



City of Alexandria

City Council Chambers at
Del Pepper Community
Resource Center
4850 Mark Center Drive
Alexandria, VA 22311

Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 27, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Final Passage of an Ordinance to Establish the Real Estate and Personal Property Tax Rates for Calendar Year 2018 (Fiscal Year 2019). [ROLL-CALL-VOTE]

ISSUE: Final Passage of the Real and Personal Property Tax Rates for Calendar Year 2018 (Fiscal Year 2019).

RECOMMENDATION: That City Council pass the proposed ordinance on Thursday, May 3.

The maximum rates authorized by City Council in the attached ordinance reflect:

1. A base real estate tax rate on residential, commercial and industrial property for calendar year 2018 of \$___ per one hundred dollars of assessed valuation. The FY 2019 proposed budget recommends a real estate tax rate of \$1.13 to fund the base budget;
2. Assumed in this proposed amount is the continued dedication of 0.6 cents for affordable housing;
3. Assumed in the proposed amount is the continued reservation of 2.2 cents of the real property tax rate for transportation projects;
4. A Special Services District tax is proposed to continue to be levied on all real property located in the Tier I Potomac Yard Metrorail Station Special Services District at the current rate of \$0.20 per one hundred dollars of valuation;
5. A personal property tax rate on vehicles for calendar year 2018 of \$___ per one hundred dollars of assessed value. The FY 2019 proposed budget recommends a vehicle personal property tax rate of \$5.00 to fund the base; and

6. A tangible business personal property tax rate for calendar year 2018 of \$____ per one hundred dollars of assessed value and a machinery and tools tax rate of \$____ per hundred dollars of assessed value. The FY 2019 proposed budget recommends a tangible personal property tax rate of \$4.75 and a machinery and tools tax rate of \$4.50 to fund the base budget.

DISCUSSION: Under the requirements of The Code of Virginia (“The Code”), the City Council annually must establish real property and personal property tax rates for each calendar year. The Code also establishes certain advertising and public hearing requirements prior to the adoption of these property tax rates. One Code requirement mandates that Council advertise the highest rates under consideration that could potentially be adopted when Council votes on the FY 2019 budget and sets the 2018 tax rates on May 3. State Code also requires a separate public hearing (i.e., separate from the budget hearing on March 12th) on the real property tax rate if the taxes levied for the year in which the proposed tax rate applies would increase by more than one percent (after the value of new construction has been deducted). An increase of more than one percent is termed by statute as the “effective tax rate increase.” This would be the case in CY 2018 as taxes levied at the proposed \$1.13 rate result in a 2.21 percent increase for all classes of real property (after the value of new construction has been deducted). It should be noted that the advertised maximum tax rate may be different from the City Manager’s proposed tax rate. The tax rate that would generate the same revenue as FY 2018 is \$1.106.

State law also requires that a special “notice of proposed real property tax increase” in a specific format and language be placed in a local newspaper of general circulation if the proposed tax rate results in a tax greater than one percent above the prior year tax levy. A separate hearing on this ordinance and the “effective real property tax increase” was held on April 14. The special notice of the hearing date, as required by State statute, was printed in at least one newspaper prior to that hearing. The advertisement was placed in The Washington Times on March 16th 30 days prior to the public hearing. The advertisement was also placed in the Alexandria Gazette on March 22.

City Council established the maximum real estate tax and personal property tax rates on Wednesday, March 14 and held a public hearing on April 14.

The following is the planned schedule for calendar year 2018 (FY 2019):

<u>Date:</u>	<u>Topic:</u>
March 6	Council receives tax advertisement report
March 12	Budget Public Hearing
March 14	Council sets maximum real estate tax rates and personal property tax rate to be advertised
April 14	Public hearing on the real and personal property tax rates and property tax related ordinance
April 14	Public hearing on effective tax rate increase
May 3	Final adoption of the budget and related tax ordinances

The FY 2019 Proposed Operating Budget reflects no change in the tax rate of \$1.13 per \$100. The proposed budget and the proposed ordinance assume the continuation of the dedication of 0.6 cents of the base real estate tax rate for affordable housing and the continuation of the reservation of 2.2 cents for transportation projects. In addition, the proposed budget and the proposed ordinance reflects no change in Tier I Potomac Yard Metrorail Station Special Services District Tax Rate of 20 cents for all real property located in that District. Since the Tier II District’s rate would not be effective in 2018, it is not reflected in this ordinance.

Below are the values attributed to dedicated taxes and Council reserved taxes.

Dedicated and Reserved Taxes:

Affordable Housing:	0.6 cents	\$2.37 million
Potomac Yard Special Services District (Tier I):	20 cents	\$1.14 million
Council Reserved Taxes:		
Transportation Improvement:	2.2 cents	\$8.68 million

Value of one cent (on all taxable real property): \$3.95 million

The FY 2019 Proposed Operating budget reflects no change per \$100 of assessed value to the current various personal property tax rates:

\$5.00 for tangible vehicle personal property; \$4.75 for
business personal property;

\$3.55 for vehicles with specially designed equipment for use by the physically disabled,

\$4.50 for machinery and tools used in machinery and manufacturing business, and certain vehicles for hire; and

\$0.01 for privately-owned pleasure boats and watercraft that are used for recreational purposes only.

FISCAL IMPACT: The proposed real estate tax rate of \$1.13 is the base real estate tax on each \$100 of assessed value for calendar year 2018 is expected to generate \$438.1 million in

FY 2018 and \$447.0 million in FY 2019. The 2018 calendar year tax rate affects the first half tax levy due in June 2018, which falls in FY 2018 and the second half tax levy due in November 2018, which falls in FY 2019.

For each \$0.01 increase in the real estate tax rate, an additional \$1.96 million would be raised in FY 2018, and \$3.95 million in FY 2019.

In the FY 2010 Approved Budget, the City reduced its dedication for affordable housing to 0.7 cents. The FY 2012 budget reduced the dedication to 0.6 cents of the real estate tax rate. In FY 2019, this is estimated to generate \$2.37 million, of which \$1.65 million is needed for debt service. The remaining \$0.7 million is available for affordable housing initiatives. If Council chooses to change the affordable housing dedication, a separate ordinance will be required and introduced at a later date.

The Tier I Potomac Yard Special Services District tax rate of \$0.20 per \$100 of valuation at Potomac Yard is projected to raise \$1.14 million in Fiscal Year 2019 for Potomac Yard Metrorail Station funding purposes.

ATTACHMENTS:

Attachment 1 - Ordinance Cover

Attachment 2 - Proposed Ordinance

STAFF:

Kendel Taylor, Director of Finance
Morgan Routt, Budget Director