



## Legislation Text

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**File #:** 18-7673, **Version:** 1

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** MAY 2, 2018

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

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

**DOCKET TITLE:**

Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to Amend Section 3-2-242 (AMOUNT AND LEVY OF TAX) of Article N (TAX ON MEALS SOLD BY RESTAURANTS) of Chapter 2 (TAXATION) of Title 3 (FINANCE, TAXATION AND PROCUREMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended.

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**ISSUE:** Consideration of an ordinance to amend and reordain City Code Section 3-2-242 to increase the Meals Tax rate from four percent to five percent.

**RECOMMENDATION:** That City Council pass the proposed ordinance (Attachment 2) raising the Meals Tax Rate from four percent to five percent on first reading and schedule it for second reading, public hearing and final passage on May 12, 2018.

**DISCUSSION:** As part of its deliberation on the FY 2019 Proposed Budget, City Council tentatively decided to dedicate the funds associated with a one percent Meals Tax rate increase to help address the affordable housing funding gap.

The City's current Meals Tax rate is four percent of the cost of any prepared food or beverage sold for immediate consumption. This rate has been in effect since City Council last increased the rate by one percent in FY 2009.

Raising the Meals Tax rate to five percent keeps the City at a rate which is less than or equal to the median meals tax rate in Virginia. As reported for 2016 by the Weldon Cooper Center for Public Service, the statewide median Meals Tax rate for all jurisdictions is five percent. Looking at cities alone, the median rate is six percent. The five percent rate will be higher than Arlington (4%) as well as nearby counties which do not have a meals tax. The City's rate will be lower than Fredericksburg's 6% rate, Richmond's new 7.5% rate and equal to Charlottesville's 5% rate. While the City's 5% rate will be 1% higher than Arlington and the District of

Columbia, there should not be a negative impact on restaurant demand in Alexandria as experience has shown, in regard to a meals tax rate, that restaurant demand is largely inelastic.

This ordinance increases the meals tax rate. A separate accompanying ordinance, based on the Final Add/Delete Work Session would establish a dedication by ordinance of this additional 1 percent meals tax to limit this one percent to the Affordable Housing Initiatives Account to eventually be expended in the City's CIP for specific affordable housing (including workforce housing) projects.

**FISCAL IMPACT:** Staff estimates that raising the Meals Tax rate from four percent to five percent will generate an additional \$4.75 million in annual revenue.

**ATTACHMENTS:**

Attachment 1 - Proposed Ordinance Cover

Attachment 2 - Proposed Ordinance Amendment

**STAFF:**

Laura B. Triggs, Deputy City Manager

Kendel Taylor, Director of Finance

Kevin C. Greenlief, Assistant Director, Revenue Division, Finance

Sarah McElveen, Assistant City Attorney