



**HOUSING AFFORDABILITY**

Affordable housing remains one of our community’s biggest challenges. With so many residents facing rising housing costs coupled with housing supply shortfalls, solutions must be multifaceted. To address those needs, the FY 2025 proposed budget includes an increase in the tax rate to address critical needs in our community including funding important housing services – the Housing Grants program and the eviction prevention program – on an ongoing basis and expanding critical staffing to support these programs. The FY 2025 proposed budget also continues to meet the commitments for AHIF (the Affordable Housing Investment Fund) and the landmark preservation of the Barcroft Apartments, a housing complex which alone preserves 1,335 affordable housing units.

The proposed budget includes \$110 million—about 8% of the County’s budget—in investments in housing affordability, as outlined in the table below. The budget follows the County Board guidance of maintaining the prior year’s *ongoing* funding level to the Affordable Housing Investment Fund (AHIF) of \$9.7 million and also adds \$10 million in one-time AHIF funding. Other investments include \$15 million (one-time) for Barcroft debt (principal payment to the County’s line of credit), \$15.1 million to support the County’s Housing Grants program, \$26.6 million of federal support in the form of Housing Choice Vouchers, and \$2.3 million in eviction prevention support. Support for our most vulnerable through the Permanent Supportive Housing program totals \$5.7 million. Details about these programs and others can be found following the table below.

**FY 2025 Proposed Budget Funding for Housing**

**Direct Housing Assistance:**

|   |                |
|---|----------------|
| Housing Grants  | \$15.1 million |
| Housing Choice Vouchers   | \$26.6 million |
| Permanent Supportive Housing  | \$5.7 million  |
| Eviction Prevention   | \$2.3 million  |
| Shelters  | \$4.9 million  |
| Real Estate Tax Relief for the Elderly and Disabled & Disabled Veterans | \$5.0 million  |

**Affordable Housing Supply:**

|                                    |                |
|------------------------------------|----------------|
| Affordable Housing Investment Fund | \$20.5 million |
| Barcroft Debt Principal Payment    | \$15.0 million |

|                        |                        |
|------------------------|------------------------|
| Columbia Pike TIF      | \$2.0 million          |
| <b>Other:</b>          |                        |
| Other Housing Programs | \$13.2 million         |
| <b>TOTAL</b>           | <b>\$110.3 million</b> |

**Direct Housing Assistance**

**Housing Grants:** The County’s Housing Grants Program provides rental assistance to low-income Arlington residents who meet at least one of the following criteria: 65 years of age or older, totally and permanently disabled, working families with at least one child under the age of 18, and clients of a County-operated or County-supported mental health program. These grants cover a portion of monthly rent; the amount is determined based on household income, household size, and total rent with a goal of having tenants pay no more than 40 percent of their income towards rent.

New in FY 2025 is the addition of a pilot time-limited Housing Grants eligibility category for youth aging out of foster care. The Housing Grants subsidy for this new cohort will last up to three years. This was one of staff’s recommendations from the Housing Grants Study. With this additional ongoing funding in FY 2025, 12 additional clients are projected to be served in this new category.

Additionally in FY 2025, the proposed tax rate increase will fund two new positions to support the increase in Housing Grants caseloads and to fund the Housing Grants Program entirely from ongoing funding. In FY 2025, the projected number of households served will increase 5 percent, from 1,478 to 1,551. Currently, 87.6 percent of Housing Grants clients are at or below 30 percent of Area Median Income (AMI).

**Housing Choice Voucher Program (HCVP):** The federally funded and locally administered Arlington Housing Choice Voucher Program helps low-income families at or below 50% of Area Median Income, the elderly, and people with disabilities obtain safe, decent, and affordable housing in the private market. In recent years, there has been an increase in the number of Housing Choice Vouchers allocated to Arlington County. In FY 2025, the projected number of households receiving a Housing Choice Voucher will increase to 1,570.

**Permanent Supportive Housing:** The County’s Permanent Supportive Housing (PSH) program provides affordable housing and supportive services for individuals and families who are homeless or at risk of becoming homeless as well as those who have very low incomes and serious, persistent issues such as substance use, mental illness or other disabilities, or HIV/AIDS. Demand for Permanent Supportive Housing subsidies has been increasing, with 319 units in FY 2022 and 347 units in FY 2023

from all funding sources (local and state). The number of contracted units are projected to increase to 362 in FY 2024 and 382 in FY 2025.

**Expanded Asset Management through CAF Inspections:** The COVID-19 pandemic strained the conditions of Committed Affordable Units (CAFs), as in-person inspections were shifted to virtual reviews, and non-emergency maintenance and repairs often were deferred due to safety and resource considerations. In FY 2023, the County Board approved \$150,000 in one-time funding to enable increased HQS inspections in the CAF portfolio. With these funds, CPHD completed over 1500 CAF unit inspections spanning 19 different properties in spring 2023, focusing on properties that have not had substantial renovations within the last five years. For FY 2024, staff anticipates completing 2,200 CAF unit inspections across approximately 20 properties. Additionally, staff has supported community and resident organizations by providing outreach and education, technical assistance and support for resident meetings, and connections to other County agencies and organizations that may provide additional resident support and assistance. Staff plans to continue these efforts in FY 2025.

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

The availability of this program supports seniors and permanent/totally disabled homeowners to continue living in Arlington. Approximately 900 homeowners receive full or partial exemptions or deferrals in tax relief each year. In the calendar tax years 2024 and 2025, the total number of homeowners participating in the program is projected to remain flat.

**Eviction Prevention:** The Department of Human Services (DHS) has historically provided eviction prevention assistance to Arlington residents in need to assist them with rent, rent arrears, security deposits, and utility payments. Since the onset of the COVID-19 pandemic, DHS has experienced an exponential increase in requests from Arlington residents for eviction prevention assistance. The table below details growth in this program in recent years.

| Fiscal Year | Unduplicated count of residents served | Average number of times residents received assistance | Total Payments | Average Payment Amount |
|-------------|--|---|----------------|------------------------|
| FY 2020     | 1,555                                  | 1.6   | 2,500          | \$1,001                |
| FY 2021     | 1,586                                  | 2.6   | 4,091          | \$1,230                |
| FY 2022     | 1,685                                  | 1.5   | 2,517          | \$1,618                |
| FY 2023     | 1,898                                  | 1.9   | 3,527          | \$2,131                |
| FY 2024*    | 745                                    | 1.3   | 938            | \$1,800                |

\*FY 2024 data is through February 13, 2024.

Effective July 1, 2023, eligibility requirements were further tightened to serve only households who had a late notice on rent or an eviction notice and a way to pay their rents moving forward, and a \$3,000 cap on assistance per household annually was implemented. (Exceptions to the \$3,000 cap can be granted by the Economic Independence Division Director.)

While we anticipate eviction prevention assistance to decrease over time, the need for eviction prevention assistance remains high in our community, so I am allocating \$2.3 million of ongoing funding in the FY 2025 budget as the program transitions to a more stable long-term level, and I am adding two additional positions for eviction prevention efforts to further support the elevated caseloads.

**Shelters:** DHS manages several shelters for the homeless, short-term transitional housing, and for survivors of domestic violence. The FY 2025 proposed budget includes an additional \$0.5 million in ongoing funding to enhance case management at these shelters and to increase bed capacity, resulting in a total program budget of \$4.9 million.

### **Affordable Housing Supply**

Each of these initiatives in the proposed budget meets the goals and objectives contained in the Affordable Housing Master Plan, which underwent a review in 2022. The County Board's Housing Arlington initiative, bolstered by investments in AHIF, is also underway and efforts will continue into FY 2025.

**Preserving Barcroft Apartments:** Beginning with the FY 2024 adopted budget, both balances and new revenue in the Columbia Pike Tax Increment Financing Area (TIF) are dedicated to the County's largest investment in preserving affordable housing along Columbia Pike – preserving the affordability of the 1,335-unit Barcroft Apartments. Funding from the TIF is coupled with AHIF funding to pay principal and debt service on the \$150 million loan provided by the County in December 2021 to support the acquisition of the property by Jair Lynch Real Estate Partners. This County loan, in combination with a \$160 million low-rate loan from the Amazon Housing Equity Fund, will support the future renovation and redevelopment of Barcroft units while preserving 1,335 as affordable homes.

The FY 2025 budget also includes \$15 million of one-time funding as a principal payment to the County's line of credit. Combined with the \$15 million principal payment dedicated at FY 2023 closeout, the \$150 million loan will be reduced to \$120 million. Each of these \$15 million principal payments has reduced the anticipated debt service for this project by \$0.8 million from \$8.7 million to \$7.1 million annually.

**Affordable Housing Investment Fund and Housing Development Resources:** The County's Affordable Housing Investment Fund (AHIF) remains our main vehicle to both preserve and create long-term affordable housing by making low-interest loans available to developers. Over the past five years, the County has produced or preserved an average of 632 committed affordable units (CAFs) annually. As of

June 30, 2023, the County has 89 CAFs that are affordable to households earning less than 30 percent of the area median income (AMI), and we anticipate this number increasing as deeply affordable units are committed at Crystal Houses and Barcroft in future years.

Annual County Board budget appropriations are one source of funding for AHIF, but the County also relies on annual loan repayments and developer contributions from site plan projects to provide funding for new projects. Since FY 2019, net tax support has accounted for approximately 42 percent of the annual AHIF budget; the remaining 48 percent has been funded with loan repayments, developer contributions, and other sources such as federal dollars. These sources help diversify AHIF's funding. The FY 2025 proposed budget includes \$20.5 million in AHIF funding, which coupled with funding from the Columbia Pike TIF, will meet the debt service costs on the \$150 million line of credit used to support the County's loan to the Barcroft project while also supporting other pipeline projects such as Crystal Houses.

Further, the County has a renewed focus on community benefits as part of site plan projects for funding as well as land opportunities, particularly because land can be the most difficult and costly portion to obtain for an affordable housing project. In this regard, the County continues to work on the Crystal Houses infill project, which includes the conveyance of a 0.9-acre parcel of land to the County for development of committed affordable housing. In FY 2023, the County concluded a 12-month process to identify a master developer for the Crystal Houses site that includes both the County parcel and infill parcels to be conveyed by the Washington Housing Conservancy and Amazon. These efforts will continue in FY 2025 with additional commitments of AHIF funds to the Crystal House infill project, led by the Arlington Partnership for Affordable Housing (APAH) and EYA as the selected master developer for the site.