

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 13, 2007

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMORANDUM #3: FIVE-YEAR SUMMARY OF REAL ESTATE TAX RELIEF PROGRAMS IN ALEXANDRIA

Please find attached an analysis of the real estate tax relief programs offered by the City. The Real Estate Tax Relief for Elderly and Disabled Persons Program has experienced a 242 percent growth in the amount of grants given over the last five years. In calendar year (CY) 2006, the Real Estate Tax Relief for Elderly and Disabled Persons Program served 1,085 households and provided \$3.3 million in tax relief. The relatively new Affordable Homeownership Preservation (AHOP) Grant Program has seen an even greater growth of 574 percent in program grants over the past three years. In CY 2006, the AHOP Program served 1,367 households and provided \$1.1 million in grants. In total, these two programs served 2,452 households and provided \$4.4 million in tax relief in CY 2006.

ATTACHMENT:

Analysis of the Real Estate Tax Relief Programs

STAFF:

Laura Triggs, Acting Director of Finance
Debbie Kidd, Division Chief, Finance Administration
Isiah Speller, Tax Services & Enforcement Supervisor
Joe O'Hara, Tax Relief Administrator

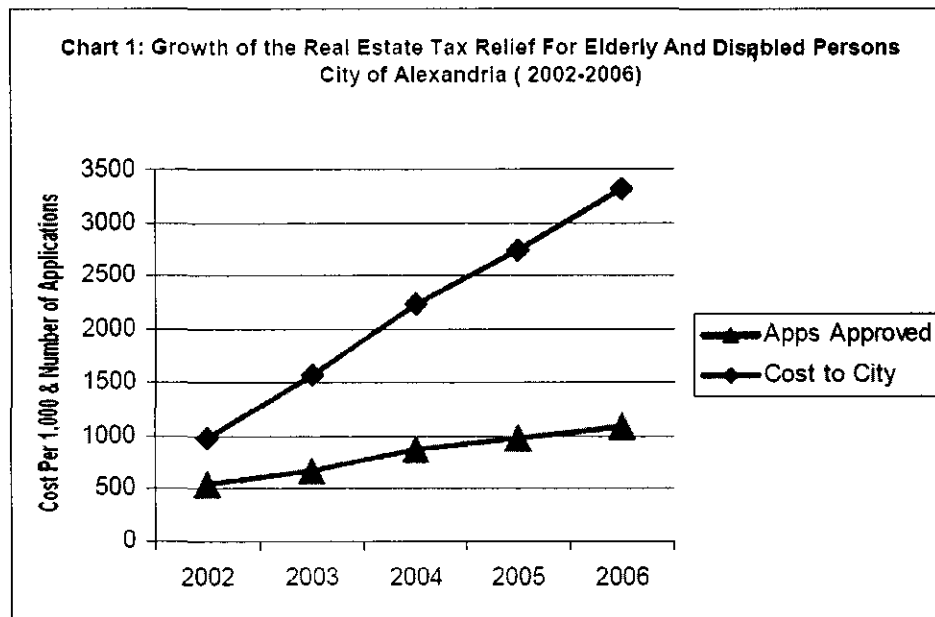
Analysis of the Real Estate Tax Relief Programs Offered by the City of Alexandria

I. Summary of Programs

Real estate tax relief has grown substantially in Alexandria over the past five years. This is true for both the Real Estate Tax Relief for Elderly and Disabled Persons program, which has been in existence since 1963, and the Affordable Homeownership Preservation (AHOP) Grant Program, which began in 2004. The following tables and charts illustrate the growth of these tax relief programs.

Table 1: Applications Received and Approved, and Cost to the City of Alexandria Real Estate Tax Relief for Elderly and Disabled Persons (2002 - 2006)

Program Year	Applications Received	Applications Approved	Relief ¹	Average Relief Per Application Approved
2002	574	536	\$970,677	\$1,811
2003	756	667	\$1,564,054	\$2,345
2004	929	869	\$2,229,949	\$2,566
2005	1,023	966	\$2,733,857	\$2,830
2006	1,138	1,085	\$3,317,005	\$3,057

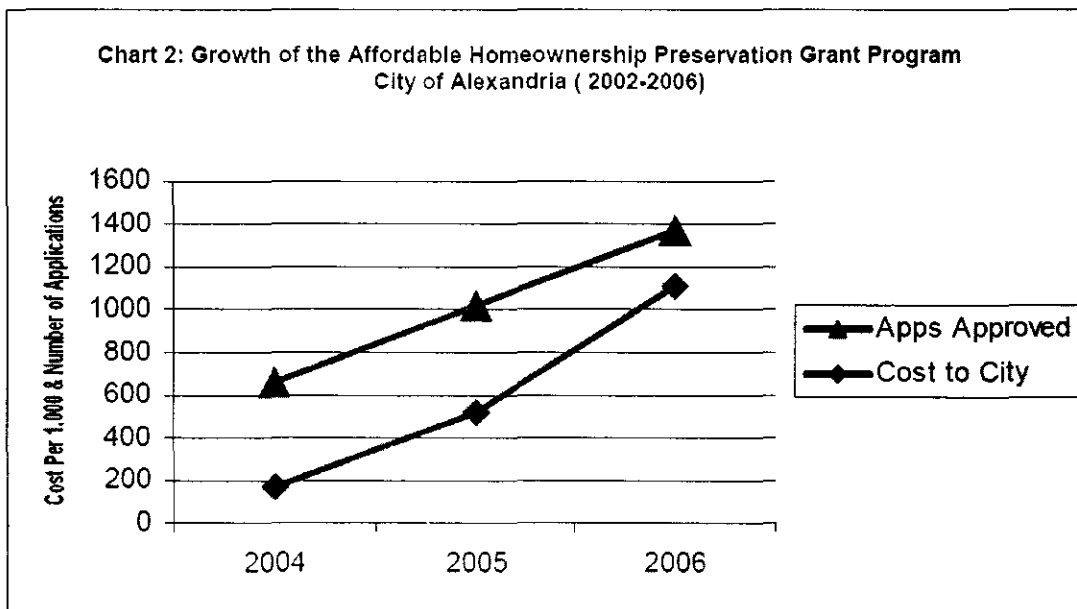


¹ Costs to the City indicated throughout this paper do not include administrative costs, but only aid delivered to the taxpayer. In addition, for the Elderly and Disabled Tax Relief program, the relatively

small amount of aid deferred is not included, since this amount will eventually be returned to the City upon the sale of the property. Only the amount of taxes relieved is included.

Table 2: Applications Received and Approved, and Cost to the City of Alexandria Affordable Homeownership Preservation Grant Program (2004 - 2006)

Program Year	Applications Received	Applications Approved	Total Grant	Average Grant Amount Per Application Approved
2004	733	659	\$164,750	\$250
2005	1,136	1,021	\$522,889	\$512
2006	1,544	1,367	\$1,110,975	\$813



II. Percentage Growth

Real Estate Tax Relief for Elderly and Disabled Persons

From 2002 to 2006, the Real Estate Tax Relief for Elderly and Disabled Persons program has increased 102 percent in the number of applications approved and 242 percent in cost to the City. Percentage growth by year is shown in the following table.

Table 3: Percentage Growth of Applications Approved and Cost to City of Alexandria, Real Estate Tax Relief for Elderly and Disabled Persons Program (2002 - 2006)

Program Year	Applications Approved	Percentage Growth from Previous Year	Total Relief	Average Relief Per Application Approved	Percentage Growth of Relief from Previous Year
2002	536	N/A	\$970,667	\$1,811	N/A
2003	667	24%	\$1,564,054	\$2,345	61%
2004	869	30%	\$2,229,949	\$2,566	43%
2005	966	11%	\$2,733,857	\$2,830	23%
2006	1,085	12%	\$3,317,005	\$3,057	21%

Similarly, the AHOP program experienced 107 percent increase in the number of approved applications and 574 percent increase in cost to the City in just three short years of existence (2004-2006). Table 4 shows the percentage growth by year.

Affordable Homeownership Preservation Grant Program

Table 4: Percentage Growth of Applications Approved and Cost to City of Alexandria Affordable Homeownership Preservation Grant Program (2002-2006)

Program Year	Applications Approved	Percentage Growth from Previous Year	Total Grant	Average Grant Per Application Approved	Percentage Growth from Previous Year
2004	659	N/A	\$164,750	\$250	N/A
2005	1,021	55%	\$522,889	\$512	217%
2006	1,367	34%	\$1,110,975	\$817	112%

III. Tax Relief by Income Level

All real estate tax relief in the City of Alexandria is administered on a need-based system. Need is determined by household income with lower income households receiving proportionately great amounts of tax relief. For convenience of administration, eligible household incomes are divided into three categories. As would be expected, the dollar amounts of these income categories have changed over the years. The amount of aid administered for the Real Estate Tax Relief for Elderly and Disabled Persons from 2002 through 2006 is shown in Table 5. The proportion of aid going to the lowest income group is strikingly high.

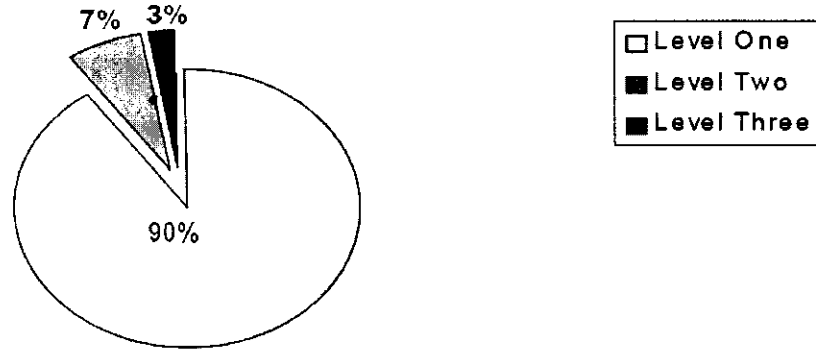
**Table 5: Tax Relief Administered to Various Income Groups in the City of Alexandria
Real Estate Tax Relief for Elderly and Disabled Persons (2002 - 2006)**

Income levels and amounts of tax relief for the various years are:

- 2002** Level One, \$0-\$25,600(full exemption or 100% of average tax bill);
 Level Two, \$25,601-\$30,000 (75% of average tax bill);
 Level Three, \$30,001-\$35,000 (50% of average tax bill)
- 2003-2005** Level One, \$0-\$40,000 (100% exemption);
 Level Two, \$40,001-\$50,000 (50% exemption);
 Level Three, \$50,001-\$62,000 (25% exemption)
- 2006** Level One, \$0-\$40,000 (100% exemption);
 Level Two, \$40,001-\$55,000 (50% exemption);
 Level Three, \$55,001-\$72,000 (25% exemption)

Program Year	Level One			Level Two			Level Three			Total Relief
	Relief	Apps Aprv'd	Avg Cost Per App	Relief	Apps Aprv'd	Avg Cost Per App	Relief	Apps Aprv'd	Avg Cost Per App	
2002	\$841,390	448	\$1,878	\$78,723	47	\$1,675	\$50,564	41	\$1,233	\$970,667
2003	\$1,474,535	587	\$2,511	\$63,372	48	\$1,320	\$26,147	32	\$817	\$1,564,054
2004	\$2,052,361	724	\$2,835	\$129,598	85	\$1,525	\$47,990	60	\$800	\$2,229,949
2005	\$2,470,921	769	\$3,213	\$192,012	118	\$1,627	\$70,924	79	\$897	\$2,733,857
2005	\$2,916,965	814	\$3,583	\$314,293	184	\$1,708	\$85,747	87	\$986	\$3,317,005

**Chart 3: Proportion of Real Estate Tax Relief for Elderly and Disabled Persons
By Income Levels
City of Alexandria (2002 - 2006)**



By contrast, the AHOP program displays a more even distribution of aid between different income groups. However, the lowest income group still receives slightly over one-half the total amount of aid given. These figures can be seen in Table 6

**Table 6: Tax Relief Administered to Various Income Groups in the City of Alexandria
Affordable Homeownership Preservation Grant Program (2002-2006)**

Income levels and grant sizes for the various years are:

- 2004** All levels, \$250 grant (Income levels same as 2005) (maximum home value of \$361,700)
- 2005** Level One, \$0-\$40,000 (\$675 grant) (maximum home value of \$437,500)
Level Two, \$40,001-\$50,000 (\$475 grant)
Level Three, \$50,001-\$62,000 (\$275 grant)
- 2006** Level One, \$0-\$40,000 (\$1,200 grant) (maximum home value of \$522,300)
Level Two, \$40,001-\$55,000 (\$875 grant)
Level Three, \$55,001-\$100,000
(\$275 grant for \$55,001 to \$72,000 income; \$200 grant for \$72,001 to \$100,000 income)

Program Year	Level One Avg Grant Size \$708		Level Two Avg Grant Size \$533		Level Three Avg Grant Size \$254		Total Grants
	Grants	Applications Approved	Grants	Applications Approved	Grants	Applications Approved	
2004	\$70,750	283	\$54,250	217	\$39,750	159	\$164,750
2005	\$308,053	463	\$145,811	307	\$69,025	251	\$522,889
2006	\$529,200	441	\$434,000	496	\$147,775	430	\$1,110,975

**Chart 4: Proportion of Affordable Homeownership Preservation Program Grants
By Income Levels
City of Alexandria (2002 - 2006)**

