



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of February 20, 2010

DATE: February 1, 2010

SUBJECT: Request to advertise the CY 2010 real estate tax rate and the commercial real estate tax rate.

C. M. RECOMMENDATIONS:

1. Advertise a Calendar Year (CY) 2010 real estate tax rate of \$ ____ per \$100 of assessed value for public hearing on March 25, 2010, using the attached advertisement (Attachment V).
2. Advertise the commercial real estate tax for transportation initiatives at the current rate of \$.125 per \$100 for public hearing on March 25, 2010, using the attached advertisement (Attachment V).

ISSUE: What maximum real estate tax rates should be advertised? At final budget adoption, the County Board may adopt a rate lower than that advertised, but may not adopt a higher rate than that advertised.

SUMMARY: Real estate tax revenue represents 53% of the County's revenues and is one of the few tax sources where the County Board has flexibility in setting the rate. The current tax rate is \$.865 per \$100 of assessed value. (The additional \$.01 assessment for stormwater that brings the overall rate to \$.875 is discussed in a separate Board report).

In October 2009, the County Board directed the Manager to present a FY 2011 proposed budget that equally divides the revenues/expenditures gap between proposed revenue increases and proposed expense/service reductions. After accounting for the 7.2% decrease in CY 2010 real estate assessments, the County had a budget gap of approximately \$32.5 million. A 5.9 cent real estate tax yielding \$16.3 million is necessary to close half of this gap—with revenue shared between Arlington Public Schools and the County. The Manager's budget also includes, as directed by the Board, expenditure reductions (\$16.2 million) equal to half of the revenue/expenditures gap.

In addition, consistent with the Revenue Sharing Agreement adopted by the Board in November, and the Board's direction to the Manager to honor that Agreement, it is recommended that the real estate rate be increased by an additional 0.8 cents. This increase will provide \$6.2 million in revenue to meet the estimated expenses related to the 699 student enrollment increase in Arlington Public Schools between September 2008 and September 2009. All the revenue from this 0.8 cent

County Manager: BMD/MJS

County Attorney: SM

Staff: Richard Stephenson, Budget Director, Department of Management and Finance
Jon Altshul, Revenue Analyst, Department of Management and Finance

22. A.

increase would be dedicated exclusively to the Schools. The \$6.2 million in revenue includes \$1.8 million in revenue generated in FY 2010 (June payment) and \$4.4 million in FY 2011.

The overall assessed value for all properties in the County is down 7.2%, while the average home value is down 3.25% over last year. At a proposed real estate rate of \$.942, which includes the base rate plus the \$.01 cent tax rate for stormwater, the average Arlington homeowner would pay \$4,740 per year in real estate taxes, a \$189 or 4.2% increase over CY 2009. At this real estate tax rate, the total general fund budget would decline by \$5.0 million or 0.5% from the FY 2010 revised budget, including carryovers from prior years.

When total general fund revenues of \$941,829,213 from the County Manager's proposed tax rates are apportioned based on the Revenue Sharing Agreement, the Schools receive \$358,724,012 and the County receives the remaining \$583,105,201. In total, the Schools tax revenue transfer increases 1.8% (an increase of \$6.3 million) and the County's portion of shared local taxes decreases by 2.0% (a decrease of \$8.1 million).

The increased \$36.3 million in increased revenue from the 6.7 cent tax rate increase would be apportioned as follows:

- **Arlington County Public Schools: \$20.0 million (equals 3.7 cents of the total increase)**
- **Arlington County Government: \$16.3 million (equals 3.0 cents of the total increase)**

The recommended tax rate increase of 6.7 cents allows the Board to mitigate the impacts from the increase in Schools enrollment, meet critical safety net needs, but still requires over \$16 million in County program reductions.

The County Board may also want to consider a rate above the 6.7 cents to provide additional flexibility. Whatever real estate rate the County Board advertises represents the maximum rate that the County Board may consider. The flexibility would help the Board restore, if needed, some of the proposed cuts. This flexibility is particularly important in light of several unknowns about FY 2011 revenues at this time. For example, the FY 2011 Proposed Budget generally does not reflect the significant cuts in aid to localities outlined in the governor's proposed FY 2010-FY2012 biennial budget, which is not expected to be adopted by the General Assembly until mid-March at the earliest. The County Board can, in its adoption of the budget, set the rate at any level at or below the advertisement.

Note: In the County Manager's FY 2011 Proposed Budget, no tax rate changes is recommended for the commercial transportation tax:

- **Commercial Transportation Tax:** The current and proposed rate is \$.125 per \$100 of commercial real estate value. For FY 2011, this tax is projected to generate \$18,093,070, down 14% (\$2,945,383).

Attachment I details the changes in assessments for residential and commercial properties between CY 2009 and CY 2010.

Attachment II displays ten years of history of assessed valuation and taxes for Arlington. (It should be noted that the single-family residential value is an average calculation. A comparison of one year's average assessment to another will not indicate the rate of appreciation in value because the average considers additions to the inventory of single-family dwellings from subdivision, new construction and declarations of condominium properties.)

Attachment III provides a history from Calendar Year 1970 to 2010 of the total real estate assessment values (excluding Public Service Corporations). The assessment base decrease of -7.2% represents the first year-over-year decline in assessment growth since 1995.

Attachment IV is the resolution required to set the recommended advertised real estate property tax rate. Attachment V is the annual public "Notice of Proposed Real Property Tax Increase", which satisfies the advertisement requirements set by State law for increasing tax rates.

ATTACHMENT I

CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY CALENDAR YEAR 2009 TO CALENDAR YEAR 2010 (\$ in millions)

	<u>Single Family Residence</u>	<u>Condominiums</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Total</u>
CY 2009 Tax Base	\$22,265	\$8,911	\$9,198	\$17,407	\$57,782
Percentage of Tax Base	38.5%	15.4%	15.9%	30.1%	100.0%
CY 2010 Tax Base					
Excluding New Growth	\$21,547	\$8,494	\$8,324	\$14,671	\$53,036
Percentage Change	-3.23%	-4.68%	-9.50%	-15.72%	-8.21%
New Construction & Reclassifications	\$77	\$282	\$85	\$145	\$589
Percentage Change	0.35%	3.16%	0.92%	0.83%	1.02%
CY 2010 Tax Base					
With New Construction	\$21,624	\$8,776	\$8,409	\$14,816	\$53,625
Percent Change					
CY 2009 to CY 2010 (including New Construction)	-2.88%	-1.51%	-8.58%	-14.88%	-7.19%
Percentage of Tax Base	40.32%	16.37%	15.68%	27.63%	100.00%

Numbers may not add due to rounding.

ATTACHMENT II

ARLINGTON COUNTY REAL ESTATE TAX PAYMENT AVERAGE SINGLE FAMILY HOME 2001 - 2010

TAX YEAR	SINGLE FAMILY RESIDENCE VALUE*	% CHANGE	TAX RATE	TAX PAYMENT	\$ CHANGE
2001	224,390	10.7%	1.023	\$2,296	\$ 221
2002	269,500	20.1%	0.993	\$2,676	\$ 381
2003	316,000	17.3%	0.978	\$3,090	\$ 414
2004	369,600	17.0%	0.958	\$3,541	\$ 450
2005	458,200	24.0%	0.878	\$4,023	\$ 482
2006	541,800	18.2%	0.818	\$4,432	\$ 409
2007	537,500	-0.8%	0.818	\$4,397	\$ (35)
2008	530,800	-1.2%	0.838	\$4,448	\$ 51
2009	520,100	-2.0%	0.865	\$4,499	\$ 51
2010 (Base Proposed Budget)	503,200	-3.2%	0.932	\$4,690	\$ 191
2010 (Advertised)	503,200	-3.2%	TBD	TBD	TBD

* Single family residence is based on all residential property including single family detached, semi-detached dwellings, condominiums, cooperatives, and townhouse residences.

ATTACHMENT III

REAL ESTATE ASSESSMENT HISTORY
(Assessment Values do not include Public Service Corporations)

	<u>Assessment Value</u>	<u>Tax Rate</u>		<u>Assessment Value</u>	<u>Tax Rate</u>
CY 1970	1,842,634,400	1.532	CY 1990	18,294,868,300	0.765
	5.59%			3.05%	
CY 1971	1,945,702,650	1.532	CY 1991	18,853,479,950	0.765
	5.42%			-4.34%	
CY 1972	2,051,129,200	1.532	CY 1992	18,034,540,000	0.820
	9.29%			-0.95%	
CY 1973	2,241,684,150	1.532	CY 1993	17,862,637,650	0.860
	20.53%			-0.17%	
CY 1974	2,701,920,650	1.512	CY 1994	17,832,515,250	0.897
	11.98%			-0.14%	
CY 1975	3,025,646,500	1.512	CY 1995	17,808,388,000	0.940
	7.07%			1.92%	
CY 1976	3,239,704,925	1.512	CY 1996	18,150,077,200	0.960
	7.85%			2.18%	
CY 1977	3,494,109,020	1.490	CY 1997	18,545,587,900	0.986
	8.84%			2.72%	
CY 1978	3,802,977,594	1.450	CY 1998	19,049,629,300	0.998
	13.96%			4.92%	
CY 1979	4,333,704,236	1.290	CY 1999	19,987,442,600	0.998
	23.02%			6.90%	
CY 1980	5,331,452,465	1.120	CY 2000	21,366,860,900	1.023
	21.36%			10.03%	
CY 1981	6,470,451,430	0.960	CY 2001	23,509,214,100	1.023
	10.98%			15.65%	
CY 1982	7,181,000,000	0.980	CY 2002	27,188,731,900	0.993
	2.32%			16.52%	
CY 1983	7,347,900,000	0.990	CY 2003	31,680,370,000	0.978
	9.20%			12.28%	
CY 1984	8,023,809,200	0.970	CY 2004	35,569,361,600	0.958
	11.55%			18.85%	
CY 1985	8,950,335,955	0.950	CY 2005	42,275,421,900	0.878
	14.39%			19.77%	
CY 1986	10,238,487,754	0.940	CY 2006	50,632,673,900	0.818
	13.77%			7.22%	
CY 1987	11,648,180,200	0.920	CY 2007	54,289,500,700	0.818
	13.37%			5.86%	
CY 1988	13,205,218,600	0.890	CY 2008	57,469,500,000	0.838
	22.70%			0.54%	
CY 1989	16,202,838,200	0.780	CY 2009	57,781,547,100	0.865
	12.91%			-7.19%	
CY 1990	18,294,868,300	0.765	CY 2010	53,625,230,300	

**ATTACHMENT IV
ARLINGTON, VIRGINIA
#1 COURTHOUSE PLAZA**

RESOLUTION FIXING COUNTY REAL ESTATE LEVY

BE IT RESOLVED AND ORDERED by the County Board of Arlington County, Virginia, that there is hereby levied for the tax year (CY) 2010, a tax of \$_____ per one hundred dollars of assessed valuation of all taxable real estate located in this County for County and School purposes. The levy hereby ordered is also applicable to real estate of the public service corporations based upon the assessment thereof by Arlington County, the State Corporation Commission, and the State Department of Taxation, and duly certified.

IT IS FURTHER ORDERED that such taxes, when and if appropriated by the County Board of this County, shall be used to defray the County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington, and

IT IS FURTHER ORDERED that such taxes for County and School purposes appropriated or unappropriated and unused to defray County and School charges and expenses shall return to the General Fund of the County to be used to defray County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington County for the next fiscal year.

IT IS FURTHER ORDERED that the real estate tax on properties used for or zoned to permit commercial and industrial purposes codified in § 20-6(c) of the Arlington County Code be maintained at the existing rate \$.125 per one hundred dollars of assessed value.

Arlington County
#1 Courthouse Plaza
2100 Clarendon Boulevard
Arlington, Virginia 22201
February 20, 2010

NOTICE OF PROPOSED REAL PROPERTY TAX INCREASE

The County of Arlington, Virginia, proposes to increase property tax levies.

1. **Assessment Increase:** Total assessed value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value of real property by -8.2 percent.
2. **Lowered Rate Necessary to Offset Increased Assessment:** The tax rate which would levy the same amount of real estate tax as last year, when multiplied by the new total assessed value of real estate with the exclusions mentioned above, would be \$0.942 per \$100 of assessed value. This rate will be known as the "lowered tax rate."
3. **Effective Rate Increase:** The County of Arlington, Virginia proposes to adopt a tax rate of \$ ____ per \$100 of assessed value. The difference between the lowered tax rate and the proposed rate would be \$ _TBD_ per \$100, or _TBD_ percent. This difference will be known as the "effective tax rate increase."

Individual property taxes may, however, increase at a percentage greater than or less than the above percentage.

4. **Proposed Total Budget Increase:** Based on the proposed real property tax rate and changes in other revenues, the total budget of Arlington County will exceed last year's revised budget by _TBD_ percent.
5. The County also proposes to maintain the real estate tax for properties used for or zoned to permit commercial and industrial uses at the current rate of \$.125 per \$100. Revenue from this tax is dedicated for transportation initiatives.

A PUBLIC HEARING ON THE INCREASE WILL BE HELD ON MARCH 25, 2010, AT 7:00 P.M. OR AS SOON THEREAFTER AS POSSIBLE AT THE COUNTY BOARD ROOM, 2100 CLARENDON BLVD, ARLINGTON COUNTY, VIRGINIA. AFTER THE HEARING, THE COUNTY BOARD MAY ADOPT A TAX RATE LOWER THAN \$0. ____ PER \$100 OF ASSESSED VALUE, BUT IT CANNOT ADOPT A HIGHER RATE.

A copy of the proposed resolution fixing the real estate tax rate for CY 2010 is on file and available for review in the Office of the Clerk to the County Board, Room 300, #1 Courthouse Plaza, 2100 Clarendon Boulevard, weekdays between the hours of 8:00 a.m. and 5:00 p.m.

Hope Halleck, Clerk
Arlington County Board