



## ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item  
Meeting of February 12, 2011**

**DATE:** January 15, 2011

**SUBJECT:** Request to advertise the CY 2011 real estate tax rate, the commercial real estate tax rate and the sanitary district tax rate.

**C. M. RECOMMENDATIONS:**

1. Advertise a Calendar Year (CY) 2011 base real estate tax rate of \$\_\_\_\_ per \$100 of assessed value for public hearing on March 24, 2011, using the attached advertisement (Attachment V).
2. Advertise the commercial real estate tax for transportation initiatives at the current rate of \$0.125 per \$100 for public hearing on March 24, 2011, using the attached advertisement (Attachment V).
3. Advertise the sanitary district tax for stormwater management at the current rate of \$0.013 per \$100 of assessed value for a public hearing on March 24, 2011, 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 the same as or lower than that advertised, but may not adopt a higher rate than that advertised.

**SUMMARY:** Real estate tax revenue represents 55 percent of the County's General Fund revenues and is one of the few tax sources where the County Board has flexibility in setting the rate. The current base tax rate is \$0.945 per \$100 of assessed value. The additional \$0.013 per \$100 of assessed value for the sanitary district tax (stormwater fund) brings the overall rate to \$0.958. Properties designated as "commercial" are also subject to the additional real estate tax of \$0.125 per \$100 of assessed value for the transportation district (Transportation Capital Fund).

In October 2010, the County Board directed the Manager to present a fiscal year (FY) 2012 proposed budget that limits expense increases to no more than 1.14 percent over FY 2011, excluding increases for Schools and for specific new facilities. Initially, under this guidance the County was facing a gap between revenues and expenses with projected real estate assessment growth of 1 percent at current tax rates. However, final assessments set in January 2011 increased

County Manager: *BMD/mjs*

County Attorney: *[Signature]*

Staff: Richard Stephenson, Budget Director, Department of Management and Finance  
Colleen Donnelly, Revenue Analyst, Department of Management and Finance

**29. A.**

6.3 percent substantially reducing the budget gap. Final tax revenue forecasts provide an additional \$38.7 million (above FY 2011 adopted) in tax revenue (at current tax rates) for FY 2012 that will be shared with Arlington Public Schools (APS) in the County Manager's FY 2012 Proposed Budget.

Arlington Public Schools (APS) is facing continued enrollment increases. In the CY 2010/2011 school year, enrollment increased by 1,008 students which APS estimates will require an additional \$8.6 million in funding for FY 2012. In the County Manager's FY 2012 Proposed Budget, the Schools have been allocated a total of \$17.8 million. This will allow funding of the enrollment increases and will close any budget gap that existed during the budget planning phase.

At current tax rates, revenue to the General Fund for the FY 2012 Proposed Budget totals \$980,984,436 (excluding fund balance). Local tax revenues are estimated at \$820,308,984. The County Manager proposes that the Schools receive \$378,175,328 or 46.1 percent of all local tax revenues. In total, the Schools share of local tax revenue (i.e. the school transfer) increases 4.95 percent (or \$17.8 million), and the County's portion of shared local taxes increases 4.95 percent (\$20.8 million) over the FY 2011 Adopted Budget.

The overall assessed value for all properties in the County is up 6.32 percent. The average home value is up 1.4 percent over last year, but commercial properties experienced a tremendous rebound in assessments with a 12 percent increase over CY 2010. At a proposed real estate rate of \$0.958, which includes the base rate plus the \$0.013 rate for stormwater, the average Arlington homeowner would pay \$4,888 per year in real estate taxes, a \$67 or 1.4 percent increase over CY 2010.

The County Board may want to consider a base real estate tax rate above the \$0.945 cents to provide additional flexibility as it receives input from the community on the Manager's proposed budget. Whatever real estate rate the County Board advertises, this represents the maximum rate that the County Board may adopt. Since the County Manager's proposed budget does not include any restoration of previous years cuts, advertising a higher base real estate tax rate than \$.945 would provide revenue as the Board and community assess the needs for FY 2012.

**Note: In the County Manager's FY 2012 Proposed Budget, no tax rate change is recommended for the base rate (\$0.945), the commercial transportation tax (\$0.125) or the sanitary district tax (\$0.013)**

- **Commercial Transportation Tax:** The current and proposed rate is \$0.125 per \$100 of commercial real estate value. For FY 2012, this tax is projected to generate \$21,082,282, up 14.6 percent (\$2.7 million) above FY 2011. As noted above, the increase in commercial assessments represents a recovery of the decline experienced last year, bringing this revenue stream back to levels originally anticipated when it was established. Revenues are used to fund transportation capital projects.
- **Sanitary District Tax (Stormwater):** The current and proposed rate is \$0.013 per \$100 of assessed real estate value. For FY 2012, this tax is projected to generate \$7,543,512 an increase of 7.7 percent (\$0.5 million) above FY 2011 which is proposed to be allocated primarily to critical infrastructure projects.

**Attachment I** details the changes in assessments for residential and commercial properties between CY 2010 and CY 2011.

**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 1971 to 2011 of the total real estate assessment values (excluding Public Service Corporations).

**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 2010 TO CALENDAR YEAR 2011 (\$ in millions)

	<u>Single Family Residence</u>	<u>Condominiums</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Total</u>
CY 2010 Tax Base	\$21,629	\$8,766	\$8,583	\$15,008	\$53,986
Percentage of Tax Base	40.1%	16.2%	15.9%	27.8%	100.0%
CY 2011 Tax Base					
Excluding New Growth	\$21,957	\$8,862	\$9,347	\$16,855	\$57,021
Percentage Change	1.52%	1.09%	8.91%	12.31%	5.62%
New Construction & Reclassifications	\$115	\$16	\$106	\$141	\$378
Percentage Change	0.53%	0.18%	1.24%	0.94%	0.70%
CY 2011 Tax Base					
With New Construction	\$22,072	\$8,878	\$9,453	\$16,995	\$57,399
Percent Change					
CY 2010 to CY 2011 (including New Construction)	2.05%	1.28%	10.14%	13.24%	6.32%
Percentage of Tax Base	38.45%	15.47%	16.47%	29.61%	100.00%

Numbers may not add due to rounding.

## ATTACHMENT II

### ARLINGTON COUNTY REAL ESTATE TAX PAYMENT AVERAGE SINGLE FAMILY HOME 2002 - 2011

<u>TAX YEAR</u>	<u>SINGLE FAMILY RESIDENCE VALUE*</u>	<u>% CHANGE</u>	<u>TAX RATE</u>	<u>TAX PAYMENT</u>	<u>\$ CHANGE</u>
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	503,200	-3.2%	0.945	\$4,755	\$ 256
2011 (Proposed)	510,200	1.4%	0.945	\$4,821	\$ 66
2011 (Advertised)	510,200	1.4%	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 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%			-6.57%	
CY 1990	18,294,868,300	0.765	CY 2010	53,985,515,000	0.945
	3.05%			6.32%	
CY 1991	18,853,479,950	0.765	CY 2011	57,399,066,000	

**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) 2011, a tax of \$TBD 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; and

**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; and

**IT IS FURTHER ORDERED** that the sanitary district tax codified in § 26-13 of the Arlington County Code and 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 rates of \$0.013 and \$0.125 per one hundred dollars of assessed value, respectively.

Arlington County  
#1 Courthouse Plaza  
2100 Clarendon Boulevard  
Arlington, Virginia 22201  
February 12, 2011

**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 5.6 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 \$0.895 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 \$ \_TBD\_ 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 \$0.125 per \$100. Revenue from this tax is dedicated for transportation initiatives.
6. The County also proposes to maintain the sanitary district tax at the current rate of \$0.013 per \$100 of assessed value. Revenue from this tax is dedicated for the stormwater management fund.

**A PUBLIC HEARING ON THE INCREASE WILL BE HELD ON MARCH 24, 2011, 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.**

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A copy of the proposed resolution fixing the real estate tax rate for CY 2011 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