ARLINGTON VIRGINIA

HOUSING ARLINGTON

ARLINGTON COUNTY HOMEOWNERSHIP STUDY

Program Recommendations

December 2023

HR&A

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report represents the third phase of the Arlington County Homeownership Study. Building on the data analysis and community engagement from Phases 1 and 2, these recommendations will catalyze the next stage of action as Arlington County works to preserve and expand affordable homeownership.

Arlington County has a robust set of modestly funded homeownership programs; however, there is increasing competition for homeownership in the County due to escalating demand and limited new supply. These market conditions impact affordability and exacerbate existing disparities within race, ethnicity, age, and ability-status.

The recommendations that follow suggest adjustments to increase the impact of existing programs and propose three new programs, with attention to the County's homeownership goals: *(1) reduce racial homeownership gaps, (2) support existing homeowners, (3) increase the production of housing supply, and (4) create pathways to homeownership.*

RECOMMENDATIONS: EXISTING PROGRAMS

Moderate-Income Purchase Assistance Program (MIPAP) | Goals 1, 4

- Launch a tiered assistance structure with set-aside funding for priority communities.
- Implement a targeted outreach campaign.
- Increase the maximum purchase price.
- Explore partnerships with more pre-approved lenders and housing counselors.
- Remove any redundant requirements such as the minimum credit score.

Education and Technical Assistance | Goals 1, 2, 3, 4

- Develop a targeted outreach strategy for MIPAP to educate households on the program.
- Pilot a Homebuyer Cohort Program that includes additional financial education and support for renters on the path to homeownership (new recommendation see p. 36 for additional details).
- Make post-purchase counseling available for new homeowners including MIPAP borrowers.
- Expand and strengthen the existing condominium education series.
- Prioritize developer outreach within the Homeownership Production Fund (new recommendation see p. 43 for details).

Condominium Support | Goals 1, 2, 4

- Expand and strengthen the existing condominium education series.
- Increase outreach to local and regional lenders to assess products available to condos.
- Explore a spectrum of financial support for condo owners.

Real Estate Tax Relief (RETR) Program | Goals 1, 2 – Conduct a review of the Real Estate Tax Relief Program to assess capacity and impact, in addition to the ongoing calibration of eligibility criteria.

Affordable Dwelling Unit (ADU) Program | Goals 1, 3 – Explore revising the resale formula or adding an expiration to restrictions for future ADUs.

RECOMMENDATIONS: NEW PROGRAMS

Homebuyer Cohort Pilot | Goals 1, 4 – Pilot a program to provide education and support to low- and moderate-income renters, including credit counseling and access to a matched savings account.

Home Improvement Loan Program | Goals 1, 2 – Explore relaunching a repair loan program with tiered assistance to reach low- and moderate-income homeowners and to provide support to priority communities.

Homeownership Production Fund | Goal 3 – Consider available funding mechanisms to increase the supply of affordable homeownership units including through Expanded Housing Options.

EXECUTIVE SUMMARY

For these recommended modifications and suggested new programs to have the maximum impact, thoughtful implementation, including particular attention to equity, funding, staffing, and legislative approval, is necessary.

IMPLEMENTATION CONSIDERATIONS

Equity Considerations: Each recommendation described in this report is designed to address disparities in homeownership through *outreach to or prioritization of households with barriers to ownership.* These *priority communities* should align with patterns of historical housing inequities and present barriers with emphasis on: 1) households of color, 2) larger households, 3) first-generation homebuyers, 4) elderly households, and 5) disabled homeowners. A thoughtful approach will also be needed, given that fair housing regulations often prohibit restricting assistance based on categories such as race.

Funding Considerations: These recommendations will require additional resources to unlock maximum impact. This includes assessments of existing programs such as RETR where additional resources will ensure a robust review that includes a DHS capacity assessment (see p. 30 for detail). In some cases, the needed investment is in the long term, while in other cases, more immediate funding is appropriate. The recommended phasing detailed below suggests beginning with investments in existing programs to allow for time to assess funding needs for potential new programs.

Staffing Considerations: Both expanding existing programs and developing new ones are labor-intensive activities. Increasing the number of MIPAP loans, for example, means more staff time to review and approve applications, while developing a Homebuyer Cohort Pilot, Home Improvement Loan Program, or Homeownership Production Fund will require staff to manage the design phase at the very least, even if the County chooses an outside organization to administer the program. Even a review of the RETR program will require additional staff time to ensure thoroughness, and additional staffing needs may emerge from the review as well.

Legislative Considerations: Last, local governments in Virginia are constrained to powers enumerated by the state legislature. In general, these recommendations are limited to activities already enumerated apart from potentially providing tax relief for ADU owners in the case that their properties are assessed at market-value rather than the affordable value. The existing Real Estate Tax Relief Program for low-income seniors and permanently disabled homeowners is codified in Chapter 43 of the local Arlington County Code.

IMPLEMENTATION PHASING

As Arlington County considers these recommendations and the associated funding and staffing demands, this phased plan provides options for the near term and the longer term.

Near Term (1-3 years)

- MIPAP expansion and adjustments
- Condominium support expansion
- Education and technical assistance development and expansion
- Homeownership Production Fund

Long Term (3+ years)

- Reevaluate ADU resale restrictions
- Develop Home Improvement Loan Program
- Explore Homebuyer Cohort Pilot
- Real Estate Tax Relief (RETR) Program review

INTRODUCTION

INTRODUCTION

The recommendations in this report build on the research and analysis conducted in the previous phases of the Homeownership Study and are informed by stakeholder engagement and case study research.

HOMEOWNERSHIP STUDY BACKGROUND

In March 2019, the County Board launched Housing Arlington, building on existing efforts and generating new, innovative solutions for a full spectrum of housing affordability. Part of Housing Arlington, the three-phase **Homeownership Study** began in 2022. Phase 1 consisted of data gathering and analysis, culminating in a series of reports that identified barriers to homeownership in Arlington County and assessed existing homeownership programs. Phase 2, Values and Visioning, corresponded with robust community engagement to define homeownership goals and hear directly from current and prospective Arlington County homeowners. Through this process, the following goals and vision statement emerged.

HOMEOWNERSHIP IN ARLINGTON	
VISION	*Arlington's Homeownership Program serves as a catalyst to preserve and expand affordable homeownership opportunities.*
GOALS	(1) To reduce racial homeownership gaps. (2) To support existing homeowners in maintaining housing in the community. (3) To increase the production of homeownership housing supply. (4) To create pathways to homeownership for renters.

This report outlines recommendations developed through Phase 3 of the Homeownership Study, including through additional research on existing Arlington County programs and analysis of case studies from comparable jurisdictions. These recommendations are informed by findings from Phase 1 and Phase 2 and are guided by the goals and vision statement developed during Phase 2.

HOMEOWNERSHIP STUDY | **PROCESS**

Phase 1	Phase 2	Phase 3
Data Collection and Analysis	*Values and Vision*	*Program Recommendations*
		Current Phase

Source: Housing Arlington

INTRODUCTION

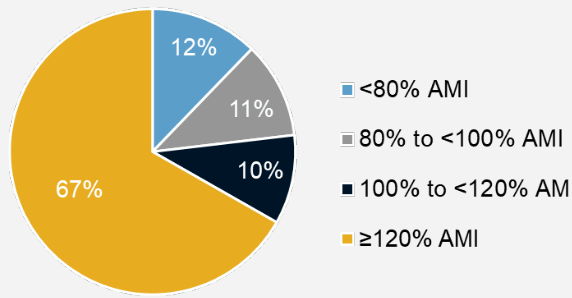
Homeownership offers long-term housing and financial stability as well as opportunities for building wealth over time; however, many households in Arlington County face barriers to accessing ownership.

EXISTING CONDITIONS

At 44%, the homeownership rate in Arlington County is comparable to that of Washington DC (42%) and the City of Alexandria (43%). However, there is a high demand for owning a home in Arlington, and homeownership is often out of reach, even for moderate-income households.

EXISTING CONDITIONS| **HOME PURCHASE LOANS BY BORROWER INCOME**

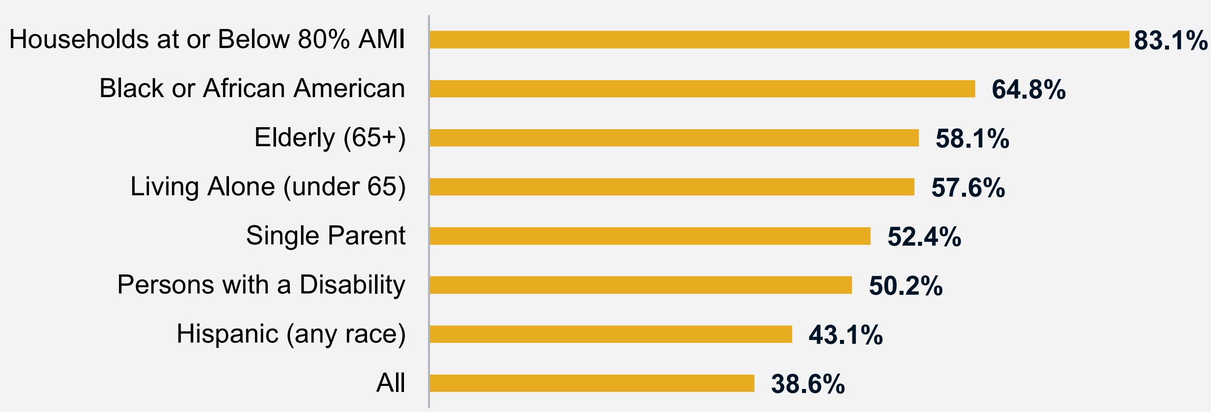
There is substantial need for continued and deepened investment support access to homeownership for low- and moderate-income households.



Source: HMDA 2022 (AMI level reflects a 2-person household AMI level; not otherwise adjusted for household size)

Some households face additional barriers that further push affordable homeownership out of reach. Earlier phases of the Homeownership Study emphasized that, on average, households of color, elderly households, single-parent households, and those with disabilities experience the most significant cost-burden rates in Arlington County. Cost-burdened households spend more than 30% of their monthly income on housing costs, meaning they may have trouble saving for a down payment or qualifying for a mortgage.

EXISTING CONDITIONS | **COST-BURDEN RATES FOR RENTER HOUSEHOLDS**



Source: Arlington County; ACS

These disparities and challenges detailed earlier in the Homeownership Study form the basis of the equity considerations included in each recommendation within this report. The next page further summarizes takeaways from Phase 1 and 2.

INTRODUCTION

EXISTING CONDITIONS CONTINUED

Analysis and outreach from Phases 1 and 2 of the Homeownership Study suggest a few specific challenge areas for existing and prospective homeowners in Arlington.

- In the last decade, although the number of homeowners in Arlington County has increased, the share of homeowners has decreased. This finding indicates **a lack of supply in the market**, a challenge that was further underscored by community outreach and stakeholder roundtables.
- In addition to a general lack of supply, **affordable typologies are limited in Arlington.** Most homes sold in 2022 were condo units, as were 99% of all homes priced at or below $500K. This typology can represent entry-level homeownership, but affordable condo options are generally limited to 1- and 2- bedroom units, and steep condo fees are prohibitive for some households.
- Notwithstanding the lack of supply**, there is significant demand for homeownership in Arlington.** Nearly half of all renters have incomes over $100,000 that can sustain homeownership, representing an important opportunity for the County to offer assistance and remove barriers.
- However, **there are significant racial disparities in income within Arlington County.** In aggregate, Black households earn close to only half of the median income of White households. This connects directly to a higher housing cost-burden in aggregate as described previously.
- During the engagement phase of the Homeownership Study, **residents of color reported feeling systematically disadvantaged in the housing market.** There are significant disparities in homeownership rates between White residents and residents of color, especially Black residents. Community members have expressed a belief in targeting homeownership programs to households facing barriers to ownership, emphasizing the **need for Arlington County to elevate equity in homeownership programs and policies.**
- Through engagement sessions, elderly residents also shared their desire **for a greater range of housing typologies,** such as stacked townhomes, that are more accessible to seniors. Residents also highlighted the need for additional investments in accessibility improvements and repairs for elderly homeowners.
- Last, in addition to support specifically for seniors, community engagement and a review of existing Arlington County homeownership programs underscored the **need to support existing homeowners broadly, particularly in addressing home maintenance and repairs.**

INTRODUCTION

ARLINGTON COUNTY PROGRAMS AND POLICIES

Arlington's Affordable Housing Master Plan (AHMP) is the County's main policy guidance that considers both rental and ownership housing affordability. The AHMP addresses homeownership via the supply objective to "Produce and preserve a sufficient **supply** of affordable ownership housing to meet future needs," and under the access objective with the policy to "provide assistance to create **access** to ownership housing for moderate- and middle-income first-time homebuyers."

Arlington's homeownership program implementation is guided by the principles and objectives found within the AHMP and the County currently offers a suite of programs to support low- and moderate-income buyers and owners. These programs include **property tax relief** for eligible elderly or disabled homeowners and grants to Rebuilding Together, a nonprofit that coordinates **accessibility improvements and critical repairs** for low-income homeowners.

First-time homebuyers have access to a HUD-approved **homebuyer education** course in partnership with the Latino Economic Development Center. Other education programs are available to prospective homebuyers in the County, including online through Virginia Housing. In partnership with the City of Alexandria, Arlington County also supports an **education series specifically for condo owners and associations.**

Down payment assistance is available to income-qualifying, first-time homebuyers through the **Moderate-Income Purchase Assistance Program (MIPAP).** Structured as a shared-appreciation loan, MIPAP funds can close the gap between the mortgage amount a borrower qualifies for and the cost of a home up to $500,000. Arlington County is also able to provide additional assistance to MIPAP borrowers through **Virginia Housing Sponsoring Partnerships & Revitalizing Communities (SPARC) funding.**

Income-qualified Arlington County employees may be eligible for housing grants through the **Live Where You Work (LWYW)** program, and free counseling and legal aid is available to qualifying homeowners facing foreclosure through the County's **foreclosure prevention program.**

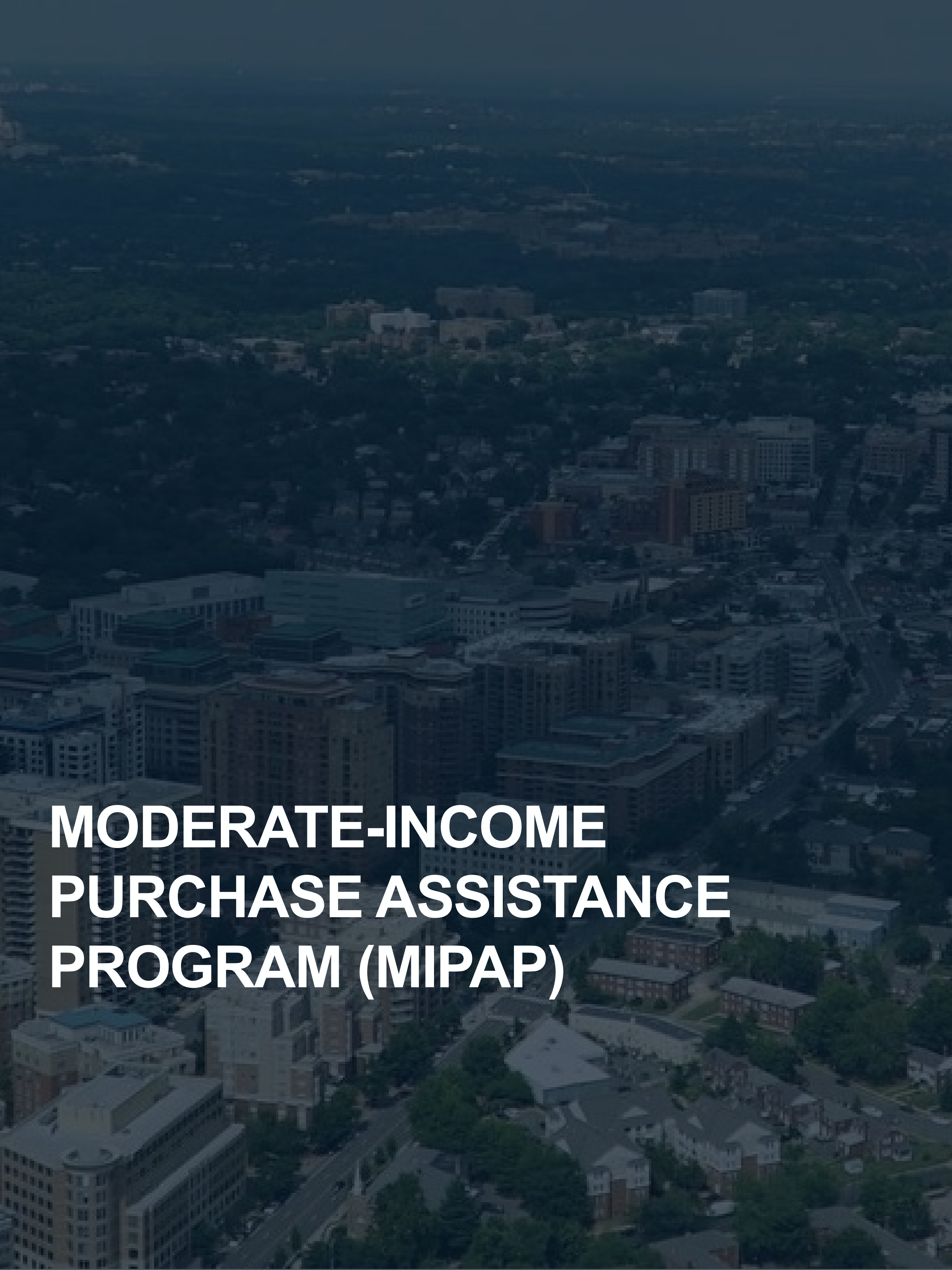
Finally, **the Affordable Dwelling Unit (ADU) Program** adds to the supply of affordable homeownership units in Arlington County through developer contributions in exchange for additional density in projects approved via special exception by the County Board. The current portfolio includes 62 homes affordable to households earning up to 80% and in some cases 60% AMI.

The recommendations in this report first address these existing programs and before suggesting additional options that Arlington County may consider to expand support for existing and prospective homeowners.

SUMMARY | EXISTING ARLINGTON COUNTY HOMEOWNERSHIP PROGRAMS

RETR PROGRAM	REBUILDING TOGETHER	HOMEBUYER EDUCATION	CONDO EDUCATION
Tax exemption or deferral	*Home repairs and improvements*	*First-time homebuyers*	*For owners and associations*
MIPAP	**ADU PROGRAM**	**LIVE WHERE YOU WORK**	**FORECLOSURE PREVENTION**
Down payment assistance	*Permanently affordable homes*	*Grants for County employees*	*Counseling and legal aid*

RECOMMENDATIONS: EXISTING PROGRAMS



MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

RECOMMENDATIONS: EXISTING PROGRAMS

MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

MIPAP is a shared-appreciation down payment assistance loan program for low- and moderate-income homebuyers. The program expands access to homeownership by reducing the upfront cash needed to purchase a home.

BACKGROUND

Arlington County's **Moderate-Income Purchase Assistance Program (MIPAP)**, created in 1981 with subsequent revisions in 2009 and 2018, provides down payment assistance to low- and moderate-income homebuyers through a second mortgage with a shared appreciation model.

Shared appreciation mortgages are financial instruments designed to address homeownership and wealth-building barriers. When borrowers purchase a home with a shared appreciation mortgage, they receive a below-market or 0% interest rate in exchange for a portion of the home's appreciation upon sale. As a down payment assistance program, shared appreciation mortgages empower low- and moderate-income households, particularly first-time homebuyers without savings, with the upfront capital needed to purchase a home. Saving for a large down payment can be a significant barrier to homeownership, especially for low- and moderate-income households of color and for households in markets with high average rents.

The following chart illustrates how shared appreciation down payment assistance reduces monthly mortgage costs for borrowers by helping them to meet 20% down payment requirements. The larger down payment reduces the size of the first mortgage and eliminates the need for costly mortgage insurance payments. In this example, the reduction in monthly costs increased the affordability of the home from accessible to buyers at or above 75% AMI to buyers at or below 61% AMI. On the back end, though slightly less than an unrestricted transaction, homeowners benefit from wealth-building through the long-term investment in their home.

COSTS AND AFFORDABILITY	WITHOUT DOWN PAYMENT ASSISTANCE	WITH DOWN PAYMENT ASSISTANCE
1st Mortgage Payment*	$1,933	$1,718
Condo Fee	$300	$300
FHA Mortgage Insurance Payment	$273	$0
Total Monthly Housing Payment	**$2,506**	**$2,018**
Monthly Mortgage Savings		**$488**
Required Household Income	$85,932	$69,183
*Affordable AMI Level***	*75%*	*61%*

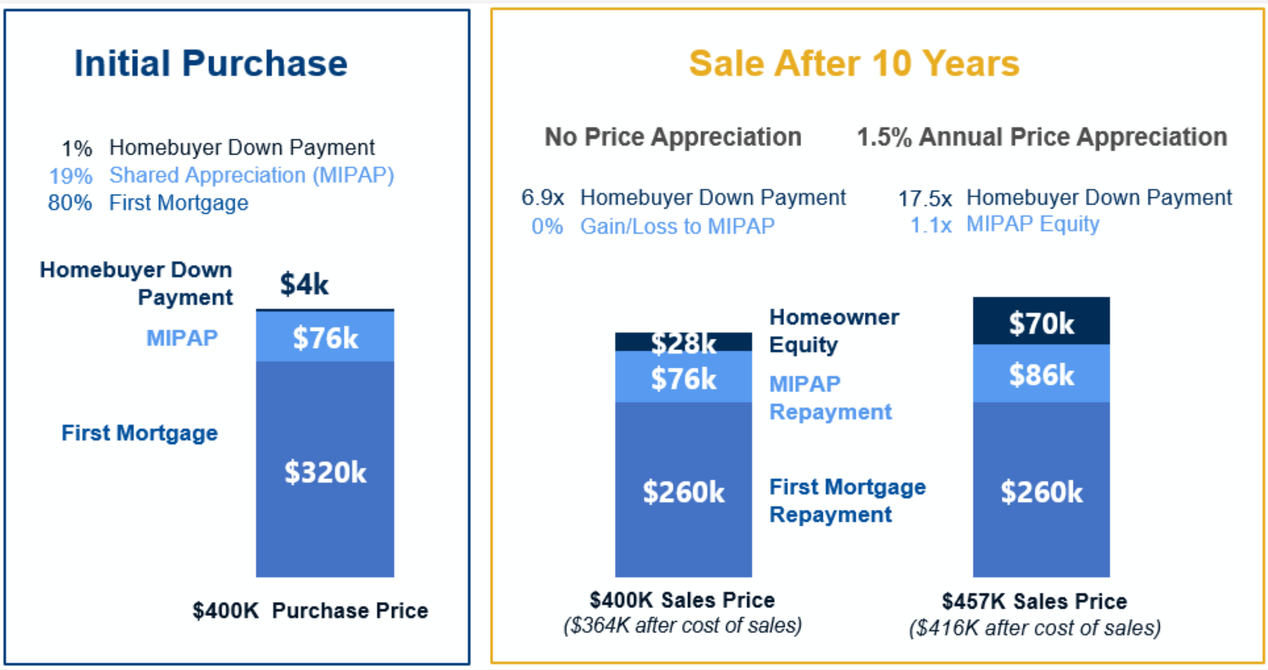
**$400k purchase price, 5% interest rate (with SPARC), 80% LTV (with MIPAP)*
*** Based on 100% AMI for 2-person household at $113,900*

To qualify for down payment assistance through MIPAP in Arlington County, homebuyers must have household incomes at or below 80% AMI, a credit score of at least 660, and must be first-time homebuyers. MIPAP cannot be used for a home purchase greater than $500,000, even if that price point is affordable to the borrower. The following page will provide more detail on the wealth-building opportunities for MIPAP borrowers in addition to the reduction in monthly costs.

BACKGROUND CONTINUED

The following graphic illustrates the wealth-building potential for MIPAP borrowers. MIPAP can reduce the down payment required of the homebuyer from 20% to 1%. As MIPAP borrowers make payments on their first mortgage, their equity grows. When they decide to sell their home, even if the home has not appreciated in value, the equity that they have built through those mortgage payments builds wealth even after repaying the MIPAP loan. If the home has appreciated, the homeowner's wealth accumulation is even more substantial.

MIPAP | **Illustrative Borrower Wealth-Building Process**



Source: HR&A analysis using data from Redfin, Arlington County, and Freddie Mac. Assumes purchase price of $400,000, 5.0% first mortgage interest rate, and 9% cost to sell.

In addition to building wealth for homeowners, MIPAP, like other shared appreciation mortgage programs, is also financially sustainable. When MIPAP borrowers share a portion of the appreciation of their home's value with Arlington County, those funds are then recycled into MIPAP loans for subsequent buyers. With an annual allocation of Community Development Block Grant (CDBG) funding of $550K – $1M, MIPAP currently supports 5-15 borrowers each year depending on demand.

Down payment assistance programs empower low- and moderate-income households, particularly first-time homebuyers without savings, with the upfront capital needed to purchase a home. In addition to shared appreciation mortgages, there are several other common down payment assistance program structures including fixed-rate and forgivable programs. Detailed definitions of these program types can be found in the Glossary.

RECOMMENDATIONS: EXISTING PROGRAMS

MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

BACKGROUND CONTINUED

In general, it is important to keep in mind that down payment assistance programs are subject to competing priorities. Forgivable loan programs allow for the greatest amount of wealth-building but require greater annual commitments from the County because funds cannot be recycled to benefit additional households. On the other hand, both forgivable and shared-appreciation programs still allow for wealth-building in the event that home values do not appreciate much or at all. This benefit is known as downside protection.

DOWN PAYMENT ASSISTANCE PROGRAMS | **TRADE-OFFS**

Financing Instrument	Public Trade Off		Homebuyer Trade Off			
Financing Option	**Repay public funds**	**Targeting assistance**	**Downside Protection**	**Reduced monthly mortgage**	**Amortizing**	**Wealth building**
Forgivable DPA *	○	●	●	●	○	●
Shared Appreciation	●	●	●	●	○	◐
Fixed Low-Rate Deferred DPA	◐	●	○	●	○	◐
FHA Loan w/o DPA	○	○	○	○	●	○

**Typically, a smaller loan amount compared to other down payment assistance programs*

Shared appreciation down payment assistance programs, like MIPAP, may offer more wealth-building potential, compared to fixed-rate appreciation programs. The following chart illustrates the comparative return for homebuyers under a shared appreciation down payment assistance structure as compared to a fixed-rate down payment assistance. Shared appreciation programs are typically more effective in supporting wealth-building than fixed-rate down payment assistance, particularly when the fixed rate exceeds annual home value appreciation. This can be a benefit for the owners of older homes or in markets with low growth.

DOWN PAYMENT ASSISTANCE PROGRAMS | **WEALTH-BUILDING COMPARISON**

Sale After 10 Years	Shared Appreciation (Proportionate)		Fixed-Rate (3%)	
Market Conditions	**Homebuyer Equity**	**Equity Multiple**	**Homebuyer Equity**	**Equity Multiple**
0% Home Value Appreciation	$27,705	6.9 x	$15,305	3.8 x
1.5% Home Value Appreciation	$70,149	17.5 x	$57,099	14.3 x
3% Home Value Appreciation	$117,918	29.5 x	$115,843	29.0 x

Source: HR&A analysis using data from Redfin, Arlington County, and Freddie Mac. Assumes $400K purchase price, 5.0% first mortgage interest rate, and 9% cost to sell.

RECOMMENDATIONS: EXISTING PROGRAMS

MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

RECOMMENDATIONS

Although MIPAP is providing needed assistance to low- and moderate-income homebuyers in Arlington, it is possible to combine aspects of the different down payment assistance programs discussed to better address Arlington's homeownership goals, especially targeting assistance while maintaining downside protection and reduced monthly mortgage costs for borrowers.

Equity-Focused Tiered Assistance

To more directly address equity within the program and better leverage County resources, MIPAP can adopt a tiered assistance framework, with different loan terms available for different borrowers depending on household income or other characteristics. One possible tier structure is as follows:

- **Priority Community Households (at or below 80% AMI):** Partially forgivable down payment assistance to provide more opportunities for wealth-building. Priority communities should be defined thoughtfully and with attention to fair housing regulations but may include first-generation homebuyers, large households, or others.
- **Households at or Below 80% AMI:** Shared-appreciation according to the current MIPAP structure.
- **Households at or Below 100% AMI:** Lower maximum loan amount at a below-market, fixed-rate.

Targeted Outreach

Stakeholders have repeatedly voiced concerns about the dissemination of homeownership program information and the County's ability to build trust with potential program beneficiaries. Online marketing efforts may not reach the lowest-income and elderly residents and historic injustices in mortgage lending leave residents wary of the County and lender intent. To ensure priority community members are aware and able to take advantage of the tiered assistance described above, Arlington County should consider developing a robust outreach strategy, aligned with the following best practices:

- Outreach should align with communities facing historical housing quality inequities such as: **1) households of color, 2) larger households, 3) first-generation homebuyers, and 4) households in historically marginalized communities.**
- Collaborate with and enhance the capacity of housing counselors, community development financial institutions (CDFIs), resident service coordinators at affordable rental properties, and community groups affiliated with the priority communities identified above.
- Establish enduring partnerships with housing counselors and require loan counseling post-purchase to reinforce the already required pre-purchase counseling.
- Address cultural divides by offering translation and providing printed materials in various languages.

Unit Availability

Homes at or below the MIPAP purchase price limit, $500,000, are limited and consist mainly of 1 and 2-bedroom condominium units. This scarcity restricts the program's scale and ability to serve income-eligible households with three or more members. Increasing the purchase price limit would necessitate an upward adjustment of the AMI limit, which cannot be supported by current program funding sources.

Virginia Housing has adjusted the maximum purchase price for their mortgage product, SPARC, to $650,000 in part due to similar challenges. **Arlington County may consider a similar increase in the maximum allowable purchase price to better serve potential homebuyers.**

RECOMMENDATIONS: EXISTING PROGRAMS

MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

RECOMMENDATIONS CONTINUED

Timing and Support Challenges

Low- and moderate-income households often fail to secure a down payment and financing commitments in time to compete with other buyers, impeding their ability to leverage MIPAP. In addition to expanded outreach, Arlington County can:

- **Consider expanding staff capacity** to review and approve MIPAP applications, to allow borrowers to be more competitive in the market.
- **Remove any redundant, potentially prohibitive requirements such as the minimum credit score** to be sure that Arlington County is not introducing any additional barriers, and
- **Explore partnerships with more pre-approved lenders and housing** counselors to ensure households have more options to secure a mortgage in time.

CASE STUDY | **DALP – SAN FRANCISCO**

The Down Payment Assistance Loan Program (DALP) is a down payment assistance program administered by the City and County of San Francisco and funded through a combination of the Local Housing Trust Fund and general obligation bonds. The program provides interest-free, deferred shared-appreciation mortgages of up to 40% of the home purchase price with a maximum award of $500,000. Borrowers are required to contribute at least 1% of the purchase price themselves.

Assistance is available to households making up to 200% AMI on a first-come, first-served basis. Critically, though, available funding is separated into the following four tiers, with distinct borrower criteria and loan terms for each tier in order to target assistance. All borrowers except first responders or United School District educators must be first-time homebuyers.

$17.9 million

DALP Program Allocation

$6M (33.5%) *Households between 200% and 120% AMI*	**$6M (33.5%)** *Households below 120% AMI*	**$3.7M (21.7%)** *First Responders*	**$2.2M (12.3%)** *Educators in the San Francisco Unified School District*

RECOMMENDATIONS: EXISTING PROGRAMS

MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

IMPLEMENTATION CONSIDERATIONS

This graphic provides an example of how Arlington County might launch a tiered MIPAP structure with specific allocations based on household income and a set aside for members of priority communities. The priority community set aside is intended to ensure that households facing particular barriers to homeownership are able to access MIPAP funds without competing with other borrowers. Additionally, those households may also receive deeper levels of assistance through forgivable loan terms, narrowing disparities in wealth-building. More detail on how to determine eligibility for loan forgiveness, ensure an equity-focused program structure, and other considerations is provided on the following page.

$1.5 million

Illustrative *Program Allocation*

$500,000
Priority Community
(At or below 80% AMI)

Assist 5 households annually that meet the Set-Aside requirements

- **Max down payment assistance:** $100,000 per unit
- **Repayment Term:** deferred until refinance or sale
- **Interest Rate:** 0%
- **Forgivable** under specific conditions

New

$500,000
Households at or Below
80% AMI

Support 5 households under 80% AMI to access homeownership

- **Max down payment assistance:** $100,000 per unit
- **Repayment Term:** Proportionate shared appreciation at refinance or sale
- **Not forgivable**

Existing

$500,000
Households at or Below
100% AMI

Support 20 households under 100% AMI to access homeownership

- **Max down payment assistance:** $25,000 per unit
- **Repayment Term:** deferred until refinance or sale
- **Interest Rate:** 3%
- **Not forgivable**

New

Note: This increased allocation may serve more than 30 households annually if households do not use the maximum down payment assistance amount. Currently, on average, MIPAP borrowers qualify for $75,000 in assistance, below the maximum threshold of $112,500.

RECOMMENDATIONS: EXISTING PROGRAMS

MODERATE-INCOME PURCHASE ASSISTANCE PROGRAM (MIPAP)

IMPLEMENTATION CONSIDERATIONS CONTINUED

Priority Communities: To ensure outreach and the priority set aside tier advance equity goals, priority communities should be thoughtfully defined to capture populations with significant homeownership barriers, such as first-generation homeowners.

Forgivable Loan Terms: Beyond the priority set-aside, forgivable loan terms for these community members will deepen the level of assistance even further, which might allow households to purchase a home that would otherwise be out of reach. In addition, forgivable loan terms might in the long run allow for greater wealth-building opportunities among communities of color. Arlington County may choose to offer forgivable assistance for all qualifying priority community borrowers or forgiveness may be further reserved for households that meet additional criteria, such as length of tenure.

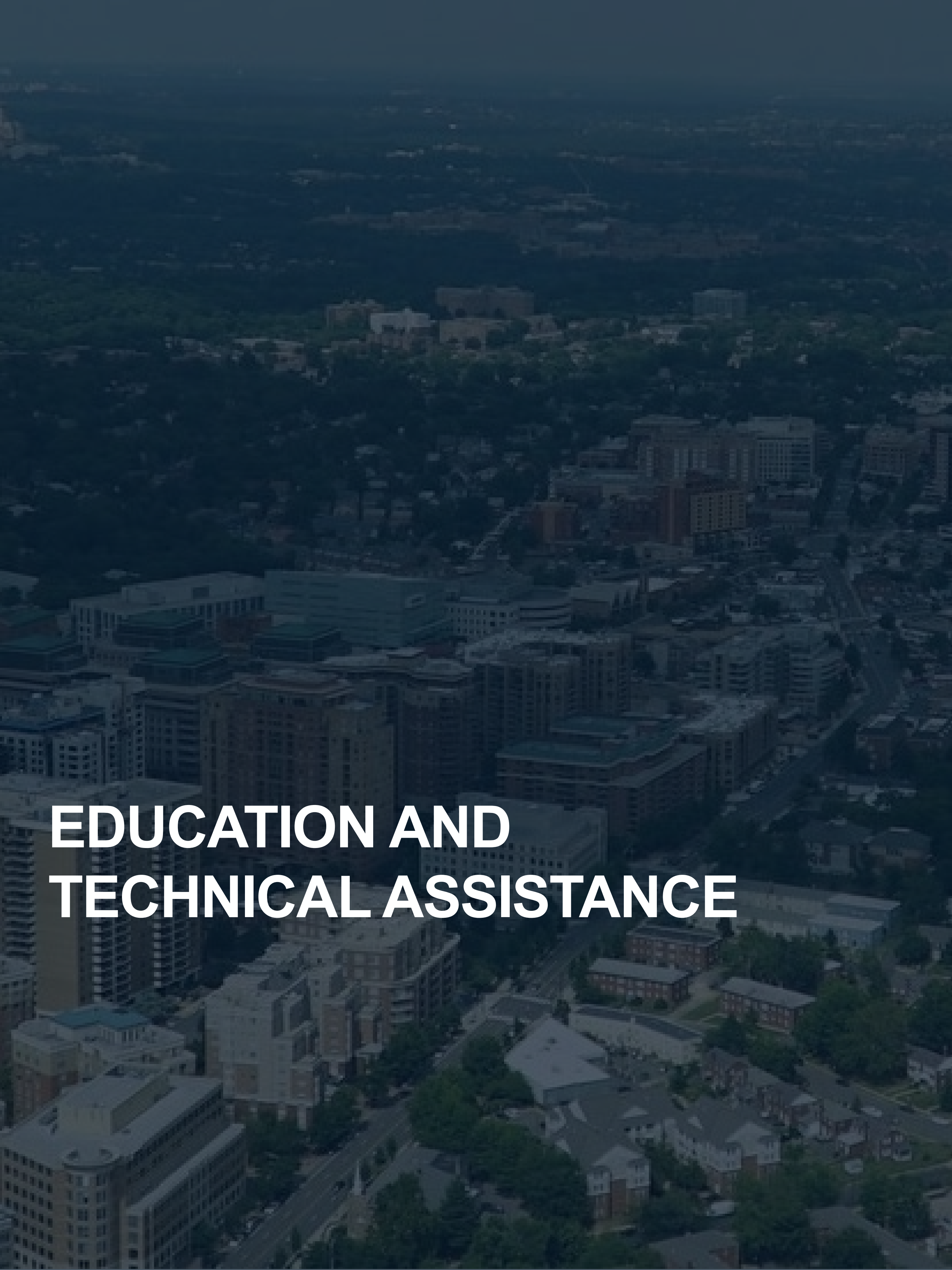
Funding Needs: Additional resources will be required to launch the tiered MIPAP structure with maximum impact. Additionally, if MIPAP assistance is expanded to households with incomes above 80% AMI, the County will need to identify a funding source outside of CDBG.

Staff Capacity: Additional staff capacity may be needed to support loan review and approval if the MIPAP program is expanded. The suggested allocation of $1.5M could support at minimum 30 households, almost twice the current yearly impact.

HOMEOWNERSHIP GOALS | **MIPAP**

These adjustments to MIPAP support the following goals:

- **Goal 1:** These recommendations will adress **racial disparities** in homeownership by offering deeper levels of assistance to priority communities and developing a targeted outreach strategy to those communities.
- **Goal 4:** These recommendations will provide renters more **access to homeownership** by strengthening and expanding MIPAP.



EDUCATION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS: EXISTING PROGRAMS

EDUCATION AND TECHNICAL ASSISTANCE

BACKGROUND

Phase 2 of this study highlighted the need for additional education and technical assistance across the spectrum of Arlington County homeownership programs and policies. In particular, stakeholders emphasized education and technical assistance as a critical mechanism to support households in accessing and maintaining homeownership as well as to facilitate the production of new affordable homeownership units. The following is a summary of the community suggestions from Phase 2 outreach:

Homebuyer Education and Outreach

Stakeholders and community members shared a desire for additional outreach and education to better support renters on the path to homeownership.

- Offer peer-to-peer support where homeowners share experiences and knowledge with renters.
- Target outreach based on Census data to better reach people of color, immigrant populations, and non-English speaking residents and advance equity goals.
- Create new and easily accessible materials about homebuying including information on County programs and sample mortgage breakdowns and appreciation rates by property type.
- Expand existing pre-purchase counseling to include basic financial literacy and personal finance/money management, as well as credit counseling and credit repair.
- Increase the reach of homebuyer programs as well as the frequency and availability of the resources.
- Streamline the application processes for existing homeownership programs to make these processes easier to navigate.

Homeowner Education

Community members also suggested ways the County can better support existing homeowners.

- Include information about programs run by community organizations and non-profits in outreach materials for County programs, so homeowners are aware of all supports available to them.
- Offer technical assistance to condo associations related to good governance and educational programming for condo owners related to insurance requirements and legal considerations.
- Create generationally specific messaging and outreach strategies, including potentially marketing accessory dwelling opportunities directly to aging homeowners.
- Expand educational programming, including workshops on Homeownership 101 for new homebuyers and information on reverse mortgages and other financing options for home repairs and accessibility improvements.
- Improve outreach on existing homeownership resources and programs.

Production

Last, several suggestions touched on ways to increase the production of homeownership units.

- Hold sessions with developers to discuss opportunities and barriers to constructing more housing.

RECOMMENDATIONS: EXISTING PROGRAMS

EDUCATION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS

The following section outlines suggested programmatic changes or new initiatives that Arlington County may consider to respond to the community feedback described on the previous page. These recommendations, including detail on implementation considerations, are covered elsewhere in this report.

Homebuyer Education and Outreach

- Develop a targeted outreach strategy for MIPAP to ensure the set-aside funding for priority communities reaches those households.
- Pilot a Homebuyer Cohort Program that includes additional financial education and support for renters on the path to homeownership. More information is available on p. 35 of this report.

Homeowner Education

- Require post-purchase "Homeownership 101" for MIPAP borrowers and open the courses to other new homeowners in the County.
- Expand and strengthen the existing Condo Education Series to include more technical assistance for boards and associations.

Production

- Incorporate developer outreach into any affordable homeownership financing program.

IMPLEMENTATION CONSIDERATIONS

Priority Communities: Developing an affirmative outreach strategy for MIPAP will ensure that priority communities, such as first-generation homebuyers, can access assistance, helping to close the racial wealth gap.

Additional Support: The Homebuyer Cohort Program will offer an additional level of support for low- and moderate-income households to help them access homeownership. This support may also be directed at priority communities to advance equity goals.

Funding Needs: All four recommendations will require a degree of investment from Arlington County. Piloting a Homebuyer Cohort Program, post-purchase counseling, and expanding support for condo owners and associations represents the greatest possible need for additional funding, though outreach also can come with costs.

Staff Capacity: Additional staff capacity will be needed to implement these recommendations. This may include hiring additional staff depending on whether the Homebuyer Cohort Pilot and other program suggestions are deployed in partnership with an external organization or administered in house.

RECOMMENDATIONS: EXISTING PROGRAMS

EDUCATION AND TECHNICAL ASSISTANCE

HOMEOWNERSHIP GOALS | **EDUCATION AND TECHNICAL ASSISTANCE**

These recommendations address the following goals:

- **Goal 1:** Targeted education and assistance for priority communities can help to address inequality.
- **Goal 2:** Expanded education, including post-purchase counseling, will support existing owners in maintaining their housing.
- **Goal 3:** Developer outreach will facilitate the production of homeownership units.
- **Goal 4:** More robust technical assistance will support renters on the path to homeownership.

CONDOMINIUM SUPPORT

RECOMMENDATIONS: EXISTING PROGRAMS

CONDOMINIUM SUPPORT

BACKGROUND

As mentioned previously, in Arlington County condominium units comprise the majority of the housing stock affordable to low- and moderate-income households. At the same time, **condo fees impact household buying power and can represent a barrier to long term affordability.** These fees are an essential component for the successful operation of a condominium community, as they support ongoing maintenance, building amenities, and reserve funds for major capital improvements that are required over time. While low fees can help maintain some affordability, they must be adequate to anticipate future needs without requiring special assessments that can be a greater financial burden. For some condominium owners with fixed or limited incomes, increasing condo fees or special assessments can threaten their ability to maintain their housing. In 2021, the average condo fee for a one-bedroom condo valued up to $500,000 was $433, and $508 for a two-bedroom condo.

In addition to condo fees and shared responsibility for building maintenance, condo ownership comes with other unique rights and responsibilities, different from traditional fee simple homeownership. Arlington County partners with the City of Alexandria to offer educational programming for current and prospective condo owners. **The Condo Education Series** includes materials on board structures and responsible governance, presentations by attorneys on rules and covenant enforcement, and information on financing building repairs and renovations, including green energy conversions. Although this education series is a helpful resource for the community, feedback from Phase 2 of this Homeownership Study revealed a desire for expanded education and resources to be made available to condo owners, boards, and associations.

Other jurisdictions in the region provide examples of how to expand support for condominium owners and associations in Arlington County.

CASE STUDY | **WASHINGTON DC**

Washington DC partners with community organizations and non-profits to provide education and technical assistance. **Housing Counseling, Inc.** is one such provider that offers trainings for condominium and coop boards on board and asset management. The **Douglass Community Land Trust (DCLT) also** hosts a series of workshops on condo governance and repair financing strategies. DCLT additionally offers technical support to tenant associations interested in exploring condo conversions.

CASE STUDY | **MONTGOMERY COUNTY, MD**

Montgomery County has a robust **Community Governance Fundamentals Training Program that is mandatory for all condo board members** as a condition of the association's annual certification. The trainings are provided through the Office of Common Ownership (OCO) and include information on governance, financial management, and other critical topics. The OCO also offers dispute resolution to mediate conflicts between condo owners and/or associations and boards.

RECOMMENDATIONS: EXISTING PROGRAMS

CONDOMINIUM SUPPORT

RECOMMENDATIONS

Education and Technical Assistance

The Condo Education Series offered by the City of Alexandria is an important resource but may not capture the full need for education and technical assistance. Arlington County should explore ways to expand the program, whether in partnership with the City of Alexandria or through developing an independent curriculum with local organizations. In either case, the program should be sure to cover special assessments and other repair financing strategies.

Standardizing the curriculum and regularizing the program such that it is offered annually is a significant opportunity to ensure condo owners and associations have the tools to appropriately address maintenance and upkeep of their property. For potential buyers, this series can also ensure that they are prepared for the unique aspects of condo ownership such as increasing condo fees and an understanding of their rights and responsibilities as owners.

Arlington County may also consider outreach to local and regional condo lenders to assess the quality and availability of lending products for major building repairs or for rental-to-ownership conversions. This assessment can inform the curriculum of the series as well as future next steps to further support condo associations and owners in the County.

Financial Support

For low- and moderate-income condo owners, the barriers they face in maintaining their ownership may not be a lack of information but a lack of resources. As discussed, condo fees can present a challenge to affordability in the long term, and on top of the cost of maintaining their own units, condo owners can be subject to special assessments to finance repairs for the building as a whole. Arlington County can consider the following strategies to better support condo owners in overcoming these challenges.

- **Home Repair Loans:** The County can provide needed capital to low- and moderate-income condo owners through a low-interest home repair loan program. These loans can be used to address deferred maintenance or to cover specific upgrades needed to prepare units for sale, preserving the wealth-building opportunity of ownership. More detail on this recommendation is provided in the Home Improvement Loan Program recommendation later in this report.
- **Special Assessment Support:** In addition to financing repairs and upgrades, Arlington County may consider offering low-interest loans to support condo owners facing special assessments that they are unable to afford. These loans could be offered as part of the Home Improvement Loan Program, described in a later section, with similar terms and eligibility criteria.
- **Escrow for ADU Condo Owners:** Finally, the County may explore a controlled escrow as a way to finance needed repairs or upgrades for ADU condo owners specifically. Although these ADU owners would be eligible for the Home Improvement Loan Program described above, this is an additional option for Arlington County to consider. Under this model, a portion of the sale proceeds would be escrowed to pay for a predetermined scope of repairs. Unlike a loan program, this will not require up-front County investment while still potentially improving the ADU resale process. However, an escrow arrangement is not as efficient at addressing resale challenges as a loan program because potential ADU buyers will not be able to see the repairs completed at time of purchase.

RECOMMENDATIONS: EXISTING PROGRAMS

CONDOMINIUM SUPPORT

IMPLEMENTATION CONSIDERATIONS

Equity Focus: Financial support and education may be targeted to first-generation homebuyers and other priority communities to reduce racial homeownership gaps and otherwise advance equity goals. Arlington County may also choose to prioritize certain neighborhoods or directly market to particular condo buildings with high proportions of low-income owners, households of color, or other criteria. Later sections of this report provide more detail on how this prioritization can be incorporated into the Home Improvement Loan Program.

Funding Needs: If Arlington County chooses to launch an independent condo education and technical assistance program, whether in collaboration with a non-profit partner or otherwise, operational support will be needed from the County.

The repair escrow will not need up-front investment from the County, although partnerships and outreach to the lending community will be critical. Specific funding needs for a Home Improvement Loan Program are discussed in greater detail in the next section.

Staff Capacity: Expanded condo education and technical assistance will require additional staff time to develop the curriculum and to complete the research and outreach needed to ensure that the materials are responsive to the needs of condo associations in Arlington.

HOMEOWNERSHIP GOALS | **CONDOMINIUM SUPPORT**

These recommendations address the following goals:

- **Goal 1:** Offering targeted financial support and technical assistance to priority communities, such as first-generation homebuyers, through a condo education program and a repair loan program will address racial homeownership gaps.
- **Goal 2:** Repair financing and education will also serve to support existing homeowners in maintaining their condo ownership.
- **Goal 4:** Technical assistance with condo conversions and expanded education on condo ownership will create pathways to homeownership for renters.

REAL ESTATE TAX RELIEF (RETR) PROGRAM

RECOMMENDATIONS: EXISTING PROGRAMS

REAL ESTATE TAX RELIEF (RETR) PROGRAM

Local tax relief programs in Virginia require legislative authorization. Arlington County operates one such program for elderly and disabled homeowners.

BACKGROUND

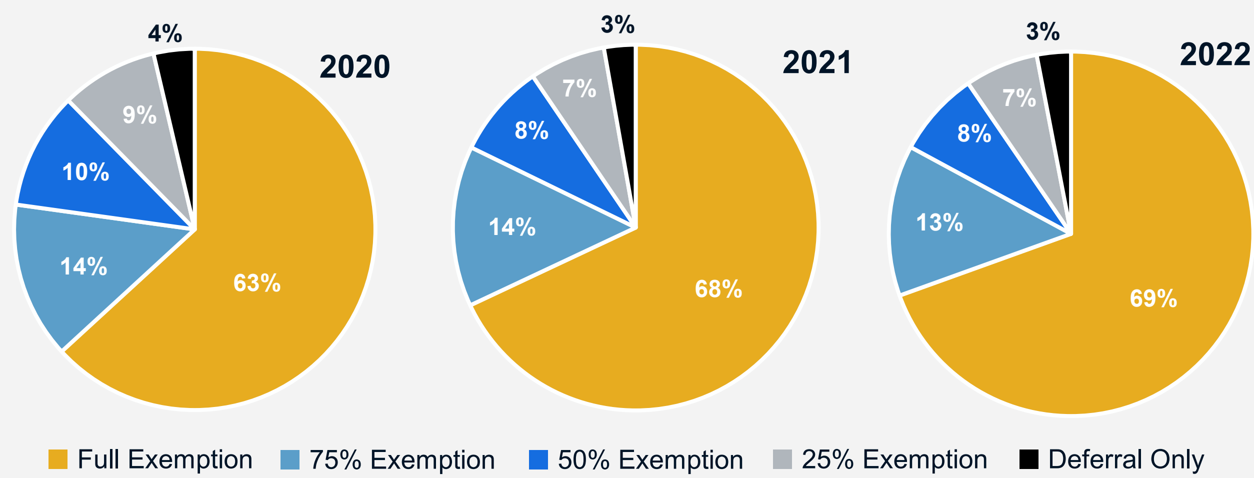
Per Virginia State statute, disabled veterans and the spouses of service members killed in action are eligible for a full real estate tax exemption on their principal residence. State legislation also allows for a reduction in real estate taxes for homes or buildings severely damaged by fire, flooding, or other “fortuitous happenings.” For low- and moderate-income homeowners that fall outside of these categories, annual tax bills may still pose a challenge to maintaining their ownership. Property taxes can be a particular burden for those with fixed incomes such as elderly or disabled homeowners. To support those vulnerable owners, Arlington County administers a Real Estate Tax Relief (RETR) Program that offers a tax exemption or deferral for qualifying elderly and disabled homeowners. Assistance is tiered based on household income that is adjusted annually based upon the percent difference between the United States Department of Housing and Urban Development’s Median Family Income for Arlington County for the year immediately preceding the taxable year and the prior year.

Full Exemption	75% Exemption	50% Exemption	25% Exemption	Deferral
$0 - $54,706	$54,706.01 - $66,864	$66,864.01 - $79,019	$79,019.01 - $97,256	$97,256.01 - $120,978

Note: Limits above reflect tax year 2023

To qualify for an exemption, household assets exclusive of home value cannot exceed $467,402. Households that meet the income criteria but have assets greater than $467,402 up to $630,993 can still qualify for a deferral. For the past three years, the program has provided relief to between 850 and 900 homeowners annually in Arlington County. In 2022, RETR provided more than $5M in tax relief to 859 homeowners. Most (69%) of these homeowners received a full tax exemption, and on average, the reduction in taxes saved qualifying households 15% of their annual income.

RETR | **PROGRAM RECIPIENTS BY YEAR**



As of tax year 2020 income limits for exemptions and deferrals adjust annually.

Source: Arlington County Department of Human Services, RETR Annual Report 2022

RECOMMENDATIONS: EXISTING PROGRAMS

REAL ESTATE TAX RELIEF (RETR) PROGRAM

RECOMMENDATIONS

The RETR Program is an effective means of supporting elderly and disabled homeowners in maintaining their housing. Staff already implements periodic adjustments to the program eligibility criteria to ensure that the program is calibrated against the need in the county. However, lost property tax revenue from this program is significant and could increase with an aging population. To ensure continued effectiveness of the program, **Arlington County should consider a comprehensive review the RETR Program** given the authority under Chapter 43. This assessment should review the deferral-versus-exemption criteria and asset and income limits for the program as compared to housing costs and property values in the County as well as a DHS capacity assessment based on the program's current operations, systems infrastructure and constituent volume as a result of the County's most recent revised Tax Relief Code made effective January 1, 2019.

IMPLEMENTATION CONSIDERATIONS

Advancing Equity: Elderly and disabled homeowners face particular barriers in accessing and maintain homeownership. A review of the RETR program (i.e. who is benefiting from the program and whether improvements can ensure that targeted populations have equal access to the benefit) will ensure that the program effectively reaches households most in need of relief, addressing disparities in access to homeownership.

Funding Needs: The recommendation to review the RETR program will require additional resources to ensure a comprehensive capacity assessment that accounts for the County's most recent revised Tax Relief Code effective January 1, 2019.

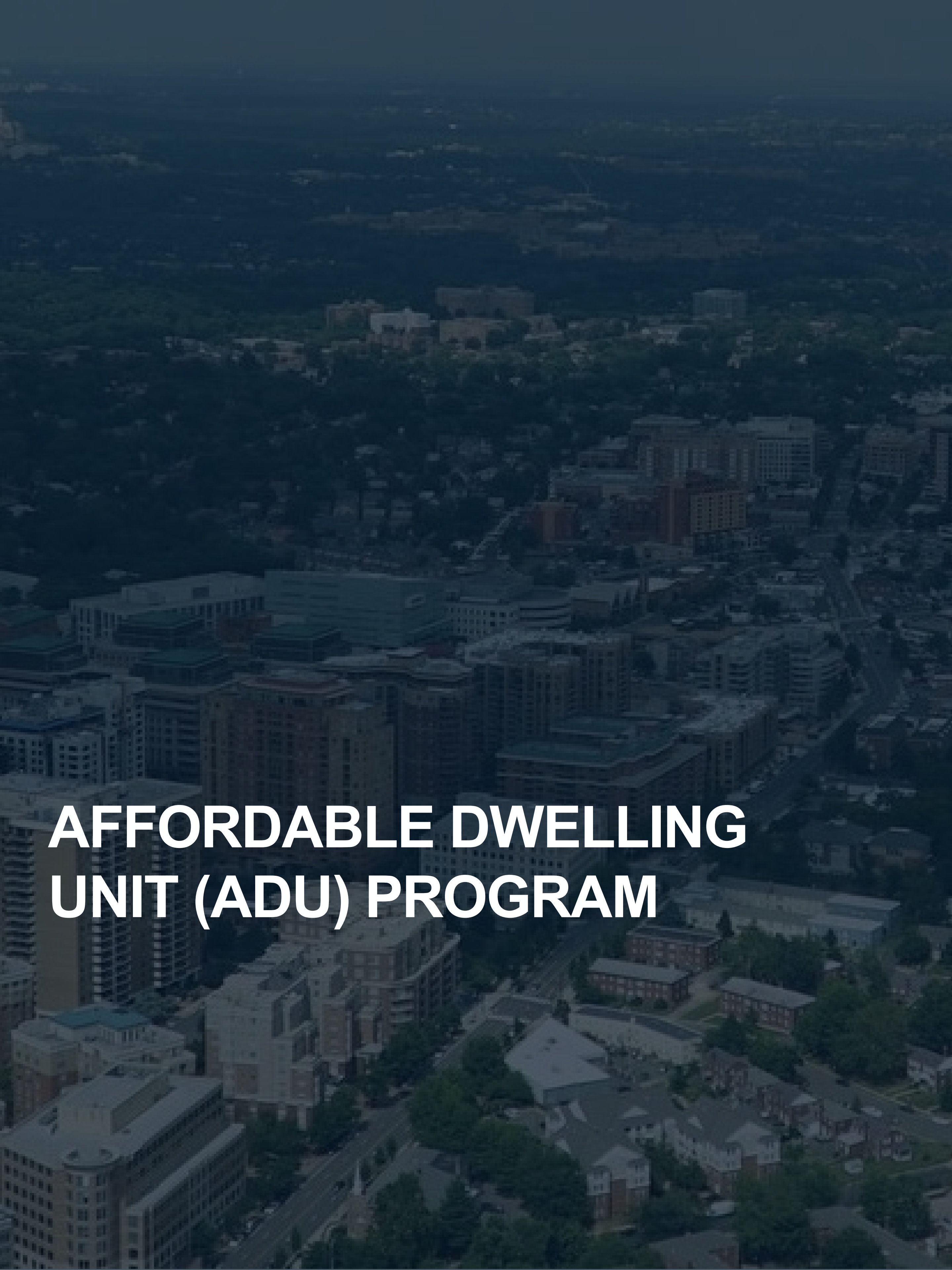
Additional Staff Resources: This recommended review will require additional staff capacity. The last substantial reassessment of the program in 2017, for example convened a working group and produced a detailed assessment resulting in 11 priority recommendations and 20 total recommendations. For a similar scope, additional staff time will be needed to coordinate the working group and ensure a comprehensive review.

HOMEOWNERSHIP GOALS | **RETR PROGRAM**

A review of the Real Estate Tax Relief Program will further the following goals:

- **Goal 1:** The assessment will ensure that the program effectively reaches homeowners most in need of relief, helping to address racial disparities.
- **Goal 2:** This recommendation will support homeowners in maintaining their housing by reducing the tax burden for elderly and disabled households.

AFFORDABLE DWELLING UNIT (ADU) PROGRAM



RECOMMENDATIONS: EXISTING PROGRAMS

AFFORDABLE DWELLING UNIT (ADU) PROGRAM

BACKGROUND

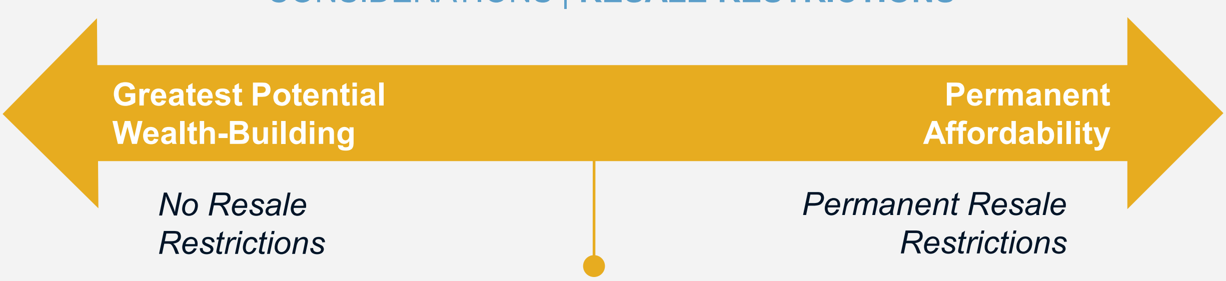
Affordable Dwelling Units (ADUs) are created through developer contributions in exchange for greater density. ADUs are affordable ownership units that are subject to income restrictions at the time of purchase. The future resale price is restricted to ensure units remain affordable in perpetuity. Arlington County currently has 62 units in the ADU portfolio, 22 of which are affordable to households at or below 60% AMI and 40 of which are affordable to households at or below 80% AMI. Many ADU buyers are also able to take advantage of the MIPAP program, providing a deeper subsidy for those households.

Most (47) of the ADUs are condo units, reflecting a larger challenge in the homeownership market in Arlington. There are few affordable market-rate homes with more than two bedrooms, limiting opportunities for larger families. During stakeholder roundtables, participants expressed a desire for a greater diversity of affordable unit types, beyond high-rise condominiums.

Another aspect of the ADU inventory to consider is age. The oldest ADUs have ages of 78 and 72 years, respectively. As these and other income- and resale-restricted properties continue to age, it may be appropriate to examine how they will continue to provide suitable affordable housing in the future.

The **2022 Implementation Framework for the Affordable Housing Master Plan Review** recommends the County conduct a review of the Affordable Dwelling Unit (ADU) portfolio to assess the sustainability and viability of that housing stock and to identify whether additional support to these homeowners is needed. The following graphic illustrates the trade-offs inherent in one particular aspect of the ADU Program, affordability restrictions.

CONSIDERATIONS | **RESALE RESTRICTIONS**



Most affordable homeownership programs in the region have resale restrictions that expire after a certain number of years.

Within the spectrum described above, Arlington County may consider the following:

- **Examine how current resale restrictions for ADUs impact the program's wealth-building goals:** What are the trade-offs between long-term affordability and wealth-building?
- **Determine whether ADU owners would benefit from having access to a low-cost home improvement program.** Low- to moderate-income homeowners sometimes defer costly maintenance issues, which then decrease property value. Also, ADU owners may be burdened by special assessments, which are levied by condo association boards to offset larger systems repair costs that are shared by all of the owners in a development.

RECOMMENDATIONS: EXISTING PROGRAMS

AFFORDABLE DWELLING UNIT (ADU) PROGRAM

Considering adjustments to the resale restrictions can help protect wealth-building potential for ADU owners without losing affordability for future buyers.

RECOMMENDATIONS

To address concerns about the wealth-building potential for ADU owners, Arlington County can **explore the possibility of revising the resale formula or adding an expiration to restrictions for future ADUs.**

Calibrating resale restrictions is always a balance between protecting the deepest level of affordability and allowing for wealth-building. Most local affordable homeownership programs have expiring resale restrictions either after the unit is a certain number of years old or after the homeowner has lived in the unit for a certain number of years. This is also common practice in programs across the country. To ease the resale process, Arlington County may consider adding an expiration to ADU resale requirements going forward.

Washington DC	Montgomery County, MD	Fairfax County, VA	Loudoun County, VA
Resale restrictions do not expire (for-sale inclusionary zoning units)	Restrictions expire after 30 years (Moderately Priced Dwelling Unit Program) or 20 years (Workforce Housing Program)	Restrictions expire after a homeowner remains in the unit for 30 years	Restrictions expire after 15 years

However, under current tax assessment procedures in Arlington County, ADUs resale restrictions that expire in the future will be taxed according to the market value of the unit rather than the affordable price even while the resale restriction is in place. The resulting increase in property taxes may place a financial burden on ADU owners. To address this, Arlington County may consider additional negotiations with the tax assessor or a tax relief program specifically for impacted ADU owners.

IMPLEMENTATION CONSIDERATIONS

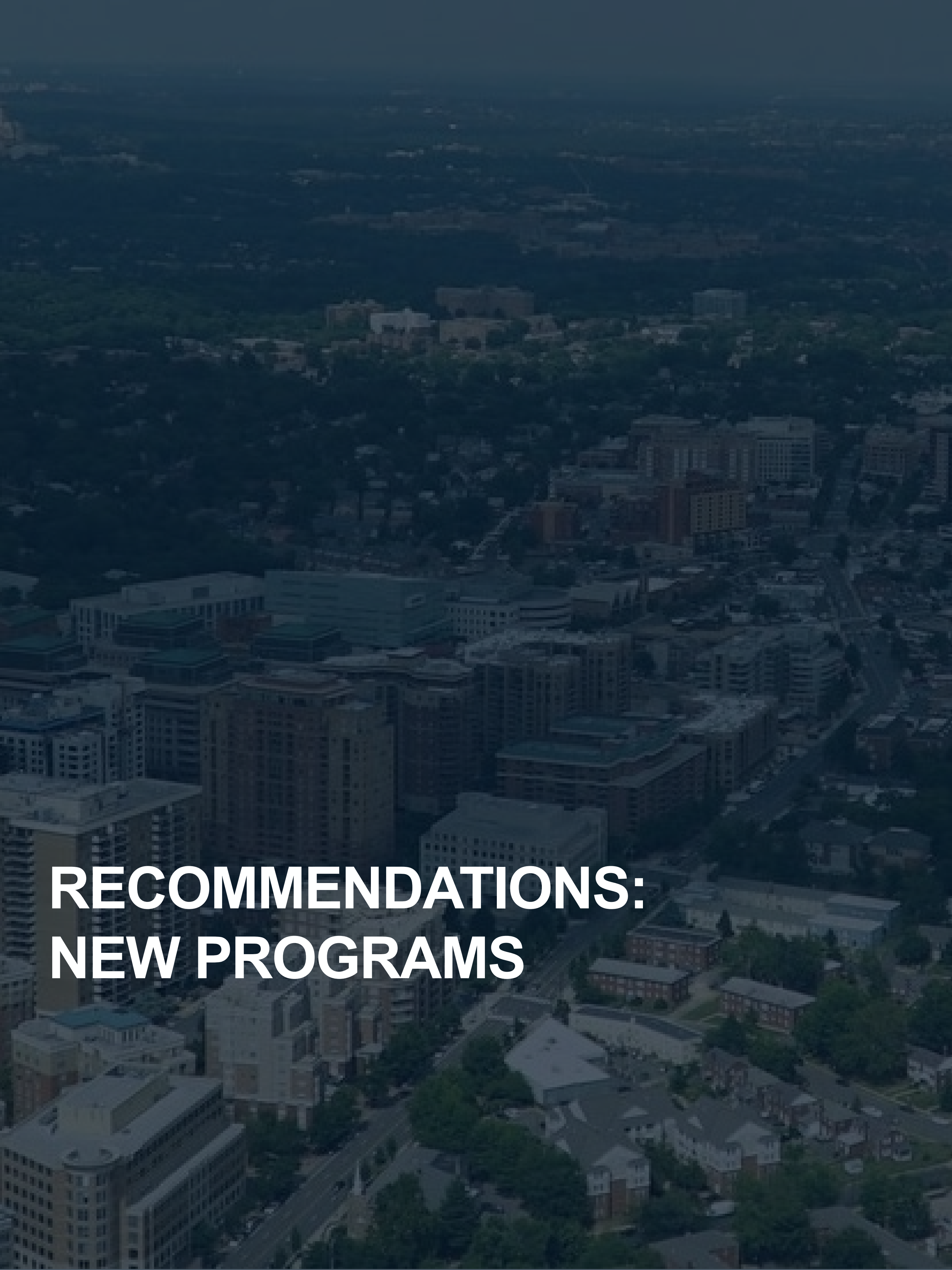
Equity Impact: Easing the ADU resale process reduces potential barriers to wealth-building for ADU owners, who are primarily households of color. This is an important consideration in assessing the trade-offs between permanent affordability and relaxed resale restrictions.

Legislative Considerations: Any adjustments to the resale restrictions may have an impact on the property tax liability for ADU owners. Any tax abatement or relief that might come about as a result may require enabling legislation at the state level.

HOMEOWNERSHIP GOALS | **ADU PROGRAM**

This recommendation address the following goals:

- **Goal 1:** The majority of ADU owners are households of color. Removing potential barriers to wealth-building through the program may help to address the racial wealth gap.
- **Goal 3:** This recommendation will protect the supply of affordable homeownership units by strengthening the main source of income-restricted affordable homeownership units.



RECOMMENDATIONS: NEW PROGRAMS

HOMEBUYER COHORT PILOT PROGRAM

RECOMMENDATIONS: NEW PROGRAMS

HOMEBUYER COHORT PILOT PROGRAM

BACKGROUND

A review of MIPAP earlier in the Homeownership Study found that **many potential homebuyers face barriers due to modest or limited savings and high debt burdens**. Of households that withdrew from MIPAP, 40% became ineligible due to changes in debt and income. These barriers will only continue to grow as housing costs in Arlington County rise. Pre-purchase counseling is already required for MIPAP borrowers. This counseling can prepare prospective buyers for the costs and responsibilities of homeownership and support them in navigating the buying process. However, for households without sufficient savings or credit, or facing other financial barriers, addressing these challenges is a lengthy undertaking that must start before even beginning the purchase process.

This challenge exists for many low- and moderate-income households, not only MIPAP borrowers. During Phase 2 of the Homeownership Study, many participants suggested Arlington County provide additional technical education and support for these households to address savings and credit barriers earlier. Recommendations elsewhere in this report touch on this proposal, but to have a significant impact, Arlington County might consider a stand-alone program specifically directed at addressing these challenges.

RECOMMENDATION

In addition to pre-purchase counseling, **Arlington County may consider a Homebuyer Cohort Pilot Program** specifically to provide education and support to low- and moderate-income renters. The following table provides suggestions on how the program might be structured.

PARTICIPANT ELIGIBILITY	PROGRAMMING	FINANCIAL ASSISTANCE
• Current Arlington County residents • **Residing in a committed affordable unit or receiving rental assistance** • Commitment to maintaining Arlington County residency over the duration of the program	• Career and **employment counseling** • **Credit remediation** support	• Required contributions to a **matched savings account** accessed after completing the program • **Connection to MIPAP** or other down payment assistance at the culmination of the program

Eligibility criteria may be adjusted to target different populations, but generally should prioritize households with limited savings or higher debt burdens. Similarly, although the program structure may also take a variety of forms, connecting financial counseling with access to additional savings or down payment support can increase the likelihood that participating families are able to purchase a home.

Arlington County may choose to incorporate this pilot into the existing MIPAP staffing structure, which will require additional staff capacity, or the County may partner with a local nonprofit organization to run the program. A partnership model will not require additional staff, but the partner organization will need operational support from the County to be an effective administrator.

RECOMMENDATIONS: NEW PROGRAMS

HOMEBUYER COHORT PILOT PROGRAM

IMPLEMENTATION CONSIDERATIONS

Advancing Equity: Program eligibility should be thoughtfully designed to address disparities in homeownership. Focusing on low- or moderate-income renters, especially those that may be first-generation homebuyers, can ensure Arlington County is directing resources and support towards closing homeownership gaps.

Additional Resources: Whether or not Arlington County chooses to partner with an outside organization to administer the program, County resources will be needed for operational support. Further, if the program does include a matched savings account, such as an individual development account (IDA), the County will need to identify a funding source for the match.

Staff Capacity: Additional staff capacity will be needed to design and launch the program, whether or not an external partner is brought on as the program administrator. If Arlington County administers the program itself, then additional full-time staff will likely be required.

CONTEXT | **INDIVIDUAL DEVELOPMENT ACCOUNT (IDA)**

An IDA is unique type of account used to save for specific milestones, such as a down payment on a home. All contributions to the account are matched, helping low- and moderate-income households leverage their savings. IDAs can be structured differently depending on the goal, with terms ranging from one to five years and matches from 1:1 all the way upwards of 6:1. Studies have shown that renters participating in IDA programs, which often include counseling in addition to savings matches, are more likely to become homeowners more quickly.

Source: HUD, "Evidence Matters," Fall 2012

HOMEOWNERSHIP GOALS | **HOMEBUYER COHORT PILOT**

Piloting a Homebuyer Cohort Program will further the following goals:

- **Goal 1:** Prioritizing low- or moderate-income renters, especially those that may be first-generation homebuyers, will direct resources and support towards closing homeownership gaps.
- **Goal 4:** This recommendation will expand access to homeownership by supporting low- and moderate-income renters in preparing for the homebuying process.

HOME IMPROVEMENT LOAN PROGRAM

RECOMMENDATIONS: NEW PROGRAMS

HOME IMPROVEMENT LOAN PROGRAM

BACKGROUND

Home repair and upkeep can be a significant financial burden for low- and moderate-income homeowners. Home repair interventions can address the following areas specifically:

- **Housing Stability:** Without financial support, homeowners may lose their housing, either to foreclosure from the added financial burden of paying for costly repairs out of pocket or to habitability concerns if repairs go unaddressed.
- **Health and Safety:** Resolving code violations and threats to resident life and safety improve general health outcomes while other repairs can specifically reduce the presence of toxins such as asbestos and lead.
- **Wealth-Building:** Making necessary updates and improvements to the home will help to stabilize and, in some cases, improve value over time, promoting wealth-building for the homeowner.

Arlington County previously administered a repair program for low-income homeowners, the **Home Improvement Loan Program (HIP).** HIP provided low-interest, home equity loans up to $100,000 to households earning at or below 80% AMI. The loans were intended to address structural and mechanical improvements such as new roofs, painting, HVAC repairs, and electrical work. For homeowners with an existing mortgage, the loan could be deferred for up to 30 years.

Arlington County currently provides grant funding to **Rebuilding Together**, a non-profit that coordinates repairs for low-income homeowners. Rebuilding Together covers small repairs and upgrades as well as larger structural repairs and accessibility improvements. To complete the repairs, Rebuilding Together relies primarily on volunteer labor, so their capacity for more significant repairs and accessibility improvements is limited.

Stakeholder interviews revealed a desire on the part of the community for more home repair support. In particular, interviews and engagement highlighted the need for more education for homeowners and more financial resources for those owners burdened by the cost of repairs.

CASE STUDY | **BASIC SYSTEMS REPAIR PROGRAM (PHILADELPHIA, PA)**

The Basic Systems Repair Program in Philadelphia matches low-income homeowners with pre-approved contractors to address critical life and safety repairs. Homeowners apply to the program through the Philadelphia Housing Development Corporation (PHDC), a non-profit community development organization funded by the city of Philadelphia.

In order to be eligible, households must earn at or below 60% AMI, the home must be owner-occupied, and the repairs must be considered an emergency, such as actively leaking pipes, collapsed ceilings, or a condition that merits a letter from code enforcement. Once approved, PHDC coordinates with contractors to make the necessary repairs. Because funding is limited, in rare instances where the repair costs are excessive, homeowners may be required to pay for a portion of the repairs themselves.

This program offers a useful example of the benefits to local governments of partnering with capable non-profits to administer repair programs. However, this example also highlights the limitations of a grant program where funds are exhaustible.

RECOMMENDATIONS: NEW PROGRAMS

HOME IMPROVEMENT LOAN PROGRAM

CASE STUDY | **STRONG HOMES LOAN PROGRAM (MILWAUKEE, WI)**

The City of Milwaukee partners with the Neighborhood Improvement Development Corporation (NIDC), a quasi-public organization, to administer the STRONG Homes Loan Program. Milwaukee launched the program in 2015 as part of the Strong Neighborhoods Plan that has invested more than $70 million to revitalize city neighborhoods experiencing housing insecurity and foreclosure.

STRONG Homes loans are available to households earning up to 150% AMI, current on all debts, and who have occupied their home for at least one year. Average loan amounts range from $1,000 to $20,000 and are intended to address life and safety concerns or outstanding building code violations.

Notably, the STRONG Homes Loan Program offers tiered levels of assistance, structured as follows:

STRONG Homes

Milwaukee, WI

Households between 50% and 150% AMI

- **Interest Rate:** 3%
- **Repayment Term:** Up to 15 years
- **Forgivable** after the borrower has lived in the home for 10 years

Households at or below 80% AMI

Dedicated set-aside to support moderate-income households within the 50% - 150% AMI tier. Terms will reflect household income, age, and disability status.

Households at or below 50% AMI or elderly or disabled households

- **Interest Rate:** 0%
- **Repayment Term:** Up to 15 years, or deferred until sale
- **Forgivable** after the borrower has lived in the home for 10 years

Although 80% AMI households and below are captured in the first two tiers, STRONG Homes reserves a portion of the program's annual funding allocation specifically for those homeowners. This is a way to further prioritize specific communities and provides a critical complement to the tiered funding structure. In considering a similar structure, Arlington County might also include a dedicated set-aside in this way, whether to highlight moderate-income homeowners or other groups such as elderly or first-generation homeowners.

RECOMMENDATIONS: NEW PROGRAMS

HOME IMPROVEMENT LOAN PROGRAM

Low-interest loans can provide needed capital for homeowners to make large-scale repairs, ensuring a healthy environment and building wealth by preserving home value.

RECOMMENDATIONS

To support existing homeowners in maintaining their housing, Arlington County should explore relaunching a home improvement loan program. As opposed to a grant program, a loan program requires less reoccurring investment as the funds are recycled from home to home. Additionally, the program can be organized to deliver a tiered system of assistance, similar to the MIPAP recommendation discussed previously. The tiers can offer different levels of support, allowing Arlington County to provide targeted assistance for priority communities.

The following graphic illustrates a potential structure for the program with tiers that address small-scale, condo-specific repairs, repairs for priority community homeowners, as well as large-scale repairs and accessibility upgrades. The next section provides more specific guidance on how Arlington County might define priority communities or when to provide forgivable loans.

$1 million

Illustrative *Program Allocation*

$100,000
ADU/Low-Income Condo Owners

Assist 5 households annually to prepare their units for sale

- **Max Loan:** $20,000 per unit
- **Repayment Term:** short-term, deferred until sale
- **Interest Rate:** 0%
- **Forgivable** under specific conditions

$450,000
Households at or Below 80% AMI

Major repairs or accessibility upgrades for 10 homeowners

- **Max Loan:** $45,000 per unit
- **Repayment Term:** 30 years, deferred
- **Interest Rate:** 1-3%
- **Not forgivable**

$450,000
Households at or Below 60% AMI and/or Priority Communities

Major repairs or accessibility upgrades for 10 homeowners

- **Max Loan:** $45,000 per unit
- **Repayment Term:** 30 years, deferred
- **Interest Rate:** 0%
- **Forgivable**

Arlington County may also have the flexibility to use this loan program to support condo owners facing special assessments for building capital improvements. More detail on this challenge and potential opportunity is discussed under Condominium Support.

RECOMMENDATIONS: NEW PROGRAMS

HOME IMPROVEMENT LOAN PROGRAM

RECOMMENDATIONS CONTINUED

Last, to successfully reach the households most burdened by high home repair costs and to address historic inequities in housing quality, an affirmative marketing strategy is needed. This outreach should connect to the following groups: **1) households of color, 2) households with extremely low incomes, 3) first-generation homebuyers, and 4) elderly or disabled homeowners.**

IMPLEMENTATION CONSIDERATIONS

Priority Communities: To combat existing inequalities in homeownership and wealth-building, the Home Improvement Loan Program may include a category of assistance specifically for priority communities. Those communities should reflect residents that face specific barriers related to accessing and maintaining homeownership, such as the elderly, disabled homeowners, or first-generation homeowners. This may also mean directing support to specific neighborhoods with particularly aging housing stock.

Forgivable Loan Terms: There are several ways Arlington County may incorporate loan forgiveness into the program. Because loan forgiveness offers a deeper level of assistance, thoughtful prioritization can address existing inequities:

1. **Length of tenure:** The loan is forgiven if the owner resides in the home for a certain length of time or if they have already owned the home for a number of years.
2. **Priority Communities:** Forgivable loans may be available only to specific borrowers such as elderly or disabled homeowners or first-generation homeowners.

Annual Funding: The example program structure included in the previous section estimated $1M in annual investment, but that amount may change depending on the ultimate scope. Over time, some funds will be recycled, but incorporating any amount of loan forgiveness will require ongoing annual funding.

Operations Support: If Arlington County chooses to partner with a non-profit to administer the program, the partner may require operational support.

Staff Capacity: If Arlington County does not partner with a nonprofit administrator, the County will likely need to expand staff capacity to implement this new program effectively. This includes managing affirmative marketing strategies to ensure information on the program reaches priority community households or is directed to neighborhoods with the most need.

HOMEOWNERSHIP GOALS | **HOME IMPROVEMENT LOAN FUND**

Relaunching a home repair loan program will support the following goals:

- **Goal 1:** This recommendation will address racial inequality through tiered assistance with deeper levels of assistance available to priority communities. Investing in repairs also preserves a home's value, leaving more opportunity for wealth-building.
- **Goal 2:** This recommendation will support homeowners in maintaining their housing by ensuring a safe, healthy living environment and reducing up-front repair costs.

HOMEOWNERSHIP PRODUCTION FUND

RECOMMENDATIONS: NEW PROGRAMS

HOMEOWNERSHIP PRODUCTION FUND

BACKGROUND

Permanently affordable homeownership units are produced through **the Affordable Dwelling Unit (ADU) program** in Arlington County. However, the program is small, with 62 total units currently. Since 2017, the ADU program has averaged only three new units per year. Meanwhile, stakeholder interviews highlighted that properties for sale in the market under $500,000 are limited in size and typology, presenting barriers for potential buyers with larger households or accessibility needs.

In March 2023, Arlington County **adopted Expanded Housing Options (EHO)**, permitting 58 developments per year of ‘missing middle housing’ in low- to moderate-density residential areas. This is the culmination of the Missing Middle Housing Study, another significant component of Housing Arlington and a chance to further expand opportunities for affordable homeownership. EHO developments not only represent additional units but also typologies such as duplexes that are currently scarce in the Arlington market. Just 12% of all units for sale at or below $500,000 in 2021 were not condos, and most were one- and two-bedroom units.

Although EHO permits represent an important step towards increasing production, these projects are small-scale. Developers may need additional support or incentives to capitalize on the opportunity they represent. There is a spectrum of interventions Arlington County might consider to maximize the impact of EHO permits and otherwise increase housing supply. The rest of this section will explore several of those options.

Production Fund

Housing production funds are pools of capital that provide gap financing to developers, often at below-market cost. These funds can close gaps in construction financing, allowing projects, especially affordable projects, to move forward. Production funds that offer predevelopment and acquisition financing are especially effective. Developers often front these costs with their own equity. Smaller developers may need to source funds from friends and family, which may reinforce patterns of inequality, locking out developers of color without the same access to well-capitalized networks.

In addition to building developer capacity, production funds allow jurisdictions to scale impact. As the funds are repaid, they can be recycled to new projects, ensuring that investments are stretched as far as possible.

SUMMARY | **PRODUCTION FUND**

1. A developer identifies an opportunity to build or preserve affordable homeownership
2. **The Fund** provides full or partial financing for predevelopment and/or site acquisition
3. The developer obtains a construction loan for the project; **the Fund** may also provide subordinate construction financing
4. **The Fund** is repaid through the sale of homeownership units and the money is reinvested to support other projects

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BACKGROUND CONTINUED

Buyer-Side Subsidy

Building on the success of MIPAP and other support for low- and moderate-income households, a homeownership production fund could also support buyers in purchasing new units such as those produced through EHO permits. This support could be offered in connection with or in lieu of direct acquisition or predevelopment support for developers. The subsidy might be available broadly for borrowers, like MIPAP, or may be pre-committed to a certain development or unit.

Community Land Trust Partnership

Both direct development support and buyer-side subsidies can be made available to projects led by community land trusts (CLTs). A CLT is a distinctive housing model designed to increase homeownership opportunities for low- and moderate-income households. Managed collaboratively by local stakeholders, CLTs prioritize lasting affordability and equitable development. In this model, land ownership is separated from housing ownership. CLTs retain ownership of the land while selling the home itself to income-qualified buyers. By removing the land from the transaction, CLTs provide an implicit subsidy, lowering the cost of the home.

SUMMARY | **COMMUNITY LAND TRUST**

A CLT Acquires or Builds a Unit

<u>Total Value $500,000:</u>
Land Value $200,000 +
Home Value $300,000

The CLT Sells the Home While Retaining Ownership of the Land

<u>Sale Price $300,000:</u>*
Total Value $500,000 –
Land Value $200,000

The Homeowner Sells to Another Low-Income Buyer

<u>Resale Price $350,000</u>
Determined by the ground lease

**Note: In some markets, removing the land value is not sufficient to ensure an affordable initial sales price, so additional subsidy is required.*

LOCAL CONTEXT | **VIRGINIA STATEWIDE CLT (VSCLT)**

VSCLT was established in 2021 by a coalition of Habitat for Humanity affiliates to leverage their collective resources and expertise in furthering affordable homeownership in Virginia. The CLT has a connection to Northern Virginia; Habitat DC-NOVA is one of the founding members, and VSCLT recently completed construction on three homes in Fairfax County. Critically, because of its connection to Habitat and other local developers, **VSCLT is well-positioned to develop or rehabilitate new affordable homes in addition to stewarding its existing portfolio.**

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HOMEOWNERSHIP PRODUCTION FUND

CASE STUDY | **DURHAM AFFORDABLE HOUSING LOAN FUND**

The Durham Affordable Housing Loan Fund (DAHLF) provides an example of how a local government can partner with a local or regional financial institution, like a community development financial institution (CDFI), to leverage a combination of public funds and private investment. DAHLF also underscores the importance of targeting predevelopment and acquisition financing with flexible lines of credit.

In 2019, the City of Durham launched a fund to create and preserve affordable units for sale or rent in Durham in response to increasing property values and loss of neighborhood affordability. The fund partners with Self-Help Credit Union, the North Carolina Community Development Initiative, Duke University, and SunTrust Bank (now Truist). The fund invests in rental or for-sale multifamily and single-family projects with financing for up to 100% of acquisition costs for up to a five-year term, allowing developers to purchase a building in a competitive market and giving time to secure construction/rehabilitation financing and permanent financing.

Goal: Reduce displacement by providing needed capital to allow affordable housing developers to compete with market-rate developers

Affordability Level: 80% AMI or below

Fund Size: $10M ($2M public investment), growing to $15M

Fund Product: Large property/portfolio acquisition loans for multifamily projects and organizational lines of credit for smaller-scale acquisitions, especially homeownership projects

Public Funds Leverage: $4 private : $1 public in fund

Administrator: Self-Help Credit Union (CDFI)

Users: Nonprofit developers and housing authorities; or for-profit entities partnering with a nonprofit or housing authority

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CASE STUDY | **NHT HOMEOWNERSHIP FUND**

In September 2023, the National Housing Trust (NHT) announced a $40 million investment from the Amazon Housing Equity Fund to support affordable homeownership. NHT will administer the fund to provide predevelopment, acquisition, or construction financing to affordable homeownership projects across three specific geographies including Northern Virginia. Although this fund is a partnership between a CDFI and a corporate entity, the structure of the fund offers an example of potential loan terms or programmatic focus for Arlington County to consider. The NHT Homeownership Fund also places emphasis on community land trusts and shared-equity housing models to ensure long-term affordability of units produced. This type of collaboration may also be a consideration for the County to keep in mind while exploring opportunities to invest in affordable homeownership in Arlington.

Goal: Invest in homeownership opportunities in DC and Northern Virginia, the Puget Sound region of Washington State, and Nashville, Tennessee

Affordability Level: 120% AMI or below

Fund Size: $40M

Fund Product: Acquisition and predevelopment loans or construction loans

Administrator: National Housing Trust (CDFI)

Users: Any developer or community organization investing in affordable homeownership, including new construction or rehabilitation; all units must be owner-occupied

CASE STUDY | **PITTSBURGH URBAN REDEVELOPMENT AUTHORITY**

Pittsburgh offers an example of how a jurisdiction might partner with a community land trust (CLT) for specific transactions that advance local goals without committing to funding day-to-day operations. The Pittsburgh Urban Redevelopment Authority (URA) has a history of working with CLTs. Most recently, in 2017, URA provided financing to the Lawrenceville Community Land Trust in the Lawrenceville neighborhood of Pittsburgh to build six new homes and rehab a seventh, all permanently affordable at 80% AMI. In March 2023, URA allocated $5 million in American Rescue Plan Act (ARPA) funding to establish an affordable homeownership production program. The program offers both grants and low-interest loans specifically to CLTs in Pittsburgh. The funds are available on a project-by-project basis for the rehabilitation or construction of permanently affordable homeownership units. The CLT is responsible for coordinating the sale of the units once produced and for administering the ground leases and related affordability restrictions once the units are sold.

RECOMMENDATIONS: NEW PROGRAMS

HOMEOWNERSHIP PRODUCTION FUND

RECOMMENDATIONS

To take advantage of the opportunities presented by new EHO permits and to further incentivize the production of affordable homeownership units, Arlington County should explore available funding mechanisms. Funding for affordable homeownership projects may take the form of direct support to developers for acquisition, predevelopment, or gap-financing. The funding may also be structured as buyer subsidies that help households afford newly produced homeownership units rather than intervening in the development process directly. In either case, the County can also consider a partnership with a community land trust to ensure units will remain affordable and that buyers will have access to long-term support.

IMPLEMENTATION CONSIDERATIONS

Equity Focus: Direct financing support may be targeted to small-scale or beginning developers without access to the same capital or networks as well-established developers. Similarly, buyer assistance may be prioritized for communities facing particularly significant barriers to homeownership such as first-generation buyers.

Funding Needs: Predevelopment and acquisition funding needs will vary by project but may range from $25,000 to $500,000. Depending on the unit, buyer subsidies will also vary. The average MIPAP award can be a baseline for estimating costs. In fiscal year 2022, the average was $75,000 per household.

In the event that a CLT is a project partner, no additional funding beyond development support or buyer subsidies should be expected. CLTs fundraise for their day-to-day operations and can be considered the same as any other development partner.

Staff Capacity: Depending on the scope of the program, additional staff capacity may be needed to review, approve, and monitor projects.

CONSIDERATION | **ROFR/PURCHASE OPTION**

Arlington County has the option to purchase ADUs at resale, in line with national best practices. As the County considers expanding homeownership production support to potentially include financing for developers or additional buyer subsidies, the County may consider applying this same purchase option or a right of first refusal (ROFR) to any units supported through this new funding. A ROFR or a purchase option protects public investment by ensuring a seat at the table for local governments in the event of a sale. Jurisdictions are also able to assign their purchase rights to other entities, whether non-profit developers, community land trusts, tenant organizations, or other mission-aligned partners. This way, a ROFR is not a commitment of public funds, but a tool for preservation.

HOMEOWNERSHIP GOALS | **HOMEOWNERSHIP PRODUCTION FUND**

Establishing a homeownership production fund supports the following goal:

- **Goal 3:** This recommendation will increase the production of affordable homeownership units by providing funding to support developers or buyers of new units.

GLOSSARY

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Term	Definition
Acquisition Cost	*The purchase price of a property (including land or land and improvements), including closing costs, prepaid costs, and commissions, if paid by the purchaser. (Federal Housing Administration [FHA])*
Affordable Dwelling Unit (ADU) Program	*ADUs are permanently affordable homes created through developer contributions in exchange for greater density. (Arlington County)*
Annual Income	*Annual income is a factor in a mortgage loan application and generally refers to your total earned, pre-tax income over a year. This may include full-time or part-time work, self-employment, tips, commissions, overtime, bonuses, or other sources. (Consumer Financial Protection Bureau [CFPB])*
Appreciation	*The increased value of property determined by subtracting the purchase price from the sales price at the time of resale. (Mortgage Bankers Association [MBA])*
Appreciation Share	*The share of the appreciated home value split between a shared appreciation loan originator and the homebuyer. (MBA)*
Area Median Income (AMI)	*The Area Median Income (AMI) describes the midpoint of an area's income distribution, where 50 percent of households earn above the median figure while 50 percent earn less than the median. The Department of Housing and Urban Development (HUD) defines 'area' as a Metropolitan Statistical Area (MSA). (MBA)*
Community Land Trust (CLT)	*A non-profit organization that holds land and acts as a long-term steward of retaining affordable housing in the communities it represents. (Cenage)*
Conventional Loan	*Any mortgage loan that is not insured or guaranteed by the government (such as under Federal Housing Administration, Department of Veterans Affairs, or Department of Agriculture loan programs). (CFPB)*
Debt-to-Income Ratio	*All borrower monthly debt payments divided by their gross monthly income. This number is one way lenders measure a borrower's ability to repay a loan such as a mortgage. (CFPB)*
Deed-Restricted	*A provision that limits the purchaser's use of the property. (Cornell LII)*
Deferral	*In the case of the Arlington County RETR Program,* the full or partial deferral from the Arlington County real estate tax. *The deferred amount is not due until the sale or refinance of the home.*
Down Payment	*The difference between the sale price of a property and the mortgage borrowed by the buyer. Generally, a higher down payment means a borrower is more likely to be approved for a loan and more likely to receive a lower interest rate. (CFPB)*
Down Payment Assistance	*This typically refers to a program provided by an organization, such as a government or non-profit agency, that provides funds to contribute to a homebuyer's down payment. The funds may be provided as an outright grant or may require repayment, such as a down payment assistance loan. (CFPB)*

GLOSSARY

Term	Definition
Downside Protection	*Techniques used as a safety net to prevent the decrease in the value of an investment. (Cenage)*
Eligible Borrower	*A borrower meeting the financial requirements to qualify for a mortgage or other financial product. (Cenage)*
Escrow	*An escrow account is often set up by a mortgage lender to pay certain property-related expenses, like property taxes or homeowner's insurance. A portion of the borrower's monthly payment goes into the account. The account may also be used at sale to fund improvements or repairs. In this case, a portion of the sales price will be set aside. (CFPB)*
Exemption	*In the case of the Arlington County RETR Program,* the full or partial exemption from the Arlington County real estate tax. *The homeowner will not be required to pay the exempted amount, now or in the future.*
Expanded Housing Options (EHO)	*New permits available for missing-middle development (e.g., duplexes and quadplexes) in low- and moderate-density residential areas of Arlington County. (Arlington County)*
FHA Loan	*The Federal Housing Administration (FHA) is a division of the U.S. Department of Housing and Urban Development (HUD) that insures residential mortgage loans issued by approved lenders against loss through foreclosure. FHA loans have lower down payment and financing requirements and are popular among first-time homebuyers. (Fannie Mae)*
First-Generation Homebuyer	*A first-time homebuyer whose parents or guardians never owned a home or who owned a home that was foreclosed on. (MBA)*
First-Time Homebuyer	*A homebuyer who purchases a principal residence either for the first time or has not owned property in the last three years. (MBA)*
Fixed-Rate Down Payment Assistance Loan	*A loan with a fixed interest rate that accrues but does not compound and is due at exit (sale or refinance).(MBA)*
Forgivable Down Payment Assistance Loan	*This type of assistance does not need to be repaid once the homeowner meets tenure or equity requirements. (MBA)*
Gross Income	*The sum of all income sources for the taxable year. Gross income includes all income such as from wages, dividends, alimony, capital gains, and pensions. Many deductible items such as for charity still must be included in gross income. (Cornell LII)*
Homebuyer Education	*A course to help prospective homebuyers or new homeowners understand the path to homeownership and responsibilities as a homeowner. (MBA)*
Homeowner Equity	*Ownership interest in a property. This is the difference between the home's market value and the outstanding balance of the mortgage loan (as well as any other liens on the property). (Fannie Mae)*
Household of Color	*A household with non-White household members. (MBA)*

GLOSSARY

Term	Definition
Housing Cost-Burden	*A household is considered cost-burdened when it spends more than 30% of its gross income on housing costs. A household that spends 50% or more of its gross income on housing costs is considered severely cost burdened. (HUD)*
Individual Development Account (IDA)	*A matched savings account that helps lower-income individuals and families save for a specific goal such as homeownership, opening a small business, or going to college. Homeownership IDAs are often structured around saving for a down payment and may require financial counseling to access the matched funds. (Federal Deposit Insurance Corporation [FDIC])*
Interest Rate	*An interest rate on a mortgage loan is the cost to borrow money, expressed as a percentage rate. For example, if the mortgage loan is for $100,000 at an interest rate of 4 percent, that consumer has agreed to pay $4,000 each year he or she borrows or owes that full amount. (CFPB)*
Live Where You Work (LWYW)	*A grant program that provides financial support towards the housing costs for Arlington County employees residing in Arlington. (Arlington County)*
Low-Income Households	*For the purposes of this report, low-income households refers to those earning 60% AMI or less. (Arlington County)*
Market Price	*An opinion of what a property would sell for in a competitive market based on the features and benefits of that property (the value), the overall real estate market, supply and demand, and what other similar properties have sold for in the same condition. (Cornell LII)*
Moderate-Income Purchase Assistance Program (MIPAP)	*Shared-appreciation down payment assistance program for qualifying households buying homes in Arlington County. (Arlington County)*
Moderate-Income Households	*Arlington County defines moderate-income households as those earning at or below 80% AMI, although some County programs provide assistance to households earning up to 120% AMI. (Arlington County)*
Mortgage	*An agreement between a borrower and a lender for the purchase or refinance of a home. The agreement gives the lender the right to take the home if the loan is not repaid. (CFPB)*
Mortgage Insurance (MI)	*Mortgage insurance protects the lender if the borrower falls behind on payments. Mortgage insurance is typically required if the borrower is not able to provide a down payment of at least 20 percent of the property value. Mortgage insurance also is typically required on FHA loans. (CFPB)*
Mortgage Insurance Premium (MIP)	*The monthly premium on an insurance policy required by FHA if the borrower's down payment is less than 20% of the cost of the home. (FHA)*
Private Mortgage Insurance (PMI)	*Borrowers are often required to pay for PMI if their down payment is less than 20% of the property value and they have a conventional loan. PMI can often be cancelled once the borrower accumulates a certain amount of equity in their home. (CFPB)*

GLOSSARY

Term	Definition
Purchase Price	*Borrower's cost of purchasing property excluding usual and reasonable settlement or financing costs. Distinct from Acquisition Costs as fees, closing costs, and other financing costs are not included. (Cenage)*
Real Estate Tax Relief (RETR) Program	*Tax deferral or exemptions for qualifying elderly and disabled homeowners. (Arlington County)*
Rebuilding Together	*A non-profit organization that coordinates home repairs and accessibility upgrades for qualifying households in northern Virginia. (Rebuilding Together)*
Recycling	*Using the proceeds from loan repayments to finance loans to new borrowers. (Cornell LII)*
Right of First Refusal	*Right of first refusal guarantees the right to buy, often for a lender, when the property owner chooses to sell. Purchase rights may be assigned to other organizations by the lender, often a nonprofit or tenant group. (National Association of Realtors [NAR])*
Second Mortgage	*A second mortgage or junior lien is a loan that a homeowner may take out using their house as collateral even while they are still responsible for a primary mortgage. (CFPB)*
Shared Appreciation Down Payment Assistance Program	*A loan with below-market interest rates in exchange for a share of the profit when the house is sold. They are structured as second mortgages, but borrowers make no payments until they sell the property or refinance the first mortgage. After the sale or refi, the borrower must repay the full loan amount, plus a portion of the home-price increase. (Local Housing Solutions)*
Term	*The term of a loan is how long a borrower has to repay the loan. For most types of mortgages or home loans, terms are typically 15, 20, or 30 years. (Fannie Mae)*

APPENDIX

APPENDIX: AREA MEDIAN INCOME

ARLINGTON COUNTY | **2023 AREA MEDIAN INCOME**

	30% AMI	50% AMI	60% AMI	80% AMI
1 Person Household	$31,650	$52,750	$63,300	$84,400
2 Person household	$36,180	$60,300	$72,360	$96,480
3 Person household	$40,710	$67,850	$81,420	$108,560
4 Person household	$45,210	$75,350	$90,420	$120,560
5 Person Household	$48,840	$81,400	$97,680	$130,240
6 Person Household	$52,470	$87,450	$104,940	$139,920

Source: Arlington County

APPENDIX: AFFORDABLE PURCHASE PRICES

ARLINGTON COUNTY |

AFFORDABLE HOME PURCHASE PRICE BY HOUSEHOLD SIZE

	80% AMI	PURCHASE PRICE
1 Person Household	$84,400	$302,975
2 Person Household	$96,480	$358,631
3 Person Household	$108,560	$414,288
4 Person Household	$120,560	$469,669
5 Person Household	$130,240	$516,387
6 Person Household	$139,920	$562,967

Affordability calculations include the following assumptions:

- **Housing Ratio**: 33%
- **Debt-to-Income ratio:** 45%
- **Down payment:** 20%
- HOA/condo fees and property taxes
- 30-year mortgage
- Current mortgage interest rate
- Current Area Median Income (AMI) limits

Source: Arlington County; Affordable purchase price assumes a household earning 80% of area median income. Assuming a different income level will affect the affordable price.