


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: CONSIDERATION OF HOUSING TRUST FUND BUDGET TRANSFER

ISSUE: Consideration of a budget transfer within the Housing Trust Fund (HTF).

RECOMMENDATION: That City Council approve the transfer of \$200,000 within the HTF monies to the traditionally federally-funded Homeownership Assistance Program (HAP) from the Moderate Income Homeownership Program (MIHP).

BACKGROUND: As discussed at Council's April 10 legislative meeting, the Office of Housing is requesting the transfer of \$200,000 from the Moderate Income Program (MIHP) to the Homeownership Assistance Program (HAP). HAP provides loans of up to \$50,000 for downpayment and closing costs for lower income (up to 80 percent of area median income) City residents and/or workers who are first-time homebuyers, while MIHP offers up to \$30,000 for households with incomes up to 100 percent of area median income.¹ The loans in both programs are no-interest, 99-year deferred payment loans. As of FY 2010, both programs have included an equity sharing component that requires a future price discount for subsequent income-eligible buyers. Since the inception of the equity sharing component, MIHP loan activity has declined significantly. In FY 2009, the City approved 35 MIHP loans at a total cost of \$832,049, while a total of only 21 loans totaling \$478,977 have been approved in the two subsequent years.

DISCUSSION: While MIHP participation has been limited in both FY 2011 (six loans) and FY 2012 to date (two loans), participation in HAP remains extremely strong, with 26 loans closed during the first three quarters of FY 2012 (July – March). The HAP budget was funded at \$951,239 for this fiscal year, an amount adequate to fund 19 loans at the maximum loan amount. In addition, the City's Affordable Housing Advisory Committee (AHAC) recommended and City Council approved a transfer of \$350,000 in MIHP funding to HAP in November 2011. AHAC recommended support for this additional fund transfer at its meeting of April 5, 2012.

Of the budgeted and transferred amounts \$1,138,500 has already been committed to eligible first-time homebuyers. Staff anticipates that the current HAP balance will fund three loans

¹ For a four-person household, the maximum HAP income limit is \$86,000 and the MIHP limit is \$107,500.

anticipated through April 2012, and the recommended transfer is expected to support activity through the final two months of the FY2012. HAP activity was suspended before the end of three of the last five fiscal years due to depletion of funds; the recommended action is designed to prevent that outcome in FY 2012. The additional HAP money also will help leverage \$900,000 in favorable mortgage financing from the Virginia Housing Development Authority (VHDA) and other sources². The VHDA reservation for these funds will expire on June 30, 2012. Given the level of HAP expenditures to date, staff is requesting the MIHP funds be transferred to support continuation of HAP and to provide the needed City funding to leverage these remaining funds.

If approved, the transferred funds, along with the leveraged funds, will provide additional resources to expand the range of units affordable to low- and moderate-income households by providing first trust mortgage financing at 0.5% below VHDA's normal loan rate. Given limited MIHP activity levels in FY 2012 (only two loans have been approved to date), the proposed budget transfer is not expected to have a negative impact on program participation.

FISCAL IMPACT: None. All funds are programmed in the City's approved FY 2012 budget.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing

Helen McIlvaine, Deputy Director, Office of Housing

Shane Cochran, Division Chief, Program Implementation, Office of Housing

Eric Keeler, Division Chief, Program Administration, Office of Housing

² The City received an allocation of \$250,000 under VHDA's Community Homeownership Revitalization Program (CHRP) to support homebuyers participating in the City's Neighborhood Stabilization Program (NSP) and an additional \$650,000 to support other HAP participants purchasing homes within one of three approved NSP target areas.