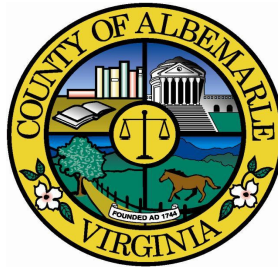




Housing Report

Albemarle County Housing Committee

Albemarle County Office of Housing
June 2007



OFFICE OF HOUSING

June 6, 2007

On behalf of the Housing Committee, staff, and our partner housing providers, I am pleased to present the attached report highlighting the housing market and housing initiatives during calendar year 2006. By using existing and creating new partnerships, we believe that the year was a successful one in efforts to address one of our strategic objectives of increasing affordable housing opportunities for those who live and work in Albemarle County. Overall, we were successful with regard to accomplishments related to our housing policy. Discussions with developers during the review of rezoning applications have allowed us to assist in crafting affordable housing proffers consistent with the policy. We continue to work on details of how the proffers will be managed as developers make efforts to meet the goals set forth in the County's Affordable Housing Policy.

The real estate market remains strong although there were 15.9% fewer sales in 2006 than in 2005 according to data from the Charlottesville Area Association of Realtors (CAAR). Although the market may be in the early stage of a correction, the median sales price increased by 11% to \$320,000 (CAAR). Sales activity in the second half of the year began to show some signs of slowing down with stabilizing prices, more inventories, and more days on the market. This trend is likely to continue into 2007. We would like to recognize CAAR for providing this data which is critical to our understanding of the real estate market.

Activities of our non-profit partners and the Office of Housing have remained fairly stable as leveraged funding, in general, has not increased. However even with level funding, cost increases can result in fewer projects being completed. This is most noticeable in housing rehab programs where funding from the state has been reduced and some programs eliminated. One of the more interesting partnerships for the future may be with Habitat for Humanity in the redevelopment of the Southwood Mobile Home Park. Habitat has purchased the property and plans to start redevelopment in the next three to five years. This project will require significant coordination between Habitat, the County, state and federal funding partners, and the private sector.

We recognize that the efforts undertaken in the County to promote affordable housing will likely be more effective with regional coordination. To that end, the Housing Director's Council requested the Thomas Jefferson Planning District Commission (PDC) to commission a regional housing study. The report from that study, *The State of Housing Report*, was released in January 2007. It will be used as a guide in addressing housing needs throughout the region. In addition, I participate in the meetings of the Charlottesville Affordable Housing Advisory Committee and the Fluvanna Affordable Housing Advisory Committee. The Albemarle County Housing Committee has had one joint meeting with the City's committee and both groups have voiced support for periodically holding joint meetings.

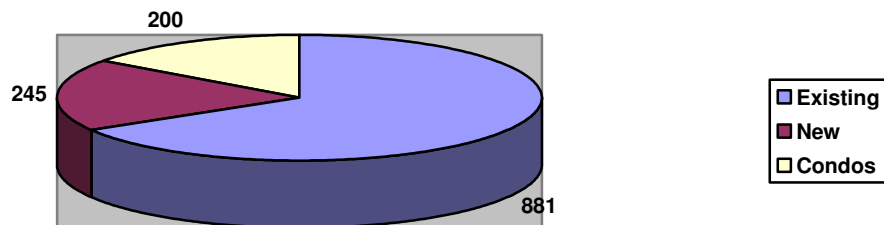
This report is designed to provide relevant information in creating and revising policies and programs to address affordable housing needs. The report's focus on the market provides insight into the difficulty of producing affordable housing in the County. We look forward to continued progress in increasing affordable housing opportunities for those who live and work in Albemarle County.

Ronnie J. White

FACE OF THE HOUSING MARKET

To paraphrase Dave Phillips, Executive Director of the Charlottesville Area Association of Realtors (CAAR), the real estate market in 2006 may get little respect after coming in second to the record-breaking market in 2005. To summarize the market in Albemarle County, sales were down 15.9%, inventory was up with approximately 10 homes on the market for every buyer, and days on the market increased to 69 or 17 more days than in 2005. While these statistics are generally favorable for many homebuyers and may forecast a correction in the market, affordability continues to be a problem as the overall median sales price in Albemarle County rose 11% in 2006 to \$320,000 according to CAAR data.

Although CAAR reported a total of 1,648 residential home sales in the County, our quarterly reports provided details on only 1,326 of the sales. The difference is likely due to the timing of sales relative to the quarterly and annual reporting from CAAR. Regardless, information on 80% of all sales should provide a relatively solid analysis of the market. The sales for which the Office of Housing had information included 881 existing houses, 245 new houses, and 200 condominiums.

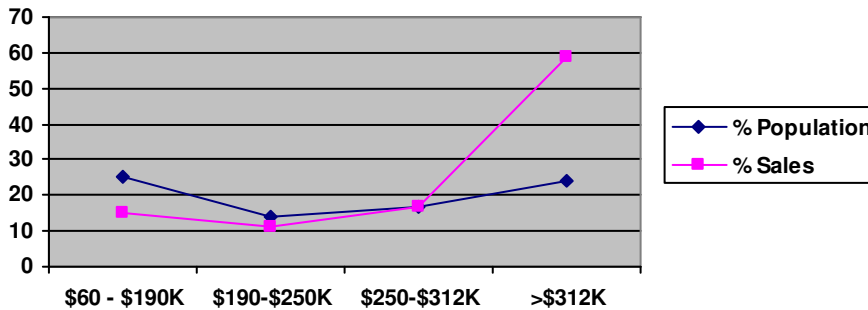


A quarterly breakdown of sales information is included in ATTACHMENT A. A summary of highlights from this information includes:

- The largest group by type were detached houses (932 of which 170 were new) followed by 200 condo units, and 194 attached units of which 75 were new.
- **None of the 245 new houses were affordable.**
- Only 205 (15%) of the sales were below the County's affordable price of \$191,000.
 - 162 condo units
 - 28 detached houses
 - 15 attached houses
- One hundred and forty-five sales (11%) were considered moderately priced or affordable to those with household incomes ranging from \$60,000 to \$75,000.
- Two hundred and twenty-five sales (17%) were between \$250,000 and \$312,000 or affordable to those with incomes ranging from \$75,000 to \$90,000.
- Fifty-nine percent of the sales (788 houses) were over \$312,000 requiring household incomes of over \$90,000.
- The square foot costs indicate that affordable units would typically be less than 1000 square feet.
- The square foot cost of condos was slightly higher than existing attached houses but the condos generally are smaller units than other attached units resulting in a higher percentage of condos being affordable.
- All affordable condos were created by the conversion of existing rental units.

The following chart illustrates a comparison of the percentage of sales and the estimated percent of the population for which each sales price would be considered affordable. The population estimates were derived from U.S. Census data and do not include twenty percent of the population that would fall in the very-low and extremely-low income groupings. These segments would primarily be those households more likely to be renters. The comparison does not consider all factors but does indicate that the percentage of sales of higher-priced houses far exceeds the percent of the population that can afford those prices. This is likely due to in-migration of buyers bringing equity from previous homes and the existence of mortgage products that have allowed families to purchase more than they normally could.

Percentage of Population Compared to 2006 Sales Prices



One-year sales data should be considered a snapshot in time to be combined with other data for the identification of trends. The following table shows that the reported 1,648 sales (2006) were consistent with the 4-year average, median sales prices continued to rise, and affordable new units continued to decrease.

	2003	2004	2005	2006 (1)
# Homes Sold	1,462	1,690	1,816	1,326
NEW	317	327	316	245
RESALES	1,145	1,363	1,500	1,081
Median Sales Price	\$254,500	\$266,125	\$285,000	\$320,000 (2)
# Affordable Sales	344	361	412	205
NEW	17	12	9	0
RESALES	327	349	403	205 (3)

- (1) Numbers reflect only 1,326 sales for which details were provided. CAAR reported a total of 1,648 sales.
- (2) As reported by CAAR for all residential sales
- (3) 79% (162 units) from condo conversions

Going forward, the analysis of the 2006 sales data indicates a trend that is not favorable for the creation of new affordable housing units. Affordable units may be limited to condos and some smaller townhouse units. However, the market will likely demand that such units have shared amenities to make up for the smaller living spaces. These amenities, including common areas and recreation space, will only add to the overall cost of the housing. Based on sales in 2006 there is only a small margin for these added costs to assure that the living units are affordable.

To understand the face of housing in the County, we should also note the values of the existing housing stock although the majority of the stock is occupied and not currently available to the market. Data provided by the County Assessor's Office shows that the numbers of affordable houses and moderately-priced houses are fairly distributed over four price ranges. However,

fifty percent of the improved residential property assessed by the County were valued at over \$300,000. The breakdown follows:

3,318 units	under \$150,000
3,798 units	\$150,000 - \$199,999
3,978 units	\$200,000 - \$249,999
4,051 units	\$250,000 - \$300,000
15,270 units	over \$300,000

The rental market is also critical to the supply of affordable housing. In 2006, rents in the more affordable housing developments have experienced slight increases primarily due to costs of water, sewer and taxes. The increases have likely been limited due to an otherwise soft rental market for moderate and higher priced units. The rents allowable under the Housing Choice Voucher Program may also have some impact on maintaining affordable rents since the allowable rents are based on 40th percentile rents in the area. With over 400 vouchers issued and in use, the program can help establish what is considered reasonable rents especially when many of the properties accepting vouchers are also funded with low-income housing tax credits. These include Mallside, Rio Hill, Wilton Farms, Park's Edge, and a new senior facility opened in September of 2006 – Park View at South Pantops.

90- Unit Senior Housing – Park View



HOUSING INITIATIVES

Albemarle County continues to provide approximately \$1 million in local financial support for housing initiatives undertaken by the Office of Housing, Albemarle Housing Improvement Program (AHIP), Piedmont Housing Alliance (PHA), and Jefferson Area Board of Aging, Inc. (JABA). 2006 activities and outcomes include:

Office of Housing – provided housing assistance to over 430 families through the federally-funded Housing Choice Voucher Program. Clients pay thirty percent (30%) of their income towards their housing expense and the program pays the balance of the rent to the landlord. Clients must have household incomes below 50% of the area median income to be eligible for a voucher. The program brings approximately \$2.6 million annually into the County from the U.S. Department of Housing and Urban Development (HUD). This amount has been fairly constant for the past three years with a slight decrease projected for 2007. In addition, HUD provides approximately \$300,000 in fees to support the operations of the program.

The Office of Housing also provides homebuyer education for lower-income families who are interested in becoming homeowners. Fifty-five families participated in the County's Homebuyer Clubs during the year. Twenty graduates of this and previous clubs purchased homes with eight purchasing in the County, ten in the City of Charlottesville, and two elsewhere. The families had household incomes ranging from \$19,200 to \$39,700 with the median being \$23,350. The Office also conducted a streamlined pilot housing education program designed to be conducted in the employment setting. The pilot program was for local government employees with sixteen employees participating in the five week program one day a week after work. Outreach efforts have begun to expand this program to school system employees with a future expansion to other businesses.

AHIP's historic role in affordable housing initiatives has been to maintain safe, decent housing for lower-income homeowners by renovating substandard housing units. In the past, AHIP has completed over 30 rehabs and over 55 emergency repairs annually. However, over the past few years the production has decreased slightly due to less grant funding available, primarily from the state, and the increasing cost associated with more challenging projects. For their fiscal year ending June 30, 2006 AHIP completed 25 rehabs and 35 emergency repairs totaling \$527,865. The average incomes for beneficiaries were \$27,600 and \$17,300 respectively.

AHIP has also expanded its role into development. They currently manage the 96-unit Park's Edge Apartments serving families with average household incomes of approximately \$10,000. The majority of the households are female-headed with children. They are planning a new development on the Treesdale property located on Rio Road which would create approximately 80 units of rental housing supported by low-income housing tax credits.

The County provides funding for AHIP's staffing and operations. Since July 1, 1999, the County has appropriated approximately \$2.8 million to AHIP for these purposes. During that time, AHIP has reported leverage of approximately \$14 million to undertake projects. Of this amount, over \$10 million was for the purchase and revitalization of Park's Edge Apartments, formerly known as Whitewood Village Apartments. Also included in the amount is approximately \$200,000 annually or \$1.4 million over seven years allocated to the County of Albemarle by the Virginia Department of Housing and Urban Development (DHCD) and the Thomas Jefferson HOME Consortium for which the County designated AHIP as the subrecipient.

Funding and Leveraging Trends for AHIP

	FY02/03	FY03/04	FY04/05	FY05/06
County Funds				
Rehab/ER	\$329,312	\$350,803	\$361,032	\$374,374
Development	\$78,154	\$57,364	\$48,016	\$43,900
Funds Leveraged				
Rehab/ER	\$493,108	\$521,547	\$580,903	\$527,865
Development (1)	\$406,048	\$3,605,880	\$448,097	\$34,815
Production				
Rehab/ER	25/55	27/44	22/31	25/35
Development (2)				

(1) Reported by AHIP as portion of acquisition and rehabilitation costs of Park's Edge Apartments.

(2) Development included rehabilitation of 96 units at Park's Edge and construction of 5 new homes in Camp Springs located in Esmont.

PHA primarily acts as a "bank" in the administration of the Albemarle County Homebuyer Assistance Program (ACHAP) and "brokers" other resources to provide below-market-rate mortgages to lower-income, first-time homebuyers. They also provide homebuyer counseling

one-on-one with potential homebuyers. During calendar year 2006, PHA counseled approximately 80 potential homebuyers. They also closed 27 ACHAP loans totaling \$473,580. These funds leveraged over \$4 million in primary mortgage financing and \$367,000 in other subsidies for a total average cost of purchasing a house of \$185,650. Incomes ranged from \$18,500 to \$57,800 with an average income of approximately \$31,000 or just under 50% of the area median income. This was only the first full year for ACHAP but the limited trend is that, on average, two to three homebuyers will get assistance monthly. It is likely that additional assistance could be provided if more below-market-rate interest loans and more affordable housing units were available.

PHA also provides outreach and education on fair housing laws through group sessions and they assisted eight County residents with fair housing complaints. Three of these complaints were referred to appropriate agencies to handle potential fair housing violations.

The County's contribution to PHA increased from \$48,000 in FY05/06 to \$93,542 in FY06/07. The increase was based on PHA's administration of the ACHAP and their increased emphasis on housing counseling.

JABA, Inc. has partnered with two private developers to provide affordable senior housing. The County provided \$40,000 to JABA which was used to subsidize rents for 39 apartments at Woods Edge Senior Apartments. In 2006 Park View at South Pantops, a 90-unit senior housing development, opened. With JABA as a partner, the County provided sixteen vouchers for rental assistance for up to ten years.

Although not currently funded through County general funds, Habitat for Humanity will likely become a significant provider of affordable housing with their purchase and proposed future redevelopment of Southwood Mobile Home Park. The Office of Housing has had several conversations with Habitat representatives and representatives of the proposed Biscuit Run to facilitate coordination between the two groups and encourage potential financial contributions from Biscuit Run to support the redevelopment of Southwood.

HOUSING PROFFERS

Since the adoption of the County's Affordable Housing Policy in 2004, developers have proffered housing units and cash to address the targeted goal of having fifteen percent (15%) of all new residential units developed through rezoning and special use permits as affordable. Through March 2007, the County has received total cash proffers of \$890,000 to \$1,010,000 and between 534 and 624 proffered affordable units with at least 35% of these units designated as for-sale. In addition, sixteen moderately-priced, for-sale units were proffered. The details for specific developments can be found in ATTACHMENT B.

The County has collected \$355,000 in cash proffers through March 2007. No proffered units have been completed. However, nine units in Avon Park are scheduled for completion in October 2007.

ALBEMARLE COUNTY HOUSING COMMITTEE

The Housing Committee continues to provide input and advice for the implementation of the Affordable Housing Policy. The following four proposals were the primary focus of the Committee in 2006.

Develop a sliding scale to provide credit for houses that fall in different sales prices. The rationale for this policy revision is that developers could include a wider range of affordable and moderately-priced houses with less than one-for-one credit given to the moderately-priced units and credit of more than one-for-one for units selling for prices below the defined affordable sales price. This policy change would provide some incentives to the developers and also provide a wider range of housing consistent with the intent of the Neighborhood Model.

Revise the existing density bonus to allow a density bonus of up to 30% requiring that one-half of the additional density to be affordable. The revision would also provide that these units be made available to targeted populations as defined in the Housing Policy.

Set a specific dollar amount for cash proffers in lieu of affordable housing. The Committee suggested that the cash proffer be an amount equal to ten percent (10%) of the affordable selling price. Since the affordable sales price is based on the Virginia Housing Development Authority's (VHDA) maximum sales price/loan limits for their first-time homebuyer programs, this would allow for increases in cash proffers as affordable sales prices increased.

The major discussion was directed to methods for promoting long-term affordability of proffered units. At the end of the year, there was no consensus for recommendations on this issue. The Committee agreed to delay moving forward on the three previous recommendations until the affordability concerns could be addressed.

CONCLUSION

The County's Affordable Housing Policy has been and will continue to be impacted by the realities of the market place. Developers, builders, realtors, and mortgage lenders must all share a commitment to produce affordable housing, promote a market for affordable housing and provide affordable financing to assist the County in meeting its goals. If the partnership is to be successful, the County must provide some reasonable and appropriate incentives to assure that the market place can help meet our stated goals. In analyzing trends, 2007 may be a more favorable environment for segments of the population in accessing affordable housing. However, there appears to be little potential that market corrections will significantly reduce the costs of housing in Albemarle County or the region especially for lower-income families. The corrections will likely result in only a slow down in the rate of appreciation particularly in the housing units that are currently affordable and moderately-priced.

The apparent underlying factor that continues to impact affordability is the cost of developed land. The 2006 square foot costs inclusive of land indicate that it is likely that increased density and/or decreased square footage may be the only ways to assure that affordable units can be developed. Even with maximizing density and building smaller, more efficient units, many of those households targeted in our Affordable Housing Policy will have to rely on affordable rentals. Although the supply of affordable rental units has remained fairly stable, if no new units are built, demand could outpace the supply in the future making current affordable rental units unaffordable to the lower-income population. The Housing Committee believes that consideration should be given to providing incentives that will encourage the creation of new affordable rental units.

Regardless of the market realities that are outside of the County's control, we have experienced levels of success in our efforts to preserve and promote affordable housing in the County. The County's contribution of approximately \$1 million in general funds continues to leverage over \$3.5 million in direct assistance and over \$4 million in mortgage financing for first-time homebuyers. This funding provides assistance to over 550 families living and/or working in the County with approximately four hundred and seventy receiving rental assistance, twenty-seven becoming homeowners, twenty-five living in renovated houses, and thirty-five receiving assistance with immediate emergency repairs to their homes. Most of these families have incomes well below 50% of the area median income.

Another bright spot in our efforts is the success of the affordable housing proffers. Developers of both large and small developments are trying to meet the County's goals and maintain the financial feasibility of their projects. With land costs and increasing construction costs, developing affordable units may become increasingly difficult, resulting in developers deciding to provide cash proffers rather than units. To date, only about nine percent (9%) of the proffer contributions have been in the form of cash with the balance being actual proffered units. If cash contributions increase, we will have to be prepared to use them to promote the creation of affordable units in partnership with the development community.

We believe this report provides a reasonable summary of the affordable housing efforts undertaken in the County in 2006. As indicated by market trends, the ability to promote and provide affordable housing is becoming increasingly difficult. The public should recognize that fact and that we will likely never solve the affordable housing problem that is faced by many of our citizens. However, given the limitations on available resources we believe the assistance that is provided to over 550 families makes a difference both to those families and the County as a whole.

2006 Sales by Housing Type

170 Sales of New Detached Houses

Qtr	Range	Median	Average	Sq. Ft. Cost	Avg. Sq. Ft.
1	\$258,200 - \$1,842,500	\$440,348	\$553,600	NA	NA
2	\$249,900 - \$1,349,000	\$555,295	\$575,447	NA	NA
3	\$345,000 - \$1,300,000	\$548,930	\$636,927	\$206	3092
4	\$224,900 - \$1,160,000	\$590,375	\$610,925	\$203	3009

75 Sales of New Attached Houses

Qtr	Range	Median	Average	Sq. Ft. Cost	Avg. Sq. Ft.
1	\$233,050 - \$399,950	\$278,500	\$292,118	NA	NA
2	\$248,000 - \$439,950	\$311,755	\$321,795	NA	NA
3	\$274,900 - \$721,601	\$347,796	\$394,433	\$192	2054
4	\$259,900 - \$754,825	\$354,335	\$383,826	\$193	1989

762 Sales of Existing Detached Houses

Qtr	Range	Median	Average	Sq. Ft. Cost	Avg. Sq. Ft.
1	\$125,500 - \$2,300,000	\$388,000	\$453,541	NA	NA
2	\$50,900 - \$3,000,000	\$367,745	\$455,653	NA	NA
3	\$118,000 - \$3,800,000	\$400,000	\$501,380	\$182	2754
4	\$144,500 - \$3,750,000	\$409,000	\$583,320	\$203	2874

119 Sales of Existing Attached Houses

Qtr	Range	Median	Average	Sq. Ft. Cost	Avg. Sq. Ft.
1	\$180,000 - \$343,500	\$186,500	\$221,200	NA	NA
2	\$248,000 - \$439,950	\$311,755	\$321,795	NA	NA
3	\$152,000 - \$495,000	\$245,000	\$247,200	\$160	1545
4	\$159,000 - \$443,136	\$239,750	\$249,490	\$158	1579

200 Sales of Condominiums

Qtr	Range	Median	Average	Sq. Ft. Cost	Avg. Sq. Ft.
1	\$144,900 - \$800,000	\$186,500	\$221,100	NA	NA
2	\$239,900 - \$474,900	\$289,950	\$266,445	NA	NA
3	\$101,750 - \$485,000	\$138,000	\$152,745	\$170	898
4	\$99,900 - \$362,500	\$159,950	\$163,324	\$175	933

**Status of Affordable Housing Proffers
March 2007**

Cash Proffers

Fontaine Ave. Townhomes	\$ 60,000	
North Point	\$300,000	
Popular Glen 1	\$ 84,000	(can be used for CIP)
Popular Glen 2	\$ 66,000	
Belvedere	Approx.Range	\$380,000 - \$500,000
	Per unit	\$1000 sgl family detached \$ 750 sgl family attached \$ 500 mf & condo

Received

\$300,000 North Point
\$ 54,000 Popular Glen
<u>\$ 1,000</u> Belvedere
\$355,000

Proffered Units

	AFFORDABLE	Moderately-priced
Avon Park	9 for-sale	
Old Trail (15%) *	Min. 40% for sale; Max. 30% accessory	
Liberty Hall	8 for sale	
Briarwood	25 for sale	
North Point	24 for sale 70 rental	16 for sale
Cascadia (15%) **	Min. 33% for sale; Max. 33% accessory	
Westhall V	6 for sale	
Belvedere	103 carriage house units (accessory)	

* Old Trail proposes a range of 1600 to 2200 units. (240 to 330 affordable)

** Cascadia proposes up to 330 total units. (up to 50 affordable)