

ARLINGTON COUNTY, VIRGINIA

AFFORDABLE HOUSING TASK FORCE

REPORT TO THE COUNTY BOARD

January 21, 2000

ARLINGTON COUNTY, VIRGINIA

AFFORDABLE HOUSING TASK FORCE

January 21, 2000

The Arlington County Board
Arlington, Virginia

Dear Chairman Favola and Members of the Board:

The Affordable Housing Task Force is pleased to provide its report to the County Board. The report includes recommendations to improve the ways in which Arlington addresses its growing affordable housing crisis, pursuant to the County Board's charge of February 6, 1999.

The report is the first large-scale citizen review of the policies and programs that constitute Arlington's attempts to fulfill its governmental responsibilities to address the needs of the ill-housed.

As you will note, the Task Force, in response to the charge of the County Board, has recommended revisions in major programs governing rental and home-purchase assistance. For example, the Task Force:

- ◆ Reaffirms through its principles and its goals the fundamental community concern that all people should have the opportunity to achieve the housing that meets their financial conditions and special needs.
- ◆ Seeks expansion of the tools available to the County Board to preserve existing affordable housing in a manner that benefits tenants, its neighbors and the community at large through a no-net loss policy, as it seeks more new construction to replenish the supply. Reliance upon the private sector and the not directly subsidized housing market is specifically acknowledged as the primary means of providing affordable housing.
- ◆ Recommends changes to the Housing Grants Program and to the Moderate Income Purchase Assistance Program (MIPAP) program for homeownership assistance.
- ◆ Places emphasis on the most needy, particularly very low income households with children or with members who are elderly or have disabilities.
- ◆ Recognizes the role of anti-discrimination efforts in assuring decent, affordable housing for Arlington residents.
- ◆ Recognizes the need for geographical balance in affordable housing efforts.
- ◆ Calls on the County Board to provide additional resources to back up its commitment to this major area of community concern.
- ◆ Makes recommendations for changes in state policy, law and funding levels.

It will come as no surprise that the Task Force was not unanimous on all its recommendations, given the breadth and complications of the issues as well as the multiplicity of viewpoints represented on the Task Force. Nevertheless, all members of the Task Force endorse the

document as a fair reflection of the broad views among the diverse Task Force membership. The members believe that by adopting the recommendations contained in this report, the County Board will make significant progress toward expanding housing opportunities and achieving the County's affordable housing goals.

On behalf of the Task Force membership, we thank the County Board for allowing us the opportunity to serve the community in addressing the fundamental issue of how our people will be housed, and we urge the Board to consider favorably our recommendations.

James F. Almand
Co-Chair

Albert C. Eisenberg
Co-Chair

Task Force Members

Martha Duggan
Judy Freshman
William J. Gainer
Reid Goldstein
Wayne Kubicki
Vicky Luna
Laura Kuitunen Meeker
Conchita Mitchell
Charles Monroe
Abad Ramirez, A.I.A.
J. Walter Tejada
John Tucillo
Joseph S. Wholey

AFFORDABLE HOUSING TASK FORCE MEMBERS

James F. Almand, Co-chair

Albert C. Eisenberg, Co-chair

Martha Duggan

Judy Freshman

William J. Gainer

Reid Goldstein

Wayne Kubicki

Vicky Luna

Laura Kuitunen Meeker

Conchita Mitchell

Charles Monroe

Abad Ramirez, A.I.A.

J. Walter Tejada

John Tucillo

Joseph S. Wholey

The Task Force appreciates the support of the following staff:

Ken Aughenbaugh Co-lead, Joan Linderman Co-lead, Bob Brosnan,

Susanne Eisner, Fran Lunney and Walter Zaumseil

TABLE OF CONTENTS

Charge to the Task Force.....	1
Introduction.....	5
Principles.....	9
Goals.....	10
Recommendations Listed by Goal.....	11
Recommendations Listed by Category.....	29

Appendices:

Appendix A: Matrices of Affordable Housing Tools

Appendix B: Background Information

Appendix C: Report of Subcommittee on Income and Home Ownership on
the Housing Grants Program

Appendix D: Report of Subcommittee on Income and Home Ownership
on the Moderate Income Purchase Assistance Program (MIPAP)

Appendix E: Report of Subcommittee on Income and Home Ownership
on the Real Estate Tax Relief Program

Appendix F: Report of Subcommittee on Older Residential Properties and
Families

Appendix G: Summary of Comments from June 14, 1999 Hearing

Appendix H: List of Submissions to the Task Force

COUNTY BOARD CHARGE TO THE TASK FORCE

The County Board established the Affordable Housing Task Force in February 1999, giving it the following charge:

"The Affordable Housing Task Force is a diverse, non-partisan, limited term, fifteen-person advisory body established to recommend to the County Board specific activities, programs, and initiatives to improve housing opportunities in the County for renters and first-time home buyers, particularly those of low and moderate incomes. Its establishment and its purpose grow out the community's awareness and concern that Arlington's high housing costs are placing heavy burdens on many Arlington households and limiting the ability of families that would like to locate here. As a result, few apartments exist at an affordable price for renters who earn low incomes, particularly those who need more than one bedroom, and young couples and families looking to own a home find restricted opportunities

Context: The County has developed an array of programs and initiatives to preserve and promote affordable housing that rank among the most comprehensive of any community in the country. These efforts include the following: rental housing assistance; land use and zoning policies, such as bonus densities for affordable housing and the special affordable housing districts in the metro corridors that require replacement of housing lost to redevelopment; maintenance of developer and County funded housing funds for preservation and new construction; application of low income housing tax credits, tax-exempt bonds, and other federal resources; home ownership programs; use of the County's moral obligation to back state housing bonds for private housing, rehabilitation and construction; a low-tax environment; and reliance upon partnerships with the private sector, particularly with nonprofit organizations. Yet it has become clear that these initiatives have not stemmed the absolute loss of affordable housing and home buying opportunities from redevelopment, rising land costs, and the extraordinary costs of renovation that makes it impossible in most cases to make properties better and still retain most or all of the units within the affordable range.

Charge: The Task Force will examine current housing programs, initiatives, and activities to determine and recommend for County Board action improvements, enhancements, and revisions to make more effective the County's efforts to increase opportunities for housing that is safe, decent, suitable, and affordable generally for renters and first-time home buyers, particularly those of low and moderate income households.

The Task Force will be guided by the policy principles and goals of the adopted Consolidated Plan. It may recommend improvements and enhancements consistent with that framework, and additional principles and goals should it find them necessary. It may call upon County staff, other commissions, outside experts, and other resources to assist in its work. It may conduct hearings and it may establish sub-groups that may include individuals not officially appointed to the Task Force. In order to establish a neutral baseline for the Task Force's work, it will educate itself on the County's existing programs, initiatives, activities, policies, and processes that define and support the County's efforts to promote affordable housing opportunities in Arlington County. The Task Force is expected to complete its work with a report to the County Board for review within the community by December 1, 1999, although it may issue discrete recommendations sooner in the interest of increasing Arlington's affordable housing efforts if in its judgment there is a compelling reason to do so, and if such discrete recommendations before completion of the final report do not disturb any other aspects of the Task Force's work or conclusions.

Specifically, the Task Force will undertake the following activities:

- 1) Examine the County's Housing Grants program to determine the extent that it adequately assists in making housing in the existing stock affordable to households of modest incomes, recommend improvements in the program—particularly in the proportion of income that eligible renters must pay in order to receive program benefits, and balance the benefits of program revisions with costs and the number of individuals served.*
- 2) Recommend changes in state laws and to practices and policies of the Virginia Housing Development Authority to increase the state's housing support for localities in addressing affordable housing needs, including additional funds and tax incentives, state bonds, landlord responsibilities for overcrowding, and other such issues as the Task Force may determine, consistent with the charge.*
- 3) Study and make recommendations for additional means of improving the County's ability to encourage the upgrading of older apartments without substantial losses of affordable housing, balancing the value of mixed income projects with the value of preventing absolute losses in affordable housing overall.*
- 4) Consider and recommend appropriate amendments, overlays, or enhancements in zoning and land use laws, including affordable dwelling unit ordinances to increase flexibility for affordable housing choices and*

opportunities throughout the County, while protecting the quality and integrity of the General Land Use Plan.

- 5) *Study and recommend actions on alternative housing forms, such as accessory dwelling units.*
- 6) *Consider the extent to which the range of County housing programs, activities, and initiatives, work effectively in combination, and recommend any revisions or enhancements to increase that effectiveness.*
- 7) *Examine current relevant public-private partnerships and recommend strategies that would enhance and expand partnership efforts between the public and private sectors.*
- 8) *Determination of enhancements if desirable to the collection of statistical data currently required by federal law with respect to the state of the County's housing market particularly of households of low and moderate income.*
- 9) *Study and make recommendations for means of addressing gaps in the current housing stock, in both multi-family and single family dwellings, with respect to housing suitable for families with children. Examine, for instance, whether incentives are needed to encourage the development of units with more than two bedrooms. Consider and recommend appropriate amendments, overlays, or enhancements in zoning and land use laws that might encourage a greater supply of housing to meet this need, while protecting the quality and integrity of the General Land Use Plan.*
- 10) *Consider appropriate goals that may serve as benchmarks for gauging the performance of the County's housing efforts from year to year."*

INTRODUCTION

Introduction

Over the years redevelopment in Arlington County has resulted in significant displacement of the poor and has demonstrated deficiencies in County housing programs and policies. Most recently and most dramatically, in the winter of 1998-99, hundreds of modest income Arlingtonians living in the Arna Valley Apartments faced the prospect of losing their homes to the redevelopment of that project. A developer had proposed to replace the existing apartment project of approximately 700 units. The project, which was almost sixty years old, consisted almost entirely of small, obsolete, one-bedroom units, and experienced substantial overcrowding.

Under the law, the developer had the choice of building a project under a County Board-approved site plan or a "by-right" project that required no Board approval. The site plan proposal allowed more units on the site, some of them affordable to people earning 60 percent of the area median income or less and with more bedrooms than the existing apartments, plus a tenant-assistance package that included homeownership opportunities, rental assistance and relocation benefits; the by-right proposal contained fewer units, and came with no guarantee of any affordable housing or tenant assistance package.

Faced with the inevitability of redevelopment, the desirability of upgrading on the site under any circumstance, and the need for at least some affordable housing, the County Board chose to approve a site plan project. The process of making that decision was long, difficult and painful for many of the parties involved. Despite the unprecedented tenant assistance package required under the site plan, the experience demonstrated substantial gaps in the County's ability to assure adequate affordable housing opportunities in an environment marked by overall high housing costs and the relative scarcity of larger units. Among the deficiencies noted were outdated rental assistance programs, lack of a pro-active approach to stemming the loss of affordable housing, particularly where older apartment complexes become targets for redevelopment, and inadequate incentives for encouraging new construction of modest-priced housing.

The Issues

As a result of the Arna Valley experience and lessons learned from it, the County Board appointed the Affordable Housing Task Force. According to the charge to the Task Force, its purpose was to examine existing programs and policies, and devise recommendations for the most effective responses to the County's wide ranging affordable housing needs for its diverse population. The Task Force's work encompassed a wide range of issues, including:

- Attention to both rental as well as homeownership opportunities;
- The need for creativity and innovation in approaches to fulfillment of the County's affordable housing responsibilities;
- Improved rental assistance programs, revised tax relief policies, a more robust approach to homeownership assistance, more effective strategies for affordable housing preservation and development and a clear focus on the most seriously disadvantaged populations--extremely low income households, persons with disabilities, families with children, and first-time and low income homebuyers;
- Support for greater geographical balance in the location of affordable housing;
- Expansion of zoning and land use authorities, by County as well as state legislative action, if necessary, to enhance the flexibility of the community's response to its housing needs;
- Greater state financial assistance;
- Greater attention to the role of housing discrimination in the availability of affordable rental and homeownership opportunities.
- Adequate funding necessary for a meaningful County effort to support its affordable housing responsibilities.

The Work of the Task Force

The Task Force began its work with a series of "tutorials" designed to ensure that the members could approach their complicated assignment with a neutral base of factual knowledge about housing finance, development and policy. These tutorials took advantage of a wide range of expert resources, from the mortgage lending and nonprofit community to the League of Women Voters, as well as the excellent County staff. The Task Force employed subcommittees to handle particular issues discretely, such as the Moderate Income Purchase Assistance Program and the Housing Grants program, which demanded in-depth attention because of their complexity. It focused on finding clear gaps in the County's ability to make progress against the loss of affordable housing. And it recognized the need for comprehensiveness and pro-active action in bringing affordable housing efforts to bear.

As a result of its work, the Task Force settled on several overarching principles and major outcome-based goals to guide and frame its recommendations. Among the recommended goals are a County commitment to no net loss of affordable housing, a zero tolerance for homelessness among children, a ten percent per year reduction in the number of households in serious housing need (as defined in the report), and County funding adequate to ensuring the effectiveness of the Task Force's recommendations.

The Task Force learned that statistical data provided an important starting point for devising the ultimate recommendations. For example, the Task Force determined that while there are a large number of efficiencies and one-bedroom apartments theoretically affordable to households of modest incomes, units with two and more

bedrooms able to accommodate families with children were generally in short supply and almost non-existent for people with low incomes. This led to a recommendation that substantial attention be paid to households with children in the wide range of County affordable housing responses.

The Task Force determined that trade-offs were sometimes necessary to advance affordable housing goals, such as the use of increased density to distribute affordable housing more widely across the County and to increase the overall supply in a cost-efficient manner. The Task Force also decided that increased enforcement of housing codes and of fair housing laws would have a favorable effect on the adequacy and availability of safe, decent, affordable housing for people of modest incomes.

Finally, recognizing that the County shares its affordable housing responsibilities with the private sector and other levels of government, the Task Force recommended continuing relationships with nonprofit organizations and more substantial involvement in affordable housing development and preservation by property owners and developers. It also called upon the state for greater resources and for policy changes, including an end to discrimination in mortgage lending for those living in unrelated households.

The Task Force, composed of people of a wide range of backgrounds, experiences and perspectives, is united in its belief that housing that is safe, decent, suitable and accessible is an important community asset. It believes that all people should have equal opportunity to live in such housing throughout the County. It recognizes the value of public private partnerships, the private housing market and an enlightened, engaged government and citizenry in assuring the widest range of opportunities and choices. It believes that its work, which includes a fresh look at the specifics of Arlington's housing problems, along with recommendations for new or enhanced policies and tools, provide a significant package of initiatives for the County Board to deploy to make real progress toward housing affordability in Arlington County. The Task Force is grateful for the opportunity to serve the community, commends this report to the County Board, and urges full and favorable action on its carefully considered recommendations.

Acknowledgements

As the Task Force closes its work, it singles out for special mention and thanks several of its members who gave an extra measure of service. Conchita Mitchell took on the arduous task of gathering, organizing and presenting the decisions of the Task Force as week by week it reached tentative and then final conclusions. It was her product, faithfully and carefully prepared for each meeting, which served as the working document for the Task Force's deliberations. Our subcommittee chairs, Wayne Kubicki and Martha Duggan, performed outstanding service by analyzing the complicated programs of MIPAP, Housing Grants and Real Estate Tax Relief, as well as a broad

range of policies and programs affecting affordable housing, helping the Task Force move to well-considered recommendations for improvements to the County's overall affordable housing efforts. Finally, but not in the least, the Task Force commends the County staff for its patient and professional service to the Task Force. The staff provided essential technical assistance, responded in a timely fashion to the numerous member requests, and prepared the charts and graphs that in some cases for the first time make more understandable one of the most intellectually challenging responsibilities of modern government.

PRINCIPLES

The Affordable Housing Task Force agrees that the following should be the guiding principles that direct housing policies and distribution of housing resources in Arlington.

- 1. A range of housing choices should be available to accommodate households of all income levels, sizes and needs.**
- 2. Market rate affordable housing should be the primary means of providing affordable housing.**
- 3. Most housing assistance should be targeted to the lowest-income households - low income households with children and low income households with members who are elderly or have disabilities.**
- 4. Affordable housing should be used to help prevent homelessness and promote a diverse community.**
- 5. Equal housing opportunity should be a reality. Housing discrimination should not exist in Arlington.**
- 6. Households with children should never be homeless.**

GOALS

The Task Force recommends the following goals for housing programs, policies and use of resources.

- I. Balance support for the elderly and persons with disabilities with a transitional safety net for working families with children.
- II. Guarantee that all housing in Arlington County is safe and decent.
- III. Permit no net loss of affordable housing.
- IV. Focus most resources on those with the greatest need.
- V. Reduce the number of households in serious housing need (defined as those earning below 40% of median income who pay more than 40% of their income in rent) by 10% of such households each year.
- VI. Increase the number of housing units with two or more bedrooms in order to match the needs of households with children.
- VII. Distribute affordable housing within projects, within neighborhoods and throughout the County.
- VIII. Increase the rate of home ownership to above 50%.
- IX. Eliminate housing discrimination.
- X. Provide housing services effectively and efficiently.

To achieve these goals, the Task Force believes Arlington should perform an annual assessment of housing needs and provide funding to adequately address the recommendations in this report.

RECOMMENDATIONS LISTED BY GOALS

The Task Forces makes the following recommendations designed to help achieve the goals listed on last page. Recommendations may help to accomplish multiple goals but for presentation purposes, they are associated with one goal.

Recommendations to achieve Goal I – Balance support for the elderly and persons with disabilities with a transitional safety net for working families with children.

Real Estate Tax Relief

1. Make the following adjustments to the Real Estate Tax Relief Program.

1a. Increase Tax Relief asset maximum levels to meet new State Code limits.

The County provides real estate tax relief through exemption or deferral of taxes for elderly and disabled homeowners. In January 1999 the State increased maximum levels for assets to \$195,000. This standard should apply within the County to mitigate the high land costs and resultant tax burdens.

1b. Direct a study to determine the extent to which eligible disabled households experience affordability burdens which warrant additional assistance under the Real Estate Tax Relief Program.

1c. Maintain the current maximum exemption/deferral at \$1,910, to continue to be adjusted annually.

Housing Grants

2. Make the following adjustments to the Housing Grants program. A chart follows the list of recommendations.

2a. Increase the maximum allowable rents to equal Section 8 voucher levels.

The existing levels have not been increased since 1988, and no longer adequately reflect the marketplace. This increase would have the effect of raising the allowable rents for a one-bedroom unit from \$574 to \$716, and for a two-bedroom unit from \$676 to \$840. (These new ceilings were effective

October 1999) This change will allow the Housing Grants program to actually provide amounts of aid consistent with its spirit.

- 2b. Give the County Manager the authority to annually review and increase maximum allowable rents to remain consistent (but not to exceed) Section 8 voucher levels, with the timing of such increases to be compatible with the County's budget cycles.**

This will avoid a repetition of the maximum rent levels again becoming outdated.

- 2c. Maintain the existing maximum income limits of 42.5 % of median income.**

- 2d. Lower the maximum household rent obligation from 43% to 40% of adjusted income.**

This change lessens the required contribution from the beneficiaries of the Housing Grants program to what we feel is a more appropriate level.

- 2e. Raise the threshold of "rent as a percentage of income" for eligibility from 30% of income to 40%.**

The current program reduces the required contribution of certain beneficiaries down to 43%, but also subsidizes other beneficiaries whose contributions are less than 40% without the grant. We find this to be inconsistent. This change would eliminate 7% of the program's current participants – but only 1.5% of its current cost, as those being eliminated have grants that average \$42/month.

- 2f. Cap the Grant amounts at 60% of rent (the lower of actual rent or the revised allowable maximums).**

Put more simply, the Housing Grants program will not pay more than 60% of a tenant's rent. Based upon current Section 8 voucher rents, this would limit monthly grant payments to \$430 on a one-bedroom unit and \$504 on a two-bedroom unit.

- 2g. Simplify the Grant calculations. We recommend taking annual gross income; subtracting \$750/child to arrive at adjusted annual gross income; dividing by 12 to arrive at monthly adjusted gross income; multiplying by 40%, to arrive at the tenant's maximum contribution; then comparing the result to rent (the lower of actual rent or the revised allowable maximums discussed above). Any difference becomes the monthly amount of the grant, subject only to the caps described above.**

- 2h. Limit the time working families with children can be in the Housing Grants program to four years at 100% of the subsidy as calculated by program policy. For a fifth year the benefit shall be limited to 50% of the subsidy as calculated by program policy, at which time eligibility ends and the household is transferred to the Housing**

Grants waiting list to qualify for an additional eligibility period(s). Households encountering a severe hardship in the last (fifth) year of eligibility may receive an additional six (6) months of grants at 50% of the calculated benefit.

While 94% of the families currently in the program have been in it for four years or less, we are concerned that the substantial increases in benefits that our other recommendations will bring may well make the revised program much more attractive for longer periods. We believe that for working families, the Housing Grants program is one of transitional aid – for new household formation, or existing household disruption – and not permanent aid to reside in Arlington. We also propose a six-month extension of eligibility, beyond the five-year limit, if some dramatic occurrence occurs within the fifth year of eligibility that would affect the family's ability to transition from the program.

2i. Make the Grant Program “budget limited”, as opposed to an entitlement.

Arlington's existing Grant Program is more generous than those in neighboring jurisdictions. Fairfax County has terminated its program. Our recommended changes will make the Grant Program even more attractive, to the point where we have concern of making Arlington a “magnet”. The new Housing Grants program must be budget constrained. Calculating the dynamic financial impact of our proposed changes is impossible. It must be acknowledged that waiting lists may in fact occur under our new proposals.

2j. Split the Program funding, separating out working families with children.

We are not proposing time limits for the elderly or disabled. Given that we believe that a waiting list will occur, working families (under our four-year limit proposal) will be crowded out of the Housing Grants program. We propose separate levels of funding, with the resulting separate waiting lists, for working families.

2k. Maintain all other current program requirements, including the requirement of a written lease, and provide potential recipients a statement of estimated housing grants in order help them in qualifying and obtaining a lease for a rental unit.

2l. “Grandfather” current elderly and disabled participants, so that they are not negatively impacted by proposed changes.

2m. Re-examine outreach efforts, to insure that those that the Housing Grants Program is designed to aid are aware of it.

2n. Allocate sufficient funds in Fiscal Year 2001 to accommodate the people now in the program who will still be eligible.

Comparison of Existing Housing Grant Program Provisions with Task Force Recommendations

Program Component	Existing Provisions	Recommendations
Maximum allowable rents for Grant calculations	One-bedroom unit - \$574; Two-bedroom unit - \$676	Use Section 8 voucher level limits (as of 10/99, one-bedroom unit - \$716; two-bedroom unit - \$840)
Required adjustments updating maximum allowable rents	None	Give County Manager authority to use updated Section 8 voucher level limits
Maximum household income limits for eligibility	42.5% of median household income	No change
Maximum household rent obligation	43% of adjusted income	40% of adjusted income
Threshold of "rent as a % of income" for eligibility	30%	40%
Cap of Grant amount	No current provision	Cap the Grant amount at 60% of rent (the lower of actual rent or maximum allowable rent)
Method of calculation	See Sec. 3 (I) of Subcommittee Report in Appendix	Annual income; deduct \$750/child; divide by 12; multiply by 40%; subtract result from rent (lower of actual or allowable maximum). Subject to Grant cap discussed above
Time limits for participation by working families	None	4 years at full benefits; 5 th year at 50% of full benefits; possible 6 month extension, if material change in 5 th year; after termination, can re-apply as a new applicant
Annual cost limitations to County	None; program is currently an "entitlement"	Make program "budget limited"; waiting lists may occur.
Budget(s) for categories of participants	No distinction made	Separate annually budgeted amount for working families

See Appendix C of this report for a complete discussion.

Recommendations to achieve Goal II – Guarantee that all housing in Arlington County is safe and decent.

Code Enforcement

3. Strengthen code enforcement in market rate affordable housing.

Because the Task Force heard forceful testimony on the poor quality of many affordable housing units in Arlington, the group concluded that strong code enforcement should be an integral part of the County's efforts to preserve its market rate affordable stock.

4. Increase the number of code enforcement inspectors.

This could provide more coverage of the County. More inspectors could lead to smaller assigned areas and better coverage.

5. Encourage proactive inspections of all apartments in each inspector's area annually.

This would ensure that each project in the County has at least an inspection of the common area annually. The results of these inspections could form the basis for making decisions on which projects to inspect under the Comprehensive Code Program.

6. Increase County-wide comprehensive code inspections.

Organizational and Policy Changes

7. Increase emphasis on code enforcement.

Recommendations to achieve Goal III – Permit no net loss of affordable housing.

Zoning and Land Use

8. Use incentives proactively to stimulate development of affordable housing.

These incentives include permitting increased density, transfers of density, expansion of the tax abatement program, creation of special affordable housing districts, and partnering with developers of affordable housing to provide appropriate supporting public facilities.

9. Adopt an inclusionary zoning or affordable dwelling unit ordinance that requires all developers of 50 or more new residential units to provide at least 12 1/2% of their total units as affordable.

10. Study using County-owned land for affordable housing.

Donate or lease long-term County-owned land to nonprofit organizations engaged in developing affordable housing, thus allowing the nonprofits to reduce rents for low income tenants

Preservation & Development

11. Be proactive and aggressive in identifying and protecting the at-risk affordable housing stock and creating new affordable housing. Identify owners of affordable rental properties that appear to be at risk for redevelopment. Work with the owners to maintain the supply of affordable units even in cases of redevelopment.

12. Work with state and federal legislators for legislation eliminating or substantially reducing the capital gains tax rate for multifamily residential real property owners of affordable housing, if the property is sold to a tenants association representing the property's residents that agrees to maintain it as affordable for at least twenty years.

13. Enhance the County's use of mechanisms such as preservation grants and loans to private owners of existing market rate affordable housing, with the goal of adequately maintaining such housing in decent, safe and sanitary condition, without the large rent increases common when such properties change hands and are redeveloped.

14. Provide adequate funding to support the recommendations made in this report.

15. Continue annual funding for the Affordable Housing Investment Fund at \$1.7 million plus any additional amount needed to ensure at least a \$3,000,000 available balance at the beginning of each fiscal year.

The Affordable Housing Investment Fund (AHIF) has been used in the past to provide below-market interest rates, subordinated financing and to home ownership and rental affordable housing development projects.

16. Support state funding for the Virginia Housing Partnership Fund.

This proposal urges the allocation of \$9 million to the Virginia Housing Partnership Fund (VHPF); a fund which provides loans for housing and homeless projects, to encourage increased state support for affordable housing. The State has not provided funding since Fiscal Year (FY) 1997. Before FY 1996, the Fund annually retained a balance of approximately \$12 million. The County received over \$6 million from the fund since its inception, money that has been instrumental in the preservation of over 800 units serving low and moderate income households. This proposal was included in the County Board's 1999 state legislative package.

17. Continue to support viable nonprofit development of housing for low income households.

Nonprofit organizations provide critical housing services to Arlington's low income households.

18. Initiate discussion and study among Northern Virginia officials about creating a housing finance and development agency for the Northern Virginia region.

Recommendations to achieve Goal IV – Focus most resources on those with the greatest need.

Organizational and Policy Changes

19. Focus the majority of housing policies, practices and resources to serve households that earn below 40% of the area median income. This should focus on the elderly, persons with disabilities and households with children.

20. Plan and identify County budgetary expenditures for housing in a transparent manner and based upon quantified goals and objectives.

21. Make outreach and marketing of Arlington services more responsive to the needs of low income populations.

Culturally sensitive outreach and marketing of services through electronic and printed media that reaches all segments of the population in Arlington is essential. County-produced materials should be written to be understood by populations with low educational levels and limited English proficiency.

Recommendations to achieve Goal V - Reduce the number of households in serious housing need (defined as those earning below 40% of median income who pay more than 40% of their income in rent) by 10% of such households each year.

Organizational and Policy Changes

- 22. Conduct an annual assessment of housing needs, including a determination of the number of low income households with housing needs (defined as spending 40% or more of annual income on housing) and the number of homeless households with children.***
- 23. Increase service to households in need (as defined above) each year so that the number of households in need will decrease by at least 10%.***
- 24. Increase service to homeless households with children each year so that the number of households in need will decrease by at least one-third.***

Recommendation to achieve Goal VI – Increase the number of housing units with two or more bedrooms in order to match the needs of households with children.

Zoning and Land Use

- 25. Encourage construction of larger dwelling units, particularly suited to families with children, by enacting an ordinance including bonus density or other incentives, to meet the County need for two-, and particularly three- and four-bedroom dwelling units.***

Recommendations to achieve Goal VII – Distribute affordable housing within projects, within neighborhoods and throughout the County.

Zoning and Land Use

26. ***Create Special Affordable Housing Districts across the County (north, central and south) where shortages of affordable housing exist.***
27. ***Use increased density, as appropriate, to create and preserve affordable housing across Arlington County (north, central and south).***
28. ***Adopt a policy that requires provision of new affordable housing units by site plan developers, where appropriate and practical, as the County's first priority and the current policy of monetary contributions as the second priority. Direct staff to conduct a study, and report back to the County Board no later than December 31, 2000, on the feasibility and ramifications of revising the contribution levels and ratios between commercial and residential developments.***

The units should be provided on or in the area of the developed site.

Organizational and Policy Changes

29. ***Examine the balance of Community Benefit Units and Market Rate Affordable Units in the Neighborhood Services Areas when creating and/or preserving affordable housing.***

Recommendations to achieve Goal VIII – Increase the rate of home ownership to above 50%.

Condo Association and Cooperative Association Support,
Education and Technical Assistance

30. Encourage preservation of existing affordable multi-family dwelling units and support home ownership through tenant initiated cooperative and condominium conversions while minimizing displacement. It should provide technical assistance, financial education and other benefits for low income tenants to participate in such conversions.

Home Ownership - General

31. Pursue policies to encourage greater home ownership in Arlington.

32. Examine the experience of other communities that have successfully raised their ownership rates.

33. Examine the potential for Arlington County to take advantage of the Federal Income Tax Mortgage Credit Certificate program which allows the trade-in of Mortgage Revenue Bond issuing authority for the authority to issue Mortgage Credit Certificates. Mortgage Credit Certificates allow home ownership to offset income taxes on a dollar-for-dollar basis for mortgage interest paid.

Home Ownership - Low Income Households

34. Develop and/or increase support for programs that prepare renters to become homeowners, i.e., programs that help people learn to manage money, learn property maintenance skills and improve their credit rating.

35. Study programs in other communities that help low income residents become homeowners.

**36. *Revise the Moderate Income Purchase Program in the following ways.
A chart follows the list of recommendations.***

MIPAP is the major component in Arlington's toolbox to aid home ownership. As the Task Force heard in expert testimony, the biggest hurdle to home ownership today is the lack of front-end cash needed for acquisition. The MIPAP concept addresses this hurdle head-on, by lending one-half of the down payment and all of the purchaser's other acquisition costs, at rates and terms that would otherwise be unavailable commercially. The concept is a good one.

The recommendations below are made to improve the mechanics of MIPAP, toward making it a true tool in aiding low and moderate income home-ownership. See Appendix D of this report for a complete discussion.

36a. *Retain the maximum loan amount of \$15,000.*

36b. *Retain the current minimum cash requirement from the purchaser of one-half of the down payment, with a minimum of \$1,000 cash requirement.*

36c. *Charge no interest for the first five years of the MIPAP loan.*

This will avoid negative amortization, and, in combination with some of the changes discussed, will ease the MIPAP buyer's debt position on resale.

36d. *Require repayments on the MIPAP loan, beginning in year six, calculated on twenty-five year amortization at 4%.*

This will reduce administrative costs, recycle funds back into the program earlier, and again improve the MIPAP buyer's debt position as the MIPAP loan is reduced. The MIPAP buyer will know from day one that in five years the monthly payments will increase by a small, fixed and predetermined amount.

36e. *Eliminate current profit controls.*

MIPAP is designed to aid purchasers in acquiring their first home. It should have nothing to do with the "affordability" of that home in the future. The rights of first refusal by AHC, Inc. (formerly Arlington Housing Corporation), which administers MIPAP, should be eliminated. MIPAP owners should be in a true "fair market value" position on resale. MIPAP owners incur substantial debt upon purchase – most of it on market rate and terms. They make payments on the market debt from day one. They are entitled to enjoy the full benefits of home ownership – one of which is the potential for appreciation. We see no policy being served by allowing AHC to have the option of "recycling" homes they might re-purchase at a discounted price from MIPAP buyers.

36f. Require that in MIPAP transactions the seller be required to provide closing help to the MIPAP buyer in the amount of 1% of the purchase price.

No seller closing contributions on original acquisition by a MIPAP buyer are currently required. We have evidence that, in market rate transactions, seller contributions to pay part of the buyer's closing costs can range in the area of 2% to 3%. Our analysis indicates that on MIPAP transactions, however, seller contributions are rare. This is a logical finding; since the MIPAP loan covers all of the buyer's closing costs, a seller knows that the sale will close without closing cost help from the seller. This will put the transaction more in line with the marketplace, lower the County's outlay for the original MIPAP loan, and improve the MIPAP buyer's debt position upon resale.

36g. Remove the debt forgiveness provisions and require that the MIPAP administrator act as a "prudent lender" in any default and resale situations, seeking to collect the MIPAP loan in any manner as a commercial lender would, including such actions as foreclosure, personal judgments and attachments of other assets.

Upon resale by a MIPAP owner, the existing MIPAP loan documents provide for a forgiveness of all (or part) of the MIPAP loan if the sales proceeds are insufficient to cover the total indebtedness and transaction costs. This provision actually could make a MIPAP owner indifferent in trying to obtain the best possible price upon resale. MIPAP is a loan, albeit at terms unavailable in the market, and should be administered as such.

36h. Review the feasibility of extending the availability of MIPAP loans to the purchasers of "market rate" cooperatives, on the same terms and conditions as real property (with the "down payment" being defined as the difference between the acquisition price of the shares in the cooperative and any individual loan obtained by the purchaser secured by those shares).

**Comparison of Existing Moderate Income Purchase Assistance Program Provisions
with Task Force Recommendations**

Program Component	Existing Provisions	Recommendations
Maximum loan amount	\$15,000	No change
Minimum cash requirement	50% of down payment (sales price less first mortgage amount), but not less than \$1,000	No change
Interest	4% (3% for households displaced by redevelopment)	4% for all borrowers
Interest for first 5 years	No payments due; interest accrues (i.e., negative amortization)	No payments due; interest <u>not</u> charged (i.e., no negative amortization)
Monthly loan payment (beginning in year 6)	Principal and interest due; payment calculated so <u>total</u> housing costs limited to 30% of gross income	Principal and interest due automatically, based on 25 year amortization schedule
Profit limitations upon resale	Purchaser's profit can be limited to the <u>lesser</u> of: (a) original price increased by CPI; or (b) original price plus 5% simple interest per year	No profit limitations – purchaser entitled to retain all profit from resale
Required closing cost contribution from any seller selling to a purchaser using MIPAP loan	None required	Seller required to provide closing cost help equaling 1% of the purchase price
Debt forgiveness upon resale	MIPAP loan balance forgiven (in whole or in part) if resale proceeds are insufficient to repay	MIPAP administrator to act as "prudent lender" in seeking other means of collection
MIPAP availability for cooperatives	Not available	Review feasibility of extending program to cooperatives

See Appendix D of this report for complete discussion.

Recommendations to achieve Goal IX – Eliminate housing discrimination.

Fair Housing

- 37. Conduct periodic tests for housing discrimination and develop strategies to eliminate housing discrimination in Arlington.***
- 38. Work to repeal the Virginia Housing Development Authority regulation that bars unrelated singles from using its mortgage programs to purchase homes.***

The regulation was aimed at individuals based on their sexual orientation and marital status. Actually, it impacts all unrelated households including two widowed sisters-in-law, second cousins and engaged couples who choose to purchase a home together. The County Board has previously addressed this issue. Northern Virginia Planning District Commission (NVPDC) adopted a resolution, supported by the County, voicing strong opposition to this regulation. This proposal calls upon the VHDA Board of Commissioners to repeal the regulation to ensure that VHDA will provide affordable home ownership opportunities in a nondiscriminatory fashion.

Recommendations to achieve Goal X – Provide housing services effectively and efficiently.

Organizational and Policy Changes

- 39. Evaluate the consolidation of housing programs (particularly Fair Housing and Housing Development) for better coordination and focus.***
- 40. Ensure that housing staff is funded on a continuing basis.***
Fund County housing staff from County general revenues as opposed to federal grant funding.
- 41. Follow up on this study with more specific actions and a plan to implement these recommendations.***
- 42. Hold a special public hearing specifically to consider this report. Invite broad community participation.***

RECOMMENDATIONS LISTED BY CATEGORY

Code Enforcement

3. *Strengthen code enforcement in market rate affordable housing.*
4. *Increase the number of code enforcement inspectors.*
5. *Encourage proactive inspections of all apartments in each inspector's area annually.*
6. *Increase County-wide comprehensive code inspections.*

Condo Association and Cooperative Association Support, Education and Technical Assistance

30. *Encourage preservation of existing affordable multi-family dwelling units and support home ownership through tenant initiated cooperative and condominium conversions while minimizing displacement. It should provide technical assistance, financial education and other benefits for low income tenants to participate in such conversions.*

Fair Housing

37. *Conduct periodic tests for housing discrimination and develop strategies to eliminate housing discrimination in Arlington.*
38. *Work to repeal the Virginia Housing Development Authority regulation that bars unrelated singles from using its mortgage programs to purchase homes.*

Funding

14. *Provide adequate funding to support the recommendations made in this report.*
15. *Continue annual funding for the Affordable Housing Investment Fund at*

\$1.7 million plus any additional amount needed to ensure at least a \$3,000,000 available balance at the beginning of each fiscal year.

- 16. Support state funding for the Virginia Housing Partnership Fund.*
- 17. Continue to support viable nonprofit development of housing for low income households.*
- 18. Initiate discussion and study among Northern Virginia officials about creating a housing finance and development agency for the Northern Virginia region.*

Home Ownership - General

- 31. Pursue policies to encourage greater home ownership in Arlington.*
- 32. Examine the experience of other communities that have successfully raised their ownership rates.*
- 33. Examine the potential for Arlington County to take advantage of the Federal Income Tax Mortgage Credit Certificate program which allows the trade-in of Mortgage Revenue Bond issuing authority for the authority to issue Mortgage Credit Certificates. Mortgage Credit Certificates allow home ownership to offset income taxes on a dollar-for-dollar basis for mortgage interest paid.*

Home Ownership - Low Income Households

- 34. Develop and/or increase support for programs that prepare renters to become homeowners, i.e., programs that help people learn to manage money, learn property maintenance skills and improve their credit rating.*
- 35. Study programs in other communities that help low income residents become homeowners.*

36. *Revise the Moderate Income Purchase Program in the following ways.*

36a. *Retain the maximum loan amount of \$15,000.*

36b. *Retain the current minimum cash requirement from the purchaser of one-half of the down payment, with a minimum of \$1,000 cash requirement.*

36c. *Charge no interest for the first five years of the MIPAP loan.*

36d. *Require repayments on the MIPAP loan, beginning in year six, calculated on twenty-five year amortization at 4%.*

36e. *Eliminate current profit controls.*

36f. *Require that in MIPAP transactions the seller be required to provide closing help to the MIPAP buyer in the amount of 1% of the purchase price.*

36g. *Remove the debt forgiveness provisions and require that the MIPAP administrator act as a "prudent lender" in any default and resale situations, seeking to collect the MIPAP loan in any manner as a commercial lender would, including such actions as foreclosure, personal judgments and attachments of other assets.*

36h. *Review the feasibility of extending the availability of MIPAP loans to the purchasers of "market rate" cooperatives, on the same terms and conditions as real property (with the "down payment" being defined as the difference between the acquisition price of the shares in the cooperative and any individual loan obtained by the purchaser secured by those shares).*

Housing Grants

2. *Make the following adjustments to the Housing Grants program.*

2a. *Increase the maximum allowable rents to equal Section 8 voucher levels.*

2b. *Give the County Manager the authority to annually review and increase maximum allowable rents to remain consistent (but not to*

exceed) Section 8 voucher levels, with the timing of such increases to be compatible with the County's budget cycles.

- 2c. Maintain the existing maximum income limits of 42.5 % of median income.*
- 2d. Lower the maximum household rent obligation from 43% to 40% of adjusted income.*
- 2e. Raise the threshold of "rent as a percentage of income" for eligibility from 30% of income to 40%.*
- 2f. Cap the Grant amounts at 60% of rent (the lower of actual rent or the revised allowable maximums).*
- 2g. Simplify the Grant calculations. We recommend taking annual gross income; subtracting \$750/child to arrive at adjusted annual gross income; dividing by 12 to arrive at monthly adjusted gross income; multiplying by 40%, to arrive at the tenant's maximum contribution; then comparing the result to rent (the lower of actual rent or the revised allowable maximums discussed above. Any difference becomes the monthly amount of the grant, subject only to the caps described above.*
- 2h. Limit the time working families with children can be in the Housing Grants program to four years at 100% of the subsidy as calculated by program policy. For a fifth year the benefit shall be limited to 50% of the subsidy as calculated by program policy, at which time eligibility ends and the household is transferred to the Housing Grants waiting list to qualify for an additional eligibility period(s). Households encountering a severe hardship in the last (fifth) year of eligibility may receive an additional six (6) months of grants at 50% of the calculated benefit.*
- 2i. Make the Grant Program "budget limited", as opposed to an entitlement.*
- 2j. Split the Program funding, separating out working families with children.*
- 2k. Maintain all other current program requirements, including the requirement of a written lease, and provide potential recipients a statement of estimated housing grants in order help them in qualifying and obtaining a lease for a rental unit.*

- 2l. "Grandfather" current elderly and disabled participants, so that they are not negatively impacted by proposed changes.*
- 2m. Re-examine outreach efforts, to insure that those that the Housing Grants Program is designed to aid are aware of it.*
- 2n. Allocate sufficient funds in Fiscal Year 2001 to accommodate the people now in the program who will still be eligible.*

Organizational and Policy Changes

- 7. Increase emphasis on code enforcement.*
- 19. Focus the majority of housing policies, practices and resources to serve households that earn below 40% of the area median income. This should focus on the elderly, persons with disabilities and households with children.*
- 20. Plan and identify County budgetary expenditures for housing in a transparent manner and based upon quantified goals and objectives.*
- 21. Make outreach and marketing of Arlington services more responsive to the needs of low income populations.*
- 22. Conduct an annual assessment of housing needs, including a determination of the number of low income households with housing needs (defined as spending 40% or more of annual income on housing) and the number of homeless households with children.*
- 23. Increase service to households in need (as defined above) each year so that the number of households in need will decrease by at least 10%.*
- 24. Increase service to homeless households with children each year so that the number of households in need will decrease by at least one-third.*
- 29. Examine the balance of Community Benefit Units and Market Rate Affordable Units in the Neighborhood Services Areas when creating and/or preserving affordable housing.*
- 39. Evaluate the consolidation of housing programs (particularly Fair Housing and Housing Development) for better coordination and focus.*

40. *Ensure that housing staff is funded on a continuing basis.*
41. *Follow up on this study with more specific actions and a plan to implement these recommendations.*
42. *Hold a special public hearing specifically to consider this report. Invite broad community participation.*

Preservation & Development

11. *Be proactive and aggressive in identifying and protecting the at-risk affordable housing stock and creating new affordable housing. Identify owners of affordable rental properties that appear to be at risk for redevelopment. Work with the owners to maintain the supply of affordable units even in cases of redevelopment.*
12. *Work with state and federal legislators for legislation eliminating or substantially reducing the capital gains tax rate for multifamily residential real property owners of affordable housing, if the property is sold to a tenants association representing the property's residents that agrees to maintain it as affordable for at least twenty years.*
13. *Enhance the County's use of mechanisms such as preservation grants and loans to private owners of existing market rate affordable housing, with the goal of adequately maintaining such housing in decent, safe and sanitary condition, without the large rent increases common when such properties change hands and are redeveloped.*

Real Estate Tax Relief

1. *Make the following adjustments to the Real Estate Tax Relief Program.*
 - 1a. *Increase Tax Relief asset maximum levels to meet new State Code limits.*
 - 1b. *Direct a study to determine the extent to which eligible disabled households experience affordability burdens which warrant additional assistance under the Real Estate Tax Relief Program.*
 - 1c. *Maintain the current maximum exemption/deferral at \$1,910, to continue to be adjusted annually.*

8. *Use incentives proactively to stimulate development of affordable housing.*
9. *Adopt an inclusionary zoning or affordable dwelling unit ordinance that requires all developers of 50 or more new residential units to provide at least 12 1/2% of their total units as affordable.*
10. *Study using County-owned land for affordable housing.*
25. *Encourage construction of larger dwelling unit, particularly suited to families with children, by enacting an ordinance including bonus density or other incentives, to meet the County need for two-, and particularly three- and four-bedroom dwelling units.*
26. *Create Special Affordable Housing Districts across the County (north, central and south) where shortages of affordable housing exist.*
27. *Use increased density, as appropriate, to create and preserve affordable housing across Arlington County (north, central and south).*
28. *Adopt a policy that requires provision of new affordable housing units by site plan developers, where appropriate and practical, as the County's first priority and the current policy of monetary contributions as the second priority. Direct staff to conduct a study and report back to the County Board no later than December 31, 2000, on the feasibility and ramifications of revising the contribution levels and ratios between commercial and residential developments.*

APPENDICES OF THE AFFORDABLE HOUSING TASK FORCE REPORT

The information contained in the Appendices was used by Task Force members to determine the principles, goals and recommendations in the report. This information is provided as background information only. Any recommendations of the Task Force are found in the body of the report.

Appendix A: Matrices of Affordable Housing Tools

Appendix B: Background Information

Appendix C: Report of Subcommittee on Income and Home Ownership on the Housing Grants Program

Appendix D: Report of Subcommittee on Income and Home Ownership on the Moderate Income Purchase Assistance Program (MIPAP)

Appendix E: Report of Subcommittee on Income and Home Ownership on the Real Estate Tax Relief Program

Appendix F: Report of Subcommittee on Older Residential Properties and Families

Appendix G: Summary of Comments from June 14, 1999 Hearing

Appendix H: List of Submissions to the Task Force