

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 14, 2014

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: RASHAD M. YOUNG, CITY MANAGER 

FROM: NELSIE L. SMITH, DIRECTOR, OFFICE OF MANAGEMENT & BUDGET 

SUBJECT: BUDGET MEMO #9: RECOMMENDED CHANGES FOR THE ELDERLY AND DISABLED TAX RELIEF AND RENT RELIEF PROGRAMS OFFERED BY THE CITY OF ALEXANDRIA

The purpose of this memorandum is to provide additional information and clarification on proposed changes to the Elderly and Disabled Tax Relief program. This memo also addresses proposed additional investments in the City's Senior Rent Relief program.

As Council is aware, the City provides an Elderly and Disabled Real Estate Tax Relief Program for residents who are 65 years of age or older, or are permanently and totally disabled. Eligibility for the tax relief program is based on need. Determinations of need are currently based on an individual's gross household income and assets. Lower income households receive proportionately greater amounts of tax relief than households with higher income.

In reviewing this program in context of the budget development process, staff identified a number of participants receiving tax relief who have properties with an assessed valuation at or above \$500,000. Specifically, for calendar year 2013, data indicates some 290 properties received a tax benefit despite having property with an assessed valuation in excess of \$500,000. The total cost of providing relief to these property owners was approximately \$1.3 million.

Details of the Elderly and Disabled Tax Relief Program are as follows:

Table 1: Elderly and Disabled Tax Relief Program Statistics, 2013 (in millions)

Relief Category	Average Assessment	Count	Relief Value	Max Val w/in Category	Number of Assessments over 500K	Total Relief Assessments over \$500K
25 %	\$.409	162	\$0.2	\$1.1	47	\$0.1
50 %	\$.389	236	\$0.5	\$0.9	70	\$0.2
100 %	\$.367	677	\$2.6	\$1.5	155	\$1.0
Deferral	\$.514	18	\$0.05	\$0.8	18	\$0.04
Total	\$.420	1093	\$3.3	\$1.5	290	\$1.3

* Amounts are rounded.

The City Managers Proposed Operating Budget recommended changes in the eligibility criteria for the Elderly and Disabled Tax Relief Program. The proposal changed the City’s definition of an asset to include property owned by an applicant and eliminated tax relief eligibility for any individual owning property with an assessed valuation in excess of \$500,000. The proposal also eliminated tax relief eligibility for participants with household assets above \$340,000. Eliminating eligibility for those with household assets above \$340,000 closely aligns the City’s eligibility requirements with our neighboring jurisdictions, Arlington and Fairfax. Previously an individual was eligible for Elderly or Disabled Tax Relief if their household assets did not exceed \$540,000, however, the assessed value of property owned was not considered an asset.

Subsequent to the City Managers Proposed Operating Budget recommendation to Council, staff suggested an additional modification to the tax relief program’s eligibility criteria. Staff proposed to eliminate the blanket exclusion for properties valued greater than \$500,000 and instead suggested an eligibility limit of \$575,000. Calculations for determining program eligibility would use both owned property value and household assets possessed by an individual, although household assets could still not exceed the \$340,000 as was originally proposed. Increasing the total program eligibility limit to \$575,000 and assuming owned property to be an asset provides greater flexibility in determining eligibility. The increased eligibility limit also provides an additional safeguard against negatively impacting those with few resources other than the value of their property. This revision in eligibility criteria has no fiscal impact on the budget I have recommended to Council. I am therefore requesting you consider this amended proposal as my recommendation to you on Elderly and Disabled Tax Relief.

The majority of fiscal savings realized by changing the eligibility criteria for tax relief (\$1 million) were returned to the City’s General Fund to support the many City programs and services recommended in my FY 15 budget proposal. However, some monies yielded from the proposed change (\$300,000) were “dedicated” to enhancing the City’s Rent Relief Program.

The City’s Rent Relief Program offers cash grants up to \$4,100 per year, per household to residents who are 65 years or older, or are disabled with no other means to pay rent. Approved applicants receive monthly benefits on a sliding scale based on their income. For Fiscal Year 2014, 69 households receive some amount of financial aid for rent. Details of the Rent Relief Program are below:

Table 2: Rent Relief Program Statistics, FY 2014

Rent Relief Income Limits	Average Lease	Count	Grant Awarded
\$0 - \$12,800	\$10,748	16	\$65,664
\$12,801 - \$15,000	\$12,387	11	\$39,600
\$15,001 - \$18,000	\$13,763	19	\$58,824
\$18,001 - 21,000	\$13,829	9	\$23,436
\$21,001 - 25,600	\$15,577	14	\$28,728
Total	\$13,261	69	\$216,252

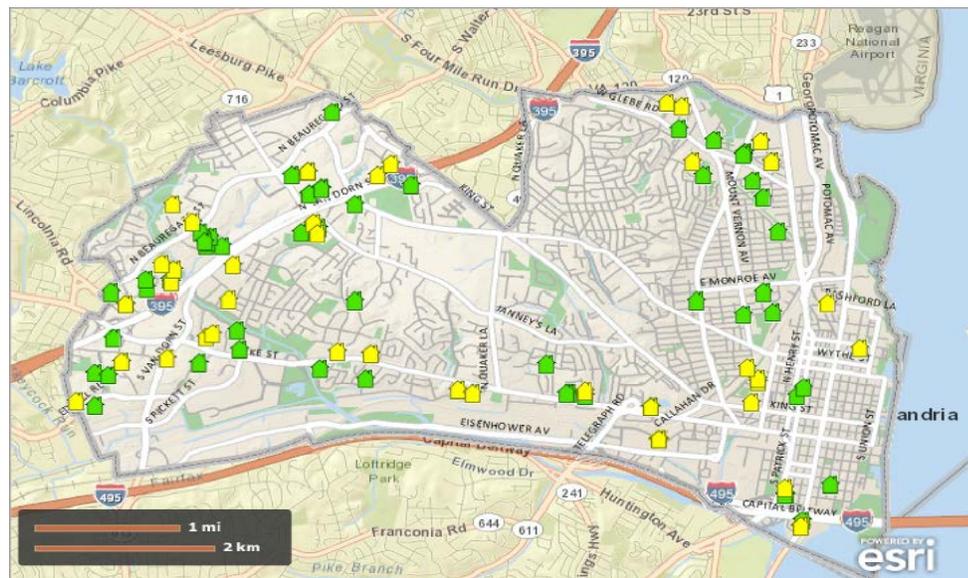
The addition of the proposed \$300,000 for Rent Relief will provide approximately 40 individuals with low income, the financial support needed to maintain a rental home. Funds will also permit an increase in the amount of subsidy provided to all program participants. Subsidy levels have not been adjusted since 2007 when the current support level was presumed to provide for 40 percent of market rate rents. Increasing rental rates during the past six years have effectively reduced the level of subsidy provided by the City to 30 percent of market rate.

Attached to this memo are several charts providing information regarding both the Elderly and Disabled Tax Relief Program as well as the Rent Relief Program. I am prepared to discuss in some detail the changes proposed for these programs during Council's budget work session on Accountable, Efficient and Well Managed Government, currently scheduled for April 3. In the meantime, please let me know if you have any questions.

2013 City of Alexandria Elderly and Disabled Tax Relief Participant Locations



2013 City of Alexandria Rent Relief Participant Locations



Elderly Tax Relief and Rent Relief program statistics showing participant number of years in program.

Elderly Tax Relief Category	Number of Residents in the Elderly Tax Relief Program (1 - 6 Years)	Number of Residents in the Elderly Tax Relief Program (Over 6 Years)
25 percent	62	100
50 percent	80	156
100 percent	176	501
Total	318	757

Rent Relief Income Limits	Number of Residents in the Rent Relief Program (1 - 6 Years)	Number of Residents in the Rent Relief Program (Over 6 Years)
\$0 - \$12,800	11	6
\$12,801 - \$15,000	8	3
\$15,001 - \$18,000	13	6
\$18,001 - \$21,000	6	2
\$21,001 - \$25,600	13	1
Total	51	18