



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of February 24, 2018

DATE: February 20, 2018

SUBJECT: Request to authorize advertisement of a public hearing to consider the Calendar Year 2018 real estate tax rate, commercial real estate tax rate, and sanitary district tax rate.

C. M. RECOMMENDATION:

1. Advertise a public hearing on April 5, 2018, to consider a Calendar Year (CY) 2018 base real estate tax rate of \$ TBD per \$100 of assessed value using the attached advertisement (Attachment V).
2. Advertise a public hearing on April 5, 2018, to consider the CY 2018 commercial real estate tax for transportation initiatives at the current rate of \$0.125 per \$100 using the attached advertisement (Attachment V).
3. Advertise a public hearing on April 5, 2018, to consider the CY 2018 sanitary district tax for stormwater management at the current rate of \$0.013 per \$100 of assessed value using the attached advertisement (Attachment V).

ISSUES: 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 57 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 \$0.993 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 \$1.006. 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). Effective July 1, 2013 with the passage of HB 2313, any decrease in this commercial real estate tax rate will result in an equivalent revenue decrease allocated to the County through Northern Virginia Transportation Authority (NVTa).

County Manager:

MJS / Muc

County Attorney:

[Signature]

Staff: Emily Hughes, DMF

24. A.

In November 2017, the County Board directed the Manager to present a fiscal year (FY) 2019 proposed budget that presents a balanced within the existing tax. The County Manager has accomplished this in his proposed budget and he has provided Arlington Public Schools with 46.6% of local tax revenues per Board guidance. All other budget guidance directives from the County Board have been achieved in the Manager's FY 2019 proposed budget.

Real estate assessments, which were determined in January 2018 and affect the FY 2019 budget, increased 1.9 percent overall. Final revenue forecasts for the FY 2019 County Manager's Proposed Budget provide an additional \$25.6 million (above FY 2018 adopted) from all local tax revenue sources before any changes to utility tax rates. Proposed increases to residential and commercial utility tax rates provide an additional \$3.2 million in revenue.

Of the \$28.8 million in new tax revenue, the Schools will receive \$13.0 million in additional ongoing tax revenue over FY 2018 adopted levels. The County Manager's proposed budget includes \$497.6 million in ongoing funding and \$0.4 million in one-time funding to the Schools to meet the needs of enrollment, capacity, pay, and other expense pressures. This transfer to the Schools represents 46.6 percent of all local tax revenues.

At the current tax rates, revenue to the General Fund for the FY 2019 Proposed Budget totals \$1.3 billion (excluding fund balance). Local tax revenues are estimated at \$1.1 billion.

The overall assessed value for all properties in the County is up 1.9 percent. The average home value is up 3.8 percent over last year, from \$617,200 to \$640,900. Commercial property values were down slightly (0.2%) from CY 2017 to CY 2018, primarily due to the decline in office property values offset by growth in other sectors. At the current real estate rate of \$1.006, which includes the base rate of \$0.993 plus the \$0.013 rate for stormwater, the average Arlington homeowner would pay \$6,447 per year in real estate taxes, a \$238 or 3.8 percent increase over CY 2017.

The County Board may want to consider a base real estate tax rate above the current \$0.993 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 \$0.993 would provide potential for additional revenue as the Board and community assess the needs for FY 2019.

- **Real Estate Tax:** The current base rate is \$0.993 per \$100 of real estate value. For FY 2019, this tax is projected to generate \$730.3 million, which is 2.1 percent (\$15.2 million) above FY 2018.
- **Commercial Transportation Tax:** The current rate is \$0.125 per \$100 of commercial real estate value. For FY 2019, this tax is projected to generate \$25.2 million, which is 4.7 percent (\$1.2 million) lower than FY 2018.
- **Sanitary District Tax (Stormwater):** The current rate is \$0.013 per \$100 of assessed real estate value. For FY 2019, this tax is projected to generate \$9.7 million, which is 0.8 percent (\$0.1 million) above FY 2018 adopted levels. Funds will be allocated primarily to critical infrastructure projects and related staff support.

Attachment I details the changes in assessments for residential and commercial properties between CY 2017 and CY 2018.

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 1975 to 2018 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.

PUBLIC ENGAGEMENT: A public hearing on this item will be held on April 5, 2018.

ATTACHMENT I

CHANGE IN ASSESSED VALUE OF REAL ESTATE IN ARLINGTON COUNTY CALENDAR YEAR 2017 TO CALENDAR YEAR 2018

(\$ in millions)

	Single Family Residence	Condominiums	Apartment	Commercial	Total
CY 2017 Tax Base	\$27,402	\$9,976	\$14,991	\$21,019	\$73,388
Percentage of Tax Base	37.3%	13.6%	20.4%	28.6%	100.0%
 CY 2018 Tax Base					
Excluding New Growth	\$28,566	\$10,227	\$15,446	\$20,125	\$74,365
Percentage Change	4.3%	2.5%	3.0%	-4.3%	1.3%
New Construction	\$60	\$0	\$253	\$106	\$419
Percentage Change	0.2%	0.0%	1.7%	0.5%	0.6%
 CY 2018 Tax Base					
With New Construction	\$28,627	\$10,227	\$15,700	\$20,231	\$74,785
Percent Change (including new construction)					
CY 2017 to CY 2018	4.5%	2.5%	4.7%	-3.7%	1.9%
Percentage of Tax Base	38.3%	13.7%	21.0%	27.1%	100.0%

Numbers may not add due to rounding.

ATTACHMENT II

**ARLINGTON COUNTY
REAL ESTATE TAX PAYMENT
AVERAGE SINGLE FAMILY HOME
2009 - 2018**

TAX YEAR	SINGLE FAMILY RESIDENCE VALUE*	% CHANGE	BASE TAX RATE	TAX PAYMENT	\$ CHANGE
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	519,400	1.8%	0.958	\$4,977	\$155
2013	524,700	1.0%	0.993	\$5,211	\$234
2014	552,700	5.3%	0.983	\$5,434	\$223
2015	587,100	6.2%	0.983	\$5,772	\$338
2016	603,500	2.8%	0.978	\$5,903	\$131
2017	617,200	2.3%	0.993	\$6,130	\$227
2018 (Proposed)	640,900	3.8%	0.993	\$6,365	\$235
2018 (Advertised)	640,900	3.8%	TBD	TBD	TBD

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

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

	Assessment Value	Tax Rate		Assessment Value	Tax Rate
CY 1975	3,025,646,500 7.07%	1.512	CY 1997	18,545,587,900 2.72%	0.986
CY 1976	3,239,704,925 7.85%	1.512	CY 1998	19,049,629,300 4.92%	0.998
CY 1977	3,494,109,020 8.84%	1.490	CY 1999	19,987,442,600 6.90%	0.998
CY 1978	3,802,977,594 13.96%	1.450	CY 2000	21,366,860,900 10.03%	1.023
CY 1979	4,333,704,236 23.02%	1.290	CY 2001	23,509,214,100 15.65%	1.023
CY 1980	5,331,452,465 21.36%	1.120	CY 2002	27,188,731,900 16.52%	0.993
CY 1981	6,470,451,430 10.98%	0.960	CY 2003	31,680,370,000 12.28%	0.978
CY 1982	7,181,000,000 2.32%	0.980	CY 2004	35,569,361,600 18.85%	0.958
CY 1983	7,347,900,000 9.20%	0.990	CY 2005	42,275,421,900 19.77%	0.878
CY 1984	8,023,809,200 11.55%	0.970	CY 2006	50,632,673,900 7.22%	0.818
CY 1985	8,950,335,955 14.39%	0.950	CY 2007	54,289,500,700 5.86%	0.818
CY 1986	10,238,487,754 13.77%	0.940	CY 2008	57,469,500,000 0.54%	0.838
CY 1987	11,648,180,200 13.37%	0.920	CY 2009	57,781,547,100 -6.57%	0.865
CY 1988	13,205,218,600 22.70%	0.890	CY 2010	53,985,515,000 6.43%	0.945
CY 1989	16,202,838,200 12.91%	0.780	CY 2011	57,459,163,400 7.33%	0.945
CY 1990	18,294,868,300 3.05%	0.765	CY 2012	61,672,361,900 1.98%	0.958
CY 1991	18,853,479,950 -4.34%	0.765	CY 2013	62,891,330,300 5.58%	0.993
CY 1992	18,034,540,000 -0.95%	0.820	CY 2014	66,399,525,900 4.32%	0.983
CY 1993	17,862,637,650 0.00%	0.860	CY 2015	69,269,138,400 2.90%	0.983
CY 1993	17,862,637,650 -0.17%	0.860	CY 2016	71,275,163,300 2.96%	0.978
CY 1994	17,832,515,250 -0.14%	0.897	CY 2017	73,388,290,300 1.90%	0.993
CY 1995	17,808,388,000 1.92%	0.940	CY 2018	74,784,549,900	TBD
CY 1996	18,150,077,200 2.18%	0.960			

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) 2018, 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 24, 2018

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 1.33 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 \$0.9800 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 adopted 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 APRIL 5, 2018, 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 \$ TBD 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 2018 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