


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 22, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER 

SUBJECT: OPTIONS FOR PROVIDING HOUSING COST ASSISTANCE DURING THE COVID-19 CAUSED ECONOMIC CRISIS

ISSUES: Should City assistance be provided to homeowners and/or renters experiencing economic hardship due to the COVID-19 health crisis?

BACKGROUND: The COVID-19 global pandemic has resulted in unprecedented challenges for the entire Alexandria community, resulting in business disruptions and an extraordinary economic impact due to the need for physical distancing and the Governor's Temporary Stay At Home Order Due to Novel Coronavirus (COVID-19) dated March 30, 2020 (Executive Order Number 55). The crisis has caused a surge in furloughs and unemployment. There is a series of actions Council has or can be taken to assist City residents. This has to date included food assistance, housing assistance (through DCHS) and general assistance to ameliorate the fiscal impact to City residents. While the City has undertaken actions, there are more needs that will need to be addressed over the coming months.

In the housing cost assistance area there are two basic options for the Council to consider that could be implemented in a relatively short timeframe. One would be expanded assistance to renters, and the second would be to restart the City Affordable Home Ownership Preservation Program (AHOP). In the Mayor's March 17 memo on COVID-19 response and recovery initiatives, a restart of AHOP and providing supplemental funding for rental assistance were two of about twenty actions presented for consideration.

Staff has discussed which alternative (AHOP vs Renter Assistance) is the better choice, and has concluded that Renter Assistance would result in City-provided funds being directed most to those of generally lower incomes and much lower asset levels. It is likely that most Alexandria homeowners have equity in their homes and are in a generally better financial position than renters to face financial challenges through the recovery phase. Many mortgage lenders are enacting (where the mortgage is owned or insured by one of the federal home financing agencies) a 90 day forbearance opportunity for those homeowners where the amounts due will be added to the loan amount at the end of the mortgage loan term (sometimes many years in the future). In the case of renters, many landlords are allowing a repayment plan, but one where the repayment period may

only be twelve months. If Council was to decide to also undertake AHOP, then staff would recommend Option B or Option C (see page 3 for explanation) where the income limits would be much lower.

RENTER ASSISTANCE: One of the biggest financial needs that has been created by COVID-19 triggered high unemployment has been the inability of many City renters to pay their rent. There are approximately 40,000 rental units in the City. This situation is exacerbated by the high percentage of income many renters were already paying prior to their becoming unemployed (more than two-thirds of City households with incomes up to \$75,000 are housing cost-burdened). A number of these renters are also not documented and therefore not eligible for unemployment compensation and -federal programs such as SNAP food benefits. City Housing, DCHS and Finance staff are currently working on a greatly expanded citywide rental assistance program proposal which may be ready for Council review next week.

The City's rental assistance program has historically been centered in DCHS where the Office of Community Services has spent approximately \$0.8 million this fiscal year to date on Rental Assistance to help 318 households. The average monthly assistance amount provided to these households so far this year was \$1,400. The households were very low income and generally at risk. Most of these funds were spent before the COVID event, and DCHS has indicated that the program funds will need replenishment soon to meaningfully help those now impacted by the pandemic.

On April 18, Council approved \$0.7 million in new CDBG COVID-19 spending to assist renters in housing units owned by non-profits with whom the City partners as well as for renters of affordable set aside units. Those funds, while nearly doubling what the City has spent to date on rental assistance, comes nowhere close to meeting the likely general community-wide need for assistance, and may place many Alexandria households in a precarious financial position if/when repayment plans begin in the future as the economy slowly recovers. It is estimated that some 20% or more of rent was not paid for the month of April, and it is anticipated that rent delinquencies will rise to 50% or greater as rents come due in May and June. As operating revenues fall at the City's multifamily rental properties, there will undoubtedly be a significant, negative impact on maintenance, property conditions and resident services.

HOMEOWNER ASSISTANCE: The Affordable Home Ownership Preservation Program (AHOP) was first adopted by City Council in FY 2005 to mitigate rising real estate taxes due to significant annual increases in real property appreciation and was eventually ended pursuant to a sunset provision in FY 2008 when assessments ceased to climb. It was likely the first real estate tax relief program in Virginia that used income-only as its main eligibility criteria. Council originally adopted this program in order to provide grants-in-aid to certain homeowners based on graduated income levels that mirrored the long-standing real estate tax relief program for seniors and the disabled. Under the former AHOP program, eligible applicants also had to own homes that did not exceed the average assessed value for residential property in the City.

If Council were interested in reenacting AHOP, the program could be structured as detailed below (much as it was in the FY2005 to FY2008 time period). There are some 42,000 fee simple housing

units in the City. It should be noted that benefit levels, income levels, and asset levels, while all based largely on the original program, are changeable criteria:

1. The gross annual household income of the homeowners (and any income of an owner's relatives, including their spouse, who reside in the home, but are not owners) would be \$72,000 or below.
2. The net combined financial worth of the household would not exceed \$10,000 (excluding the value of the applicant's dwelling, household furnishings, up to one acre of land upon which the dwelling is situated, qualified retirement plans, and motor vehicles for the personal use of the applicant). Prioritizing a lower household net worth such as \$10,000 or less would better target AHOP relief to those who most need it.
3. Grant amounts would depend upon the level of household income

<u>Benefit Option A</u>	<u>Benefit Option B</u>	<u>Benefit Option C</u>	<u>Household Income</u>
\$1,200	\$800	\$400	\$40,000 or less
\$ 875	\$400	\$ 0	\$40,000 to \$55,000
\$ 375	\$ 0	\$ 0	\$55,000 to \$72,000
1,500	1,000	500	Estimated Program Beneficiaries
\$1.3M	\$0.6M	\$0.2M	Estimated Program Cost

4. Usually programs like AHOP or the City's senior real estate tax relief program are based on a prior year income. While those on fixed incomes related to pensions or government benefit programs may not be impacted, the recent economic disruption, which triggered high unemployment, may make use of prior year income not solely applicable. While staff would evaluate the prior year income documentation, they would also take into consideration changes in current year income, based on documented furloughs, layoffs, and income reduction. Evidence of unemployment since December 31 of the prior year will be allowed to adjust an applicant's present income, taking into account unemployment benefits and other assistance received, such as through the federal CARES Act. These challenges may make determining actual income eligibility difficult.
5. Only one grant would be made per household, and applicants who already receive tax relief or deferrals for the Elderly and Disabled would be ineligible; also exempt are those who already qualify for relief as disabled veterans; or the surviving spouse of a veteran killed in action. Grants would not be applied to prior year delinquencies, if any.
6. For COVID AHOP relief, eligible applicants may not own a home that exceeds the average FY 2020 assessed value of \$583,000 (including building and land). There are approximately 23,000 fee simple housing units in the City with an assessment of \$583,000 or less. For 2020 the average value of all fee simple housing units in the City increased 4.62%, and at the current real estate tax rate of \$1.13 the average tax bill increase will be \$350 in 2020.

7. Although the length of the present crisis is unknown, it is assumed that the major impact will be limited to calendar year 2020. As such, it is assumed that this would be a one-time grant. The timing to advertise the program, receive applications and determine benefits would likely range into the summer
8. This program would need to be reestablished by ordinance (May at the earliest) and then at least a month would be needed for outreach to occur and for applications to be submitted, with another month or more for applications to be processed. Checks would be issued on a rolling basis once an application was approved. AHOP in its prior form was a credit on the real estate bill, but with real estate bills about to be issued, AHOP payments would need to be by check.
9. For tax year 2020, there are 22,966 residential households assessed less than the average of \$583,000. It is estimated that the cost of Option A would be \$1.3 million, Option B's estimated cost would be \$0.6 million, and Option C's cost would be \$0.2 million. These cost estimates are based on prior program experience, but it is very difficult currently to determine how many households that apply for relief would be eligible.

FISCAL IMPACT: The cost of providing some type of housing cost assistance is highly variable based on eligibility criteria and the benefit amount. Rental assistance could cost anywhere from hundreds of thousands to millions of dollars to provide, again depending on eligibility criteria and the benefit amount. The City Manager's FY21 budget version 2.0 has \$1.25 million budgeted in contingent for AHOP, although at this time I would recommend that the contingent be considered for generic housing assistance to allow Council time to decide how best to spend the monies.

In addition, there will be a federal CARES legislation allocation of a currently unknown amount to the City. Each state has been allocated a portion of the \$139 billion contained in the federal CARES legislation for state and local use. Virginia has been allocated \$3.3 billion and will be determining soon how much will be allocated to localities. The allocation will be on a per capita basis. The funds are to be used according to the federal CARES Act for "necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease (COVID-19)". Federal funds cannot be used to supplant existing City programs and services and must be used by December 30, 2020. However, there has been discussion in the last few days among Congressional leaders and the Administration of allowing some of these CARES funds to also be used to cover revenue losses of state and local governments.

As City staff currently understand and interpret the law, "necessary expenditures" would include direct expenses during the COVID-19 crisis such as housing homeless families in hotels, purchasing PPE, emergency response pay for City employees, expenditures to assist residents with the costs of food and shelter, as well as expenditures to assist in the recovery of the economy, such as financial aid to sustain and reactivate small businesses. In addition to the work Housing is undertaking to design a citywide rental assistance program, DCHS has been and will be working on a food assistance program, and AEDP is working on a potential small business grant program.

Staff aims to have the outlines of how these programs, and how they would work, as well as their potential costs ready for discussion by Council at its Tuesday, April 28 Legislative meeting. By then, it is possible the City will know what its CARES Act allocation by the State will be.

There has also been discussion at the federal level about further state and local assistance in the new federal legislation that Congress is now considering. The outcome of that discussion was pending at the time this memorandum was drafted while the U.S. Senate approved bill did not include any COVID-19 new local monies, however appears that there will be more flexibility in how existing CARES money can be spent either through a fourth COVID bill or an Administrative interpretation from the Department of the Treasury.

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