

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 5, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMAN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO #20 : UPDATE ON THE EMPLOYEE HOMEOWNERSHIP INCENTIVE PROGRAM (EHIP)

This memorandum responds to Councilman Krupicka's request for an update on the City's Employee Homeownership Incentive Program (EHIP), information on the percentage of City and school employees that reside in the City, and staff recommendations for program continuation and/or expansion.

The EHIP program is funded by the City's Housing Trust Fund, and the monies used for this program are carryover monies received in prior years.

According to the City's Personnel Department and the Alexandria City Public Schools (ACPS), an estimated 14.8% of City employees and approximately one-third of school employees currently live within the City limits. EHIP provides loans of up to \$5,000 to City and school employees who purchase homes in the City of Alexandria. EHIP has neither income limits nor a first-time homebuyer requirement common to other home purchase assistance programs. However, the program has a purchase price limit of 1.33 times the average residential assessment. As a result, this limit rose from \$475,000 last year to \$587,600 based on the increased 2005 assessments. EHIP assistance can be combined with assistance under the City's Homeownership Assistance Program (HAP) and Moderate Income Homeownership Program (MIHP), as well as VHDA's Sponsoring Partnerships and Revitalizing Communities (SPARC) first trust and Home Stride second trust mortgage programs, provided the eligibility criteria for those programs are met.

The EHIP FY 2005 budget of \$200,000 was designed to assist 40 employees for the first year of the program. During the first nine months of the program (through 3/23), 15 loans have been either closed or committed at a total cost of \$72,500. Based on program participation to date, staff expects to make approximately 20 loans, half of the originally projected number, by the end of FY 2005.

The EHIP program is recommended for continuation in the City Manager's Proposed Budget, within the Office of Housing budget, at a level of \$250,000 in FY 2006. The current program design has proven to be very simple to administer and staff does not recommend any changes to the program at this time.

The following are some of the characteristics of EHIP program participation to date:

- 12 of the 15 participants were first-time homebuyers.
- Seven of 15 participants were ACPS employees, and the remaining being City employees, two of which were police officers.
- 11 of the participating households met income requirements for the City's Moderate Income Homeownership Program (MIHP). Nine of these received MIHP loans. Eight of these households received Home Stride assistance, including one that received both Home Stride and SPARC mortgages.
- One of the two income-eligible purchasers that did not receive MIHP was ineligible for other reasons (not a first-time homebuyer and had a sales price in excess of the MIHP sales price limit); the other chose to purchase without using MIHP.
- None of the 15 were income-eligible for the Homeownership Assistance Program (HAP).
- Only four were over-income for the City's regular home purchase assistance programs.
- Average household income for participants to date was \$63,931¹
- Average purchase price of these 15 units was \$298,000

In addition to these loan closings and commitments, 23 City and ACPS employees responded to the special municipal employee purchase program negotiated with the developers of the Parkside at Alexandria, formerly the Jamestown Village Apartments. The developer provided an exclusive marketing period as well as purchase price discounts for public employees purchasing at this complex. The 23 respondents include ten Alexandria police officers and eight ACPS teachers. While it is not certain that all of these individuals will qualify to purchase units at this complex, all of the qualifying households may be eligible for assistance through the EHIP program. The first settlements at Parkside are expected to occur in September 2005.

The projected carryover budget of \$100,000 along with the FY2006 budget request of \$250,000, will provide adequate funding for up to 70 new EHIP loans. EHIP loan activity could be impacted by the rehabilitation schedule for Parkside at Alexandria or by purchase opportunities for eligible employees at other condominium conversion developments. The developer of at least one other condominium conversion, The Bearings (Archstone Old Town and Boulevard Apartments), will hold a special marketing period for public employees at discounted prices.

¹One person purchased with a future spouse, also a City employee, whose income was not disclosed and is not included in this calculation of average income. This household was not counted as eligible for MIHP.