



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** APRIL 4, 2014

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

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

**DOCKET TITLE:**

Public Hearing and Second Reading of an Ordinance to Establish the Real Estate and Personal Property Tax Rates for Calendar Year 2014 (Fiscal Year 2015). Adoption is Set for May 1, 2014.

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**ISSUE:** Consideration of the Real and Personal Property Tax Rates for Calendar Year 2014 (Fiscal Year 2015).

**RECOMMENDATION:** That City Council will:

- (1) Pass the proposed ordinance on first reading after establishing the tax rates to be advertised for residential and commercial real property and personal property; and
- (2) Set the ordinance for public hearing on Saturday, April 12, and second reading and final passage on Thursday, May 1.

The maximum rates authorized by City Council in the attached ordinance reflect:

1. A base real estate tax rate on residential, commercial and industrial property for calendar year 2014 of \$     per one hundred dollars of assessed valuation;
2. Assumed in this proposed amount is the continued dedication of 0.6 cents for affordable housing and the continued dedication of 0.5 cents for a stormwater infrastructure trust fund account;
3. Assumed in the proposed amount is the continued reservation of 2.2 cents of the real property tax rate for transportation projects;
4. 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.

5. Tax rates on vehicles and on other classes of personal property are not proposed to change for calendar year 2014, with the exception of mobile homes. The personal property tax rate for mobile homes is adjusted to match the real property tax rate. Section 3-2-223 has been edited to correct the rate of \$0.978 on each \$100 of assessed value to reflect the real estate tax rate set by City Council.

**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 of these Code requirements is that the rates that Council chooses to advertise are the highest rates that Council can consider adopting when they vote on the budget and set tax rates on May 1.

It should be noted, as discussed below, that the State Code requires a separate public hearing (i.e., separate from the budget hearing on March 10th) on the real property tax rate if the rates 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 an “effective tax rate increase.” This would be the case in CY 2014 as taxes levied at the current \$1.038 rate reflect a 2.25 percent increase for all classes of real property (after the value of new construction has been deducted). It should be noted that the maximum tax rate that will be advertised may be different from the City Manager’s proposed tax rate. The tax rate that would generate the same revenue as FY 2014 is \$1.013. Also, State law requires, in the circumstance of an increase in taxes levied in excess of 1%, to maintain or increase the current real property tax rate, 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. We plan that the separate hearing on the “effective real property tax increase” will be held on April 12<sup>th</sup>, with the special notice of the hearing date, as required specifically by State statute, printed in two newspapers prior to that hearing. The advertisements will be placed in the Washington Times and the Alexandria Gazette Packet on March 13<sup>th</sup>, 30 days prior to the public hearing.

I propose that City Council hold the public hearing on April 12 and have the second reading and final passage on May 1.

The following is the planned schedule for calendar year 2014 (FY 2015):

<u>Date:</u>	<u>Topic:</u>
March 10	Budget Public Hearing
March 11	Council sets maximum real estate tax rates and personal property tax rate to be advertised
April 12	Public hearing on the real and personal property tax rates and property tax related ordinance
April 12	Public hearing on effective tax rate increase
May 1	Final adoption of the budget and related tax ordinances

The FY 2015 proposed operating budget reflects no increase in the real property tax rate of \$1.038 per \$100. The proposed budget and the proposed ordinance assume the continuation of the dedication of 0.6 cents of the base real estate tax rate for affordable housing and the continuation of the dedication of 0.5 cents for the Stormwater Management Infrastructure Trust Fund. The proposed budget and the proposed ordinance also assumes the continuation of the reservation of 2.2 cents for transportation projects. In

addition, the proposed budget and the proposed ordinance assume the same 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 Taxes:

Affordable housing:	0.6 cents	\$2.1 million
Storm Water Management:	0.5 cents	\$1.8 million
Potomac Yard Special Services:	20 cents	\$0.6 million

Council Reserved Taxes:

Transportation Improvement:	2.2 cents	\$7.8 million
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Value of one cent (on all taxable real property): \$3.5 million

The FY 2015 Proposed Operating budget reflects no change per \$100 of assessed value to the current various personal property tax rates:

\$5.00 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 proposed tax of \$1.038 in the base real estate tax on each \$100 of assessed value for calendar year 2013 is expected to generate \$361.3 million in FY 2014 and \$383.4 million in FY 2015. It should be noted that the 2014 calendar year tax rate impacts the tax payment made in June 2014, which falls in FY 2014. In the fiscal impact below, the impact of the change in tax rate will be described in terms of its effect on FY 2014 and FY 2015.

In the FY 2010 Approved Budget, the City reduced its dedication for affordable housing to 0.7 cents. The FY 2012 budget reduced the dedication to 0.6 cents of the real estate tax rate. In FY 2015, this is estimated to generate \$2.1 million, of which \$1.5 million is needed for debt service. The remaining \$0.6 million is available for affordable housing initiatives. If Council chooses to change the affordable housing dedication, a separate ordinance will be required and introduced at the time the budget is approved.

In FY 2011, City Council approved the dedication of 0.5 cents for stormwater management. The half cent is expected to generate an estimated \$1.8 million in both FY 2014 and FY 2015 and will be used primarily for capital projects related to maintenance and improvements of the City's stormwater infrastructure.

The Tier I Potomac Yard Special Services tax rate of 20 cents is projected to raise \$0.6 million in Calendar Year 2014.

**ATTACHMENTS:**

Attachment 1 - Ordinance Cover

Attachment 2 - Proposed Ordinance

**STAFF:**

Laura Triggs, Chief Financial Officer

Nelsie L. Smith, Budget Director

Morgan Routt, Assistant Budget Director