

## City of Alexandria, Virginia

## MEMORANDUM

DATE: MAY 5, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: ORDINANCE TO DEDICATE ONE CENT OF THE REAL PROPERTY TAX RATE FOR AFFORDABLE HOUSING

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**ISSUE:** Dedication of \$0.01 (one cent) of the real property tax rate for affordable housing.

**RECOMMENDATION:** That City Council approve on first reading the attached ordinance to dedicate \$0.01 (one cent) of the real property tax rate for affordable housing, and set it for public hearing and final passage on May 14, 2005.

**DISCUSSION:** As part of Council's adoption of the FY 2006 Budget on May 2, Council included \$2.8 million from real estate tax revenues for affordable housing development and preservation initiatives in the budget which represents the equivalent of one cent of real estate tax revenues for the fiscal year. Council also approved a resolution indicating its intent to formally dedicate this one cent of the real estate tax rate (Attachment 1) for affordable housing. This resolution states "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 resolution also cites the housing crisis in the City caused by increasing home values rising, apartment rents, and condominium conversions as reasons why action, at this time, in the form of dedicating one cent of the real estate tax rate for affordable housing is warranted. In addition, with federal financial assistance for affordable housing on the decline, and with the limited resources from the Commonwealth of Virginia, the responsibility for addressing the affordable housing crisis has been left on the doorstep of the local governments such as the City.

The attached ordinance creates an Affordable Housing Initiatives Account within the to-be-created Affordable Housing Fund. This will result in the income from the one-cent dedication being held in its own account to be solely used for affordable housing purposes. While the ordinance broadly defines in paragraph (c) how these funds may be used, these funds would need to be spent in accordance with the City's current (or any future) Affordable Housing Policy, or the Consolidated Plan for City's Housing and Community Development. Also, the persons assisted would have to meet the City's current (or any future) income guidelines established by the City's Affordable Housing Policy. While the potential use of the funds is broadly defined in

the ordinance, it is staff's understanding that Council's intent is that the funds be allocated to the development or preservation of affordable housing opportunities. This would be defined as the construction, purchase, or the purchase and renovation of affordable rental housing by non-profit housing groups such as the Alexandria Housing Development Corporation (AHDC).

**FISCAL IMPACT:** The one-cent dedication would generate an estimated \$2.8 million in FY 2006. Any funds not expended in FY 2006 would be carried over to FY 2007 and beyond. As was the case with Council's dedication of one-cent for Open Space, there is no proposed sunset of this dedication. Although not contemplated at this time, if Council wishes at some point in the future to reestablish priorities for the use of City real estate tax revenue, it can always do so through an ordinance amendment process. The creation of a new Affordable Housing Fund will allow the City to begin to consolidate its various housing programs into a single accounting entity while keeping each of the programs separately administered and accounted for. The FY 2006 additional amount of \$0.9 million in recordation tax revenues and ARHA repayments of the Samuel Madden redevelopment loans and Housing Trust Fund monies would also be included in this Affordable Housing Fund.

**ATTACHMENTS:**

Attachment 1. Affordable Housing Resolution (No: 2149, Adopted by Council on May 2, 2005)

Attachment 2. Ordinance

**STAFF:**

Mark Jinks, Assistant City Manager

Mildrilyn Stephens Davis, Director, Office of Housing

RESOLUTION NO. \_\_\_\_

WHEREAS, the Alexandria City Council, in its adopted Strategic Plan, has established as a priority the goal of having a caring community that is diverse and affordable; and

WHEREAS, this goal includes the objective of increasing the number and availability of affordable housing units with an emphasis on low- and moderate-income workers, seniors, individuals with disabilities and others; and

WHEREAS, this goal also includes the objective of enabling elderly residents on limited incomes to continue to reside in the City; and

WHEREAS, the City in 2003 endorsed and facilitated the creation of a new non-profit housing development corporation, and the resulting Alexandria Housing Development Corporation is now actively pursuing affordable housing development and preservation opportunities; and

WHEREAS, there is a housing crisis in Alexandria and there are currently ten apartment properties with over 2,300 units that have been registered with the state as condominiums or for which the owners have filed, or have stated an intent to file, condominium registration applications; and

WHEREAS, this surge in condominium conversion activity threatens the continued availability of affordable, private market rental apartments in Alexandria and also serves to increase the cost of acquiring rental properties for the purpose of preserving them as affordable rental units; and

WHEREAS, at the current funding level of \$1 million per year from local and federal sources, the City's Housing Opportunities Fund is able to support only a very limited number of projects per year; and

WHEREAS, with federal financial assistance for affordable housing on the decline, and with limited resources from the Commonwealth of Virginia, it leaves the responsibility for addressing affordable housing at the doorstep of the City government; and

WHEREAS, 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 better be met; and

NOW, THEREFORE BE IT RESOLVED THAT the Alexandria City Council hereby approves a FY 2006 budget which includes the dedication of one cent on the real property tax rate for affordable housing purposes beginning July 1, 2005.

Adopted this \_\_\_\_ day of May 2005  
City of Alexandria, Virginia

Attest:

\_\_\_\_\_  
Jacqueline M. Henderson, CMC, City Clerk

By \_\_\_\_\_  
William D. Euille, Mayor

1 Introduction and first reading: 5/10/2005  
2 Public hearing: 5/14/2005  
3 Second reading and enactment: 5/14/2005  
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6 INFORMATION ON PROPOSED ORDINANCE  
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8 Title  
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10 AN ORDINANCE to amend Chapter 1 (GENERAL PROVISIONS) of Title 3 (FINANCE,  
11 TAXATION AND PROCUREMENT), of The Code of the City of Alexandria, Virginia,  
12 1981, as amended, by adding thereto a new Section 3-1-5 (ALEXANDRIA AFFORDABLE  
13 HOUSING INITIATIVES ACCOUNT).  
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15 Summary  
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17 The proposed ordinance designates for the support of affordable housing programs in the  
18 City, the sum of \$0.01 on each \$100 of the assessed value of all real estate subject to the  
19 City's real estate tax. This designation will commence in Fiscal Year 2006.  
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21 Sponsor  
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24 Staff  
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26 Mark Jinks, Assistant City Manager  
27 Mildrilyn S. Davis, Director, Office of Housing  
28 Ignacio B. Pessoa, City Attorney  
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30 Authority  
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32 § 2.04.2, Alexandria City Charter  
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34 Estimated Costs of Implementation  
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39 Attachments in Addition to Proposed Ordinance  
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ORDINANCE NO. \_\_\_\_\_

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

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 by adding thereto a new Section 3-1-5, to read as follows:

[The following is all new language.]

Section 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, 2005 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 \$0.01 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, 2005.

WILLIAM D. EUILLE  
Mayor

Introduction: 5/10/05  
First Reading: 5/10/05  
Publication:  
Public Hearing:  
Second Reading:  
Final Passage: