

City of Alexandria, Virginia

MEMORANDUM

REVISED RECOMMENDATION

DATE: OCTOBER 7, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF PROPOSED USES AND ALLOCATION PROCESS FOR DEDICATED AFFORDABLE HOUSING REVENUES – AFFORDABLE HOUSING ADVISORY COMMITTEE (AHAC) RECOMMENDATION

---

**ISSUE:** AHAC recommended language revisions.

**RECOMMENDATION:** That Council approve the following revised guidelines in regard to the proposed uses and allocation of the dedicated 1 cent of the real estate tax for affordable housing.

1. These dedicated monies will be used ~~only~~ for the acquisition, rehabilitation, ~~and/or~~ construction and/or preservation of affordable housing, including associated soft costs. ~~and will not be used for operating costs;~~
2. In order to obtain the maximum possible benefit from these monies, when appropriate Council may elect to bond for certain projects and use the dedicated monies to pay the debt service,
3. While some affordable housing projects will be mixed income rental projects, the primary beneficiaries of these monies will be households with incomes at or below 60% of median income,
4. For sales housing the income limits would be those used for the Moderate Income Homeownership program, and
5. These monies will be allocated through the same process used for the Housing Opportunities Fund, which involves the submission of an application to City staff, consideration by the Affordable Housing Advisory Committee prior to Council consideration.

**DISCUSSION:** On Thursday, September 6, AHAC met to discuss the proposed uses and allocation process for dedicated housing monies, and unanimously endorsed with one change the recommendations contained in the October 5 City Council docket item. AHAC did not want to preclude the use of the dedicated 1 cent for affordable housing operating costs (likely one time) where the operating cost represented an emergency which was threatening the ongoing viability of an existing affordable housing project. AHAC also agreed that the use of the dedicated funds should not go towards ongoing operating costs for an affordable housing project(s). The amendments to recommendation 1 (see above) accomplish AHAC's objective of widening the use language some, but at the same time not explicitly stating that dedicated housing funds can be used for affordable housing operating costs. Staff concurs with the recommended language change.

**STAFF:**

Mark Jinks, Assistant City Manager

Mildrilyn Stephens Davis, Director, Office of Housing

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 5, 2005  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER   
SUBJECT: CONSIDERATION OF PROPOSED USES AND ALLOCATION PROCESS FOR DEDICATED AFFORDABLE HOUSING REVENUES

---

**ISSUE:** Consideration of proposed uses and allocation process for the affordable housing monies from the 1 cent in dedicated real property taxes.

**RECOMMENDATION:** That Council approve the following guidelines in regard to the proposed uses and allocation of the dedicated 1 cent of the real estate tax for affordable housing.

1. These dedicated monies will be used only for the acquisition, rehabilitation, and/or construction of affordable housing, including associated soft costs, and will not be used for operating costs,
2. In order to obtain the maximum possible benefit from these monies, when appropriate Council may elect to bond for certain projects and use the dedicated monies to pay the debt service,
3. While some affordable housing projects will be mixed income rental projects, the primary beneficiaries of these monies will be households with incomes at or below 60% of median income,
4. For sales housing the income limits would be those used for the Moderate Income Homeownership program, and
5. These monies will be allocated through the same process used for the Housing Opportunities Fund, which involves the submission of an application to City staff, consideration by the Affordable Housing Advisory Committee prior to Council consideration.

**DISCUSSION:**

On May 14, Council adopted an ordinance to dedicate one cent of the real property tax rate (\$2,760,185) for affordable housing. Council also allocated \$889,815 as one-time funds from the recordation tax to affordable housing as part of the FY 2006 budget adoption.

Staff recommends that these monies (both the 1 cent in real estate and one-time recordation revenues) be used exclusively for housing development activities: the acquisition, rehabilitation and/or construction of affordable housing. It is anticipated that this will be done both by funding projects developed by non-profit housing, or for profit, organizations, and directly by the City to buy down the cost of market rate units to make them affordable to eligible families. Staff further recommends that the target group for affordable housing be the same as identified (and periodically updated) in the City’s Affordable Housing Policy, as follows:

For rental housing, 60% of median income, adjusted for family size, as published by the Virginia Housing Development Authority (VHDA) for the Low Income Housing Tax Credit Program. The current limits are shown below:

1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
\$37,500	\$42,840	\$48,240	\$53,580	\$57,840	\$62,160	\$66,420	\$70,740

For sales housing, the income limits used for the Moderate Income Homeownership Program, which currently are as follows:

1 person	\$71,440
2 persons	\$80,370
3 or more persons	\$89,300

Based on the costs associated with transactions considered by the Alexandria Housing Development Corporation, Wesley Housing Development Corporation, and others, it is clear to staff that the available monies could easily be exhausted by one or two modestly sized projects if used for direct subsidy. For example, the City’s subsidy for the 41-unit Beverly Park Apartments to be purchased by Wesley Housing Development Corporation this month is \$1.5 million, or \$36,585 per unit. Other properties currently under review could require considerably more subsidy per unit. In order to achieve the maximum benefit from these monies, staff recommends that, where appropriate, the City issue bonds for affordable housing development projects and use the Affordable Housing Initiative monies to pay the debt service on those bonds.

As provided in the ordinance for the real property tax dedication, the dedicated housing monies have been budgeted in an Affordable Housing Initiatives account in a new Affordable Housing Fund. The one-time recordation tax monies are also budgeted in that account. Although these monies are kept separate from other housing monies for accounting purposes, staff recommends that, because the uses of these new monies are similar to those of the Housing Opportunities Fund, the administration of the two Funds follow the same process. Specifically, staff recommends that allocation of Affordable Housing Initiatives monies involve the submission of an application to City staff and consideration by the Affordable Housing Advisory Committee prior to consideration by Council. The Committee will be meeting on Thursday, October 6, to discuss these proposed use and allocation guidelines.

**FISCAL IMPACT:** No immediate fiscal impact from this action, but adoption of these guidelines will result in future projects with significant fiscal impact as funds are drawn down for affordable housing projects.

**STAFF:**

Mark Jinks, Assistant City Manager

Mildrilyn Stephens Davis, Director, Office of Housing