


*City of Alexandria, Virginia*

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MEMORANDUM

DATE: OCTOBER 29, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: (1) CITY REAL ESTATE DISPOSITION UPDATE AND (2) ADD-ON COMMERCIAL REAL ESTATE TAX FOR TRANSPORTATION FUNDING

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As background material for the Budget Retreat agenda items related to the above subjects, attached you will find:

- I. City Real Estate Disposition: Earlier this year, Council approved the recommendations contained in the attached docket item (Attachment I). An update of the activities since then will be provided at the Retreat.
- II. Add-On Commercial Real Estate Tax for Transportation Funding: During FY 2008 Council considered enactment of the add-on commercial real estate tax that the General Assembly authorized in 2007. Part of this consideration process was the appointment of a special Ad Hoc Committee to study this new tax option. The report of this Ad Hoc Committee and the related docket item are attached (Attachment II). While the City did not enact this new tax option (but did adopt the enabling ordinance in order to be able to make a tax rate decision during the budget process), Fairfax County (+ 11.0¢) and Arlington County (+12.5¢) did enact this add-on tax. For FY 2011 Council may wish to consider enacting this tax (1.0¢ = \$1 million) to (1) help close part of the budget gap by using add-on tax revenues to fund existing transportation operations, and/or (2) accelerate the funding of City operating or capital transportation initiatives.

Attachments:

- I. Real Estate Disposition Study Docket Item
- II. Add-On Commercial Real Estate Tax for Transportation Docket Item and Ad Hoc Committee Report

## City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 20, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: RECEIPT OF JONES LANG LASALLE REAL PROPERTY INVENTORY STUDY AND RECOMMENDATIONS ON THE DISPOSITION OF CERTAIN CITY OWNED REAL ESTATE

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**ISSUE:** Recommendation for disposition of certain City properties.

**RECOMMENDATION:** That City Council receive the Jones Lang LaSalle real property and inventory study and authorize the City Manager to pursue the following:

- (1) Perform a more detailed study of the Old Health Department facility located at 509 North St. Asaph Street and the adjacent 511-515 Oronoco Street parking lot, and to bring back to Council a recommendation to either sell the properties for a multifamily dwelling use or hold for long-term City office space use;
- (2) Solicit proposals to sell the property located at 200 North Royal Street (also known as 405 Cameron Street);
- (3) Solicit proposals to sell and/or enter into partnership to develop properties at 912, 916, and 920 King Street (current metered parking lot) for retail and office use consistent with the King Street Retail Plan, and in conjunction with this recommendation, solicit proposals to sell and/or enter into partnership at 116 South Henry Street to develop a parking structure to support King Street retail in conjunction with these King Street properties;
- (4) Begin discussions with the Alexandria Housing Development Corporation and the Northeast Civic Association in regard to the redevelopment of 1505 Powhatan Street; and
- (5) Prior to undertaking the proposed property sale processes in #1, #2 and #3 above, seek input of the details of the proposed sale redevelopment framework from the Old Town Civic Association.

**BACKGROUND:** The recommendations above relate to a select number of properties identified for immediate disposition in the recently completed study. In total 361 parcels owned by the City were studied.

The Economic Sustainability Work Group established by Council provided recommendations on economic issues affecting the City which City Council adopted in principal in late 2007. The Work Group recommended a City review of owned assets as part of a comprehensive set of recommendations regarding the City's economic future. As a result, a City property inventory study was initiated in June 2008 and was conducted by real estate consultants from the nationally recognized firm of Jones Lang LaSalle with input from the City Manager's Office, Department of General Services, Department of Planning and Zoning, and Department of Real Estate Assessments. The purpose of the study was to address several of the recommendations of the Sustainability Work Group regarding City assets as follows:

- “The City should develop and keep up to date and inventory of properties that it owns.
- The City should periodically evaluate those properties to determine their long term use which would be in the long term best interest of the City.
- The City should sell, lease or otherwise dispose of properties that it determines are not needed for a public purpose after determining what is the highest and best use of those properties. Parcels the City owns in commercial areas or high land value areas should receive special focus.
- The City should look to determine if the current uses planned for properties it owns represents the most efficient utilization of the property.”

These four recommendations acted upon through this real estate evaluation process resulted in the initial draft report completed April 2009. The initial report was reviewed by City staff and subsequently forwarded to the Economic Sustainability Implementation Monitoring Committee for further review and discussion. The recommendations contained herein are consistent with those resulting from this review and discussion process.

Based upon the Jones Lang LaSalle (JLL) analysis the following properties are recommended for further action:

- 1. Old Health Department Building (509 N. St. Asaph Street and Adjacent parking lots at 511, 513 and 515 Oronoco Street):** The Old Health Department is a 32,000 square foot building which was built in the 1940's. The building also contains a finished basement and 15 surface parking spaces. The adjacent parking lot on Oronoco sits on 14,500 square feet of land and contains 45 parking spaces. The facility is currently being used predominately as temporary office space for some City departments. As indicated in the JLL report, a number of reuse strategies (all of which would require significant renovation) were examined including total demolition and reuse as office space, as well as reuse as a multi-family building. The analysis showed that the highest economic use was either to retain the building for City office use (in lieu of renting private office space), or to sell the building to be redeveloped into condominiums. Either of these two uses over a 20-year period produced about the same net present value benefit to the City. Given that such a decision on continuing to use the building for City purposes or selling it needs to be made after a more detailed study,

it is recommended that a further study be undertaken to hone the financial analysis at a greater level of detail. Then a specific disposition recommendation would be brought back to Council.

2. **200 North Royal Street (also known at 405 Cameron Street):** This is a building at the Corner of Royal and Cameron that currently houses an Elder Crafter Store on the first floor and City offices on the upper two floors. The building requires significant renovation for continued use as City office space. A review of potential uses determined that the sale of this building for residential purposes (although commercial use is permitted on this site) as a single family residence would probably produce the highest economic value for the City. Given the location of this building in the heart of the Old and Historic District, and its adjacency to historic structures such as Gadsby's Tavern, this structure would likely be highly desired as a private residence. Any future purchaser would need to undertake a substantial renovation to this building. If the building is sold the City would assist Elder Crafters in seeking an alternative location.
3. **912, 916 and 920 King Street (including the nearby parking lot at 116 South Henry Street):** These lots on King and nearby across Patrick Street) are used for surface parking. The King Street lot is a metered lot, and the Henry Street lot is a staffed pay lot. The three lots on King total 9,942 square feet in size and are zoned KR (King Street urban retail zone). Based on the zoning a 25,000 square foot building could be built including 7,500 square feet of ground floor retail. Office use for the balance of the 17,500 square feet of possible development would be a likely use for the upper floors. In order to meet the parking need of a new building on this site and to replace the lost meter parking, this site is recommended to be paired with the 116 South Henry Street surface parking lot for possible development with a small parking garage. The filling in of the King Street parking lot creates the opportunity to create a large new retail space on King Street, as well as to fill in a visual gap in the retail frontage of King Street.
4. **1505 Powhatan Street:** This parcel, which is bounded on the North by Slaters Lane and which once housed a City maintenance facility, is 0.87 acres in size and is zoned Commercial Low Zone which permits both commercial and residential uses. It is largely unused by the City. The development potential of this site is limited as the western quarter of the site has a Metrorail Tunnel below. At one point the City had the site under contract for a retail/office complex but that the contract buyer did not complete the transaction, and subsequently sold for redevelopment the eastern portion of this block, leaving this 0.87 acre parcel undeveloped. Given the current depressed multi-family market for the construction of a new building for rental units or condominiums, it is not recommended that this surplus site be put on the market for competitive sale. Rather it is proposed that the City explore the development of this property with the City created and supported Alexandria Housing Development Corporation (AHDC) for affordable housing. The AHDC has recently expressed interest (see attached) in acquiring the property, and using housing tax credits and Virginia Housing Development Corporation financing to develop a 42-unit project at this site. It is not known how much AHDC would be able to pay for this parcel. It is recommended that City staff enter into discussions with AHDC about their acquisition of this parcel.

The following properties were identified as currently being utilized at less than highest potential long-term use, but offer the potential for increased revenue:

5. **517 Cameron Street; 120 & 122 North Patrick Street** - Parking Lots. These City managed lots are recommended for continued operation as parking lots, but with improved revenue. These lots are included in the King Street Parking Study which when complete is expected to provide detailed recommendations for improvements.

The following properties were identified as currently being utilized at less than a potential highest long-term use, but are recommended to be assessed in the context of future redevelopment in each area:

6. **3224 Colvin Street** (current DASH employee parking) should be held as a City asset and utilized for future growth of City needs in the Business Center Drive/ Colvin Street area.
7. **3700 Mt. Vernon Avenue** (former Datatel) should be leveraged for improved development when the adjacent area redevelops. When Arlandria Plan implementation efforts are initiated how this City asset could leverage redevelopment will be discussed.
8. **401 East Braddock** (corner at 7-11) should be leveraged for improved redevelopment in the area when the adjacent parcels are ready for redevelopment. Such a redevelopment plan is currently in the early stages of discussion.
9. **110 Callahan Drive** (Amtrak Station parking lot) should be evaluated as a part of any future King Street Metrorail station area development discussions.

The following properties were reviewed and not recommended for change in use:

10. **2311 Mt. Vernon Avenue** (farmer's market lot) current and recommended continued use a parking lot and farmer's market.
11. **3600 Jefferson Davis Highway** (former Bijan Auto) is not recommended for development due to size constraints, but is further recommended to be considered for use in conjunction with transportation improvements to Jefferson Davis Highway, at the redevelopment of adjacent parcels.
12. **1500 Duke Street**, zoned OCM 100, is a Resource Protection Area (RPA).

**FISCAL IMPACT:** The report recommends the sale of six parcels with the estimated sale price of \$4.1 to \$6.2 million. The realization of these revenues will take time to occur. When these properties are sold, it is recommended that these revenues be used as a revenue source for one-time non-recurring projects such as capital projects or to maintain or increase the City's operating reserves.

**ATTACHMENTS:**

Attachment 1. Letter dated May 18, 2009 from Daniel Abramson, President, AHDC, to Deputy City Manager Mark Jinks

Attachment 2: James Lang LaSalle Property Inventory Study

**STAFF:**

Mark Jinks, Deputy City Manager

Michele Evans, Deputy City Manager

Tom Gates, Assistant City Manager

Edward Mandley, Director, Department of General Services

Jeremy McPike, Division Chief, Department of General Services

Faroll Hamer, Director, Department of Planning and Zoning

Steven Chozick, Division Chief, Geographic Information Systems

Cynthia Smith-Page, Director, Real Estate Assessments



May 18, 2009

Mark Jinks  
Deputy City Manager  
City of Alexandria, Virginia  
City Hall- 301 King Street  
Alexandria, Virginia 22314

Re: 1505 Powhatan Street, Alexandria, Virginia

Dear Mr. Jinks:

The Board of Directors of the Alexandria Housing Development Corporation (AHDC) has authorized me, as its President, to submit a letter of interest to acquire the above referenced property, which is currently owned by the City of Alexandria. As you know, AHDC is a non-profit affordable housing developer based in Alexandria and is currently developing the Station at Potomac Yard with the City.

Our objective would be to obtain land use approvals for a multi family project of approximately forty-two rental units. The units would be targeted to serve households at 50%-60% of area median income and there would be a mix of one, two and three bedroom units. The project would be financed with a combination of 9% low income tax credit equity and VHDA financing. We would expect to negotiate an acquisition price and terms with the City that would be acceptable to all parties.

This project offers an excellent opportunity to create new affordable workforce units in the City at a time when sites for affordable housing developments are becoming more difficult to uncover and obtain. AHDC is an experienced and capable developer whose board of Alexandria residents, representing a spectrum of expertise in affordable housing development, finance and law, among other things, is fully committed to continuing its efforts to expand the affordable housing stock in the City.

AHDC would like to begin discussions with the City as soon as possible to determine a framework for the acquisition of this property and enter into a Purchase Agreement. Please contact me at your earliest convenience so we may begin these discussions. You can reach me at 703-683-1110 or by email at dabramprop@aol.com.

With The Station project coming on line in late 2009, we think this is a perfect time to identify and secure a project that could be fully vetted and ready for VHDA's consideration for tax credit funding next spring.

Sincerely,

Daniel R. Abramson  
President

22. Receipt of Jones Lang Lasalle Real Property Inventory Study and Recommendations on the Disposition of Certain City Owned Real Estate Parcels.

(A copy of the City Manager's memorandum dated May 20, 2009, is on file in the Office of the City Clerk and Clerk of Council, marked as Exhibit No. 1 of Item No. 22; 5/26/09, and is incorporated as part of this record by reference.)

General Services Division Chief McPike made a presentation of the staff report, along with Mr. David LaMore and Mr. John Gibb, with Jones Lang Lasalle, and they responded to questions of City Council.

**WHEREUPON**, upon motion by Councilman Smedberg, seconded by Vice Mayor Pepper and carried unanimously, City Council received the Jones Lang LaSalle real property and inventory study and authorized the City Manager to pursue the following: 1. performed a more detailed study of the Old Health Department facility located at 509 North St. Asaph Street and the adjacent 511-515 Oronoco Street parking lot, and to bring back to Council a recommendation to either sell the properties for a multifamily dwelling use or hold for long-term City office space use; 2. solicit proposals to sell the property located at 200 North Royal Street (also known as 405 Cameron Street); 3. solicit proposals to sell and/or enter into partnership to develop properties at 912, 916 and 920 King Street (current metered parking lot) for retail and office use consistent with the King Street Retail Plan, and in conjunction with this recommendation, solicit proposals to sell and/or enter into partnership at 116 South Henry Street to develop a parking structure to support King Street retail in conjunction with these King Street properties; 4. begin discussions with the Alexandria Housing Development Corporation and the Northeast Civic Association in regard to the redevelopment of 1505 Powhatan Street; and 5. prior to undertaking the proposed property sale processes in #1, 2, and 3 above, seek input of the details of the proposed sale redevelopment framework from the Old Town Civic Association.

The voting was as follows:

Ayes: Mayor Euille, Vice Mayor Pepper, Councilman Krupicka, Councilmember Lovain, Councilman Smedberg, Councilman Wilson.

Absent: Councilman Gaines.



EXHIBIT NO. 1


## City of Alexandria, Virginia

27  
3-11-08

## MEMORANDUM

DATE: MARCH 6, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: REPORT OF THE AD HOC COMMERCIAL REAL ESTATE TAX OPTION STUDY COMMITTEE

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**ISSUE:** Consideration of an add-on commercial real estate tax to fund transportation initiatives

**RECOMMENDATION:** That City Council receive the report of the Ad Hoc Commercial Real Estate Tax Option Study Committee, discuss the report and its recommendations, and thank the Committee for its work in studying this issue.

**BACKGROUND:** As part of the transportation funding initiatives which the General Assembly approved (HB3202) during its 2007 session, included was a package of major new regional and local funding options for the Northern Virginia and the Hampton Roads areas. As part of the package, the Northern Virginia Regional Transportation Authority (NVTA) was granted new fee and tax options, which the State Supreme Court recently struck down as an unconstitutional delegation of authority by the General Assembly. Also included in HB3202 was the authority for Northern Virginia jurisdictions to adopt an add-on real estate tax on commercial property for transportation initiatives. This add-on tax would not apply to residential properties including multi-family rental properties. Commercial property includes office, retail, hotel, general commercial, industrial and public utility real property.

In order to be able to consider whether or not to adopt this add-on tax on commercial property tax as part of the FY 2009 budget process, Council established an Ad Hoc Committee to study this new tax option and to report back to Council, and requested that Committee to recommend to Council whether or not Council should formally consider the commercial real estate add-on tax (i.e., by advertising a proposed maximum add-on tax rate no later than March 15) as part of the FY 2009 budget process. The Committee was structured with the following membership: two members from the Ad Hoc Transportation Task Force, two members from the Budget and Fiscal Affairs Advisory Committee, and one member appointed by the Alexandria Chamber of Commerce.

The Committee undertook the study requested by Council and has developed a set of recommendations that are outlined in the attached report.

**FISCAL IMPACT:** If Council were to enact the add-on real estate tax for non-residential property, each one-cent levied would raise \$1million per year.

**ATTACHMENT:** Report of the Ad Hoc Commercial Transportation Tax Option Study Committee

**STAFF:**

Mark Jinks, Deputy City Manager

Tom Culpepper, Deputy Director, Transportation and Environmental Services

Laura Triggs, Director, Department of Finance

Bruce Johnson, Director, Office of Management and Budget

Cindy Smith-Page, Director, Department of Real Estate Assessments

*Attachment*

# **Ad Hoc Transportation Tax Option Study Committee**

## **Report and Recommendations**

Mark Feldheim  
George Foote  
Paul Friedman, Chair  
Lois Walker  
John Renner

## **A. Background and Description of Process**

The Resolution creating our task force included a number of facts agreed upon by the City Council.<sup>1</sup>

1. HB 3202, the new transportation finance law adopted by the General Assembly in 2007 allowing Alexandria and other Northern Virginia and Tidewater area jurisdictions to adopt a supplemental commercial and industrial property real estate tax was based upon the reality that critical transportation needs were under-funded. This new add-on tax would not apply to residential property including multi-family rental
2. The new commercial add-on real estate tax dedicated for transportation purposes is one of a number of new revenue sources for funding transportation which HB3202 authorized. The recent Supreme Court decision has set aside most of the new revenue sources that the Northern Virginia Transportation Authority (NVTVA) had levied, but the add-on commercial real estate tax and the add-on to the decal fee which localities were authorized to levy remains intact.
3. Alexandrians appear to overwhelmingly agree there is a need to improve transportation "capacity, infrastructure, and services" in the City and in the region.
4. Transportation infrastructure and service improvements improve the economic competitiveness of a jurisdiction and its businesses, and the ability of our City to retain and add businesses and the jobs, services and the existing and new tax revenues those businesses provide.
5. Through its draft Comprehensive Transportation Master Plan, Council is considering ambitious new transportation improvements that would improve business conditions and quality of life across the city, including new transit facilities and possible two new Metrorail stations.

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<sup>1</sup> Resolution No. 2259-November 27, 2007

6. Every cent of the add-on tax applied to commercial and industrial real estate would raise approximately \$1 million in revenue annually.
7. Due to state laws related to consideration of real estate tax rates, City Council must make a decision on whether to adopt the add-on commercial real estate and establish a maximum rate it wishes to consider for any such tax by March 15.
8. The Virginia Department of Transportation has just released transportation capital allocations to Virginia localities, and absent any General Assembly action funding to all localities will be drastically reduced starting in FY 2009. For the City it means a \$3.1 million or a 47% reduction in state transportation capital aide

As established by Council, the Committee was tasked to:

- Study the new commercial real estate transportation tax authority as enacted by the General Assembly,
- Determine the positive and negative impacts of enacting such an add-on tax,
- Recommend whether or not Council should enact such a tax for 2008 and beyond, and if so, provide guidance on a reasonable add-on tax rate range which should be considered for 2008, and
- Make other recommendations to Council related to these issues as the Committee deems appropriate.

## B. Overview

After a number of meetings, discussions and the review of over two-dozen City-prepared documents (posted on [alexandriava.gov/budget](http://alexandriava.gov/budget)), many e-mails from the public, and submissions from interest groups, we observe the following:

1. The funds raised by this add-on tax would generate funds that would be available to the Alexandria City Council for new transportation projects starting in the current fiscal year.
2. If the Supreme Court had not ruled out the NVTAs tax and fee levies, the collection of these new funds would have changed the way other funds that are being raised under this law would be managed but, ultimately, all funds raised by Alexandria would still be used to benefit Alexandria and in ways Alexandria

requests. This is now moot, unless future action by the General Assembly makes this issue operative.<sup>2</sup>

3. Aside from the new commercial real estate tax and other fee increases adopted last year, there may be no other state or regional funding option to address our transportation needs that might pass the General Assembly in the near term.
4. There are a number of vital local transportation projects waiting for funding, including, for example, improving the roads and transit access in and around a to-be-redeveloped 55 acre Landmark Mall property, as part of a larger plan to turn that outdated shopping complex into a mixed-use project that will bring millions of dollars of economic activity and new tax revenues into Alexandria.

Further, as noted in the minutes of our January 30 meeting:

The estimated capital funding needs over the next few decades is estimated at \$687.7 million to \$978.7 million. The largest projects identified are two new Metro stations (Potomac Yards and Eisenhower Valley), new City-wide transit corridors to operate transit such as a Bus Rapid Transit (BRT) system, as well as an expansion of the City's DASH bus system. In addition, annual operating costs would total some \$81.9 million to \$95.9 million. These totals compare with a current annual transportation operating costs of \$53.3 million.

### C. The Numbers<sup>3</sup>

1. City-wide the general commercial property assessment category which includes retail and mixed use buildings in Old Town increased 17.2% from 2004 to 2005, 16.7% from 2005 to 2006 and 5.0% from 2006 to 2007. This compounds to a 44% increase in three years. In 2008, the general commercial property tax base increased 7% in value.
2. During that same period, the City's real property tax rate was reduced by a net of 16.5 cents from 99.5 cents in 2004 to 83.0 cents in 2007.
3. This means that the net change in average general commercial property tax bills was 20.1% over the three-year period, not close to the 100% increase cited in an article that appeared in the Washington Post on December 31. This compares to a 16% increase in average residential home taxes over the same time period.<sup>4</sup>

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<sup>2</sup> As presented, the City Manager's Proposed FY 2009 Budget and FY 2009-2014 CIP included anticipated NVTA revenues which can no longer be relied upon. This has resulted in an \$18.4 million shortfall in FY 2009 and \$55.4 from FY 2008 through FY 2014. Budget Memo #14, March 3, 2008

<sup>3</sup> Excerpted from a January 28, 2008 memo from City staff to Council

<sup>4</sup> A summary of CY 2008 real estate taxes for commercial office, retail and service parcels appears in Attachment 1.

4. The average retail space on King Street is assessed for about \$400 per square foot, so for the 1,000 square foot store cited in the above cited Washington Post article, the City's real estate taxes (at 83 cents) would have been \$3,320 in 2007. Thus, a 2-cent increase in the commercial real estate tax for transportation purposes would cost the owner (or the tenant if the tax is passed through) \$80 per year. A 4-cent increase would cost \$160 per year.

**D. Business Considerations**

1. The City's economic zones in Eisenhower Valley, Potomac Yard and, potentially, along Van Dorn and Beauregard streets would benefit most from urban transit improvements and, because of the larger percentage of valuable, heavily used properties, can best afford a tax increase. However, we cannot limit a tax increase on commercial properties to those areas because of the way State law HB3202 was written.
2. The Alexandria Chamber of Commerce believes that any tax increases in our community should be even-handed and not be restricted to commercial real estate property.
3. The Alexandria Taxpayers Union presented the Committee with a petition and expressed the opinion in our February 14 meeting that it opposes any tax increase, no matter how important or beneficial the transportation project.
4. The Apartment and Office Building Association (AOBA) of Metropolitan Washington does not oppose the enactment of this add-on tax, but opposes the tax being set on the "high end" which is the 25-cent cap set by the General Assembly. It appears that AOBA would support an add-on tax increase of not more than 10-cents.
5. Small retail store owners in our community are concerned that additional taxes will make it more likely that independent stores will close and chain stores will replace them, as those types of retailers have economic advantages that small retailers cannot duplicate.
6. The Council established Economic Sustainability Work Group, whose recommendations were adopted in principle by Council, called for efforts to increase business activity and the resulting tax revenues in the City and, in particular, at Metrorail stations, in order to reduce the financial strain on homeowners, especially those on fixed-incomes who find it very hard to pay their taxes.

7. The Economic Sustainability Work Group recommended taking advantage of new state taxing authority such as the add-on tax for transportation, but took no position on the matter, and did not state that such a tax would run counter to its goals of bringing new business into the City.
8. City staff indicated that it is the City's experience is that the general tax burden on businesses is not among the primary considerations by those businesses seeking to establish a new business in the City. That would hold for business relocation considerations as well. The cost per square foot of the lease, and access to customers and/or clients are far greater considerations in the decisions by business on where to locate. This assumes that a jurisdiction's business taxes are not substantially out of line with neighboring jurisdictions. Alexandria's overall tax burden is low to moderate and makes it a competitive place from a tax point-of-view.
9. The owners of the PTO office complex can pass through this add-on transportation tax to the federal government through its lease. Given PTO's near \$1 billion assessment, a 1-cent add-on tax would raise \$100,000 annually from that source alone. It is likely that this add-on tax can be passed through to other federal agencies which are also in leased space.
10. The National Harbor project is expected to produce a significant influx of new shoppers, restaurant goers, and overflow hotel occupants in Alexandria in the near future.

**E. Related Considerations**

1. The business community that pushed this tax in Richmond was largely led by businesses that determined they could afford a significant add-on real estate tax if it would reduce traffic congestion in Northern Virginia and improve the overall business environment. As noted above, some Alexandria businesses fit this description, and some do not.
2. The nation's economic standing is declining and may be in, or entering, a recession.
3. The Commonwealth's economic standing is troubled and, according to the most recent news, our current state budget is already short over \$600 million and, over two years, may be short a billion dollars.



4. The Governor's proposed residential real estate tax Homestead exemption legislation (proposed Constitutional amendment and enabling statutes), which would have given local governments the opportunity to reduce the tax burden on homeowners and shift that burden to businesses, did not pass the General Assembly in 2008. If passed, it would have placed the law before the public at the next general election as the legislation needed to amend the Commonwealth's Constitution to be enacted. It was a matter of concern to the Committee that the Homestead exemption, if added on top of enacting this tax, the tax burden shift towards businesses might rise to a level that would be counterproductive to the City's stated desire to expand its commercial tax base.
5. To the best of our knowledge, Arlington, with substantial transit capital plans already in place, and Fairfax County, with heavier road building capital plans already in place, are proposing to enact the add-on tax on commercial real estate in 2008 year to address their transportation needs. Arlington is considering a 12.5-cent add-on tax and Fairfax County is now expected to adopt a 12.0-cent add-on tax.
6. Alexandria will be considering its Comprehensive Transportation Master Plan at the March 11 City Council Meeting. While this plan reflects a number of goals and objectives, it does not yet reflect the type of substantial transit and road building capital plans with which Arlington and Fairfax are ready to proceed.

## II. Alternative Considerations

Special transportation tax districts authorized under HB 3202 might have had the capacity to help deal with some of the financial challenges facing the City's transportation needs. Unfortunately for Alexandria, the technical terms of the statute would require an inordinately high tax rate in those districts and limit the benefit of the taxes to the rest of the City. This section of HB3202 was written for Virginia Beach and is not of practical use for Alexandria.

Despite the impracticality of creating special tax districts under the new law, landowners in a given area of the City may request of Council, or Council may enact on its own, business improvement districts (BID) or special tax districts under other state enabling statutes. Taxation of real property in the district could fund transportation improvements in that district. For example, property owners in Eisenhower Valley could organize a taxing unit to build new transit improvements, or developers in Potomac Yard might organize a tax district devoted to helping finance the building a new Metrorail station.

Even if legal or political obstacles prevent creation of such governmental units, major landowners, businesses and building operators who would be beneficiaries of transportation improvements could see the benefit of organizing voluntary associations to support transit improvements. Moreover, such associations may cooperate with other private entities and with public bodies like the City through the Virginia Public Private Transportation Act of 1995 to build and operate roads, transit facilities, parking and other transportation infrastructure. The combination of private enterprise willing to fund improvements and creative thinking by public bodies may offer a chance for Alexandria and its major economic interests to begin work on the major transit upgrades that the City needs. However, these types of public-private partnerships are likely only to be one element of solving the City's transportation funding needs.

Another option would be to continue the uniform tax rate for residential and commercial properties with dedicated amounts for open space and affordable housing, dedicating an additional set amount to transportation. In addition, the Committee understands that the reasoning behind the creation of this add-on tax option is that transportation improvements help businesses first and foremost, both in access by customers and employees, so they should carry a larger share of the economic burden related to the improvements.

### III. Conclusion

While there is some risk in taking action, there is also risk in not acting. The future will be upon us more quickly than we imagine. We need to face it with courage, optimism and hope as we explore every available revenue option to meet our current and future transportation needs.

Given the vitality of our region, underpinned by the federal government and the high technology and defense consulting firms that support it, we know that we will face ever-increasing transportation needs due to a growing population while likely continuing to have a fundamentally strong economy to support that growth.

Even though the Committee is optimistic about the future, there is no question that some small retailers are struggling with increased operating expenses and slim profit margins. Moreover, there is a strong sentiment that small, independent retailers add warmth and character to our City - adding to its attractiveness for residents and tourists alike.

Still, the high influx of new residents, due to the enormous increase in existing and planned residential development over the past decade, requires the City to confront its transportation needs or face a future that may well be best defined as gridlock. Moreover, Alexandria has space and resources available to it today that can be applied to ensure mobility for residents, workers and public safety for many years to come.

Added to that, with a high percentage of people who work in Alexandria living outside the City, we cannot close our eyes to facilitating their travel if we are going to retain those workers.

Thus, it is the view of the majority of the members of the Committee that we must use this new opportunity to start work on the transit and transportation network for Alexandria that will encourage good economic development of the City and improve the quality of life for Alexandrians and the people who work in the City.

At the same time, the Committee believes that the public must be confident that if this new tax is enacted, it be devoted to the development and construction of the transit and transportation improvements that the community supports.

Moreover, the Committee believes it would be wise to attempt to alleviate the impact of this new tax on those who can least afford to pay it.

Accordingly, we make the following recommendations.

#### **IV. Recommendations**

- The Committee recommends that Council adopt, as a permanent feature of the City's real estate tax system, the add-on commercial and industrial real estate tax authorized by HB 3202, with tax rates to be determined on a year-by-year basis, based on transportation funding needs and other sources of revenue for transportation.
- For 2008, the Committee recommends that Council adopt a rate for the new tax of no less than two cents per hundred dollars of valuation and no more than four cents. (The committee was not unanimous on this issue - four member voted in favor and one member voted against indicating deferral to future years is the best option .)
- The Committee recommends that small retailers be given special relief if the tax is imposed at a rate of two cents or more.
- The Committee recommends that the City continue to analyze, establish and prioritize its current and future transportation needs and that in setting the add-on tax rate in future years, consider these needs in light of existing economic and market conditions. It is imperative that the transportation projects funded through this add-on tax be of such magnitude and type as to be able to readily demonstrate the positive impact to the commercial tax base funding these initiatives. <sup>5</sup>

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<sup>5</sup> By way of example, the Crystal City/Potomac Yard Transit Corridor Project which will significantly improve traffic and access to Alexandria residents and businesses was scheduled to make use of 60% NVTA funds in the amount of \$8.5 million which can no longer be relied upon. OMB staff has advised that the revenues from the add-on tax would help fund annual estimated debt service of \$850,000 for this project. Feasibility planning for a possible Potomac Yard

- The Committee recommends that the use of these funds be transparent and that the City Council not only make clear what projects these funds would be applied to but give the public a full opportunity to be heard in evaluating whether to go forward with all major projects.
- The Committee encourages the City Council to convene major landowners and businesses in the City to explore voluntary transportation support initiatives.

#### **A. The Rationale for Our Recommendations**

While the Committee recognizes that the economy is not as strong as it was when this tax was first envisioned, we also cannot avoid the reality that our City must meet its transportation challenges if we are to maintain and improve the quality of life in Alexandria and if we are to avoid gridlock and a dramatic increase in pollution.

The City has made the decision over the past decade that we will expand our commercial real estate base. We have also seen a significant expansion of residential housing, and a rapid increase in proposed commercial developments for several sectors of the City. As a result, we have continued to see increased demand on the roads from commuters passing through Alexandria and heavy usage of Metrorail for commuters and local travelers. Thus, we have no choice but to improve and expand our infrastructure.

Moreover, the Committee is aware of major transit infrastructure plans, including potential new transit facilities along the City's eastern, southern and western edges, potential new Metrorail stations for Potomac Yard and Eisenhower Valley, and new bus equipment and stations. The Committee also recognizes that those projects may require some months of planning, development and community participation before major funding would be needed for construction. The Committee is also aware that while roadway and DASH improvements are necessary, most immediate needs are already funded and there is relatively little new road building expected in Alexandria.

Thus, there is no immediate need for major tax increases for businesses or homeowners in the City to fund imminent projects, but the City must make prudent plans for the large expenditures to come.

**The Committee believes that Council should consider an add-on tax rate that is no less than an amount necessary to fully fund planning and feasibility studies for the**

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Metro Station, another project that can be expected to benefit the commercial tax base, is projected at \$2.5M annually from FY 2009 through FY 2014. An add-on rate of 2.5 cents would fund this part of the project in each of these years. A list of some of the projects under consideration is located in the NVTA Impact attachment to Budget Memo #14.

identified major new improvements. We estimate that amount to be approximately two million dollars, which would be provided by a new supplemental tax rate of 2 cents for 2008. Additionally, there are a number of needed projects that could be funded with an additional 2 cents.

We also believe that Council should weigh the benefits of creating a fund dedicated to the upcoming projects. Such a fund would enable the City to avoid borrowing, capitalize on opportunities that might require immediate payment, help preserve the City's AAA bond rating, and demonstrate to our neighbors and potential funding sources at the state and federal levels that the City is serious about building a modern regional transit system. Thus, the Committee believes that a higher rate would be appropriate to establish the fund.

#### **B. Small Retailers Relief**

Recognizing the importance of the small retailer community to civic life in Alexandria and to the tourism attraction of the City, and acknowledging the economic challenge of a new tax to small retail establishments, the Committee believes that modest small retailer relief is important. However, the Committee believes that such relief only makes sense in the context of rate that is two cents or above.

In the levying of any tax there is a varying degree of impact on those persons or businesses subject to the tax. The varying impact often relates on ability to pay the tax, or the economic impact of the tax on a person or business. During the course of the Committee's work, the business group most often heard from was small retailers. Some retailers in this group have indicated that they are seeing flat to declining sales. These retailers most often rent (a fixed cost), and, as a class of business nationally, are widely acknowledged to have low operating margins. While there is no empirical evidence that small retail business has been flat, intuitively that business climate scenario fits with national trends, as well as the City's recent City-wide sales tax collections are down 2% for the year and 4% for this past December (the peak retail sales season).

While the economic issues of one business sector should not necessarily drive the decision to levy the add-on real estate tax on commercial property for all non-residential business sectors, there are ways to possibly ameliorate the tax impact on retailers. While under Virginia law the City has little flexibility under most taxes to create exemptions or carve-outs for any single business group, under the business license tax statutes the City has ability to change tax policy as long as the total business license rate levied does not exceed the state-set maximum.

If Council decides to adopt the add-on real estate tax on commercial property, it should also consider establishing some tax relief for retail businesses. Currently, retail businesses are taxed on a rate of 20-cents per \$100 of gross receipts if their total receipts are less than \$100,000. There are at least three major options of providing relief to retailers:

**Option 1:** Currently, if a retailer has gross receipts \$100,000 or more then the 20-cent rate applies to all of the retailer's receipts (i.e., a retailer with \$200,000 in gross receipts pays \$400). That tax structure could be changed so that the first \$200,000 of gross receipts was exempt for all retailers. The cost of this new tax relief of \$400 per retailer for the City's some 735 retailers who gross \$100,000 or more per year would be \$294,000 per year. While this option would provide relief it would provide \$400 in relief and benefit smaller retailers more than larger retailers, it would not scale up, as would the add-on commercial real estate tax does scale up (this assumes that on average a retailer's gross receipts correlates with the retailer's store square footage and real estate tax bill, so the larger the store the larger the gross receipts).

As indicated in Attachment 2 for the five retail business examples, if one were to exempt all gross receipts below \$200,000 and establish an add-on real estate tax of one-cent, the net impact to the retailer is a net savings of between \$360 and \$200 per year. This exemption relief on BPOL totally eliminates the impact of the one-cent add-on to the real estate tax rate for these five examples. It also would eliminate the impact of the one-cent for any business whose property assessment was \$4 million or less. If an add-on real estate (RE) rate of 2 to 3 cents is set then most retailers in these five examples would still see a net tax savings.

The net fiscal impact to the City varies under Option 1 from a \$0.7 million net gain for the City in revenues at a +1 cent RE / \$200,000 threshold to a \$4.7 million net gain if a +5 cent RE / \$200,000 threshold.

**Option 2:** As stated above, the current tax threshold for the application of the 20-cent tax rate is \$100,000. Below that level, retailers (and other BPOL business categories) pay a \$50 annual filing fee. Raising that threshold of total gross receipts to \$200,000 would cost \$50,000, and benefit 139 retailers with a net \$150 to \$350 tax reduction. Raising that to \$300,000 would cost \$100,000 and benefit 229 retailers with a net \$150 to \$550 BPOL net tax reduction. Raising that to \$1,000,000 would cost \$400,000 and benefit 474 retailers with a net \$150 to \$1,950 tax reduction.

As indicated in Attachment 3 for the five retail business examples, if one were to raise the threshold to \$300,000 then the savings accrues only to retailers with gross receipts of less than \$300,000. All other 506 retailers with gross receipts of \$300,000 or more would see no change in their BPOL tax liability, and therefore see no offset to the add-on commercial real estate tax.

The net fiscal impact to the City varies under Option 2 from a \$950,000 net gain for the City in revenues at a +1 cent / \$200,000 threshold to a \$4,950,000 net gain for the City at a +5 cent / \$200,000 threshold.

**Option 3:** Decreasing the 20-cent rate would also provide relief that would scale up as would the add-on tax. However it would benefit the largest retailers (big box stores, national grocery store chains, car dealers) more than smaller retailers. Each 1-cent of relief would cost about \$200,000 and benefit about 735 retailers.

As indicated on Option 3-A (Attachment 4) for the five retail business examples, if one were to reduce the retail rate by 1-cent and establish an add-on real estate tax of one-cent, the net impact to the retailer is an increase in their overall net tax bill from \$10 to \$50. This 1-cent relief on BPOL substantially lessens the impact of the 1-cent add-on to the real estate tax. If an add-on rate of 2 to 5 cents is set and increasing the BPOL relief by the same amount is selected, the impact is also a net cost to retailers, but substantially offsetting the impact of the add-on real estate tax.

The net fiscal impact to the City varies (Option 3-A) and ranges from a \$0.8 million net gain for the City in revenues at a +1 cent RE / -1 cent BPOL, to a net \$4.0 million net gain if a +5 cent RE / -5 cent BPOL structure is implemented.

If one wanted to seek to have the tax bill impact on retailers be negative to neutral then a +1 cent RE / -2 cents BPOL rate structure change produces a overall tax bill saving for retailers for examples listed as Option 3-B (Attachment 5). The savings also occurs at a RE rate of +2 cents and + 3 cents if the BPOL relief is also raised. Starting with the +4 cent RE / -5 cent BPOL the fiscal impact changes to a net additional tax bill (albeit small) for the retail examples shown.

The net fiscal impact to the City varies (Option 3-B) and ranges from a \$0.6 million net gain for the City in revenues at a +1 cent RE / -2 cent BPOL, to a net \$3.8 million net gain if a +5 cent RE / -6 cent BPOL structure is implemented.

A change in City's BPOL tax structure as described above would provide relief for a target group of businesses, who have generally lower operating margins, and who may be most vulnerable to a downturn in the economy. Any policy change could lead to other types of businesses requesting similar relief (such as restaurants who also now pay the same 20-cent rate). The cost of such relief for all categories of business would be substantial. For example, providing a 1-cent tax relief (Option 3A above) for retailers would cost \$0.2 million, a 1-cent rate reduction for all business license categories would cost \$1.0 million per year.

### C. Transparency, Accountability and Citizen Involvement

The Committee believes that the public will support tax increases when transparency, accountability and citizen involvement are integrated into how those taxes are spent. This has been a hallmark of the current City Council and we recommend that the transparency should be specifically built into processes for the use of new transportation improvement funds.

### ATTACHMENTS

**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)
<b>Locally Assessed Taxable Real Property</b>								
19 <b>Commercial Real Property</b>								
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								
29 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%
30 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%
31 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%
41								
42 Total Locally Assessed Taxable Real Property (43,532)	\$33,326,348,194	\$34,662,904,200	\$1,336,556,006	4.01%	\$433,528,068	1.30%	\$903,027,938	2.71%



**RETAILERS ADD-ON COMMERCIAL REAL ESTATE TAX FOR TRANSPORTATION PURPOSES<sup>1</sup>**  
**ILLUSTRATIVE OPTION 1**

	RETAIL STORE SQUARE FEET	+1 cent	+ 2 cents	+ 3 cents	+ 4 cents	+ 5 cents
A	1,000	\$40	\$80	\$120	\$160	\$200
B	2,000	\$80	\$160	\$240	\$320	\$400
C	3,000	\$120	\$240	\$360	\$480	\$600
D	4,000	\$160	\$320	\$480	\$640	\$800
E	5,000	\$200	\$400	\$600	\$800	\$1,000

**EXEMPT FROM BPOL TAXATION THE FIRST \$200,000 IN  
GROSS RECEIPTS**

	RETAIL SALES					
A	\$300,000	-\$400	-\$400	-\$400	-\$400	-\$400
B	\$600,000	-\$400	-\$400	-\$400	-\$400	-\$400
C	\$900,000	-\$400	-\$400	-\$400	-\$400	-\$400
D	\$1,200,000	-\$400	-\$400	-\$400	-\$400	-\$400
E	\$1,500,000	-\$400	-\$400	-\$400	-\$400	-\$400

**NET FISCAL IMPACT TO RETAILERS**

A	-\$360	-\$320	-\$280	-\$240	-\$200
B	-\$320	-\$240	-\$160	-\$80	\$0
C	-\$280	-\$160	-\$40	\$80	\$200
D	-\$240	-\$80	\$80	\$240	\$400
E	-\$200	\$0	\$200	\$400	\$600

**NET FISCAL IMPACT TO CITY (\$ In Millions)**

Revenues to City for Add-On Real Estate Tax	\$1.0	\$2.0	\$3.0	\$4.0	\$5.0
Cost to City Of BPOL Relief to Retailers	-\$0.3	-\$0.3	-\$0.3	-\$0.3	-\$0.3
<b>Net Revenue Gain</b>	<b>\$0.7</b>	<b>\$1.7</b>	<b>\$2.7</b>	<b>\$3.7</b>	<b>\$4.7</b>

<sup>1</sup> Assumes a \$400 per square foot average assessed value for retail space, and \$300 sales per square foot. Actuals will vary widely.

**RETAILERS ADD-ON COMMERCIAL REAL ESTATE TAX FOR TRANSPORTATION PURPOSES<sup>1</sup>**  
**ILLUSTRATIVE OPTION 2**

	RETAIL STORE SQUARE FEET	+1 cent	+ 2 cents	+ 3 cents	+ 4 cents	+ 5 cents
A	1,000	\$40	\$80	\$120	\$160	\$200
B	2,000	\$80	\$160	\$240	\$320	\$400
C	3,000	\$120	\$240	\$360	\$480	\$600
D	4,000	\$160	\$320	\$480	\$640	\$800
E	5,000	\$200	\$400	\$600	\$800	\$1,000

**CHANGE BPOL TRESHOLD TO \$300,000 IN GROSS RECEIPTS**

	RETAIL SALES					
A	\$300,000	-\$10	-\$10	-\$10	-\$10	-\$10
B	\$600,000	\$0	\$0	\$0	\$0	\$0
C	\$900,000	\$0	\$0	\$0	\$0	\$0
D	\$1,200,000	\$0	\$0	\$0	\$0	\$0
E	\$1,500,000	\$0	\$0	\$0	\$0	\$0

**NET FISCAL IMPACT TO RETAILERS**

A	\$30	\$70	\$110	\$150	\$190
B	\$80	\$160	\$240	\$320	\$400
C	\$120	\$240	\$360	\$480	\$600
D	\$160	\$320	\$480	\$640	\$800
E	\$200	\$400	\$600	\$800	\$1,000

**NET FISCAL IMPACT TO CITY (\$ In Millions)**

Revenues to City for Add- On Real Estate	\$1.0	\$2.0	\$3.0	\$4.0	\$5.0
Cost to City Of BPOL Relief to	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.1
Net Revenue Gain	\$0.9	\$1.9	\$2.9	\$3.9	\$4.9

<sup>1</sup> Assumes a \$400 per square foot average assessed value for retail space, and \$300 sales per square foot. Actuals will vary widely.

RETAILERS ADD-ON COMMERCIAL REAL ESTATE TAX FOR TRANSPORTATION PURPOSES <sup>1</sup>

## ILLUSTRATIVE OPTION 3-A

	RETAIL STORE SQUARE					
	FEET	+1 cent	+ 2 cents	+ 3 cents	+ 4 cents	+ 5 cents
A	1,000	\$40	\$80	\$120	\$160	\$200
B	2,000	\$80	\$160	\$240	\$320	\$400
C	3,000	\$120	\$240	\$360	\$480	\$600
D	4,000	\$160	\$320	\$480	\$640	\$800
E	5,000	\$200	\$400	\$600	\$800	\$1,000

## REDUCE BPOL RETAIL RATE

	RETAIL SALES					
		-1 cent	-2 cents	-3 cents	-4 cents	- 5 cents
A	\$300,000	-\$30	-\$60	-\$90	-\$120	-\$150
B	\$600,000	-\$60	-\$120	-\$180	-\$240	-\$300
C	\$900,000	-\$90	-\$180	-\$270	-\$360	-\$450
D	\$1,200,000	-\$120	-\$240	-\$360	-\$480	-\$600
E	\$1,500,000	-\$150	-\$300	-\$450	-\$600	-\$750

## NET IMPACT TO RETAILERS

A	\$10	\$20	\$30	\$40	\$50
B	\$20	\$40	\$60	\$80	\$100
C	\$30	\$60	\$90	\$120	\$150
D	\$40	\$80	\$120	\$160	\$200
E	\$50	\$100	\$150	\$200	\$250

## NET FISCAL IMPACT TO CITY (\$ In Millions)

Revenues to City for Add-On Real Estate Tax	\$1.0	\$2.0	\$3.0	\$4.0	\$5.0
Cost to City Of BPOL Relief to Retailers	-\$0.2	-\$0.4	-\$0.6	-\$0.8	-\$1.0
Net Revenue Gain	\$0.8	\$1.6	\$2.4	\$3.2	\$4.0

<sup>1</sup> Assumes a \$400 per square foot average assessed value for retail space, and \$300 sales per square foot. Actuals will vary widely.

**RETAILERS ADD-ON COMMERCIAL REAL ESTATE TAX FOR TRANSPORTATION PURPOSES <sup>1</sup>**  
**ILLUSTRATIVE OPTION 3-B**

	RETAIL STORE SQUARE FEET	+1 cent	+ 2 cents	+ 3 cents	+ 4 cents	+ 5 cents
A	1,000	\$40	\$80	\$120	\$160	\$200
B	2,000	\$80	\$160	\$240	\$320	\$400
C	3,000	\$120	\$240	\$360	\$480	\$600
D	4,000	\$160	\$320	\$480	\$640	\$800
E	5,000	\$200	\$400	\$600	\$800	\$1,000

**REDUCE BPOL RETAIL RATE**

	RETAIL SALES	-2 cent	- 3 cents	- 4 cents	- 5 cents	- 6 cents
A	\$300,000	-\$60	-\$90	-\$120	-\$150	-\$180
B	\$600,000	-\$120	-\$180	-\$240	-\$300	-\$360
C	\$900,000	-\$180	-\$270	-\$360	-\$450	-\$540
D	\$1,200,000	-\$240	-\$360	-\$480	-\$600	-\$720
E	\$1,500,000	-\$300	-\$450	-\$600	-\$750	-\$900

**NET IMPACT TO RETAILERS**

A	-\$20	-\$10	\$0	\$10	\$20
B	-\$40	-\$20	\$0	\$20	\$40
C	-\$60	-\$30	\$0	\$30	\$60
D	-\$80	-\$40	\$0	\$40	\$80
E	-\$100	-\$50	\$0	\$50	\$100

**NET FISCAL IMPACT TO CITY (\$ In Millions)**

<b>Revenues to City for Add- On Real Estate Tax</b>	\$1.0	\$2.0	\$3.0	\$4.0	\$5.0
<b>Cost to City Of BPOL Relief to Retailers</b>	-\$0.4	-\$0.6	-\$0.8	-\$1.0	-\$1.2
<b>Net Revenue Gain</b>	<b>\$0.6</b>	<b>\$1.4</b>	<b>\$2.2</b>	<b>\$3.0</b>	<b>\$3.8</b>

<sup>1</sup> Assumes a \$400 per square foot average assessed value for retail space, and \$300 sales per square foot. Actuals vary widely.

# Real Estate Asset Sales/Disposition

City Council Retreat  
November 10, 2009



City of Alexandria

FY 2011 Council Retreat

## Asset Sales/ Real Estate Disposition

- 2009 Real Estate Disposition Study  
by Jones Lang LaSalle
- Recommendations to Council and actions  
taken on May 26, 2009
- Developer interest evident



City of Alexandria

FY 2011 Council Retreat

## Old Health Department Facility

- 509 N. St. Asaph, 511 – 515 Oronoco
- Detailed use vs. sell study underway
- Sell or keep recommendations forthcoming



City of Alexandria

FY 2011 Council Retreat

## 200 North Royal/ 405 Cameron

- To Be Sold Outright
- Real Estate Agent to be Selected
- Eldercrafters tenancy



City of Alexandria

FY 2011 Council Retreat

## 912, 916, 920 King/ 116 S. Henry

- Developer Interest Expressed

## 1505 Powhatan

- AHDC is developing detailed proposal to purchase and develop, tax-credit dependent



City of Alexandria

FY 2011 Council Retreat

## Process Issues

- *Unsolicited offer process being written*
- Input by Old Town Civic and North East Civic Associations
- Use of proceeds
  - Timing Uncertain
  - Use for CIP projects?



City of Alexandria

FY 2011 Council Retreat

Add – on Commercial Real Estate Tax  
for  
Transportation Operating/Capital Purposes



City of Alexandria

FY 2011 Council Retreat

Northern Virginia and Hampton Road  
localities are authorized to levy an add-on  
commercial real estate tax that can be used  
for transportation purposes. An add-on tax  
of up to 12.5 cents can be levied.



City of Alexandria

FY 2011 Council Retreat



## History

- Authorized in 2007
- Applies to non-residential commercial property
- Can be used for operating or capital purposes
- Fairfax County enacted 11 cent add-on
- Arlington County enacted 12.5 cent add-on



City of Alexandria

FY 2011 Council Retreat

## History

- Council established study committee in 2007
- Committee recommended initial 2-4 cent rate for 2008, then annually rate would be reconsidered, as well as small retailer tax relief enacted.
- Council enacted enabling ordinance, but did not tax



City of Alexandria

FY 2011 Council Retreat

## **FY 2011**

- Significant Operating and CIP Budget Gap
- Commercial assessments likely to drop
- Unmet transportation needs
- Add-on tax represents policy and budget option that can be considered
- Each 1-cent levied raises just under \$1 million per year



City of Alexandria

FY 2011 Council Retreat