

HOUSING AFFORDABILITY

Affordable housing remains one of our community’s biggest challenges—one exacerbated by the COVID-19 pandemic and the ensuing economic crisis. With many people in our community facing urgent threats to housing, coupled with already increasing housing demands, housing supply shortfalls, and rising housing costs, solutions must be multifaceted—balancing support for individuals in need with efforts to increase supply and ensure supply is well-maintained.

For the past 10 years or more, annual budget discussions about housing have focused on increasing housing supply and sustaining housing affordability while meeting the increasing demand for housing subsidies. As a result of the economic crisis, the FY 2022 Proposed Budget puts greater emphasis on direct support, such as eviction prevention and housing support, while still working to increase housing supply.

FY 2022 Proposed Budget Funding for Housing

Direct Housing Assistance:

COVID Contingent (Projection for emergency rental assistance)	\$5.0 million
Housing Grants (increase of \$2.6 million)	\$12.7 million
Permanent Supportive Housing (increase of \$0.9 million)	\$4.1 million
Housing Choice Vouchers (increase of \$1.6 million)	\$21.0 million
Real Estate Tax Relief for the Elderly and Disabled & Disabled Veterans (increase of \$0.09 million)	\$4.4 million

Affordable Housing Supply:

Affordable Housing Investment Fund	\$8.9 million
Payment Waiver at Affordable Housing Properties	\$2.6 million
TOAH (decrease of \$0.3 million)	\$0.6 million
Other Housing Programs	\$11.8 million
TOTAL	\$71.1 million

Direct Housing Assistance

Housing Grants: The County’s Housing Grants Program provides rental assistance to low-income Arlington residents who meet at least one of the following criteria: 65 years of age or older, totally and permanently disabled, working families with at least

one child under the age of 18, and clients of a County-operated or County-supported mental health program. These grants cover a portion of monthly rent; the amount is determined based on household income, household size, and total rent, with a goal of having tenants pay no more than 40 percent of their income towards rent.

There has been increasing demand for Housing Grants over the past few years, from 1,194 households served in FY 2019 to 1,241 in FY 2020 (3.9% increase) to 1,358 households served in FY 2021 (9.4% increase). In FY 2022, the projected number of households served will increase 4.1 percent, from 1,358 to 1,414. Currently, 88 percent of Housing Grants clients are at or below 30 percent of Area Median Income (AMI).

The Manager's FY 2022 Proposed Budget includes an increase in the maximum allowable rents (\$61,331) to ensure subsidies keep pace with the rental market. The maximum allowable rents lag the market by two years. This additional funding, along with increased funding to meet projected needs, increases the Housing Grants budget from \$10.1 million to \$12.7 million. The County will continue to review eligibility criteria and adjust as needed to ensure the subsidy is deep enough to help Arlington residents maintain their housing.

Housing Choice Voucher Program (HCVP): The federally funded and locally administered Arlington Housing Choice Voucher Program helps low-income families at or below 50% of Area Median Income, the elderly, and people with disabilities obtain safe, decent, and affordable housing in the private market. In recent years, there has been an increase in Housing Choice Vouchers, from 1,456 households in FY 2020 to 1,523 in FY 2021. In FY 2022, the projected number of Arlington households receiving a Housing Choice Voucher increases to 1,550.

In addition, Arlington County, as a recognized Public Housing Agency, received additional funding of \$382,489 from HUD to support the program during the COVID-19 pandemic. HCVP participants are eligible to receive emergency financial assistance where participating households have experienced a hardship related to COVID-19 (such as a loss/decrease of income or other related factors) that has affected the participant's ability to pay their portion of the rent or utilities and to prevent displacement. The funding allows for new eligible pandemic-related activities such as procuring PPE, cleaning and medical supplies, providing supportive services to families.

Permanent Supportive Housing: The County's Permanent Supportive Housing (PSH) program provides affordable housing and supportive services for individuals and families who are homeless or at risk of becoming homeless, as well as those who have very low incomes and serious, persistent issues, such as substance use, mental illness or other disabilities, or HIV/AIDS. There has been an increasing demand for Permanent Supportive Housing subsidies, with 277 contracted units in FY 2019, 286 units in FY 2020, and 305 units in FY 2021. The number of contracted units is projected to increase to 318 in FY 2022. To maintain current support levels and

adequately fund 318 units, an additional \$591,595 is included in the Manager's proposal.

Real Estate Tax Relief: The Real Estate Tax Relief Program provides an exemption and/or deferral of real estate taxes for qualified Arlington homeowners age 65 and older and certain totally and permanently disabled homeowners who have the property title and meet income, asset and other eligibility requirements.

In 2017, the County Manager appointed a commission to assess the continued need for real estate tax relief. This led to a revamping of the program and a new tax exemption category of 75 percent. The continued need for this program is evident, with 914 households having received full or partial exemptions or deferrals in 2019 and 908 households projected to receive full or partial exemptions or deferrals in 2020. These numbers are projected to remain steady in 2021 and 2022.

Eviction Prevention: Many people in our community have faced housing instability over the past year as a result of pandemic-related economic challenges. Since the onset of the pandemic, the County has appropriated more than \$8 million in federal, state, and local resources for eviction prevention. In FY 2021 to date, more than \$6.9 million has been appropriated, with more than \$5 million being distributed by Arlington Thrive, a nonprofit that assists Arlington residents in conjunction with the Department of Human Services. These funds have helped more than 2,000 households with rent, rent arrears, security deposits, and utility payments. These households received an average payment of \$2,004. Of the households served, 39 percent were Black or African American, 42 percent were White, 18 percent were Asian, and 1 percent were of another race. In addition, 47 percent were Hispanic/Latino, and more than 51 percent live in the 22204 ZIP code. The County will continue to support eviction prevention efforts by using all available federal, state, and local funds and COVID-19 contingency funding as needed.

Affordable Housing Supply

Each of these initiatives in the proposed budget meets the goals and objectives contained in the Affordable Housing Master Plan, which is undergoing a five-year review. The County Board's Housing Arlington initiative, bolstered by investments in AHIF, is also underway and efforts such as the County's Missing Middle Housing Study will continue into FY 2022.

Payment Waivers: To address rent and vacancy losses and support emergency needs at properties with Committed Affordable Units (CAFs), the County offered to waive payments on County affordable housing loans through December 31, 2020. In return, participating borrowers agreed to not charge late-payment fees or evict tenants for COVID-related non-payment of rent through the end of 2020. This helped low- to moderate-income tenants who lost income due to the COVID-19 pandemic avoid losing their homes. The program waived \$2.3 million in County loan payments in 2020. Participating loans continue to accrue interest and still comply with all requirements of their agreements, including repayment.

Due to continued economic uncertainty impacting these properties and their tenants, the County Manager recommends extending the waivers through December 31, 2021. By extending the waived funds for an additional year, the properties could work through significant rental income loss as well as deferred maintenance and other repairs that were put on hold during the pandemic. If continued into FY 2022, the program would waive an additional \$2.6 million for a total of \$4.9 million in waived County loan repayments. Any funds remaining after December 31, 2021, and not used by the properties for emergency rental assistance or other needs related to the pandemic would be remitted to the County.

Affordable Housing Investment Fund and Development Resources: The County's Affordable Housing Investment Fund (AHIF) remains our main vehicle to both preserve and create long-term affordable housing by making low-interest loans available to developers. Over the past five years, the County has produced an average of 289 committed affordable units (CAFs) annually. As of January 2021, the County has 38 CAFs that are affordable to households earning less than 30 percent of the area median income (AMI).

County Board appropriations to AHIF, particularly the portion represented by ongoing funds, have increased significantly since FY 2010. During that time, annual appropriations have increased nearly fivefold while annual base funds have nearly tripled. Annual County Board appropriations are one source of funding for AHIF, but the County also relies on annual loan repayments and developer contributions from site plan projects to provide funding for new projects. Since FY 2010, general fund appropriations and recordation tax have accounted for only 42 percent of the annual AHIF budget; the remaining 58 percent has been funded with loan repayments, developer contributions, and other sources, such as federal dollars. These different sources help diversify AHIF's funding and provide a buffer when annual appropriations or other sources decline.

In FY 2021, Arlington received significant contributions to AHIF from private developers, notably a \$20 million contribution from the Amazon HQ2 Met Park Site Plan. In addition to the Met Park contribution, the County received \$1.7 million from other developer contributions in FY 2021. The Columbia Hills project also realized \$620,000 in AHIF-related construction savings.

Further, the County has a renewed focus on community benefits as part of site plan projects to gain funding as well as land opportunities, particularly because land can be the most difficult and costly portion to obtain for an affordable housing project. In this regard, the County continues to work on the Crystal Houses redevelopment, which includes the conveyance of a 0.9-acre parcel of land to the County for development of committed affordable housing. These efforts will continue in FY 2022.

Additionally, the County exercised an Option to Purchase the southern parcel of Park Shirlington Apartments, which includes 105 of the total 294 apartment units at the property. This will preserve long-term committed affordability at the site. The County anticipates completing the purchase during FY 2022. Between now and August 1,

2021, the County will explore all opportunities to create 294 apartments as committed affordable units and continues to work with the owner on preserving the northern parcel as well.

Lastly, as part of its ongoing asset management effort, the County is continuing an analysis of its committed affordable unit housing stock to ensure those units are well-maintained and that a strategy exists for when these units need additional reinvestment. While owners ultimately bear the responsibility for maintaining aging systems and other infrastructure at their properties, the County can do resource planning to support these reinvestments when the need arises.

Transit-Oriented Affordable Housing (TOAH) Fund: The Transit-Oriented Affordable Housing (TOAH) Fund was designed to promote affordable housing development within the Columbia Pike corridor. The fund provides support to developers to cover infrastructure costs and County fees for projects where they use Low Income Housing Tax Credits.

Most recently, \$984,000 in TOAH funds were allocated in FY 2020 to the Arlington View Terrace East project. The County will continue to seek eligible projects to use these funds in FY 2022.