

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 14, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO # 3 : OPEN SPACE FUNDING DOCUMENTS

Since the issue of funding open space has been raised as part of the FY 2004 budget process, attached for your budget notebooks are four separate documents related to this subject.

Attachments:

- (1) A proposal for Long-Term Funding of Open Space in the City of Alexandria (Councilman Speck's proposal)
- (2) Value of one cent on the real estate tax rate and historical tax rates (Council Request #03-14S)
- (3) Fairfax City Open Space Fund (Council Request #03-16S)
- (4) City Code Section 6.15 (which allows City Council to establish a fund or account for permanent public capital improvements and assign a portion of the real estate tax not to exceed ten cents on the real estate or personal property tax rate to that fund)

3/11/2003

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3-11-03A 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.

City of Alexandria, Virginia

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 (in millions)
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.

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(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

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

The Charter

Sec. 6.15 Reserve for permanent public improvements.

The council may by ordinance establish a reserve fund or account or both for permanent public improvements and may appropriate thereto any portion of the general fund cash surplus not otherwise appropriated at the close of any fiscal year. It may likewise assign to the said fund or account or both a specified portion of the ad valorem tax on real estate and tangible personal property not to exceed ten cents on the hundred dollars of the assessed valuation thereof or the whole or part of the proceeds of any other tax. Appropriations from the said fund or account or both shall be made only to finance improvements included in the capital budget. (Acts 1968, ch. 510, § 1)