City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 1, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: ORDINANCE CHANGING AFFORDABLE HOUSING FUNDING FROM THE REAL ESTATE TAX RATE TO 0.7 CENTS

ISSUE: Setting the affordable housing dedicated funding from the real estate tax rate to 0.7 cents.

RECOMMENDATION: That Council approve this proposed ordinance, which sets the dedicated funding from the real estate tax rate for affordable housing to 0.7 cents effective July 1, 2009, on first reading and set it for public hearing, second reading and final passage on May 16, 2009.

DISCUSSION: In May, 2005, Council, recognizing the diminishing amount of affordable housing in the City of Alexandria brought on by soaring real estate values, condominium conversions, and rent increases, passed an ordinance dedicating 1 cent of the City’s real property tax rate for affordable housing development and preservation. Council also passed a resolution stating, “that a key step to help ensure the continued availability of funds for affordable housing development/preservation and other affordable housing purposes is the creation of a dedicated source of revenue which can provide a stable foundation upon which the City’s affordable housing goals can be met.” The City then established an affordable housing fund. The 1 cent real estate tax rate dedication was used for $20.9 million in loans by the City for acquiring and/or rehabilitating properties around the City in partnership with the Alexandria Redevelopment and Housing Authority (ARHA), the Wesley Housing Development Corporation, and the RPJ Housing Development Corporation. The properties were ParcView, Longview Terrace, Arbelo, Lacy Court, and Quaker Hill. The 1 cent dedication for affordable housing has been used to pay the cost of debt service on $15.0 million of issued affordable housing bonds, as well as funding a portion of these loans on a cash basis.

Recognizing the difficult budget situation in FY 2010 and the fact that the gradually declining real estate market has made some Alexandria housing more affordable, in the approved FY 2010 budget, Council decided to reduce dedicated funding for affordable housing from 1.0 cents to 0.7 cents. This proposed ordinance change implements this budget decision.
During the add/delete process of the FY 2010 budget, Council added $455,000 to contingent reserves for potentially increasing home ownership assistance loans made by the City under the Moderate Income Homeownership Program (MIHP).

**FISCAL IMPACT:** The FY 2010 approved budget dedicates 0.7 cents of the real estate tax rate which will generate $2.3 million for affordable housing. This is a reduction of 0.3 cents and lowers the affordable housing dedicated income stream by $1.0 million to a level that can support $1.4 million of existing affordable housing bond debt service and $0.9 million in annual cash flow which can be used to support a future bond issuance for affordable housing of approximately $8.0 million, or be used directly for affordable housing loan purposes.

**ATTACHMENT:** Affordable housing dedication ordinance

**STAFF:**
Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Eric Eisinger, Budget Analyst, OMB
INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-1-5 (ALEXANDRIA AFFORDABLE HOUSING INITIATIVES ACCOUNT), Chapter 1 (GENERAL PROVISIONS), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance decreases the portion of the real estate tax allocated to the Alexandria Affordable Housing Initiatives Account from $0.01 per $100 of assessed value to $0.007 per $100 of assessed value, the rate set forth in the budget for FY 2010 adopted by City Council on April 27, 2009.

Sponsor

Staff

Bruce Johnson, Chief Financial Officer
Christopher P. Spera, Deputy City Attorney

Authority

§§ 2.02, 2.04, Alexandria City Charter

Estimated Costs of Implementation

None

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

None
ORDINANCE NO._____

AN ORDINANCE to amend and reordain Section 3-1-5 (ALEXANDRIA AFFORDABLE HOUSING INITIATIVES ACCOUNT), Chapter 1 (GENERAL PROVISIONS), 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 3-1-5 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. 3-1-5 Alexandria Affordable Housing Initiatives Account.

(a) Establishment of account. There is hereby established for the City of Alexandria a permanent account within the Alexandria Affordable Housing Fund to be known and designated as The City of Alexandria Affordable Housing Initiatives Account, which Account shall be accounted for and maintained separate and apart from all other accounts maintained by the City of Alexandria.

(b) Funding of account. There is hereby assigned and appropriated to such Account, for the fiscal year commencing July 1, 2009 and in each succeeding fiscal year, from the tax on real estate levied pursuant to section 3-2-181 of this code, in addition to all other appropriations made to such Account, if any, the sum of $0.007 on each $100 of the assessed value of all real estate subject to such tax.

(c) Expenditures from account. Notwithstanding any contrary provision of law, appropriations from the said Account shall be authorized and made exclusively to assist, finance and support, directly or indirectly, the provision of housing which is affordable to households with incomes up to the limits established in the City's Affordable Housing Policy, as from time to time amended. Unexpended appropriations to such Account shall not lapse or expire at the end of the fiscal year in which made, irrespective of whether such appropriations were encumbered within such fiscal year.

(d) The provision of housing defined. As used in this section, the provision of housing includes, without limitation, the preservation of existing housing; the construction of new housing, or financial or other assistance for the purchase and/or rental of housing units, in accordance with the City's Affordable Housing Policy, or with the City's Consolidated Plan for Housing and Community Development, as from time to time amended.
Section 2. That this ordinance shall become effective upon the date and at the time of
its final passage.

WILLIAM D. EUILLE
Mayor

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