City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 18, 2010

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 FROM 0.7 TO 0.6 CENTS

ISSUE: Changing the affordable housing dedicated funding from the real estate tax rate from 0.7 to 0.6 cents.

RECOMMENDATION: That City Council pass the proposed ordinance, which sets the dedicated funding from real estate tax rate for affordable housing to 0.6 cents effective July 1, 2010, on first reading and set it for public hearing, second reading and final passage on Saturday, June 12.

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 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 1 cent real estate dedication was used for $20.9 million in loans by the City for acquiring and/or rehabilitating properties around the City in partnership with non-profit housing groups and the Alexandria Redevelopment and Housing Authority. 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 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. In addition, in approved FY 2011 budget, Council decided to reduce this funding again from 0.7 cents to 0.6 cents. The proposed ordinance change implements this budget decision.
**FISCAL IMPACT:** The FY 2011 approved budget dedicates $.006 of the real estate tax rate for affordable housing. This is a reduction of $.001 cent from the prior year $.007 rate which lowers the affordable housing dedicated income stream by $0.31 million to a level of $1.84 million which can support $1.4 million of existing affordable housing bond debt service in FY 2011, as well as $0.484 million in cash for affordable housing projects.

**ATTACHMENT:** Affordable housing dedication ordinance

**STAFF:**
Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Steve Elliott, Budget Analyst, OMB
AN ORDINANCE to amend and reordain 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 sets the contribution rate for the Alexandria Affordable Housing Initiatives Account at the rate previously approved by City Council in the 2011 budget.

Sponsor

N/A

Staff

Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Steve Elliott, Budget Analyst, OMB
Christopher P. Spera, Deputy City Attorney

Authority

§2.02(a)(1), §2.04.2, Alexandria City Charter

Estimated Costs of Implementation

None

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

None
AN ORDINANCE to amend and reordain 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 Chapter 1 of Title 3 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained by the amendment of Sections 3-1-5 to read as follows:

(New language is underscored; deleted material is striken)

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, 2010 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 $8,887 or $0.006 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 July 1, 2010.

WILLIAM D. EUILLE
Mayor

Introduction: 6/8/10
First Reading: 6/8/10
Publication:
Public Hearing:
Second Reading:
Final Passage:
ORDINANCE NO. 4671

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WILLIAM D. EEUILLE
Mayor

Final Passage: June 12, 2010