



## Legislation Details (With Text)

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<b>Title:</b>	Consideration of the Calendar Year 2019 Real Property Assessments.		
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<b>Code sections:</b>			
<b>Attachments:</b>	1. 19-1544_Attachment 1 CY 2019 Real Property Assessment Land Book, 2. 19-1544_Attachment 2 CY 2019 Equalized Assessment Summary, 3. 19-1544_Attachment 3 Historical New Growth (CY 2012 to CY 2019), 4. 19-1544_Attachment 4 Potomac Yard, 5. 19-1544_Attachment 5 Real Estate Tax Base Distribution (CY 2004 to CY 2019), 6. 19-1544_Attachment 6 Distribution of 2019 Assessments by Land Use, 7. 19-1544_Attachment 7 Points of Interest - CY 2019 Residential Assessment Changes, 8. 19-1544_Attachment 8 Average 2019 Real Property Assessment Changes (2), 9. 19-1544_Attachment 9 Analysis of the Commercial Market, 10. 19-1544_Attachment 10 Overview of the Assessment Process, 11. 19-1544_Attachment 11 New Construction Projects, 12. 19-1544_Attachment 12 FY 2019 Staff Presentation		

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

### MEMORANDUM

**DATE:** FEBRUARY 6, 2019

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

**DOCKET TITLE:**

Consideration of the Calendar Year 2019 Real Property Assessments.

**ISSUE:** 2019 Real Property Assessment results.

**RECOMMENDATION:** That City Council receive this 2019 Real Estate Assessment Report.

**BACKGROUND:** Reflected in the attached report are the annual changes in real property assessments from CY 2018 to CY 2019 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities.

Assessment notices will be mailed to property owners on February 13 and reflect updated market values as of January 1, 2019, as well as those for the previous two years. The 2019 tax rate applicable to the January 1, 2019 assessed value is scheduled to be set by the City Council on May 1, 2019.

## **DISCUSSION:**

### **OVERALL CHANGE IN CY 2019 REAL PROPERTY TAX BASE**

This year, the City's overall assessed real property tax base increased 2.71% from the original January 1, 2018, assessment to January 1, 2019, or \$1 billion from \$39.9 billion in CY 2018 to \$41.0 billion in CY 2019 (Attachment 1, Page 2, Line 73). This increase reflects stable to moderate improvements in both the residential and rental apartment sectors of the market. Commercial assessments also increased at a greater percentage than residential properties for the first time in several years. The following table shows the year-over-year land book change in grand total taxable real property assessments from CY 2013 to CY 2019.

<b>Calendar Year</b>	<b>Grand Total Taxable Real</b>	<b>Change from Prior Year</b>
2013	\$34.73	2.8%
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%
<b>2019</b>	<b>\$40.98</b>	<b>2.7%</b>

Attachment 2 shows the change in the tax base from a starting point of the 2018 equalized assessments. The equalized assessment represents the year-ending 2018 assessments (as of December 31, 2018), and reflects changes that occurred throughout the calendar year including administrative reviews, appeals, decisions of the Board of Equalization, supplemental assessments, subdivisions, consolidations and demolitions. On this basis, locally and non-locally assessed real property assessments increased 3.29% (Attachment 2, Page 3, Line 66).

### **Points of Interest Relating to CY 2019 Assessment Changes:**

- **Locally assessed real property assessments increased 2.69%** (which consists of both new construction and appreciation), or \$1 billion, from \$39.3 billion in 2018 to \$40.3 billion in 2019 (Attachment 1, Page 1, Line 49). Although improved from the 2018 increase of 2.3%, it is the third lowest increase in the last eight years.
- The **residential property tax base increased 2.04%**, or \$467 million, from \$22.8 billion in 2018 to \$23.3 billion in 2019 (Attachment 1, Page 1, Line 21).

**The average assessed value for all residential property (including single-family and condominium) as of January 1, 2019 increased 1.91%**, from \$544,601 in CY 2018 to \$555,002 in CY 2019. For 2019, roughly 53% increased, 9.8% decreased and 37.5% remained the same.

**The average assessed value for a residential single-family home as of January 1, 2019 increased 1.36%**, from \$754,337 in CY 2018 to \$764,596 in CY 2019. For 2019, 49% increased in value, 13%

decreased, and roughly 38% remained unchanged.

**The average assessed value for a residential condominium as of January 1, 2019 increased 3.30%**, from \$318,730 in CY 2018 to \$329,216 in CY 2019. For 2019, approximately 57% of all condominium properties increased in value, 6% decreased, and nearly 37% remained unchanged.

- **The commercial property tax base increased by 3.58%**, or \$588 million, from \$16.4 billion in 2018 to \$17.0 billion in 2019 (Attachment 1, Page 1, Line 47). This compares to a 0.93% increase the previous year. The 2019 commercial increase is the result of increased values across nearly all commercial property types. Multi-family rental development led the commercial market, increasing 4.09%.



**The City's conventional office market remained flat** and continues to face challenges due to a general lack of demand (particularly in non-Metrorail accessible sites), tenant concessions, lower effective rents and continued space compression upon renewal. The City has a direct vacancy rate of 15.2% within conventional office buildings containing at least 15,000 square feet of net leasable area. Overall, the office sector increased 0.81% or \$33.5 million on a year-over-year basis from \$4.13 billion in 2018 to \$4.16 billion in 2019.

- **State-assessed public service corporation property assessments increased 3.92%**, or \$24.2 million, from \$616.9 million in 2018 to \$641.1 million in 2019 (Attachment 1, Page 2, Line 71). The 2019 state-assessed Public Service Corporation assessments are effective January 1, 2018. 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 decreased 0.09%**, or \$4.8 million, from \$5.163 billion in 2018 to \$5.158 billion in 2019 (Attachment 1, Page 2, Line 107). It should be noted that although tax exempt properties are valued, given the unique nature of each one it may be difficult to find comparable sales information. There are a total of 1,128 tax exempt properties in the City, including 718 governmental properties and 410 non-governmental properties.
- **Taxable new construction activity added \$344.3 million for CY 2019.** Residential construction accounted for \$77.8 million of the new growth, while the commercial sector, which includes multifamily rental, accounted for \$266.5 million. The expansion of the multi-family residential sector was \$114.7 million. This compares to CY 2018 when \$299.9 million in new residential and commercial growth was added to the City's tax base. Overall, \$1.93 billion in new growth has been added to the tax base over the last five years. Historical new growth figures are detailed in Attachment 3.
- **New construction projects** include a variety of land uses located throughout the City. These projects were in various stages of construction on January 1, 2019, and include:
  - The Rushmark Property - a mixed-use property with 500 apartments and 67 townhomes on Eisenhower Avenue;
  - Sunrise Senior Living - an assisted living facility with 93 units;
  - Cameron Park - 66 townhomes built and 312 apartments in various stages of construction with 27,000 square feet of retail;
  - St. James Plaza - AHC's 93-unit affordable apartment complex on Fillmore Avenue.

- 67 townhouse units within four infill projects located throughout Old Town (various stages of completion);
- The National Industries for the Blind headquarters - a 100,000 square-foot office complex at Potomac Yard;
- Gables Old Town North - a mixed-use residential and retail project;
- Gateway at King and Beauregard - a mixed-use project consisting of office, grocery (Harris Teeter), and apartments.
- 200 Stovall - 520 apartment units;
- 1611 King Street - a mixed-use property with 124 hotel room and 10,464 SF of office space

The table below compares the City of Alexandria's median assessment to sales ratio for tax year CY 2017 to the Northern Virginia jurisdictions listed below. Alexandria's 95.08% ratio was the second highest in Northern Virginia, which means that the City's assessments were closer to market value than all but one other Northern Virginia locality. Similar data for CY 2017 has not been released:

<b>Jurisdiction</b>	<b>Median Ratio</b>
City of Fairfax	96.57%
<b>Alexandria</b>	<b>95.08%</b>
Falls Church	94.14%
Arlington County	93.29%
Fairfax County	91.98%

**Impact of Tax Relief.** In 2011 the Commonwealth of Virginia expanded the eligibility for real estate tax relief to include military veterans who are considered completely and permanently disabled. In FY 2018 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 \$1.1 million of real estate taxes for property owners who qualify for military-related tax relief.

### **Distribution of Real Property Assessments**

- Real property classified as residential for assessment purposes for CY 2019 represents 56.9% of the total real property taxable base, while property classified as commercial and public service corporations represents 43.1% of the base. If multifamily housing is excluded, commercial comprises 24.2% of the base. This compares to CY 2018 when 57.3% of the tax base was residential, and property classified as commercial and public service corporations represented 42.7% of the base. If multifamily housing is excluded, commercial comprised 24.0% of the CY 2018 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 2019 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.
- The U.S. Census Bureau and the City's Department of Planning and Zoning estimated population growth of 8.7% for the City of Alexandria from April 1, 2010 (139,993) Census to July 1, 2017 (152,200). From 2013 to 2017, the Census estimated that 43.1% of the estimated housing units in the City were owner-occupied. 62.1% of persons 25 years of age or older have a bachelor's degree or

higher. 76.9% of the population over age sixteen was estimated to be in the civilian workforce from 2013 to 2017 with the median household income at \$93,370 in 2017 dollars.

**ATTACHMENTS:**

- Attachment 1: CY 2019 Real Property Assessment Land Book
- Attachment 2: CY 2019 Real Property Assessment Summary Including Appreciation and Growth
- Attachment 3: Historical New Growth (CY 2012 to CY 2019)
- Attachment 4: Potomac Yard
- Attachment 5: Real Estate Tax Base Distribution (CY 2004 to CY 2019)
- Attachment 6: Distribution of 2019 Assessments by Land Use
- Attachment 7: Points of Interest - CY 2019 Residential Assessment Changes
- Attachment 8: Average 2019 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: PowerPoint presentation

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