



City of Alexandria

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

Legislation Text

File #: 20-0453, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 5, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of the Calendar Year 2020 Real Property Assessments.

ISSUE: Calendar Year (CY) 2020 Notices of Assessment will be mailed to property owners on February 12.

RECOMMENDATION: That City Council receives this report.

BACKGROUND: Included in this attached report are the annual changes in real property assessments from CY 2019 to CY 2020 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities.

The 2020 tax rate applicable to the January 1, 2020 assessed value is scheduled to be set by the City Council on April 29, 2020.

DISCUSSION:

OVERALL CHANGE IN CY 2020 REAL PROPERTY TAX BASE

This year, **the City's overall assessed real property tax base increased 4.15%** from the original January 1, 2019, assessment to January 1, 2020, increasing by \$1.7 billion from \$41.0 billion in CY 2019 to \$42.7 billion¹ in CY 2020 (Attachment 1, Page 2, Line 73). This increase reflects stable to moderate improvements in both the residential and rental apartment sectors of the market. The following table shows the year-over-year land book change in grand total taxable real property assessments from CY 2014 to CY 2020. Overall new growth which is a measure of the value of development increased \$42.9 million and added 1.07% to the tax base. This means that about 25% of the City's tax base growth came from new development.

¹ The City’s 2020 valuation includes the 2019 value of state-assessed public service corporation property. These values were certified by the State Corporation Commission and Virginia Department of Taxation in September 2019.

Calendar Year	Grand Total Taxable Real	Change from Prior Year
2014	\$35.90	3.3%
2015	\$37.15	3.5%
2016	\$38.20	2.8%
2017	\$38.99	2.1%
2018	\$39.90	2.3%
2019	\$40.98	2.7%
2020	\$42.68	4.15%

Attachment 2 shows the change in the tax base from a starting point of the 2019 equalized assessments. The equalized assessment represents the year-ending 2019 assessments (as of December 31, 2019), 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 4.62% (Attachment 2, Page 3, Line 66).

Points of Interest Relating to CY 2020 Assessment Changes:

- **Locally assessed real property assessments increased 4.25%** (which consists of both new construction and appreciation), or \$1.7 billion, from \$40.3 billion in 2019 to \$42.0 billion in 2020 (Attachment 1, Page 1, Line 49). This is the largest percentage increase to the locally assessed tax base since 2007.
- **The residential property tax base increased 5.32%**, or \$1.2 billion, from \$23.3 billion in 2019 to \$24.5 billion in 2020 (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, 2020 increased 4.62%, from \$555,002 in CY 2019 to \$582,636 in CY 2020. For 2020, approximately 91% of residential properties increased, 2% decreased and 7% remained the same.

The average assessed value for a residential single-family home as of January 1, 2020 increased 4.13%, from \$764,596 in CY 2019 to \$800,025 in CY 2020. For 2020, approximately 88% increased in value, 4% decreased, and 8% remained unchanged.

The average assessed value for a residential condominium as of January 1, 2020 increased 5.84%, from \$329,216 in CY 2019 to \$348,234 in CY 2020. For 2020, approximately 94% increased in value, 0.2% decreased, and 5.8% remained unchanged.

- **The commercial property tax base increased by 2.80%**, or \$475.9 million, from \$17.0 billion in 2019 to \$17.5 billion in 2020 (Attachment 1, Page 1, Line 47). This compares to a 3.58% increase the previous year. Multi-family rental development led the commercial market increasing 4.98%. The overall assessment of the office sector decreased -0.20%, or \$8.4 million to \$4.16 billion.
- **State-assessed public service corporation property assessments decreased 2.13%**, or \$13.6 million, from \$641.1 million in 2019 to \$627.5 million in 2020 (Attachment 1, Page 2, Line 71). The 2020 state-assessed Public Service Corporation assessments are effective January 1, 2019. 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 1.09%**, or \$56.4 million, from \$5.16 billion in 2019 to \$5.21 billion in 2020 (Attachment 1, Page 2, Line 107).
- **Taxable new construction activity added \$428.6 million for CY 2020.** This compares to CY 2019 when \$344.3 million in new residential and commercial growth was added to the City’s tax base. Residential construction accounted for \$119.8 million of the new growth, while the commercial sector, which includes multifamily rental, accounted for \$308.9 million. The expansion of the multi-family residential sector was \$72.4 million. Overall, \$1.82 billion in new growth has been added to the tax base since 2016. 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 2018 to the Northern Virginia jurisdictions listed below, as determined by the Virginia Department of Taxation (VDoT). Alexandria’s 95.80% ratio was the highest in Northern Virginia, which means that the City’s assessments were closest to market value than the other Northern Virginia localities. Similar data for CY 2019 has not been released:

Jurisdiction	Median Ratio
Alexandria	95.80%
City of Fairfax	95.30%
Falls Church	93.75%
Arlington County	93.53%
Fairfax County	91.80%

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 \$3.0 million of real estate taxes for property owners who qualify under the parameters of the Elderly and Disabled Tax Relief Program and \$1.4 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.

Distribution of Real Property Assessments

- Real property classified as residential for assessment purposes for CY 2020 represents 57.5% of the total real property taxable base, while property classified as commercial and public service corporations represents 42.5% of the base. If multifamily housing is excluded from the definition of commercial, then commercial comprises 23.4% of the base. This compares to CY 2019 when 56.9% of the tax base was residential, and property classified as commercial and public service corporations represented 43.1% of the base. If multifamily housing is excluded, commercial comprised 24.2% of the CY 2019 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.
- Attachment 6 details the distribution of the CY 2020 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 2020 Real Property Assessment Land Book
- Attachment 2: CY 2020 Real Property Assessment Summary Including Appreciation and Growth
- Attachment 3: Historical New Growth (CY 2012 to CY 2020) Attachment 4:
- Potomac Yard
- Attachment 5: Real Estate Tax Base Distribution (CY 2004 to CY 2020) Attachment 6:

Distribution of 2020 Assessments by Land Use
Attachment 7: Points of Interest - CY 2020 Residential Assessment Changes Attachment 8: Average
2020 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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