


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 4, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: ORDINANCE TO CHANGE THE INCOME LIMITS AND REAL ESTATE ASSET LIMIT FOR REAL ESTATE TAX RELIEF FOR LIMITED INCOME RESIDENTS UNDER THE AFFORDABLE HOME OWNERSHIP PRESERVATION PROGRAM

ISSUE: Consideration of an ordinance to change the income and asset limits for the Affordable Home Ownership Program (AHOP).

RECOMMENDATION: That City Council pass the proposed Ordinance (Attachment I) on first reading and schedule it for public hearing and second reading on April 22, 2006, and final passage with the FY 2007 budget on April 24, 2006. The proposed ordinance would accomplish the following:

- A. Increase the maximum assessed value of the real estate owned by the applicant from \$442,000 to \$527,000; and
- B. Increase the value of the grants-in-aid provided to eligible homeowners:
 - (1) to \$1,000 when the total combined income of the eligible homeowners does not exceed \$40,000,
 - (2) to \$700 when the total combined income of the applicant exceeds \$40,000 but does not exceed \$55,000, and
 - (3) to \$325 when the total combined income of the applicant exceeds \$55,000 but does not exceed \$72,000.

DISCUSSION: As part of the FY 2005 budget, to mitigate rising real estate taxes due to significant increases in real property appreciation, Council approved the Affordable Home Ownership Preservation program (AHOP) to provide a flat \$250 grant-in-aid as a credit on real estate tax billing to certain homeowners. This was the first program of its kind in Virginia.

In the FY 2006 budget, a sliding scale of grants-in-aid was established based on income, providing up to \$675 in tax relief to those residents earning \$40,000 or less per year, \$475 for those residents earning above \$40,000 but less than \$50,000, and \$275 for residents earning above \$50,000 but not in excess of \$62,000. Also, the limit on the value of the property was increased to \$442,000 (which equaled the average residential assessment). In tax year 2005, 1,021 homeowners received \$527,375 worth of tax relief.

For FY 2007, a number of changes to income, grants and property are proposed (see Attachment I for chart). It is recommended that the sliding scale of grants-in-aid be increased to \$1,000 in tax relief to those residents earning \$40,000 or less per year, \$700 for those residents earning above \$40,000 but not in excess of \$55,000, and \$325 for those residents earning above \$55,000 but not in excess of \$72,000. Also, the limit on the value of the property is proposed to increase to \$527,000 to reflect the increase in the average assessed value of homes in the City. Participation is expected to increase by approximately 37% as a result of the new parameters, with the program costing an estimated \$950,000.

At the current advertised rate of \$.847, prior to the application of the AHOP grant the owner of an average residential property assessed at \$527,000 would see an increase in their tax bill of \$427. Through the Affordable Home Ownership Preservation Grant Program, eligible residents with income of less than \$40,000 will realize an increase of \$102 compared to last year, as the grants-in-aid is proposed to increase from \$675 to \$1,000.

The program will continue to be administered by the Finance Department, which also administers the Real Estate Tax Relief for the Elderly and Disable Program. Information describing changes to the program will be provided to the public through various means similar to those used to advertise the Real Estate Tax Relief for the Elderly and Disable Program. In addition, a flyer describing the AHOP program will be mailed to all homeowners of property valued at \$527,000 or less. Applications for the grant will be available online and can also be mailed to homeowners who call the Finance Department to inquire about the program.

The Finance Department will accept AHOP applications for the grant until September 1, 2006. In order to allow sufficient time for filing an application processing, the grants-in-aid will be credited on the real estate tax bills due November 15, 2006. As was the case last year, the tax bill due June 15 will need to be paid in full even if the taxpayer meets the qualification and has filed an application prior to June 15, 2005.

The following other program criteria would remained unchanged in FY 2006:

- A. The total assets of the resident homeowner or homeowners (and resident, non-owner relatives including any spouse), excluding the value of the house and property, vehicles and assets in qualified retirement plans, may not exceed \$50,000.
- B. The applicant must own all or at least 50 percent of the property.

FISCAL IMPACT: Staff estimates that the cost of the AHOP program will be approximately \$950,100 or \$422,725 more than last year. This assumes that the increased available grant amounts will result in 1,398 participants, 377 more than last year.

ATTACHMENTS:

Attachment I. Chart of Proposed Changes to AHOP

Attachment II. Proposed Ordinance

STAFF:

Mark Jinks, Deputy City Manager

D.A. Neckel, Director, Finance

Bruce Johnson, Director, Office of Management and Budget

Eric Eisinger, Analyst, Office of Management and Budget



Affordable Home Ownership Preservation (AHOP) Program

Current AHOP Program

Grant Amounts	Income Limits (\$ in thousands)	# of Act. Participants	Act. Cost of Grants
\$275	\$50 to \$62	251	\$69,025
\$475	\$40 to \$50	307	\$145,825
\$675	Under \$40	463	\$312,525
		1,021	\$527,375

Max. Home Value

\$442,000

Proposed AHOP Program (increase grant by \$50, \$225, and \$325)

Grant Amounts	Income Limits (\$ in thousands)	# of Est. Participants	Est. Cost of Grants
\$325	\$55 to \$72	500	\$162,500
\$700	\$40 to \$55	368	\$257,600
\$1,000	Under \$40	530	\$530,000
		1,398	\$950,100

Max. Home Value

\$527,000

1	Introduction and first reading:	4/11/06
2	Public hearing:	4/22/06
3	Second reading and enactment:	4/24/06

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-173 (GRANT – ELIGIBILITY, RESTRICTIONS GENERALLY), Section 3-2-176 ((SAME – AMOUNT LIMITATION) and Section 3-2-179 (SUNSET DATE), of Division 2 (AFFORDABLE HOMEOWNERSHIP PRESERVATION PROGRAM), Article L (REAL ESTATE TAX RELIEF), 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 enhances the City’s Affordable Homeownership Preservation Program, which provides grants to assist limited income residents with the payment of their real property taxes. The proposed changes for the 2006 tax year are as follows:

- Increase the maximum grant for a resident from \$675 to \$1,000. The income limit to qualify for such a grant would remain \$40,000.
- Modify the income range to qualify for a what is currently a grant of \$475 from the current range of \$40,000 to \$50,000 to a range of \$40,000 to \$55,000, and raise the amount of such a grant to \$700.
- Modify the income range to qualify for a what is currently a grant of \$275 from the current range of \$50,000 to \$62,000 to a range of \$55,000 to \$72,000, and raise the amount of such a grant to \$325.
- Increase the limit on the assessed value of the real estate owned by the resident from \$442,000 to \$527,000; and
- Extend the sunset date for the program from December 31, 2005 to December 31, 2006.

Sponsor

1 Staff

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3 Mark Jinks, Assistant City Manager
4 Daniel A. Neckel, Director of Finance
5 Bruce Johnson, Director, Office of Management & Budget
6 Roderick B. Williams, Assistant City Attorney

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8 Authority

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10 City Charter §§ 2.01 and 2.04.2

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12 Estimated Costs of Implementation

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14 See memorandum from the City Manager.

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

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18 None

ORDINANCE NO. _____

AN ORDINANCE to amend and reordain Section 3-2-173 (GRANT – ELIGIBILITY, RESTRICTIONS GENERALLY), Section 3-2-176 ((SAME – AMOUNT LIMITATION) and Section 3-2-179 (SUNSET DATE), of Division 2 (AFFORDABLE HOMEOWNERSHIP PRESERVATION PROGRAM), Article L (REAL ESTATE TAX RELIEF), 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 Sections 3-2-173, 3-2-176, and 3-2-179 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby are, amended and reordained to read follows:

Sec. 3-2-173 Same--eligibility, restrictions generally.

A grant under this division in any taxable year shall be subject to the following restrictions and conditions:

- (1) The household income of the applicant shall not exceed ~~\$62,000~~ \$72,000.
- (2) The assessed value of the real estate owned by the applicant shall not exceed ~~\$442,000~~ \$527,000.
- (3) The net combined financial worth of an applicant shall not exceed \$50,000.
- (4) The applicant and/or the applicant's spouse shall own at least 50 percent interest in the real estate.
- (5) As of January 1 of the taxable year, the applicant must occupy the real estate for which the grant 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.
- (6) An applicant shall file the affidavit or written statement required by section 3-2-175 no later than September 1 of the taxable year.
- (7) An applicant for a grant provided under this division shall not participate in the real estate tax exemption or deferral program for the elderly or permanently and totally disabled provided under division 1 of this article, and no grant shall be applied to real estate taxes on property subject to such exemption or deferral program.

1 (8) An applicant for a grant provided under this division shall not be delinquent on
2 any portion of the real estate taxes to which the grant is to be applied.

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4 Sec. 3-2-176 Same--amount; limitation.

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6 (a) The amount of each grant under this division shall be ~~\$675~~ \$1,000, for an applicant with
7 household income which does not exceed \$40,000.

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9 (b) The amount of each grant under this division shall be ~~\$475~~ \$700, for an applicant with
10 household income of more than \$40,000, but which does not exceed ~~\$50,000~~ \$55,000.

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12 (c) The amount of each grant under this division shall be ~~\$275~~ \$325, for an applicant with
13 household income of more than ~~\$50,000~~ \$55,000, but which does not exceed ~~\$62,000~~ \$72,000.

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15 (d) Only one grant under this division shall be made per household.

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17 Sec. 3-2-179 Sunset date.

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19 No grant pursuant to section 3-2-172 shall be permitted in any taxable year which
20 commences after December 31, ~~2005~~ 2006.

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22 Section 2. That this ordinance shall become effective January 1, 2006, nunc pro tunc.

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24
25 WILLIAM D. EUILLE
26 Mayor

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28 Introduction: 4/11/06
29 First Reading: 4/11/06
30 Publication:
31 Public Hearing:
32 Second Reading:
33 Final Passage:
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