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Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 4, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of the Calendar Year 2015 Real Property Assessment.

ISSUE: (1) 2015 Notices of Assessment will be mailed to property owners on February 10; and (2) DREA staff will present the new real estate values at the February 10 City Council legislative meeting.

RECOMMENDATION: That City Council receives the report.

BACKGROUND: Included in the attached report are the annual changes in real property assessments from CY 2014 to CY 2015 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities.

Assessment notices will be mailed to property owners on February 10 and reflect updated market values of

as of January 1, 2015, as well as those for the previous two years. The comparative estimates are mandated by a 2014 amendment to §58.1-3330(B) of the Code of Virginia which requires disclosure of the assessment (land, improvements, and total), tax rate, tax levy, and percent change for the previous two years. The 2015 tax rate, which will apply to the January 1, 2015 assessed value, is scheduled to be set by the City Council on May 7, 2015 and therefore a 2015 tax rate is not reflected on the forthcoming assessment notices.

DISCUSSION:

OVERALL CHANGE IN CY 2015 REAL PROPERTY TAX BASE

This year, **the City's overall real property tax base increased 3.5%** from the original January 1, 2014 assessment to January 1, 2015, or \$1.25 billion from \$35.90 billion in CY 2014 to \$37.15 billion in CY 2015 (Attachment 1, Page 2, Line 74, Column 6). This increase reflects continued improvement in the residential and rental apartment sectors of the market. However, while the overall residential tax base was up 4.33% the commercial sector was up only 2.37%. The table on the following page shows the year-over-year land book change in grand total taxable real property assessments from CY 2011 to CY 2015.

Calendar Year	Grand Total Taxable Real Property Assessments (in billions)	Change from Prior Year
2011	\$32.63	2.6%
2012	\$33.78	3.5%
2013	\$34.72	2.8%
2014	\$35.90	3.3%
2015	\$37.15	3.5%

Attachment 2 shows the change in the tax base from a starting point of the 2014 equalized assessments. The equalized assessment represents the year-ending 2014 assessments (as of December 31, 2014), and reflect changes that occurred throughout the calendar year including administrative reviews, appeals, decisions of the Board of Equalization, supplemental assessments, subdivisions, consolidations and demolitions.

Points of Interest Relating to CY 2014 Assessment Changes:

- **Locally assessed real property assessments increased 3.50%** (which consists of both new construction and appreciation in value of existing property), or \$1.24 billion, from \$35.34 billion in 2013 to \$36.57 billion in 2015 (Attachment 1, Page 1, Line 49, Column 6).
- The **residential property tax base increased 4.33%**, or \$880.65 million, from \$20.31 billion in 2014 to \$21.201 billion in 2015 (Attachment 1, Page 1, Line 21, Column 6). Residential property assessments for 2015 have now surpassed the previous peak in 2006 when the total assessment was reported at \$20.33 billion.

The average assessed value for a residential single-family home as of January 1, 2015 increased 2.92%, from \$682,178 in CY 2014 to \$702,098 in CY 2015 (Attachment 2, Page 1, Line 6, Column 9). For 2015, 96% increased in value, 2.5% decreased, and 1.5% remained unchanged.

The average assessed value for a residential condominium as of January 1, 2015 increased 3.51%, from \$292,574 in CY 2014 to \$302,843 in CY 2015 (Attachment 2, Page 1, Line 14, Column 9). For 2015, 95% of all condominium properties increased in value, 4% decreased, and 1% remained unchanged.

- **The commercial property tax base increased by 2.37%**, or \$355.84 million, from \$15.02 billion in 2014 to \$15.38 billion in 2015 (Attachment 1, Page 1, Line 47, Column 6). This compares to the 1.93% increase the previous year. The 2015 commercial increase is primarily associated with the continued expansion of multi-family residential housing sector which increased 4.60% on a year-over-year basis. Approximately 1,330 Class A rental apartments were delivered over the course of 2015. The largest decrease was experienced in the hospitality sector which continues to perform at levels less than those projected by the operators. Based on the most recent income and expense data for calendar year 2013 both average daily room rates and occupancy failed to meet expectations and operating expense ratios increased when expressed as a percent of total revenue from all sources. The conventional office market remains weak with gross leasing activity in floor area amounts that fail to impact the net inventory through market backfill. Overall conventional office building values essentially remaining flat from the previous year. In 2014, gains attributable to multi-family were significantly offset by year-over-year decreases in other commercial sectors with the exception of general commercial.
- **State-assessed public service corporation property assessments increased 2.64%**, or \$14.77 million, from \$560.42 million in 2014 to \$575.19 million in 2015 (Attachment 1, Page 2, Line 72, Column 6). The decrease of 10.64% in telecommunications was attributable the continued retirement of their hard line networks. The 2015 state-assessed Public Service Corporation assessments are effective January 1, 2014. 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 2.44%**, or \$127.70 million, from \$5.23 billion in 2014 to \$5.36 billion in 2015 (Attachment 1, Page 2, Line 108, Column 6). The increase was primarily attributable to the City's acquisition of previously taxable parcels located along the Strand, and ARHA's construction of 51 dwelling units in Old Town Commons. Additional decreases were associated with the continued revaluation of land parcels zoned for public open space (POS) uses, which have limited development potential.
- **Taxable new construction activity added \$504.87 million for CY 2015.** Residential construction accounted for \$137.01 million of the new growth, while the commercial sector, which includes multifamily rental, accounted for \$367.86 million. The expansion of the multi-family residential sector alone was \$287.34 million. This compares to CY 2014 when \$349.25 million in new residential and commercial growth was added to the City's tax base. Overall, \$1.22 billion in new growth has been added to the tax base over the last five years. This equates to approximately 3.34% of the CY 2015 locally assessed taxable base. Historical new growth figures are detailed in Attachment 3.
- **On-going new construction and recently completed development projects** include: the continued build-out of conventional townhouses and urban loft condominiums within Potomac Yard; the completion of conventional townhouses, urban loft condominiums and ARHA multifamily apartment rental units in Old Town Commons, and the mixed-use Printer's Row which is a high-end 21-unit residential townhouse condominium development with a small retail component. The Safeway store at

3526 King Street was redeveloped with a new 61,949 square-foot lifestyle grocery store. EYA completed the redevelopment of the former Sheet Metal Workers Building into a high-end residential multifamily condominium project containing 60 units known as The Oronoco. Also completed was The Kingsley Apartments (175 mid-rise units) which includes a Harris Teeter grocer, Del Ray Towers f/k/a The Calvert (334 high-rise units with ground floor retail, Bell Del Ray (276 mid-rise units with ground floor retail), Bell Pre (360 units with ground floor retail), and Broadstone Van Dorn (a hotel converted to 184 high-rise apartment units). Of significant interest in the Hoffman Town Center area is the early 2014 groundbreaking and subsequent on-going construction of the National Science Foundation office building (697,417 square feet of net leasable area) which is expected to be a catalyst for additional new development, particularly in the hospitality sector.

New construction also includes a significant number of multifamily projects throughout the City. These are in various stages of construction and include: The Bradley a/k/a Braddock Metro Place (165 units - Old Town), Park Meridian at Eisenhower Station (505 units - Carlyle), Notch 8/JBG Development (233 units with a first floor grocer - Potomac Yard), Station 650 at Potomac Yard/Woods Partners (183 units - Potomac Yard), The Frazier/Bozzuto (249 units - Potomac Yard), The Alric/JBG Development (323 units - Potomac Yard), and the Modero Tempo a/k/a Landmark Gateway (502 units - West End).

- In accordance with the terms and conditions associated with the development of Potomac Yard Metrorail station, 0.33% of the City's tax base growth which occurred on Potomac Yard will be set aside (after service cost deductions) to assist in financing of the proposed Potomac Yard Metrorail Station.
- The table below compares the City of Alexandria's median assessment sales ratio for tax year CY 2013 to the following Northern Virginia jurisdictions:

Jurisdiction	Median Ratio
Falls Church	95.72%
Alexandria	92.45%
City of Fairfax	91.04%
Arlington County	87.71%
Fairfax County	85.73%
Prince William County	83.47%

Distribution of Real Property Assessments

- Real property classified as residential for assessment purposes for CY 2015 represents 57.06% of the total real property taxable base, while property classified as commercial and public service corporations represents 42.94% of the base. If multifamily housing is excluded, commercial comprises 25.27% of the base. This compares to 2014 when 56.6% of the tax base was residential, and property classified as commercial and public service corporations represents 42.94% of the base. If multifamily housing is excluded, commercial comprises 25.9% of the CY 2014. A historical distribution of the City's real property tax base allocated between classifications of real property for assessment purposes is detailed in Attachment 4.
- Attachment 5 details the distribution of the 2015 assessments in terms of actual dollars and percentages

by land use. Land uses include: 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 2015 Real Property Assessment Land Book
Attachment 2: CY 2015 Real Property Assessment Summary Including Appreciation and Growth
Attachment 3: Historical New Growth (CY 2010 to CY 2015)
Attachment 4: Real Estate Tax Base Distribution (CY 2001 to CY 2015)
Attachment 5: Distribution of 2015 Assessments by Land Use
Attachment 6: Points of Interest - CY 2015 Residential Assessment Changes
Attachment 7: Analysis of the Commercial Market
Attachment 8: Overview of the Assessment Process
Attachment 9: Staff Powerpoint presentation

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