

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 24, 2006
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO # 137 : EXPANDED OPTIONS FOR THE AFFORDABLE HOME OWNERSHIP PRESERVATION (AHOP) PROGRAM

In followup to the Council meeting and discussions by Council of tax relief on Saturday, April 22, 2006, staff has developed additional expansion options to the Affordable Home Ownership Preservation (AHOP) Program to reflect what the program would cost if the program were expanded to provide grants to participants at the City's maximum income limit of \$90,000 or \$108,300. Staff estimates that if the AHOP program was expanded from the current proposed income limit of \$72,000 to \$90,000 or \$108,000, an additional 500 to 1,000 taxpayers would participate in the program. This estimate is based, in part, on 2000 census data extrapolated to FY 2007, which shows an 86% increase in the number of taxpayers who would be eligible for an AHOP program with a \$108,000 income limit, as opposed to those who would be eligible with a \$72,000 income limit, and who own homes at or below the average residential value. As explained in budget memo #134 the City Charter allows the City to use VHDA single family mortgage income guidelines as the AHOP program income ceilings. VHDA's maximum income ceilings for its Flexible Alternative Loan Programs are \$108,300 for a one-person household and \$135,400 for a two or more person household. The AHOP program currently does not make a household size income distinction. The two additional AHOP options also would not make household size distinctions.

Budget Memo # 124 provided options to increase the AHOP program by \$100,000, \$200,000 or \$300,000 above the \$300,000 increase proposed in the City Manager's original budget. The following chart provides two additional options. It provides a \$200 grant to those taxpayers with incomes between \$72,000 and either \$90,000 or \$108,000, as well as raises the grant amounts. These 4th and 5th options will cost an estimated an additional \$100,000 or \$200,000 depending on which option is chosen.

Option 4

Expanded Increase to \$90,000 Income Limit

Grant Amounts	Income Limits (\$ in thousands)	# of Est. Participants	Est. Cost of Grants
\$200	\$72 to \$90	500	\$100,000
\$325	\$55 to \$72	500	\$162,500
\$700	\$40 to \$55	368	\$257,600
\$1,000	Under \$40	530	\$530,000
		2,398	\$1,050,100

Max. Home Value
\$527,000

Option 5

Expanded Increase to \$108,000 Income Limit

Grant Amounts	Income Limits (\$ in thousands)	# of Est. Participants	Est. Cost of Grants
\$200	\$72 to \$108	1,000	\$200,000
\$425	\$55 to \$72	500	\$162,500
\$950	\$40 to \$55	368	\$257,600
\$1,300	Under \$40	530	\$530,000
		2,398	\$1,150,100

Max. Home Value
\$527,000

The following chart compares all these AHOP options for Council's consideration:

Affordable Home Ownership Preservation Program Options

Income Limits	Current Program (FY 2006)	City Manager Proposed	Increase Grants Option 1	Increase Grants Option 2	Increase Grants Option 3	Increase Income Ceilings Option 4	Increase Income Ceilings Option 5
\$72,000 to \$108,000							\$200
\$72,000 to \$90,000						\$200	
\$55,000 to \$72,000		\$325	\$350	\$375	\$425	\$325	\$325
\$50,000 to \$62,000	\$275						
\$40,000 to \$55,000		\$700	\$800	\$875	\$950	\$700	\$700
\$40,000 to \$50,000	\$475						
under \$40,000	\$675	\$1,000	\$1,100	\$1,200	\$1,300	\$1,000	\$1,000
Total Budget	\$0.65 M	\$0.95 M	\$1.05 M	\$1.15 M	\$1.,25 M	\$1.05 M	\$1.15 M
Added Cost to Proposed Budget	NA	NA	\$100,000	\$200,000	\$300,000	\$100,000	\$200,000

All these options continue to set a limit of \$527,000 for the assessed value of the home (approximately 60 percent of the residences in Alexandria are assessed at less than this amount) and a limit of \$50,000 for other assets (excluding the value of the home and any retirement-related savings.)