



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of July 19, 2008**

DATE: July 1, 2008

SUBJECT: Allocation of Fiscal Year (FY) 2008 Affordable Housing Investment Fund (AHIF)/HOME funding for the Moderate Income Purchase Assistance Program (MIPAP).

C.M. RECOMMENDATION:

1. Allocate \$606,905 in AHIF/HOME Funds (101.495130.91102) to AHC, Inc. (101.456300.91102), an Arlington County approved Community Housing Development Corporation (CHDO), to provide MIPAP loans for down payment/closing cost assistance to eligible purchasers to acquire homes in the County.
2. Authorize the County Manager, with the concurrence of the County Attorney, to execute the required documents with AHC, Inc., for award of \$606,905 in HOME funds for MIPAP.

ISSUES: This allocation is for an additional \$606,905 in AHIF/HOME funds to AHC, Inc. to support enhancements to the MIPAP program.

SUMMARY: An allocation of \$606,905 in HOME funds to AHC, Inc. is recommended to assist in funding enhancements to the County's Moderate Income Purchase Assistance Program (MIPAP). MIPAP production has dropped precipitously in recent years from an all-time high of 65 units in FY 2000 to 8 units in FY 2008. This is due not only to the increase in home prices but also because the \$25,000 ceiling on the MIPAP loan amount has not been adjusted to compensate for the market changes. Staff is currently working on a package of recommended program revisions including increased loan amounts, interest rate adjustments and shared appreciation terms. These recommendations are being developed in consideration of recent changes to the Virginia Housing Development Authority (VHDA) primary financing programs used with MIPAP. It is urgent that the County commit the HOME Program funding to a HOME eligible activity by July 31, 2008 in order to avoid recapture by the Department of Housing and Urban Development (HUD). A companion report on the

County Manager: _____

County Attorney: _____

Staff: Betts Abel, Maureen Markham, Doug Myrick, CPHD, Housing Division

County Board's July 19 agenda would allocate the balance of the at-risk HOME funding to RPJ Housing for a supportive housing program effort.

BACKGROUND: The County currently has \$1,456,905 in Federal HOME Program funding that must be committed to an eligible activity. The HOME funds were previously among the AHIF/HOME funding allocated by the Board in January 2008 for the Macedonia Apartments. Since that project will not receive 9% Low Income Housing Tax Credits this year, the HOME funds cannot be committed by the deadline of July 31, 2008, and can no longer be used for the Macedonia project. For various reasons, no other HOME eligible projects in the County's pipeline would be able to use the HOME funding prior to the recapture deadline. Staff is recommending that \$606,905 in HOME funds be added to MIPAP, the County's primary down payment and closing cost assistance program for low and moderate income households (with incomes up to 80% area median income [AMI]). The remainder of the funds would be allocated to RPJ Housing which is the subject of a companion report on the Board's July 19, 2008 agenda.

The MIPAP, administered by AHC, Inc., currently provides second and third trust loans totaling \$25,000, with no interest or mortgage payments for the first five years, then with loan repayments of approximately \$125 per month starting in year six. Many low and moderate income households have effectively been priced out of the housing market in Arlington. From 2000 through 2006, the U.S. Department of Housing & Urban Development (HUD) Income Limits for Low and Moderate Households in the Washington, DC Metropolitan Area stayed flat, while actual housing prices in Arlington more than doubled, to a median price of \$540,000 in 2007. MIPAP loan production has gone from a peak of 65 loans in FY 2000 to 15 loans total for FY 2007 and 8 loans in FY 2008. Many eligible households need more than \$25,000 in assistance in order to acquire a home in Arlington. Staff is working with VHDA to craft a program to provide more than \$25,000 in assistance. The proposed details of the changes to MIPAP will be brought to the Board in the fall.

DISCUSSION:

Adding Funding to the Current Homeownership Program: HOME funds would be made available to AHC, Inc., an Arlington County approved CHDO, which administers the MIPAP program. A program administered by a CHDO is an eligible activity for the commitment of funds under the federal HOME Investment Partnerships Program (HOME).

With the current limit of \$25,000 assistance from MIPAP, a typical two-person household making \$62,960 qualifies to purchase a home with a maximum purchase price of roughly \$250,000. By committing additional HOME funds for this purpose, the amount of the MIPAP loans can be increased by the Board in the fall when staff expects to resolve issues related to recently revised VHDA mortgage policies. This would also allow purchasers to access a larger inventory of somewhat higher cost homes within the program and underwriting limits. On June 4, 2008, there were almost 400 homes on the market in the County at prices below \$400,000, which is just under the VHDA mortgage limit.

Administrative Review: Staff is working with the VHDA to clarify its policies about second and third trust loans so that more than \$25,000 can be provided to eligible households for

purchasing homes. Proposed changes in the administrative aspects of the program, including, but not limited to, maximum second trust amounts, interest rate charged, required down payment amount and appreciation share would be recommended to the Board in the fall.

Beneficiaries: The increase in down payment/closing cost assistance could assist 10 to 20 eligible households to acquire homes in the County.

Affordable Housing Goals: This program meets the following County Affordable Housing Goals and Targets:

- Goal 7. Increase homeownership opportunities for low and moderate income households.

Community Process: The Homeownership subcommittee of the Advisory Commission on Housing will meet to discuss the program on July 2, 2008. The Housing Commission will consider this funding request at its July 14, 2008, meeting.

FISCAL IMPACT: The amount of AHIF/HOME funds in the FY 2009 adopted budget is \$5,828,172. Of this amount, \$148,377 has already been allocated per the Board-approved Community Development Program and Annual Consolidated Plan, leaving an unallocated balance of \$5,679,795. Assuming approval of the other proposals before the Board to provide \$850,000 in HOME funds to the Supportive Housing Program and up to \$2,000,000 in AHIF funds for the Jordan Manor project, the current unallocated AHIF/HOME balance will be \$2,829,795. Approval of the staff recommendation to allocate \$606,905 in HOME funds for the MIPAP program will result in a remaining FY 2009 balance of \$2,222,890.