



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 11, 2012**

DATE: January 19, 2012

SUBJECT: Request to advertise the CY 2012 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) 2012 base real estate tax rate of \$_____ per \$100 of assessed value for public hearing on March 22, 2012, 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 22, 2012, 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 22, 2012, 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 approximately 56 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 current 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).

The County Manager has included a \$0.005 increase in the real estate tax rate (increasing to a \$0.95 base rate) in the FY 2013 Proposed Budget.

In November 2011, the County Board directed the Manager to present a fiscal year (FY) 2013 proposed budget that limited expense growth excluding additional funding needed for certain new

County Manager:

BMD/mjs

County Attorney:

29. A.

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

facilities and contingent funding (totaling approximately \$3.9 million). Real estate assessments, which were determined in January 2012 and affect the FY 2013 budget, increased 6.6 percent overall. With the increase in CY 2012 real estate assessments, the County Manager was able to prepare a balanced budget which included the new facility funding needs. The County Manager also included in the base proposed budget an increase in the real estate tax rate of ½ cent to fund housing, Libraries, contingent balances, and technology security. With the loss of federal HOME funding and the replacement of one-time AHIF funding with ongoing tax revenue, the proposed budget funds AHIF at the FY 2012 level of \$6.7 million.

Final revenue forecasts for the FY 2013 County Manager's Proposed Budget provide an additional \$42.5 million (above FY 2012 adopted) from all local tax revenue sources, including revenue generated from the County Manager's proposed \$0.005 real estate tax rate increase (additional \$3.1 million).

Of the \$42.5 million in new tax revenue, the Schools will receive \$18.3 million in additional ongoing tax revenue over FY 2012 adopted levels. Arlington Public Schools (APS) is facing continued enrollment increases and new pressures to fund the Virginia Retirement System. In the CY 2011/2012 school year, enrollment increased by 821 students. The County manager's proposed budget includes \$397,033,530 in ongoing funding to the Schools to meet the needs of enrollment, capacity, pay and other expense pressures. This transfer to the Schools represents 46.1 percent of all local tax revenues, per County Board guidance, at current tax rates but does not include revenue generated from the proposed \$0.005 tax rate increase. In total, the Schools share of ongoing local tax revenue increases 4.8 percent (or \$18.3 million), and the County's portion of local taxes increases 5.2 percent (\$24.3 million) over the FY 2012 Adopted Budget.

At the County Manager's proposed tax rate, revenue to the General Fund for the FY 2013 Proposed Budget totals \$1,025,385,610 (excluding fund balance). Local tax revenues are estimated at \$864,328,267.

The overall assessed value for all properties in the County is up 6.6 percent. The average home value is up 1.8 percent over last year, but commercial properties experienced continued strength in property value with a 13.5 percent increase over CY 2011. At a proposed real estate rate of \$0.963, which includes the County Manager's proposed base rate of \$0.95 plus the \$0.013 rate for stormwater, the average Arlington homeowner would pay \$5,002 per year in real estate taxes, a \$114 or 2.3 percent increase over CY 2011.

The County Board may want to consider a base real estate tax rate above the \$0.95 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. Advertising a base real estate tax rate higher than \$0.95 would provide potential for additional revenue as the Board and community assess the needs for FY 2013.

Note: In the County Manager's FY 2013 Proposed Budget, a base real estate tax rate increase of \$0.005 is recommended, changing the rate from \$0.945 to \$0.95. The commercial transportation tax rate (\$0.125) and the sanitary district tax rate (\$0.013) are proposed to remain at existing rates.

- **Commercial Transportation Tax:** The current and proposed rate is \$0.125 per \$100 of commercial real estate value. For FY 2013, this tax is projected to generate \$24,000,000, which is 13.8 percent (\$2.9 million) above FY 2012.
- **Sanitary District Tax (Stormwater):** The current and proposed rate is \$0.013 per \$100 of assessed real estate value. For FY 2013, this tax is projected to generate \$8,000,000 an increase of 6 percent (\$0.5 million) above FY 2012. Funds will be allocated primarily to critical infrastructure projects.

Attachment I details the changes in assessments for residential and commercial properties between CY 2011 and CY 2012.

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 2012 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 2011 TO CALENDAR YEAR 2012 (\$ in millions)

	Single Family				
	<u>Residence</u>	<u>Condominiums</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Total</u>
CY 2011 Tax Base	\$22,015	\$8,882	\$9,538	\$17,024	\$57,459
Percentage of Tax Base	38.3%	15.5%	16.6%	29.6%	100.0%
CY 2012 Tax Base					
Excluding New Growth	\$22,218	\$8,807	\$10,896	\$18,938	\$60,859
Percentage Change	0.92%	-0.84%	14.24%	11.24%	5.92%
New Construction & Reclassifications	\$82	\$0	\$72	\$241	\$396
Percentage Change	0.37%	0.00%	0.75%	1.42%	0.69%
CY 2012 Tax Base					
With New Construction	\$22,301	\$8,807	\$10,968	\$19,179	\$61,255
Percent Change (including new construction)					
CY 2011 to CY 2012	1.30%	-0.84%	15.00%	12.65%	6.61%
Percentage of Tax Base	36.4%	14.4%	17.9%	31.3%	100.0%

Numbers may not add due to rounding.

ATTACHMENT II

ARLINGTON COUNTY REAL ESTATE TAX PAYMENT AVERAGE SINGLE FAMILY HOME 2003 - 2012

<u>TAX YEAR</u>	<u>SINGLE FAMILY RESIDENCE VALUE*</u>	<u>% CHANGE</u>	<u>TAX RATE</u>	<u>TAX PAYMENT</u>	<u>\$ CHANGE</u>
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	510,200	1.4%	0.945	\$4,821	\$ 66
2012 (Proposed)	519,400	1.8%	0.950	\$4,935	\$ 114
2012 (Advertised)	519,400	1.8%	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)

	Assessment Value	Tax Rate		Assessment Value	Tax Rate
CY 1972	2,051,129,200 9.29%	1.532	CY 1992	18,034,540,000 -0.95%	0.820
CY 1973	2,241,684,150 20.53%	1.532	CY 1993	17,862,637,650 -0.17%	0.860
CY 1974	2,701,920,650 11.98%	1.512	CY 1994	17,832,515,250 -0.14%	0.897
CY 1975	3,025,646,500 7.07%	1.512	CY 1995	17,808,388,000 1.92%	0.940
CY 1976	3,239,704,925 7.85%	1.512	CY 1996	18,150,077,200 2.18%	0.960
CY 1977	3,494,109,020 8.84%	1.490	CY 1997	18,545,587,900 2.72%	0.986
CY 1978	3,802,977,594 13.96%	1.450	CY 1998	19,049,629,300 4.92%	0.998
CY 1979	4,333,704,236 23.02%	1.290	CY 1999	19,987,442,600 6.90%	0.998
CY 1980	5,331,452,465 21.36%	1.120	CY 2000	21,366,860,900 10.03%	1.023
CY 1981	6,470,451,430 10.98%	0.960	CY 2001	23,509,214,100 15.65%	1.023
CY 1982	7,181,000,000 2.32%	0.980	CY 2002	27,188,731,900 16.52%	0.993
CY 1983	7,347,900,000 9.20%	0.990	CY 2003	31,680,370,000 12.28%	0.978
CY 1984	8,023,809,200 11.55%	0.970	CY 2004	35,569,361,600 18.85%	0.958
CY 1985	8,950,335,955 14.39%	0.950	CY 2005	42,275,421,900 19.77%	0.878
CY 1986	10,238,487,754 13.77%	0.940	CY 2006	50,632,673,900 7.22%	0.818
CY 1987	11,648,180,200 13.37%	0.920	CY 2007	54,289,500,700 5.86%	0.818
CY 1988	13,205,218,600 22.70%	0.890	CY 2008	57,469,500,000 0.54%	0.838
CY 1989	16,202,838,200 12.91%	0.780	CY 2009	57,781,547,100 -6.57%	0.865
CY 1990	18,294,868,300 3.05%	0.765	CY 2010	53,985,515,000 6.43%	0.945
CY 1991	18,853,479,950 -4.34%	0.765	CY 2011	57,459,163,400 6.61%	0.945
CY 1992	18,034,540,000	0.820	CY 2012	61,254,821,700	TBD

**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) 2012, 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; 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 11, 2012

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 5.92 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 \$0.892 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 22, 2012, 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 \$____ 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 2012 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