

EXHIBIT NO. 1

27  
4-22-08

~~23~~  
~~4-8-08~~

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 3, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: ORDINANCE TO CHANGE THE ELIGIBILITY AND INCOME LIMITS FOR THE AFFORDABLE HOMEOWNERSHIP PRESERVATION (AHOP) GRANT PROGRAM

---

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

**RECOMMENDATION:** That City Council approve this proposed ordinance (Attachment II) on first reading on Tuesday, April 8, and schedule it for public hearing on Tuesday, April 22, and second reading and final passage with the final FY 2009 Budget on Monday, May 5. The proposed ordinance would accomplish the following:

- A. Decrease the maximum gross household income of the applicant from \$100,000 to \$72,000;
- B. Restrict participation in the 2008 AHOP Grant Program to those who received grants in 2007; and
- C. Extend the program to December 31, 2008.

**DISCUSSION:** Since 2004, the Affordable Homeownership Preservation (AHOP) Grant Program has been successful in providing real estate tax relief to certain City residents. City Council implemented the program to provide tax relief to residents in light of rising real property tax assessment. The AHOP grant is provided to low and moderate-income taxpayers. During the first year of the program a flat grant of \$250 was given to qualifying residents. After changes to the eligibility criteria enacted by City Council in fiscal years 2006 and 2007, the program currently offers grants ranging from \$200 to \$1,200 depending on the resident's income bracket.

Over the last four years, the AHOP Grant Program has provided over \$3 million in real estate tax relief to low and moderate-income residents. Approximately half of the relief administered through this program has been granted to the lowest income group, households with annual incomes below \$40,000 per year. Just over a third of the grantees are from households with

annual incomes between \$40,001 and \$55,000. The remaining relief has gone to households with annual incomes between \$55,001 and \$100,000.

Budget memo #34 (Attachment I) dated March 14, 2008, provides additional information and analysis of this program.

**FISCAL IMPACT:** Staff estimates that decreasing the maximum gross household income of the applicant will result in \$20,000 in cost savings. Based on previous years' reapplication rates, staff estimates that restricting participation to those who received grants in 2007 will result in \$400,000 in annual cost savings. Assuming the savings from these changes, the AHOP program will cost approximately \$0.7 million in FY 2009 and less in subsequent years.

**ATTACHMENTS:**

- Attachment I. Budget Memo #34
- Attachment II. Proposed Ordinance

**STAFF:**

- Laura B. Triggs, Director of Finance
- Bruce Johnson, Director, Office of Management and Budget
- Debbie Kidd, Division Chief, Revenue Administration

## City of Alexandria, Virginia

## MEMORANDUM

DATE: MARCH 14, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 34 : SIX-YEAR SUMMARY OF REAL ESTATE TAX RELIEF PROGRAMS OFFERED BY THE CITY OF ALEXANDRIA

This is in response to a request for additional information regarding the Affordable Home Ownership Preservation (AHOP) and Elderly and Disabled Tax Relief programs. The request was made during the Revenues work session on February 13. Please find attached an analysis of the real estate tax relief programs offered by the City. The analysis shows that the programs have provided substantial relief to City taxpayers. The amount of tax relief provided through the Elderly and Disabled Tax Relief Program has grown 265 percent since 2002 to a cost of \$3.5 million per year. The total amount of grants issued through the AHOP Grant Program has grown 545 percent since its inception in 2004 to \$1.1 million in 2007.

**TAX RELIEF BY INCOME LEVEL:**

The real estate tax relief programs in the City of Alexandria are currently administered on a need-based system. Need is defined by household income, with lower income households receiving proportionately greater amounts of tax relief. Eligible household incomes are divided into three categories. The income ranges for these income categories have changed over the years.

Staff notes that the proposed FY 2009 budget contains significant modifications to the AHOP program. It is proposed that the program include only those homeowners who have previously successfully applied for and received an AHOP grant in calendar year (CY) 2007. This curtailing of new applicants in the program is based on the fact that average home assessments dropped in 2008, as well as the assumption that those who did not apply in 2007 either did not need the program; chose to manage without governmental assistance; or did not own a home in the City in 2007. In addition, the maximum annual household income level is proposed to be reduced from \$100,000 to \$72,000. This will drop an estimated 100 households from the program who had incomes above \$72,000. If approved, these changes are estimated to result in a savings to the City of \$476,450 leaving a remaining AHOP program cost of \$648,550.

**Elderly and Disabled Tax Relief Program:** The amount of aid administered for the Elderly and Disabled Tax Relief program from 2002 through 2007 is shown in Table 1. Income levels and amounts of tax relief for the various years are:

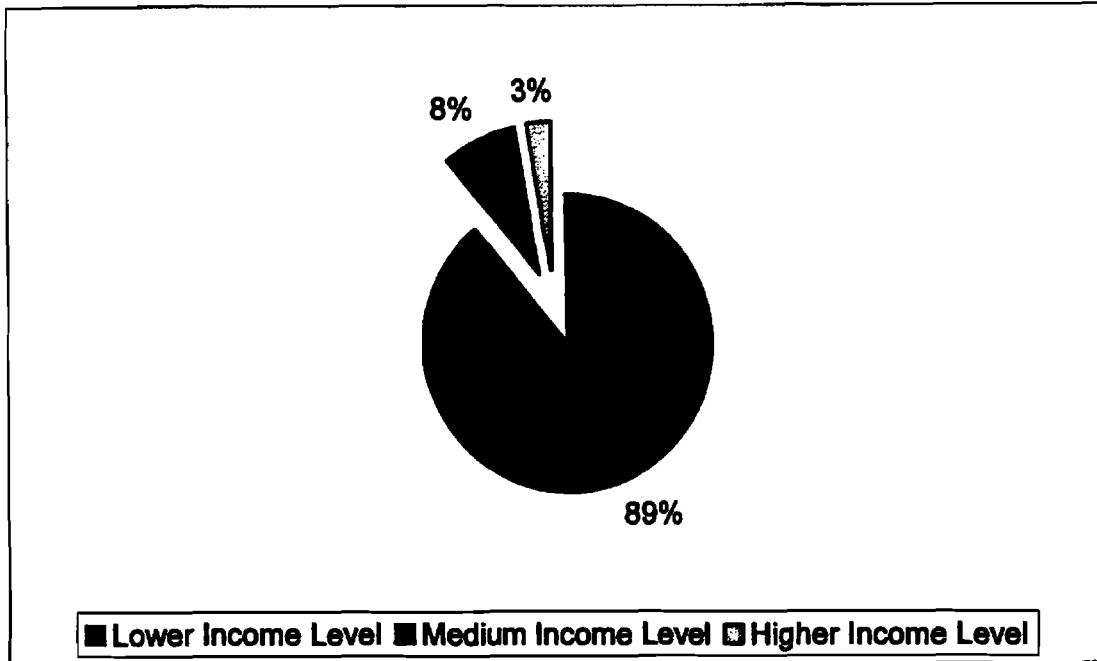
- 2002** Lower Income Level, \$0-\$25,600 (100% exemption)  
 Medium Income Level, \$25,601-\$30,000 (75% exemption)  
 Higher Income Level, \$30,001-\$35,000 (50% exemption)
  
- 2003-2005** Lower Income Level, \$0-\$40,000 (100% exemption)  
 Medium Income Level, \$40,001-\$50,000 (50% exemption)  
 Higher Income Level, \$50,001-\$62,000 (25% exemption)
  
- 2006-2007** Lower Income Level, \$0-\$40,000 (100% exemption)  
 Medium Income Level, \$40,001-\$55,000 (50% exemption)  
 Higher Income Level, \$55,001-\$72,000 (25% exemption)

**Table 1: Tax Relief Administered to Various Income Groups, Elderly and Disabled Real Estate Tax Relief Program, 2002 - 2007**

Year	Lower Income Level		Medium Income Level		Higher Income Level		Total Cost*
	Relief Provided*	Participants	Relief Provided*	Participants	Relief Provided*	Participants	
2002	\$0.8 million	449	\$0.08 million	47	\$0.05 million	40	\$1.0 million
2003	\$1.6 million	625	\$0.07 million	50	\$0.03 million	34	\$1.7 million
2004	\$2.1 million	723	\$0.1 million	85	\$0.05 million	60	\$2.2 million
2005	\$2.5 million	773	\$0.2 million	119	\$0.07 million	80	\$2.7 million
2006	\$2.9 million	823	\$0.3 million	185	\$0.09 million	87	\$3.3 million
2007	\$3.0 million	860	\$0.4 million	232	\$0.1 million	118	\$3.5 million
<b>Total</b>	<b>\$12.8 million</b>	<b>4,253</b>	<b>\$1.2 million</b>	<b>718</b>	<b>\$0.4 million</b>	<b>419</b>	<b>\$14.4 million</b>
<b>Percent</b>	<b>89%</b>	<b>79%</b>	<b>8%</b>	<b>13%</b>	<b>3%</b>	<b>8%</b>	<b>100%</b>

\* Amounts are rounded. Total relief includes exemptions, but not deferrals or administrative costs.

**Chart 1: Total Cost of Tax Relief Provided to Various Income Groups,  
Elderly and Disabled Real Estate Tax Relief Program, 2002 -2007**



**Affordable Homeownership Preservation (AHOP) Grant Program:** While the AHOP programs more aid to higher income groups than the Elderly and Disabled Tax Relief Program, the lowest income group still receives approximately one-half the total amount of aid given. These figures can be seen in Table 2. Income levels and grant amounts for the various years are:

- 2004** All income levels, \$0-\$62,000 (\$250 grant)
- 2005** Lower Income Level, \$0-\$40,000 (\$675 grant)  
Medium Income Level, \$40,001-\$50,000 (\$475 grant)  
Higher Income Level, \$50,001-\$62,000 (\$275 grant)
- 2006-2007** Lower Income Level, \$0-\$40,000 (\$1,200 grant)  
Medium Income Level, \$40,001-\$55,000 (\$875 grant)  
Higher Income Level, \$55,001-\$72,000 (\$375 grant)  
\$72,001 to \$100,000 (\$200 grant)

**Table 2: Tax Relief Administered to Various Income Groups, AHOP Program, 2004 - 2007**

Year	Lower Income Level		Medium Income Level		Higher Income Level		Total Grants Made*
	Total Grants Made*	Participants	Total Grants Made*	Participants	Total Grants Made*	Participants	
2004	\$0.07 million	283	\$0.05 million	215	\$0.04 million	159	\$0.2 million
2005	\$0.3 million	465	\$0.1 million	308	\$0.07 million	252	\$0.5 million
2006	\$0.5 million	444	\$0.4 million	497	\$0.1 million	434	\$1.1 million
2007	\$0.5 million	405	\$0.4 million	452	\$0.2 million	523	\$1.1 million
<b>Total</b>	<b>\$1.4 million</b>		<b>\$1.0 million</b>		<b>\$0.4 million</b>		<b>\$2.9 million</b>
<b>Percent</b>	<b>49%</b>		<b>36%</b>		<b>15%</b>		<b>100%</b>

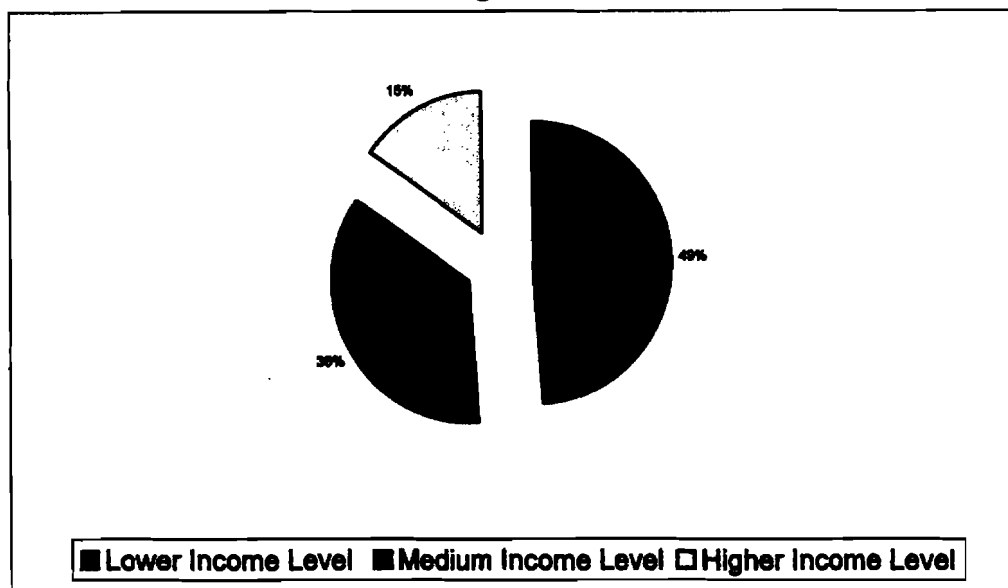
\*Amounts are rounded. "Total grants made" does not include administrative costs.

**Table 3: Tax Relief Administered to High Income Subgroups, AHOP Program, 2006-2007**

Year	\$55,001 - \$72,000 (\$375 grant)		\$72,001 - \$100,000 (\$200 grant)	
	Total Grants Made*	Participants	Total Grants Made*	Participants
2006	\$0.1 million	357	\$0.02 million	77
2007	\$0.2 million	423	\$0.02 million	100

\*Amounts are rounded.

**Chart 2: Total Tax Relief Administered to Various Income Groups, AHOP Program, 2004-2007**



**SUMMARY OF PROGRAMS:**

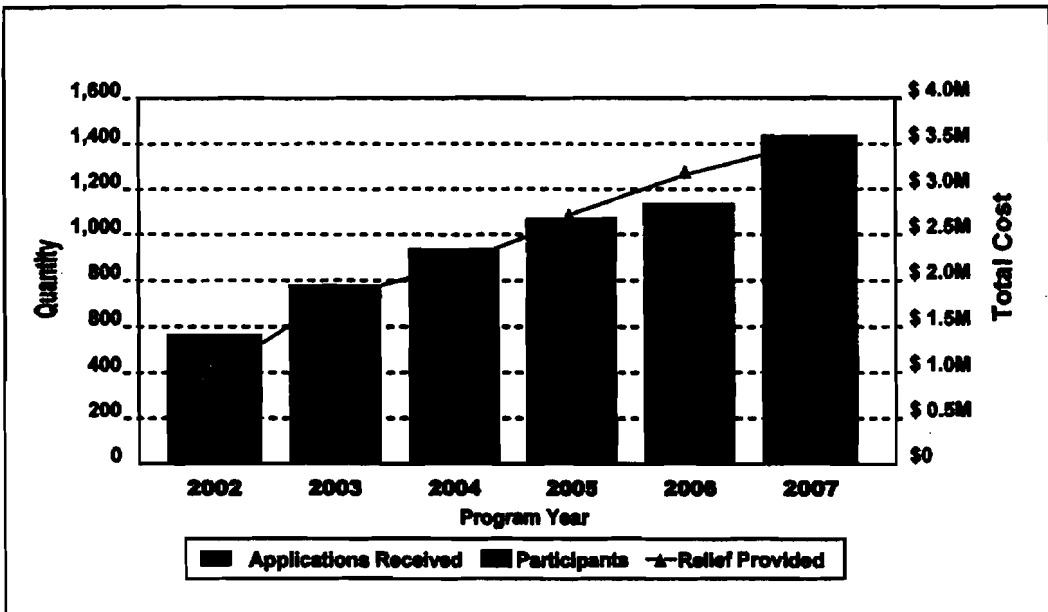
Real estate tax relief has grown substantially in Alexandria over the past six years. This is true for both the Elderly and Disabled Tax Relief Program, which has been in existence since 1963, and the AHOP Grant Program, which began in 2004. The following tables and charts illustrate various aspects of these two tax relief programs.

**Table 4: Applications Received, Participants, and Total Relief Provided, Elderly and Disabled Real Estate Tax Relief Program, 2002 - 2007**

Program Year	Applications Received	Participants	Total Relief Provided*
2002	574	536	\$1.0 million
2003	756	709	\$1.7 million
2004	929	868	\$2.2 million
2005	1,023	972	\$2.7 million
2006	1,138	1,095	\$3.3 million
2007	1,409	1,210	\$3.5 million
<b>Total Relief Provided Since 2002: \$14.4 million</b>			

\* Amounts are rounded. Total relief includes exemptions, but not deferrals or administrative costs.

**Chart 3: Applications Received, Participants, and Total Relief Provided, Elderly and Disabled Real Estate Tax Relief Program, 2002 - 2007**



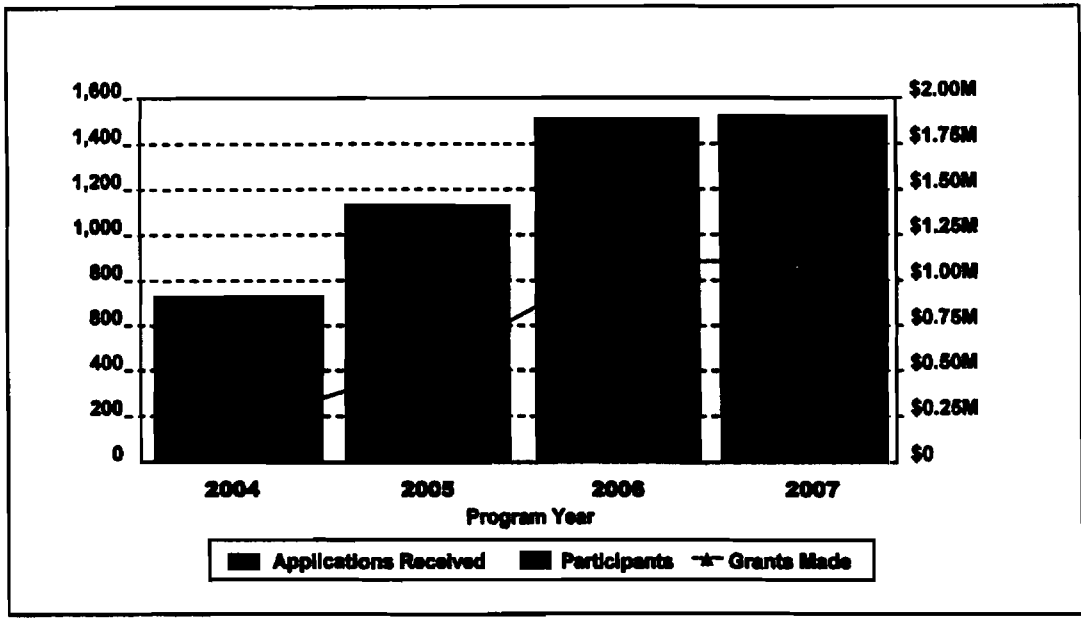
**Table 5: Applications Received, Participants, and Total Grants Made, Affordable Homeownership Preservation Grant Program, 2004 - 2007**

Program Year	Applications Received	Participants	Total Grants Made*
2004	733	657	\$0.2 million
2005	1,136	1,025	\$0.5 million
2006	1,544	1,375	\$1.1 million
2007	1,555	1,380	\$1.1 million
<b>Total Grants Made Since 2004: \$2.9 million</b>			

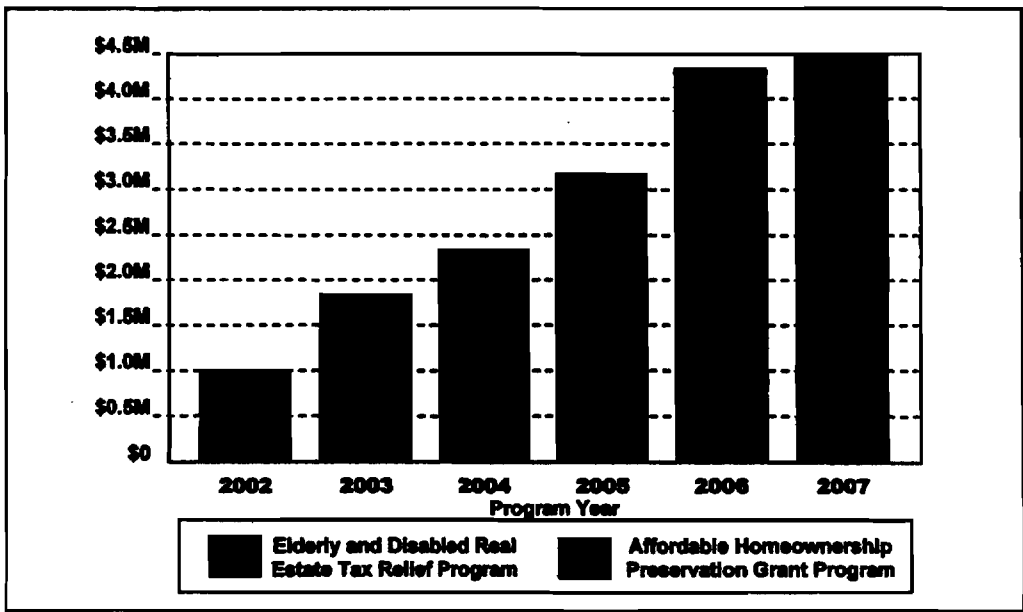
\*Amounts are rounded. "Total grants made" does not include administrative costs.



**Chart 4: Applications Received, Participants, and Total Grants Made, Affordable Homeownership Preservation Grant Program, 2004 - 2007**



**Chart 5: Combined Total Cost: Elderly and Disabled Real Estate Tax Relief Program & Affordable Homeownership Preservation Grant Program, 2002 - 2007**



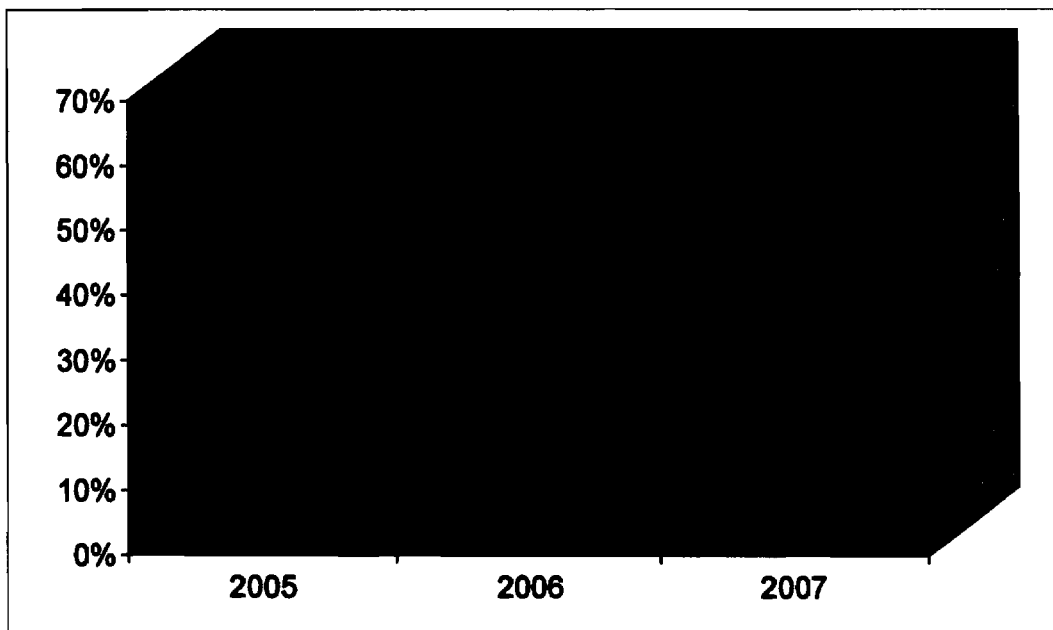
**Table 6: Number and Percentage of Approved Households That Are Condos,  
AHOP Program, 2004 - 2007**

	2004	2005	2006	2007
<b>Number of Participants</b>	657	1,025	1,375	1,380
<b>Number of Condos</b>	284	645	889	889
<b>Condos as Percent of Total</b>	43%	63%	65%	64%

**Table 7: Number and Percentage of New Applicants,  
AHOP Program, 2004 -2007**

	2004	2005	2006	2007
<b>Total Participants</b>	657	1,025	1,375	1,380
<b>New Participants</b>	657	661	690	468
<b>New Participants as Percent of Total</b>	100%	64%	50%	34%
<b>Number of Previous Year's Applicants Returning</b>	N/A	364	685	912
<b>Returning Participants as Percent of Total</b>	N/A	36%	50%	66%

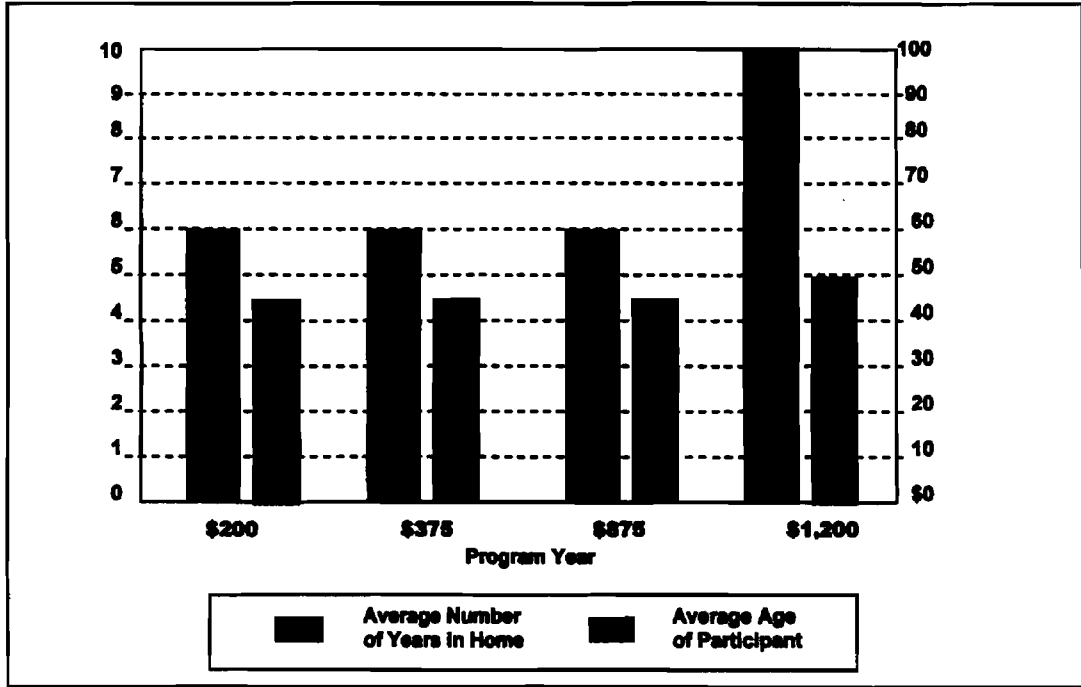
**Chart 6: Percent of Applicants That Are New to the Program, AHOP Program, 2005 - 2007**



**Table 8: Average Age of Applicant and Number of Years in Home by Grant Size, AHOP Program, 2005 - 2007**

2005				2006		2007	
Grant Size	Average Age	Average Number of Years In Home	Grant Size	Average Age	Average Number of Years In Home	Average Age	Average Number of Years In Home
\$275	44	6	\$200	42	5	42	6
\$475	43	6	\$375	42	6	42	6
\$675	48	9	\$875	42	6	42	6
			\$1,200	47	9	48	10
All	45	7	All	44	7	44	7

**Chart 7: Average Age of Applicant and Number of Years in Home by Grant Size, AHOP Program, 2007**



**PERCENTAGE GROWTH:**

**Elderly and Disabled Tax Relief:** From 2002 to 2007, the Elderly and Disabled Tax Relief program has grown 125 percent in the number of participants and 265 percent in cost to the City. Percentage growth by year is shown in the following table.

**Table 9: Percentage Growth in Participants and Total Relief Provided, Elderly and Disabled Real Estate Tax Relief Program, 2002 - 2007**

Program Year	Participants	Percentage Growth from Previous Year	Total Relief Provided <sup>1</sup>	Percentage Growth from Previous Year
2002	536	N/A	\$1.0 million	N/A
2003	709	32%	\$1.7 million <sup>2</sup>	71%
2004	868	22%	\$2.2 million	34%
2005	972	12%	\$2.7 million	23%
2006	1,095	13%	\$3.3 million	20%
2007	1,210	11%	\$3.5 million	8%

<sup>1</sup> Amounts are rounded. Total relief includes exemptions, but not deferrals or administrative costs.

<sup>2</sup> The large increase in cost for the year 2003 was due to an increase in qualifying income limits. See page 2 for complete qualifying limits.

**Affordable Homeownership Preservation (AHOP) Grant Program:** Similarly, the AHOP program has grown 110 percent in the number of participants and 545 percent in cost to the City in its four years of existence (2004-2007). Table 10 shows the percentage growth by year.

**Table 10: Percentage Growth in Participants and Total Grants Made, AHOP Program, 2004 - 2007**

Program Year	Participants	Percentage Growth from Previous Year	Total Grants Made <sup>1</sup>	Percentage Growth from Previous Year
2004	657	N/A	\$0.2 million	N/A
2005	1,025	55%	\$0.5 million	217%
2006	1,375	34%	\$1.1 million	112%
2007	1,380	0%	\$1.1 million <sup>2</sup>	-5%

<sup>1</sup> Amounts are rounded.

<sup>2</sup> The total grants made decreased slightly in 2007 because there were fewer large grants to lower income residents and more small grants given. See Table 2 for the exact number of grants given for each grant size.

194

**ADMINISTRATIVE COSTS:**

**Table 11: Applications Mailed and Processed,  
Participants Approved and Administrative Costs,  
Elderly and Disabled Real Estate Tax Relief Program, 2002 - 2007**

Program Year	Applications Mailed	Applications Processed	Participants Approved	Administrative Costs <sup>1</sup>
2002	1,332	574	536	\$23,874
2003	1,070	756	709	\$24,243
2004	1,185	929	868	\$24,354
2005	1,280	1,023	972	\$61,675 <sup>2</sup>
2006	1,371	1,138	1,095	\$49,645
2007	1,423	1,409	1,210	\$53,865

<sup>1</sup> The components of administrative costs are: salaries, mailings, computer programming, and processing.

<sup>2</sup> Administrative costs for 2005 reflect the one-time programming costs of initiating the database for this tax relief program and the addition of another staff person.

**Table 12: Applications Mailed and Processed,  
Participants Approved and Administrative Costs,  
AHOP Program, 2004 - 2007**

Program Year	Applications Mailed	Applications Processed	Applications Approved	Administrative Costs*
2004	1,000	733	657	\$60,671
2005	2,145	1,136	1,025	\$62,916
2006	2,000	1,544	1,375	\$62,568
2007	1,457	1,555	1,380	\$67,561

\* The components of administrative cost are: salaries, mailings, media advertising, computer programming, and processing by Treasury.

14

EXHIBIT NO. 2

Introduction and first reading:	04/08/08
Public hearing:	04/22/08
Second reading and enactment:	05/05/08

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-173 (SAME—ELIGIBILITY, RESTRICTIONS GENERALLY) 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 restricts future eligibility for Affordable Homeownership Preservation Program grants to individuals who received such grants in 2007, and lowers the maximum income limit for future grant recipients from \$100,000 to \$72,000.

Sponsor

Staff

Mark Jinks, Deputy City Manager  
Laura Triggs, Director of Finance  
Karen S. Snow, Assistant City Attorney

Authority

City Charter §§ 2.01 and 2.04.2

Estimated Costs of Implementation

None

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

None

ORDINANCE NO. \_\_\_\_\_

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45

AN ORDINANCE to amend and reordain Section 3-2-173 (SAME—ELIGIBILITY, RESTRICTIONS GENERALLY) 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 Sec. 3-2-173 of the Code of the City of Alexandria, Virginia, 1981, as amended, be and the same hereby is, amended and reordained to read as 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 ~~\$100,000~~ \$72,000.
- (2) The assessed value of the real estate owned by the applicant shall not exceed \$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.
- (8) An applicant for a grant provided under this division shall not be delinquent on any portion of the real estate taxes to which the grant is to be applied.
- (9) An applicant shall have received a grant under this division for calendar year 2007.



