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A Proposal for Long-Term Funding of Open Space in the City of Alexandria

It is painfully evident that the General Assembly will not authorize any local funding sources for the acquisition of open space that require new revenues (e.g., the city's legislative proposal to increase the recordation fee). There is no realistic expectation of any significant state or federal funding or of any windfall in the city's budget that will not be already committed to the CIP. There is every expectation that existing open space will be under economic pressure to be developed.

The anticipated loss of the Second Presbyterian site to a large residential home development is irreversible, but there are numerous examples of smaller sites that are being developed without the attention that some of the larger sites (e.g., the Bryan property on King Street or the Goodman property on Quaker Lane) receive. For example, throughout the city there are small residential lots or substandard lots that are being developed as infill. These parcels are ideal for pocket parks, tot lots, or just to retain as green space, but only if they are purchased and retained for that purpose. But, regardless of whether it is a cluster development or a single home site, the city has no authority to prevent these sites from being developed if they meet the existing land use regulations. Thus, if the city wishes to acquire, retain and maintain open space, it must be willing to pay for it, usually at market prices.

Although the city has created an open space preservation fund with contributions from approved development projects, there are several limitations to this approach: (1) the contributions are voluntary; (2) relative to need, the contributions are small; and (3) they are "one-time" contributions, rather than recurring. It is the latter point that is most critical to any significant effort to implement an open space initiative. When the city proposed to increase the recordation fee as a dedicated revenue for open space, it was to create two critical elements—revenue that would be significant enough to make meaningful acquisitions and the ability to do longer-term planning by virtue of knowing that there was a reliable stream of income.

Recognizing that the city's resources are limited and the demands on them are not, any meaningful funding for open space will have to come from the one revenue source that is large enough to make a difference and does not require authorization from any legislative body other the City Council—real estate.

During the budget adoption process, the Council weighs numerous demands for additional funding balanced by the desire to maintain or lower the tax rate...a situation that becomes more politically-charged when property assessments rise sharply. Although some residents may object to their assessment increases, the greater pressure during the budget process is on setting the tax rate, and what existing or new expenses the City is incurring that drive the decision about the rate. Unless the rate declines in the same proportion to the assessment increase (an unlikely proposition), than most taxpayers will see an increase in their tax burden. The obligation of the Council is to make clear for what purpose additional taxes are being generated. My proposal is as follows:

After the budget process has been complete—after the add/deletes have been agreed to—after the tax rate has been determined—the final amendment before adoption of the budget will be to add one cent (\$0.01) to the tax rate, and the revenue for that increase to be dedicated to the acquisition of open space.

The success of this initiative is critically dependent on its continuation beyond this fiscal year. My recommendation is that the one-cent addition to the tax rate continue for the next five fiscal years, at which point the City Council and community would evaluate the success of the program. It is estimated by staff that the revenue generated would be approximately \$10.5 million (*assuming a 5% appreciation in real estate values in FY 2005, and 4% thereafter*) for FY 2004-2008. The impact on the individual homeowner or commercial property owner would be \$10.00 per year for every \$100,000 of assessed value (\$0.01 per \$100.00). For example, with the average value of a single family home now approximately \$400,000, the cost to the taxpayer for dedicated revenue for open space would be \$40 for this year.

There are a number of questions that are critical to any consideration of this proposal and to its ultimate success. Over the next six weeks, the Council and community will have an opportunity to discuss and debate this proposal, its consequences, and its potential. Some of the issues that warrant careful discussion are:

- Since one Council cannot bind a future one, how would this approach be structured to ensure that it is ongoing for at least the next five fiscal years?
- How would the funds raised be spent? What process would be used to determine what sites to purchase... and which not to purchase? How do we balance the acquisitions throughout the city?
- Why not just use general fund revenue, rather than a dedicated portion of the real estate tax?
- How should revenues raised be held? In city reserves or separately? Should a land preservation trust fund be created?
- Is there a risk in using this approach that every time an identifiable need arises, the real estate tax becomes the convenient target?

Over the years, there have been a number of different ideas for funding open space, but none have succeeded, either because of limited statutory authority or the inadequacy of the funding source. Although there may be disagreement as to the solution, there has never been disagreement as to the urgency of the need. In all aspects other than being surrounded on all sides by water, the City of Alexandria is an island. It cannot expand beyond the borders that currently exist, and its primary resource for revenue—real estate—is finite. The pressure to retain undeveloped land for green space, for recreation and enjoyment, and for active parkland is intense; and so, too, is the need for revenue to pay for the ever-increasing demand for services, programs, and capital needs for our citizens. When open space is lost, we will not get a second chance to retain it. If we cannot or will not be willing to tax ourselves to pay for it, then the loss becomes inevitable.

Dedicating one cent for open space acquisition and doing so on an ongoing basis is our last, best hope for ensuring that open space in Alexandria is preserved.