

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 25, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #139: ADDITIONAL INCOME LIMITS FOR REAL ESTATE TAX RELIEF FOR LIMITED INCOME RESIDENTS UNDER THE AFFORDABLE HOME OWNERSHIP PRESERVATION (AHOP) PROGRAM

ISSUE: What income and grant levels to set in the Affordable Home Ownership Preservation (AHOP) Program.

RECOMMENDATION: Approve AHOP income and grant amount changes as outlined in the "City Manager Recommended" column of the attached chart (Attachment I).

DISCUSSION: The FY 2007 proposed budget included and funded an increase in the AHOP program income ceiling from \$62,000 to \$72,000 and increased grant amounts by \$50, \$225, and \$325 (see Attachment I, second column). In addition to these increases, Council has discussed options to increase income ceilings further.

This memo is a follow-up to the discussions at the April 24, 2006, Budget Work Session on the Affordable Home Ownership Preservation (AHOP) Program. Budget Memo #124 provided options number 1, 2, and 3. Budget Memo #137 provided options number 4 and 5. At last night's Budget Work Session, an additional option, number 6, was discussed. Staff has developed option number 7 for Council's consideration. The options are listed below and included in chart form on Attachment I.

- Options 1, 2, and 3 increase the AHOP program grants at a cost of either \$100,000, \$200,000 or \$300,000 over the FY 2007 proposed budget.
- Option 4 provides a \$200 grant to participants with a household income limit of \$72,000 to \$90,000. This option costs approximately \$100,000 over the FY 2007 proposed budget.
- Option 5 provides a \$200 grant to participants with a household income limit of \$72,000 to \$108,000. This option costs approximately \$200,000 over the FY 2007 proposed budget.

- Option 6, which was first discussed last night, provides a \$200 grant to households of 2 or more that have a household income of more than \$72,000 but less than \$135,000. The one person household income eligibility ceiling would be set at \$72,000. This option costs approximately \$350,000 over the FY 2007 proposed budget.
- Option 7 provides lower maximum increase levels and distinguishes between 2 person households and households with 3 or more people. It would provide a \$200 grant to households of 2 that have a household income above \$72,000 but that does not exceed \$87,000 and a \$200 grant to households of 3 or more that have a household income above \$87,000 but that does not exceed \$100,000. This option costs approximately \$150,000 over the City Manager's proposed budget. The income limit of \$87,000 for a two-person household and the limit of \$100,000 for a household of three or more was chosen because it matches the maximum level of household incomes (adjusted by area) that can benefit from tax-exempt mortgage financing under federal law. As such, the provision of a favorable governmental tax treatment is well accepted. These are the VHDA limits for their first time home buyer mortgages.

All these options continue to set a **limit of \$527,000 for the assessed** value of the home (approximately 60 percent of the residences in Alexandria are assessed at less than this amount) and **a limit of \$50,000 for other assets** (excluding the value of the home, vehicles and any retirement-related savings.)

Under options 6 and 7, a **household member** is defined as the applicant, the applicant's spouse, any relative of the applicant who resides in the dwelling, and any other person who is an owner of and resides in the dwelling.

The City Code (Section 3-2-171) defines a **household income** to be the adjusted gross income, as shown on the federal income tax returns(s) as of December 31 of the calendar year immediately preceding the taxable year, of the applicant, of the applicant's spouse, of any relative of the applicant who resides in the dwelling, and of any other person who is an owner of and resides in the applicant's dwelling.

FISCAL IMPACT: The estimated cost of the recommended option 7 would be \$150,000 per year.

ATTACHMENT:

Attachment I: Affordable Home Ownership Preservation Program Options Chart

STAFF:

Mark Jinks, Deputy City Manager
 Daniel Neckel, Director, Finance
 Bruce Johnson, Director, OMB
 Mildrilyn Davis, Director, Housing

The following chart compares all AHOP Program options for Council’s consideration:

Affordable Home Ownership Preservation Program Options

Household Income Limits	Current Program (FY 2006)	City Manager Proposed	Increase Grants Option 1	Increase Grants Option 2	Increase Grants Option 3	Increase Income Ceilings Option 4	Increase Income Ceilings Option 5	Increase Income Ceilings Option 6	Increase Income Ceilings Option 7	City Manager Recommended
\$72,000 to \$135,000 Households of 2 or more								\$200		
\$87,000 to \$100,000 Households of 3 or more									\$200	\$200
\$72,000 to \$87,000 Households of 2 persons									\$200	\$200
\$72,000 to \$108,000							\$200			
\$72,000 to \$90,000						\$200				
\$55,000 to \$72,000		\$325	\$350	\$375	\$425	\$325	TBD	TBD	TBD	\$325
\$50,000 to \$62,000	\$275									
\$40,000 to \$55,000		\$700	\$800	\$875	\$950	\$700	TBD	TBD	TBD	\$700
\$40,000 to \$50,000	\$475									
under \$40,000	\$675	\$1,000	\$1,100	\$1,200	\$1,300	\$1,000	TBD	TBD	TBD	\$1,000
Total Budget	\$0.65 M	\$0.95 M	\$1.05 M	\$1.15 M	\$1.,25 M	\$1.05 M	\$1.15 M	\$1.30 M	\$1.10 M	\$1.10M
Added Cost to Proposed Budget	NA	NA	+\$100,000	+\$200,000	+\$300,000	+\$100,000	+\$200,000	+\$350,000	+\$150,000	+\$150,000

