

BACKGROUND: Discussed in the following report are the changes in real property assessments from CY 2020 to CY 2021 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities.

The 2021 tax rate applicable to the January 1, 2021 assessed value is scheduled to be set by the City Council on May 5, 2021.

DISCUSSION:

OVERALL CHANGE IN CY 2021 REAL PROPERTY TAX BASE

This year, the City’s overall assessed real property tax base increased 2.69% from the original January 1, 2020, assessment to January 1, 2021, or \$1.1 billion from \$42.7 billion in CY 2020 to \$43.8 billion in CY 2021 (Attachment 1, Page 2, Line 73). This compares to an early estimate of 0.15% projected at Council’s Retreat in early November. This overall increase is the result of significant improvement in the residential sector and moderate improvement in the multi-family sector of the market. The following table shows the year-over-year land book change in grand total taxable real property assessments from CY 2015 to CY 2021.

Calendar Year	Grand Total Taxable Real	Change from Prior Year
2015	\$37.15	3.49%
2016	\$38.20	2.82%
2017	\$38.99	2.07%
2018	\$39.90	2.34%
2019	\$40.98	2.71%
2020	\$42.68	4.15%
2021	\$43.83	2.69%

Attachment 2 shows the change in the tax base from a starting point of the 2020 equalized assessments. The equalized assessment represents the year-ending 2020 assessments (as of December 31, 2020), and reflects changes that occurred throughout the calendar year including administrative reviews, appeals, decisions of the Board of Equalization, supplemental assessments, subdivisions, consolidations, changes in tax status and demolitions. On this basis, locally and non-locally assessed real property assessments increased 2.19% (Attachment 2, Page 3, Line 66).

Points of Interest Relating to CY 2021 Assessment Changes:

- **Locally assessed real property assessments increased 2.70%** (which consists of both new construction and appreciation), or \$1.1 billion, from \$42.1 billion in 2020 to \$43.2 billion in 2021 (Attachment 1, Page 1, Line 49).
- The **residential property tax base increased 6.02%**, or \$1.5 billion, from \$24.6 billion in 2020 to \$26.0 billion in 2021 (Attachment 1, Page 1, Line 21). This is the largest percentage increase to the residential property tax base since 2006.

The average assessed value for all residential property (including single-family and condominium) as of January 1, 2021 increased 4.38%, from \$582,636 in CY 2020 to \$615,858 in CY 2021. For 2021, approximately 94% increased, 5% decreased and 1% remained the same.

The average assessed value for a residential single-family home as of January 1, 2021 increased

4.54%, from \$800,025 in CY 2020 to \$839,961 in CY 2021. For 2021, approximately 93% increased in value, 1% decreased, and 6% remained unchanged.

The average assessed value for a residential condominium as of January 1, 2021 increased 3.98%, from \$348,234 in CY 2020 to \$375,070 in CY 2021. For 2021, approximately 95.6% increased in value, 0.30% decreased, and 4.10% remained unchanged.

- **The commercial property tax base decreased by 1.96%**, or \$342.5 million, from \$17.5 billion in 2020 to \$17.2 billion in 2021 (Attachment 1, Page 1, Line 47). This compares to a 2.80% increase the previous year. Industrial and self-storage properties led the commercial market increasing 4.81%. The overall assessment of the office sector decreased -6.52%, or \$271.2 million, from \$4.2 billion in 2020 to \$3.9 billion in 2021.
- **State-assessed public service corporation property assessments increased 1.74%**, or \$10.9 million, from \$627.5 million in 2019 to \$638.4 million in 2021 (Attachment 1, Page 2, Line 71). The 2021 state-assessed Public Service Corporation assessments are effective January 1, 2020. These values are certified by the State Corporation Commission (SCC) and the Virginia Department of Taxation (VDoT) in late September of the effective year of the valuation. The City bills all non-locally assessed properties on a fiscal year basis in order to accurately reflect these assessment changes.
- **Tax exempt real property assessments increased 0.30%**, or \$15.6 million, from \$5.21 billion in 2020 to \$5.23 billion in 2021 (Attachment 1, Page 2, Line 107).
- **Taxable new construction activity added \$227.0 million for CY 2021.** This compares to CY 2020 when \$428.6 million in new residential and commercial growth was added to the City’s tax base. Residential construction accounted for \$45.9 million of the new growth, while the commercial sector, which includes multifamily rental, accounted for \$181.11 million. The expansion of the multi-family residential sector was \$110.1 million. Overall, \$1.74 billion in new growth has been added to the tax base from 2017-2021. Historical new growth figures are detailed in Attachment 3.

The table below compares the City of Alexandria’s median assessment to sales ratio for tax year CY 2019 to the Northern Virginia jurisdictions listed below, as determined by the Virginia Department of Taxation (VDoT). It is noted that this data is considered preliminary and has not been published statewide. Alexandria’s 91.99% ratio was in line with the surrounding Northern Virginia localities, showing the City’s assessments were close to market value. Similar data for CY 2020 has not been released:

Jurisdiction	Median Ratio
City of Fairfax	92.88%
Falls Church	92.30%
Alexandria	91.99%
Fairfax County	91.26%
Arlington County	90.17%

Impact of Tax Relief: Over the last nine years, the Commonwealth of Virginia expanded the eligibility for real estate tax relief to include military veterans who are considered completely and permanently disabled and spouses of those determined to be killed in action. In FY 2020 the City relieved \$2.9 million of real estate taxes for property owners who qualify under the parameters of the Elderly and Disabled Tax Relief Program and \$1.72 million of real estate taxes for property owners who qualify as disabled veterans and the spouses of those veterans determined to be killed in action.

Impact of Tax Rate: This 2.69% increase in the CY2021 tax base compares with a 0.15% increase projected at the time of Council’s Retreat. Reflected within that is an increase in the average residential property of 4.38% which also was higher than previously projected. That increase above the prior projections coupled with other favorable budget trends will materially assist towards the shrinking of the projected budget gap and therefore in my thinking takes a potential increase in the 2021 real property tax rate out of consideration in the budget that I will propose to City Council on February 16.

Distribution of Real Property Assessments

- Real property classified as residential for assessment purposes for CY 2021 represents 59.4% of the total real property taxable base, while property classified as commercial and public service corporations represents 40.6% of the base. If multifamily housing is excluded, the balance of commercial comprises 21.3% of the base. This 59.4%/40.6% split compares to CY 2020 when 57.5% of the tax base was residential, and property classified as commercial and public service corporations represented 42.5% of the base. If multifamily housing is excluded, commercial comprised 23.4% of the CY 2020 tax base. A historical distribution of the City’s real property tax base allocated between classifications of real property for assessment purposes is detailed in Attachment 5.
- Within the commercial tax base:
 - (1) the hotel tax base dropped 25.49% which reflects a national view that it will take hotels 3 to 4 years to recover
 - (2) the shopping center tax base dropped 7.24% which reflects the hard hit retail took in large part due to internet sales increases
 - (3) the office market dropped 3.32%
 - (4) multi-family rentals increased 2.28% reflecting investors views of the future health of the multifamily market
- Attachment 6 details the distribution of the CY 2021 assessments in terms of actual dollars and percentages by land use. The land uses represented are residential single-family; residential condominium; residential vacant land; commercial multifamily rental; commercial office, retail and service; commercial and industrial vacant land; and public service corporations.

ATTACHMENTS:

- Attachment 1: CY 2021 Real Property Assessment Land Book
- Attachment 2: CY 2021 Real Property Assessment Summary Including Appreciation and Growth
- Attachment 3: Historical New Growth (CY 2014 to CY 2021)
- Attachment 4: Potomac Yard
- Attachment 5: Real Estate Tax Base Distribution (CY 2005 to CY 2021)
- Attachment 6: Distribution of 2021 Assessments by Land Use
- Attachment 7: Points of Interest - CY 2021 Residential Assessment Changes
- Attachment 8: Average 2021 Real Property Assessment Percentage Changes
- Attachment 9: Analysis of the Commercial Market
- Attachment 10: Overview of the Assessment Process
- Attachment 11: New Construction Projects
- Attachment 12: Noteworthy Trends in Alexandria Real Estate
- Attachment 13: PowerPoint Presentation

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