

City of Alexandria, Virginia

9
3-11-03

MEMORANDUM

DATE: FEBRUARY 19, 2003

TO: COUNCILMAN DAVID G. SPECK

THROUGH: ROSE WILLIAMS BOYD, ^{Rh} DIRECTOR, CITIZEN ASSISTANCE

FROM: MARK JINKS, ASSISTANT CITY MANAGER ~~MJ~~

SUBJECT: (1) VALUE OF ONE CENT ON THE REAL ESTATE TAX RATE FOR THE FY 2004 TO FY 2009 TIME PERIOD, AND (2) HISTORICAL TAX RATES (COUNCIL REQUEST # 03-14S)

(1) In response to your inquiry using the 2003 real estate tax base of \$19.3 billion, the total value of 1¢ on the real estate tax rate for the FY 2004 to FY 2009 time period is roughly estimated at \$12.9 million.

It should be noted that projecting the real estate tax base for the next six years is highly speculative given the economic cycles, unknown future mortgage interest rates, and the fact that in the last few years appreciation has been substantial, so future short-term growth may be tempered. However, using a 5% appreciation in 2004 (FY 2005) and a 4% appreciation after then would not likely produce a substantially incorrect estimate.

	Annual revenue ¹ <u>(in millions)</u>
FY 2004	\$1.942
FY 2005	2.029
FY 2006	2.110
FY 2007	2.194
FY 2008	2.283
FY 2009	<u>2.374</u>
TOTAL	\$12.932

¹ Excludes impact of \$.948 in FY 2003, as the real estate rate is set on a calendar year basis.

(2) What has been the history of the City's real estate tax rate from FY 1988 - 2002?

<u>Year</u>	<u>Rate</u>
1988	\$1.25
1989	1.10
1990	1.045
1991	1.045
1992	1.045
1993	1.07
1994	1.07
1995	1.07
1996	1.07
1997	1.07
1998	1.11
1999	1.11
2000	1.11
2001	1.11
2002	1.08

A history back to 1980 for Alexandria and other Northern Virginia localities is detailed on page 4-39 of the FY 2003 Approved Operating Budget.

cc: The Honorable Mayor and Members of City Council
Philip Sunderland, City Manager

2-7-07

TO Rose 2/12/03 10:45AM
CITY COUNCIL REQUEST

Mark,

Can you estimate how much revenue would be generated by 1¢ on the RE tax rate for the next 5 fiscal years (FY 04-09)?

This would require an estimate of RE assessments for future years.

Thanks

DES



DSpeck@aol.com
02/18/2003 09:55 AM

To: Mark Jinks@Alex
Subject: tax rate

Mark,

Could you have someone get me the history of our RE tax rate FY 1988-2003?

I know we have that somewhere, but I can't put my hands on it. Thanks.

David

David G. Speck

Home: 703-370-1666

Work: 703-739-4501

Mobile: 703-819-9962

Home-Fax: 703-370-6475

Work-Fax: 703-739-4514

Home Address:

3813 Colonel Ellis Avenue

Alexandria, VA 22304

Work Address:

101 N. Union Street

Suite 220

Alexandria, VA 22314

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 27, 2003

TO: COUNCILMAN DAVID SPECK

THROUGH: ROSE WILLIAMS BOYD, ^{RL}DIRECTOR, CITIZEN ASSISTANCE

FROM: MARK JINKS, ASSISTANT CITY MANAGER *M*

SUBJECT: FAIRFAX CITY OPEN SPACE FUND (Council Request #03-16S)

In follow up to our conversation, this memorandum provides information regarding a recent initiative in the City of Fairfax to designate revenue received from a portion of their real property tax rate for the acquisition of open space.

In November 2000, voters in Fairfax City supported an advisory referendum, by a margin of nearly 2 to 1, that encouraged the Fairfax City Council to raise the real property tax rate by up to 5 cents for a maximum of 5 years to create a pool of money to purchase parkland and open space. The non-legally binding referendum provided City Council with the support to designate a portion of the tax rate as part of the FY 2002 budget process, in April 2001.

At that time, the Fairfax City Council adopted a tax rate for tax year 2001 of \$0.98, a reduction of 3 cents compared to the \$1.01 rate in 2000 and including a 3 cent designation for open space acquisition (i.e., a "regular" rate of \$0.95 and \$0.03 for open space). Tax Year 2002 also included a 2 cent further general tax rate reduction and a 3 cent designation for open space, for a total tax rate of \$0.96. Each year as part of the budget process, the Fairfax City Council can, by policy, designate up to 5 cents of the City's tax rate for the purpose of purchasing open space. To date, they have chosen 3 cents for open space. The revenue from this designation is treated as a General Fund revenue and is transferred to the Fairfax City's Capital Improvement Program Open Space Fund.

Fairfax City estimates that the additional 3 cents on the tax rate costs the average homeowner \$120 per year, and will generate approximately \$1 million per year for five years.

cc: The Honorable Mayor and Members of City Council
Philip Sunderland, City Manager
Ignacio Pessoa, City Attorney
Kendel Taylor, Analyst, Office of Management and Budget

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3-11-03

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.



City of Alexandria, Virginia

301 King Street, Suite 2300
Alexandria, Virginia 22314

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3-11-03



Kerry J. Donley
Mayor

William C. Cleveland
Vice Mayor

Members of Council
Claire M. Eberwein
William D. Euille
Redella S. Pepper
David G. Speck
Joyce Woodson

Beverly I. Jett, CMC
City Clerk and
Clerk of Council
beverly.jett@ci.alexandria.va.us

(703) 838-4550
Fax: (703) 838-6433

DATE: MARCH 12, 2003

TO: PRESIDENTS OF CIVIC ASSOCIATIONS, CHAIRS OF ALEXANDRIA
BOARDS AND COMMISSIONS, COMMUNITY ORGANIZATIONS, AND
INTERESTED CITIZENS

FROM: BEVERLY I. JETT, CMC, CITY CLERK AND CLERK OF COUNCIL

SUBJECT: PUBLIC HEARING ON THE FY 2004 PROPOSED BUDGET, THE TAX
RATE ORDINANCE, AND COUNCILMAN SPECK'S PROPOSAL FOR
LONG-TERM FUNDING OF OPEN SPACE IN THE CITY OF ALEXANDRIA

At the City Council Meeting on March 11, 2003, Councilman Speck spoke to his proposal for long-term funding of open space in the City of Alexandria. This item will be discussed at the City Council Work Session to be held on Wednesday, March 26, 2003, at 7:30 p.m., in the Council Workroom.

City Council will hold its public hearing on the FY 2004 Proposed Budget on Wednesday, April 2, 2003, at 4:30 p.m., in the Council Chamber, Room 2400, City Hall, 301 King Street, Alexandria, VA, during which time comments will be heard on this proposal. The City Clerk was requested to forward a copy of the proposal for your review and comment.

Persons wishing to participate in the public hearing are encouraged to register in advance with the City Clerk by calling 703-838-4550, or completing a speaker's form on-line. Persons who wish to sign up on-line are asked to complete all sections of the form and electronically submit it to the Clerk by 5:00 p.m., Tuesday, April 1. The form can be accessed in the upper left-hand corner of the public hearing docket which will be made available on the City's Website at www.ci.alexandria.va.us during the next two weeks.

Attachment

"Home Town of George Washington and Robert E. Lee"

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