



TOWN OF ARLINGTON
DEPARTMENT OF PLANNING and
COMMUNITY DEVELOPMENT

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MEMORANDUM

To: Adam Chapdelaine, Town Manager
From: Jennifer Raitt, Director, Planning and Community Development
Date: August 2, 2021
RE: ARPA Housing and Economic Development Program Recommendations

The American Rescue Plan Act (ARPA) is intended to address the negative health and economic impacts caused by the COVID-19 pandemic. The fund Arlington will receive represents a one-time opportunity to address economic issues in Arlington and strengthen housing affordability and stability while serving our most vulnerable residents including public housing residents, low-income households, and seniors. Under the category of Public Health/Negative Economic Impacts the intention is for funds to decrease the spread of COVID-19 and bring the pandemic under control; address costs incurred in addressing public health and economic challenges resulting from the pandemic; address the systemic public health and economic challenges that may have contributed to more severe impacts of the pandemic among low-income communities and people of color; and build on eligible expenditures under the Coronavirus Relief Fund (CAREs), including some expansions in eligible uses. This memo outlines three potential uses of ARPA funds for a Tenant and Homeowner Assistance Fund, a Small Business and Nonprofit Sustainability Fund, and Affordable Housing Preservation and Development.

Recommendation for Arlington Tenant-Homeowner Assistance Fund

Background

In the year between August 2020-July 2021, 110 Arlington households received rental support through the Arlington Emergency Tenant Assistance Program (AETAP), administered through the Department of Planning and Community Development. Approximately one-third (36) of these households reside in properties owned by the Housing Corporation of Arlington, Arlington Housing Authority, or Caritas Communities, or are Section 8 Voucher holders. In addition to AETAP, the Arlington Health and Human Services Corporation (COVID-19 Relief Fund) and the Housing Corporation of Arlington (Homelessness Prevention Program) provided rental assistance to Arlington residents during the COVID-19 pandemic.

Ongoing need for rental assistance among Arlington households is evident, based upon conversations with residents, subsidized housing providers, and providers of emergency financial assistance. Furthermore, while few Arlington homeowners have faced foreclosure in recent years, the financial challenges and delays in foreclosure proceedings caused by the pandemic may result in greater-than-typical need from homeowners.

Program Design (subject to change based upon federal guidance)

- Approximately 75 Arlington households will benefit from rent or mortgage assistance
- Eligible applicants may receive up to \$2,500 per month for up to six months of assistance.
- The total funding required to provide this support is \$1,000,000.
 - A portion of funds, to be determined, will be reserved for low-and moderate-income residents (those earning up to 80% of the Area Median Income).
 - Up to \$100,000 will be reserved for a contract with a housing administrator, to conduct communications, review applications, and hold a lottery, as deemed necessary by the Town.
- The program will be administered by the Department of Planning and Community Development

- Funding will be distributed in FY22, with remaining funds administered in FY23 and all funds fully expended by FY24.

Eligibility Criteria (subject to change based upon federal guidance)

- Applicants must be Renter or Homeowner Households in Arlington
- Applicants must demonstrate inability or difficulty paying rent or mortgage due to COVID-19.
- All income levels are eligible.

Program Component	Anticipated Funding Allocation	Households Supported (Anticipated)
Tenant Assistance	\$600,000	55
Homeowner Assistance	\$300,000	20

Recommendation for Arlington Small Business and Nonprofit Sustainability Fund

Background

During the pandemic, the Town provided two rounds of small business grants funded through the CDBG-CV program:

Microenterprise Program (Summer 2020)

Applications Received (includes ineligible and incomplete applications)	Grant Recipients	Total Assistance Requested (all applicants)	Budget: Total Assistance Provided	Average grant provided
34	25	\$306,730	\$250,000	\$10,000

Funding Gap

- 9 businesses were not supported
- \$56,730 in requests were not granted

Spending (August 2020-July 2021)

- \$228,821.76 spent (92% of Budget)
- \$21,176.20 encumbered

Common ineligibility factors

- Income limits were exceeded

Arlington Business Resiliency Grant Program (Winter 2020/2021)

Applications Received (includes ineligible and incomplete applications)	Grant Recipients	Total Assistance Requested (all applicants)	Budget: Total Assistance Provided	Average grant provided (does not include value of Technical Assistance)
40	21	\$340,000	\$188,729.42	\$8,987.12 (Range: \$7833 - \$11,182)

Funding Gap

- 20 businesses were not supported

- \$151,270 in requests were not granted

Common ineligibility factors

- Home-based businesses/no brick-and-mortar site
- Received funding through the Microenterprise program (all recipients were considered ineligible for this program)

Spending (January 2021-present)

- \$121,000 (64% of Budget)
- *An additional \$20,000 was reserved for technical assistance consulting.*

With both grant programs for small businesses that the Town has offered through CDBG funding, many applicants were not funded. Home-based businesses and non-profit organizations were ineligible for both pools of funding. There are 548 commercial and industrial addresses in Arlington (i.e., brick-and-mortar businesses), but there are 1,128 small businesses in Arlington, which means there are 544 home-based businesses in town that were not eligible for any of the Town's previous CDBG-funded small business support programs. While they may not have a physical footprint in our commercial districts, home-based entrepreneurs are a sizeable part of Arlington's business community.

The Commonwealth of Massachusetts has not yet allocated any ARPA funding to the Mass Cultural Council for support of the arts and culture sector. Currently, line item 1599-2026 of H. 3922 creates a \$100,000,000 reserve for cultural and tourism assets, managed by the Massachusetts Office of Travel and Tourism (MOTT), and provides that "funds may be transferred to the Cultural Facilities Fund for the purposes of this item." The Cultural Facilities Fund only supports physical acquisition of or improvements to brick-and-mortar nonprofit organizations. This is extremely limited support for the arts and culture sector, especially when the losses below are considered. Since the pandemic started, Massachusetts cultural organizations lost \$588 million in revenue. Massachusetts artists lost \$30.4 million in income (including non-public-school arts teachers). Over 30,000 cultural sector jobs have been lost in Massachusetts since March 2020.

With a small but vital non-profit and for-profit arts and culture sector in Arlington and such intense need at the state level, funding to help support arts and culture facilities and operations can help sustain unique assets that are part of the town's history, culture, and identity.

While a specific number of businesses in need cannot be projected, the Department has received funding inquiries from businesses and nonprofit organizational leaders via phone, email, and virtual meeting interactions since March of 2020. Three emergency rental assistance requests from small business owners have been received by DPCD in July 2021.

Ongoing need for financial assistance among Arlington businesses and nonprofits is evident. Furthermore, while few Arlington businesses have closed since the beginning of the pandemic, the financial challenges and delays in rent collections and foreclosure proceedings caused by the pandemic are likely to result in greater-than-typical need from business owners in the coming months. The Town should not subsidize basic operational expenses such as rent, utilities, and payroll for businesses for the long-term, but short-term funding opportunities could help longstanding business owners still in need regain stability and remain open. Additional funding can be allocated specifically for expenses that will make a business or nonprofit organization more sustainable, such as COVID-19 prevention and mitigation tactics (e.g., expanding footprint of workspace, installing air filtration systems, etc.), childcare expenses for business owners and employees (related to unemployment), job training (workforce development), and operations and programming.

Program Design (subject to change based upon federal guidance)

- Requests for assistance to pay rent, utilities, and payroll will be capped at \$10,000 per applicant and will only be accepted through December 31, 2021.

- Requests from home-based businesses will be capped at \$10,000. Operators of Airbnb rentals are not eligible.
- The total funding required to provide this support is \$1,500,000.
- The program will be administered by the Department of Planning and Community Development.
- Funding will be distributed by December 31, 2024.

Eligibility Criteria (subject to change based upon federal guidance)

- Applicants must be a business owner or nonprofit organization in Arlington.
- Applicants must demonstrate inability or difficulty paying rent or mortgage due to COVID-19 if requesting assistance to pay rent, utilities, or payroll.
- Applicants must submit a detailed plan for deploying funds and a reasonable timeline for project completion or program implementation.
- All income levels are eligible.

Recommendation for Affordable Housing Preservation and Development

Subject to eligibility rules, the Department encourages the Select Board to program a portion of its ARPA funds towards affordable housing in the order of magnitude of \$5 to 10 million, including for the following:

1. Provide funding to the Housing Corporation of Arlington to provide assistance toward their next planned affordable housing development and capital improvements toward their existing property portfolio. As Arlington’s community development corporation and partner in affordable housing since the early 2000s, HCA is in a position to invest in their existing portfolio, add new permanently affordable housing units to their inventory, and expand upon their community engagement. ARPA funds could assist with all categories of assistance. Significant Town financial support is often needed for HCA’s project to be financially feasible. ARPA funds would considerably expedite new development as well as improvements to existing units.
2. Provide funding to further subsidize units created at new affordable housing developments. Most of the new development is geared towards meeting the Town’s Inclusionary Zoning bylaw or the requirements of subsidizing agencies under M.G.L. Chapter 40B. In either case the income limits are higher with corresponding higher rental or ownership costs. Two developments currently under review by the Zoning Board of Appeals may be eligible for assistance: one with all rental units and the other with a combination of rental and homeownership units. ARPA funds could be provided to the sponsor to buy down the cost of a unit for sale so that it is available to a lower-income household and further subsidize the cost of the rental units to people making incomes lower than 60% of the area median income, rather than 80% of the area median income.
3. Provide funding to the Arlington Housing Authority for capital repair. State-aided public housing has been undercapitalized for years resulting in a significant backlog of needed repairs. AHA developments primarily serve seniors, individuals, and families who make a very low-income and are ineligible for key programs such as the US Department of Housing and Urban Development Rental Assistance Demonstration program. ARPA funds could offset capital costs that may be stalled due to a lack of state support.
4. Provide funding to Arlington social service providers, including childcare assistance and supports, transportation assistance, food assistance, and medical/ healthcare assistance. Providers continue to experience extraordinary demand for their services and assistance. ARPA funds could offset costs associated with providing these social supports.