Reston, generally not including electricity, ranged from $426 to $430. At that same time in an assisted two-bedroom apartment at Cedar Ridge, Laurel Glade, and Stonegate, rents ranged from $319 to $412. With the exception of Stonegate, these rents included all utilities.

Investors have found rental housing unattractive in terms of return on their investment compared to other real estate ventures. High interests rates combined with high construction costs result in rents that are unmarketable. Any rental housing built since 1977 in Fairfax County has involved some form of subsidy such as federal subsidies, tax-exempt financing and/or federal mortgage insurance according to a League of Women Voters Fairfax Area Housing update released in March, 1983. Reston's developers are no exception. 3/ Unless conventional mortgage

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2/ If condominium conversion units return to the rental market, they usually do so at a higher rent. Although there are no figures for Reston, in 1980 about 33.5% of Fairfax County's total condominum stock was rented according to the Housing Needs Study, RERC, March 1983.

3/ Construction of rental housing complex financed with conventional financing is scheduled to commence in Reston in late 1984.

interest rates drop lower than today's interest rates, apartment complexes built by private enterprise with conventional financing will have rents too high for low and moderate income families.

If low and moderate income families have to pay more than 30% of their income for rent and utilities, they are classified as excessive rent payers by the Department of Housing and Urban Development. In Reston, though, even low and moderate income families who want to pay more than 30% of their income for rent are not likely to find any vacancies in private, unassisted housing. To make matters worse, according to Real Estate Research Corporation's Housing Needs Study, which was authorized by the Fairfax County Board of Supervisors, Upper Potomac already has the third highest number of excessive rent payers among Fairfax County planning districts. Furthermore very few of the County's excessive rent payers have incomes over $20,000.

FAIRFAX COUNTY'S EXCESSIVE RENT PAYERS (RERC)

23%	Married	22%	Widowed
32%	Divorced or separated 4/	23%	Have never been married

The squeeze continues even though additional households have been able to move up into the for-sale market because of

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4/ Between 1970 and 1980, according to Census figures, the number of households with one parent and children increased by 132% in Fairfax County. This social phenomenon in itself creates a greater demand for more affordable rental housing.

somewhat lower interest rates. Rental apartments freed are quickly snapped up by families on the waiting lists: families who have lost their apartments as a result of condominium conversions, new one-parent families, or new families attracted by Reston's employment opportunities.

PROJECTED HOUSING NEEDS

The Fairfax County Comprehensive (Master) Plan identifies the areas in each planning district that are planned for multifamily housing. In the Upper Potomac planning district, various undeveloped sections of Reston and Herndon contain the primary location that are planned for new multifamily housing. The potential for multifamily housing elsewhere in Upper Potomac is low because the Comprehensive Plan calls for low densities.

In the Fairfax County Housing Needs Study, Real Estate Research Corporation (RERC) looked at three different ways of projecting income distributions by planning districts for the present decade, 1980-1990. Those alternatives, which were based on Council of Governments (COG) cooperative forecasts, were:

1. Current Income Profile: The 1980 percentage income distributions in each planning district were assumed to be maintained as the population grows;
2. Extrapolation of Past Trends: The rate of change in the number of households in each income group during the 1970's was determined by using Census income distribution data. This rate of change was then used to

project the distribution of households by income groups for each planning district; and

3. Share of Regional Lower Income Employees: Projections in this alternative were based on the number of lower wage jobs in Fairfax County in 1980. At that time it was determined that the number of households in Fairfax County below the regional median income was equal to 79% of the total number of county jobs below the regional median wage. In other words, there were 1.27 Fairfax County jobs below the regional median wage level for every household in the county below the regional median income. This percentage was then used to project the number of households below the regional median income needing housing in each planning district in 1985 and 1990, based upon anticipated job growth in the County.

In projecting future housing needs for the households not provided for by the private market, RERC assumed that assisted new construction would be built for the upper end of that group. In addition, RERC considered that assisted new construction should be emphasized in the rapidly growing planning districts like Upper Potomac. Some form of rent supplements would be necessary for the poorer households. Housing needs for households not provided for by the private market were projected for each planning district for the present decade, 1980-1990. In each of the three projected alternatives of income distributions, one of the planning districts with the greatest need was Upper Potomac. The projected needs were:

NEW UNITS REQUIRED FOR HIGHEST INCOME HOUSEHOLD NOT SERVED BY THE PRIVATE MARKET IN UPPER POTOMAC

	1980-85	1980-1990
Current Income Profile	1,179	3,061
Extrapolation of Past Trends	810	2,265
Share of Regional Lower Income Employees	5,601	5,568

IN ADDITION,

RENT SUPPLEMENTS NEED FOR EXCESSIVE RENT PAYERS IN UPPER POTOMAC

	1980-85	1980-1990
Current Income Profile	3,733	3,153
Extrapolation of Past Trends	3,612	5,035
Share of Regional Lower Income Employees	7,252	2,097

Upper Potomac households with incomes between $20,000 and $24,999 in 1980 dollars are identified by the first and second projections as most needing assisted new construction housing. Using the third projection, households with incomes below $20,000 in 1980 dollars would most need the new construction assisted housing. The 1980 Washington Metroplitan Statistical Area (WMSA) median family income was $27,887. The Department of Housing and Urban Development (HUD) has determined that the 1983 WMSA median family income for a family of four is $35,800. The income limits for HUD programs are currently capped at $26,000 for a family of four.

POSSIBLE SOLUTIONS

Two options for providing affordable housing in Fairfax County have proved unworkable so far in Reston. One option is accessory housing: a separate living unit within a single family home where either the owner or the renter is elderly or handicapped. In fact, at this writing no owner in Fairfax County has applied for such a zoning variance.

The second, a free county service, is Operation Match: persons who have space in their homes to share are put in touch with individuals needing housing. Unfortunately Reston is one of the lowest placement areas. Operation Match does not place more than two persons in any household. Another deterrent is the necessity of a personal interview at the Operation Match office in the Route One Corridor.

Until very recently no federal programs for new construction of low and moderate income family housing was being funded by Congress. Construction for a limited number of new units has now been authorized by the Department of Housing and Urban Development (HUD).

There are at present 774 certificates available for eligible families in Fairfax County, Fairfax City, and Falls

Church under the Federal Section Eight Rental Assistance program. Eligible Fairfax County families are free to locate their apartment anywhere in the county from landlords willing to accept the certificates. Maximum rent for a two bedroom apartment including utilities is $455. The difference between the rent and 30% of the eligible tenant's income is paid for by HUD through the local Department of Housing and Community Development directly to the landlord. However, fewer than 40 of the eligible families with certificates use them in Reston housing that is not already considered to be assisted.

State resources are limited, as the Virginia Housing Development Authority (VHDA) receives no funding from the Commonwealth of Virginia. It has received appropriations from the Federal government under assisted family housing programs no longer being funded. VHDA does not fund cooperative housing. Currently in Fairfax County, the VHDA, through funds derived from its power to issue tax-exempt bonds, continues to be involved in providing below market rate financing for first time home buyers.

The Fairfax County Redevelopment and Housing Authority (RHA) has received funding from both the federal government and the VHDA. In addition, the RHA, with the approval of the Board of Supervisors, can use its own tax-exempt powers to provide below market rate financing for the construction of low and moderate income family housing. Proceeds from the tax-exempt bonds are loaned to qualified developers. The developer realizes a savings because of his lower interest loan from the RHA. This savings is passed on in the form of lower rents to lower income families who under Federal law must comprise at least 20% of the residents of a development financed through tax-exempt bonds. Families eligible for the lower rents must be earning no more than 80% of the median family income for the Washington area. This is currently an income of $28,640 or less. The families in the moderate income units can earn up to 95% of the Fairfax County Median Income, around $42,000. No cash subsidy or costs to the county are involved with this type of financing.

Fairfax County could through its proffer (voluntary offer to provide) system acquire land, units, or cash during the rezoning process. Sewer and water tap fees, the pro-rata cost of site improvements and various permits could be subsidized by the County both to reduce the price of the units and to help ensure that the developer will not incur financial loss on the proffered units. A proffer was made by Reston Land Corporation and accepted by the Fairfax County Board of Supervisors on October 31, 1983 in rezoning case RZ 83-C-039 in north Reston. "Reston Land Corporation proffers to hold the parcel designated for 260 multi-family and/or single family attached units for a period of two (2) years and will seek a developer for a market rental housing program to include up to 20% subsidized units (depending on the subsidized programs available at the time of development)."

Reston Interfaith plans to request seed money through the Community Development Block Grant process to acquire an option on land in North Point Village and to cover "front-end" costs such as architectural and engineering costs, tap fees, etc. CDBG funds cannot be directly used for construction costs. Application for CDBG funds are reviewed by the RHA and a citizens project selection committee. Final determination of the distribution of these federal allocations is made by the Fairfax County Board of Supervisors and must be approved by HUD. The Fairfax County Department of Housing and Community Development (HUD) will be taking applications in January, 1984.

Other possibilities for reducing housing costs in Reston would mean the involvement of Reston Land Corporation. In order to encourage the development of a full range of housing in its final village, Reston Land could provide free or reduced cost land, provide seed money, and/or provide a second mortgage for the development. These possibilities could be used in combination with each other and/or with tax-exempt financing.

Except if dealing with the Virginia Housing Development Authority (VHDA), any affordable family housing developed would either be multi-family rental or cooperatively-owned housing. Cooperatives have many of the advantages of home ownership. In the event of the resale of a share the return on the investment is limited so as to keep the units affordable to low and moderate income families. Cooperatives do require more resident involvement than rental developments as well as a down payment of about $700 to $1,000.

Concerned about these very issues, a group of Restonians from all walks of life have volunteered to serve on Reston Interfaith's Housing Advisory Committee. The first meeting was held September 27, 1983. These advisors recognize the need for more affordable family housing in North Point, Reston's fifth and final village, and in the Town Center. The committee hopes that through the joint efforts of Reston Interfaith, the Centerville District Supervisor, Mrs. Pennino, the Redevelopment and Housing Aughority, and the Reston Land Corporation, the gap between those who work in Reston and those who can afford to live there will not grow larger. The committee, as well as Reston Interfaith Housing Corporation, is committed to the goal that any such housing be well designed, well constructed, and well managed so as to be a credit to both the residents and the Reston community.

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ASSISTANCE

Council of Governments, U.S. Department of Housing and Urban Development, Fairfax County Department of Housing and Community Development, Fairfax County Economic Development Authority, Fairfax County Office of Research and Statistics, and Reston Land Corporation

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