DATE: March 31, 2006

SUBJECT: Adoption of the Community Development Block Grant Program and Budget for Fiscal Year (FY) 2007 (CD 32), including allocation of AHIF Housing Services funds.

C. M. RECOMMENDATIONS:

1. Approve the Community Development Block Grant (CDBG) Program and Budget for FY 2007 as described in the Proposed Budget for FY 2007, (Section N, Pages 33-43), and included as Attachment 1.

2. Authorize the County Manager to sign contracts and documents (1) to make grants in FY 2007 as shown in the Proposed Budget for FY 2007, and (2) as may be required by HUD for participation in the CDBG program, including CDBG Certifications.

3. Approve the acceptance and allocation of program income and revolving loan program income received annually.

4. Allocate up to $75,000 from the FY 2007 Affordable Housing Investment Fund (AHIF) (001.713) in housing services funds to two programs: the Pre-School Readiness Program by Child and Family Network, and the Youth Housing Specialist by Department of Human Services, as described below.

5. Authorize the County Manager to execute the required documents to convey the AHIF grant of up to $75,000 in total to the Child and Family Network, and to DHS, in the amounts described below.

6. Reallocate $10,000 of the AHIF Housing Services funds from Culpepper Gardens Prescription Assistance Program to AHIF (001.713) due to the inability of Culpepper Gardens to implement the program in a timely manner.

7. Reallocate $25,000 in CDBG funds from Buckingham Commercial Improvement Program to CDBG Unprogrammed funds (006.675 = $8,917 & 006.677 = $16,083) due to lack of interest in the program by the property owner.
**ISSUE:** None.

**SUMMARY:** Arlington County's CDBG Entitlement amount for FY 2007 (CD 32) from the federal Department of Housing and Urban Development (HUD) is $1,816,925. The City of Falls Church share of that total is $85,577. Board approval is needed for actions related to the administration of the CDBG program such as accepting and allocating annual receipt of program income and revolving loan payments. Board action is also required to allocate AHIF Housing Services funds to a nonprofit and to DHS to implement housing service projects.

**BACKGROUND:** The Community Development Block Grant (CDBG) Program and Budget for FY 2007 is part of the Annual Action Plan for the County's *Five Year Consolidated Plan for FY 2006-2010* (Consolidated Plan) and will serve as the County's formal application to HUD for the FY 2007 CDBG Entitlement grant. The completed annual submission must be submitted to HUD by May 15, 2006.

**DISCUSSION:** The Recommended FY 2007 CDBG Program and Budget is based on a grant amount of $1,816,925, which is $355,547 less than the County’s FY 2006 grant. The City of Falls Church portion is $85,577, leaving $1,731,348 for Arlington to allocate. Thirty-five CDBG proposals were received this year, and thirty are recommended for funding, as indicated in Attachment 1.

Because program income has been unusually high over the last several years, this year’s 16% reduction was cushioned by the use of revolving funds and previously allocated program funds that had not been spent. A .5 FTE staff position in the DHS Arlington Employment Center was eliminated from the CDBG budget, and an administrative technician position in the CPHD Housing Division was unfunded. The Lubber Run summer field trip program will now depend on the SummerFund scholarship fund that is shared by several youth recreation programs.

In addition to the Entitlement grant, staff recommends allocating $50,000 of unprogrammed CDBG funds to Neighborhood Strategy Area services, up to $42,372 of Moderate Income Purchase Assistance Program (MIPAP) funds, $286,304 from previous allocations to AHC, Inc. for program administration, $202,324 AHC Multi Family and Single Family Revolving Fund for program administration, and $75,000 AHIF Housing Services funds to the Child and Family Network and to DHS. Because the AHIF funds are in the General Fund that is the only allocation on which action is recommended. Section N, Pages 42-43 of the budget book outline the planned recipients of funds, and are included here as Attachment 1 for the Board’s convenience.

AHIF Housing Services funds are recommended to be used as follows: $25,000 for Child and Family Network to continue a preschool/school readiness program at Virginia Gardens, an AHC housing development; and $50,000 to the Department of Human Services to hire a Youth Housing Specialist to assist seriously mentally ill young people transition to appropriate housing.

The recommendation leaves a balance of $154,094 in unprogrammed CDBG funds, $2,538,619 in CDBG Housing Development Revolving Fund, and approximately $800,000 in MIPAP funds.
AHIF Housing Services are funded up to $100,000 each year. One program, Borromeo Housing, is recommended for later consideration for CDBG Housing Development Fund.

Two previously funded programs are being cancelled and staff recommends that the funds be reallocated. Culpepper Garden was awarded $10,000 in AHIF funding in FY 2005 to implement a Prescription Assistance Program, in which low-income seniors in Buckingham were to be assisted in enrolling in free prescription programs offered by pharmaceutical companies. Because of recent management changes, Culpepper Garden notified the County that it would be unable to implement this program. Further, the need for the program has decreased with the implementation of the Medicare prescription program.

Arlington County’s Neighborhood Services Division was awarded $25,000 in FY 2005 to implement the façade improvement program in the Glebe Shopping Center, a National Historic Register listed property, in Buckingham. Façade and signage improvements were undertaken in Buckingham Shopping Center, and the intention was to continue to improve Buckingham business areas in partnership with property owners. However, the owner of the Glebe Shopping Center has not responded to numerous telephone calls or proposed landscaping plans, so it appears that there is no longer interest in improving the property in cooperation with Arlington County’s CDBG program. The funds set aside for this should, therefore, be reallocated to CDBG Unprogrammed funds.

Authorization is needed for the County Manager to execute agreements with subrecipients to convey Grant and AHIF funds as outlined in the Proposed Budget. Authorization is also needed for the Manager to sign CDBG certifications, such as Lead Based Paint, Excessive Force, and Community Development Plan that are required by HUD.

CDBG loan programs receive loan repayments that become program income. Some of these have been approved by the Board as revolving loan funds and the repayments are kept by the subrecipient to be loaned out again. CDBG regulations require that program income funds be allocated annually to the grant year in which they are received and are to be used as additional funding for CDBG eligible activities.

**Citizen Participation:** The Community Development Citizens Advisory Committee (CDCAC) reviewed the County Manager’s FY 2007 Recommended Budget on March 1, 2006. CDCAC recommendations are discussed in its memo to the County Manager and County Board dated March 22, 2006. CDCAC concurs with the Manager's Recommended CDBG Budget.

The Housing Commission reviewed the County Manager’s recommendations regarding AHIF Housing Services funds on February 16, 2006. The Housing Commission supports the allocations to DHS and the Child and Family Network.

Public comments on the CDBG FY 2007 Proposed Program and Budget were also received at the County Board budget hearing on March 28, 2006, and the public hearing co-sponsored by the Housing Commission and the CDCAC on March 16, 2006. Community comments and staff responses are summarized in Attachment 2.

**FISCAL IMPACT:** Because of the large decrease in CDBG funds in FY 2007, CDBG support
was eliminated for PRCR’s Summer Fun program, staff for the NSA Employment Program implemented by the Arlington Employment Center was decreased by .5 FTE, and 1 FTE in the Housing Division is proposed as unfunded in the County Manager’s FY 2007 proposed budget. The President’s proposed Federal budget for next year (Arlington’s FY 2008) would reduce CDBG funding by another 25% and proposes other reforms that could eliminate the program for Arlington County.

Regarding the AHIF allocation, the $75,000 would be allocated from FY 2007 AHIF funds, projected to be $5,772,508. The FY 2007 AHIF funding is supported with $1,019,982 in federal HOME funds, $1,772,508 from the increase in the recordation tax rate and the balance is from local tax funds.
SUMMARY OF COMMUNITY COMMENTS AND STAFF RESPONSES  
on the Draft FY 2007 Annual Consolidated Plan

This summarizes comments from the community on the draft FY 2007 Annual Consolidated Plan and the 10-Year Plan to End Homelessness. Staff has received this community feedback through the County Board budget hearing on March 28, 2006, the public hearing co-sponsored by the Housing Commission and Community Development Citizen Advisory Committee (CDCAC) on March 16, 2006, and other community meetings and contacts.

Increased Funding for Affordable Housing: A number of individuals and groups recommended increased funding for affordable housing, some specifically recommending higher funding levels for the Affordable Housing Investment Fund (AHIF). AHC, Inc., the Alliance for Housing Solutions (AHS), and the Arlington New Directions Coalition (ANDC) recommended increasing AHIF to $10.7 million. The representative of Our Lady Queen of Peace suggested that $30 million would be sufficient to meet the housing target of adding 400 new committed affordable units each year. The Alliance for Housing Solutions advocated that funding grow to $16 million over the years. AHS urged the County Board to adopt a policy of allocating the equivalent of two cents of the real estate tax to AHIF each year, which would be $10 million in FY 2007. One individual suggested that $1 million be earmarked specifically for affordable housing along Columbia Pike.

Staff Response: The County Manager has proposed $5,772,508 in the FY 2007 budget for AHIF. Of this total, $1,019,982 are HOME funds, $2,980,018 are general funds, and $1,772,508 are local recordation tax revenues. In addition to AHIF, $4.3 million in local monies will fund the local Housing Grants program in FY 2007. It is estimated that 600 low income working families, elderly persons and persons with disabilities will receive rent assistance through the traditional Housing Grants program. In addition, 40 households are expected to be provided rent assistance through the new project-based Housing Grants program and 33 through the transitional Housing Grants program.

Financial Incentives for Affordable Housing Preservation: AHS recommended that the County aggressively focus on maintaining the current supply of affordable market rate units by approaching owners of such units to learn what financial incentives, if any, they would accept in return for keeping their units affordable for a specified length of time. They stated that such incentives might include grants to help offset operating costs, maintenance costs, rehab costs, etc. The grants could come from AHIF, and they might well run less than $75,000 a unit.

Staff Response: It is anticipated that County staff will be aggressively pursuing opportunities to secure additional committed affordable units with existing owners over the coming year. A new County position, the Affordable Housing Preservation Specialist, has been funded for the purpose of pursuing preservation opportunities and the hiring process was recently completed.

Real Estate Assessments of Affordable Housing Properties: AHS recommended that the County make full and prompt use of the recently enacted state law allowing local real estate assessors to consider such items as rent restrictions, operating expenses, etc. when determining the fair market value of affordable housing properties. They added that lower assessments and
therefore lower real estate tax bills on affordable housing properties will help the bottom lines of non-profit affordable housing owners as well as perhaps provide incentives to for-profit owners to keep units affordable. AHS asked that the County ensure that the appropriate procedures are in place to implement law by no later than January 1, 2007.

Staff Response: Housing staff is already pursuing this with the County Attorney’s and the tax assessor’s offices to determine whether this approach or other alternatives may be of benefit to owners and developers of affordable apartment complexes.

Cash or Off-Site Units in Lieu of On-Site Affordable Condominiums: AHS recommended that the County seek financial contributions or off-site units for affordable housing rather than subsidized condominiums from developers. When condominium fees are included in the mix, a subsidy of $350,000 or more is required to make a $500,000 two-bedroom condominium affordable. That is a very large subsidy for just one unit and an inefficient use of potential resources which could be used to help preserve the remaining stock of affordable housing in Arlington.

Staff Response: The County Manager has asked staff to analyze the potential benefits of negotiating cash or off-site units in lieu of the higher end condo units.

Housing Grants Program: Several individuals expressed support for the Housing Grants Program and the Housing Commission’s proposal to add $500,000. The Alliance for Housing Solutions recommended that $5 million be budgeted for the Housing Grants Program. The Arlington New Directions Committee advocated increasing the funding for the program by an additional $500,000.

Staff Response: An addition of $431,000 in the FY 2007 budget has been proposed to be included in the base budget by the County Manager. This amount allows for maintenance of the current caseload (680), which adjusts for cost increases. Depending on the rate of cost increases, such as rents, the additional $431,000 may allow for some very minimal growth. Any additional resources for Housing Grants will be considered as part of the FY 2007 budget process.

Support for CDBG Program: The Chair of the Community Development Citizen’s Advisory Council (CDCAC) spoke to the Board about the proposed cuts to the CDBG program over the next few years. He encouraged the Board to preserve the programs CDBG funds and stressed that many of these programs come from the “grassroots” level of the community.

Staff Response: The County has established a Steering Committee composed of CDCAC members and staff to guide a review of the program, including a public input process, and recommend a new model(s) for effectively administering the Community Development Block grant, regardless of its amount.

Appreciation for Funding: Representatives of the following organizations expressed appreciation for the recommended funding for their programs.
Doorways for Women and Families: Three representatives of Doorways thanked the County for its previous support, and asked that the FY 2007 budget request be approved. There is enormous growth in need and no growth in resources.

AHC: Two representatives from AHC thanked the County Board for its continuing support and reminded the Board of the continuing affordable housing challenges.

Arlington Community Action Program (ACAP): A representative from ACAP thanked the Board for continuing to support the computer training program through the CDBG grant, and reminded them that the program is now able to serve 150 clients, double its previous number, since the computer lab was opened in Arlington Mill.

Ethiopian Community Development Council (ECDC): Two representatives from ECDC thanked the Board for their support of their programs to assist immigrants.

Shirlington Employment and Education Center (SEEC): The Executive Director of SEEC thanked the Board for funding its program to assist day laborers in finding employment. He noted that the level of residential construction in the Shirlington neighborhood will increase traffic congestion. He asked the Board to help SEEC find another location for its clients to gather.

10-Year Plan to End Homelessness
Community Comments and Staff Responses

In addition to the forums for public comments cited above, the Department of Human Services (DHS) has solicited and received comments on the 10-Year Plan to End Homelessness from DHS citizens’ advisory commissions and a range of non-profits.

Enhance the Transitional Housing Grants Program: A homeless non-profit organization recommended that the Transitional Housing Grants program be expanded to accommodate serving more families. Members of the Housing Commission recommended that the program funding be increased by $100,000.

Staff Response: The new Transitional Housing Grant Program facilitates access for low income, homeless persons being served by non-profit agencies to permanent affordable housing through increased flexibility in the administrative policies that govern it. In FY 2006, 22 homeless families were assisted through this program. Transitional Housing Grants are an integral part of the strategies outlines in the 10-Year Plan to End Homelessness and, depending on available resources, would provide additional families a much needed benefit.

Make the Emergency Winter to Shelter a Year-Round Shelter: The Arlington Street People's Assistance Network (A-SPAN) recommended that the Emergency Winter Shelter, currently providing limited shelter access (November 1 through March 31), be expanded to a year-round shelter.
Staff Response: Staff recommends County prioritization of best practice models that focus on permanent housing options. These include research-based, proven, short term (30 days or less) transitional housing, “Rapid Re-Housing” and permanent “Housing First” models. The 10-Year Plan is closely linked with the housing goals developed in the Supportive Housing Plan approved by the Board in 2005.

Establish a community kitchen in the year-round Emergency Winter Shelter: A-SPAN recommended the establishment of a community kitchen that could provide training and employment options to homeless persons working towards self-sufficiency and provide low-cost nutritious meals to the chronically homeless.

Staff Response: The 10-Year Plan to End Homelessness proposes an action for the development of a food preparation training program that would meet the goals of food provision, as well as training and employment opportunities for homeless persons and shelter residents. A feasibility study is needed to examine the resource needs and potential for a development partnership with a non-profit food program.

10-Year Plan Implementation Task Force. It has been suggested that an Implementation Task Force be assigned by the County Board to oversee implementation of the 10-Year Plan.

Staff Response: The 10-Year Plan to End Homelessness was informed and developed by a team of county staff, representatives of the non-profit homeless providers such as the Arlington-Alexandria Coalition for the Homeless (AACH), Doorways, A-SPAN, Community Residences, the Arlington Interfaith Council, and other interested stakeholders. There is an existing structure, the Homeless Services Coordination Committee (HSCC) and its four sub-committees, that would provide sufficient support and oversight to assure continued progress towards implementation of the plan.

Support for Homeless Services: Representatives from A-SPAN and ANDC urged the Board to increase funding to A-SPAN’s Homeless Bag Meal Program, due to the County Health Inspectors requiring that food be prepared in commercial kitchens rather than in volunteers’ homes. A-SPAN and ANDC requested the Board provide an additional $140,000 to A-SPAN’s emergency winter shelter to allow it to operate year round instead of only five months a year.

Staff Response: It was learned that A-SPAN’s Bagged Meal Program was not in compliance with state and County laws regarding food preparation and dissemination. A-SPAN worked closely with the DHS to make necessary changes to continue program operation, but those changes resulted in increased costs to the program, beginning in FY 2006. DHS was able to partially assist the program with its FY 2006 cost increases, but A-SPAN states that they will need $39,000 in additional funds to continue the program in FY 2007. This request is being considered as part of the FY 2007 budget process. With regard to the request for additional funding to allow operation of a year-round emergency shelter, staff recommends the use of limited resources be prioritized for implementation of best practice models that focus on permanent housing options.
**Use of Public Land:** A-SPAN proposed that the 10-Year Plan include an action step for the County Board to adopt a “Public Land for Public Good” policy, which might yield land for affordable housing for low income households, including the homeless, or for facilities to serve the homeless.

*Staff Response:* Adoption of such a policy is outside the scope of the 10-Year Plan.