



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 23, 2008**

DATE: February 15, 2008

SUBJECT: Request to advertise proposed real estate tax rate.

C. M. RECOMMENDATION:

Advertise a proposed Calendar Year (CY) 2008 real estate tax rate of \$0.838 for public hearing on March 27, 2008 using the attached advertisement (Attachment V).

ISSUE: As part of the regular budget process, authorization from the County Board is being requested to advertise a public hearing on the proposed CY 2008 real estate tax rate.

SUMMARY: The County Manager's FY 2009 Proposed Budget is balanced at the current real estate tax rate of \$.818 per \$100 of assessed value. To provide a budget balanced within existing tax rates, service reductions and operating budget cuts were necessary. The Proposed Budget includes almost \$1 million in service reductions and an additional \$3 million in cuts achieved through program efficiencies or reductions in discretionary spending.

At the current real estate tax rate of \$0.818 per \$100 of assessed value, overall tax revenue continues to grow through a balanced and diversified tax base. However, this revenue growth is not sufficient to meet all needs identified. A \$.02 real estate tax increase is proposed to meet obligations related to retiree health care for our current and future employees, to meet other pressures to ensure a competitive compensation system, and to meet possible cuts in State aid that have recently been announced. Under State law, the advertised rate becomes the maximum rate that may be adopted by the County Board; therefore, the rate adopted may be lower but not higher than the advertised rate. In some years the County Board has advertised a higher rate than the rate ultimately adopted in order to provide flexibility until the County Board has completed its review of the budget. The actual real estate tax rate will be set at the County Board meeting in April after the budget and tax rate public hearings (scheduled for March 25 and March 27, 2008 respectively) have been completed.

Other tax rate proposals that affect the real estate tax rate but are not included as part of this advertisement include a sanitary district tax rate for stormwater infrastructure maintenance and the incremental real estate tax rate proposal for transportation that only affect commercial and industrial properties in the County.

County Manager: RL CARD

County Attorney: PHY SAM

Staff: Mark Schwartz, Director, Management and Finance
Richard Stephenson, Budget Director, Management and Finance
Jon Altshul, Revenue Analyst, Management and Finance

27. A.

DISCUSSION: The total value of the County's real estate tax base increased 5.27 percent during the previous calendar year, with strong growth in the commercial sector more than offsetting modest declines in the average assessed value of residential properties. The value of the County's commercial tax base, including offices, retail, hotels, and rental apartments, increased 12.3 percent over CY 2007. Meanwhile, the residential real estate market is in the second year of declining assessment after several years of double digit growth. In CY 2008, the average assessment for a single-family home decreased by 1.25% to \$530,800, down from \$537,500 in CY 2007.

By advertising the real estate tax rate at \$0.838 per \$100, this is the maximum rate the County Board can adopt. By increasing the real estate tax rate to this level, the average homeowner would pay approximately \$51 more in real estate taxes in CY 2008 than in CY 2007. This is, however, only an average. Some home values have decreased more and some homes have increased more in value.

Attachment I details the changes for residential and commercial properties.

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 2008 of the total real estate assessment values (excluding Public Service Corporations). The assessment base increase of 5.3% reflects significantly slower growth than what occurred in the first half of this decade.

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.

FISCAL IMPACT: The proposed tax rate of \$0.838 per \$100 of assessed value is being advertised as the maximum rate the County Board can establish.

By raising the real estate rate \$.02 per \$100 of assessed value, the real estate tax revenue is projected to increase by \$5.7 million in FY 2008 and \$11.8 million in FY 2009. The revenue derived from the proposed increase of two pennies in the real estate tax rate is recommended to be directed to fund, in part, County retiree health care liabilities and not be revenue subject to the County and Schools Revenue Sharing Agreement.

ATTACHMENT I

CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY CALENDAR YEAR 2007 TO CALENDAR YEAR 2008 (\$ in millions)

	<u>Single Family Residence</u>	<u>Condominiums</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Total</u>
CY 2007 Tax Base	\$22,695	\$8,527	\$7,791	\$15,276	\$54,290
Percentage of Tax Base	41.8%	15.7%	14.4%	28.1%	100.0%
CY 2008 Tax Base Excluding New Growth	\$22,414	\$8,377	\$8,448	\$17,083	\$56,321
Percentage Change	-1.24%	-1.75%	8.43%	11.83%	3.74%
New Construction	\$82	\$383	\$347	\$19	\$831
Percentage Change	0.36%	4.49%	4.45%	0.12%	1.53%
CY 2008 Tax Base With New Construction	\$22,496	\$8,760	\$8,795	\$17,102	\$57,152
Percent Change CY 2007 to CY 2008 (including New Construction)	-0.88%	2.74%	12.88%	11.95%	5.27%
Percentage of Tax Base	39.36%	15.33%	15.39%	29.92%	100.00%

Numbers may not add due to rounding.

ATTACHMENT II

ARLINGTON COUNTY REAL ESTATE TAX PAYMENT AVERAGE SINGLE FAMILY HOME 1999 - 2008

<u>TAX YEAR</u>	<u>SINGLE FAMILY RESIDENCE VALUE*</u>	<u>% CHANGE</u>	<u>TAX RATE</u>	<u>TAX PAYMENT</u>	<u>\$ CHANGE</u>
1999	191,350	2.8%	0.998	\$1,910	\$ 52
2000	202,770	6.0%	1.023	\$2,074	\$ 165
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

* 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 1989	16,202,838,200	0.780
	5.59%			12.91%	
CY 1971	1,945,702,650	1.532	CY 1990	18,294,868,300	0.765
	5.42%			3.05%	
CY 1972	2,051,129,200	1.532	CY 1991	18,853,479,950	0.765
	9.29%			-4.34%	
CY 1973	2,241,684,150	1.532	CY 1992	18,034,540,000	0.820
	20.53%			-0.95%	
CY 1974	2,701,920,650	1.512	CY 1993	17,862,637,650	0.860
	11.98%			-0.17%	
CY 1975	3,025,646,500	1.512	CY 1994	17,832,515,250	0.897
	7.07%			-0.14%	
CY 1976	3,239,704,925	1.512	CY 1995	17,808,388,000	0.940
	7.85%			1.92%	
CY 1977	3,494,109,020	1.490	CY 1996	18,150,077,200	0.960
	8.84%			2.18%	
CY 1978	3,802,977,594	1.450	CY 1997	18,545,587,900	0.986
	13.96%			2.72%	
CY 1979	4,333,704,236	1.290	CY 1998	19,049,629,300	0.998
	23.02%			4.92%	
CY 1980	5,331,452,465	1.120	CY 1999	19,987,442,600	0.998
	21.36%			6.90%	
CY 1981	6,470,451,430	0.960	CY 2000	21,366,860,900	1.023
	10.98%			10.03%	
CY 1982	7,181,000,000	0.980	CY 2001	23,509,214,100	1.023
	2.32%			15.65%	
CY 1983	7,347,900,000	0.990	CY 2002	27,188,731,900	0.993
	9.20%			16.52%	
CY 1984	8,023,809,200	0.970	CY 2003	31,680,370,000	0.978
	11.55%			12.28%	
CY 1985	8,950,335,955	0.950	CY 2004	35,569,361,600	0.958
	14.39%			18.85%	
CY 1986	10,238,487,754	0.940	CY 2005	42,275,421,900	0.878
	13.77%			19.77%	
CY 1987	11,648,180,200	0.920	CY 2006	50,632,673,900	0.818
	13.37%			7.22%	
CY 1988	13,205,218,600	0.890	CY 2007	54,289,500,700	0.818
	22.70%			5.27%	
CY 1989	16,202,838,200	0.780	CY 2008	57,151,920,700	0.838

**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) 2008, a tax of \$0.838 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.

Arlington County
#1 Courthouse Plaza
2100 Clarendon Boulevard
Arlington, Virginia 22201
February 26, 2008

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 3.7 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 \$0.789 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 \$0.838 per \$100 of assessed value. The difference between the lowered tax rate and the proposed rate would be \$0.049 per \$100, or 6.2 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 5.4 percent.

A PUBLIC HEARING ON THE INCREASE WILL BE HELD ON MARCH 27, 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 \$0.838 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 2008 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.

Aubryn Bednar, Acting Clerk
Arlington County Board