HOUSING AFFORDABILITY

Affordable housing remains one of our community's biggest challenges—one exacerbated by the COVID-19 pandemic and the ensuing economic crisis. For more than ten years, annual budget discussions about housing have focused on increasing housing supply and sustaining housing affordability while meeting the increasing demand for housing subsidies. In the last five years alone, over $500 million has been invested in housing and housing related programs. Included in this total is the significant investment ($150 million) made to preserve the Barcroft Apartments in partnership with Jair Lynch and Amazon. This one project alone preserved 1,334 affordable housing units.

With so many people in our community facing threats to housing, coupled with already increasing housing demands, housing supply shortfalls, and rising housing costs, solutions must be multifaceted—balancing support for individuals in need with efforts to increase supply and ensure supply is well-maintained. The FY 2024 proposed budget continues and expands the resources needed to many vulnerable in our community including greater emphasis on direct support, such as eviction prevention and housing support, while continuing to work with our many partners to increase housing supply.

The FY 2024 proposed budget reflects that we are in a time of transition. The County continues to see growth in demand as well as increasing rents for our rental assistance programs. Similarly, even as criteria for eviction prevention support evolves and becomes more stringent following the emergency needs of the pandemic, need for this support remains at historically high levels. As anticipated, how the County funds the preservation of housing supply is also in transition. The investment in a $150 million line of credit to support the Barcroft Apartment purchase requires significant resources. AHIF funding, coupled with a new dedication of Columbia Pike TIF funding to this project, will support the debt service of this historic preservation of affordable units. However, a project of this scale and with this significant investment will naturally require us to carefully weigh our future investments.

Staff continue to gather data on housing program trends, and we will be working with the County Board on a process to review the eligibility criteria and operations of the Housing Grant program. The Housing Grant workgroup is planning to present their final recommendations to the County Board in the spring 2023.

The proposed budget includes over $76 million—over 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 includes

$14.4 million to support the County's Housing Grant program, $24.2 million of federal support in the form of Housing Choice Vouchers, and $3.6 million in eviction prevention support. Support for our most vulnerable through the Permanent Supportive Housing program totals $5.4 million including $100,000 for a program to inspect these properties and ensure tenants' living conditions are improved and regularly monitored, similar to our recent efforts with Committed Affordable Units' (CAF) inspections. Details about these programs and others can be found following the table below.

FY 2024 Proposed Budget Funding for Housing	
Direct Housing Assistance:	
Housing Grants	$14.4 million
Housing Choice Vouchers	$24.2 million
Permanent Supportive Housing	$5.4 million
Eviction Prevention	$3.6 million
Real Estate Tax Relief for the Elderly and Disabled & Disabled Veterans	$5.0 million
Affordable Housing Supply:	
Affordable Housing Investment Fund	$9.7 million
Columbia Pike TIF	$1.7 million
Other:	
Other Housing Programs	$12.7 million
TOTAL	$76.7 million

Direct Housing Assistance

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

In FY 2024, the projected number of households served will increase 4.9 percent, from 1,478 to 1,551. Currently, 89.6 percent of Housing Grants clients are at or below 30 percent of Area Median Income (AMI).

The Manager's FY 2024 Proposed Budget includes an increase in the maximum allowable rents to ensure subsidies keep pace with the rental market. The maximum allowable rents lag the market by two years. This additional funding, along with increased funding to meet projected needs, increases the Housing Grants budget from $14.3 million to $14.4 million. The County will continue to review eligibility criteria and adjust as needed to ensure the subsidy is deep enough to help Arlington residents maintain their housing.

Housing Choice Voucher Program (HCVP): The federally funded and locally administered Arlington Housing Choice Voucher Program helps low-income families at or below 50% of Area Median Income, the elderly, and people with disabilities obtain safe, decent, and affordable housing in the private market. In recent years, there has been an increase in the number of Housing Choice Vouchers allocated to Arlington County. In FY 2023, the program has a total of 1,707 federal and 10 state-awarded housing vouchers; however, the budget authority for these vouchers is outpaced by ongoing market rents. Approximately 93% of the Housing Choice Voucher program budget authority is expended each year on rental subsidies. In FY 2024, the projected number of Arlington households receiving a Housing Choice Voucher will increase to 1,511.

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 301 contracted units in FY 2020, 320 units in FY 2021, and 319 in FY 2022 from all funding sources (local and state). The number of contracted units are projected to increase to 352 in FY 2023 and 363 in FY 2024. In addition to the $5.3 million of state and local funding for rental subsidies, this budget also includes $100,000 in ongoing funding to fund Housing Quality Standard (HQS) inspections for all locally funded Permanent Supportive Housing units, as well as any other subsidized units on an as-needed basis, to address ongoing maintenance and repair concerns and strengthen oversight of these units.

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. CPHD anticipates completing 2,000 CAF unit inspections in spring 2023 as a result of this funding, specifically in properties that have not had substantial renovations within the last five years. Additionally, staff, with the support of community organizations, is providing resident outreach and education as well as listening sessions to learn more about the resident experience at our CAF properties. Staff plans to continue these efforts in FY 2024.

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

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 2023 and 2024, 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 through January 13, 2023	1,025	2.1	2,178	$2,246

The increase over the past year is due largely to the state portal for rental assistance closing in July 2022, so Arlington residents still in need have been relying on local eviction prevention assistance.

Effective October 1, 2022, DHS tightened eligibility requirements for eviction prevention assistance to serve households at or below 50% of Area Median Income (AMI), as opposed to the previous eligibility requirement of 80% of AMI.

Effective January 1, 2023, eligibility requirements were further tightened to serve only households who had a late notice on rent or an eviction notice, and $7,000 cap on assistance per household annually was implemented.

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 $3,000,000 of one-time funding in the FY 2024 budget as the program transitions to a more stable long-term level.

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 2024.

Columbia Pike TIF: Established in December 2013, the Columbia Pike Tax Increment Financing Area (TIF) aims to help finance affordable housing initiatives in support of the Columbia Pike Neighborhoods Area Plan. This 30-year plan establishes the future vision for the primarily multi-family residential areas located between the commercial nodes along the Columbia Pike corridor. The Plan established a goal of preserving all existing 6,200 market rate affordable units (MARKS). Columbia Pike TIF revenues are utilized to fund affordable housing initiatives needed to mitigate the impact of redevelopment along Columbia Pike, particularly related to the preservation of affordable housing.

Revenue from this TIF has been set aside for the Transit-Oriented Affordable Housing (TOAH) Fund, which was designed to support to developers to cover infrastructure costs and County fees for projects where they use Low Income Housing Tax Credits.

Beginning with the FY 2024 proposed budget, both balances and new revenue in this TIF are proposed to be dedicated to the County's largest investment in preserving affordable housing along Columbia Pike – preserving the affordability of the 1,334-unit Barcroft Apartments. Funding from the TIF will be 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 preservation of all Barcroft apartments as affordable units.

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 675 committed affordable units (CAFs) annually; this average has increased over prior years due to the December 2021 preservation of Barcroft Apartments. As of June 30, 2022, the County has 74 CAFs that are affordable to households earning less than 30 percent of the area median income (AMI).

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 2018, net tax support has accounted for approximately 46 percent of the annual AHIF budget; the remaining 54 percent has been funded with loan repayments, developer contributions, and other sources such as federal dollars. These different sources help diversify AHIF's funding and provide a buffer when annual appropriations or other sources decline. The FY 2024 proposed budget includes $9.7 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 this project.

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 redevelopment, 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 Amazon. These efforts will continue in FY 2024. I anticipate FY 2024 will see an initial commitment of AHIF funds to the Crystal House infill project, led by the Arlington Partnership for Affordable Housing (APAH) and EYA as the newly selected master developer for the site.