



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of March 12, 2005**

DATE: March 1, 2005

SUBJECT: Advertisement of Proposed Real Estate Tax Rate

C. M. RECOMMENDATION:

Advertise a proposed Calendar Year (CY) 2005 real estate tax rate of \$0.908 for public hearing on March 31, 2005 using the attached advertisement (Attachment V).

ISSUE: What real estate tax rate should be advertised?

SUMMARY: The Fiscal Year (FY) 2006 Proposed Budget projects real estate tax revenue based on the current tax rate of \$0.958 per \$100 of assessed value. Due primarily to higher real estate assessments, overall tax revenue (based on the current rate) is sufficient to fund the basic operations of the County and the Schools and still leave a \$33.6 million reserve that the County Board can utilize for tax relief, revenue stabilization, or other initiatives. The County Manager has proposed a real estate tax rate reduction of, at least, five cents below the existing tax rate, utilizing a portion of these reserve funds. Under State law, the advertised rate becomes the maximum rate that may be adopted by the County Board; therefore, the rate adopted may be lower but not higher than the advertised rate. The actual real estate tax rate will be set at the County Board meeting on April 16, 2005, after the budget and tax rate public hearings (scheduled for March 29 and March 31, 2005 respectively) have been completed.

DISCUSSION: The budget proposed by the County Manager has set aside \$33.6 million for the County Board to provide real estate tax relief and establish new reserve funds. This set aside is funded primarily from higher real estate assessments and the incremental cigarette tax revenue projected for FY 2006. These funds could also be used for capital needs or unfunded initiatives.

The Arlington Public Schools are funded with 48.1% of local tax revenues, excluding the revenues set aside for tax relief (includes incremental cigarette tax) and affordable housing (incremental recordation tax earmarked for this purpose). Prior year strategic initiatives are also fully funded. For FY 2006, additional investments are recommended for the County Board to consider in the areas of new facilities recently or soon to open and several other initiatives including funding for Aurora House, traffic enforcement, and a MR/DD case manager.

County Manager: _____

County Attorney: _____

Staff: Barbara Donnellan, Director, Management and Finance
Chuck Gubisch, Budget Director, Management and Finance
Richard Stephenson, Revenue Analyst, Management and Finance

The proposed budget reflects an increase of 18.3% in the overall assessments of real estate for Calendar Year 2005. Attachment I provides more details on these changes.

Based on the 2005 assessment data released in mid-January, the average assessment of a single-family residential dwelling¹ has increased by 24%, from \$369,600 in 2004 to \$458,200 for 2005. At the current \$0.958 tax rate, this higher assessment translates into an \$849 annual increase in the average single-family real estate tax bill in 2005.

The increase in the total real estate tax base of 18.3% is higher than any increase since 1988 as shown in Attachment III. However, also shown is how significantly the real estate market can and has changed. For example, the increase in the tax base from calendar year 1989 to 1990 is 12.9%. The following year, the increase is only 3.0% from CY 1990 to 1991. The subsequent four years experienced negative assessment growth beginning with CY 1992.

Comparing the current Calendar Year (CY) 2004 real estate tax rate, the only jurisdiction with a lower real estate tax rate would be Fairfax City. The most comparable jurisdictions are the City of Alexandria and Fairfax County. The real estate tax rate of the former is currently 3.9 percent higher than Arlington and the latter is 18.0 percent higher. To be fair, tax cuts are probable in many of the northern Virginia jurisdictions, since they too have experienced significant growth in real estate assessments for 2005.

Attachment II displays ten years of history of assessed valuation and taxes for Arlington. (It should be noted that the single-family residential value is an average calculation. A comparison of one year's average assessment to another will not indicate the rate of appreciation in value because the average considers additions to the inventory of single-family dwellings from subdivision, new construction and declarations of condominium properties.) Attachment III provides a history from Calendar Year 1970 to 2005 of the total real estate assessment values (excluding Public Service Corporations.)

Attachment IV is the resolution required to set the recommended advertised real estate property tax rate. Attachment V is the annual public "Notice of Proposed Real Property Tax Increase", which satisfies the advertisement requirements set by State law for increasing tax rates.

FISCAL IMPACT: The Manager's FY 2006 proposed budget recommends a real estate tax rate reduction of at least \$0.05 from the current rate of \$0.958. \$33.6 million has been set aside by the Manager to fund tax relief and/or revenue stabilization or other initiatives. A real estate tax cut of five cents from \$0.958 to \$0.908 would cost \$21.6 million in FY 2006. The June 2005 or FY 2005 impact will have a net change from both assessment increases (difference from what was in the FY 2005 adopted budget and actual assessment changes announced in January 2005) and the tax rate reduction. The fiscal impact for FY 2005 will be accounted for during FY 2006 budget deliberations.

**ATTACHMENT IV
ARLINGTON, VIRGINIA
#1 COURTHOUSE PLAZA**

RESOLUTION FIXING COUNTY REAL ESTATE LEVY

BE IT RESOLVED AND ORDERED by the County Board of Arlington County, Virginia, that there is hereby levied for the tax year (CY) 2005, a tax of \$0.908 per one hundred dollars of assessed valuation of all taxable real estate located in this County for County and School purposes. The levy hereby ordered is also applicable to real estate of the public service corporations based upon the assessment thereof by Arlington County, the State Corporation Commission, and the State Department of Taxation, and duly certified.

IT IS FURTHER ORDERED that such taxes, when and if appropriated by the County Board of this County, shall be used to defray the County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington, and

IT IS FURTHER ORDERED that such taxes for County and School purposes appropriated or unappropriated and unused to defray County and School charges and expenses shall return to the General Fund of the County to be used to defray County and School charges and expenses and all necessary charges incident to or arising from the execution of the lawful authority of the County Board of Arlington County for the next fiscal year.

Arlington County
#1 Courthouse Plaza
2100 Clarendon Boulevard
Arlington, Virginia 22201
February 21, 2004

NOTICE OF PROPOSED REAL PROPERTY TAX INCREASE

The County of Arlington, Virginia, proposes to increase property tax levies.

1. **Assessment Increase:** Total assessed value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value of real property by 16.6 percent.
2. **Lowered Rate Necessary to Offset Increased Assessment:** The tax rate which would levy the same amount of real estate tax as last year, when multiplied by the new total assessed value of real estate with the exclusions mentioned above, would be \$0.822 per \$100 of assessed value. This rate will be known as the "lowered tax rate."
3. **Effective Rate Increase:** The County of Arlington, Virginia proposes to adopt a tax rate of \$0.908 per \$100 of assessed value. The difference between the lowered tax rate and the proposed rate would be \$0.086 per \$100, or 10.5 percent. This difference will be known as the "effective tax rate increase."

Individual property taxes may, however, increase at a percentage greater than or less than the above percentage.

4. **Proposed Total Budget Increase:** Based on the proposed real property tax rate and changes in other revenues, the total budget of Arlington County will exceed last year's by 6.1 percent.

A PUBLIC HEARING ON THE INCREASE WILL BE HELD ON MARCH 31, 2005, AT 7:00 P.M. OR AS SOON THEREAFTER AS POSSIBLE AT THE COUNTY BOARD ROOM, 2100 CLARENDON BLVD, ARLINGTON COUNTY, VIRGINIA. AFTER THE HEARING, THE COUNTY BOARD MAY ADOPT A TAX RATE LOWER THAN \$0.908 PER \$100 OF ASSESSED VALUE, BUT IT CANNOT ADOPT A HIGHER RATE.

A copy of the proposed resolution fixing the real estate tax rate for CY 2005 is on file and available for review in the Office of the Clerk to the County Board, Room 300, #1 Courthouse Plaza, 2100 Clarendon Boulevard, weekdays between the hours of 8:00 a.m. and 5:00 p.m.

Antoinette Copeland, Clerk
Arlington County Board