

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)

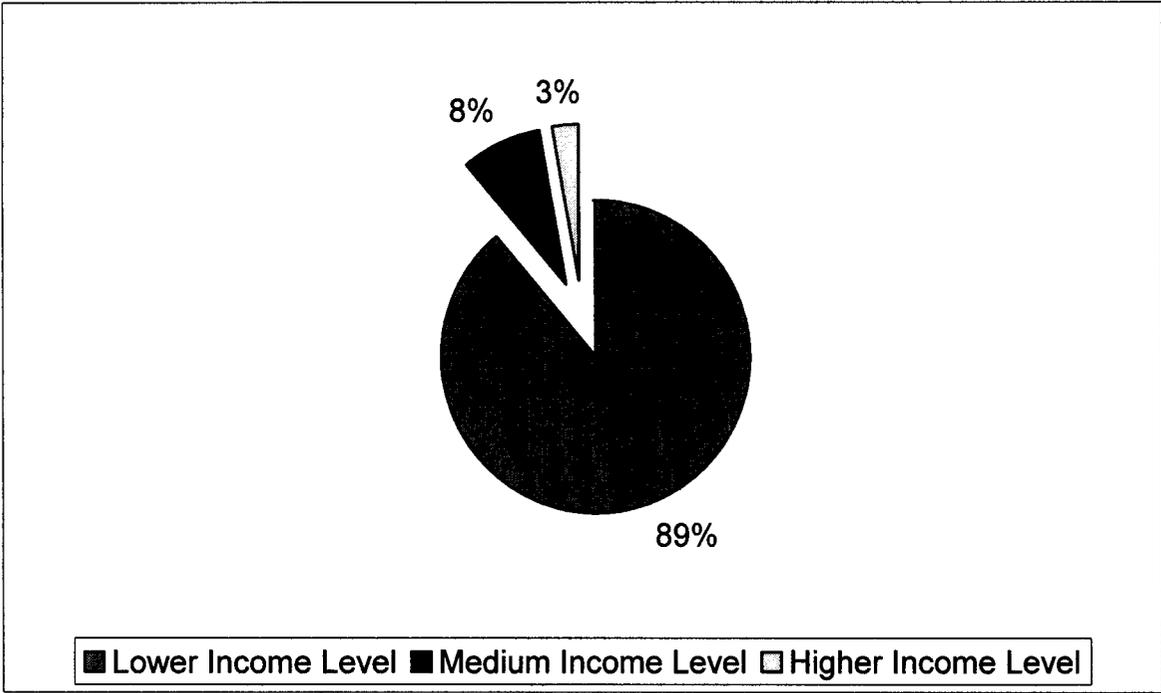
- 2006-2007** Lower Income Level, \$0-\$40,000 (100% exemption)
 Medium Income Level, \$40,001-\$55,000 (50% exemption)
 Higher Income Level, \$55,001-\$72,000 (25% exemption)

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
Total	\$12.8 million	4,253	\$1.2 million	718	\$0.4 million	419	\$14.4 million
Percent	89%	79%	8%	13%	3%	8%	100%

* 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
Total	\$1.4 million		\$1.0 million		\$0.4 million		\$2.9 million
Percent	49%		36%		15%		100%

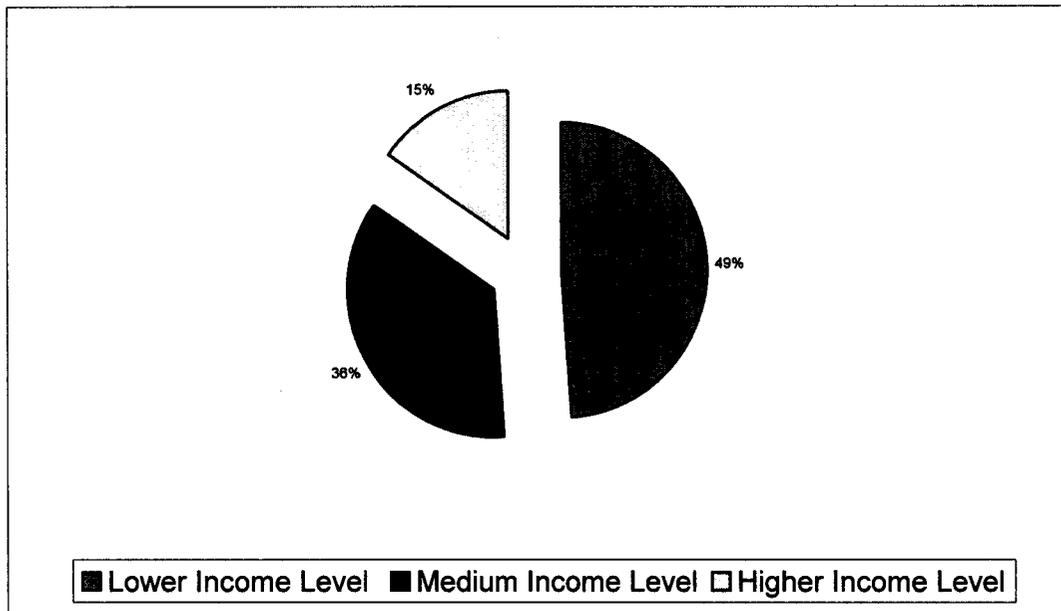
*Amounts are rounded. "Total grants made" does not include administrative costs.

**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
Total Relief Provided Since 2002: \$14.4 million			

* 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

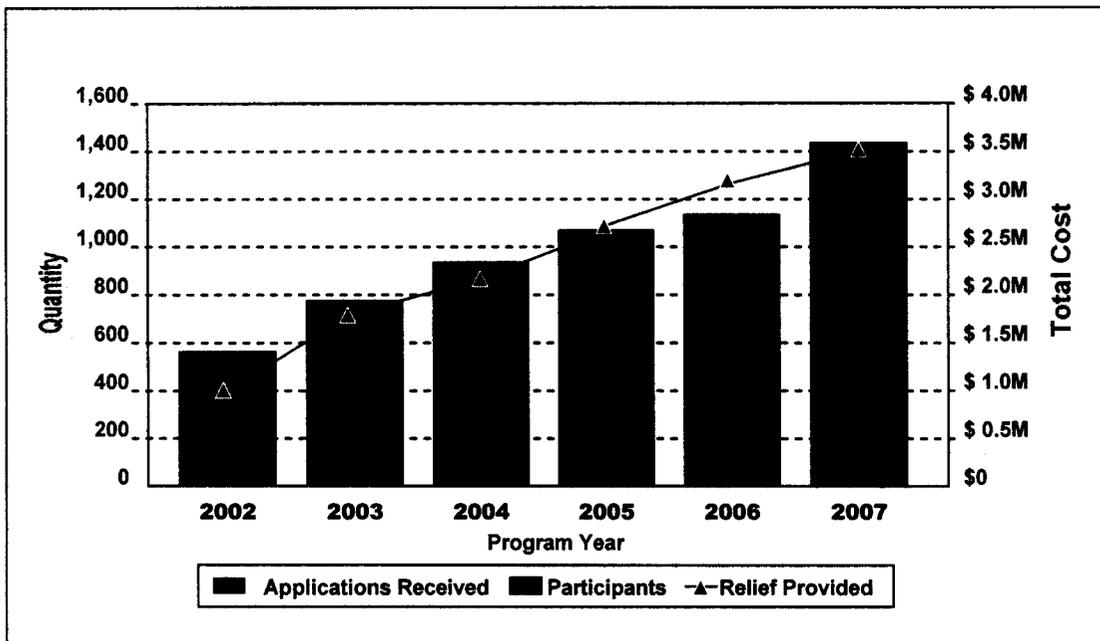


Table 5: Applications Received, Participants, and Total Grants Made, Affordable Homeownership Preservation Grant Program, 2004 - 2007

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
Total Grants Made Since 2004: \$2.9 million			

*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

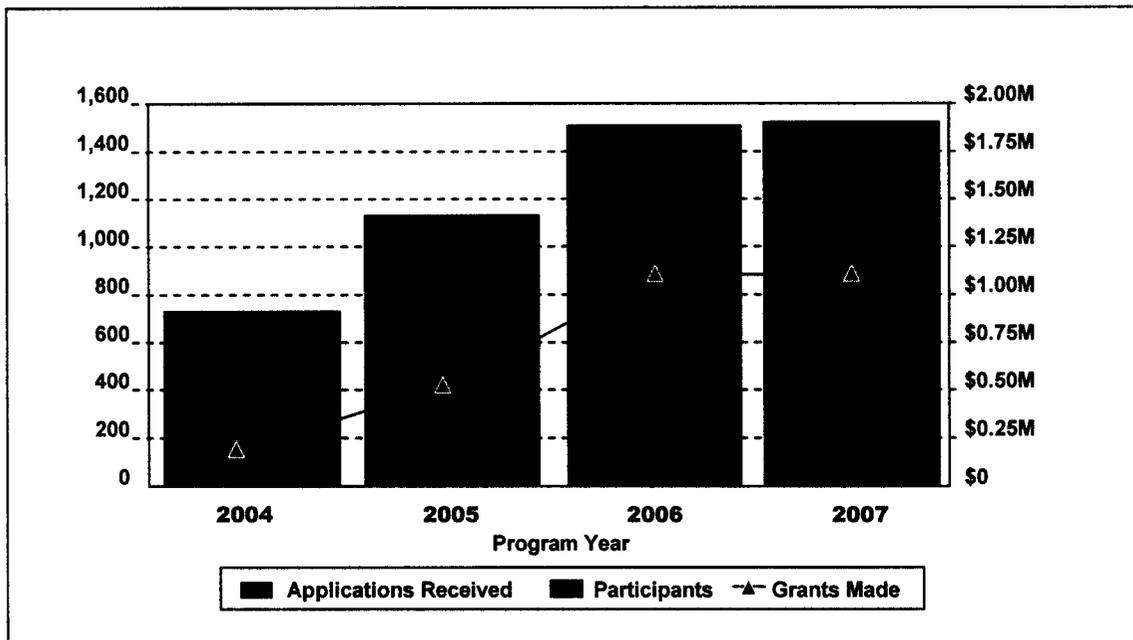


Chart 5: Combined Total Cost: Elderly and Disabled Real Estate Tax Relief Program & Affordable Homeownership Preservation Grant Program, 2002 - 2007

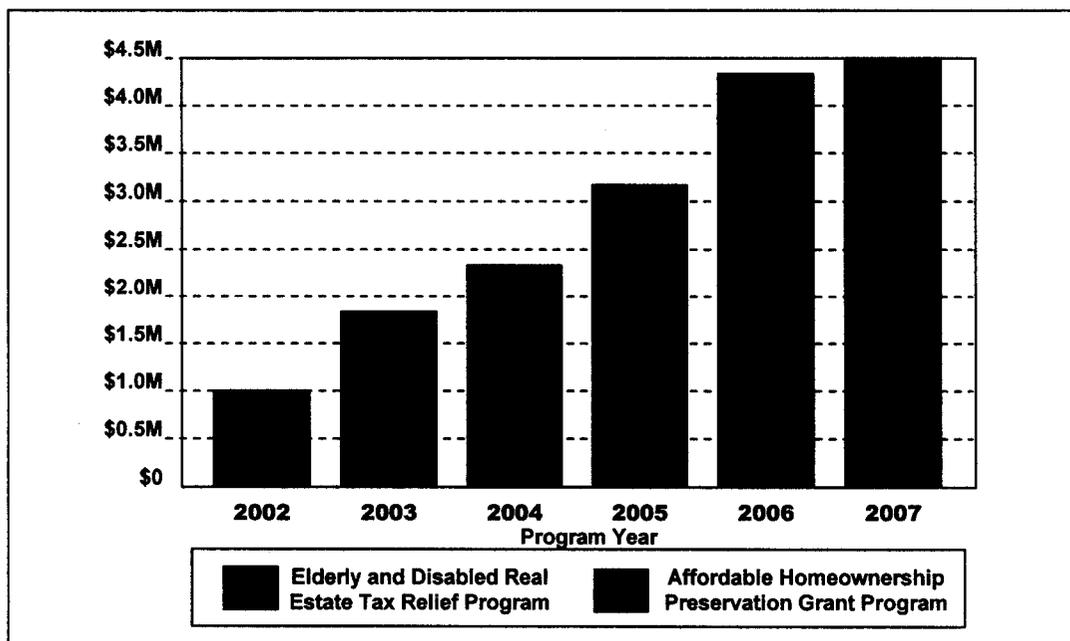


Table 6: Number and Percentage of Approved Households That Are Condos, AHOP Program, 2004 - 2007

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

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

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

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

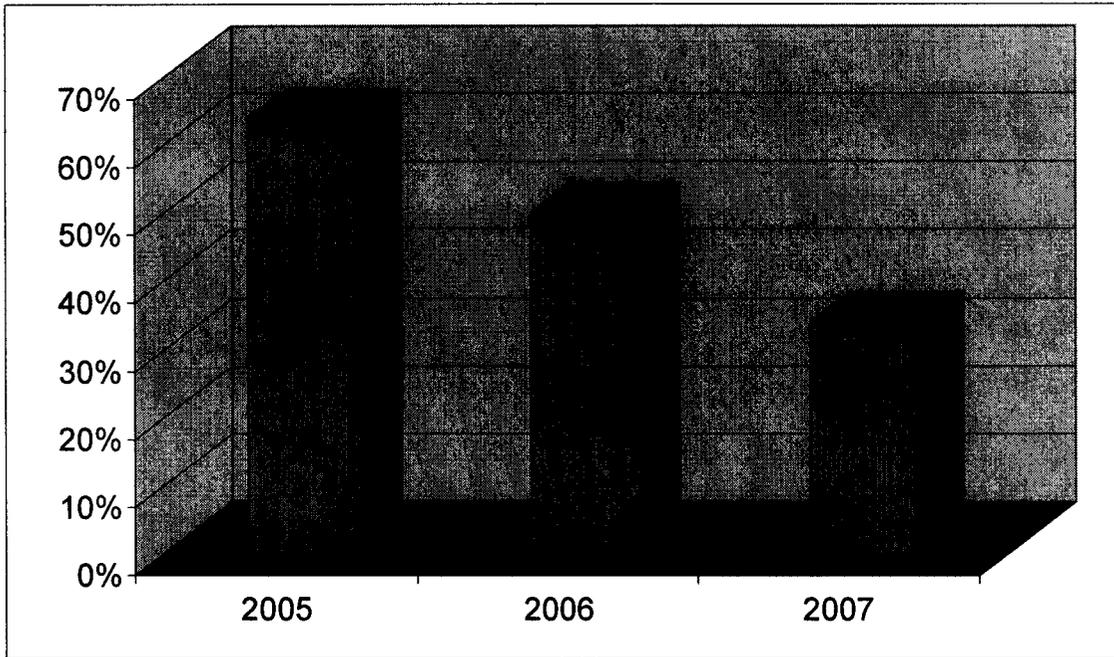
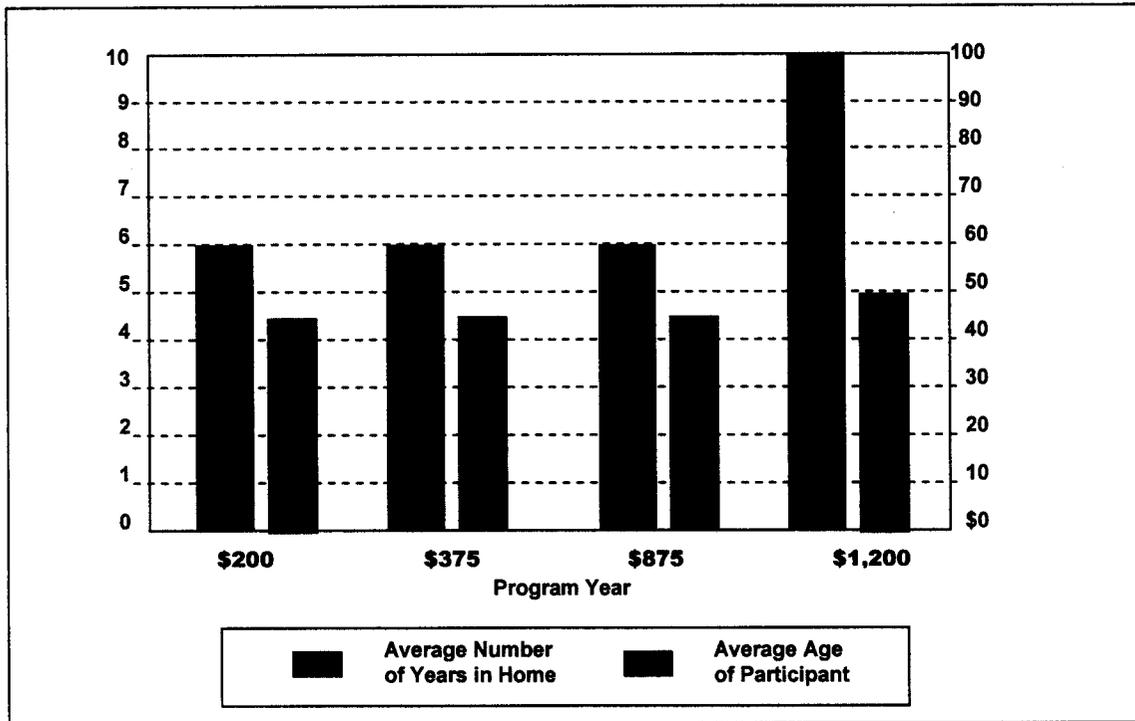


Table 8: Average Age of Applicant and Number of Years in Home by Grant Size, AHOP Program, 2005 - 2007

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 ¹	Percentage Growth from Previous Year
2002	536	N/A	\$1.0 million	N/A
2003	709	32%	\$1.7 million ²	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%

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

² 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 ¹	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 ²	-5%

¹ Amounts are rounded.

² 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.

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 Costs¹
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 ²
2006	1,371	1,138	1,095	\$49,645
2007	1,423	1,409	1,210	\$53,865

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

² 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.