Legislation Details (With Text)

File #:	23-0682	**Name:**	2023 Assessment Report
Type:	Written Report	**Status:**	Agenda Ready
File created:	1/11/2023	**In control:**	City Council Legislative Meeting
On agenda:	2/14/2023	**Final action:**	
Title:	Consideration of the Calendar Year 2023 Real Property Assessments.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. 23-0682_Att 1 CY 2023 Real Property Assessment Land Book, 2. 23-0682_Att 2 CY 2023 Equalized Assessment Summary, 3. 23-0682_Att 3 Historical New Growth (CY 2016 to CY 2023), 4. 23-0682_Att 4 Potomac Yard, 5. 23-0682_Att 5 Real Estate Tax Base Distribution (CY 2007 to CY 2023), 6. 23-0682_Att 6 Distribution of 2023 Assessments by Land Use, 7. 23-0682_Att 7 Points of Interest - CY 2023 Residential Assessment Changes, 8. 23-0682_Att 8 Average 2023 Real Property Assessment Percentage Change Map, 9. 23-0682_Att 9 Analysis of the Commercial Market, 10. 23-0682_Att 10 Overview of the Assessment Process, 11. 23-0682_Att 11 New Construction Projects, 12. 23-0682_Att 12 Noteworthy Trends in Alexandria Real Estate, 13. 23-0682_Att 13 2023 Final Staff Presentation		

Date	Ver.	Action By	Action	Result

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 7, 2023

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER /s/

FROM: KENDEL TAYLOR, INTERIM DEPUTY CITY MANAGER

DOCKET TITLE:
Consideration of the Calendar Year 2023 Real Property Assessments.

ISSUE: (1) 2023 Notices of Assessment, which include the previous two calendar years and percentage change in the tax levy when applicable and practicable, will be mailed to property owners on February 15; and (2) staff will present the new real estate values at the February 14 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 2022 to CY 2023 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities.

The CY 2023 real property tax rate applicable to the January 1 assessments is scheduled to be set by the City Council on May 3, 2023.

DISCUSSION:

OVERALL CHANGE IN CY 2023 REAL PROPERTY TAX BASE

The City's overall assessed real property tax base increased **3.81%,** or $1.78 billion on a year-over-year basis, from $46.5 billion in CY 2022 to $48.3 billion in CY 2023 (Attachment 1, Page 2, Line 73). The overall increase marks the continued improvement in the residential market and substantial growth in the multi-family sectors that began in 2020 and delivered in 2022.

The following table shows the year-over-year Land Book changes in grand total taxable real property assessments from CY 2017 to CY 2023. Of the $577,875,663 in new growth reported as of January 1, 2023, $302,656,840 **(52.37%)** was attributable to multifamily rental projects. Another $206,301,372 **(35.7%)** was attributable to residential condominiums. This development accounted for **88%** of the City's new growth in CY 2023 and will be discussed in greater detail in **Attachment 12**.

Calendar Year	Grand Total Taxable Real	Change from Prior Year
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%
2022	$46.56	6.24%
2023	**$48.33**	**3.81%**

Attachment 2 reflects the tax base from the starting point of the 2022 equalized assessments. The equalized assessment represents the year-ending 2022 assessments (as of December 31, 2022) and reflects changes that occurred throughout the calendar year including administrative reviews, appeals, Board of Equalization changes, supplemental assessments, subdivisions, consolidations, changes in tax status and demolitions. On this basis, locally and non-locally assessed real property assessments increased **3.44%** (Attachment 2, Page 3, Line 66).

Points of Interest Relating to CY 2023 Land Book and Equalized Assessment Changes:

- **Locally assessed real property assessments increased 3.82%** (which consists of both new construction and appreciation), or $1.75 billion, from $45.9 billion in 2022 to $47.7 billion in 2023 (Attachment 1, Page 1, Line 49).

- The **residential property tax base increased 5.02%**, or $1.4 billion, from $27.8 billion in 2022 to

$29.2 billion in 2023 (Attachment 1, Page 1, Line 21).

- **On an equalized basis, the average assessed value for all residential property (including single-family and condominium) as of January 1, 2023, increased 4.26%,** from $652,130 ($655,901 as of January 1) in CY 2022 to $679,914 in CY 2023. For 2023, approximately 80% increased, 3.5% decreased and 16.5% remained unchanged.

  The average assessed value for a residential single-family home as of January 1, 2023, increased 4.58%, from $899,205 ($896,176 as of January 1) in CY 2022 to $940,375 in CY 2023. For 2023, approximately 91% increased in value, 3% decreased, and 6% remained unchanged.

  The average assessed value for a residential condominium as of January 1, 2023, increased 3.48%, from $393,891 ($398,470 as of January 1) in CY 2022 to $407,616 in CY 2023. For 2023, approximately 69% increased in value, 3% decreased, and 28% remained unchanged.

- **The commercial property tax base increased by 1.97%**, or $355.5 million, from $18.07 billion in 2022 to $18.43 billion in 2023 (Attachment 1, Page 1, Line 47). This compares to a 5.34% increase the previous year. Multi-family rental properties led the commercial market, increasing 6.19%. The hospitality sector has recovered, increasing 9.81%. The pandemic and continued growth in telecommuting continues to have an adverse impact on the office sector decreasing 10.01% from 2022.

- **State-assessed public service corporation property assessments increased 3.20%**, or $21.03 million, from $656.7 million in 2022 to $677.8 million in 2023 (Attachment 1, Page 2, Line 71). The 2023 state-assessed Public Service Corporation assessments are effective January 1, 2022. These values are certified by the State Corporation Commission (SCC) and the Virginia Department of Taxation (TAX) 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 2.45%**, or $130.2 million, from $5.3 billion in 2022 to $5.5 billion in 2023 (Attachment 1, Page 2, Line 107).

- **Taxable new construction activity added $577.88 million for CY 2023**. This compares to CY 2022 when $857.64 million of growth was added to the City's tax base. Residential construction accounted for $256.03 million of the new growth, while the commercial sector, which includes multifamily rental, accounted for $321.84 million. The expansion of the multi-family residential sector accounted for $302.66 million. Overall, $2.44 billion in new growth has been added to the tax base from 2019-2023. Historical new growth figures are detailed in Attachment 3.

The median assessment to sales ratio is determined by the Virginia Department of Taxation (TAX) annual for all Virginia jurisdictions. This data lags by two years and the Calendar Year 2021 information is not available at this time. The preliminary data for Alexandria shows a median ratio in CY 2021 of 92.32, as assessments increased closer to market value. Median ratio data for CY 2022 will be released in early 2024.

Impact of Tax Relief

Over the last ten years, the Commonwealth of Virginia expanded the eligibility for real estate tax relief for the elderly and disabled to include military veterans who are considered completely and permanently disabled and spouses of those determined to be killed in action. For FY 2023, the City has budgeted approximately $5.5 million for these programs, and current forecasts reflect a $6.3 million reduction in General Fund Revenue in

this fiscal year.

Distribution of Real Property Assessments

- Real property classified as residential for assessment purposes for CY 2023 represents 60.5% of the total real property taxable base, while properties classified as commercial and public service corporations represents 39.5% of the base. If multifamily housing is excluded, commercial comprises 19.1% of the base. This compares to CY 2022 when 59.8% of the tax base was residential, and property classified as commercial and public service corporations represented 40.2% of the base. If multifamily housing is excluded, commercial real property would have comprised 20.2% of the CY 2022 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 2023 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 2023 Real Property Assessment Land Book
Attachment 2: CY 2023 Real Property Assessment Summary Including Appreciation and Growth
Attachment 3: Historical New Growth (CY 2016 to CY 2023)
Attachment 4: Potomac Yard
Attachment 5: Real Estate Tax Base Distribution (CY 2007 to CY 2023)
Attachment 6: Distribution of 2023 Assessments by Land Use
Attachment 7: Points of Interest - CY 2023 Residential Assessment Changes
Attachment 8: Average 2023 Real Property Assessment Percentage Change Map
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

STAFF: Office of Real Estate Assessments

William Bryan Page, SRA, RM, Assistant Director of Finance / Real Estate
Annwyn Milnes, Appraiser Supervisor
Stephanie Branizor, Appraiser Supervisor
Leona Bradford, Senior Appraiser
Madison Blume, Senior Appraiser
Aracelie Hernandez, Senior Appraiser
Jessica Wills-Lipscomb, Appraiser
Eric Braun, Appraiser
Greylind James, Appraiser
Jasenka Reeves, Real Estate Land Records Manager
Daria Johnson, Management Analyst II