

A base real estate tax rate on residential, commercial and industrial property for calendar year 2023 of \$___ per one hundred dollars of assessed valuation. The FY 2024 proposed budget reflects a real estate tax rate of \$1.11. Also included in the FY 2024 Proposed Operating budget is an alternative option with a one cent increase.

1. Assumed in this proposed amount is the continued dedication of 1.0 cents for affordable housing;
2. Assumed in the proposed amount is the continued reservation of 2.2 cents of the real property tax rate for transportation projects;
3. 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;

For all other taxes, the following rates are proposed:

4. A personal property tax rate on vehicles for calendar year 2023 of \$___ per one hundred dollars of assessed value. The FY 2024 proposed budget recommends a vehicle personal property tax rate of \$5.33 to fund the base budget; and
5. A tangible business personal property tax rate for calendar year 2023 of \$___ per one hundred dollars of assessed value and a machinery and tools tax rate of \$___ per hundred dollars of assessed value. The FY 2024 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 2024 budget and sets the 2023 tax rates on May 3, 2023. State Code also requires a separate public hearing (i.e., separate from the budget hearing on March 13th) 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.” The City Manager’s Proposed Budget proposes a tax rate of \$1.11, which is unchanged from last year, but is above the \$1.093 that would generate 101 percent of the revenue generated last year. Each \$0.01 change in the real estate tax rate impacts revenue by \$4.8 million.

It should be noted that the advertised maximum tax rate can be different from the \$1.11 tax rate reflected in the proposed budget. The tax rate that would generate no more than 101% of the revenue as FY 2023 is \$1.093. Staff will prepare the appropriate notification based on the maximum advertised tax rate determined by City Council.

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” will be held on April 25. The special notice of the hearing date, as required by State statute, is printed in at least one newspaper prior to that hearing. The advertisement will be placed in The Washington Times on March 16, which is more than 30 days prior to the public hearing. The advertisement will also be placed in the Alexandria Gazette on March 23.

It is necessary for City Council to act on Tuesday, March 14 to establish the maximum real estate tax and personal property tax rates which will be advertised in advance of the April 25 public hearing on the tax ordinance to be considered.

The following is the planned schedule for calendar year 2023 (FY 2024):

<u>Date:</u>	<u>Topic:</u>
March 13	Budget Public Hearing
March 14	Council sets maximum real estate tax rates and personal property tax rate to be advertised
April 25	Public hearing on the real and personal property tax rates and property tax related ordinance
April 25	Public hearing on effective tax rate increase
May 3	Final adoption of the budget and related tax ordinances

The FY 2024 Proposed Operating Budget reflects no change in the current tax rate of \$1.11 per \$100. The proposed budget and the proposed ordinance assume the continuation of the dedication of 1.0 cent 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 assume continuation of the Tier I Potomac Yard Metrorail Station Special Services District Tax Rate of 20 cents for all real property

located in that District.

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

Dedicated and Reserved Taxes:

Affordable Housing:	1.0 cents \$4.79 million
Potomac Yard Special Services:	20 cents \$1.70 million
Council Reserved Taxes:	
Transportation Improvements:	2.2 cents \$10.53 million

Value of one cent (on all taxable real property): \$4.79 million

The FY 2024 Proposed Operating budget reflects no change per \$100 of assessed value to the current various personal property tax rates:

- \$5.33 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 real estate tax rate of \$1.11 reflected in the FY 2024 budget on each \$100 of assessed value for calendar year 2023 is expected to generate a total of \$515.0 million in FY 2023 (including \$265.4 million in June 2023) and \$532.7 million in FY 2024. The 2023 calendar year tax rate affects the first half tax levy due in June 2023, which falls in FY 2023 and the second half tax levy due in November 2023, which falls in FY 2024. For each \$0.01 increase in the 2023 real estate tax rate, an additional \$2.4 million would be raised in FY 2023, and \$4.8 million in FY 2024.

In FY 2023, the \$1.0 cents for affordable housing is estimated to generate \$4.79 million, of which \$1.54 million is needed for debt service. The remaining \$1.07 million is budgeted 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 \$1.7 million in Fiscal Year 2024 for Potomac Yard Metrorail Station funding purposes.

ATTACHMENTS:

- Attachment 1 - Ordinance Cover
- Attachment 2 - Proposed Ordinance

STAFF:

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