W.S.
2-25-08

FY 2009
Budget Work Session

FY 2009 – FY 2014
Capital Improvement Program

February 25, 2008

Introduction & Agenda

- Proposed CIP Overview/Highlights
- CIP Prioritization Process
- Major CIP Projects
- Proposed CIP Financing
- Unfunded Projects
- Operating Budget Impact
- Debt Policy Guidelines
- Best Management Practices

CIP Overview
Six-Year Plan Highlights

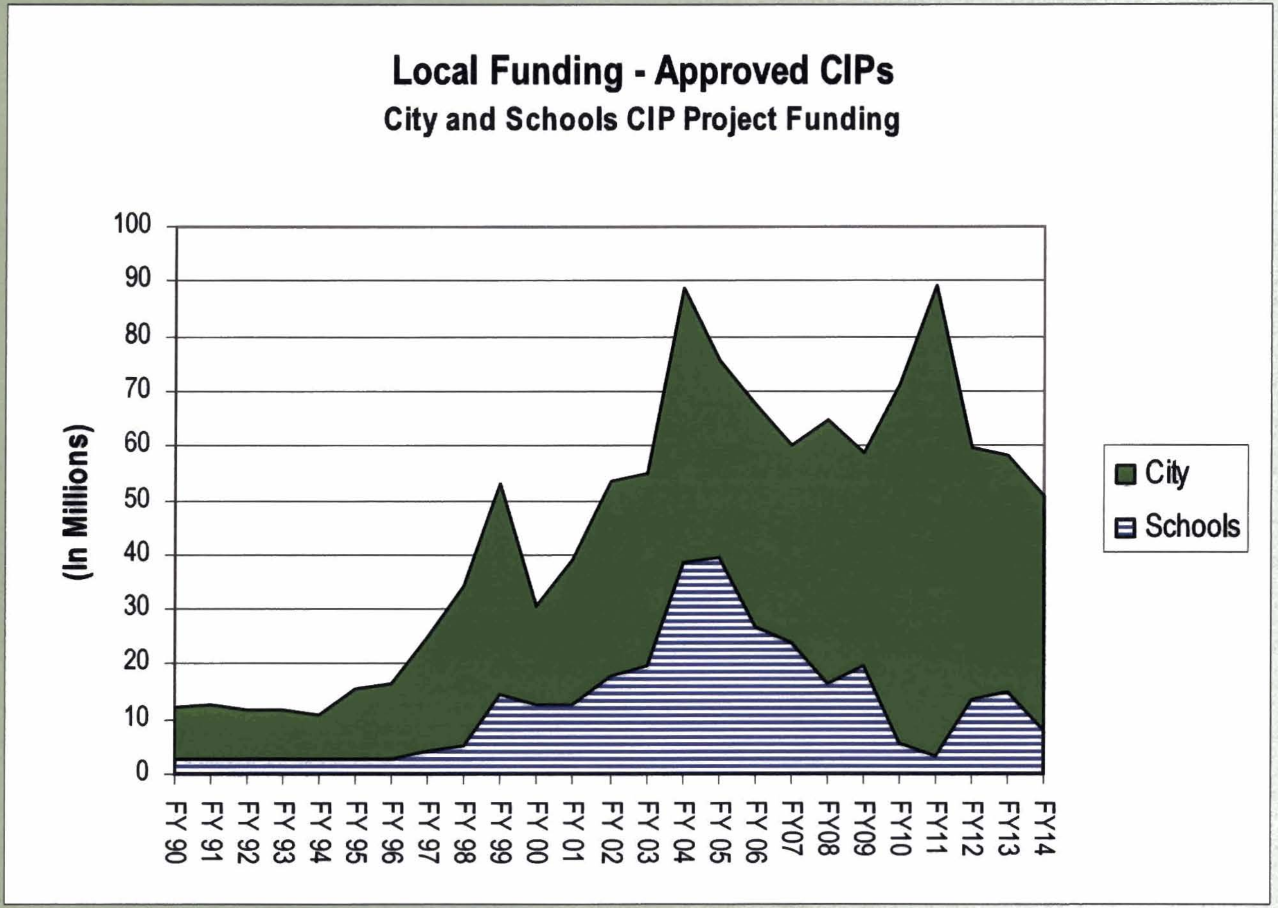
The City Manager's Proposed FY 2009-FY 2014 Capital Improvement Program totals:

- $388.1 million in local funding; and
- $478.3 million in total funding.

FY 2009 Proposed vs. FY 2008 Approved				
			Change	
	FY 2008 Approved	FY 2009 Proposed	$	%
All Funds	449.7	478.3	$28.6	6.4%
City Share	389.1	388.1	-$1.0	-0.3%

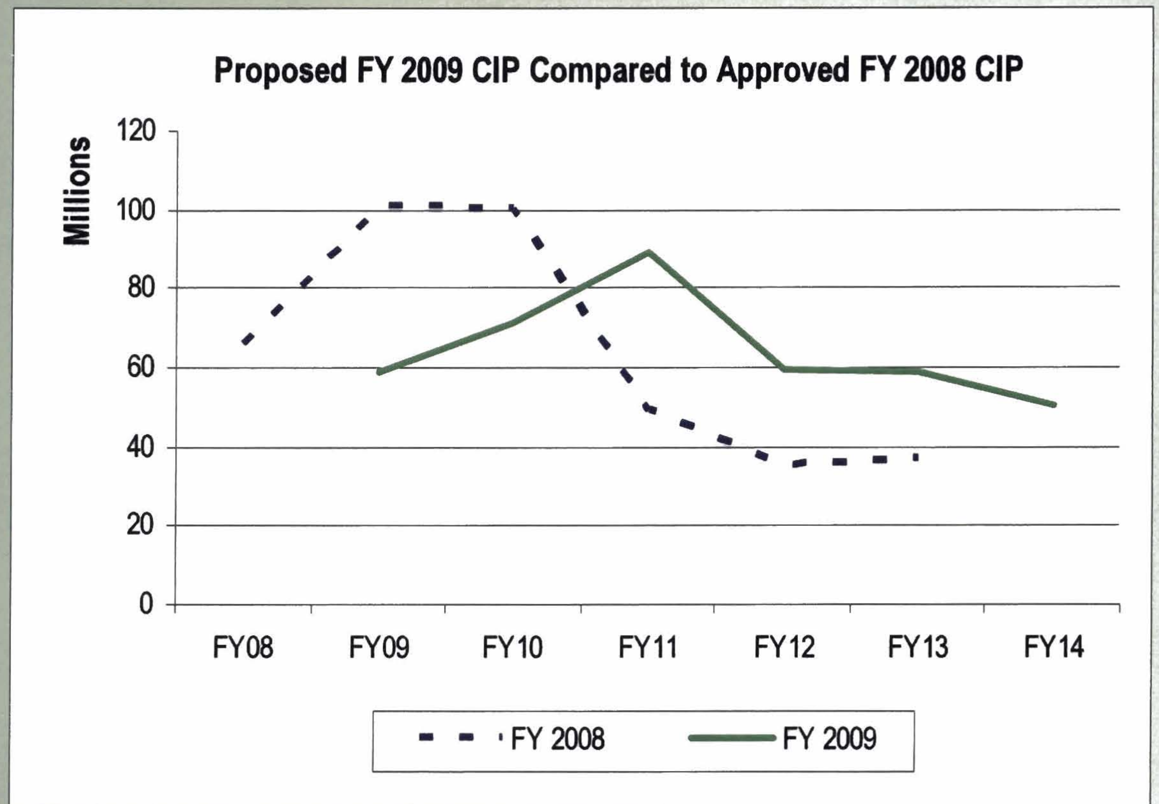
This represents a decrease of 0.3 percent in local funding and an increase of 6.4 percent in all sources of funding.

CIP Overview
Six-Year Plan Highlights



CIP Overview
Six-Year Plan Highlights

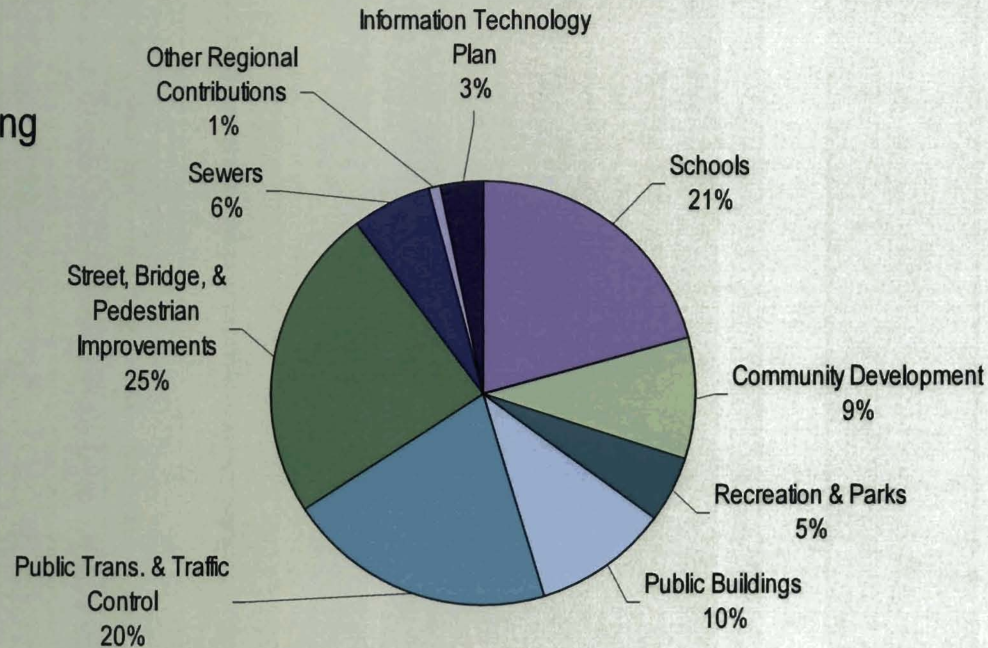
The realities of the City's financial situation, as well as the need to meet the budget guidelines established by City Council, were critical to final decisions on recommended CIP projects.



CIP Overview
FY 2009 Highlights

The Proposed FY 2009 capital budget includes $95.3 million in total funding and $58.8 million in local funding.

FY 2009 All Funds Capital Budget By CIP Project Category
($95.3 million)



CIP Prioritization Process

The CIP Steering Committee reviewed and prioritized over 160 new or revised projects.

CIP projects were first prioritized into one of four categories.

	Annual or Cyclical Project Timelines	Finite Project Timelines
Existing Facilities or Infrastructure	Recurring Infrastructure R5 (i.e. Fire Station CFMP)	Major "Infrastructure Reconstruction" Work (i.e. Warwick Pool)
New or Expanded Facilities or Infrastructure	On-Going Improvement Program (i.e. ADA Improvements)	New Projects (i.e. New Fire Station - Eisenhower Valley)

CIP Prioritization Process

- Projects were then ranked in three tiers (some project funding divided between more than one tier):
  - Tier I (Essential)
  - Tier II (Very Desirable)
  - Tier III (Desirable)

- Baseline Projects
  - New Police Facility
  - All-City Sports Facility
  - Sanitary Sewer Projects (self-funded)
  - New Fire Station 210 (Eisenhower Valley)
  - DASH Bus Replacement (State, NVTA Funded)
  - Regional projects

CIP Prioritization Process

The CIP Steering Committee ranked project categories and prioritization tiers.

This table shows which categories and prioritization tiers were funded for each of the fiscal years.

Category	FY 2009	FY 2010	FY 2011	FY 2012-FY 2014
Baseline Projects	Funded	Funded	Funded	Funded
Recurring Infrastructure (5R)				
Tier I	Funded	Funded	Funded	Funded
Tier II	Funded	Funded	Funded	Funded
Tier III	Funded	Not Funded	Funded	Funded
Major Infra. Reconstruction				
Tier I	Funded	Funded	Not Funded	Funded
Tier II	Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded
On-going Improvement				
Tier I	Funded	Funded	Not Funded	Funded
Tier II	Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded
New Projects				
Tier I	Funded	Not Funded	Not Funded	Funded
Tier II	Not Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded

Major Capital Projects Funded in FY 2009

- Schools
  - FY 2009 = $19.8M
    - $8.3M for John Adams Elementary School
    - $4.2M for Minnie Howard Ninth-Grade Center
    - $2.2M for James Polk Elementary School

Major Capital Projects Funded in FY 2009

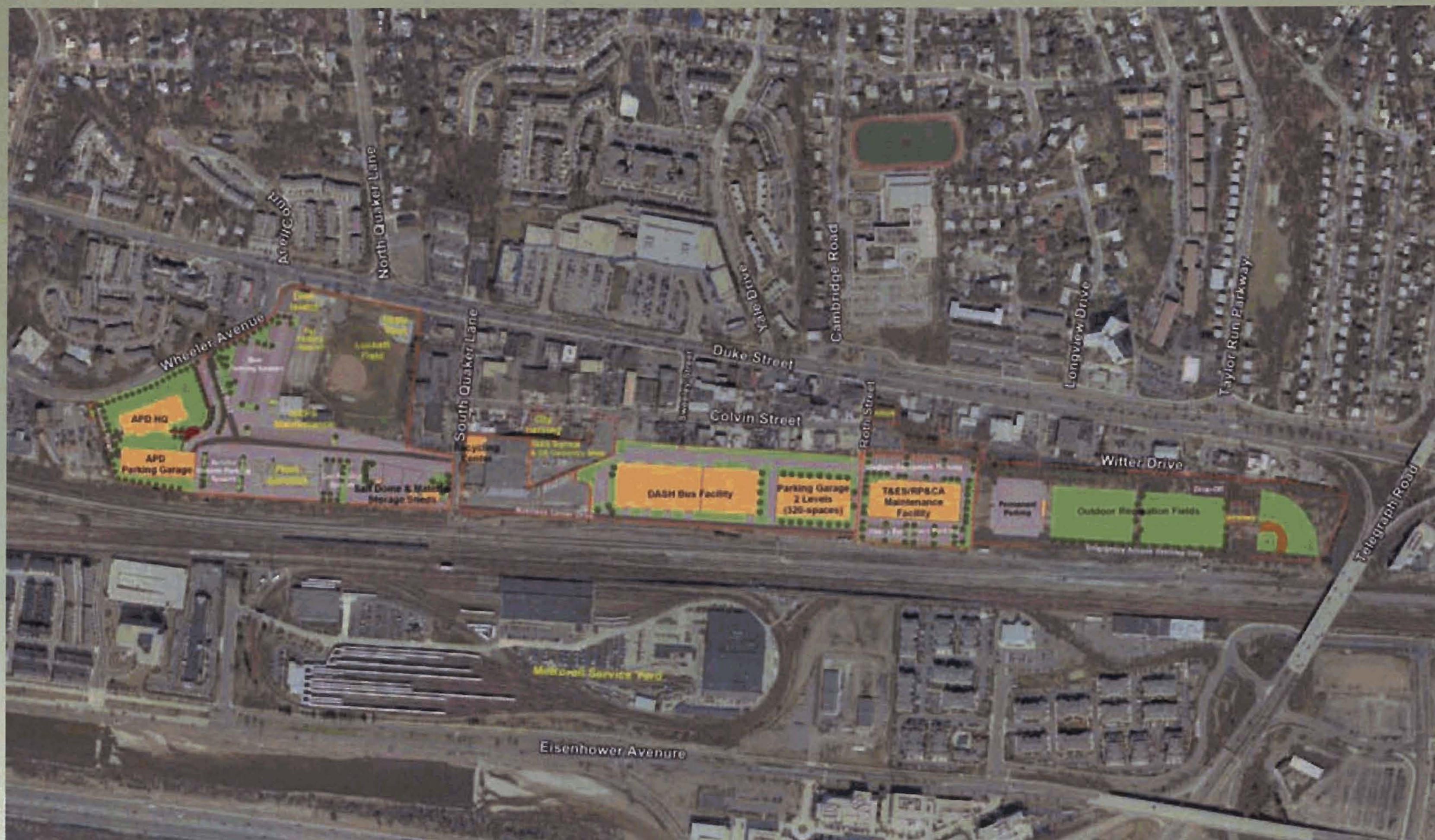
- New Police Facility
  - Site Plan, Elevations, and Schedule
  - LEED/Green Initiatives
  - Project Budget

APD CURRENT FACILITY LOCATIONS

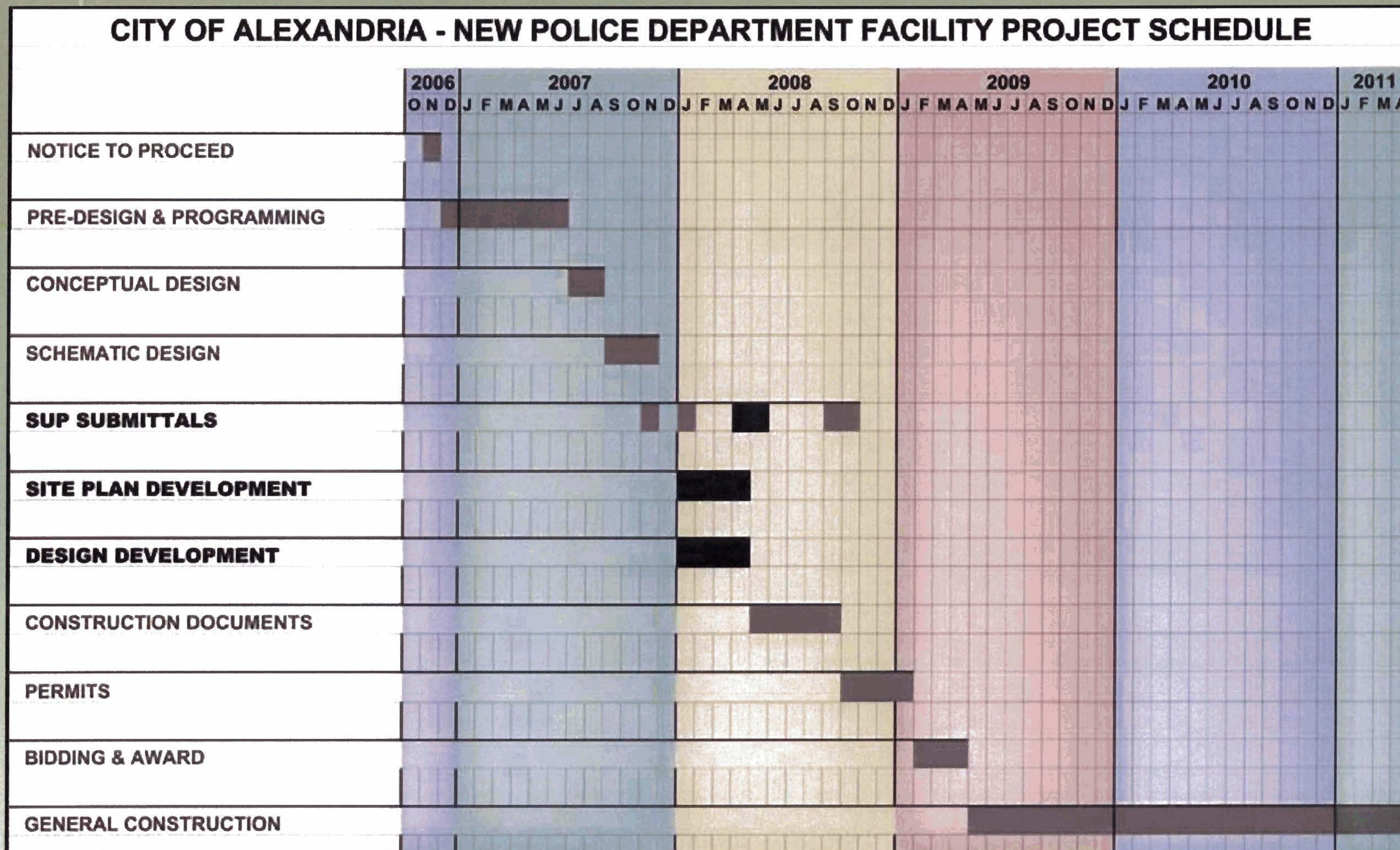
Facility	Number of Staff (FY2008)	Square Footage	FY2009 Lease	FY2010 Lease	FY2011 Lease
Avalon Bay 2900 Eisenhower Ave. 105 Parking Spaces	228	15,000 sf leasable	$591,925	$612,397	$633,176
Hoffman 2034 Eisenhower Avenue	132	40,578 sf leasable	$1,161,970	$1,207,504	$1,253,933
Public Safety Center 2003 Mill Road	81	24,000 sf gross	*City-Owned Property*		
Totals*	**441**	**89,540 sf**	**$1,753,895**	**$1,819,901**	**$1,887,109**

*Does not include 37 staff in off-site facilities (Special Ops)

CURRENT LOCATIONS

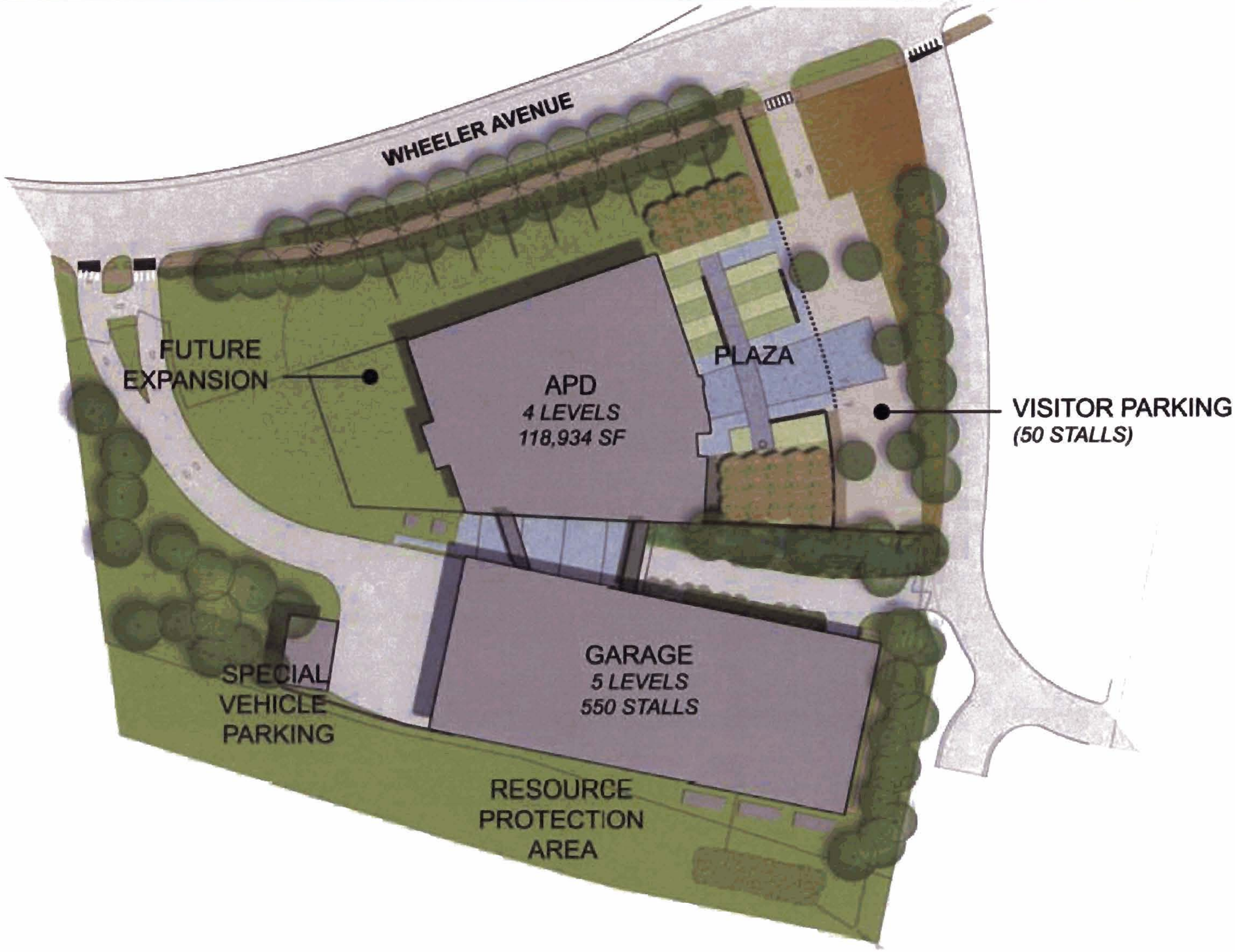


2011 PROPOSED SITE BUILD-OUT



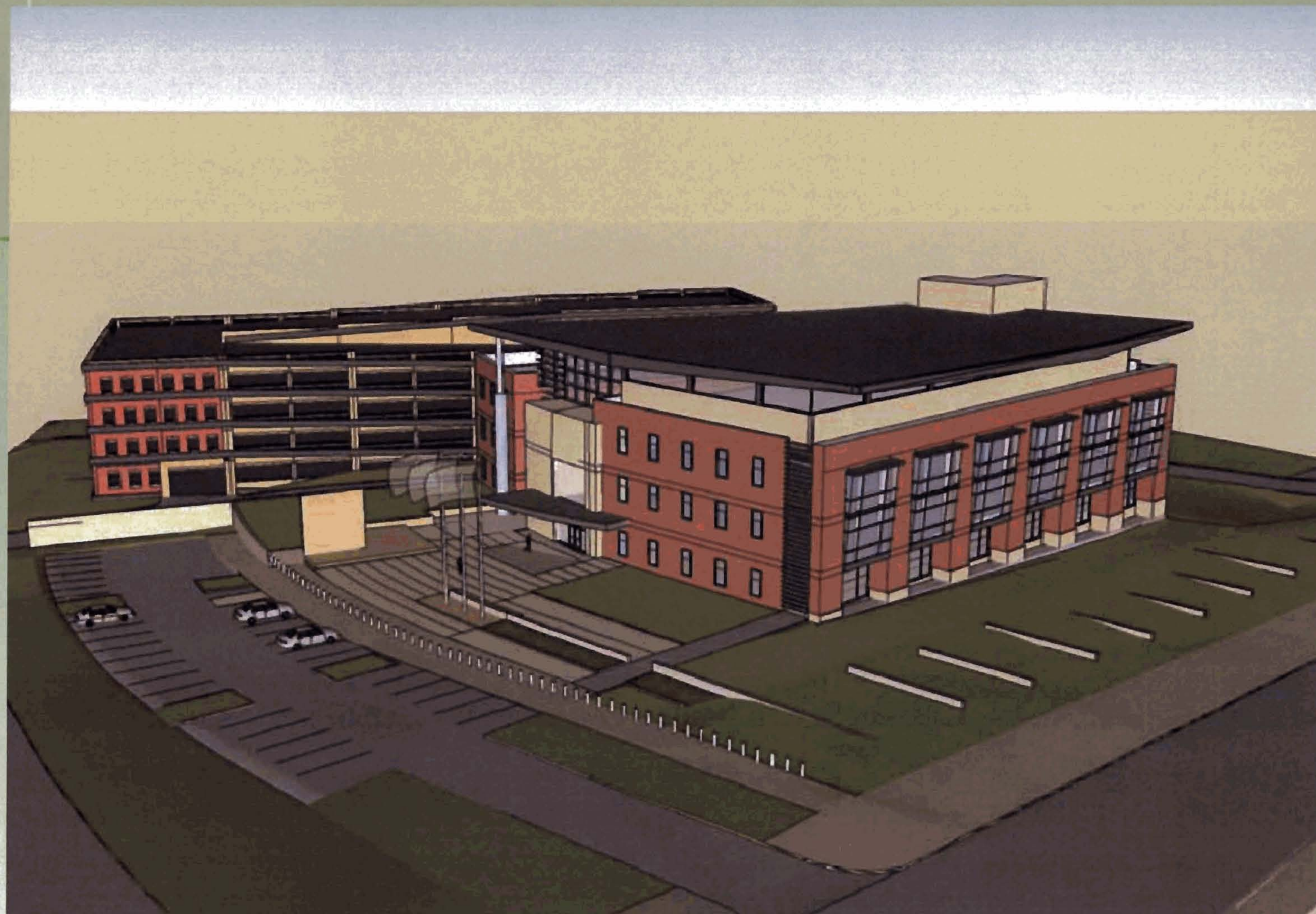
OVERALL SCHEDULE

SITE PLAN CONTEXT


WHEELER AVENUE
FUTURE EXPANSION
APD
4 LEVELS
118,934 SF
PLAZA
VISITOR PARKING
(50 STALLS)
SPECIAL VEHICLE PARKING
GARAGE
5 LEVELS
550 STALLS
RESOURCE PROTECTION AREA

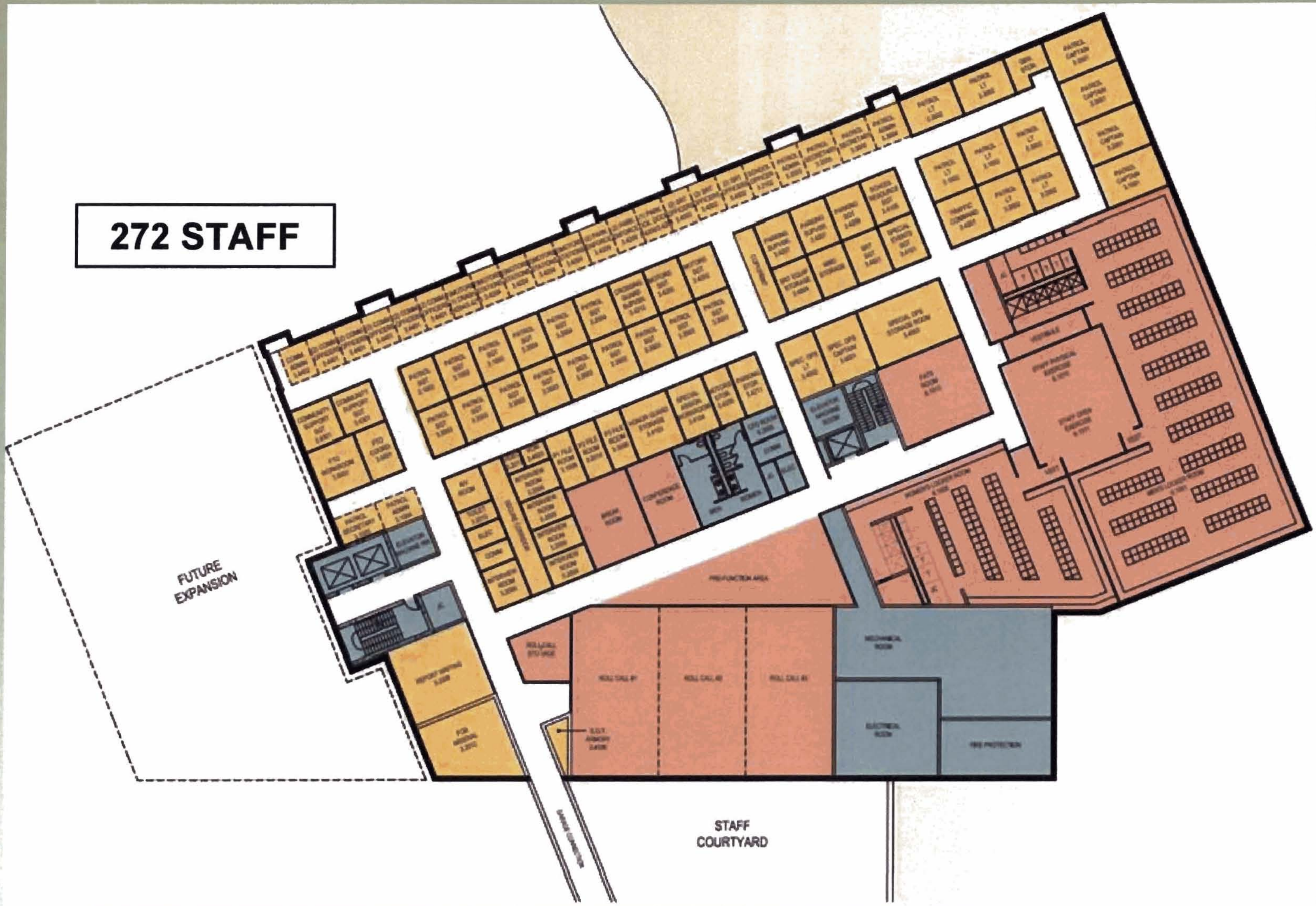
SITE PLAN

AERIAL VIEW FROM EAST



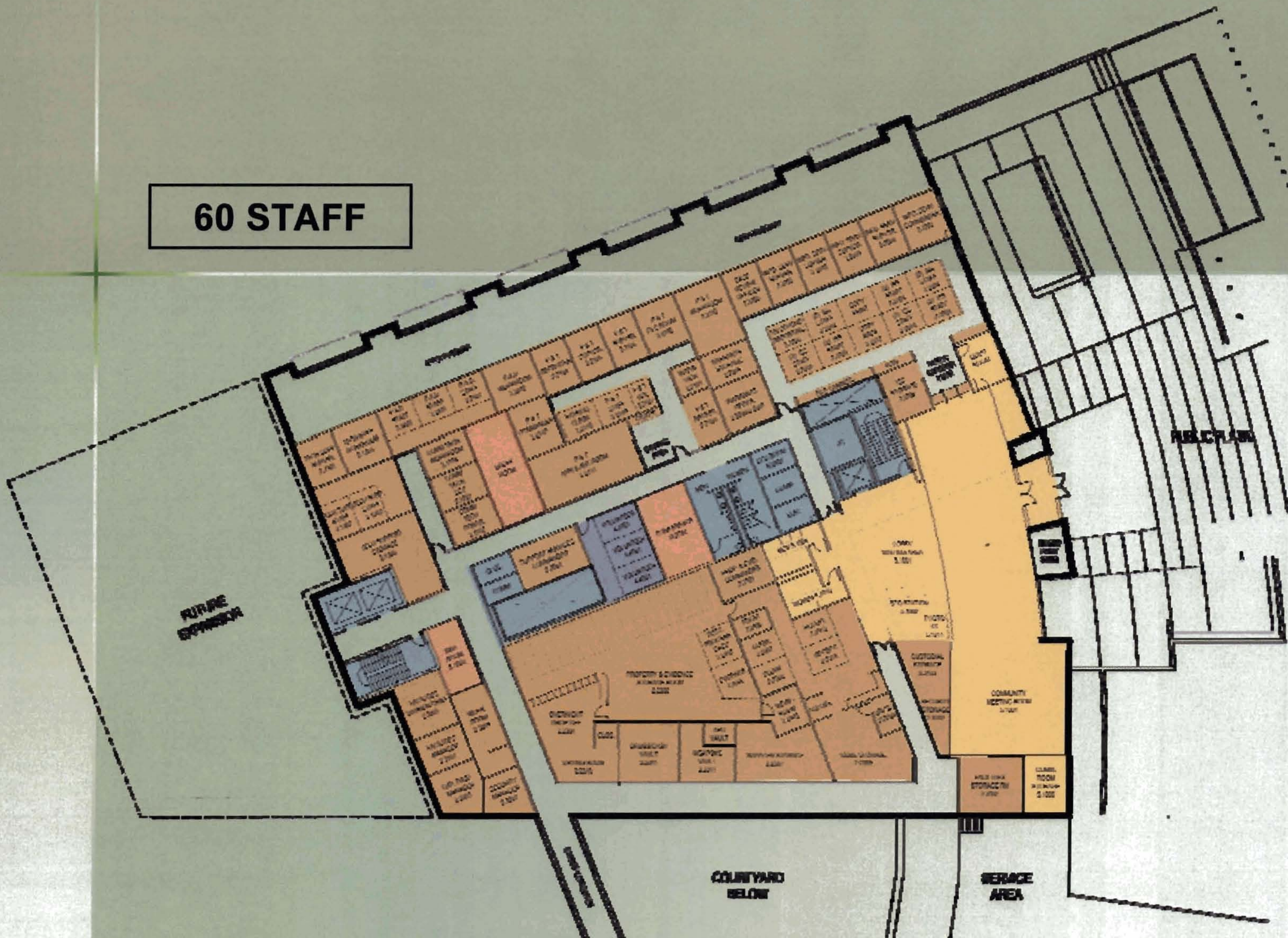
AERIAL VIEW FROM NORTHEAST

272 STAFF



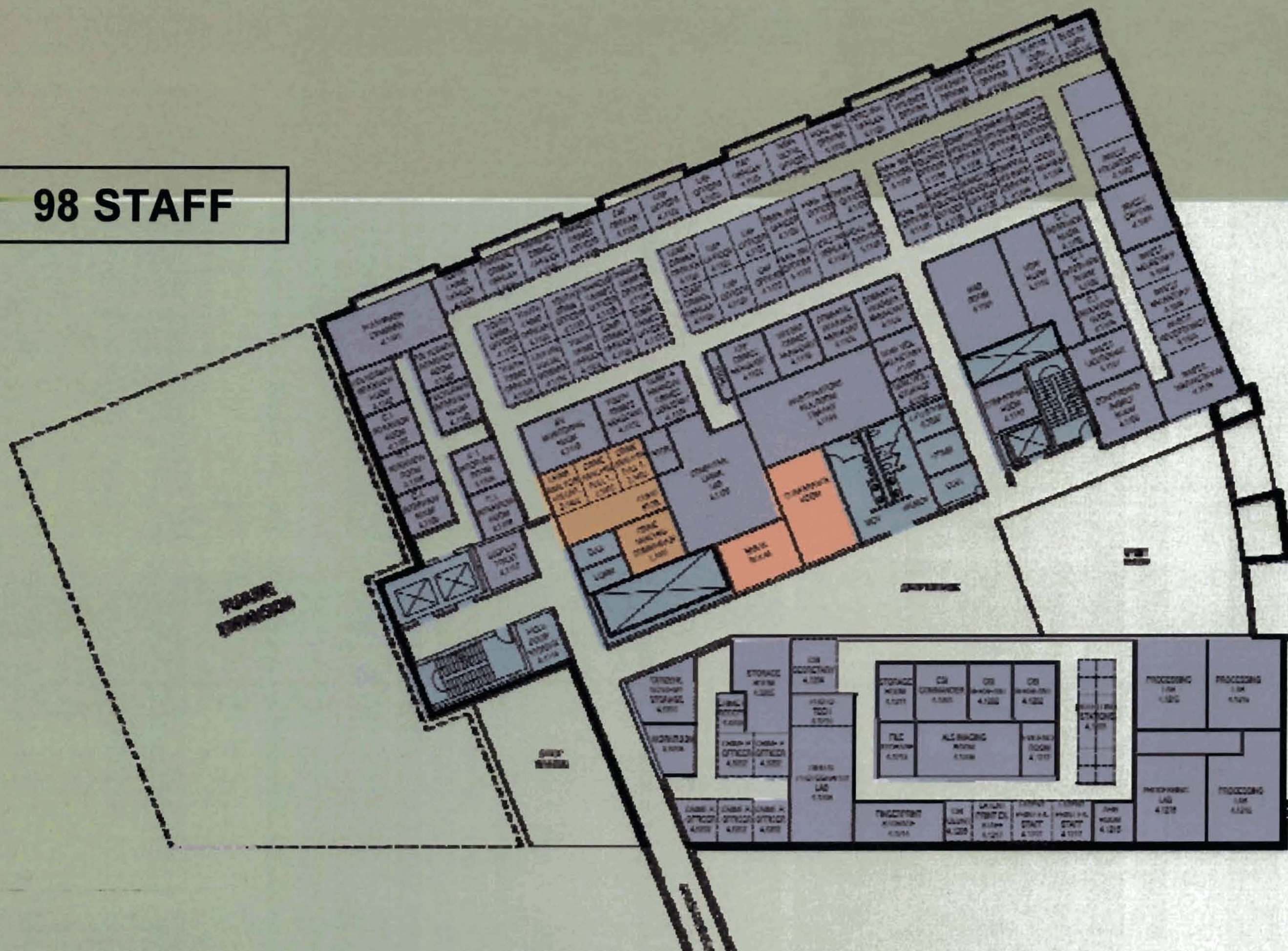
LOWER LEVEL

60 STAFF



FIRST LEVEL

98 STAFF



SECOND LEVEL

72 STAFF

THIRD LEVEL

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

Platinum Level
52+ points

Gold Level
39 - 51 points

Silver Level
33 - 38 points

38 *YES* POINTS

+

15 *Maybe* POINTS

Certified Level
26 - 32 points

GREEN INITIATIVES - LEED

- **Sustainable Site Design**
- **Protecting and Conserving Water**
- **Energy Efficiency and Atmosphere Protection**
- **Optimize Environmental Life Cycle of Materials**
- **Enhance Indoor Environmental Quality**
- **Innovation in Design**

PROJECT BUDGET

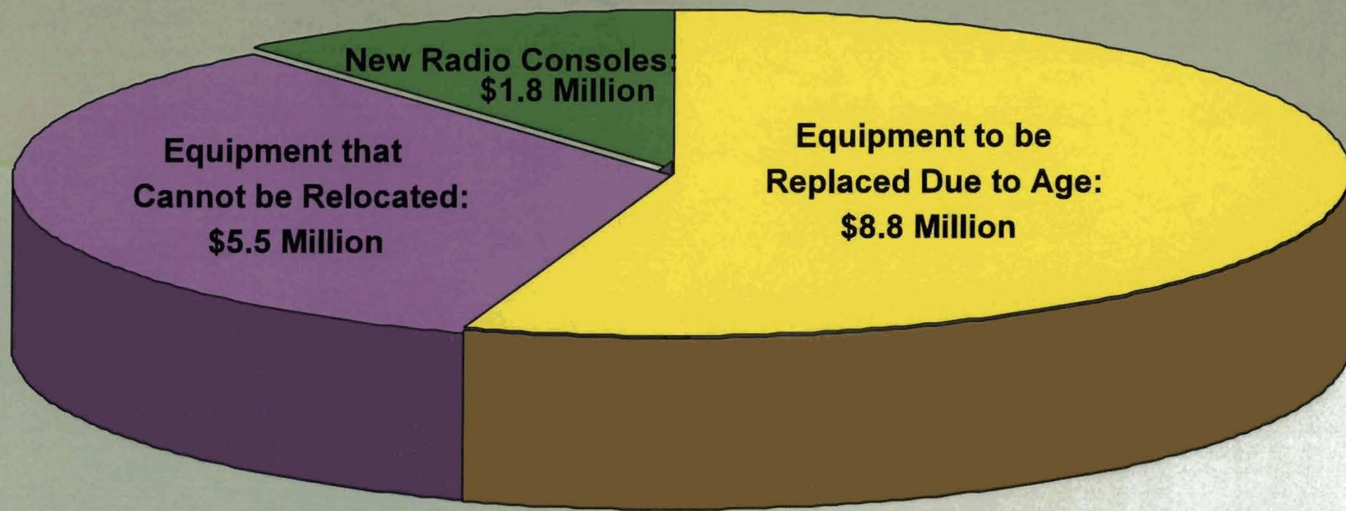
NEW APD FACILITY FUNDING REQUIREMENTS AND COMPARISON

CIP	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Approved FY 2008 - FY 2013	$2,898,000	$19,360,000	$24,200,000	$4,840,000	$0	N/A	N/A	$51,298,000
Proposed FY 2009- FY 2014	N/A	$3,000,000	$26,978,000	$37,110,200	$9,000,000	N/A	N/A	$76,088,200
Difference	**N/A**	**($16,360,000)**	**$2,778,000**	**$32,270,200**	**$9,000,000**	**$0**	**$0**	**$24,790,200**

NEW APD PROJECT TASKS AND BUDGET DETAIL

PROJECT TASKS	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Construction	N/A	$3,000,000	$23,000,000	$21,000,000	$9,000,000	N/A	N/A	$56,000,000
FF& E	N/A	$0	$0	$4,000,000	$0	N/A	N/A	$4,000,000
Emergency Comm Equip	N/A	$0	$3,978,000	$12,110,200	$0	N/A	N/A	$16,088,200
Total	**N/A**	**$3,000,000**	**$26,978,000**	**$37,110,200**	**$9,000,000**	**N/A**	**N/A**	**$76,088,200**

EMERGENCY COMMUNICATIONS BUDGET: $16.1 MILLION



New Equipment
Radio Consoles

Equipment that Cannot be Relocated
E-911 Computer, Recorder
E-911 Network Equipment
Radio System

Equipment to be Replaced Due to Age
Radio Subscriber Units
Monitors, Televisions
Various Servers, Routers
Electrical and Antenna Mounting Infrastructure
Computers, CAD Workstations, FAX, Printers

NOTE: Of the $16.1 million, $8.8 million is budgeted for the planned life cycle replacement of equipment. The balance of $7.3 million is proposed for equipment required at the new APD facility.

EMERGENCY COMMUNICATIONS BUDGET

FURNITURE, FIXTURES & EQUIPMENT BUDGET: $4.0 MILLION (FY 2011)

Fixtures
$424,000

- High Density Shelving
- Evidence Storage
- Personnel Records
- Literature
- Evidence Lockers
- Property Storage

Furniture
$1,772,000

Offices - 97

Cubicles - 208

Conference rooms – 31

Waiting/Lounge Area – 9

Equipment
$1,804,000

- CSI Laboratory & Processing Equipment
- Audio Visual Systems
- Access Control/Video Surveillance Systems
- Weapons Access Control

Notes

1. Conference Rooms include 7 types ranging from interview rooms to large roll call rooms.

2. Furniture requirements are in accordance with established City-wide standards utilizing existing City Contracts.

FF&E BUDGET

Major Capital Projects Funded in FY 2009

- Public Safety Center Slab Replacement (p. 6-71)
  - FY09 = $3.0 million
  - Ready to go

Major Capital Projects Funded in FY 2009

- Wayfinding Sign Program (p.6-16)
  - FY09 = $1.23M (Phase I of Implementation)
  - FY10 = $975K (Phase II – Unfunded)

Major Capital Projects Funded in FY 2009

- Athletic Fields (p.6-43)

Athletic Field Project Schedule		
Fiscal Year	$ Amount	Field
FY 2008	$0.9M	Ft. Ward
FY 2009	$0.9M	Braddock
FY 2010	$0.9M	Lower Hammond
FY 2011	$1.0M (Unfunded)	Ben Brenman
FY 2012	$0.8M	Patrick Henry
FY 2013	$0.8M	TBD
FY 2014	$0.9M	TBD

Other Planned or Possible Athletic Field Projects (Funded separately)	
Fiscal Year	Field
FY 2009	Witter
FY 2009	Potomac Yard
FY 2011	All-City Sports (Hensley)

- All-City Sports Facility (p. 6-34)
  - FY09 = $260K for capital development fundraising
  - FY10 = $6.8M (including $5M in private fundraising)
  - FY11 = $2.9M

Major Capital Projects Funded in FY 2009

- Open Space Land Acquisition (p. 6-41)
  - FY 2009 Value of 1 percent = $2.04M
  - 1 and 7 Del Ray Avenue to be purchased - $1.1M
  - Mann and Sweeney Strand properties (on-going negotiations)

Major Capital Projects Funded in FY 2009

- DASH Buses (p.6-86)
  - FY09 = $3.9M
  - Funded with NVTA and State Urban funds
- WMATA Capital Contribution (p.6-90)
  - FY09 = $8.1M
  - New post-Metro Matters Agreement needed
  - $45.7M over 6 years

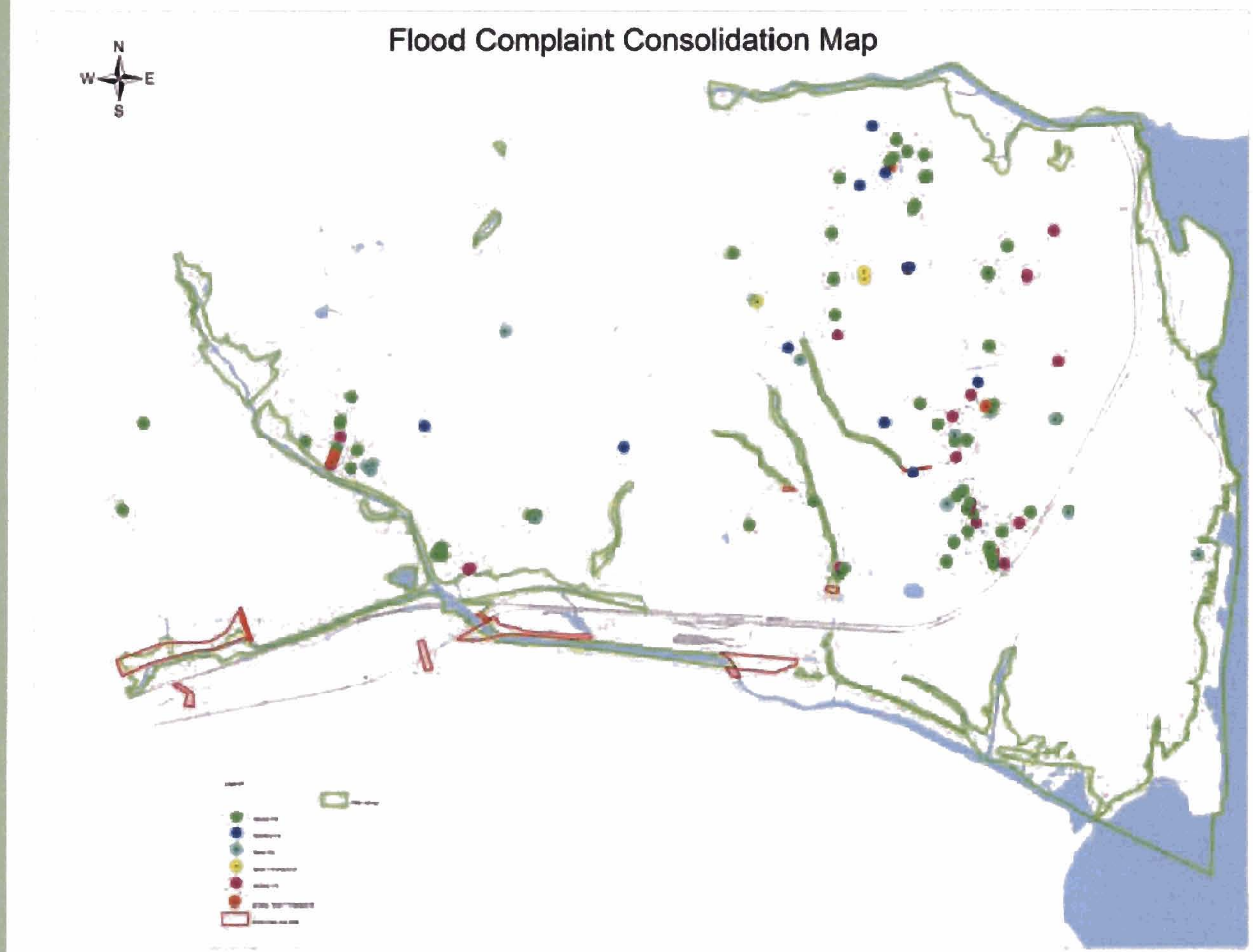
Major Capital Projects Funded in FY 2009

- Taylor Run Infiltration & Inflow (p.6-124)
  - FY09 = $1.0M
- Bridge Repairs (p.6-100)
  - FY09 = $1.0M
- Washington Street Paving (p. 6-115)
  - FY09 = $1.8M (NVTA, Revenue Sharing)
- King Street Paving (p.6-111)
  - FY09 = $0.8M (NVTA)

Major Capital Projects (FY 2009 – FY 2014)

- Braddock and West Storm Sewer (p.6-136)
  - FY 2009 = $200K
  - FY 2010 – FY 2014 = TBD
- City-wide Storm Sewer Capacity Analysis (p.6-136)
  - FY 2009 = $788K
  - FY 2010 = $827K
  - FY 2011 = $868K (Unfunded)
- City-wide Storm Sewer and Combined Sewer Assessment and Renovation (p. 6-137)
  - FY 2010 = $200K
  - FY 2011 = $900K (Unfunded)
  - FY 2012 – FY 2014 = $900K per year
- Major capital needs to be identified in capacity analysis study

Major Capital Projects (FY 2009 – FY 2014)



Stormwater System Issues

- Long-term assessment of stormwater capacity and needs partially funded in six-year plan
- Operating costs of stormwater related activities total $1.5M - $2.0M per year
- Fund through taxes?
- Fund through Storm Water Utility Fee?
  - Currently studying feasibility of a Stormwater Utility
  - Generates funding for critical Stormwater capital and operating expenses.
  - Funding structure based on fees associated with impervious area.
  - The study examines the following issues:
    - How proposed fees will be determined?
    - How much revenue will be generated?
    - What will be funded by this revenue?
    - Use of revenue.
    - What the neighboring jurisdictions are doing to fund stormwater related expenses
- Post FY 2009 or FY 2010 decision making time frame

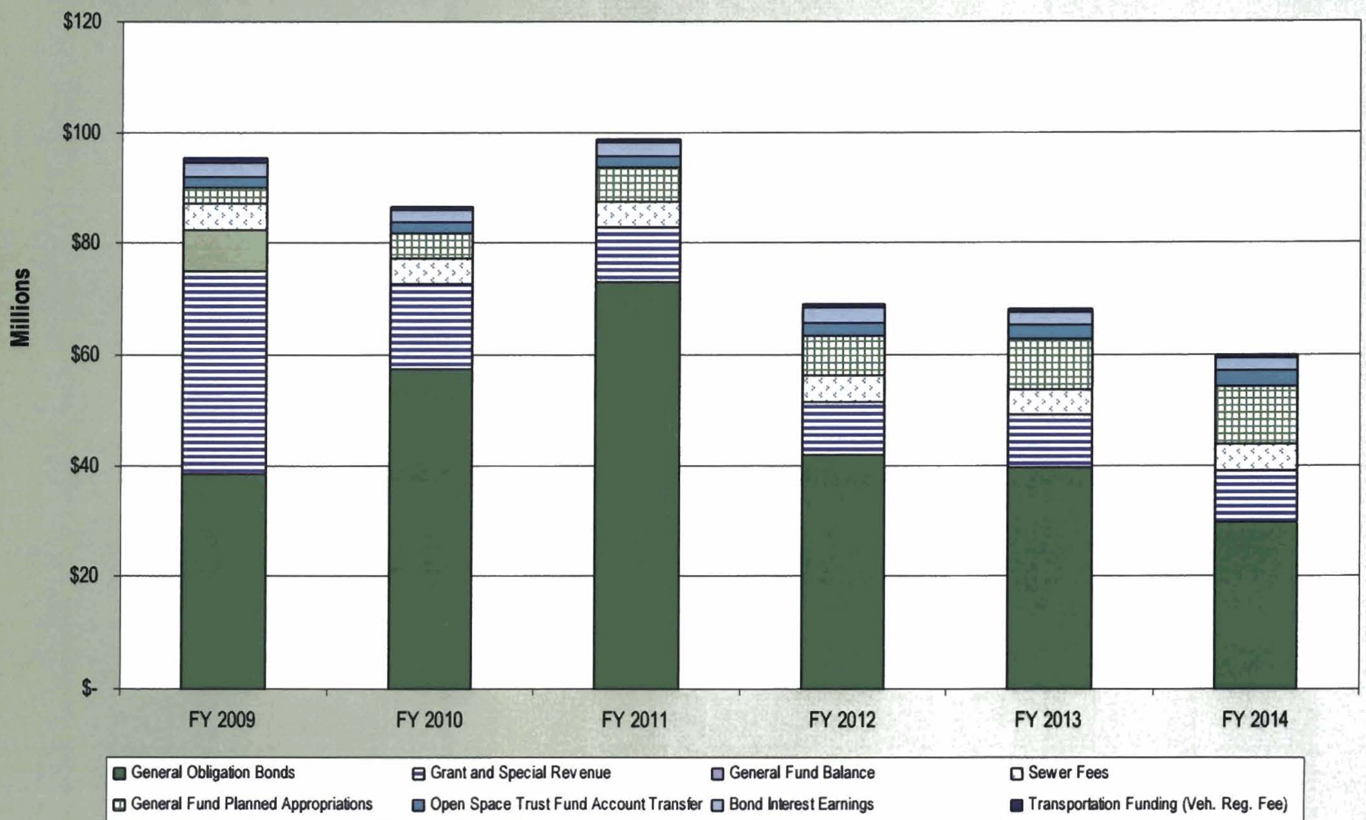
Major Capital Projects Funded in FY 2009

- Information Technology Plan
  - $337K for Document Imaging for land use agencies
  - $170K for Library Automated catalog and circulative/information system upgrade
  - $482K for Network Hardware upgrades and replacement
  - $200K to replace outdated business personal property tax system
  - $200K for next phases of T&ES and other City agency maintenance management system
  - $200K for new security enhancements

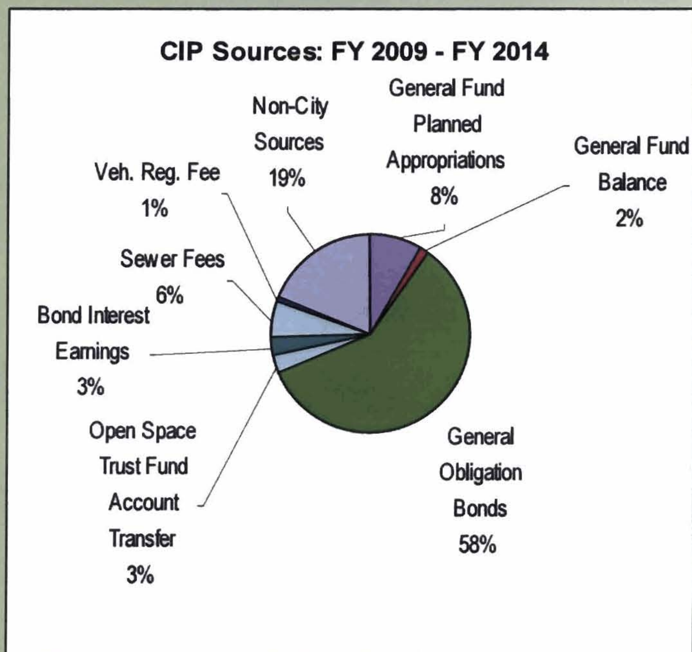
Proposed CIP Financing

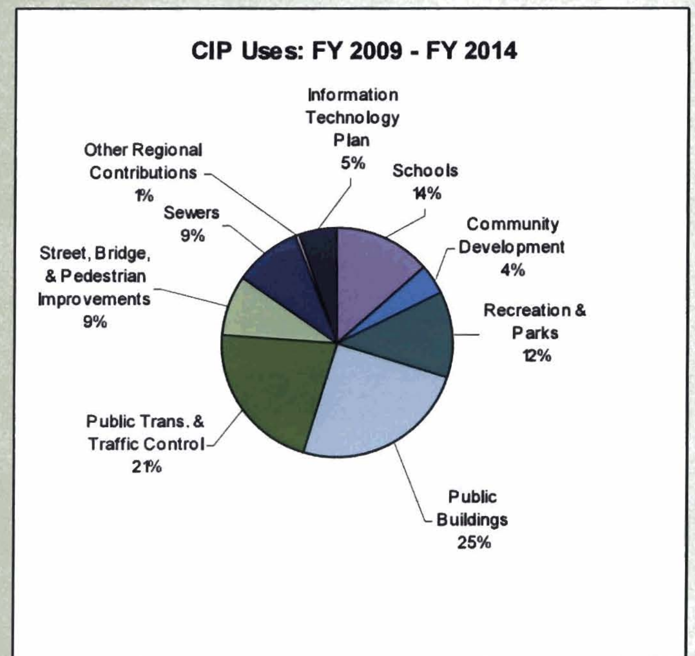
CIP SOURCES: FY 2009-FY 2014

The FY 2009 – FY 2014 CIP will be primarily financed with General Obligation Bonds, Cash Capital, Grants and Other Special Revenue, and Bond Interest Earnings.



Proposed CIP Financing





Grants and Other Special Revenue

- $72.2M out of $90.2M in special revenue is transportation related
  - $32.3M in State Urban Funds
  - $31.0M in NVTA revenue
  - $6.0M from State Revenue Sharing program
  - $2.9M from SAFETEA-LU
- Report from Ad Hoc Commercial Real Estate Transportation Tax Committee due shortly

Unfunded CIP Projects

A total of $47.2 million in proposed CIP projects remain unfunded over three years (FY 2009 – FY 2011).

This table highlights which categories and prioritization tiers were not funded.

Category	FY 2009	FY 2010	FY 2011	FY 2012-FY 2014
Baseline	Funded	Funded	Funded	Funded
Recurring Infrastructure (5R)				
Tier I	Funded	Funded	Funded	Funded
Tier II	Funded	Funded	Funded	Funded
Tier III	Funded	Not Funded	Funded	Funded
Major Infra. Reconstruction				
Tier I	Funded	Funded	Not Funded	Funded
Tier II	Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded
On-going Improvement				
Tier I	Funded	Funded	Not Funded	Funded
Tier II	Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded
New Projects				
Tier I	Funded	Not Funded	Not Funded	Funded
Tier II	Not Funded	Not Funded	Not Funded	Funded
Tier III	Not Funded	Not Funded	Not Funded	Funded

Unfunded CIP Projects

- $3.4 million in FY 2009
  - New Projects – Tier II
    - $977,430 for a gym addition and elevator at James Polk Elementary School;
    - $200,000 for the design of Patrick Henry Recreation Center reconstruction;
    - $50,000 for Streetscape Improvements; and
    - $5,000 for Mt. Vernon Avenue light fixtures.
  - Major Infra. Reconstruction – Tier III
    - $487,146 for replacement of HVAC systems, electric power systems, and lighting at the ACPS Transportation & Maintenance Facility;
    - $300,300 for a gym annex and roof replacement at George Washington Middle School;
    - $150,000 for Boothe Basketball Court; and
    - $88,000 for cafeteria expansion at Samuel Tucker Elementary School.
  - On-going Improvements – Tier III
    - $94,500 for bus shelters;
    - $78,750 for miscellaneous undergrounding; and
    - $13,000 for handicap accessibility projects at City facilities.

Unfunded CIP Projects

- $3.4 million in FY 2009 (Continued)
  - New Projects – Tier III
    - $250,000 for a Miracle Field;
    - $120,000 for the residential sign program;
    - $100,000 for safe routes to schools;
    - $50,000 for Streetscape Improvements; and
    - $5,000 for Mt. Vernon Avenue light fixtures.
  - Information Technology Projects – Tier III
    - $174,000 for document management and imaging;
    - $150,000 for a citizen finance portal;
    - $70,500 for Sheriff mobile data browsers;
    - $40,000 for Fire Department radios; and
    - $32,000 for a DOT paratransit module.

Unfunded CIP Projects

- $23.2 million in FY 2010

Category	Tier	$ amount
New Projects	I	$3.41M
Information Technology Projects	II	$0.9M
Major Infrastructure Reconstruction Work	II	$10.9M
On-going Improvement Programs	II	$1.0M
Recurring Infrastructure Work	III	$1.5M
New Projects	II	$1.9M
Major Infrastructure Reconstruction Work	III	$1.3M
On-going Improvement Programs	III	$0.02M
New Projects	III	$2.0M
Information Technology Projects	III	$0.3M

Unfunded CIP Projects

- $20.6 million in FY2011
- In priority order (top=higher priority)

Category	$ amount
Major Infrastructure Reconstruction Work	$11.0M
On-going Improvement Programs	$2.7M
New Projects	$6.9M

Unfunded CIP Projects

- Other unfunded projects
  - See list of "Projects Not Funded in the FY 2009 to FY 2014 CIP" on p. 9-4 of CIP
  - Old Town Undergrounding (p. 6-117)
    - FY 2008 – FY 2013 CIP = $1.0M in FY09 and FY11
    - FY 2009 – FY 2014 CIP = $0
    - Over $100M needed to complete phases 4-14

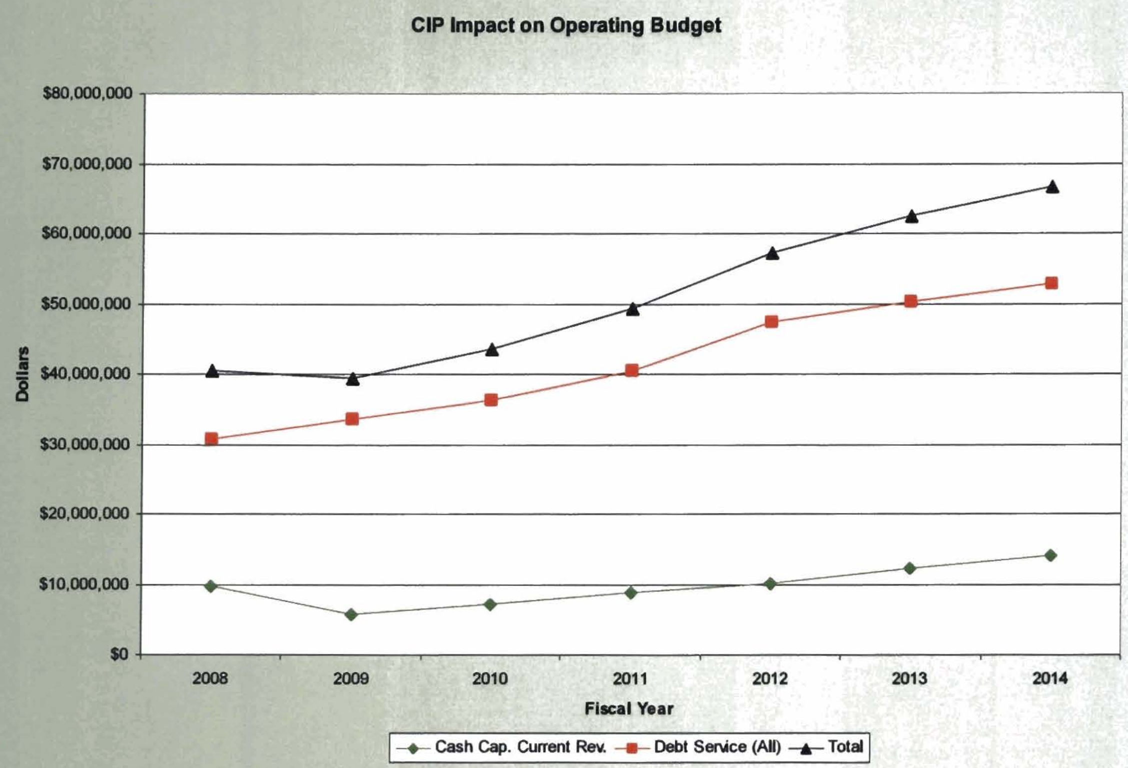
Unfunded CIP Projects (ACPS)

- FY 2009 ($1.85M)
  - $420,630 for ADA improvements and the addition of an elevator at James K. Polk Elementary School;
  - $556,800 for a gym addition at James K. Polk Elementary School;
  - $88,000 for the expansion of the cafeteria at Samuel Tucker Elementary School;
  - $300,300 for a gym annex and roof replacement at George Washington Middle School; and
  - $487,146 for the replacement of heating and air conditioning (HVAC) systems, electric power systems, and lighting at the Maintenance & Transportation Facility.
- FY 2010 ($13.75M)
  - New Projects – Tier I ($220,500) and Tier II ($1,255,200);
  - Major Infrastructure Reconstruction Work – Tier II ($10,312,811) and Tier III ($709,360); and
  - Recurring Infrastructure Work – Tier III ($1,248,525)
- FY 2011 ($10.8M)
  - New Projects ($3,662,025); and
  - Major Infrastructure Reconstruction Work ($7,137,753)

Operating Budget Impact

Annual impact on the operating budget significantly impacts amount of debt the City can issue.

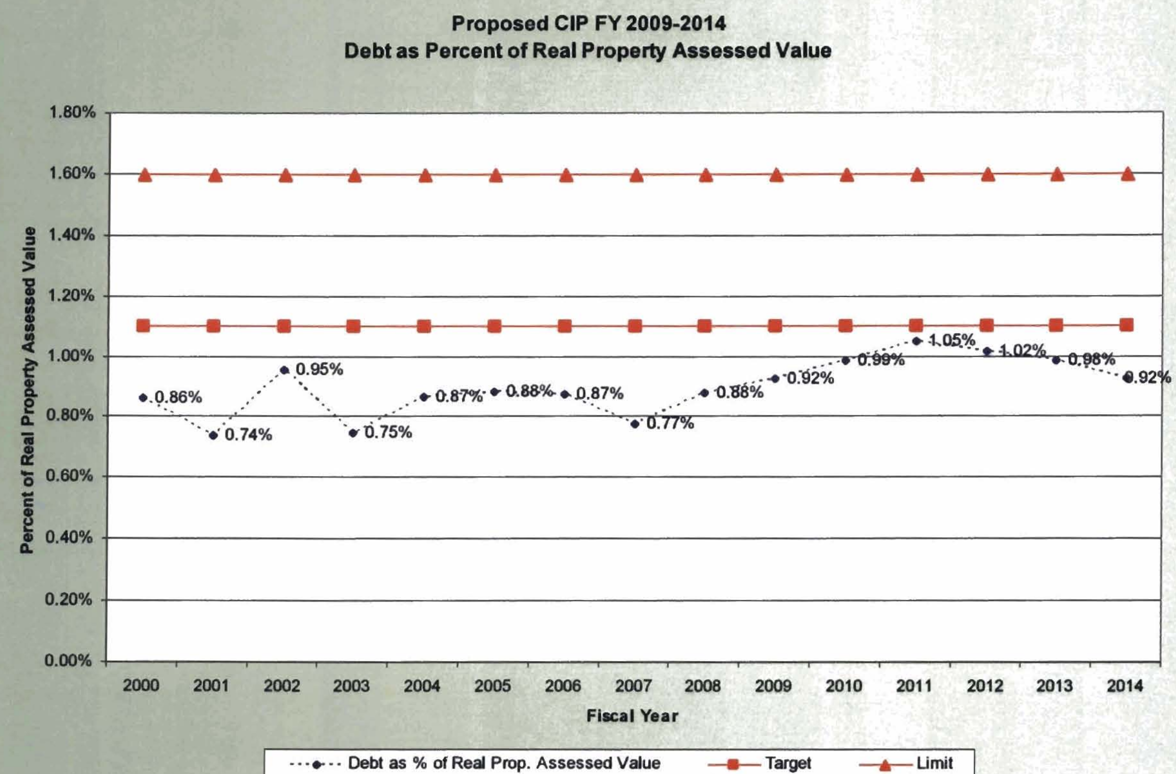
Debt service payments increase each year of the CIP, peaking at $51.2 million in FY 2014.



Debt Policy Guidelines

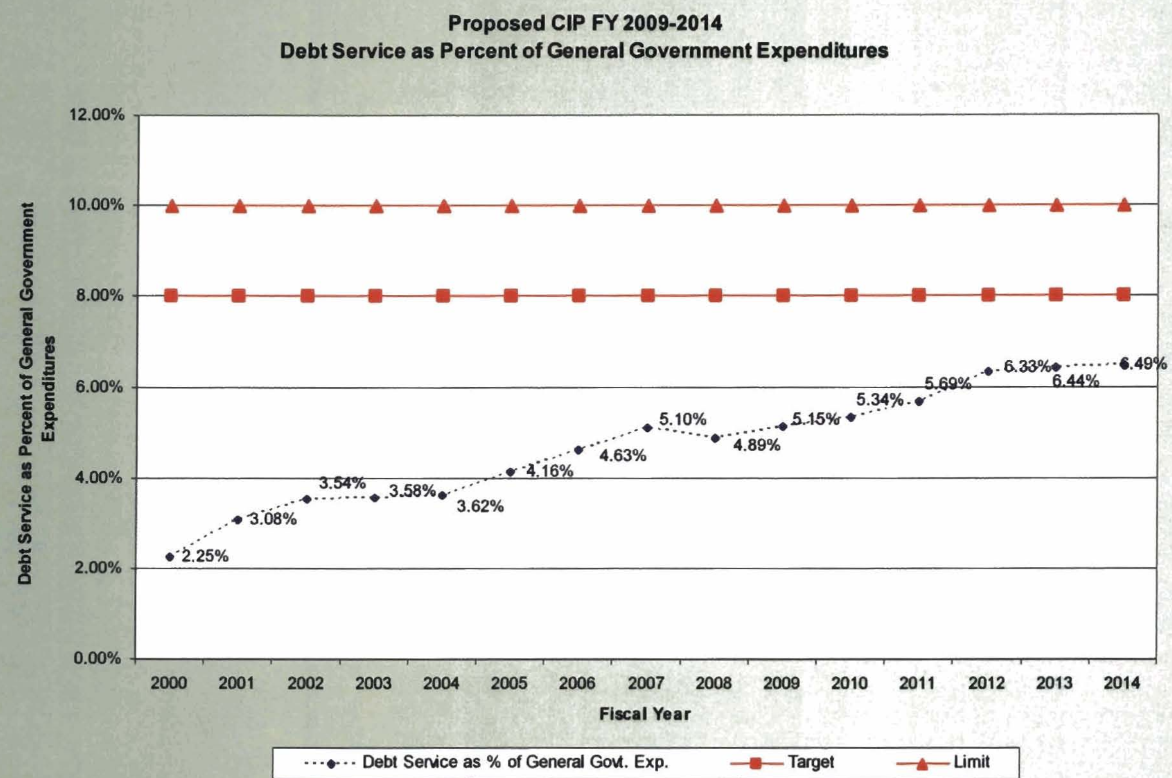
The City will remain in compliance with adopted debt ratio limits.

Debt as a percent of fair market value increases slightly, but stays below target.



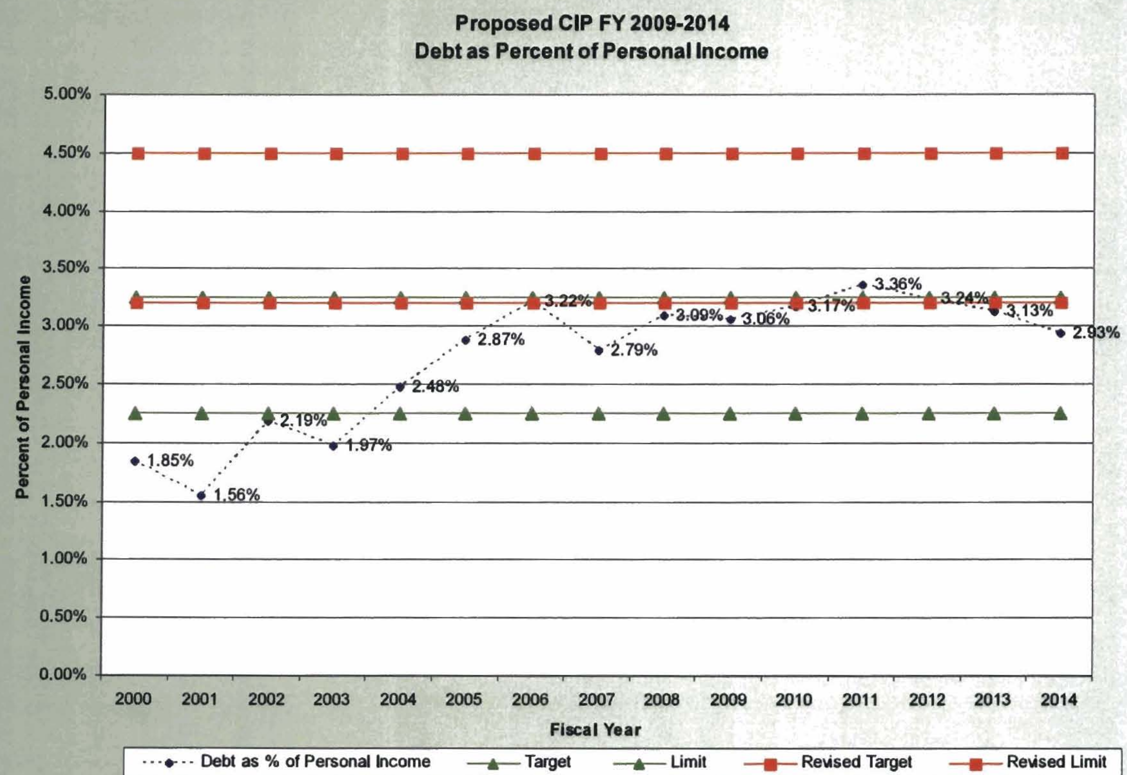
Debt Policy Guidelines

The City will continue to remain below its debt policy ratio for debt service to general governmental expenditures.



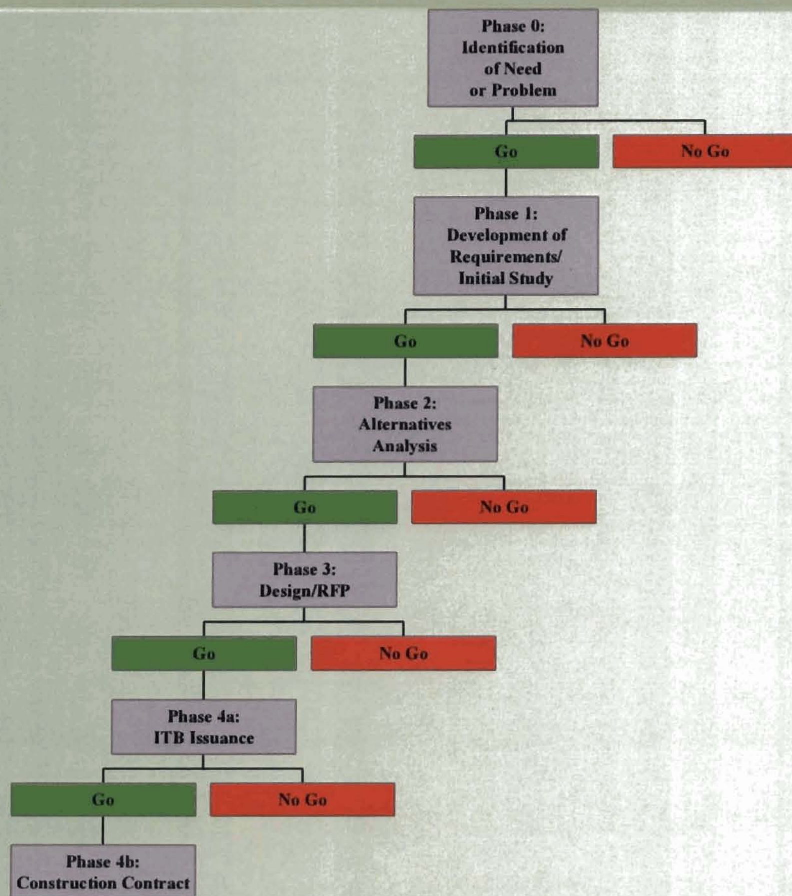
Debt Policy Guidelines

The City Manager is recommending a revision of the debt policy guideline for debt as a percent of personal income to 3.2% target and 4.5% limit.



Best Management Practices

The City Manager is implementing a five phase capital review process to improve the management of major capital projects.



Best Management Practices

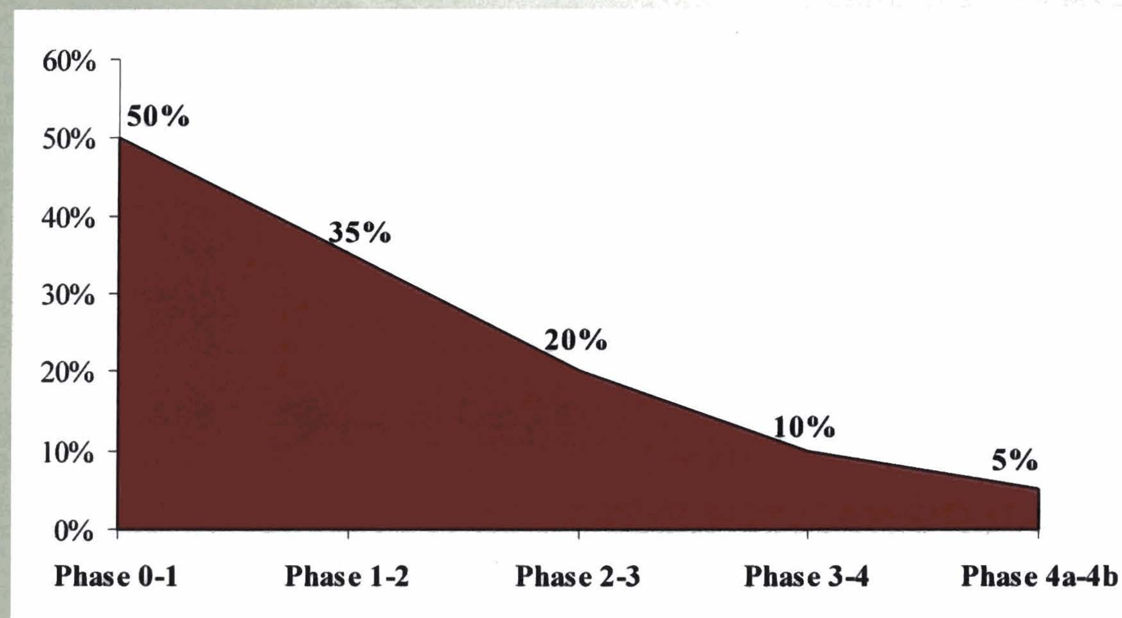
- 14 major projects were identified to be part of new process
  - New Police Facility
  - Fire Station 203 Expansion
  - New Fire Station (Eisenhower Valley)
  - Public Safety Center Slab
  - Emergency Operations Center
  - Holmes Run Infiltration & Inflow
  - Taylor Run Infiltration & Inflow
  - Madison/Montgomery
  - Chinquapin Recreation Center
  - Athletic Fields
  - Patrick Henry Recreation Center
  - All-City Sports Facility
  - Windmill Hill
  - Coordinated Sign and Wayfinding Program
- IT projects are also subject to a phase review process, which will now be strengthened at the implementation phase

Best Management Practices

- Departments are required to submit the following project information, as applicable, for approval before it can proceed to the next phase.
  - Project Scope/Concept
  - Cost Estimate
  - Financing Estimate
  - Schedule
  - Customer Service Level Impact
  - Quantity
  - Efficiency
  - Quality
  - Criticality or Risk of not doing project
  - Operating Budget Impact Management Team
  - Public/Stakeholder Input
  - SUP/Other Formal Approval Required

Best Management Practices

Cost estimates increase in accuracy as project moves through phase review process from +/-50% to +/- 5%.



Best Management Practices

- Capital project performance measures will be used to keep projects on-budget and on-schedule.
- Managing departments have developed or will develop measures assessing quality of the project.

Capital Performance Measures
On-time (within projected time period)
On-budget (within projected range of costs)
Quality measures to be determined

WS 78
2-25-08

City Of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 25, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #5: ADDITIONAL INFORMATION ON CY 2008 RESIDENTIAL ASSESSMENT AND COMMERCIAL ASSESSMENTS BY CLASSIFICATION

Attachment 1 is a replacement of Page 10 of the PowerPoint presentation reflecting the added 2007 average residential assessed values and percentage changes from 2006.

Attachment 2 is a breakdown of commercial assessments reflecting individual classifications.

At the City Council Retreat last fall Real Estate Assessments projected a 3.3% change in the tax base from January 1, 2007 to a total of $35.4 billion. The actual 2008 base is $35.55 billion, which was a 4.0% increase. Additionally, our estimates at the Retreat reflected 5% appreciation for multi-family and 4.8% for all other commercial. This compares to actual increases of 9.05% for multi-family rental and 13.0% for all other commercial. We also estimated a higher dollar amount attributable to growth. However, as you can see in Attachment B our appreciation by individual classes is close to what was realized, with the exception of larger commercial properties appreciating more than anticipated and smaller general commercial appreciating less.

ATTACHMENTS: Attachment A – Page 10 of CY 2008 Residential Property Presentation of February 13, 2008
Attachment B – CY 2008 Assessment Summary for Individual Commercial Classification

STAFF: Cindy Smith-Page, Director
William Bryan Page, Deputy Director

CY 2008 RESIDENTIAL PROPERTY

Res. property base decreased -1.12%

Avg. SF & Condo $498,670 decreased -1.98%

2007 was $508,743 (-2.9% from 2006)

Avg. SF $656,984 decreased -0.86%

2007 was $662,683 (-1.26% from 2006)

Avg. Res. Condo $326,026 decreased -4.31%

2007 was $340,711 (-6.39% from 2006)

City of Alexandria, Virginia
CY 2008 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2007 Equalized Assessments (December 31, 2007) to January 1, 2008

	Real Property Classification & (Parcel Count)	2007 Equalized Assessments	2008 Assessments	($) Amount of Change	% Change	New Growth ($)	% New Growth	($) Amount of Appreciation	% Appreciation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Locally Assessed Taxable Real Property								
19	**Commercial Real Property**								
20									
21	Commercial Multi-Family Rental								
22	Garden (207)	$1,779,787,823	**$1,919,904,367**	$140,116,544	**7.87%**	$9,086,100	0.51%	$131,030,444	7.36%
23	Mid-rise (18)	806,343,509	**851,932,052**	45,588,543	**5.65%**	7,934,280	0.98%	37,654,263	4.67%
24	High-rise (30)	1,477,738,943	**1,659,817,249**	182,078,306	**12.32%**	104,790,900	7.09%	77,287,406	5.23%
25									
26	Total Multi-Family Rental (255)	$4,063,870,275	**$4,431,653,668**	$367,783,393	**9.05%**	$121,811,280	3.00%	$245,972,113	6.05%
27									
28	Commercial Office, Retail, and Service								
	General Commercial and Banks (452)	$753,475,976	**$777,910,762**	$24,434,786	**3.24%**	$5,040,297	0.67%	$19,394,489	2.57%
	Auto Dealerships (18)	109,484,832	**141,179,955**	31,695,123	**28.95%**	0	0.00%	31,695,123	28.95%
	Gas Stations and Repair Services (84)	191,256,010	**223,231,393**	31,975,383	**16.72%**	590,294	0.31%	31,385,089	16.41%
	Restaurants (116)	228,175,127	**238,447,157**	10,272,030	**4.50%**	0	0.00%	10,272,030	4.50%
	Nursing Homes, Funeral Homes and Hospitals (16)	56,854,455	**58,464,825**	1,610,370	**2.83%**	0	0.00%	1,610,370	2.83%
29	Total General Commercial (686)	$1,339,246,400	**$1,439,234,092**	$99,987,692	**7.47%**	$5,630,591	0.42%	$94,357,101	7.05%
	Office Buildings (176)	$4,178,406,039	**$4,871,817,536**	$693,411,497	**16.60%**	$86,772,155	2.08%	$606,639,342	14.52%
	Junior Office Buildings (377)	429,946,005	**445,467,463**	15,521,458	**3.61%**	0	0.00%	15,521,458	3.61%
30	Total Office (553)	$4,608,352,044	**$5,317,284,999**	$708,932,955	**15.38%**	$86,772,155	1.88%	$622,160,800	13.50%
	Office Condominiums (425)	$261,263,188	**$284,098,293**	$22,835,105	**8.74%**	$9,549,095	3.65%	$13,286,010	5.09%
	Retail Condominiums (169)	95,469,750	**105,196,316**	9,726,566	**10.19%**	0	0.00%	9,726,566	10.19%
31	Total Office or Retail Condominium (594)	$356,732,938	**$389,294,609**	$32,561,671	**9.13%**	$9,549,095	2.68%	$23,012,576	6.45%
32	Shopping Center (30)	$546,821,203	**$577,538,975**	$30,717,772	**5.62%**	$0	0.00%	$30,717,772	5.62%
33	Warehouse (171)	713,180,395	**786,364,913**	73,184,518	**10.26%**	3,966,763	0.56%	69,217,755	9.71%
34	Hotel/Motel and Extended Stay (28)	771,975,690	**909,619,920**	137,644,230	**17.83%**	7,931,000	1.03%	129,713,230	16.80%
35									
36	Total Commercial Office, Retail and Service (2,062)	$8,336,308,670	$9,419,337,508	$1,083,028,838	**12.99%**	$113,849,604	1.37%	$969,179,234	11.63%
37									
38	Total Vacant Commercial and Industrial Land (374)	$554,131,353	**$668,509,727**	$114,378,374	**20.64%**	$40,506,395	7.31%	$73,871,979	13.33%
39									
40	**Total Commercial Real Property (2,691)**	$12,954,310,298	**$14,519,500,903**	$1,565,190,605	**12.08%**	$276,167,279	**2.13%**	$1,289,023,326	**9.95%**

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WS.
2-25-08

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 25, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 6: PUBLIC SAFETY EMERGENCY COMMUNICATIONS EQUIPMENT IN THE FY 2009-2014 CIP

The new police headquarters facility is scheduled for completion in mid-Calendar Year 2011 - three years from now. This new facility will allow for the consolidation of Police Department staff and operations currently located in three separate locations including, two leased facilities and the Public Safety Center on Mill Road. In addition, Police and Fire Emergency Communications will also be consolidated and co-located in one communications center in the new facility.

Three years from now, much of the technology and equipment used by the Police Department will either be obsolete or in need of replacement or upgrading. This includes not only the equipment in Police and Fire communications, but also the City-wide radio system, computers, telephones and software for the Computer-Aided Dispatch (CAD) and E-911 systems.

Staff has been planning and budgeting for the replacement of this equipment for a number years as part of the Information Technology Plan (IT Plan) planning process and the equipment replacement would have occurred regardless of the planned construction of a new Police facility. As technology improves and changes or is no longer supported, the City is faced with major equipment replacement expenditures by 2011.

To recognize this, a total of $16.1 million has been proposed in the FY 2009 - FY 2014 Capital Improvement Program (CIP) to provide for the required replacement of public safety emergency communications equipment. In the context of the FY 2009 budget process, these monies have been moved from the IT Plan to the New APD Facility project. The majority of these expenditures are to occur in FY 2011.

Of the $16.1 million, $8.8 million is budgeted for the planned, life cycle replacement of the public safety communications equipment that will have reached or exceeded its useful life by 2011, including public safety radio subscriber units, including all portable and mobile radios and other public safety radio related equipment such as infrastructure and software for the Computer-Aided Dispatch and Records Management System (CAD/RMS) and Field Reporting. These critical public safety support systems provide for all radio communications for City staff, including Police, Fire, Transportation and

Environmental Services (T&ES) and Schools, as well as mutual aid for Arlington and Fairfax Counties and the Metropolitan Washington Airports Authority. These systems include all public safety emergency (911) and non-emergency call-answering and dispatch services; the immediate routing, tracking and recording of these calls; and capturing incident information that must be documented and retrieved.

The $8.8 million required to replace these systems and equipment will be incurred regardless of whether or not the City constructs a new Police facility. However, the timing of the necessary replacements and the complexity of the emergency systems are such that we believe the replacement of the equipment should occur when the City outfits and occupies the new APD Facility in 2011.

The balance of the $16.1 million, or $7.3 million is required due to the relocation of the public safety communications center from the Public Safety Center to the New APD Facility, as well as the co-location of both Fire and Police Communications at the new APD Facility. These monies are required to purchase equipment that cannot be relocated from the Public Safety Center to the new APD Facility, including E-911 and the primary radio system. By 2011, the E-911 system will have to be replaced due to age whether the New APD Facility is constructed or not. In addition, these monies will also provide$1.8 million for new radio consoles that will no longer be supported by the manufacturer by 2011.

The City's consultant, L. Robert Kimball and Associates, has reviewed our list of emergency communications equipment required by 2011 and also has reviewed the City's requirements for the new combined Communications Center. Kimball based their review on their recent experience with new communications centers in Arlington and Fairfax Counties and the District of Columbia.

EQUIPMENT SUMMARY: The total $16.1 million requested for Public Safety Emergency Communications Equipment is summarized as follows:

- $10.3 million for a new Radio Communications System, including replacement of the infrastructure and all subscriber units (portable and mobile radios) and related equipment. Of this amount, $4.0 million is already included in the CIP.
- $3.9 million for a new Emergency 911 (E-911) Telephone System and related dispatch systems; and
- $1.9 million to replace other critical systems that will provide for the integration and support of the emergency communication systems.

Radio Communications System ($10.3 million): The majority of the $10.3 million cost for the City radio system is $7.0 million to purchase new portable (handheld) and mobile (installed in vehicles) radios, or subscriber units. There are 1,700 such units in the City today, used primarily by public safety departments, and also issued to City employees in the streets, transportation, Schools, General Services, and emergency planning occupations. To maintain interoperability with our neighboring jurisdictions, it will be essential to buy radios that operate with higher frequency baud rates that interpret digital radio signals. This capability will supplement the analog communications capacity we now have. The current City stock of subscriber units have met or exceeded their normal 10-year replacement life, and will be 13 to 15 years old by 2011.

The remaining $3.3 million would replace aging infrastructure that will need replacement by the 2011-2013 timeframe. We propose to install a dual-mode system that will add digital communication while maintaining analog communication, and that will interface with National Mutual Aid channels. Arlington, Fairfax, Stafford, and Prince George's Counties are currently installing digital radio systems. Prince William and Loudoun Counties are planning to incorporate digital radio communications technology. Alexandria, therefore must incorporate digital capacity in our radio system to maintain regional interoperability and comply with national interoperability standards.

Motorola, our radio manufacturer, periodically discontinues the supply and support of older generations of radio equipment as new technology is developed and brought to market. Several of the infrastructure or hardware components of the City radio system were placed in use in 1996 to 1998, and have reached their 10-year age for normal replacement. Motorola has advised the City Radio Manager that they will discontinue support for our radio consoles by 2011, which is a major factor driving the need to replace radio infrastructure.

Emergency-911 Telephone System ($3.9 million): Construction of the new Police Facility will require the Police Communications Center at 2003 Mill Road to be re-located to the new building. In addition, we will be moving the Fire Communication Center (now at Fire Station 204) into the new Police building, to co-locate City public safety E-911 operations in one location.

The Police Communications Center houses the City's primary service answering point for all 911 and public safety service calls. By 2011, the E-911 system will be five years old and due for replacement based on evolving technology and system obsolescence. It is virtually impossible to move and integrate a critical system of this nature from one location to another while ensuring no breaks in service. Therefore, we recommend that a new E-911 telephone system be installed in the new Police Facility, at a cost of approximately $1.8 million. The remaining $2.1 million will provide for radio console equipment, back-up radios at the console positions and related workstations and space configuration to accommodate the co-location of Police and Fire communications operations if approved. Motorola has advised the City Radio Manager that they will discontinue support for our radio consoles by 2011, which is a major factor driving the need to replace radio infrastructure.

Other Critical Systems ($1.9 million): Several other systems provide integration and support to emergency communications systems in the City, including telecom infrastructure, uninterrupted power source (UPS), generator, Emergency Notification System, VCIN equipment, fire station alerting, etc.

Proposed Changes to Information Technology (IT) Plan: The current (FY 2008 to FY 2013) IT Plan and the proposed (FY 2009 to FY 2014) IT plan reflected the need to replace some of the public safety radio system units at a cost of $3.65 million (pg. 7-36 of the CIP). The cost of replacing these radios was also counted within the $16.1 million Information Technology element of the New Police Facility costs (pg. 6-62). This means that the $3.65 million (funded in FY 2010) can be removed from the IT Plan. However, subsequent to preparation of the IT Plan, City staff was told by the company who provided the Computer Aided Dispatch (CAD) system that due to age and technological obsolescene, the computer would no longer support the CAD system as of 2011. As a result CAD replacement funding of $2.5 million will be needed in FY 2010. This combined with the $3.65 reduction in the IT Plan radio replacement costs means that the proposed IT Plan element of the CIP can be reduced by $1.15 million in FY 2010.

Staff: David Baker, Police Chief
Ed Mandley, Director, General Services
Adam Thiel, Fire Chief
Michele Evans, Deputy City Manager
Dale Johnson, Radio Systems Manager, Police Department

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W.S.
2-25-08

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 25, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #7: NVTA REVENUES IN THE PROPOSED FY 2009 BUDGET AND FY 2009-2014 CIP

You received an e-mail inquiry/comment from Mr. Brian J. Hunt the day after the introduction of the budget. Mr. Hunt pointed out that Alexandria residents are being taxed as part of the taxes levied by the Northern Virginia Transportation Authority (NVTA) and he asked that we "add the new NVTA taxes in, or as an addendum to, the budget report, and to hold on-budget revenue growth to less than 2.9 percent in recognition of the off-budget revenue growth from the new NVTA taxes." These revenues were not excluded from the City's FY 2009 proposed budget, but rather they are included in the normally accepted way we include funding received from other levels of government which is either the CIP or the Special Revenue Fund.

The one tax, the vehicle registration or "decal" fee, levied by the City itself under the authority of the same legislation establishing the ability of the NVTA to levy other taxes is shown as general revenue of $700,000 in the general fund budget (see p. 7-30 of the Proposed FY 2009 Operating Budget), and shown as a transfer out of the General Fund to the CIP.

The budget includes $1.7 million in revenues from the NVTA in the "All Funds" budget. Because these taxes are not levied by the City itself, but by NVTA, these revenues are budgeted like grants from another level of government restricted for specific purposes as special revenues. Alexandria residents also pay taxes to the Federal and State governments that in turn are sometimes returned to Alexandria in the form of grants for specific projects, and these funds, as well as NVTA funds are treated in a similar fashion. These NVTA funds are to be used for opening expenses such as the King Street Trolley ($1.0 million), two new positions in the Department of Transportation and Environmental Services (a parking planner and a transportation planner) and additional transportation consultant services ($0.3million), and DASH operating costs ($0.4 million).

In addition to the $1.7 million in operating costs to be funded by NVTA revenues, the capital budget also shows $5.8 million in NVTA revenue being used a sources of funding for the Capital Improvement Program (CIP) in FY 2009 (see p. 5-3 of the FY 2009 Proposed CIP). These funds are also treated as grant funds in the presentation of the CIP budget, similar to funding to be received from the Federal and State governments for specific capital projects. They are being proposed for use for DASH bus fleet expansion ($1.0 million), a contingent for Potomac Yard Metro Station Feesability Planning ($2.5 million), King Street paving ($0.8 million), Washington Street paving ($0.8 million), and the new DASH bus facility ($0.7 million).

The $8.5 million in total NVTA funds estimated to be available to the City in FY 2009 are not equal to the total amount of revenue that will be collected from Alexandria taxpayers by the NVTA. That amount is approximately $16.2 million as estimated by the NVTA. The NVTA (depending on federal legislation) plans to pay a portion ($7.8 million) of its revenues directly on behalf of the City to the Washington Metropolitan Area Transit Authority (WMATA), which operates the Metrorail and Metrobus systems for the costs of WMATA capital projects in Northern Virginia. It also is going to hold 60% of the funds for transportation projects of regional significance that will benefit Alexandrians who travel both within and without City boundaries. Over time, 60% of such projects should be within Alexandria's borders.

The attached table shows the planned use of NVTA 40% funds under local control not only in FY 2009 but through FY 2014.

Attachment: Proposed Uses of NVTA 40% Funding Under Local Control

PROPOSED USES OF NVTA 40% FUNDING UNDER LOCAL CONTROL

SOURCES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	TOTAL (08/14)
NVTA 40% Revenues	$2,166,667	$6,500,000	$6,500,000	$6,500,000	$6,500,000	$6,500,000	$6,500,000	$41,166,667
Carryover Balance from Prior Fiscal Year		$1,966,667	$926,440	$56,375				$2,949,482
Total Sources	**$2,166,667**	**$8,466,667**	**$7,426,440**	**$6,556,375**	**$6,500,000**	**$6,500,000**	**$6,500,000**	**$44,116,149**

USES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	TOTAL (08/14)
King Street Trolley*	$200,000	$1,000,000	$1,050,000	$1,102,500	$1,157,625	$1,215,506	$1,276,282	$7,001,913
DASH Bus Fleet Expansion		$1,020,000	$1,071,000	$1,124,550	$1,180,778	$1,239,816	$1,301,807	$6,937,951
Contingent for Potomac Yard Metro Station Feasability Planning		$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$15,000,000
Parking Planner		$120,000	$126,000	$132,300	$138,915	$145,861	$153,154	$816,230
Transportation Planner + Prof Services		$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$1,200,000
King Street Paving		$822,000						$822,000
Washington Street Paving*		$800,000						$800,000
Madison/Montgomery Paving**			$2,010,000					$2,010,000
Edsall Road Paving***				$615,250				$615,250
DASH Facility City Match		$671,662						$671,662
DASH New Operating Costs (service expansion)		$130,000	$136,500	$143,325	$150,491	$158,016	$165,917	$884,249
DASH Adjustments to Base Budget Increase		$276,565	$276,565	$276,565	$276,565	$276,565	$276,565	$1,659,390
Uses TBD				$461,885	$895,626	$764,236	$626,276	$2,748,023
Carryover Balance to Next Fiscal Year	$1,966,667	$926,440	$56,375	$0	$0	$0	$0	$2,949,482
Total Uses	**$2,166,667**	**$8,466,667**	**$7,426,440**	**$6,556,375**	**$6,500,000**	**$6,500,000**	**$6,500,000**	**$44,116,149**

*Total project cost of $1.8M (Balance from VDOT revenue sharing)
**Total project cost of $4.4M (Balance from City CIP funds)
***Total project cost of $2,315,250 (Balance from City CIP funds)

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W.S.
2-25-08

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 25, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT BUDGET MEMO # 8 : IMPACT OF PROPOSED HOMESTEAD EXEMPTION CONSTITUTIONAL AMENDMENT

As requested by Councilman Wilson, attached you will find the analysis of the Homestead Exemption issue that City staff prepared for the Ad Hoc Commercial Transportation Tax Study Committee. Most of this information was initially prepared for Mayor Euille's presentation at VML this past fall. Also attached is an article on the same subject by John Knapp at the Weldon Cooper Center for Public Service at the University of Virginia.

Attachments

Proposed Homestead Exemption

An analysis by City staff was done when this idea was first proposed showed that a 20% homestead exemption, such as the one proposed by Governor Kaine and now working its way through the General Assembly, by itself could reduce the City's revenues by approximately $28.6 million, based on CY 2006 assessments. The decrease in revenues would have to be made up by expenditure cuts, increases in other taxes and fees, or an offsetting increase to the real property tax rate.

The chart below shows the estimated decrease in revenues by category, and the increase in the real property tax rate should the real property tax rate be increased to make up the revenue deficiency. It is apparent from the chart that about 38% of the tax decrease would go to the owner-occupiers of detached homes. 73% of the tax decrease would go to the owners of detached or attached single family homes. A 20% homestead exemption offset would cost the government the equivalent of a 9.1 cents in the real property tax rate for all property owners.

Tax Revenue

	Share of Homeowners Subject to Homestead Exemption, by Category	Current Real Property Tax Revenue	Revenue after 20% Homestead Exemption	Difference	Equivalent Tax Rate Impact
Detached	95.0%	$56,805,162	$46,012,181	$10,792,981	
Attached	90.0%	$55,560,343	$45,559,482	$10,000,862	
Condo	75.0%	$52,026,751	$44,222,738	$7,804,013	
Total	-	$278,603,698	$250,005,843	$28,597,855	9.1

The chart below shows the expected tax bill reduction (using the 2007 assessment data) for the average owner/occupier of single family homes and condos.

	Tax Rate	All	Single Family	Condo
Average Property Value		$509,593	$ 660,866	$ 341,008
Average taxed property value under homestead		$407,674	$ 528,693	$ 272,806
Average tax bill-current	0.83	$ 4,230	$ 5,485	$ 2,830
Average Tax bill – Homestead	0.83	$ 3,384	$ 4,388	$ 2,264
Average Tax bill – Homestead	0.921	$ 3,756	$ 4,871	$ 2,513
Total Net Reduction		$ 474	$ 614	$ 317
% Net Reduction		11.2%	11.2%	11.2%

If the homestead exemption were funded out of a higher real property tax rate, the average bill for owner/occupiers could be expected to decrease by a net amount of approximately 11.2%. The tax decrease dollar amount under a straight 20% exemption would be larger for the owner/occupiers of more expensive single family dwellings than for the owner/occupiers of condos. Also, commercial properties (including apartments) would not be eligible for the homestead exemption and would pay the tax rate increase of 9.1 cents. It is also possible that landlords might pass the cost of increases to the real property tax rate on to their tenants, increasing rents throughout the City.

Overall, we estimate that from a tax equity standpoint, the homestead exemption would transfer the tax burden of the City's upper income residents to businesses and to the City's lower and middle income residents. While there are ways to structure the homestead exemption to make it more progressive (such as a 20% exemption not-to-exceed $50,000), based on the proposed constitutional amendment and the enabling legislation (sample attached) the impact of shifting the tax burden to the commercial sector does not have clear property tax-based remedies.

Attachment: HB 1118 (as of 1-22-08)

Data Source: City of Alexandria Office of Management and Budget

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2008 SESSION

INTRODUCED

082873802

HOUSE BILL NO. 1118
Offered January 9, 2008
Prefiled January 9, 2008

A BILL to amend the Code of Virginia by adding in Chapter 32 of Title 58.1 an article numbered 2.01, consisting of a section numbered 58.1-3218.1, relating to exemptions from and deferrals of local real estate taxes for certain residential or farm property designed for continuous habitation.

Patrons—Miller, P.J., Alexander, Bouchard, Ebbin, Eisenberg, Howell, A.T., Johnson, Jones, D.C., Mathieson, McClellan, Melvin, Morrissey, Plum, Scott, J.M., Spruill and Vanderhye

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Referred to Committee on Privileges and Elections

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 32 of Title 58.1 an article numbered 2:01, consisting of a section numbered 58.1-3218.1 as follows:

Article 2.01.

Exemptions and Deferrals of Real Estate Tax for Residential or Farm Property Designed for Continuous Habitation.

§ 58.1-3218.1. Exemptions from and deferrals of real estate taxes; certain residential or farm property.

A. For purposes of Article X, Section 6 (k) of the Constitution of Virginia, and as used in this section, the term "value" means the assessed value or the assessment for local property taxation purposes.

B. Pursuant to Article X, Section 6 (k) of the Constitution of Virginia, for tax years beginning on or after January 1, 2009, the governing body of each county, city, or town may, by ordinance, (i) exempt or partially exempt from real property taxation, (ii) provide for the deferral of real property taxes, or (iii) provide for a combination program of exemptions from and deferrals of taxation of real property of up to 20 percent of the value of real property that is (a) residential or farm property designed for continuous habitation and (b) occupied as of the tax day as the primary dwelling of the owner or owners, who shall all be individuals. For purposes of this section, real property shall include any "manufactured home" as defined in § 36-85.3 and assessed pursuant to § 58.1-3522.

As provided in Article X, Section 6 (k) of the Constitution of Virginia and as otherwise authorized by law, any restrictions, conditions, or classifications of the tax relief program described under this section shall be provided by the local ordinance, including provisions to verify eligibility.

C. The governing body of the county, city, or town shall provide annual written notice to the general public of any local real estate tax exemption or deferral program established in the jurisdiction pursuant to this section. Such notice shall be enclosed with each real estate assessment notice or any other appropriate mailing or notice as determined by the local governing body.

D. In the event of a deferral of real estate taxes granted by ordinance pursuant to this section, the accumulated amount of taxes deferred shall be paid to the applicable county, city, or town by the vendor upon the sale of the dwelling, or from the estate of the decedent within one year after the death of the last owner thereof who qualifies for tax deferral under the local ordinance. Such deferred real estate taxes shall constitute a lien upon the said real property as if it had been assessed without regard to the deferral permitted under the local ordinance. Any such lien shall, to the extent that it exceeds in the aggregate 10 percent of the price for which such real property may be sold, be inferior to all other liens of record.

2. That the provisions of this act shall not become effective unless an amendment to the Constitution of Virginia, providing that the General Assembly may allow the governing body of any county, city, or town to exempt or partially exempt from real property taxation or provide for the deferral of real property taxes, within such restrictions and upon such conditions as may be prescribed by the governing body by ordinance, of up to 20 percent of the value of residential or farm property that is designed for continuous habitation and is occupied as the primary dwelling of the individual owners, is affirmed by a majority of those voting at the election and upon such question in November 2008.

INTRODUCED

HB1118

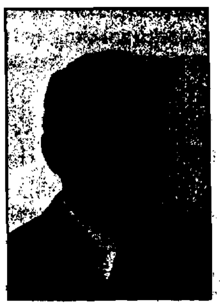
1/22/08 8:55

Vol. 84 No. 1 January 2008

The Virginia
NEWS LETTER

Problems with the Proposed Homestead Constitutional Amendment

By John L. Knapp



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In 2007, both houses of the General Assembly overwhelmingly approved Senate Joint Resolution 354, providing for a constitutional amendment that would empower local governments to provide tax relief for owner-occupied single-family housing.[1] The homestead amendment, as it is popularly known, contains the following language:

> The General Assembly may by general law allow the governing body of any county, city, or town to exempt or partially exempt from real property taxation or provide for the deferral of real property taxes, within such restrictions and upon such conditions as may be prescribed by the governing body by ordinance, of up to twenty percent of the value of residential or farm property that is designed for continuous habitation and is occupied as the primary dwelling of the individual owners.

To amend the constitution it will be necessary for the 2008 General Assembly, which will be the first regular session after the last general election, to again pass the proposed amendment, with no change in wording, in both houses. Passage appears very likely. In that case, the amendment will be offered to voters on the November 2008 ballot.

Constitutional provision for tax relief was an issue in the 2005 gubernatorial contest. The Democratic nominee, Timothy M. Kaine, endorsed a proposal similar to SJR 354. The Republican nominee, Jerry W. Kilgore, proposed a cap of 5 percent on annual increases of assessed value of residential owner-occupied properties.

At the time of the election, housing values were rising rapidly, and they continued to do so until 2007. According to the House Price Index (HPI) for Virginia, the annual rate of increase peaked at a blistering 21.2 percent in the second quarter of 2005.[2] For the most recent period available, the third quarter of 2007, the annual rate was 2.9 percent, with prospects for very low growth

1 http://leg1.state.va.us/cgi-bin/legp504.exe?ses=071&typ=bil&val=sj354 (12/28/07)

2 Office of Federal Housing Enterprise Oversight (OFHEO) House Price Index http://www.ofheo.gov/hpi.aspx?Nav=275 (1/8/08)

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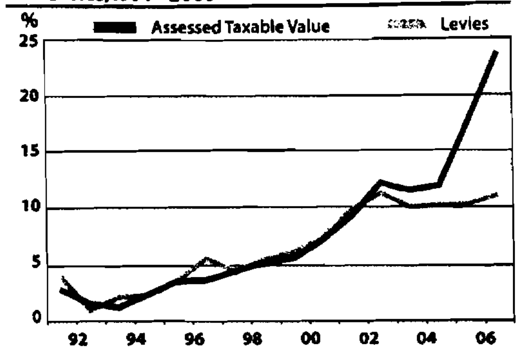
or decline in the next eighteen months. The inflation in house values was not uniform throughout the state. Relative appreciation was greatest in the Northern Virginia, Hampton Roads, and Charlottesville metropolitan areas. The HPI understates the earlier growth and the subsequent decline in the rate of growth because of its omission of transactions financed with sub-prime mortgages and with mortgages of more than $417,000, segments of the market that ideally should be included. Nevertheless, the HPI is the only measure available for states and all metropolitan areas.[3]

Appreciation of house values does not automatically result in higher tax collections from the real property tax. Local governing bodies set the tax rate each year. When assessed values rise due to increases in property values, local governments can adjust their tax rate so that tax collections do not rise. However, local governments usually take advantage of part of the increase in assessed values by lowering the tax rate, but using a reduced rate that still raises more revenue. This explains why in recent years levies grew at a substantial rate, about 10 percent annually after 2000, while assessed values, including new properties, grew even faster (**Figure 1**).

The increase in assessed values was much greater for single-family residential property than for other types (**Table 1**). Most of the gain in single-family residential values was due to higher prices. Only about 10 percent of the increase was attributable to new construction.[4]

Figure 1: Annual Change in Virginia Assessed Values and Levies,1991 - 2006



Source: Annual reports of the Virginia Department of Taxation

The disparity in growth rates for different types of property is not unusual. Historical data for the U.S. since 1994 show that prices for different types of property have not moved in concert. Over the full period from 1994 to 2006 the price index for single-family residences grew slower than those for office buildings, apartments, and industrial property and faster than the index for retail property.[5]

Analysis of the Proposal's Effects

How would the proposed amendment impact local governments? The answer is not straightforward because there are many possibilities, ranging from no impact if no local governing body would adopt a homestead exemption to a major impact if all local governments were to adopt the maximum exemption. The most probable outcome is that many local governments would provide an exemption, although not necessarily the full 20 percent. This would not occur immediately but would be phased in over a number of years as governing bodies acceded to homeowner pressure and emulated tax relief provided by neighboring jurisdictions.

Table 1: Percentage Increase in Virginia Total Taxable Assessed Value by Type of Property, 2000 to 2006

Type of Property	Percentage Increase
[redacted]	
Multifamily residential, owner and renter-occupied	92.4
[redacted]	
Agriculture (use-value where applicable)	61.1
[redacted]	

Source: Unpublished data from the Virginia Department of Taxation

3 The S&P/Case Shiller Index, that is available for the nation and major metropolitan areas, shows a recent decline in national prices versus the small increase shown by the HPI. See Andrew Leventis, "A Note on the Differences Between the OFHEO and S&P/Case-Shiller House Price Indexes," Office of Federal Housing Enterprise Oversight (July 25, 2007) www.ofheo.gov/media/research/notediff2.pdf (1/16/08).

4 From 2000 to 2006 single-family residential assessed values grew by $404.1 billion while the value of private new residential construction of single-family units totaled $39.5 billion. Sources: Virginia Department of Taxation unpublished data and Bureau of the Census data on housing units authorized by building permits. http://www.census.gov/const/www/C40/table2.html (1/16/08).

5 This observation is based on Moodys/REAL Commercial Property Price Index (CPPI) whose methodology was developed at MIT and the aforementioned OFHEO HPI for the U.S. See: MIT Center for Real Estate http://web.mit.edu/cre/research/credl/rca.html (1/18/08)

Table 2: Revenue Impact of the Proposed Homestead Amendment If All Cities and Counties Adopt the 20 percent Maximum Exemption, 2006 (Millions of Dollars)

Item	Single-Family Owner-Occupied Housing	All Other	Total
Actual			
[redacted]			
Proposed			
Alternative 1			
[redacted]			
Change from actual total tax			
[redacted]			
Alternative 2			
[redacted]			
Change from actual total tax			
[redacted]			

Sources: Virginia Department of Taxation unpublished data on city and county assessed values by class of property and published data on local levies in the Fiscal Year 2007 Annual Report, Table 5.2. Bureau of the Census, American Housing Survey for 2005 http://www. cnsus.gov/hhes/www/housing/ahs/ahs/ahs05/tab1a1.html (1/15/08).

NOTE: For this calculation the author assumed the share of single-family property occupied by owners is 86.2 percent, the national proportion reported by the Census Bureau for 2005. Unrounded tax rates were used in the calculations.

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The type of exemption that would be adopted by individual localities is unknowable. Some localities might provide a blanket percentage exemption for all homeowners; should the state enabling statute permit them, others might impose restrictions related to the length of time of ownership, age of owner, and owner income and net worth. Once a local government provided an exemption, it is unlikely the governing body would rescind it in a later year since homeowners, who are well represented among voters, would assume a sense of entitlement about the assessment relief. Furthermore, it is possible, but not likely, that local governments would adopt the deferral provision. Under existing state law, local governments can offer deferral but none have done so.[6] Apparently, deferral is not popular with voters because it does not reduce taxes—it merely postpones them.

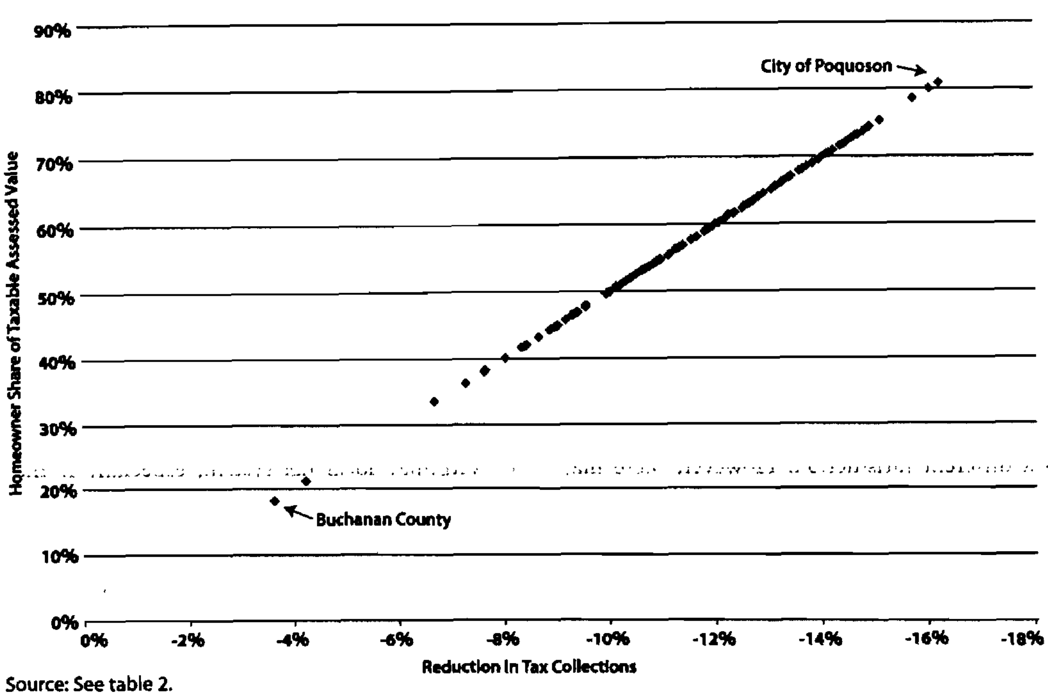
Because of the many plausible assumptions that can be made about local government behavior if the amendment is approved, it is not possible to estimate their foregone revenue unless one assumes that all local governments adopt the 20 percent maximum exemption. Even though that outcome is unlikely, an estimate based on that premise is instructive. **Table 2** shows the statewide impact of the proposed amendment based on 2006 data, the most recent available. Owners of single-family, owner-occupied, residential properties paid $4,943 million in taxes, and owners of all other real property—residential rental property, business property, commercial property, and farm property—paid $2,694 million in taxes. Under the homestead amendment, all localities could exempt up to 20 percent of the assessed value of the aforementioned single-family property. If this were done and there were no compensating increase in the tax rate to replace the foregone revenue (alternative 1 in the table), the homeowners' tax bill would be $3,954.4 million, a $988.6 million decrease. The tax bill for other properties would remain the same. The decrease in revenue for homeowner property would result in an overall reduction in revenue of 12.9 percent, a hefty decrease.

If the local governing bodies wanted to restore the lost revenue, they could do so by increasing the tax rate so that the total revenue

[6] John L. Knapp, William M. Shobe, and Stephen C. Kulp, *Virginia Local Tax Rates, 2007* (Charlottesville: Weldon Cooper Center for Public Service, University of Virginia, 2007), pp. 5-6.

Local governments would not be evenly affected

Figure 2: Homeowner Share of Assessed Value and Reduction in revenue if Exemption Were 20 Percent in All Cities and Counties, 2006



Source: See table 2.

would be the same as before the homestead exemption (alternative 2 in the table). This could be achieved by increasing the rate from $0.85 per $100 of assessed value to $0.97. Homeowners then would have a tax bill of $4,552.5 million, an amount 7.9 percent less than before the exemption. All other property would have a tax liability of $3,084.5 million, an amount 14.5 percent more than before the exemption. Homeowners would now pay 59.6 percent of total real property taxes, *down* from 64.7 percent before the homestead exemption. All other property would pay 40.4 percent of the tax bill, *up* from 35.3 percent before the exemption

Local governments would not be evenly affected by the homestead amendment if it were fully implemented. For localities with a large portion of their taxable assessed value in homeowner property, the percentage revenue loss would be much greater than for those with a small proportion (**Figure 2**). The locality with the highest ratio of homeowner property, the city of Poquoson with 81 percent, would experience a 16.2 percent reduction in total revenue. In contrast, the locality with the lowest ratio of homeowner property, mountainous Buchanan County, where homeowners accounted for only 18 percent of assessed value, would experience a 3.7 percent decline.

Related Concerns

Aside from the possible effects of the homestead exemption, localities face a difficult situation in the next few years because of the poor housing market. The localities that will be under the greatest pressure in tax years 2008 and 2009 will be the 31 cities and 26 counties that reassess annually or biennially.[7] The assessed values on their books represent valuations made toward the end of the housing boom. This group includes all of the major cities and all of the large, urban counties. The localities with less frequent assessment cycles will not be as stressed even if they are scheduled for reassessment in 2008 or 2009 because in most cases, residential property values will be higher than the last reassessment, even if market values have fallen in recent years

As part of the 2007 Transportation Act the General Assembly empowered cities and counties in the Northern Virginia Transportation Authority (NVTA) and the Hampton Roads Transportation Authority (HRTA) to impose a surtax on commercial and industrial property not to exceed $0.25 per $100 for the NVTA and $0.10 for the HRTA provided that the revenue is used for transportation purposes benefiting the locality imposing the tax.[8] The city of Alexandria

7 Knapp, Shobe, and Kulp, *Virginia Local Tax Rates, 2007*, pp. 10-12.

8 House Bill 3202, 2007 Session. See Section 58.1-3221.2 http://leg1.state.va.us/cgi-bin/legp504.

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and the counties of Arlington and Fairfax have adopted ordinances needed if the extra tax is imposed, but no rate has been set yet.[9]

This new provision, combined with the homestead amendment, if adopted, will establish a higher tax rate on commercial and industrial property than on other types of property. As a result, local voters will perceive their tax cost of local government initiatives to be lower than when all property was taxed at the same rate. Voters will see part of the tax burden as being shifted to commercial and industrial property. It is possible that many businesses will be resigned to such property classification because of perceived benefits from money raised for transportation and the inability to change location because of loss of customers if the business were moved to a different jurisdiction. However, there may be some existing businesses that would seek a lower tax jurisdiction and some potential businesses that would be deterred because of the higher taxes.

Conclusion

The proposed homestead amendment would represent a major change in Virginia local government finance since it is aimed at the real property tax, the most important single source of locally raised revenue. Although the analysis in this article pertains to cities and counties, the amendment would also have a significant impact on town finances. Given the large rise in property tax levies during most of the new century, it is not surprising that taxpayer frustration has found its way into the proposed amendment. It is unfortunate that a simpler solution—restraint on spending by local government—was not adopted. Instead, market-driven increases in assessed values were used to bring in significant amounts of new revenue.

In 2006, more than a quarter of Virginia households were renters.[10] The homestead amendment would provide no relief to renters even though a major portion of property taxes on rental property is shifted to them.

An alternative to the proposed amendment would be a state-financed circuit breaker that could be designed to provide tax relief to low-income households that are homeowners or renters.[11] Another consideration is that as the revenue-raising power of the property tax is diminished, the pressure to allow local governments a new source of revenue, such as a local income tax, will increase.

Should the amendment become part of the Constitution, the General Assembly should pass enabling legislation that is devoid of many special provisions regarding length of residence, household income, and other factors that could add to the complexity and cost of local tax administration. Whatever exemption a local government adopts will have a ratchet effect—once established it will not be reversed.

Differential taxation of property not covered by the homestead exemption may convey an unwanted message about the tax friendliness of Virginia's local tax system, especially if the implementation of special surtaxes on commercial and industrial property for funding transportation projects spreads.

As noted, the earliest that the amendment could be implemented would be 2009. Housing market turmoil, which is currently having a very negative effect on property tax collections, is unlikely to be over at that time. Thus, the amendment will exacerbate an already difficult time for local governments.

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ABOUT THE AUTHOR: John Knapp is a professor emeritus at the University of Virginia and senior economist with the Cooper Center. He is an expert on Virginia state and local government finance and has served as a member or advisor to numerous study groups over the past forty-five years.

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[9] Information from Tom Rice, Director, Arlington Department of Real Estate Assessments (1/18/08)

[10] According to the Bureau of the Census, renters accounted for 28.9 percent of Virginia households in 2006. http://www.census.gov/hhes/www/housing/hvs/annual06/ann06t13.html (1/16/2008).

[11] For a recent survey of circuit breakers see Karen Lyons, Sarah Farkas, and Nicholas Johnson. *The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs* (Center on Budget and Policy Priorities (March 21, 2007) http://www.cbpp.org/3-21-07sfp.htm (1/22/2008). See also a presentation by David Baer for AARP "State Programs & Practices for Reducing Residential Property Tax" at a 10/6/05 Property Tax Summit. http://ppa.boisestate.edu/centerppa/documents/20051006pm0315-baer.pdf (1/23/08)