

## City of Alexandria, Virginia

## MEMORANDUM

DATE: APRIL 26, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 81: (1) ESTIMATED FINANCIAL RESOURCES AVAILABLE FOR AFFORDABLE HOUSING DEVELOPMENT AND (2) HOW TO DEDICATE ONE CENT OF THE REAL ESTATE TAX RATE FOR AFFORDABLE HOUSING

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In the work session on affordable housing with the Alexandria Housing Development Corporation, the issue of funding availability for affordable housing for FY 2006 was discussed. The attached chart indicates that (absent any budget adds or deletes) there is some \$12.9 million available for affordable housing development for FY 2006. This assumes that the \$3.65 million recordation tax dedication for affordable housing occurs, as well as the \$3.5 million (Housing Trust Fund and CIP) repayment by ARHA of the bridge loan for the 52 Chatham Square on-site units occurs in FY 2006. Barring unforeseen circumstances, that repayment by ARHA should occur by the end of December.

Councilwoman Woodson and Councilman Gaines had asked how procedurally one cent of the real estate tax rate could be set aside for affordable housing. There are three primary options:

- (1) **Ordinance:** The most formal and fixed dedication (as is the case with the open space fund) would require that Council adopt an ordinance. If Council wishes to proceed by ordinance, Council could set aside funding equivalent to one cent in the budget to be approved on May 2 for affordable housing, and direct staff to prepare and docket the ordinance for introduction on May 10, and public hearing and final passage May 14. It should be noted that, under City Charter Section 6.15, the dedication of tax revenue for "permanent public improvements," like open space acquisition, is irrevocable. Once the revenue has been collected for that purpose, it cannot be expended for any other purpose. Thus, while a future Council could terminate the dedication of one cent on the real estate tax rate to the open space fund prospectively, it could not do so retroactively. Other revenue dedications, however, are not subject to this legal restriction. Thus, a future Council could amend or repeal the ordinance making the affordable housing fund dedication, and return collected revenues to the general fund. However, any such change would require introduction, first and second readings, and a public hearing on the amendatory ordinance.

- (2) Resolution: Council could dedicate the one cent for affordable housing by adopting a resolution. It would take a subsequent resolution of Council to change that dedication, whereas if it was dedicated by ordinance, the ordinance would need to be repealed for the dedication to be changed. No public hearing is required to adopt, amend, or rescind a resolution. A resolution could be prepared for May 2 Council action.
- (3) Appropriation: Council could appropriate the equivalent of one cent in the budget and not adopt a resolution or ordinance. While this accomplishes the same fiscal objective for FY 2006, it does not create as firm a future commitment as either of the options discussed above.

Attachment

**ESTIMATED FINANCIAL RESOURCES AVAILABLE FOR AFFORDABLE  
HOUSING DEVELOPMENT  
(\$ in millions)**

	<b>Current Balance</b>	<b>FY 06 Proposed/ Anticipated</b>	<b>TOTAL</b>
<b>Housing Opportunities Fund (HOF)</b>	\$3.287 million	\$1 million	\$4.347 million
<b>Recordation Tax</b>	-	\$3.65 million	\$3.65 million
<b>Unreserved Housing Trust Fund (HTF) Contributions, etc. Madden Repayment by ARHA</b>	\$0.442 million	\$1.06 million \$2.0 million	\$1.502 million \$2.0 million
<b>Madden CIP Repayment by ARHA</b>	-	\$1.5 million	\$1.5 million
<b>TOTAL</b>	\$3.729 million	\$9.21 million	\$12.939 M