



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of November 13, 2007**

DATE: October 24, 2007

SUBJECT: Adoption of a proposed amendment to Chapter 20 of the Arlington County Code to add a new section relating to the separate classification and taxation of certain commercial and industrial properties in Arlington County for transportation purposes.

C. M. RECOMMENDATION:

Adopt the proposed amendments to Chapter 20 of the Arlington County Code to add a new section relating to the separate classification and taxation of certain commercial and industrial properties in Arlington County for transportation purposes (Attachment I).

ISSUES: Should the Arlington County Code, Chapter 20, be amended to add a new section relating to the separate classification and taxation of certain commercial and industrial properties in Arlington County for transportation purposes?

SUMMARY: With the passage of HB 3202 (Chapter 896, Acts of Assembly), the County Board is authorized by State law to levy an additional real estate tax on properties used for or zoned to permit commercial and industrial uses, for transportation purposes that benefit the locality imposing the tax. The purpose of the tax is to provide dedicated and sustainable funding to meet current and future transportation needs in the County.

The proposed ordinance change allows the County Board at a future date to impose an ad valorem property tax on commercial and industrial properties located within the transportation service district at a rate no greater than \$0.25 per \$100 of assessed valuation. The tax would involve only commercial properties and excludes residential properties such as single-family homes, townhouses and multi-family properties. By law, the additional revenue generated in the by the tax must be used for transportation purposes. The additional tax levy would be established, assessed and collected through the normal County tax billing and collection processes.

BACKGROUND: HB 3202 (Chapter 896, Acts of Assembly) was enacted into law during the 2007 session of the Virginia General Assembly. This legislation authorizes additional revenue

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County Attorney: _____

Staff: Richard Stephenson, Acting Budget Director, Department of Management & Finance
Tommy Rice, Director, Department of Real Estate Assessments

for transportation projects and services, to include local funding in the Northern Virginia and the Hampton Roads areas, regional transportation authority funding, and statewide revenue.

The largest potential source of new local transportation funding authorized by HB 3202 is an additional real estate tax on commercial and industrial properties. Virginia Code Section 58.1-3221.3 allows localities embraced by the Northern Virginia Transportation Authority (NVTA) to adopt a tax on all real property used for or zoned to permit commercial or industrial uses. Multi-family dwellings such as apartments, condominiums and cooperatives are excluded from the additional tax. As a member of the NVTA, Arlington is authorized to adopt this new transportation tax. The local tax rate for this transportation funding will be in addition to all other tax rates currently imposed on real estate in the County and cannot exceed \$0.25 per \$100 of assessed valuation.

DISCUSSION: There is significant need in the County and region to alleviate congestion and improve the transportation infrastructure. Actions taken by the State General Assembly in 2007 provide State, regional and local funding options to enhance the transportation infrastructure. Currently, the Department of Environmental Services is developing a six-year transportation plan as part of the Capital Improvement Plan (CIP) process.

The advertisement and adoption of the proposed amendment to Chapter 20 (Attachment I) does not actually impose the transportation tax or obligate the Board to adopt a final tax rate. The ordinance to amend Chapter 20 of the Arlington County Code only enables the Board to implement a tax rate at a later time.

FISCAL IMPACT: If the County Board decides to levy an additional real estate tax rate on commercial and industrial properties the revenue generated would be approximately \$1.5 million for each \$0.01 per \$100 of assessed value based on the tax year 2007 land book for the affected properties.

AMENDMENT TO CHAPTER 20 OF THE ARLINGTON COUNTY CODE TO ADD A NEW SECTION RELATING TO THE SEPARATE CLASSIFICATION AND TAXATION OF CERTAIN COMMERCIAL AND INDUSTRIAL PROPERTY IN ARLINGTON COUNTY FOR TRANSPORTATION PURPOSES

An ordinance to amend the Arlington County Code Chapter 20 by adding a new section 20-6 (c) relating to the separate classification and taxation of certain commercial and industrial real property in the County of Arlington for transportation purposes.

BE IT ORDAINED BY THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA:

1. Section 20-6 (c) of the Arlington County Code is hereby adopted as follows:

(c) Classification and taxation of certain commercial and industrial real property.

(1) Beginning January 1, 2008, all commercial and industrial real property in Arlington County declared by the General Assembly to be a separate class of real property for local taxation pursuant to Virginia Code §58.1-3221.3 shall be assessed accordingly. Such separate class shall not include any property excluded from such class by law.

(2) In addition to all other taxes and fees permitted by law, the classified real property may be subject to an amount of real property tax, in addition to such amount(s) otherwise authorized by law, at a rate imposed annually by ordinance of the Arlington County Board; such rate shall not exceed the amount authorized by the Code of Virginia.

(3) Upon appropriation by the Arlington County Board, all revenues generated from the additional real property tax imposed in accordance with this Section 20-6 (c) shall be used exclusively for transportation purposes that benefit Arlington County.

(4) The additional real property tax imposed under this Section shall be levied, administered, enforced, and collected in the same manner as set forth in Subtitle III of Title 58.1 of the Code of Virginia, for the levy, administration, enforcement, and collection of local taxes. In addition, the director of the department of real estate assessments shall separately assess and set forth upon Arlington County's land book the fair market value of that portion of property that is defined as a separate class of real property for local taxation in accordance with the provisions of this section.

2. This amendment shall become effective for tax year 2008 and thereafter.