The Alliance for Housing Solutions

March 22, 2017

Dear Members of the Arlington County Board:

On behalf of the Alliance for Housing Solutions Board of Directors, we are submitting the following recommendations for your consideration as you prepare for the work session on Housing this Friday, March 24.

1. **<u>Affordable Housing Investment Fund (AHIF):</u> The $13.7 million currently proposed for AHIF allocation is inadequate for meeting the goals of the Affordable Housing Master Plan (AHMP). For FY 2018, AHS recommends adding a minimum of an additional $10 million to AHIF, for a total allocation of <u>$23.7 million</u>.**

Despite all of our hard work, we are losing ground. In FY 2016 the County added 219 new committed affordable units but lost 874 market affordable units that had been affordable to renters at 60% of area median income and below. Moreover, the AHMP's projections showed a need to create 600 committed affordable units per year, so current levels of investment are clearly not adequate to meet these goals. AHIF will need to be substantially increased this year and in the long run to avoid falling further behind.

County staff projections show that under the current budget proposal, including the proposed $13.7 million allocation, the funds available for the inaugural Notice of Funding Availability (NOFA) in FY 2018 would be **only $3.2 million**. As you are aware, this funding level is a fraction of what is needed to keep Arlington's affordable housing development and preservation pipeline moving forward.

In addition to funding the full AHC renovation of the Berkeley apartments, which we support funding outside of the NOFA (as assumed by staff in projections above), the County has been working for many years with its other affordable housing partners on projects such as APAH's Queen's Court, which alone will require an AHIF allocation of $25 million to proceed as planned, or **$22 million more than what is expected to be available** in the NOFA. This and other projects in the pipeline, as well as any potential emergency preservation-related acquisition requests (such as Westover), are at risk. Delaying this investment will only increase costs while exacerbating the pressure on Arlington's low-income population.

2. Transit-Oriented Affordable Housing (TOAH) Fund: **Any funds taken or borrowed from the TOAH should be used ONLY for other affordable housing activities such as an increase in the AHIF allocation.**

In his memo dated March 15, the County Manager proposed a potential sweep of $881,550 in funds from the TOAH for Columbia Pike. The TOAH was designed specifically to help affordable housing developments cover costs of infrastructure and other improvements. Given the level of unmet housing needs in the County it is not appropriate to use the funds set aside for this program for anything other than affordable housing. Should these funds be reallocated we recommend adding the balance to AHIF.

3. Housing Grants: **We support the increase in base funding for the Housing Grants program, however, DHS should increase the maximum allowable rent for the program and increase the annual total allocation accordingly.**

The last time the maximum allowable rent (MAR) was increased was 2010, and the levels currently range from $1,189 for one person to $1,734 for five or more persons. These rents are significantly lower than the HUD Fair Market Rents used for the Section 8 Housing Choice Voucher program, which range from $1,440 to $2,855. These stagnant and low allowable rents are the main reason that units are not available for the program's participants, which artificially keeps the program's utilization depressed and leads to extreme rent burdens on the program's participants, many of which pay more than 50% of their income on rent even with the grant.

Under the current MAR the proposed allocation of $9.2 for the Housing Grants program may be adequate, but increased MARs would mean that more eligible participants would be able to find units to rent. As a result, there would need to be a corresponding increase in the total Housing Grants budget to cover the increase in costs. If the annual allocation for Housing Grants is not adequate to cover the actual demand, the County should continue its long-standing commitment to mid-year adjustments for covering costs of the program.

4. Real Estate Tax Relief: The RETR program should be more closely aligned with goals of the AHMP and the County's rental assistance programs.

The RETR Working Group released a draft report on its findings in February. Our comments on that draft report centered on the need to reduce the eligible income and asset levels for the exemption program (currently as high as $99,472 for a 25% exemption) in order to more closely align with where need is the greatest. The Working Group's recommendation still allows partial exemptions for households with adjusted incomes up to $80,000. The income levels for tax exemption should be better aligned with the eligibility for rental subsidies used in the County (Housing Grants), which start at $32,513 for a 1-person household at 60% of AMI.

Lowering the income and asset thresholds for exemptions would still allow some room for tax *deferrals* for households that are above the new limits. Furthermore, any future income produced from the repayment of these deferred taxes should be used for housing programs benefitting seniors and the disabled.

The RETR program is proposed to cost $4.4 million for FY 2018 under the current rules. Should there be any savings in the annual budget for the RETR due to any income and asset level qualification changes, we recommend that the savings be reallocated to other County housing programs such as the AHIF.

We would be glad to answer any questions you have regarding these recommendations. Feel free to contact Michelle Winters at michelle@allianceforhousingsolutions.org or 703-859-0452 at any time.

Sincerely,

Mary Margaret Whipple

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President

Michelle Winters
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cc:
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