



## Legislation Text

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### City of Alexandria, Virginia

#### MEMORANDUM

**DATE:** FEBRUARY 5, 2014

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

**FROM:** RASHAD M. YOUNG, CITY MANAGER /s/

**DOCKET TITLE:**

Recommendation to Receive and Accept the Calendar Year 2014 Real Property Assessment.

**ISSUE:** (1) 2014 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 11 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 2013 to CY 2014 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities. For valuation purposes, annual assessments have an effective date of January 1.

**DISCUSSION:**

#### OVERALL CHANGE IN CY 2014 REAL PROPERTY TAX BASE

This year, the City's overall real property tax base increased 3.3% from the original January 1, 2013 assessment to January 1, 2014, or \$1.14 billion from \$34.75 billion in CY 2013 to \$35.90 billion in CY 2014 (Attachment 1, Page 2, Line 74, Column 5). This increase reflects an improvement in some sectors of the real estate market, particularly in residential and rental apartment properties. The table below shows the year-over-year land book change in grand total taxable real property assessments from CY 2010 to CY 2014.

| Calendar Year | Grand Total Taxable Real Property Assessments (in billions) | Change from Prior Year |
|---------------|---|------------------------|
| 2010          | \$31.82   | -7.5%                  |

|             |                |             |
|-------------|----------------|-------------|
| 2011        | \$32.63        | 2.6%        |
| 2012        | \$33.78        | 3.5%        |
| 2013        | \$34.72        | 2.8%        |
| <b>2014</b> | <b>\$34.75</b> | <b>3.3%</b> |

Attachment 2 shows the change in the tax base from a starting point of the equalized assessments. The equalized assessment represents the year-ending 2013 assessments (as of December 31, 2013), 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 3.56% (which consists of both new construction and appreciation in value of existing property), or \$1.22 billion, from \$34.12 billion in 2013 to \$35.34 billion in 2014 (Attachment 1, Page 1, Line 49, Column 6).
- **Residential property** increased 4.80%, or \$930.26 million, from \$19.38 billion in 2013 to \$20.31 billion in 2014 (Attachment 1, Page 1, Line 21, Column 6). Residential property assessments for 2014 are only slightly less than the 2006 apex when the total assessment was reported at \$20.33 billion.
- The **commercial property** tax base increased by 1.93%, or \$284.45 million, from \$14.74 billion in 2013 to \$15.02 billion in 2014 (Attachment 1, Page 1, Line 47, Column 6). This compares to the 3.28% increase the previous year. The decline in 2014 is attributable to assessment decreases in the majority of land uses with exception of expansion in the general commercial and multi-family residential sectors.
- **State-assessed public service corporation property** assessments decreased 11.64%, or \$73.86 million, from \$364.28 million in 2013 to \$560.42 million in 2014 (Attachment 1, Page 2, Line 72, Column 6). This decrease was attributable to equipment depreciation and telecommunication companies retiring a significant amount of their hard line network and the reclassification of the Gen-On plant as taxable vacant commercial land.

The 2014 state-assessed Public Service Corporation assessments are effective January 1, 2013. 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 2.16%, or \$114.04 million, from \$5.29 billion in 2013 to \$5.17 billion in 2014 (Attachment 1, Page 2, Line 108, Column 6). The value decrease was attributable to the Commonwealth of Virginia's sale of Hunting Pointe Apartments, the transfer of two vacant land sales by the Alexandria Renew Enterprises (f/k/a Alexandria Sanitation Authority) to the developers of Carlyle Plaza II, and the ARHA sale of the remaining blocks for the continued development of Old Town Commons. When most of these properties were reclassified, their values increased as taxable properties. 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 \$368.41 million for CY 2014. Residential construction

accounted for \$116.78 million of the new growth, while the commercial sector which includes multifamily rental, accounted for \$251.63 million. The expansion of the multi-family residential sector alone was \$226.74 million. This compares to CY 2013, \$121.30 million in new residential and commercial growth was added to the City's tax base. Overall, \$650.43 million in new construction has been added to the tax base over the last three years. This equates to approximately 1.84% of the CY 2014 locally assessed taxable base. Historical new growth figures are detailed in Attachment 3.

- **On-going new construction and redevelopment projects** include: the continued build-out of conventional townhouses and urban loft condominiums within Potomac Yard; the continued build-out 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. Safeway at 3526 King Street is being redeveloped with a new 61,949 square-foot lifestyle grocery store. In Old Town, EYA is redeveloping the Sheet Metal Workers Building into a high-end residential multifamily condominium project containing 60 units (The Oronoco).
- **New construction** also includes a significant number of multifamily projects throughout the City. These include: The Kingsley (175 units - Old Town), The Madison (360 units - Old Town), Braddock Metro Place (165 units - Old Town North), The Calvert (334 units - Del Ray), Notch 8/JBG Dev (211 units - Potomac Yard), Gateway Residences (297 units - Potomac Yard), Bozzuto (249 units - Potomac Yard), Wood Partners (150 units - Potomac Yard), Bell Del Ray (276 units - Potomac Yard), Landmark Gateway (502 units - West End). Of the \$251.63 million in new construction, \$226.74, or 90.1% is directly attributable to new multi-family development in the City. Attachment 4 includes a list of larger, proposed, and on-going developments within the City of Alexandria.
- In accordance with the terms and conditions associated with the development of Potomac Yard and the financing terms associated with the proposed Metrorail station, Attachment 3 details growth and appreciation over the 2010 base year.

## **Distribution of Real Property Assessments**

- Real property classified as residential for assessment purposes for CY 2014 represents 56.6% of the total real property taxable base, while property classified as commercial and public service corporations represents 43.4% of the base. If multifamily housing is excluded, commercial comprises 25.9% of the 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 2014 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.

## **Land Values**

- Unimproved land remains a scarce commodity in the City of Alexandria. There has been activity in

apartment land with several significant land sales. Of particular interest are a number of multifamily land transfers and a few in-fill residential lot sales (Attachment 6).

Specific details regarding residential assessment changes for CY 2014 can be found in Attachment 8. Detailed analysis of the commercial market can be found in Attachment 9. An overview of the assessment process is presented in Attachment 10.

**ATTACHMENTS:**

- Attachment 1: CY 2014 Real Property Assessment Land Book
- Attachment 2: CY 2014 Real Property Assessment Summary Including Appreciation and Growth
- Attachment 3: Historical New Growth (CY 2007 to CY 2014) & Potomac Yard
- Attachment 4: New Construction Activity
- Attachment 5: Real Estate Tax Base Distribution (CY 2001 to CY 2014)
- Attachment 6: Distribution of 2014 Assessments by Land Use
- Attachment 7: Residential Infill Lot Sales
- Attachment 8: Points of Interest - CY 2014 Residential Assessment Changes
- Attachment 9: Analysis of the Commercial Market
- Attachment 10: Overview of the Assessment Process

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