

EXHIBIT NO. 1

3
5-2-11

~~7~~
~~4-16-11~~

~~7~~
~~3-12-11~~

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 8, 2011
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER *J*
SUBJECT: PROPOSED REAL AND PERSONAL PROPERTY TAX RATES
ORDINANCES AND PROPOSED EFFECTIVE TAX RATE INCREASE FOR
CALENDAR YEAR 2011 (FISCAL YEAR 2012)

ISSUE: What real property (residential and commercial) and personal property tax rates should be adopted.

RECOMMENDATION: That City Council:

- (1) Introduce the ordinance and pass it on first reading after establishing the tax rates to be advertised for residential and commercial real property and personal property; and
- (2) Schedule the ordinance for public hearing on Saturday, April 16, and second reading and final passage on Monday, May 2.

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 2011 of \$__ per one hundred dollars of assessed valuation;
2. An add-on real estate tax rate on non-residential commercial and industrial property for calendar year 2011 to be dedicated for transportation purposes of \$__ per one hundred dollars of valuation;
4. Assumed in this proposed amount is the continued dedication of 0.3% of real estate tax revenues for the Open Space Trust Fund Account to pay debt service costs on prior year borrowing for open space properties, 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;
5. A personal property tax rate on vehicles and business tangible property for calendar year 2011 of \$4.75 per one hundred dollars of valuation; and

6. Tax rates on other classes of personal property are not proposed to change for calendar year 2011.

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 2.

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 7) 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 2011 as taxes levied at a \$0.978 rate would increase 2.91 percent for all classes of real property (after the value of new construction has been deducted). 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” be held on April 16, 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 Alexandria Times and the Washington Examiner on March 17, 30 days prior to the public hearing.

I propose that City Council act on Saturday, March 12, to establish the maximum real estate tax and personal property tax rates which will be advertised in advance of the April 16 public hearing on the tax ordinances to be considered, including any special commercial real estate tax for transportation purposes.

The following is the planned schedule for calendar year 2011 (FY 2012):

<u>Date:</u>	<u>Topic:</u>
March 7	Budget Public Hearing
March 12	Council sets maximum real estate tax rates and personal property tax rate to be advertised
April 16	Public hearing on the real and personal property tax rates and property tax related ordinance
April 16	Public hearing on effective tax rate increase
May 2	Final adoption of the budget and related tax ordinances

The FY 2012 proposed operating budget reflects no increase in the residential real property tax rate of \$0.978 per \$100. Each 1¢ increase or decrease in this rate would change revenue estimates by \$1.59 million in FY 2011 and \$3.26 million in FY 2012 (totals \$4.85 million per 1¢). The proposed budget offered a proposal to fund transportation projects in the Capital Improvement Program with a \$0.125 Transportation Add-On Tax rate for non-

residential commercial and industrial properties. The optional increase to the commercial and industrial tax rate of 12.5 cents for transportation purposes would raise an additional \$18.2 million in FY 2012, including \$6.0 million from the June 2011 real property tax payment. A separate ordinance is being introduced to set the planned \$0.20 real estate tax rate, in addition to the regular property tax rate to help finance a planned Metrorail Station, for properties located in the Tier I Special Services District in Potomac Yard.

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 0.3 percent of the real estate tax revenues for open space (exclusive of any add-on tax for transportation purposes on commercial properties). In addition, the proposed budget assumes the continuation of the dedication of 0.5 cents for the Stormwater Management Infrastructure Trust Fund.

As part of the transportation funding initiatives which the General Assembly approved (HB3202) during its 2007 session, local governments in Northern Virginia were each given the option of a commercial real estate tax to be used for transportation purposes. Under the commercial real estate tax option, localities were authorized to adopt a differential real estate tax rate on non-residential commercial and industrial property in the City of no more than 25 cents per \$100 of value (apartments and all other residential property in the City would be excluded from this new tax). Non-residential commercial property includes office, retail, hotel, general commercial, industrial and public utility real property. During the 2009 session, the rate was capped at 12.5 cents. This rate will lapse in 2013 unless extended by the General Assembly, and the maximum will return to 25 cents. If the 12.5 cent increase in the commercial tax rate were adopted, the tax rate would be similar to the commercial tax rates in surrounding jurisdictions. Arlington County's add-on tax for commercial property is \$0.125 and Fairfax County's add on rate is \$0.11. Each increase of one cent of the commercial real estate add-on tax, if enacted, would generate \$0.5 million in FY 2011 and \$1.0 million in FY 2012.

The FY 2011 Proposed Operating budget reflects no change per \$100 of assessed value to the current various personal property tax rates:

- \$4.75 for tangible 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
- \$.01 for privately-owned pleasure boats and watercraft that are used for recreational purposes only.

FISCAL IMPACT: The proposed tax of \$0.978 in the base real estate tax on each \$100 of assessed value is expected to generate \$307.0 million in FY 2011 and \$315.2 million in FY 2012. Each 1¢ increase or decrease in this rate would change revenue estimates by \$1.59 million in FY 2011 and \$3.26 million in FY 2012 (totals \$4.85 million per 1¢).

Since 2004 the City has dedicated a portion of real estate tax revenues to the acquisition and development of open space. The dedicated tax rate for open space started as \$0.01 of the real estate tax rate, and then in 2007 was changed to one percent of real estate tax revenues. In 2009,

the Open Space dedication was reduced to 0.3 percent. The 0.3 percent dedication will generate \$0.92 million in FY 2011 and \$0.95 million in FY 2012 to pay debt service costs on prior year borrowing for open space purposes.

In the FY 2010 Approved Budget, the City reduced its dedication for affordable housing to 0.7 cents. The FY 2011 budget reduced the dedication to 0.6 cents of the real estate tax rate, a maximum of \$1.955 million (depending on the issuance of new debt for the redevelopment of the James Bland housing project)¹. 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 \$1.63 million in FY 2012 and will be used primarily for capital projects related to maintenance and improvements of the City's stormwater infrastructure.

The commercial real estate add-on tax, proposed at 12.5 cents on each \$100 of assessed value, if enacted, would generate \$6.0 million in FY 2011 from the June 2011 real property tax payment and \$12.2 million in FY 2012.

The Tier I Potomac Yard Special Services tax rate of 20 cents is projected to raise \$0.5 million in FY 2012.

ATTACHMENT: Proposed Ordinance

STAFF:

Mark Jinks, Deputy City Manager
Michele Evans, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Laura Triggs, Deputy Chief Financial Officer
Kendel Taylor, Assistant Budget Director

¹ The dedication of 0.7 cents is sufficient to cover three separate debt service costs in FY 2011: \$1,395,375 for \$15 million of debt issuance in 2006 for affordable housing, \$478,250 for \$5 million of debt issued in FY 2008 for Glebe Road ARHA property redevelopment and \$270,000 for \$3.1 million of possible debt to be issued for the James Bland ARHA property redevelopment. A new ordinance would have to be introduced to change the dedicated amount, but this could be done at the time of passage of the budget.

1	Introduction and first reading:	03/12/2011
2	Public hearing:	04/16/2011
3	Second reading and enactment:	05/02/2011

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) and Section 3-2-188 (CLASSIFICATION AND TAXATION OF CERTAIN COMMERCIAL AND INDUSTRIAL PROPERTY), of Division 1, (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT), Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS, TRAILERS, SEMI-TRAILERS ANTIQUE MOTOR VEHICLES, TAXICABS, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance sets the city's 2011 tax rates for (1) real property; (2) personal property; (3) machinery and tools; and (4) for the additional real property taxes assessed on commercial and industrial property.

0.3 percent of estimated 2011 real estate tax revenue continues to be set aside for the Open Space Trust Fund to cover debt service on Open Space Trust Fund supported bonds. 0.6 percent of estimated 2011 real estate tax revenue continues to be set aside for affordable housing. 0.5 percent of estimated 2011 real estate tax revenue continues to be set aside for the Storm Water Trust Fund.

The ordinance sets the 2011 real property tax rate at \$_____ on each \$100 of assessed value. Personal property and machinery and tools tax rates are unchanged from 2010. The ordinance levies for calendar year 2010, an additional real property tax of \$_____ per \$100 of assessed value on all

1 commercial and industrial property in the City. City Council has the authority to
2 lower the tax rates set forth in the ordinance.

3

4 Sponsor

5

6

7 Staff

8

9 Mark Jinks, Deputy City Manager
10 Bruce Johnson, Chief Financial Officer
11 Laura Triggs, Deputy Chief Financial Officer
12 Christina Zechman Brown, Assistant City Attorney

13

14 Authority

15

16 Article X, § 4, Virginia Constitution
17 §§ 2.02(a)(1), 6.15 Alexandria City Charter
18 § 58.1-3221.3, Code of Virginia

19

20 Estimated Costs of Implementation

21

22 None.

23

24 Attachments in Addition to Proposed Ordinance and its Attachments (if any)

25

26 None.

27

28

ORDINANCE NO. _____

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49

AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) and Section 3-2-188 (CLASSIFICATION AND TAXATION OF CERTAIN COMMERCIAL AND INDUSTRIAL PROPERTY), of Division 1, (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT), Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS, TRAILERS, SEMI-TRAILERS ANTIQUE MOTOR VEHICLES, TAXICABS, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-181 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-181 Levied; amount.

There shall be levied and collected for the calendar year 2011~~0~~ on all real estate located within the territorial boundaries of the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$___ on each \$100 of the assessed residential property value thereof and \$___ on each \$100 of the assessed commercial residential property value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 2. That Sec. 3-2-188 of The Code of the City of Alexandria, 1981 as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-188 Classification and taxation of certain commercial and industrial real property.

(a) Pursuant to the authority granted by Section 58.1-3221.3 of the Code of Virginia (1950), as amended, all commercial and industrial real property in the City of Alexandria classified by the General Assembly as a separate class of real property for local taxation shall be designated, assessed and taxed as a separate class of real

1 property. Such separate class of real property shall not include any residential uses
2 excluded by Section 58.1-3221.3 of the Code of Virginia.

3
4 (b) In addition to all other taxes and fees permitted by law, the class of real
5 property designated in this section may, and if imposed by ordinance shall, be subject to a
6 real property tax, in addition to that imposed by City Code Section 3-2-181 and any other
7 applicable law, at the rate established by the City Council of the City of Alexandria
8 not to exceed the rate authorized by the Code of Virginia.

9
10 (c) All revenues generated from the real property tax imposed by this Section
11 3-2-188 shall be used exclusively for transportation-related projects and services that benefit
12 the City of Alexandria.

13
14 (d) The real property tax imposed by this Section 3-2-188 shall be levied,
15 administered, enforced and collected in the same manner as set forth in Subtitle III of Title
16 58.1 of the Code of Virginia and Chapter 2 of this Title for the levy, administration,
17 enforcement and collection of local taxes.

18
19 (e) The director of the department of real estate assessments shall separately
20 assess and set forth upon the City of Alexandria's land book the fair market value of that
21 property that is designated as a separate class of real property in accordance with the
22 provisions of this section.

23
24 (f) There shall be levied and collected for the calendar year 2011~~0~~ on all real
25 estate located within the territorial boundaries of the city and subject to taxation
26 pursuant to this section, a tax of \$___ on each \$100 of the assessed value thereof, for the
27 purposes set forth in subsection (c) above.

28
29 Section 3. That Section 3-2-221 of The Code of the City of Alexandria,
30 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
31 follows:

32
33 Sec. 3-2-221 Levied on tangible personal property other than mobile homes, automobiles,
34 trucks, antique motor vehicles, taxicabs, motor vehicles with specially
35 designed equipment for use by the handicapped, motorcycles, campers and
36 other recreational vehicles, boats and boat trailers; amount.

37
38 There shall be levied and collected for the calendar year 2011~~0~~ on all tangible
39 personal property, other than mobile homes, automobiles, trucks, antique motor vehicles,
40 taxicabs, motor vehicles with specially designed equipment for use by the handicapped,
41 motorcycles, campers and other recreational vehicles, boats and trailers, owned or held by
42 residents or citizens of the city or located within the territorial boundaries of the city or
43 otherwise having a situs within the city and subject to taxation for city purposes under the
44 constitution and laws of this state and city, a tax of \$4.75 on every \$100 of assessed value
45 thereof, for the support of the city government, for the payment of principal and interest of
46 the city debt and for other municipal expenses and purposes.

1 Section 4. That Section 3-2-222 of The Code of the City of Alexandria,
2 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
3 follows:
4

5 Sec. 3-2-222 Levied on machinery and tools used in mining or manufacturing business;
6 amount.
7

8 There shall be levied and collected for the calendar year 20110 on all machinery and
9 tools used in a mining or manufacturing business taxable on capital and subject to taxation
10 for city purposes under the constitution and laws of this state and city, a tax of \$4.50 on each
11 \$100 of assessed value thereof, for the support of the city government, for the payment of
12 principal and interest of the city debt and for other municipal expenses and purposes.
13

14 Section 5. That Section 3-2-223 of The Code of the City of Alexandria,
15 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
16 follows:
17

18 Sec. 3-2-223 Levied on mobile homes; amount.
19

20 There shall be levied and collected for the calendar year 20110 on all vehicles
21 without motor power, used or designed to be used as mobile homes as defined in section
22 46.2-100 of the Code of Virginia, owned or held by residents or citizens of the city or
23 located within the territorial boundaries of the city or otherwise having a situs within the
24 city and subject to taxation for city purposes under the constitution and laws of this state and
25 city, a tax of \$0.978 on each \$100 of assessed value thereof, for the support of the city
26 government, for the payment of principal and interest of the city debt and for other
27 municipal expenses and purposes.
28

29 Section 6. That Section 3-2-224 of The Code of the City of Alexandria,
30 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
31 follows:
32

33 Sec. 3-2-224 Levied on automobiles, trucks, trailers, semi-trailers, antique motor vehicles,
34 taxicabs, motorcycles, campers and other recreational vehicles, boats and
35 trailers; amount.
36

37 (a) Except as provided in subsections (b), (c) and (d), there shall be levied and
38 collected for the calendar year 20110 on all automobiles, trucks, trailers, semi-trailers,
39 antique motor vehicles (as defined in section 46.2-100 of the Code of Virginia, 1950, as
40 amended, which may be used for general transportation purposes as provided in subsection
41 C of section 46.2-730 of the Code of Virginia, 1950, as amended), taxicabs, motorcycles,
42 campers and other recreational vehicles, boats and boat trailers owned or held by residents
43 or citizens of the city or located within the territorial boundaries of the city or otherwise
44 having a situs for taxation in the city, a tax of \$4.75 on every \$100 of assessed value thereof,
45 for the support of the city government, for the payment of principal and interest of the city
46 debt and for other municipal expenses and purposes.
47

48 (b) There shall be levied on and collected for the calendar year 20110 on all
49 automobiles, trucks, trailers and semi-trailers with a gross vehicle weight of 10,000 pounds

1 or more which are used to transport property for hire by a motor carrier engaged in interstate
2 commerce, and are owned or held by residents or citizens of the city, are located within the
3 territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of
4 \$4.50 on every \$100 of assessed value thereof, for the support of the city government, for
5 the payment of principal and interest of the city debt and for other municipal expenses and
6 purposes.

7
8 (c) There shall be levied on and collected for the calendar year 2011~~0~~ on all
9 automobiles and trucks which are equipped with specially designed equipment for use by
10 the handicapped and are owned or held by residents or citizens of the city, are located within
11 the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of
12 \$3.55 on every \$100 of assessed value thereof, for the support of the city government, for
13 the payment of principal and interest of the city debt and for other municipal expenses and
14 purposes.

15
16 (d) There shall be levied on and collected for the calendar year 2011~~0~~ on all
17 privately owned pleasure boats and watercraft, which are used for recreational purposes
18 only, and are owned or held by residents or citizens of the city, or are located within the
19 territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of
20 \$.01 on every \$100 of assessed value thereof, for the support of the city government, for the
21 payment of principal and interest of the city debt and for other municipal expenses and
22 purposes.

23
24 (e) For tax years commencing in 2006, the City adopts the provisions of Item
25 503.E of Chapter 951 of the 2005 Acts of Assembly (the 2005 revisions to the 2004-06
26 Appropriations Act, the "2005 Appropriations Act"), providing for the computation of tax
27 relief under the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the
28 Code of Virginia, as amended, as a specific dollar amount to be offset against the total taxes
29 that would otherwise be due but for the Personal Property Tax Relief Act of 1998, sections
30 58.1-3523 et seq. of the Code of Virginia, as amended, and the reporting of such specific
31 dollar relief on the tax bill.

32
33 (i) The City shall, following adoption of the annual budget adopted pursuant to
34 Chapter 25 of Title 15.2 of the Code of Virginia and sections 6.01 through 6.15 of the City
35 Charter, set the rate of tax relief under this subsection at such a level that it is anticipated
36 fully to exhaust relief funds under the Personal Property Tax Relief Act of 1998, sections
37 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City by the
38 Commonwealth. Any amount of relief funds under the Personal Property Tax Relief Act of
39 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City
40 by the Commonwealth, not used within the City's fiscal year shall be carried forward and
41 used to increase the funds available for personal property tax relief under this subsection in
42 the following fiscal year.

43
44 (ii) Personal property tax bills shall set forth on their face the specific dollar amount
45 of relief under this subsection credited with respect to each qualifying vehicle, together with
46 an explanation of the general manner in which such relief is allocated.

47

1 (iii) Allocation of relief under this subsection shall be provided in accordance with
2 the general provisions of this section, as implemented by the specific provisions of the
3 City's annual budget relating to relief under this subsection.
4

5 (iv) Relief under this subsection shall be allocated in such as manner as to eliminate
6 personal property taxation of each qualifying vehicle with an assessed value of \$1,000 or
7 less.
8

9 (v) Relief under this subsection with respect to qualifying vehicles with assessed
10 values of more than \$1,000 shall be provided at a rate, annually fixed in the City budget and
11 applied to the first \$20,000 in value of each such qualifying vehicle, that is estimated fully
12 to use all relief funds under the Personal Property Tax Relief Act of 1998, sections 58.1-
13 3523 et seq. of the Code of Virginia, as amended, provided to the City by the
14 Commonwealth.
15

16 Section 7. That this ordinance shall become effective January 1, 2011, nunc pro
17 tunc.
18

19 WILLIAM D. EUILLE
20 Mayor
21

22 Introduction: 03/12/2011
23 First Reading: 03/12/2011
24 Publication:
25 Public Hearing:
26 Second Reading:
27 Final Passage:
28
29
30
31
32
33
34
35
36
37
38
39
40
41

5-2-11

Reservation of Transportation Funding

Motion A

Docket Item #3

**Motions to Establish the Real Estate and
Personal Property Tax Rates for Calendar Year 2011**

Mr. Mayor, I move we establish a source of revenue for transportation projects by reserving 2.2 cents of the real property tax rate on each \$100 of assessed value.

Motion B

Real Estate and Personal Property Tax Rate

Mr. Mayor, I move final passage of an ordinance to set the City's 2011 blended real property tax rate at ninety-nine point eight cents (\$0.998) on each \$100 of assessed value, an increase of two cents (\$0.02) from the 2010 rate. The 2011 real property tax rate contains the following dedications:

- The sum of six tenths of one cent (\$0.006) on each \$100 of assessed value of the ninety-nine point eight cent (\$0.998) real property tax rate will be dedicated for affordable housing purposes to continue to pay budgeted debt service on affordable housing bonds, beginning July 1, 2011.
- The sum of five tenths of one cent (\$0.005) on each \$100 of assessed value of the ninety-nine point eight cent (\$0.998) real property tax rate will be collected for stormwater management and segregated in a separate special revenue fund to address operating and capital needs related to stormwater management.
- The sum of two point two cents (\$0.022) on each \$100 of assessed value of the ninety-nine point eight (\$0.998) real property tax rate will be collected and reserved for the Transportation Improvement Fund.
- In addition, the sum of three tenths of one percent (0.3%) of total real property tax revenue will continue to be dedicated to the Open Space Trust Fund to continue to pay budgeted debt services on borrowing for open space purposes.
- ***The total blended real property tax rate for the City in 2011 will be ninety-nine point eight cents.***
- Personal property tax rates remain unchanged from 2010.

ORDINANCE NO. 4716

AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) and Section 3-2-188 (CLASSIFICATION AND TAXATION OF CERTAIN COMMERCIAL AND INDUSTRIAL PROPERTY), of Division 1, (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT), Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS, TRAILERS, SEMI-TRAILERS ANTIQUE MOTOR VEHICLES, TAXICABS, MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-181 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-181 Levied; amount.

There shall be levied and collected for the calendar year 2011~~0~~ on all real estate located within the territorial boundaries of the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$0.998 on each \$100 of the assessed residential property value thereof and \$0.998 on each \$100 of the assessed commercial residential property value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 2. That Sec. 3-2-188 of The Code of the City of Alexandria, 1981 as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-188 Classification and taxation of certain commercial and industrial real property.

(a) Pursuant to the authority granted by Section 58.1-3221.3 of the Code of Virginia (1950), as amended, all commercial and industrial real property in the City of Alexandria classified by the General Assembly as a separate class of real property for local taxation shall be designated, assessed and taxed as a separate class of real

property. Such separate class of real property shall not include any residential uses excluded by Section 58.1-3221.3 of the Code of Virginia.

(b) In addition to all other taxes and fees permitted by law, the class of real property designated in this section may, and if imposed by ordinance shall, be subject to a real property tax, in addition to that imposed by City Code Section 3-2-181 and any other applicable law, at the rate established by the City Council of the City of Alexandria not to exceed the rate authorized by the Code of Virginia.

(c) All revenues generated from the real property tax imposed by this Section 3-2-188 shall be used exclusively for transportation-related projects and services that benefit the City of Alexandria.

(d) The real property tax imposed by this Section 3-2-188 shall be levied, administered, enforced and collected in the same manner as set forth in Subtitle III of Title 58.1 of the Code of Virginia and Chapter 2 of this Title for the levy, administration, enforcement and collection of local taxes.

(e) The director of the department of real estate assessments shall separately assess and set forth upon the City of Alexandria's land book the fair market value of that property that is designated as a separate class of real property in accordance with the provisions of this section.

(f) There shall be levied and collected for the calendar year 2011~~0~~ on all real estate located within the territorial boundaries of the city and subject to taxation pursuant to this section, a tax of \$0.00 on each \$100 of the assessed value thereof, for the purposes set forth in subsection (c) above.

Section 3. That Section 3-2-221 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-221 Levied on tangible personal property other than mobile homes, automobiles, trucks, antique motor vehicles, taxicabs, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, campers and other recreational vehicles, boats and boat trailers; amount.

There shall be levied and collected for the calendar year 2011~~0~~ on all tangible personal property, other than mobile homes, automobiles, trucks, antique motor vehicles, taxicabs, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, campers and other recreational vehicles, boats and trailers, owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs within the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$4.75 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 4. That Section 3-2-222 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-222 Levied on machinery and tools used in mining or manufacturing business; amount.

There shall be levied and collected for the calendar year 2011~~0~~ on all machinery and tools used in a mining or manufacturing business taxable on capital and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$4.50 on each \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 5. That Section 3-2-223 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-223 Levied on mobile homes; amount.

There shall be levied and collected for the calendar year 2011~~0~~ on all vehicles without motor power, used or designed to be used as mobile homes as defined in section 46.2-100 of the Code of Virginia, owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs within the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of \$0.978 on each \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 6. That Section 3-2-224 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-224 Levied on automobiles, trucks, trailers, semi-trailers, antique motor vehicles, taxicabs, motorcycles, campers and other recreational vehicles, boats and trailers; amount.

(a) Except as provided in subsections (b), (c) and (d), there shall be levied and collected for the calendar year 2011~~0~~ on all automobiles, trucks, trailers, semi-trailers, antique motor vehicles (as defined in section 46.2-100 of the Code of Virginia, 1950, as amended, which may be used for general transportation purposes as provided in subsection C of section 46.2-730 of the Code of Virginia, 1950, as amended), taxicabs, motorcycles, campers and other recreational vehicles, boats and boat trailers owned or held by residents or citizens of the city or located within the territorial boundaries of the city or otherwise having a situs for taxation in the city, a tax of \$4.75 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(b) There shall be levied on and collected for the calendar year 2011~~0~~ on all automobiles, trucks, trailers and semi-trailers with a gross vehicle weight of 10,000 pounds

or more which are used to transport property for hire by a motor carrier engaged in interstate commerce, and are owned or held by residents or citizens of the city, are located within the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$4.50 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(c) There shall be levied on and collected for the calendar year 2011~~0~~ on all automobiles and trucks which are equipped with specially designed equipment for use by the handicapped and are owned or held by residents or citizens of the city, are located within the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$3.55 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(d) There shall be levied on and collected for the calendar year 2011~~0~~ on all privately owned pleasure boats and watercraft, which are used for recreational purposes only, and are owned or held by residents or citizens of the city, or are located within the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of \$.01 on every \$100 of assessed value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

(e) For tax years commencing in 2006, the City adopts the provisions of Item 503.E of Chapter 951 of the 2005 Acts of Assembly (the 2005 revisions to the 2004-06 Appropriations Act, the "2005 Appropriations Act"), providing for the computation of tax relief under the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, as a specific dollar amount to be offset against the total taxes that would otherwise be due but for the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, and the reporting of such specific dollar relief on the tax bill.

(i) The City shall, following adoption of the annual budget adopted pursuant to Chapter 25 of Title 15.2 of the Code of Virginia and sections 6.01 through 6.15 of the City Charter, set the rate of tax relief under this subsection at such a level that it is anticipated fully to exhaust relief funds under the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City by the Commonwealth. Any amount of relief funds under the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City by the Commonwealth, not used within the City's fiscal year shall be carried forward and used to increase the funds available for personal property tax relief under this subsection in the following fiscal year.

(ii) Personal property tax bills shall set forth on their face the specific dollar amount of relief under this subsection credited with respect to each qualifying vehicle, together with an explanation of the general manner in which such relief is allocated.

(iii) Allocation of relief under this subsection shall be provided in accordance with the general provisions of this section, as implemented by the specific provisions of the City's annual budget relating to relief under this subsection.

(iv) Relief under this subsection shall be allocated in such as manner as to eliminate personal property taxation of each qualifying vehicle with an assessed value of \$1,000 or less.

(v) Relief under this subsection with respect to qualifying vehicles with assessed values of more than \$1,000 shall be provided at a rate, annually fixed in the City budget and applied to the first \$20,000 in value of each such qualifying vehicle, that is estimated fully to use all relief funds under the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City by the Commonwealth.

Section 7. That this ordinance shall become effective January 1, 2011, nunc pro tunc.

WILLIAM D. EUILLE
Mayor

Final Passage: May 2, 2011