

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 70 : RECORDATION TAX FUNDS SET ASIDE FOR POSSIBLE AFFORDABLE HOUSING DESIGNATION

When the FY 2006 budget was prepared, \$3.65 million in estimated "new" recordation tax revenues derived from the recordation tax increase approved by the General Assembly in 2004 were set aside for potential Council designation for affordable housing.

When undertaking revenue re-projections, staff discovered that the allocation between recordation tax revenues based on the "old" recordation tax rates and the recordation tax revenues derived from the "new" recordation tax rates were incorrectly calculated. This error was caused by the fact that the City accounts for its 50% share of the State Grantors Tax in the same account as the recordation tax. The State Grantors Tax rates did not change in 2004.

The prior calculation and the most recent corrected calculations are:

	<u>FY 2004</u>	<u>FY 2006</u>	<u>TOTAL</u>
Prior calculation	\$1.65 million	\$2.0 million	\$3.65 million
Correct calculation	\$1.26 million	\$1.3 million	<u>\$2.56 million</u>
		difference =	\$1.09 million

It is proposed that the prior calculated and set-aside amount of \$3.65 million, although in error, not be changed for FY 2006, but that the calculation be corrected starting in FY 2007.