

EXHIBIT NO. 2

9
11-15-08

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 11, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK JINKS, DEPUTY CITY MANAGER *mj*
FAROLL HAMER, DIRECTOR, PLANNING AND ZONING *JH*

SUBJECT: MARRIOTT SPRINGHILL SUITES HOTEL – RECALCULATED TAX IMPACT

The Development Special use Permit (DSUP) docket item for the proposed Marriott Springhill Suites Hotel at 2950 Eisenhower Avenue includes estimates of City tax revenue earnings (page 13) which this proposed hotel is projected to generate during its first full year of operation, as well as over a ten-year period. The tax calculations included in the DSUP docket item were developed by a hospitality consulting firm and provided by the applicant.

Upon City staff further review, it was determined that these applicant-provided calculations included the 4% State sales tax which accrues to the State and not to the City. Also, real estate taxes were underestimated, business tangible personal property taxes overestimated, and business license taxes were omitted.

The net result is when City tax revenues are recalculated, City staff conclude that the first full year of operations this proposed Marriott Springhill Suites Hotel would generate (at existing tax rates) approximately \$0.8 million year in City taxes and approximately (in today's dollars) \$8 million over a ten-year period.

While these are lower tax revenue estimates than reflected in the DSUP report, the tax generation from hotels like this Springhill Suites proposed hotel is substantial and nearly always generates the highest taxes to the City on a square foot basis than any other class of property.

For future DSUP reports, development applicant provided tax generation data will be coordinated and vetted internally by the Office of Management and Budget with assistance from the Finance Department and Real Estate Assessments Department, so as to provide more accurate revenue estimates to Council, the Planning Commission and the public.