



County of Fairfax, Virginia

MEMORANDUM

DATE: November 4, 2022

TO: Board of Supervisors

FROM: Bryan J. Hill
County Executive 

SUBJECT: Recommendation Concerning the Use of American Rescue Plan Act / Coronavirus State and Local Fiscal Recovery Funds (SLFRF) for Affordable Housing Development

At its meeting on August 2, 2022, the Board of Supervisors directed staff to evaluate the remaining funds available to Fairfax County under the American Rescue Plan Act of 2021 (ARPA) and provide a recommendation for additional ARPA funds to be committed for affordable housing development. This memorandum provides the requested information and recommendation.

Fairfax County, Affordable Housing and ARPA Funds: Fairfax County has received a total of \$220 million in federal ARPA funds as part of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). To date, the Board has dedicated a total of \$30 million to affordable housing production; the entirety of that \$30 million is already fully committed to projects in the development pipeline for land acquisition.

In late July, the United States Department of Treasury released guidance providing increased flexibility for using SLFRF funds for increasing the supply of affordable housing. The guidance also clarified the types of affordable housing development deals that will be eligible for SLFRF funding, which includes Low Income Housing Tax Credits (LIHTC).

Further, the guidance allows recipients to make loans of SLFRF funds to affordable housing projects where SLFRF funds comprise the entire loan amount. Under the prior guidance, recipients were required to blend SLFRF money with other funds in a loan to an affordable housing project in a manner that made SLFRF loans to affordable deals practically unworkable.

These changes give the SLFRF funds some of the same flexibilities as the County's local dollars, allowing the SLFRF funds to be used as "gap" financing.

The FCRHA could use SLFRF funds to acquire land for affordable housing development by third parties through a ground lease (or by the FCRHA itself).

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ARPA regulations stipulate that the SLFRF funds used to make the loans must be obligated by December 31, 2024 and must be expended by December 31, 2026. As a result, loans of SLFRF funds to affordable housing deals are time-sensitive and should go into projects that are able to close on their financing prior to December 31, 2026. It should be noted that due to the time constraints on the expenditure of funds, land acquisition would likely remain the FCRHA's preferred use of SLFRF funds.

The Board is aware of our robust pipeline of affordable housing development and preservation projects with likely significant future capital investments needed. Our ongoing investment of local and federal dollars continue to be essential toward achieving our affordable housing goals.

In addition to new development, existing Fairfax County Redevelopment and Housing Authority (FCRHA) properties will have capital renewal needs in the coming years and which will require some form of gap financing. Currently, Stonegate Village (240 units, Hunter Mill District) is the next property slated for renovation, and the financing plan is in development. The FCRHA is conducting physical needs assessments on its properties to further plan for major capital improvements.

Assessment and Recommendation: The current pipeline of affordable housing development projects demonstrates the need for significant capital funding in the coming years and would be an effective use of the one-time ARPA resources. Given balances currently available, I would recommend that the Board allocate \$15 million in additional ARPA funds for affordable housing development, for a total investment of \$45 million.

Please let me know if you have any questions or require additional information.

cc: Tom Arnold, Deputy County Executive
Rachel M. Flynn, Deputy County Executive
Christina Jackson, Chief Financial Officer, Director, DMB
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