

EXHIBIT NO. 1
City of Alexandria, Virginia

21
11-9-04

MEMORANDUM

DATE: OCTOBER 22, 2004
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: CONSIDERATION OF ALLOCATION OF HOUSING TRUST FUND
MONIES TO THE SELLER'S INCENTIVE FUND

ISSUE: City Council consideration of allocation of Housing Trust Fund monies to provide funding for the City's Seller's Incentive Fund.

RECOMMENDATION: That City Council allocate \$80,000 in Housing Trust Fund monies to provide funding for the Seller's Incentive Fund. The Affordable Housing Advisory Committee will consider this request at its November 4, 2004 meeting.

BACKGROUND: The creation of the Seller's Incentive Fund was approved by City Council in November 2001 in response to a recommendation by the City Manager's Affordable Housing Task Force. This recommendation encouraged the City to provide an incentive to home sellers that makes participants in the City's Homeownership Assistance Program (HAP) and Moderate Income Homeownership Program (MIHP) more competitive with non-assisted buyer during periods of hot housing market conditions. The Fund pays \$1,000 of the seller's real estate commission as a means of reducing the seller's costs as an inducement for the seller to sell to a buyer participating in the HAP or MIHP programs. The \$1,000 incentive is only paid in cases in which a real estate sales commission is incurred by the seller.

DISCUSSION: Since the creation of the Seller's Incentive Fund in FY 2002, program activity in both the HAP and MIHP programs has increased significantly and the Fund has proven a popular and effective tool in marketing the City's homeownership programs to both real estate professionals and home sellers. Program activity in the HAP program increased from 10 loans in FY 2002 to 26 loans in FY 2004. Similarly, the number of MIHP loans increased from 15 in FY 2002 to 23 loans in FY 2004. To date, a total of 136 home sellers have benefitted from the Seller's Incentive Fund.

During the first four months of FY 2005, activity in the HAP and MIHP programs greatly exceeded the projected totals. The annual goal of 25 loans in each program should have produced 8 to 9 loans in each program during this period, but actual loan activity has totaled 19 HAP and 20 MIHP loans. While it is uncertain whether this pace of loan activity can continue for the balance of the fiscal year, an additional allocation of Housing Trust Fund monies is needed to

for the balance of the fiscal year, an additional allocation of Housing Trust Fund monies is needed to continue the Seller's Incentive Fund and to ensure adequate funding to meet increased program demand.

Continued activity at the current level could yield another 78 loans for the balance of the year. As of this writing, the program's current balance of \$8,000 can sustain only 8 additional loans. Staff recommends the addition of another \$80,000, which should be adequate to cover a slight increase in loan activity and minimize the likelihood of staff having to return to Council for an additional allocation during FY 2005.

Given these increases in loan activity, staff will also assess funding levels for the MIHP program at the conclusion of the calendar year and, should the combination of available budget and program income receipts be inadequate, staff will request that City Council allocate additional Housing Trust Fund monies to meet program demand.

FISCAL IMPACT: The recommended funding requires an allocation of \$80,000 of Housing Trust Fund monies. These monies are available from the uncommitted balance in the Housing Trust Fund.

STAFF: Mildrilyn Stephens Davis, Director, Office of Housing
Bob Eiffert, Deputy Director, Office of Housing
Shane Cochran, Division Chief, Office of Housing Program Implementation Division