



Legislation Text

File #: 14-4966, **Version:** 1

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 29, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Final passage of an Ordinance to Establish the Real Estate and Personal Property Tax Rates For Calendar Year 2016 (Fiscal Year 2017). [ROLL-CALL VOTE]

ISSUE: Passage of the Real and Personal Property Tax Rates for Calendar Year 2016 (Fiscal Year 2017).

RECOMMENDATION: That City Council pass the proposed ordinance on Thursday, May 5, 2016.

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 2016 of \$ per one hundred dollars of assessed valuation. The FY 2017 proposed budget recommended \$1.053 to fund the base budget. A \$1.073 maximum rate was advertised;
2. Assumed in the 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 amount is the continued reservation of 2.2 cents of the real property tax rate for transportation projects;
4. A Special Services District tax will 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 will remain unchanged for calendar year 2016.

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 that could be adopted when it votes on the budget and set the tax rates on May 5th.

State Code also requires a separate public hearing (i.e., separate from the budget hearing on March 14th) 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.” This is the case in CY 2016 as taxes levied at the advertised maximum \$1.073 rate result in a 5.23 percent increase for all classes of real property (after the value of new construction has been deducted). The tax rate that would generate the same revenue as FY 2016 is \$1.020.

State law also requires that a special “notice of proposed real property tax increase” in a specific format and language be placed in at least one 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” was held on April 16th. The special notice should also include hearing date and printed in the newspaper at least 30 days prior to the hearing date, as required by State statute. The special notice was advertisement in Washington Times and the Alexandria Gazette on March 17th.

The FY 2017 proposed operating budget reflected an increase in the real property tax rate of one cent, from \$1.043 to \$1.053 per \$100. The advertised maximum rate was increased by an additional two cents raising the real estate tax rate to \$1.073 per \$100 to invest in capital improvement projects. The proposed ordinance assumes the continuation of the dedication of 0.6 cents of the base real estate tax rate for affordable housing, the continuation of the dedication of 0.5 cents for the Stormwater Management Infrastructure Trust Fund and the continuation of the reservation of 2.2 cents for transportation projects. In addition, the proposed ordinance assumes 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	\$2.3 million
Storm Water Management:	0.5 cents	\$1.9 million
Potomac Yard Special Services:	20 cents	\$1.1 million
Council Reserved Taxes:		
Transportation Improvement:	2.2 cents	\$8.3 million
Value of one cent (on all taxable real property):		\$3.8 million

The FY 2017 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: A real estate tax rate of \$1.073 on each \$100 of assessed value for calendar year 2016 would generate (excluding the Tier I Potomac Yard Special Services District tax for revenues) \$398.8 million, \$199.4 million in FY 2016 and \$199.4 million in FY 2017. The 2016 calendar year tax rate affects the first half tax levy due in June 2016, which falls in FY 2016 and the second half tax levy due in November 2016, which falls in FY 2017.

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 2017, this is estimated to generate \$2.3 million, of which \$1.4 million is needed for debt service. The remaining \$0.9 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 \$1.87 million in FY 2016 and \$1.92 million in FY 2017 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 District tax rate of \$0.20 per \$100 of valuation at Potomac Yard is projected to raise \$1.1 million in Calendar Year 2016.

ATTACHMENTS:

Attachment 1 - Ordinance Cover

Attachment 2 - Proposed Ordinance

STAFF:

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