

EXHIBIT NO. 1

City of Alexandria, Virginia

MEMORANDUM

~~20~~  
~~3-12-02~~

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3-16-02

DATE: MARCH 6, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: ORDINANCE (a) TO INCREASE THE INCOME LIMIT FOR A REAL ESTATE TAX DEFERRAL FROM \$40,000 TO \$62,000, AND (b) TO DECREASE THE INTEREST RATE ON DEFERRED TAXES FROM EIGHT PERCENT TO FIVE PERCENT

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**ISSUE:** Consideration of an ordinance (a) to increase the income limit for a deferral of real estate taxes from \$40,000 to \$62,000 and (b) to decrease the interest rate on deferred real estate taxes from eight percent to five percent.

**RECOMMENDATION:** That City Council pass the proposed ordinance (Attachment I) on first reading and schedule it for public hearing, second reading and final passage on Saturday, March 16, 2002. The proposed ordinance would increase the maximum income limit to qualify for a deferral of real estate taxes under the Real Estate Tax Relief Program from \$40,000 to \$62,000, and decrease the interest rate on the deferred real estate taxes from eight percent to five percent.

**DISCUSSION:** In recent years the value of residential property has increased at a rate greater than the rate of inflation and a 15.33 percentage average increase will occur in calendar year 2002. As a result, many of the elderly and disabled who participate in the Real Estate Tax Relief Program and who may be on fixed incomes have seen their real estate tax bill increase. To address this trend, last year City Council enhanced the City's Real Estate Tax Relief Program to (1) increase the maximum annual tax exemption permitted and (2) have the amount of the maximum annual tax exemption adjust annually to stay equal to the average residential real estate tax bill. This year, at the existing real estate tax rate, the average residential real estate tax bill would be \$2,759 based on an average assessment of \$248,563. As a result, the maximum real estate exemption (100%) would rise by \$367, from \$2,392 to \$2,759. Partial exemptions (75% and 50%) would then receive proportional increases.

It should be noted that many participants in the Real Estate Tax Relief Program with homes that were assessed in 2001 at less than the average home and received an assessment increase in 2002 greater than the average 15.33% increase will have all or most of their real estate tax increase exempted, and will be able to defer the rescinding tax. The proposed ordinance is designed to provide the deferred portion of the program. Currently, otherwise eligible households with a

combined annual income of \$35,000 or less are entitled to an exception of some of their real estate taxes and a deferral of the remainder. Eligible households with a combined annual income between \$35,000 and \$40,000 are entitled to a deferral of all or part of their taxes. Under the proposed ordinance, this \$40,000 limit is expanded to \$62,000 enabling eligible households with an income between \$35,000 and \$62,000 to defer payment of the real estate taxes. The increase in the maximum income limit to qualify for the deferred real estate tax program (to \$62,000) brings the City's income limit to the maximum income limit currently allowed by Virginia law.

The proposed ordinance decreases the interest rate on the deferred real estate taxes from eight percent, which is the maximum provided by state law, to five percent, which is approximately the City's cost of borrowing. By decreasing the interest rate, the deferral program will become more attractive. This lower interest rate will be applied to any payment of deferred taxes made after the ordinance's effective date.

**FISCAL IMPACT:** For calendar 2001, 514 applicants participated in the program. Of those, 178 applicants qualified for a full exemption of their real estate taxes, 335 applicants qualified for a partial exemption and one applicant qualified for a deferral only. Of the 335 applicants that qualified for partial relief, 28 chose to defer the remaining tax bill. In the last calendar year, the Real Estate Tax Relief Program cost the City \$842,088 in exempted taxes and \$16,066 in deferred taxes. It is expected that the increased assessments will cause the cost of the program's benefits to increase to \$1,000,000 in this calendar year. Since this program is structured as an entitlement, the City is obligated to serve all who apply and are eligible under the City ordinance. While the exact costs of the proposed ordinance changes are unknown, they should be minimal, with \$25,000 per year as the estimated cost. It should be noted that at the time of the sale of the residence, the deferred amounts plus interest are repaid to the City from sale proceeds.

**ATTACHMENTS:**

Attachment I: Proposed Ordinance

**STAFF:**

Mark Jinks, Assistant City Manager  
D. A. Neckel, Director of Finance  
Hue Rim, Supervisor, Tax Services and Enforcement  
Gary Rossi, Account Clerk III, Revenue Division

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3-16-02      ~~29~~  
3-12-02

Introduction and first reading:	3/12/02
Public hearing:	3/16/02
Second reading and enactment:	3/16/02

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-163 (EXEMPTION OR DEFERRAL--ELIGIBILITY, RESTRICTIONS GENERALLY) and Section 3-2-166 (EXEMPTION OR DEFERRAL--CALCULATION OF AMOUNT; LIMITATION) of Article L (REAL ESTATE TAX EXEMPTION OR DEFERRAL FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance amends the provisions of the City Code which establish real estate tax exemptions and deferrals for elderly or permanently disabled persons, (a) to increase the income limit applicable to an applicant for a deferral from \$40,000 to \$62,000, and (b) to decrease the interest rate on deferred taxes from eight percent to five percent.

Sponsor

Staff

Mark Jinks, Assistant City Manager  
Daniel A. Neckel, Director of Finance  
Steven L. Rosenberg, Senior Assistant City Attorney

Authority

§ 58.1-3210, et seq., Code of Virginia

Estimated Costs of Implementation

As stated in the attached memorandum.

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

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3-16-02 → 20  
3-17-02

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE to amend and reordain Section 3-2-163 (EXEMPTION OR DEFERRAL-ELIGIBILITY, RESTRICTIONS GENERALLY) and Section 3-2-166 (EXEMPTION OR DEFERRAL-CALCULATION OF AMOUNT; LIMITATION) of Article L (REAL ESTATE TAX EXEMPTION OR DEFERRAL FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That section 3-2-163 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-163 Same-eligibility, restrictions generally.

Exemptions from or deferral of real estate taxation in any taxable year shall be granted subject to the following restrictions and conditions:

(1) The total combined income for the calendar year immediately preceding the taxable year of an applicant for an exemption may not exceed \$35,000. Such income of an applicant for a deferral may not exceed ~~\$40,000~~\$62,000.

(2) The net combined financial worth of an applicant may not exceed \$195,000.

(3) As of January 1 of the taxable year, the applicant must occupy the real estate for which the exemption or deferral is sought as his or her sole residence and must be expected to so occupy the real estate throughout the year; provided, that an applicant who is residing in a hospital, nursing home, convalescent home or other facility for physical or mental care shall be deemed to meet this condition so long as the real estate is not being used by or leased to another for consideration.

(4) An applicant shall file the affidavit or written statement, or annual certification, required by section 3-2-165 no later than April 10 of the taxable year.

(5) Interest on any taxes deferred under this article shall accrue at the rate of eight five percent per annum from the date by which such taxes were required to be paid to the date on which such taxes are paid in full. Any and all deferred taxes shall constitute a single lien upon the applicant's real estate as if no deferral had been granted and the taxes had been assessed but not paid. To the extent it exceeds, in the aggregate, 10 percent of the price for which such real estate is sold or, if not sold, 10 percent of its assessed value, any such lien shall be inferior to all other liens.

Section 2. That section 3-2-166 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

(a) The exemption from or deferral of real estate taxes granted under this article for any taxable year shall be calculated as follows:

(1) when the total combined income of the applicant does not exceed \$12,800, the applicant shall be exempt from the taxes owed for the year;

(2) when the total combined income of the applicant exceeds \$12,800 but does not exceed \$25,600, the applicant shall be exempt from the taxes owed for the year, in an amount equal to the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(3) when the total combined income of the applicant exceeds \$25,600 but does not exceed \$30,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to seventy-five percent (75%) of the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(4) when the total combined income of the applicant exceeds \$30,000 but does not exceed \$35,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to fifty percent (50%) of the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(5) when the total combined income of the applicant exceeds \$35,000 but does not exceed ~~\$40,000~~\$42,000, the applicant may defer all or part of the taxes owed for the year.

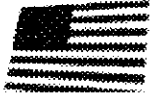
(b) Notwithstanding the provisions of subsection (a) above, if the real estate identified in the affidavit or written statement filed under section 3-2-165 is not owned solely by the applicant and his or her spouse, the amount of the tax exemption or deferral shall be either the amount of the taxes on the real estate for the taxable year times the percentage ownership interest in the real estate held by the applicant, or by the applicant and his or her spouse, or an amount equal to taxes on the average residential property, as defined in section 3-2-161(9), whichever is less.

Section 3. That this ordinance shall become effective upon the date and at the time of its final passage.

KERRY J. DONLEY  
Mayor

Introduction: 3/12/02  
First Reading: 3/12/02  
Publication: 3/14/02  
Public Hearing: 3/16/02  
Second Reading: 3/16/02  
Final Passage:

N.B. Underlining is not part of the ordinance but denotes material that is new or amended. Strike-outs or dashes are not part of the ordinance but denote material that is being deleted.



**Beverly I Jett**

03/15/2002 12:14 PM

To: Susan K Seagroves/Alex@Alex  
cc: Barbara L Carter/Alex@Alex  
Subject: Letter of Support For Docket Number 11

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3-16-02

For Saturday's meeting....

----- Forwarded by Beverly I Jett/Alex on 03/15/02 12:32 PM -----



**savery@erols.com**

03/15/02 10:26 AM

To: wmeuille@wdeuille.com @ INTERNET, billclev@home.com @ INTERNET, delpepper@aol.com @ INTERNET, mayoralx@aol.com @ INTERNET, dspeck@Aol.com @ INTERNET, council-woodson@home.com @ INTERNET, eberwein-council@comcast.net @ INTERNET, Beverly I Jett@Alex  
cc: bagilley@earthlink.net @ INTERNET, cas510@northern.dss.state.va.us @ INTERNET, beverly.jett@ci.alexandria.va.us @ INTERNET  
Subject: Letter of Support For Docket Number 11

Alexandria Commission On Persons With Disabilities  
Department of Human Services  
2525 Mount Vernon Avenue  
Alexandria, Virginia 22301  
March 15, 2001

Dear Mayor Donley and Members of Council,

This is to request that you approve Docket Item 11. Deferral of Real Estate Tax which contains additional choices and financial enhancements in paying taxes for seniors and persons with permanent disabilities who are often on fixed incomes residing in Alexandria. The raising of the eligibility income levels to the highest income levels contained in the State Law when combined with the interest rate reduction from 8% to 5% will aid some financially hard pressed seniors and permanently disabled residents in our city meet their financial obligations and maintain their independence. Your positive action in supporting these tax changes is wise tax and social policy for the policy change aids financially vulnerable citizens while assuring the city of property tax repayment at a later date.  
Thank you for your attention to this request.

Chet Avery, Acting Chair  
Alexandria Commission On Persons With Disabilities

ORDINANCE NO. 4242

AN ORDINANCE to amend and reordain Section 3-2-163 (EXEMPTION OR DEFERRAL-ELIGIBILITY, RESTRICTIONS GENERALLY) and Section 3-2-166 (EXEMPTION OR DEFERRAL-CALCULATION OF AMOUNT; LIMITATION) of Article L (REAL ESTATE TAX EXEMPTION OR DEFERRAL FOR ELDERLY OR PERMANENTLY AND TOTALLY DISABLED PERSONS), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That section 3-2-163 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-163            Same-eligibility, restrictions generally.

Exemptions from or deferral of real estate taxation in any taxable year shall be granted subject to the following restrictions and conditions:

(1)    The total combined income for the calendar year immediately preceding the taxable year of an applicant for an exemption may not exceed \$35,000. Such income of an applicant for a deferral may not exceed \$62,000.

(2)    The net combined financial worth of an applicant may not exceed \$195,000.

(3)    As of January 1 of the taxable year, the applicant must occupy the real estate for which the exemption or deferral is sought as his or her sole residence and must be expected to so occupy the real estate throughout the year; provided, that an applicant who is residing in a hospital, nursing home, convalescent home or other facility for physical or mental care shall be deemed to meet this condition so long as the real estate is not being used by or leased to another for consideration.

(4)    An applicant shall file the affidavit or written statement, or annual certification, required by section 3-2-165 no later than April 10 of the taxable year.

(5)    Interest on any taxes deferred under this article shall accrue at the rate of five percent per annum from the date by which such taxes were required to be paid to the date on which such taxes are paid in full. Any and all deferred taxes shall constitute a single lien upon the applicant's real estate as if no deferral had been granted and the taxes had been assessed but not paid. To the extent it exceeds, in the aggregate, 10 percent of the price for which such real estate is sold or, if not sold, 10 percent of its assessed value, any such lien shall be inferior to all other liens.

Section 2. That section 3-2-166 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:



Sec. 3-2-166 Same-calculation of amount; limitation.

(a) The exemption from or deferral of real estate taxes granted under this article for any taxable year shall be calculated as follows:

(1) when the total combined income of the applicant does not exceed \$12,800, the applicant shall be exempt from the taxes owed for the year;

(2) when the total combined income of the applicant exceeds \$12,800 but does not exceed \$25,600, the applicant shall be exempt from the taxes owed for the year, in an amount equal to the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(3) when the total combined income of the applicant exceeds \$25,600 but does not exceed \$30,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to seventy-five percent (75%) of the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(4) when the total combined income of the applicant exceeds \$30,000 but does not exceed \$35,000, the applicant shall be exempt from the taxes owed for the year, in an amount equal to fifty percent (50%) of the taxes on the average residential property, as defined in section 3-2-161(9) (but in no event greater than the taxes owed for the year), and may defer all or part of the amount of such taxes in excess of the amount exempted; and

(5) when the total combined income of the applicant exceeds \$35,000 but does not exceed \$62,000, the applicant may defer all or part of the taxes owed for the year.

(b) Notwithstanding the provisions of subsection (a) above, if the real estate identified in the affidavit or written statement filed under section 3-2-165 is not owned solely by the applicant and his or her spouse, the amount of the tax exemption or deferral shall be either the amount of the taxes on the real estate for the taxable year times the percentage ownership interest in the real estate held by the applicant, or by the applicant and his or her spouse, or an amount equal to taxes on the average residential property, as defined in section 3-2-161(9), whichever is less.

Section 3. That this ordinance shall become effective upon the date and at the time of its final passage.

KERRY J. DONLEY  
Mayor

Final Passage: March 16, 2002