


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 22, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #92 : CALCULATION OF 1 CENT FOR AFFORDABLE HOUSING

Councilman Gaines has asked how much revenue would be generated by dedicating one cent of the real estate tax rate for affordable housing.

One cent on the real estate tax rate would generate \$4.1 million (\$1.341 million in FY 2005 and \$2.76 million in FY 2006). If Council wished to dedicate one cent for affordable housing at this point in the budget process it would require cutting the budget by \$4.1 million.

The costs of a one cent dedication could be reduced depending on when a dedication started. If the dedication of 1 cent started on July 1, 2005, the cost would be \$2.76 million. If it started on January 1, 2006, it would be \$1.4 million. Caution on any dedication should be considered, as the FY 2007 budget will be a difficult budget, and making quasi-permanent dedications reduces Council's future budget flexibility. Consideration should also be given to the inclusion of a sunset provision.