



City of Alexandria

**Business Tax Reform Task Force
Final Report**

February 19, 2014

REPORT OF THE BUSINESS TAX REFORM TASK FORCE

EXECUTIVE SUMMARY

The request of City Council and the City Manager, the Business Tax Reform Task Force is making this preliminary report.¹

We find that there is solid evidence that since the middle of the last decade, even before the Great Recession started, business activity began to decline in Alexandria. While there is evidence that business activity has leveled off in the last few years, it has not recovered to prerecession levels. As a consequence, business tax revenues have stagnated at levels below those achieved before the Great Recession.

Although the charge from City Council and the City Manager was focused on possible changes in business taxes and their administration, we believe that a reduction in business taxes alone would not be sufficient by itself to create a business friendly climate that would sufficiently promote business growth. Therefore, we saw our charge more broadly as to increase business activity by creating a more “business friendly” climate in Alexandria through several different types of change:

1. Substantive Changes

City regulations and policies (both for taxes and other programs) must be better designed to consider more completely their possible negative impacts on businesses and consciously try to avoid or minimize such negative impacts if possible without harming program objectives.

2. Procedural Changes

City procedures that govern interactions between City staff and businesses need to be redesigned to facilitate easier, more efficient interactions.

3. Cultural Changes

City staff must better understand and appreciate the importance of their personal actions, communications and attitudes in dealing with businesses in a variety of ways.

4. Perception Changes

The City must communicate frequently and clearly in many ways to businesses what it is actually doing to make the City more business friendly. These communications need to be addressed to businesses already in Alexandria, as well as those considering coming to Alexandria.

Various sections of this report make references and comparisons to Arlington County. The Task Force recognizes that attracting and retaining business is a competitive endeavor, and looked at the recruitment climate in the entire DC metropolitan area as a part of this analysis. The Task

¹ Follow-up actions are required and are briefly discussed in the “Next Steps Section of our report.

Force selected Arlington County as the primary competing jurisdiction based on adjacency and similarity of commercial product, neighborhoods, transportation infrastructure, tax structure, workforce and base of amenities.

To promote the growth of business activity in the City we have the following specific recommendations:

That the City:

1. Commit to Change the Business Climate in Alexandria and Publicize that Commitment.

Adopt well-defined policies to change the culture of the City's government, followed by consistent implementation of these policies at the operational level of City government.

- Adopt and implement well-defined policies to change the culture within the City government, and the perception in the region about the City's commitment to economic growth and business development;
- Expand and strengthen the City's strategic business plan(s) by inviting meaningful participation from the business community, local business associations, future BIDS, and the Chamber of Commerce; and
- Retain a public communications consultant to develop a broad communications campaign to inform our citizens, City staff and businesses in the region about the City's commitment to business development as well as our successes in attracting and maintaining quality businesses.

2. Reduce Alexandria's Business, Professional & Occupational License (BPOL) tax rates across all business sector categories to at least one cent less than Arlington's BPOL rates for similar categories.

- Phase-in the BPOL rate reduction over a two-year period. Under our recommendations the reduction in the Professional Services category would come in FY 2015, resulting in a \$2.3 million BPOL revenue reduction for that fiscal year.
- Implement the remaining reductions in FY 2016 in a combination of categories such as repair/personal/business services and retail/wholesale merchants. City staff estimates the total reduction in tax revenues over two years to be \$4.22 million.
- Incorporate the BPOL rate reduction in the planned communication campaign. The BPOL rate reduction should be prominently featured in the campaign's communication materials.
- Develop metrics to determine the impact of the BPOL rate reduction. Increased business tax revenue (in dollar and percentage terms) will be the ultimate measure of success, but other measures such as business licenses issued, gross receipts generated, and higher

employment can serve as indicators of the rate reduction impact. Comparative analyses can also be made with Alexandria businesses not affected by BPOL rate changes and businesses in the same BPOL categories in neighboring jurisdictions.

3. Do not provide a two year BPOL tax exemption for new/relocating businesses.

- The Task Force believes there would be no substantial benefit beyond that recommended in #2 above and expresses concerns about inequity perceptions among the broader business community that adopting such a policy would generate.

4. Make no changes to personal property tax rates paid on business equipment.

- Do not change the personal property tax rate for businesses. Because Arlington's rate is already higher (\$4.75/\$100 for Alexandria vs. \$5.00/\$100 for Arlington), there is no need to match Arlington's rate to be competitive in this area of taxes.
- Do not make changes to depreciation schedules for taxing business personal property (tangible business equipment) to match Arlington's schedules, since they are essentially the same.

5. Develop specific procedures for City staff to use that more fully explore and document the potential impact on businesses of actions being recommended by City staff to the City Manager and/or City Council.

Such procedures are inspired by the Paperwork Reduction Act and the National Environmental Policy Act at the Federal level. They would:

- Require City staff to produce more formal business impact statements that would accompany docket items prepared for Council consideration.
- Require business impact reviews to be supplied to the City Manager as part of proposals advanced by City departments for the City Manager's consideration and decision that do not require City Council review and approval.
- Consider the need for an existing central office to "police" the process.

6. Improve City tax services to the business customer.

- Make City tax policies easy to understand by revamping online documentation, assigning Department of Finance customer service representatives, and assisting tax customers via on-line chat, phone and e-mail.

- Make paying taxes easy (and pleasant) by implementing effective customer service training techniques, and introducing in-person comment card and online feedback programs.
- Make tax paying easy to follow by creating a new Business Tax Web Portal that allows business tax payers to log-in, submit business tax returns and payments, view previous payments and returns, and provides friendly e-mail reminders about upcoming tax deadlines, and confirms filings and payments in a friendly manner.

7. Take next steps to examine additional ideas to improve the business climate.

Continue in some form the activities of the Task Force to examine several additional ideas for promoting business activity that this Task Force did not have the time or resources to examine. These ideas include:

- Making grants, loans and providing other financial assistance,
- Providing geographically targeted incentives,
- Providing an expanded AEDP marketing campaign, and
- Designing and implementing a professional communication campaign to promote Alexandria as “business friendly”.

Options for Mitigating the Budget Impact

In the long run business activity may increase sufficiently as a result of the changes recommended by the Task Force to create a “win-win” for both business taxpayers and residential taxpayers. But in the short run, the immediate and certain costs proposed by the Task Force will not be offset by any predictable increase in business activity in FY 2015. Therefore, these recommendations would need to be absorbed in other parts of the upcoming FY 2015 budget.

The Task Force recognizes that there is always competition between new initiatives and existing programs in the budget process. Rather than table all these suggestions due to the challenging FY 2015 environment, Council may want to consider other options that would reduce the total magnitude of the effect on the budget bottom line in 2015. If so, the Task Force would recommend either phasing in the proposals over more time (more than the 2 year phase-in suggested already for BPOL tax rate reductions), and/or scaling back the scope.

- One option is simply to extend the time period over which the tax rate reductions would be implemented. These reductions and the revenue impacts in each year can be estimated by City staff for City Council consideration. The longer the phase-in period, however the less immediate would be the impact on public perception.

- Another option is to prioritize the recommendations by considering their cost. Obviously, the BPOL tax reduction has the greatest impact on the budget. The changes recommended in the rates are easily scalable, and /or the relative importance of reductions in each category could be assessed.²

The Task Force is proposing its package of BPOL tax reductions as simpler to explain and therefore more powerful in shaping the message to be used in a communication campaign to change the perception of Alexandria's attitude toward businesses. The advantages of message simplicity and other aspects of the Task Force's recommendations will have to be weighed by Council against the costs to other parts of the budget.

²The Task Force notes that while reducing the rate for the renting residential property category would generate a significant BPOL revenue reduction, there is no evidence that a rate reduction for this category, resulting in a decrease of \$1.2 million in BPOL revenues annually, will attract more businesses into the City. The Task Force recommends that, during the first year of BPOL rate reduction, the City Manager initiate an analysis of the potential impact of reducing the renting residential property BPOL rate on business and subsequent gross receipts growth.

TABLE OF CONTENTS

1. Executive Summary	i
2. Table of Contents	vi
3. Charge and Membership	p. 1
4. Business Activity in Alexandria Still Stagnant After the Great Recession	p. 4
5. Public Commitment and Communication	p. 12
6. Business Professional and Occupational License Tax Rate Changes	p. 15
7. Business Personal Property Taxes	p. 20
8. Business Impact Statements and Reviews	p. 21
9. Serving the Business Customer	p. 23
10. Next Steps for Consideration	p. 27
11. Attachments	p.28
1. Full text of memo from 3 council members	
2. City Manager's memo appointing members	
3. Brief biographies of Task Force members	
4. Business Tax Web Portal: Detailed Functional Requirements	
5. Summary of comments received through solicitation of written comments	
6. Links to various academic and other materials of interest provided to and used by the Committee.	
7. Objectives, Scope & Methodology Used by the Task Force	

CHARGE AND MEMBERSHIP

Charge

On June 25, 2013, City Council approved a request from Council members Lovain, Smedberg, and Wilson³ to ask the City Manager to form a study group to examine ways to make recommendations on:

1. “Changes to the Business License Tax, Business Personal Property Tax, or any other revenue stream that will promote business growth and align to the City’s strategic economic development objectives.
2. Revenue or other incentives that the City can deploy to attract businesses and encourage beneficial development aligning with the City’s Strategic Plan, as well as appropriate criteria for evaluating these incentives.
3. “Changes to the administration of any revenue stream that can assist small businesses.”

The memorandum from the 3 Council members said that they would like “recommendations that are both cost-neutral and ones that may require new City investment.” The memorandum also stated that “Tax incentives that the City does pursue must be the result of rigorous analysis and not simply reduce revenue without a corresponding increase in business development.”

Some of the motivations expressed in the memorandum for this study were to:

- “Ease the burden on our residential taxpayers by increasing the share of taxation that derives from commercial activity”;
- Attract “new businesses to Alexandria and ensuring their success”;
- “Provide jobs for our residents and help support the services our community relies on;”

By memorandum dated August 16, 2013, the City Manager appointed the members of the “Business Tax Reform Task Force” in response to the request.⁴ His memorandum added that the Task Force’s specific areas of focus would include:

- Finding ways to ease the burden on residential taxpayers by growing commercial activity.
- Establishing criteria to evaluate any changes in the future to determine whether or not they brought about the desired goal.
- Studying total economic costs (taxes and lease costs) of key competing suburbs (Tysons Corner, Rosslyn, DC downtown).

³ The full text of the memorandum signed by the three Council members can be found at Attachment 1 to this report.

⁴ The full text of the City Manager’s memorandum can be found at Attachment 2 to this report.

The Task Force also wishes to state clearly its motivation for improving the business climate and increasing business activity in Alexandria. Why should the residents of Alexandria -- whether they work, dine, shop or entertain themselves in our City -- care about the health of the business community in Alexandria?

1. The healthier the business community, the more sales of business products and services there would be, and the more taxes would be paid largely by people and firms who live outside our borders. In this fashion, the tax burden on residents of Alexandria, especially on residential homeowners, is exported to others.
2. The healthier the business community, the more employment opportunities there are in Alexandria. More businesses and jobs in Alexandria open up more possibilities for residents of Alexandria to live and work near their homes, reducing commuting times, improving traffic, and improving the quality of life for everyone.
3. The healthier the business community, the more business owners and leaders will become able and willing to participate in, and give back to, the community through their time, talents and resources to make Alexandria a better place to live. The philanthropic community and civic life in Alexandria can be strengthened by a stronger business community.

As discussed in the Results in Brief, the Task Force believes that a reduction in business taxes and changes in tax administration alone would not be sufficient by itself to create a business friendly climate sufficiently to promote business growth. Therefore, our recommendations address several other desirable changes in addition to targeted tax relief and improved tax administration.

The Task Force faced certain difficulties given our instructions and charter from the City Council and the City Manager.

One of the most difficult issues faced by the Task Force was what burden of proof did it have to meet in order to recommend various measures that may cost the City in the short term either in reduced revenues or increased expenditures. Although it would be better if the Task Force could say that there is strong objective evidence that its recommendations will result in specific results in a specific time period, it cannot. Our argument is in large measure intuitive and subjective. The Task Force believes that by doing the things we recommend the City will improve the business climate. In so doing, the City will have a much better probability, but not certainty, of keeping, expanding and attracting business activity.

Much of what drives business activity in such an integrated metropolitan area (one that also hosts the capital of the United States) is beyond the influence of City Council and the City. The interaction of these forces is also complicated to understand and predict. In larger national and state arenas, where the data are more thorough, timely and available, there is conflicting evidence as to what works and doesn't work to promote business activity and growth. On our

specific local stage as one of the smaller (albeit important) parts of Northern Virginia and the metropolitan Washington area, there is certainly no widely agreed upon model of economic behavior that would provide specific predictions and conclusive results. Therefore, we decided not to spend our limited available time trying to create such a model. Such an effort would only involve us in endless academic debates.

Our recommendations cannot be said to lead to results that are beyond a reasonable doubt, or supported by a preponderance of objective, scientific evidence. We believe, however, they are reasonable conclusions based on logic and reasonable assumptions.

TASK FORCE MEMBERSHIP⁵

The members appointed by the City Manager include:

- Bruce Johnson, Chair
- Gregory H. Leisch
- Jill Erber
- Laurie MacNamara
- H. Skip Maginniss
- James L. McNeil

Brief biographies of the members are attached for information at Attachment 3 of this report.

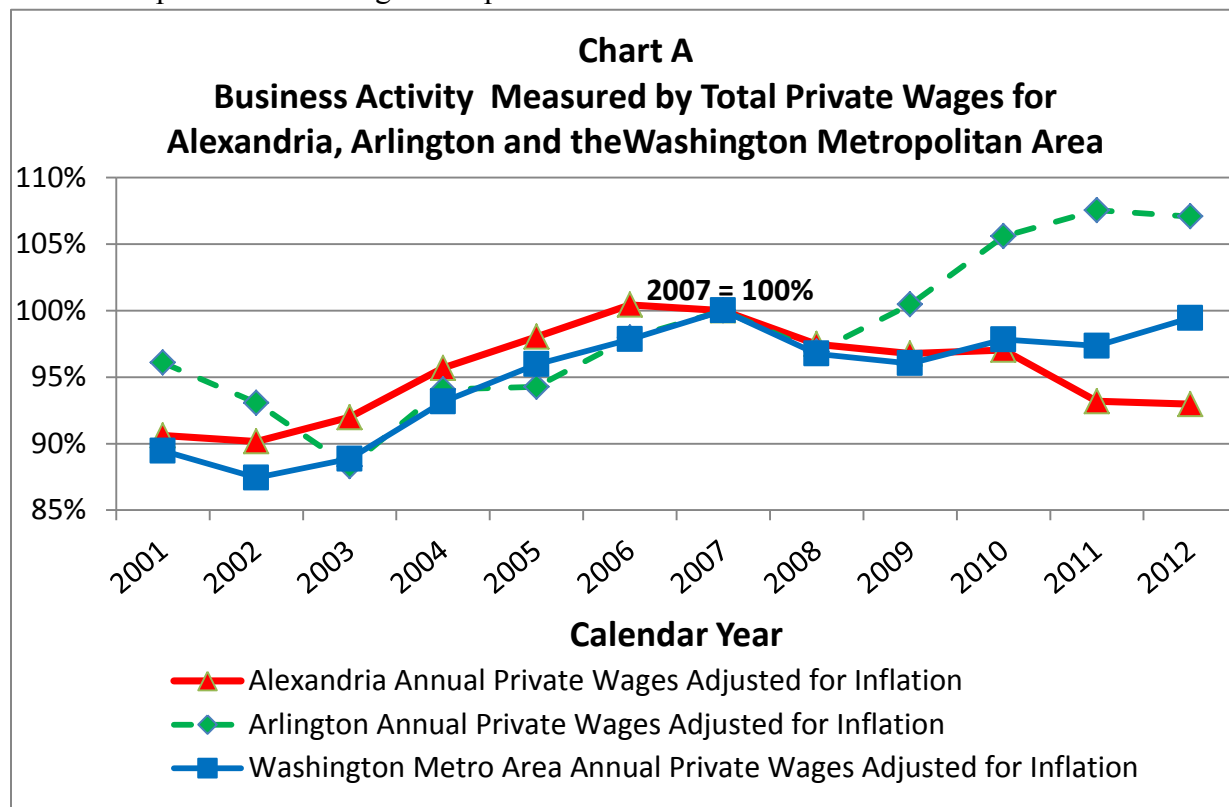
5. John J. Renner was appointed to the Task Force but resigned for personal reasons early in its deliberations.

BUSINESS ACTIVITY IN ALEXANDRIA STILL STAGNANT AFTER THE GREAT RECESSION

The motivation for City Council asking the City Manager to form the Task Force was to examine how to spur business growth. This section of the report examines why it may be the right time to propose such reforms.

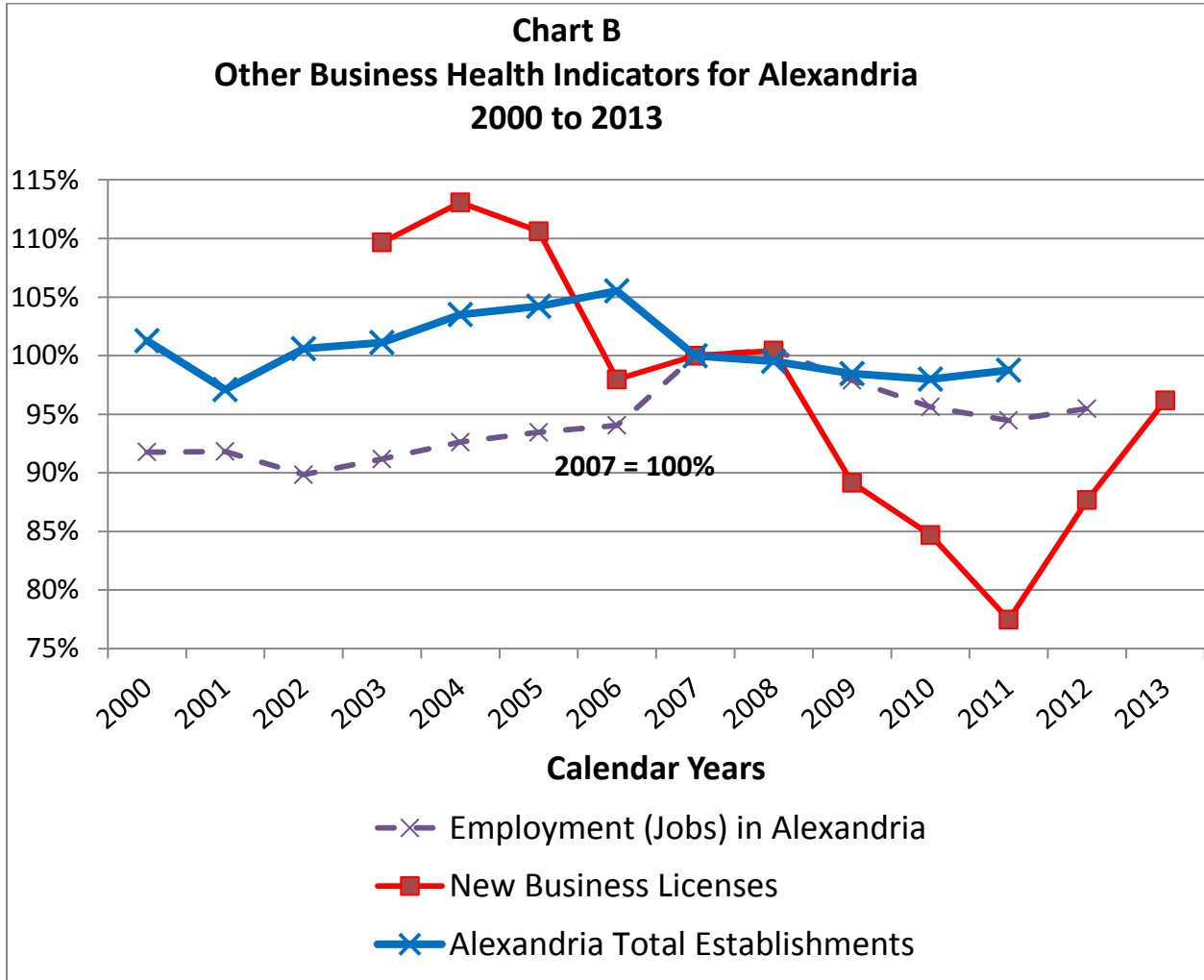
We find that there is solid evidence that since the middle of the last decade, even before the Great Recession started, business activity began to decline in Alexandria. While there is evidence that business activity has leveled off in the last few years, it has not recovered to prerecession levels. As a consequence, business tax revenues have stagnated at levels below prerecession levels.

Chart A below shows Alexandria business activity -- as measured by the total wages (adjusted for inflation) paid by Alexandria private sector employers -- has declined from 2007 to 2012 significantly -- 7 percent. In the same time period across the entire metropolitan area payroll has declined only slightly -- 1 percent. Our neighbor, Arlington County, has actually experienced an increase in private sector wages of 7 percent from 2007 to 2012.⁶



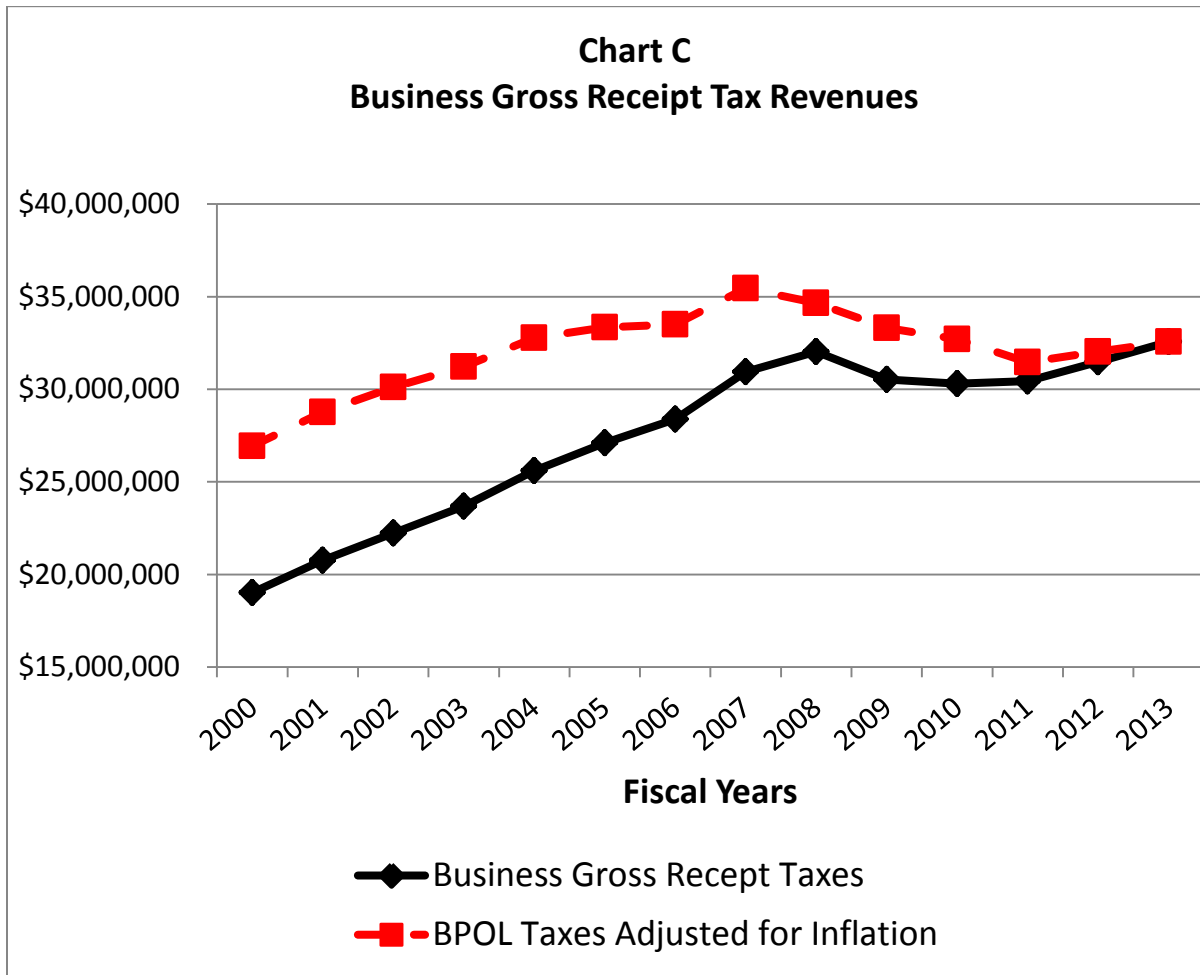
⁶ We compare ourselves to nearby Arlington in several of the following charts because Arlington is a primary competitor for business. Also, although different in some respects, both Alexandria and Arlington offer a central and convenient, inside the beltway, Northern Virginia location with similar demographic and economic characteristics.

Other indicators of business health for Alexandria show similar declines since the middle of the last decade in Chart B below. New business licenses issued in Alexandria are down significantly --15 percent -- since 2004. Although the number of new business licenses has climbed back up in the last two years, in 2013 it is still 3.8 percent shy of 2007 levels. Employment in Alexandria in 2012 was down 5.4 percent from its peak in 2008. The total number of establishments has also declined by 2011 from its peak in 2006 by 6.4 percent.



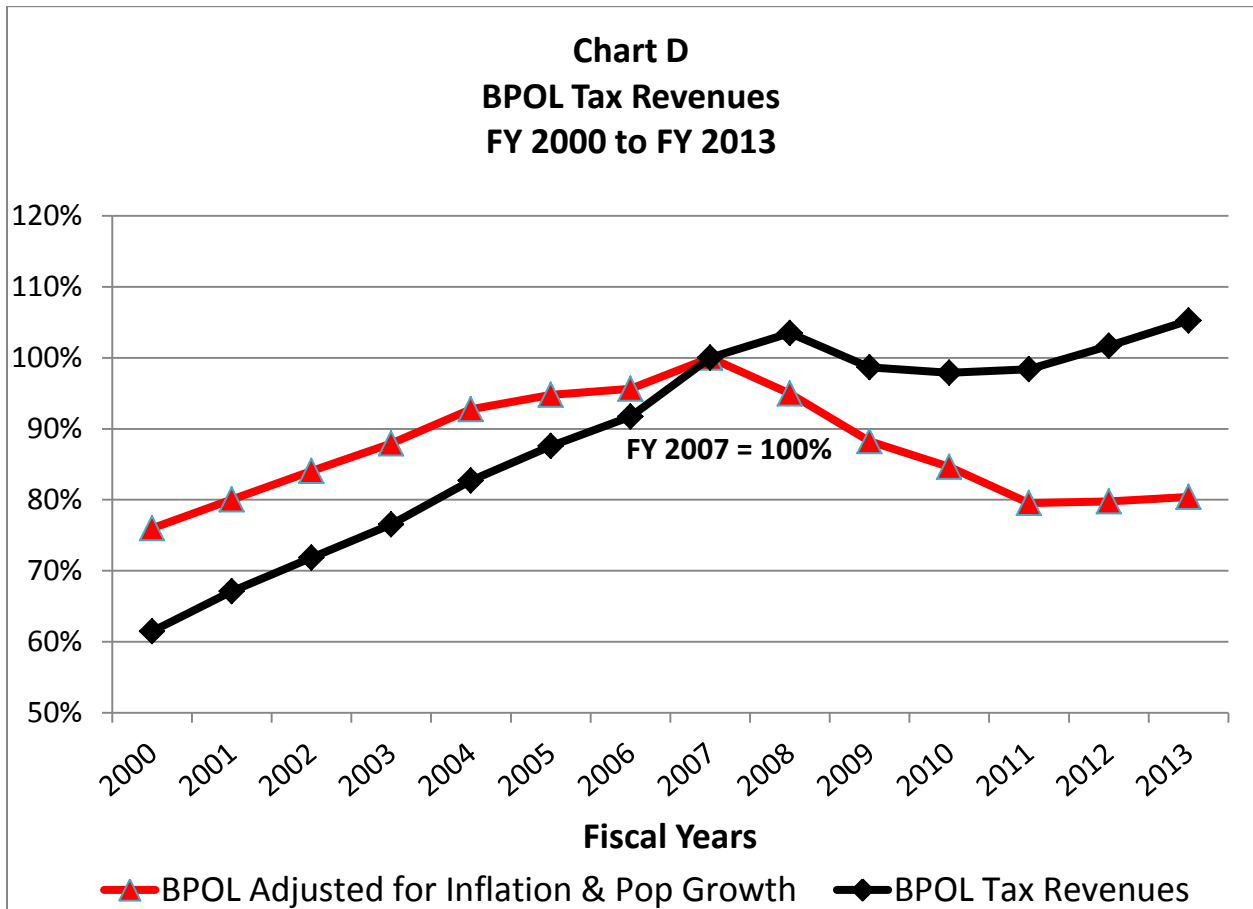
Because the amount of business gross receipt taxes collected (otherwise called Business, Professional and Occupational License or BPOL taxes) is in proportion to the gross receipts of each business, this figure over time is a good indicator of business activity in Alexandria. Based on the BPOL taxes collected in FY 2013, the total gross receipts of businesses in the City were \$9.5 billion.

Chart C below also adjusts business gross receipt taxes for inflation. In current dollars and in inflation adjusted dollars, business activity as measured by gross receipts is still at or below prerecession levels.⁷ However, in inflation adjusted “constant 2013” dollars the taxes collected have declined 8 percent from fiscal year 2007 to 2013.



⁷ In FY 2006 BPOL taxes for new firms with less than \$2 million in gross receipts were reduced for the first two years of operation. The estimated impact was small -- \$0.2 million in 2006 and \$0.4 million in FY 2007 and each year thereafter.

Chart D below indexes these amounts so that 2007 equals 100 percent and shows gross receipt taxes adjusted for both inflation and population growth. This chart shows that gross receipts revenue in dollars unadjusted for inflation has grown 5 percent since 2007. However, when adjusted to reflect population growth and inflation (by measuring gross receipt taxes collected on a per capita basis in constant dollars), the decline is very severe – a 20 percent decline since the 2007 peak. This measurement indicates that business activity is not only declining in real terms, but it is greatly lagging population growth and becoming less of a presence in the Alexandria economy compared to income generated by residents.



Two other major business tax revenue sources -- sales taxes and meals taxes -- have also declined significantly since 2007. Chart E below shows that when adjusted for inflation and population growth, sales taxes have declined 23 percent since 2007. Meals taxes have declined 8 percent since 2007. Although the third major business tax on transient lodging has increased since 2007, that increase is attributable primarily to an increase in the tax rate on hotel room rates from 5.5 percent to 6.5 percent in 2009. Since that tax rate increase, his tax also has declined 7 percent.

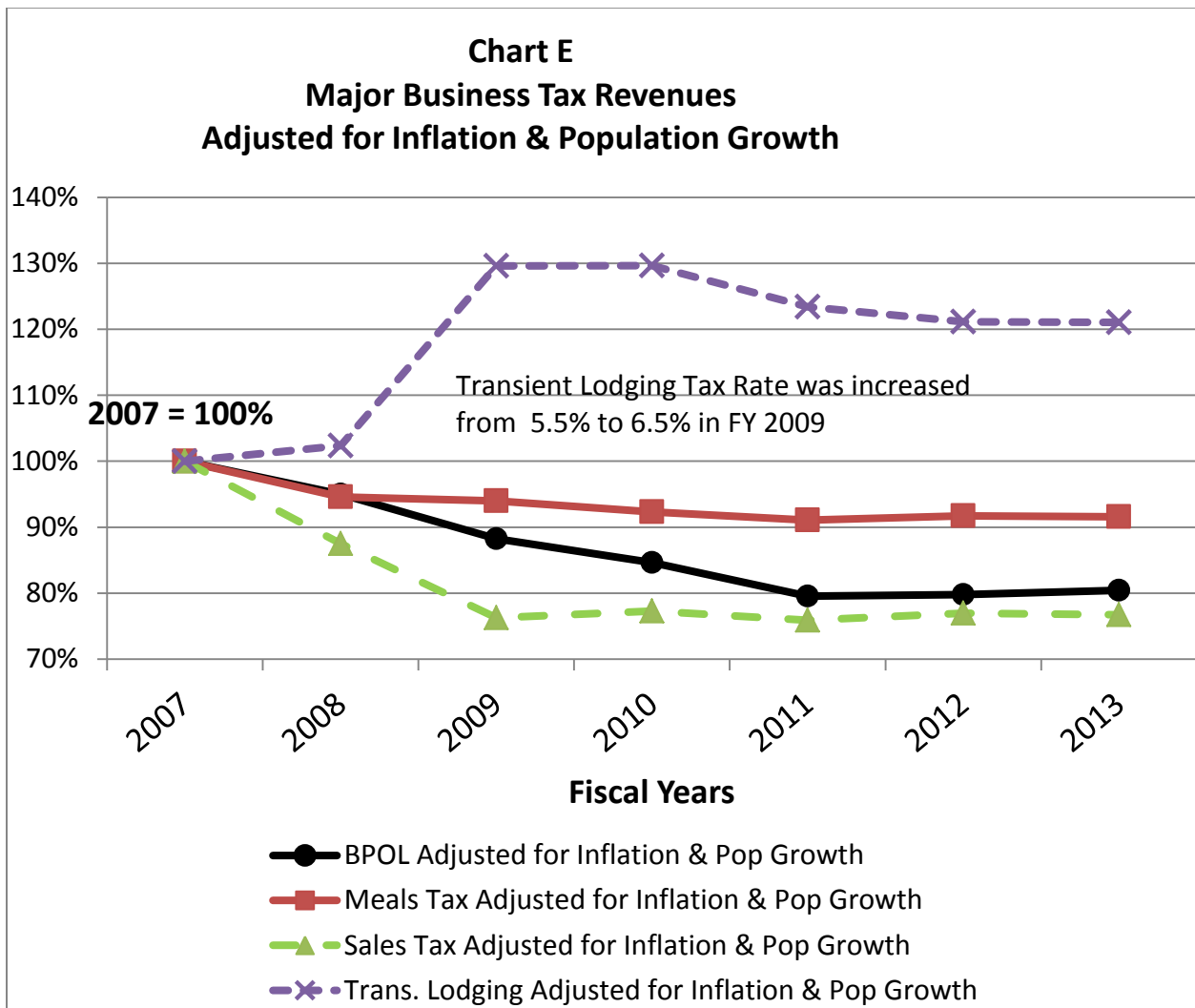


Chart F below shows how the relative size of the business community as measured by the number of private jobs in Alexandria has shrunk compared to the resident population since 2006. This chart reemphasizes the fact that business activity, when compared to the resident population has declined dramatically since the middle of the last decade. The ratio was 61 percent in 2006, and it is now 50 percent. That is to say that for every 100 persons living in Alexandria, there were 50 private sector employees in 2013 working in Alexandria. There were 61 such employees just 6 years earlier. This is an 18 percent decline.

Although Arlington County also has experienced a decline in this ratio, it is not nearly as great. Arlington declined from a peak of 60 percent in 2007 to 56 percent in 2012 – a 6.7 percent decline.

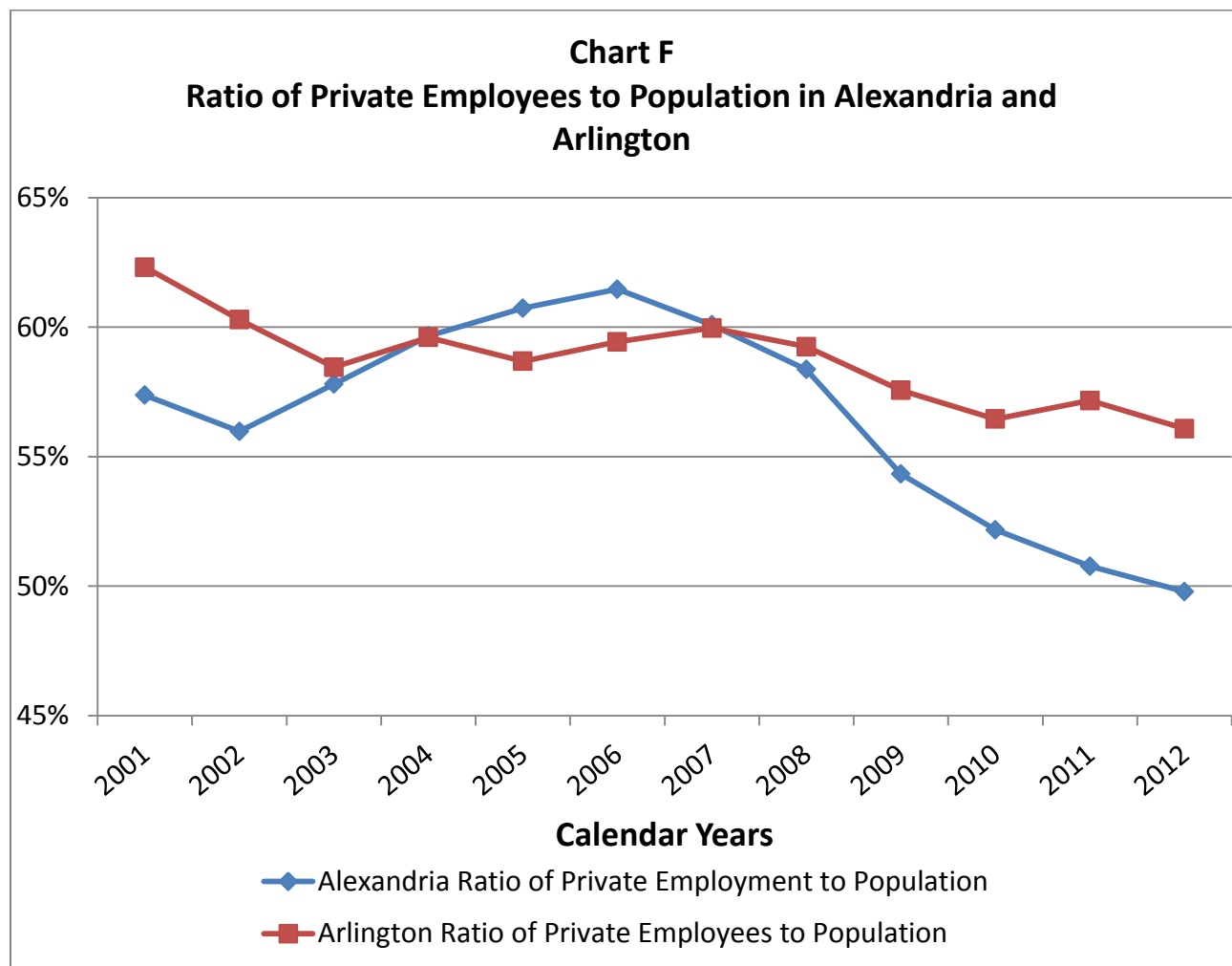
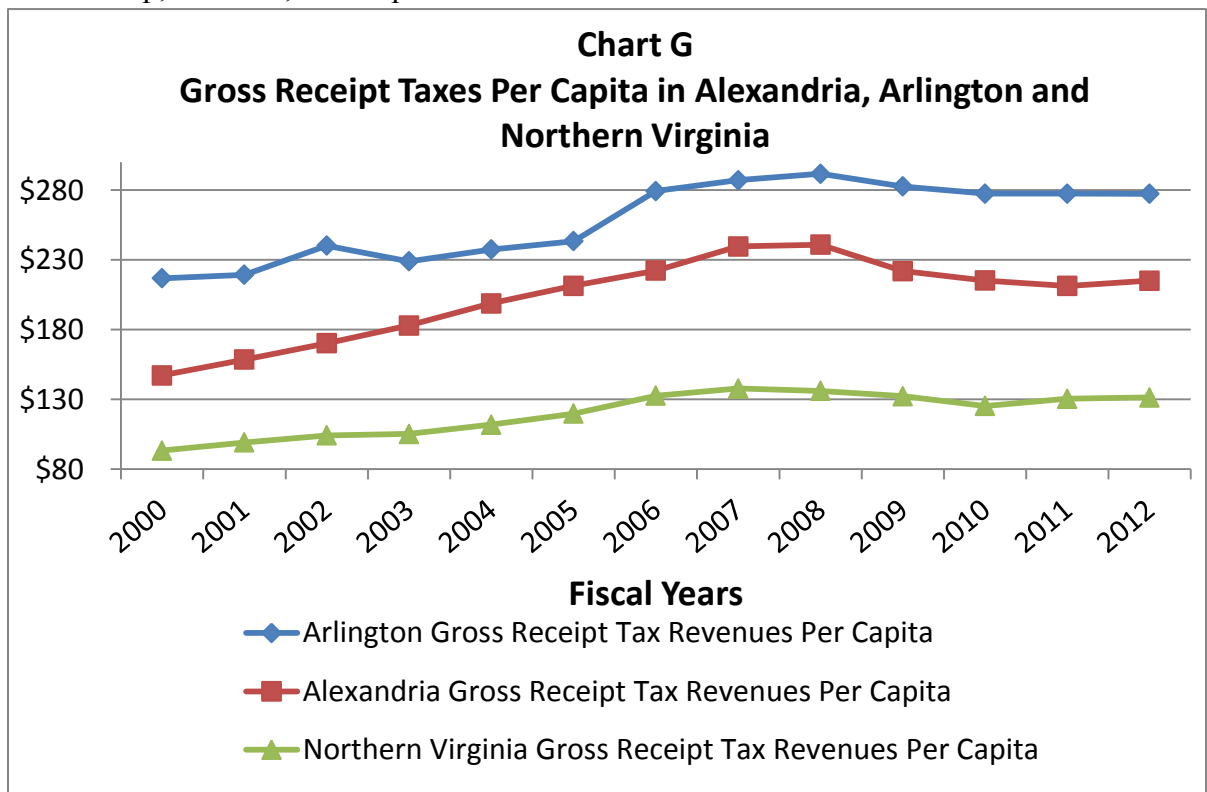


Chart G below makes an additional comparison of gross receipt (BPOL) taxes in Alexandria and Arlington County, as well as the rest of Northern Virginia.⁸ From these data one can make several additional points:

1. Arlington collected \$277 in gross receipt taxes from businesses in 2012 for each person living there; in Alexandria we collected \$215 for each person living here – 22 percent less.
2. Arlington County collects a larger amount of revenue per capita from gross receipt taxes with lower tax rates than Alexandria. But both Alexandria and Arlington receive a much larger amount of gross receipt taxes per capita than Northern Virginia as a whole.
3. The entire region’s business activity has remained stagnant since 2008. Arlington County has done slightly better than Alexandria since the 2008 peak in business gross receipt taxes per capita – declining on 4.9 percent compared to Alexandria’s decline of 10.7 percent. However, the entire Northern Virginia region has done better than both, declining only 3.4 percent since 2008.
4. Looking at the time series, Alexandria with the highest gross receipt tax rates in the region has had the most significant decline in gross receipt taxes per capita. (No causal relationship, however, can be proven from these data.



⁸ The data extend only to FY 2012 because Arlington data were found in the Virginia Auditor of Public Accounts annual reports that are available now only through FY 2012. The Northern Virginia total includes the jurisdictions of Alexandria, Arlington, Falls Church, Fairfax County and City, Manassas City and Manassas Park, Loudoun, and Prince William.

Conclusion

There has been a decline and stagnation of business tax revenues that predates the start of the Great Recession. This decline and stagnation has put more pressure on real estate taxes and other taxes and fees imposed on Alexandria residents (as opposed to businesses) to provide the revenue necessary to fund City services and infrastructure projects deemed necessary during the annual budget process.

The measures recommended by the Task Force for consideration by the City Manager and City Council are designed to create package of measures that would make Alexandria a more attractive place to do business. The intent of these measures is to reverse the trend of the last 6 to 8 years and increase business activity at a rate that exceeds population growth. Through that proportionately greater rate of increase, we hope that these measures would decrease the pressure on taxes and fees levied exclusively on the residents of Alexandria.

We caution everyone reading this report that we do not claim to have any conclusive, objectively verifiable information that would indicate that these measures collectively or individually would increase business activity and business taxes at a proportionately greater rate. Although we have looked at the literature, there are good arguments on either side of the question whether lower tax rates lead to increased business activity. Even if one would conclude that there is a preponderance of evidence that lower tax rates do lead to more business activity, we have no evidence or studies that would allow us to conclude that these measures being proposed for Alexandria would lead to more business activity in our particular circumstances.

We do believe that these measures, taken as a group, would provide a strong message to the business community that the City is serious about trying to improve the business climate. We also believe that businesses would respond to this message favorably. Such a message would provide incentives to businesses to come to Alexandria, stay in Alexandria, or expand their activities in Alexandria. Our logic is that such a message and measures, all other things being equal, would result in more business activity in the City in the long run.

The indicators used in this section could be used to track any changes in business activity after the implementation of these measures. Any significant impact would take several years, particularly if the measures are implemented over a period of years. We counsel everyone that these results will take as much time to lead to positive results – as much time as it has taken for business activity to decline since the middle of the last decade.

PUBLIC COMMITMENT AND COMMUNICATION

Attracting Business

The 2007 “Recommendations of the Mayor’s Economic Sustainability Work Group” identified the need for growth in the business sector to achieve economic sustainability. Further, the report was very clear that the City was becoming less and less economically viable due to decreasing business activity. As indicated in this report, the growth of business activity and related revenue to the City has declined and then been stagnant since that report. Much of the public comment we solicited and received from citizens articulates that they perceive the City is still not an easy place to locate and conduct a business. While it is possible that these two facts are not necessarily related, it is also reasonable to examine the possible nexus.

Implicit in the mandate provided by Council to the Task Force is the broader question: How can the City become recognized in the region as “business friendly” and as a preferred location for a business? The Alexandria Economic and Development Partnership (AEDP) presented information to the Task Force outlining the primary factors that businesses consider when choosing a location for their business. While the tax environment (low taxes) is a factor, it is not the only factor. Further, many studies examine this issue, and the evidence clearly points to the equal importance of such factors as:

1. Ease of obtaining City approvals and permits;
2. Availability of a qualified and educated labor pool;
3. Business environment, i.e., the health of the existing business community;
4. Networking opportunities;
5. Availability of appropriate business space (real estate);
6. Cost of living; and,
7. Livability of the community, including schools, amenities and cultural opportunities.

Accordingly, jurisdictions ranked by such organizations as CNN Money and The Ewing Manion Kaufman Foundation were cited as exemplary in these “qualitative” factors. For example, Virginia Beach was ranked second in nation by CNN Money for being a business friendly city because in part it is the “easiest place to start a business.”

If the City wishes to attract new business, retain and grow existing businesses, and reverse the yearly decline in business revenue, then an approach broader than just reforming the tax environment will be necessary.

Creating a Business Friendly Culture

In a report outlining the results of a survey by the Southern California Association of Governments (SCAG) designed to identify “Best Practices of Implementing Business Friendly Cities,”¹ it states: “A city or county’s ability to attract and retain business is directly related to its ability to foster an

environment that is conducive to the business community's needs." The report then lists fifteen recommendations to achieve this end. However, the underlying assumption is there must be a total commitment by a City to change the culture within the city government, and communication of this commitment through specific and clear actions.

Commitment must come from the City's leadership, beginning with Council adopting well-defined policies to change the culture of the City's government, followed by consistent implementation of these policies at the operational level of City government. A critical component is communication of the City's commitment through a specific "open for business" media campaign that is carried out over a period of years, together with appropriate training of City staff to better deliver services to the business community. To be as effective as possible, the City also will need to host events and support private sector organizations such as BIDS, business associations and the Chamber of Commerce, as well as utilize small incentives, awards, and media. Changing the perception of Alexandria's business environment in the Northern Virginia/ Washington Region will take time and only succeed if the importance of business development to the health of the City is fully understood and embraced on the leadership level.

Many cities and states have specific, effective programs targeted to communicate that they welcome enthusiastically and support business. Arlington County is a nearby example of a jurisdiction that publicizes its commitment to creating a favorable business environment through effective communication. Press releases from Arlington County are accompanied by a footer that characterizes itself as "Home to some of the most influential organizations in the world - including the Pentagon - Arlington stands as one of America's preeminent places to live, visit and do business." In addition, Arlington is currently conducting a media campaign titled "think Arlington" with the tag line "Arlington: at the intersection of business / technology / innovation / culture / diversity," exemplified by a 5 inch by 10 inch color advertisement in a recent Washington Business Journal depicting two young entrepreneurs. The fundamental difference between these programs and the traditional approach to economic development is that they are based on a strategic commitment by a jurisdiction that permeates all levels of the government, rather than the isolated effort of a single economic development group.

Creating a positive business environment should include exploring business tax reform, but to be successful and realize the benefits of business growth, the City will need to make a commitment to business and communicate that commitment throughout the City and the Region. Generally the City can demonstrate and communicate its commitment to business by taking following actions:

- Adopt and implement well-defined policies to change the culture within the City government, and the perception in the region about the City's commitment to economic growth and business development;
- Expand and strengthen the City's strategic business plan(s) by inviting meaningful participation from the business community, local business associations, future BIDS, and the Chamber of Commerce; and

- Retain a public communications consultant to develop a broad communications campaign to inform our citizens, City staff and businesses in the region about the City's commitment to business development as well as our successes in attracting and maintaining quality businesses.

It is beyond the scope of this study and report to detail the elements of these recommendations. It is understood that further refinement of this strategy and development of specific steps to implement the program will be essential to its success.

BUSINESS, PROFESSIONAL, AND OCCUPATIONAL LICENSE (BPOL) TAX RATE CHANGE

The BPOL tax, better known among the business community as the gross receipts tax, represents a significant revenue source for Virginia's localities (generating more than \$680 million for localities across the Commonwealth in FY 2012)⁹. Alexandria is no exception; BPOL represents the top business tax revenue generator for the City, bringing in \$30.5 million in FY 2013 revenue as the top business tax revenue generator for Alexandria.

As currently structured, Alexandria has a diverse range of BPOL rates applied across its business sectors, ranging from a high of \$.58/\$100 of gross receipts for the professional services, financial services, residential property renting services, and commercial property renting services, to a low of \$.05/\$100 of gross purchases for wholesale merchants. Although Alexandria's rates in several categories are below the state maximum limits and competitive with neighboring Northern Virginia jurisdictions, there has been longstanding concern about the BPOL tax's impact, both actual and perceived, on the City's business growth. This concern extends to both very small and large businesses. Four percent of businesses with annual gross receipts totaling \$500,000 and over brought in 80 percent of FY 2012 BPOL revenue. Fifty-four percent of small businesses had annual gross receipts of \$10,000 - \$99,999 and accounted for four percent of FY 2012 BPOL revenue, but that was nearly as much as the next three gross receipt categories by size combined.¹⁰

In 2005, recognizing the negative impacts of the BPOL tax on certain business constituencies, the Council passed an ordinance to provide business tax relief and simplification to small- and medium-sized businesses for their first two years of operation.¹¹ In 2009, the Council again considered changes, including raising the threshold for businesses to pay the BPOL tax, as part of an array of proposed initiatives to aid small businesses.¹² Ultimately, the Council did not adopt any additional changes in 2009.

Based on the responses to the Task Force's October 1, 2013 solicitation of public comments, the BPOL tax remains a significant issue for those Alexandria businesses that have the ability to locate anywhere in Northern Virginia or the metropolitan DC area. Although the potential impact of both attracting businesses as well as retaining businesses through a BPOL tax reduction (in conjunction with other initiatives) cannot be quantified reliably, there is sufficient anecdotal evidence to indicate that a reduction, particularly one that eliminates a comparative disadvantage vis-à-vis a primary competing jurisdiction, would be beneficial.

⁹ "Technical Report: Impact of Changing the Basis of the BPOL Tax from Gross Receipts to Income," Joint Legislative Audit and Review Commission (JLARC) Report No. 447, October 15, 2013.

¹⁰ City of Alexandria Finance Department, "BPOL Revenue by Category and Size of Business," Analysis Conducted for Business Tax Reform Task Force, October 2013.

¹¹ "Consideration of an Ordinance to Reform the Business License Tax Relief for Small and Medium Sized Businesses," City of Alexandria Memorandum, June 7, 2005.

¹² "Budget Memo #62: Suggestions for Helping Small Businesses," City of Alexandria Memorandum, April 2, 2009.

Upon additional review, the Task Force determined that Arlington represents the closest competitor for the businesses sectors expressing the most concern about BPOL tax impacts. Working with the Finance Department, the Task Force examined several scenarios addressing tax reductions, delays, and exemptions. With this analysis, the Task Force makes the following recommendations:

- **Reduce Alexandria’s BPOL rates across all business sector categories to at least one cent less than Arlington’s BPOL rates for similar categories.** The Task Force selected Arlington as the primary competing jurisdiction for this recommendation, based on the similarity of businesses attracted as well as Arlington’s similar close-in suburb location and associated demographics. The “one cent below” recommendation is designed to give Alexandria a transparent, visible selling point to draw additional businesses into the City, creating a more vibrant business community. This in turn would lead, over time, to higher gross receipts and thus more BPOL-generated revenue based on volume versus rate. Given the importance of this issue to the business community, the Task Force believes that this reduction below Arlington’s rates will provide a needed boost to Alexandria’s ability to attract and retain businesses (particularly small- and medium-sized businesses). The Finance Department estimates that the annual revenue decrease due to this reduction will be \$4.22 million, as shown in Table 1, provided by the City’s Finance Department.¹³

¹³ City of Alexandria Finance Department, “Lower Alexandria BPOL Rates 1 Cent Below Arlington BPOL Rates,” Analysis Conducted for Business Tax Reform Task Force, November 2013.

Table 1. Comparison of annual revenues from Arlington BPOL rates, current Alexandria rates, and proposed Alexandria rates

BPOL Category	Arlington rate	Alexandria rate (now)	Alexandria rate (as proposed)	Alexandria revenue (now)	Alexandria revenue (as proposed)	Revenue impact
Professional services	\$0.36	\$0.58	\$0.35	\$ 5,797,989.81	\$,498,786.96	(\$2,299,202.85)
Financial services	\$0.36	\$0.35	\$0.35	\$ 1,205,405.34	\$ 1,205,405.34	\$0.00
Repair, personal, business services	\$0.35	\$0.35	\$0.34	\$ 11,779,159.13	\$ 11,442,611.73	(\$336,547.40)
Retail, retail/wholesale merchants	\$0.20	\$0.20	\$0.19	\$ 5,537,357.31	\$ 5,260,489.44	(\$276,867.87)
Wholesale merchants	\$0.08	\$0.05	\$0.05	\$ 266,711.43	\$ 266,711.43	\$0.00
Contractors, contracting, builders and developers	\$0.16	\$0.16	\$0.15	\$ 945,484.34	\$ 886,391.57	(\$59,092.77)
Amusements, entertainment	\$0.25	\$0.36	\$0.24	\$ 122,533.22	\$ 81,688.82	(\$40,844.40)
Public utilities: telephone	\$0.50	\$0.50	\$0.49	\$ 443,055.95	\$ 434,194.83	(\$8,861.12)
Renting residential property	\$0.28	\$0.50	\$0.27	\$ 2,608,574.94	\$ 1,408,630.47	(\$1,199,944.47)
Renting commercial property	\$0.43	\$0.35	\$0.35	\$ 1,779,813.13	\$ 1,779,813.13	\$0.00

Total decrease in annual Alexandria BPOL revenues: \$ (\$4,221,360.88)

- **Phase in the BPOL rate reduction over a two-year period.** The Task Force recognizes the challenges of reducing revenue under today’s challenging fiscal circumstances. By phasing in

the reduction in two stages over two years – FY 2015 and FY2016 – the short-term revenue reduction will be lessened. Based on figures provided by the City’s Finance Department in Table 1, the Task Force recommends that the reduction for the Professional Services category be implemented in FY 2015, resulting in a projected \$2.3 million BPOL revenue reduction for that fiscal year. By reducing the Professional Services rate in the first year, the City will make an immediate and visible statement about its commitment to business growth and retention. For FY 2016, the Task Force recommends targeting the reduction on the remaining BPOL categories.¹⁴ Understanding the revenue challenges posed by the reduction being taken over a two-year period in this fiscal environment, the Task Force recommends that this implementation timeframe to make an immediate, visible statement of Alexandria’s commitment to business vitality and growth during this Council term.

The Task Force also explored several other tax reform areas, and makes the following recommendations:

3. **Do not provide a two-year exemption for new or relocating businesses.** In examining this option, which is available to local jurisdictions by Virginia statute, the Task Force believes that there would be no substantial benefit beyond the across-the-board BPOL rate reduction, and expressed concerns about inequity perceptions among the broader business community that adopting such a policy would generate. In other words, only businesses new to Alexandria would benefit, and “rolling back” the exemption after two years may prove politically challenging.
4. **Maintain reciprocity for contractors who pay BPOL tax in other jurisdictions.** Alexandria already provides reciprocity for these contractors, making any additional action on this point unnecessary.
5. **Incorporate the BPOL rate reduction in the planned communication campaign.** As described in the previous section, the Task Force recommends that an “open for business” communication campaign be launched in conjunction with AEDP and other City organizations, and that the BPOL rate reduction should be prominently featured in the campaign’s communication materials. Given the feedback from the Task Force’s survey, as well as input AEDP has received over the years, the reduction will be received very positively by the business community both in and outside of Alexandria, and will help combat the image of Alexandria as business-unfriendly.

¹⁴ The Task Force notes that while reducing the rate for the renting residential property category would generate a significant BPOL revenue reduction, there is no evidence that a rate reduction for this category, resulting in a decrease of \$1.2 million in BPOL revenues annually, will attract more businesses into the City. The Task Force recommends that, during the first year of BPOL rate reduction, the City Manager initiate an analysis of the potential impact of reducing the renting residential property BPOL rate on business and subsequent gross receipts growth.

6. **Develop metrics to determine the impact of the BPOL rate reductions.** Although increased business tax revenue (in dollar and percentage of tax revenue terms) will be the ultimate measure of success, metrics such as licenses issued, gross receipts generated, and higher employment in Alexandria can serve as indicators of the impact of a rate reduction. Comparative analyses (e.g., revenue percentage increases in affected BPOL categories vs. unaffected BPOL categories or vs. the same BPOL categories in neighboring jurisdictions) could also be conducted as a way to track the successes the reduction in attracting and keeping businesses in Alexandria.

BUSINESS PERSONAL PROPERTY TAXES

The Task Force examined potential changes in personal property taxes on businesses as one way to encourage business growth and commercial activity.

- This tax raised approximately \$16.5 million revenue for the City in FY 2013.
- This tax is the 3rd largest in terms of the amount raised from businesses in the City, behind real estate taxes and the amount from businesses by the Business, Professional and Occupational License tax, and has the 2nd highest financial impact on businesses.
- Business tangible equipment is valued using established depreciation tables based on original cost. Business personal property consists of motor vehicles, machinery, computers, and furniture.
- The self-assessing tax return is due to the City on May 1. As with vehicular personal property, the tax on business property is due by October 5.

Given the significant impact of these taxes on businesses, the Task Force looked closely at whether changes in them could give Alexandria any competitive advantage. It was noted that these taxes fall more heavily on those types of businesses that invest sizeable amounts in equipment, such as restaurants and information technology firms. They also require considerable paperwork burden on both the taxpayer and the City's revenue collection staff. Such taxes do not fall as heavily on businesses that require smaller investment in such equipment, such as consulting firms or professional associations.

Depending on the type of equipment and business, the schedules allow for the value of the equipment to be assessed each year at certain declining percentage of its original purchase price. (For example, equipment acquired in 2005 or prior years would be assessed at 20 percent of its original value, whereas equipment purchased in 2011 would be assessed at 80 percent of its original value.) These depreciation schedules are at the discretion of the local jurisdiction.

Businesses in Alexandria pay a tax on personal property (equipment used in the business) of \$4.75 cents per \$100 of the assessed value of personal property used in a business.¹⁵ The Task Force was seeking competitive advantages vis a vis our primary local competitors for the purpose of retaining businesses in, and attracting businesses to, Alexandria. For purposes of examining possible changes to these taxes, Arlington County was chosen as the primary competitor to Alexandria within Virginia for small to medium businesses seeking a close-in location to downtown Washington.

¹⁵ This tax is similar to the tax paid on the value of automobiles owned by residents, which are taxed at \$5.00 per \$100 of assessed value – a rate that was increased in FY 2014 from \$4.75.

BUSINESS IMPACT STATEMENTS AND REVIEWS

The Task Force looked at the idea that a process should be created within City government that ensured a close examination of the impact on businesses of administrative and legislative actions proposed by City staff. Such a business impact process requires additional work before being implemented, but was judged to be promising for further examination by City staff as well as any follow-on Task Force members. Therefore, the Task Force recommends that the City Manager:

Develop specific procedures for City staff to use that more fully explore and document the potential impact on businesses of actions being recommended by City staff to the City Manager and/or City Council.

The concept of this idea is inspired by the Paperwork Reduction Act and the creation of the Office Information and Regulatory Affairs (OIRA) in the U.S. Office of Management and Budget. This law created and this organization runs a process that subjects proposed Federal rules and regulations, as well as required informational requests, whether statistical or administrative in nature, to be examined closely for their impact on members of the public and/or businesses. These reforms were inspired in their time by the National Environmental Policy Act (NEPA), which required similar analyses to be conducted of actions with potentially significant environmental effects.

These process changes require knowledge of the internal procedures and organizational structures of City government to be properly designed to be effective in helping businesses without strangling the regular operations of City staff and City Council. It also requires staff “buy in” that such a process would be useful and helpful in reconciling valid City-wide objectives with the need to foster a healthy and growing business community. For those reasons, the Task Force believes that much more work needs to be done to develop the specifics of these two related processes before adoption by either City Council for docket items or the City Manager for internal items under consideration.

The implementation of business impact statements/reviews also would be a very tangible way to demonstrate the City’s commitment to improving the business climate and growing business activity in Alexandria. It is a specific way to make consideration of the actions of the City government that affect businesses more transparent.

The idea as applied to City actions would be to:

Require City staff to produce more formal business impact statements that would accompany docket items prepared for Council consideration.

The content and format of the statements would be specified so that City Council would be made aware of the nature and extent of any potential impacts on the business community of proposed docket items. For example,

- The statements might be required to estimate the number and types of businesses impacted, the dollar cost of compliance, the alternatives examined that would mitigate those impacts and the reasons why City staff did not recommend them.
- The statements could require a description of outreach conducted to the business community, the suggestions made by business representatives to mitigate the possible impacts, and the response of staff to those specific suggestions.
- The statement may also contain space for the business community to provide its comments.
- The statements also could require a sunset provision or a requirement for a report back to City Council after a specified time on the observed impact on the business community of the change at issue.

Require business impact reviews to be supplied to the City Manager as part of proposals advanced by City departments for the City Manager’s consideration and decision that do not require City Council review and approval.

These internal reviews may have some of the same features as those described above for Council docket items. However, the “triggers” for requiring such a review would have to be designed carefully so that they don’t overload City staff with trivial or meaningless requirements. The Departments with the most impact on businesses – Planning & Zoning, Transportation and Environmental Services, Code Administration, and Finance – might be the initial focus of such an effort and the reviews conducted by each department might be slightly different, depending on the types of actions under consideration.

Consider the need for an existing central office to “police” the process.

Whether the Office of Management and Budget or the Office of Performance Evaluation should manage this process is a question best decided by the City Manager after some additional review.

SERVING THE BUSINESS CUSTOMER

A business' interaction with City representatives and systems greatly influences the perception of Alexandria as being business-friendly. In this section we recommend ways to create a positive customer service experience in the face of what is commonly perceived as the "unpleasant" tax process.

Although these customer service recommendations will benefit businesses of all sizes, they will be strongly felt by smaller businesses owners. Without the luxury of having agents to handle their affairs, these business owners tend to participate personally and so are particularly sensitive to positive or negative interactions with City government. The good news is that a few customer experience improvements will go a long way toward encouraging business leaders to feel positive about doing business (and even paying taxes) here.

There are three ways to significantly improve a business' experience with respect to tax collection and payment: make it easier to understand the tax policy; improve the "softer side" of our tax system by enhancing communication and personal service and; make reporting, paying, and tracking taxes fast and easy.

Policy: Make It Easy to Understand

The City should clearly document and make easily available requirements for reporting and paying taxes. Current documentation is lengthy and convoluted, making navigation and absorption challenging. The Task Force recommends revamping the online documentation to make it more simple, intuitive, and interactive. For example, flow charts and FAQ documents allow users to self-educate without involving City staff.

Even with the most helpful documentation, there will be times when personal assistance is required. At those times, reaching an effective resource at the Department of Finance should be quick and easy. This person could be a particularly knowledgeable and pleasant member of the existing staff whose role as business helper would be in addition to other duties. This resource should be available by phone and email, but also by online chat, which is fast, simple, and allows a representative to assist multiple individuals at once or in a queue.

In addition to easing confusion, improved documentation and effective personal assistance will reinforce the sense that our tax policy is clear and business-friendly.

Specific Recommendations:

- Revamp online documentation to make it simple, intuitive, and interactive.
- Assign Department of Finance customer service representative dedicated to business assistance.
- Introduce ability to assist customers via online chat in addition to phone and email.

People: Make It Easy (and Pleasant) to Get Tax Help

The City should strive to create a climate of partnership and creative problem-solving in tax administration. The City's reputation for business friendliness is based largely on personal interactions between City staff and business owners. In addition to tax-related interactions, business owners deal with complicated regulations, unexpected City inspections (Zoning, Code, Health, etc.), and at times apathetic or even unpleasant customer service representatives. This can leave them with a negative perception of dealing with the City as a whole. As a remedy, we must reduce the number of negative experiences and strong customer service training is essential in that effort.

Typically, the more difficult the message, the more skilled the messenger must be. There is no message quite as confusing and frustrating for a business owner as the message of taxes. As such, the Finance staff must be highly skilled at making the message palatable. Since Finance Department faces are the ones that many businesses see most often, they must be quick to smile, offer help, and interact in a positive manner. The Task Force strongly recommends researching and implementing effective customer service training techniques used elsewhere in the City and beyond to re-educate any customer-facing staff on excellent service techniques.

Again, effective service is not merely competent; it is pleasant. One way to enforce that attitude is to institute an in-person comment card and online feedback system that is simple to complete. When individuals have a good experience (especially if it was better than expected), they usually want to let people know. Government agencies are no exception; allowing businesses to offer feedback on their interactions will greatly improve those interactions going forward.

Specific Recommendations:

- Implement effective customer service training techniques within Department of Finance, particularly for any customer-facing representatives.
- Introduce in-person comment card and online feedback programs for Department of Finance interactions.

Process: Make It Easy to Follow

The City should improve online reporting and payment capabilities through the creation of a new Business Tax Web Portal. Paying Alexandria taxes should be much easier. For example, in order to pay the monthly Meals Tax online, one must re-enter all personal/business details and payment account information from scratch every month. Then, one must print a return form, fill it out by hand, and fax it to the Finance Department. This process is time-consuming, error-prone, paper-intensive, and staff-intensive.

The Task Force recommends creating a new Business Tax Web Portal in order to improve this process. The following section details the functional requirements of this portal, but at a high level, it would include:

1. Logging into the system with a password and having all business and payment information stored there;

2. Submitting business tax returns and payments online and viewing previous payments and returns;
3. Providing friendly email reminders about upcoming tax deadlines and even friendlier confirmation (thank-you) emails after filing and payment.¹⁶

These simple improvements to online tax processing would create a user-friendly experience and send a message that the City values its business owners' time and resources.

Specific Recommendation:

- Create a new Business Tax Web Portal to facilitate online return submission, payment, and historical viewing. (See Attachment 4 for Detailed Functional Requirements)

Conclusion: A Partnership between the City and Its Businesses

In a City like Alexandria, it is particularly important that the experiences of local businesses be positive so they spread the message that this is the place to be. Since the very people interacting

¹⁶ This may seem like a small example, but perception is built upon multiple small examples. Following is the email confirmation from the City after paying taxes online:

The City of Alexandria, Virginia, confirms your online authorization to transfer funds from your bank account, as you have specified, for payment due by you to the City.
Payment Type: Meal Sales
Payment Amount: \$xxxx.xx
Should you have any questions relating to this transaction, please contact:
City of Alexandria
Department of Finance, Treasury Division
301 King Street, City Hall, Room 1510
Alexandria, Virginia 22314
703.838.4777
payments@alexandriava.gov
Thank you for using Alexandria eChecks.

The appearance and tone of this message could be improved in order to create a more positive experience for the taxpayer. An alternative might be:

The City of Alexandria thanks you for your Meals Tax payment of \$xxxx.xx on December 31, 2013. These funds will be transferred from Checking Account *1234 as requested.

We greatly appreciate you issuing payment on time – doing so allows our City to continue providing the best possible environment for businesses and citizens alike.

Of course, if you have any questions, you may contact the Department of Finance via telephone (703.838.4777), email (payments@alexandriava.gov), or online chat (<http://onlinechat.finance.alexandriava.gov>) at your convenience.

Thank you for choosing to do business in Alexandria!

Important upcoming events for business:

- 1/31/14: Meals Tax return due for December, 2013
- 3/1/14: Business License renewals due

with the City tend to be the ones who start, operate, and grow their businesses, their perception is critical... and viral. They are an essential piece of our City's economic development marketing strategy, as there is no better way to influence business decision-makers than through their peers. The Task Force believes that several relatively simple technological and customer service improvements will go a long way toward establishing Alexandria as the city that makes businesses its partners in growth and success.

NEXT STEPS FOR CONSIDERATION

The Task Force felt that the tasks and instructions given to it were so extensive that it could not accomplish all that needed to be done in time for consideration in the upcoming FY 2015 budget cycle. Several topics (see the list below) were left on the table for possible consideration by a follow-on group if that were desired by the City Council and City Manager. Whether that group would have the same composition as the current Task Force or not would depend on the City Council's will, the City Manager's discretion, and the availability and willingness of individual Task Force members to continue their commitment of time and talent to the task.

The topics thought worthy for additional study (in addition to the work outlined to be done as part of the recommendations in the present Task Force Report) are:

1. Grants, Loans or Other Financial Assistance
 - a. Small business incubation grants
 - b. Transportation planning assistance grants
 - c. Gap loans
 - d. Economic development revolving loan fund
 - e. Workforce recruiting/training assistance
 - f. Rent assistance for businesses
2. Geographically Targeted Incentives
 - a. Business Improvement Districts (BIDs) and business development grants to BIDs
 - b. Economic Development Districts
 - c. Tax Increment Financing (TIF) Districts
3. Expansion of the AEDP Marketing Campaign
4. "Business Friendly" Promotional Campaign

City Council may also choose to ask a follow-on group or groups – including City Staff -- to further refine any of the proposals made by this Task Force before full implementation of those ideas is made.

ATTACHMENTS

1. Full text of memo from three Council members
2. City Manager's memo appointing Task Force members
3. Brief Biographies of Task Force members
4. Business Tax Web Portal: Detailed Functional Requirements
5. Summary of Comments Received through solicitation of written comments
6. Links to various academic and other materials of interest provided to or used by the Committee
7. Objectives, Scope, and Methodology used by the Task Force

6-25-13

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 25, 2013

TO: THE HONORABLE MAYOR & MEMBERS OF THE CITY COUNCIL

CC: RASHAD YOUNG, CITY MANAGER

FROM: COUNCILMEN TIMOTHY LOVAIN, PAUL SMEDBERG & JUSTIN WILSON

SUBJECT: BUSINESS TAX REFORM

One of the most basic ways that the Council can ease the burden on our residential taxpayers is by increasing the share of taxation that derives from commercial activity. Attracting new businesses to Alexandria and ensuring their success provides jobs for our residents and helps support the services our community relies on.

With the second-lowest real estate tax rate in Northern Virginia and no commercial add-on real estate tax for Transportation, Alexandria has created a very favorable taxation environment for the businesses that operate within our City.

With both candidates for Governor now offering differing plans for business tax reform initiatives, we believe the timing is right for consideration of efforts to reform the City's business tax structure to ensure our success into the future.

In 2005, the City became the first jurisdiction in Virginia to restructure¹ its Business License Tax (BPOL) to simplify and reduce taxation for small businesses—particularly in their first year.

In 2007, the City accepted the recommendations² of the Small Business Task Force, and began implementing changes in operations and regulation to assist small businesses with their interactions with City government.

¹ "Consideration of an ordinance to reform the business license tax relief for small and medium sized businesses." June 14, 2005 (James K. Hartmann, City Manager) <http://dockets.alexandriava.gov/fy05/062105rm/di32.pdf>

² "Receipt of report from the Alexandria Small Business Task Force." June 21, 2007 (James K. Hartmann, City Manager) <http://dockets.alexandriava.gov/fy07/062607rm/di27.pdf>

Also in 2007, the City accepted the recommendations³ of the Mayor's Economic Sustainability Work Group, which recommended significant changes to City operations and our strategic direction, but also recommended changes to the City's tax structure.

In 2008, the City accepted the recommendations⁴ of the Ad Hoc Commercial Real Estate Tax Option Study Committee, which included a recommendation for relief mechanisms within the Business License Tax to ensure that any proposed commercial real estate tax add-on would only minimally affect small businesses. Such a proposal returned in 2011 when the add-on tax was again considered by the Council.

In 2009, the City again considered changes⁵ to the BPOL tax as part of initiatives to assist small business growth.

Businesses choose to locate in Alexandria for many reasons, but as we learned with our successful courtship of the National Science Foundation, tax policy can play a significant role in our successful attraction of businesses, both large and small.

Yet tax incentives that the City does pursue must be the result of rigorous analysis and not simply reduce revenue without a corresponding increase in business development.

While certainly cognizant of the limitations State Law imposes on Alexandria with potential changes to our tax structure, we do believe changes are worthy of consideration.

Specifically, we would like the Council to consider the creation of a new Study Group on Business Tax Reform to investigate proposals that might be useful in promoting economic growth.

We would like this group to make recommendations on:

- 1) Changes to the Business License Tax, Business Personal Property Tax, or any other revenue stream that will promote business growth and align to the City's strategic economic development objectives
- 2) Revenue or other incentives that the City can deploy to attract businesses and encourage beneficial development aligning with the City's Strategic Plan, as well as appropriate criteria for evaluating these incentives

³ "Recommendations of the Mayor's Economic Sustainability Work Group." October 27, 2007 (Nigel Morris, Chair) <https://media.alexandriava.gov/docs-archives/finance/info/btrtfinalreport.pdf>

⁴ "Receipt of the Ad Hoc Commercial Real Estate Tax Option Study Committee" March 6, 2008 (James K. Hartman, City Manager) <http://dockets.alexandriava.gov/fy08/031108rm/di27.pdf>

⁵ "Suggestions for Helping Small Businesses." April 2, 2009 (James K. Hartmann, City Manager) <http://alexandriava.gov/uploadedFiles/budget/info/budget2010/memos/Budget%20Memo%2062%20Suggestions%20for%20Helping%20Small%20Businesses.pdf>

- 3) Changes to the administration of any revenue stream that can assist small businesses.

We would like recommendations that are both cost-neutral and ones that may require new City investment.

Like the Small Business Task Force, we believe this group should be constituted by the City Manager, should be relatively small and consist of representatives from the business community, City and AEDP Staff, and members of our Budget and Fiscal Affairs Advisory Committee.

This group should be staffed by the City and AEDP and shall present its findings by the end of 2013 so that its recommendations can be beneficial for the FY 2015 budget process.


Cc: Mark Jinks, Deputy City Manager; Laura Triggs; Chief Financial Officer; Val Hawkins, President & CEO/AEDP; John Renner, Chairman/Budget & Fiscal Affairs Advisory Committee

City of Alexandria, Virginia

MEMORANDUM

DATE: AUGUST 16, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUSINESS TAX REFORM TASK FORCE

Councilmen Tim Lovain, Paul Smedberg and Justin Wilson distributed a memo in June 2013 requesting the formation of a business tax reform study group that would be tasked with promoting economic growth in Alexandria. The group's goal was to provide recommendations on:

- Changes to the Business License Tax (BPOL), Business Personal Property Tax, or any other revenue stream that would promote business growth in the City and align with our strategic economic development objectives.
- Revenue or other incentives that the City can deploy to attract businesses and encourage beneficial development aligning with the City's Strategic Plan, as well as appropriate criteria for evaluating those incentives.
- Changes to the administration of any revenue stream that can assist small businesses.

Some of the group's more specific areas of focus would include:

- Finding ways to ease the burden on residential taxpayers by growing commercial activity.
- Establishing criteria to evaluate any changes in the future to determine whether or not they brought about the desired goal.
- Studying total economic costs (taxes and lease costs) of key competing suburbs (Tysons Corner, Rosslyn, DC downtown).

This new group was to be constituted by the City Manager, co-staffed by the City of Alexandria and the Alexandria Economic Development Partnership (AEDP), and comprised of a small, but diverse group of stakeholders representing small businesses, citizens and other organizations with economic interests in Alexandria.

The members of this new Business Tax Reform Task Force will be:

- Jill Erber
Owner, Cheesetique
- Bruce Johnson, Chair
Former Alexandria City Manager
- Gregory H. Leisch
Board of Directors, AEDP
- Laurie MacNamara
Member, Budget & Fiscal Advisory Affairs Committee (BFAAC)
- H. Skip Maginniss
Vice Chair, Government Relations, Alexandria Chamber of Commerce
- James L. McNeil
Former Business Owner, Noted Philanthropist
- John J. Renner II
Chairman of the Board, Alexandria Chamber of Commerce
Chair, BFAAC
Board of Directors, AEDP

The Business Tax Reform Task Force will be staffed by:

- Bernard Caton
Legislative Director, City of Alexandria
- Martina Alexander
Tax Services and Enforcement Supervisor, City of Alexandria
- Stephanie Landrum
Senior Vice President, AEDP

The group's first meeting will be in September 2013, with recommendations provided to Council by calendar year's end that can be incorporated into the FY 2015 budget development process.

As was noted in the June 25 memo, similar groups have been very successful in the past (Small Business Task Force – 2007, Economic Sustainability Work Group – 2007, Ad Hoc Commercial Real Estate Tax Option Study Committee – 2008), so I am confident that this latest group will build on that record of success and provide sound recommendations for consideration.

cc: Mark B. Jinks, Deputy City Manager
Laura Triggs, Chief Financial Officer
Bernard Caton, Legislative Director
Val P. Hawkins, President & CEO, AEDP
John T. Long III, President & CEO, Alexandria Chamber of Commerce

Appendix 3

BUSINESS TAX REFORM TASK FORCE MEMBER BIOGRAPHIES

Bruce Johnson, Chair

Current Employment:

- General Manager, Ivy Hill Cemetery, Alexandria Virginia

Previous Employment:

- Budget Director, Chief Financial Officer, Chief of Staff and Acting City Manager, Alexandria Virginia
- Administrative Office of the U.S. Courts
- U.S. General Accounting Office
- U.S. Census Bureau
- U.S. Representative Bob Shamansky
- U.S. Office of Management and Budget
- U.S. Environmental Protection Agency

Current Civic and Professional Affiliations:

- Church Council, Beverley Hills Community United Methodist Church
- Board of Trustees, Alexandria Scholarship Fund
- Board of Directors, Alexandria Renew
- Board of Directors, Agenda Alexandria
- Board of Trustees, Burgundy Farm Country Day School
- North Ridge Citizens Association
- National Association of Active and Retired Federal Employees

Previous Civic and Professional Associations:

- Vice Chair, City's Budget and Fiscal Affairs Advisory Committee
- President, Federal Executive Institute Alumni Association
- Alexandria Crew Boosters
- Boy Scout Troop 129 and Packmaster, Cub Scout Pack 129
- Beverley Hills Church Preschool
- Alexandria Soccer Association

Education

- A.B. Government, Harvard College
- J.D., Duke University
- M.A. in public policy Duke University.

Jill Erber

Jill Erber conceived, owns and operates Cheesetique.

Jill graduated from The University of Chicago in 1998 with a degree in Computer Science and moved to Northern Virginia to work in software development. Being too much of a foodie to stay behind a desk, Jill wanted a way to work for herself and be surrounded by her favorite food: cheese! With the unflagging support of her husband, she founded Cheesetique in 2004.

The original shoebox-sized location, in the Del Ray neighborhood of Alexandria, was bursting at the seams from the get-go. Hoping for more retail space and wanting to open the kind of joint where cheese and wine enthusiasts could gather, Cheesetique relocated to a larger location and added the Cheese & Wine Bar in early 2008. Then, in 2011, Cheesetique opened its second location in the Shirlington neighborhood of Arlington, Virginia.

Gregory H. Leisch, CRE

Greg.Leisch@DeltaAssociates.com

Mr. Leisch is a resident of Alexandria and has a business in the city which he founded in 1980. He is an expert in commercial real estate, with experience in founding and running one of the most respected consulting and advisory firms in the real estate field - - Delta Associates. He also served until 2007 on the board of a public REIT, Republic Property Trust (RPT), where he served on the Audit and Compensation Committees and headed the Governance Committee. Liberty Property Trust bought RPT in October 2007, when Mr. Leisch's board service ended.

Real Estate Consulting

Mr. Leisch founded Delta Associates (www.DeltaAssociates.com) in 1980 in Washington, DC and serves as its Chief Executive. As such, he has been the architect of the firm's expansion into a national enterprise that provides a wide range of commercial real estate consulting services to public, private and institutional clients in matters of development feasibility, acquisition/disposition decision making, and general business research. In his work with real estate developers and investors, Mr. Leisch provides market feasibility analyses for organizations such as The Hines Interests, LCOR, Lincoln Property Company, AEW, Lennar, and Trammell

Crow Residential. His public sector assignments have focused on providing expert advice to federal agencies, cities and counties on matters of public/private partnerships to accomplish public objectives, demographic research and projections, facilities needs studies and agency location studies. Clients have included, among others, the cities of Washington, DC; Nashville, TN; and Rockville, MD; the county of Fairfax, VA; and various federal agencies including the Job Corp and Commerce.

Prior to 1980, Mr. Leisch provided appraisal, real estate consulting and general business research services to clients of Gladstone Associates (predecessor to G/A Partners/Arthur Andersen). As Senior Vice President of this 80-person nationally known firm, Mr. Leisch was Director of Professional Personnel, Director of Computer Center Operations, and Director of Appraisal Services.

Writing/Reference

Mr. Leisch is often quoted in the popular and real estate press and is published on a variety of subjects including:

- 1975 "The Economics of New Community Development" A chapter in Gideon Golany's *Strategy For New Community Development In The United States*, Library of Congress Cat. Card #74-10579.
- 1976 *Shopping Center Useful Lives: An Economic Analysis*, Library of Congress Cat. Card #75-39939.
- 11/13/92 "Environmental Contamination – Impact on Real Estate Value", *Corridor Real Estate Journal*.
- 3/17/95 "Using Partial Interests in Real Estate to Reduce Your Tax Burden", *Corridor Real Estate Journal*.

Speaking

Mr. Leisch is a frequent speaker on national and local real estate market conditions and real estate development opportunities. His recent speaking engagements have included regional and national conferences of NCREIF, NAIOP, ULI, NAHB, IREM, ICSC, and others. Mr. Leisch also serves as a ULI and university lecturer in matters of market analysis and development economics. He has, for example, lectured at Pennsylvania State, the University of Wisconsin, George Washington University, and Johns Hopkins University. Mr. Leisch's annual TrendLines events, which present the state of the economy and commercial real estate markets in 4 major cities around the U.S., are attended by thousands of industry leaders each year.

Memberships and Honors

Mr. Leisch is a member of Lambda Alpha Land Economics Society and the National Council of Real Estate Investment Fiduciaries. He is an associate member of the Real Estate Roundtable. In 1990, Mr. Leisch's lifetime achievement in the industry was acknowledged by the American Society of Real Estate Counselors when he was designated a Counselor of Real Estate (CRE).

Appointments, Education, Community Service and Security Clearance

Report of the Business Tax Reform Task Force – Attachment 3: Member Biographies

In 2001 the DC Mayor appointed Mr. Leisch to his task force on Transit Oriented Development. In 2003, Mr. Leisch was selected to serve as a board member of The Washington DC Economic Partnership – the city’s economic development authority (EDA). In 2006, he agreed to serve the Mayor of Alexandria Virginia by accepting an appointment to his Economic Sustainability Commission. In 2008 he agreed to serve on the board of the Alexandria Economic Development Partnership (AEDP) - - the city’s EDA. Mr. Leisch has served on the board of Alexandria’s Hopkins House Preschool for the resource-challenged since 1994.

Mr. Leisch received his B.A. degree (1968) from the University of Wisconsin with a major in Pol Sci and a M.S. degree (1970) in Urban Planning from the same institution with a concentration/specialty in urban economics and real estate. He also holds a security clearance for handling sensitive assignments.

Laurie MacNamara

Current Employment:

- Principal and IT Strategist, Booz Allen Hamilton, Inc., Washington, D.C.

Previous Employment:

- Vice President for Professional Services, e-Management, Inc., Silver Spring, MD
- Senior Associate, Booz Allen Hamilton, Inc., McLean, VA
- Senior Analyst, Evidence Based Research, Inc., Vienna, VA
- International Economist and Presidential Management Fellow, International Trade Administration, U.S. Department of Commerce, Washington, D.C.

Current Civic and Professional Affiliations:

- Representative of Councilmember Tim Lovain, Budget and Fiscal Affairs Advisory Committee
- Vice Chair for Precinct Operations - East, Alexandria Democratic Committee
- Board of Directors and Development Committee Member, Compass DC
- Del Ray Citizens Association
- Maury Elementary School PTA
- Brownie Scout Troop 604
- Alexandria Soccer Association
- Association of Government Accountants - DC Chapter
- NACHA - The Electronic Payments Association Internet Council
- Professional Risk Managers International Association
- Democratic Business Council of Northern Virginia

Previous Civic and Professional Associations:

- President, Del Ray Citizens Association
- President, Good Shepherd Lutheran Church
- President, Alexandria Choral Society
- Economic Development Commission
- Commission on Information Technology

Education

- A.B., Political Science/Spanish, Muhlenberg College
- M.A.L.D., International Economics/Finance, The Fletcher School, Tufts University

Howard (Skip) Maginniss

AIA, LEED AP

Mr. Maginniss is co-founder and President of MAGINNISS + DEL NINNO ARCHITECTS, founded in Alexandria in 1976. The design firm focuses on commercial, institutional, industrial and residential projects. As a steadfast advocate for sustainable design, Maginniss + del Ninno is committed to environmental stewardship. In recognition of this commitment, the firm has been consistently recognized for its environmentally sensitive, award-winning designs and was named Sustainable Business of the Year in Alexandria in 2009.

Mr. Maginniss received his BA in 1967 from the University of Notre Dame and his MArch in 1970 from Washington University, and was awarded the AIA School Gold Medal. After graduation he worked with Architect Ottokar Uhl in Vienna Austria, returning to the United States to take a position with V.G. Kling Partnership, and subsequently with The Ballenger Company, where he served as designer and project architect for several large corporate commissions. In 1986, Mr. Maginniss founded Landplan/BMK, offering architectural planning and consulting services to international clients in Somalia, Kenya, Germany, Tanzania and Uganda. His accomplishments have been recognized by awards and publications throughout his career.

As a member of the American Institute of Architects and the U.S. Green Building Council, Mr. Maginniss serves as a Certified Peer Plan Reviewer for Fairfax County and has given seminars on compliance with the Americans with Disability Act. He is active in the Alexandria Chamber of Commerce, most recently as Chairman of the Government Relations Committee. Committed to community service, he serves on the board of directors of local businesses and performing arts groups, and provides scholarships and internship opportunities for local high school graduates. He has coached youth soccer and JV girls' soccer at T.C. Williams High School and is an enthusiastic cyclist and fly fisherman.

James I. McNeil

Biography not available.

Appendix 4

BUSINESS TAX WEB PORTAL: DETAILED FUNCTIONAL REQUIREMENTS

The Business Tax Web Portal should be a commercial off-the-shelf system that would allow the business account holder to create an online user account, file monthly and annual tax returns, review and print account statements, and submit secure payment methods using credit cards, debit cards, and electronic checks.

High-level Functionality:

- Create user accounts
 - Link multiple business tax accounts, such as business license, business personal property, meal sales, and transient lodging tax, to a single login.
 - Retrieve a forgotten password.
 - Manage user account details such as email address, billing preferences and contact information.
- Apply for and renew business licenses
 - Create a user account to apply for a business license and track the status of the application.
 - Renew business licenses linked to the user account.
- Access Account
 - Statements and tax returns
 - Provide online statements (including delinquent notices) and tax returns in a format similar to the original bill that is mailed by the City.
 - View the entire document (including multiple pages and two-sided) in a convenient PDF format and print or save the bill on demand.
 - Account status and balance
 - Present information on the account balance and account status for current and delinquent accounts.
 - Payment history
 - Include payments made through the web services portal and payments made through other systems available to the account.
 - Include all previous and current bills for the account.
- Receive Notifications
 - Payment receipts
 - Automatically send a copy of the payment receipt to the email address associated with the account.
 - Electronic billing notifications
 - Allow users to register for electronic billing notifications.
 - Send an email notification when a tax bill is available, along with the due date of the tax bill.
 - Delinquent notifications
 - Notify the account holder of past due amounts and delinquent notices.
 - Payment and tax filing reminders

Report of the Business Tax Reform Task Force – Attachment 4: Business Tax Web Portal:
Detailed Functional Requirements

- Send payment reminders via email fifteen days, five days, and one day before the due date
- File business tax returns
 - File annual Business License tax returns and calculate tax, penalty and interest based on the gross receipts information entered.
 - File annual Business Personal Property tax returns by entering property totals based on the associated schedule and year purchased. Upload supporting documents, such as a property listing.
 - File monthly meal sales and transient lodging tax returns and calculate tax, penalty and interest based on the return information entered.
- Submit Payments
 - Provide shopping cart component to enable a single payment transaction for multiple accounts and/or bills.
 - Make either full or partial payments on accounts.
 - Allow multiple payment methods
 - Accept electronic checks (ACH), credit cards, and debit cards in a secure environment.
 - Print bills (with payment stub) in order to mail remittance.
- Access System via Mobile Device
 - Access account information using mobile devices compatible with iPhone/iPad/Android.

Appendix 5

SUMMARY OF COMMENTS RECEIVED THROUGH SOLICITATION OF WRITTEN COMMENTS

11/15/13

Howard Bergman

hjbergman51@gmail.com

I thought the discussion yesterday was excellent. I would like to share additional comments with the Task Force for your consideration.

I am not sure that lowering business taxes in Alexandria will significantly affect the growth of business here. I thought the discussion about the business that is considering moving to Arlington suggested that tax was not a key factor in the decision-making - the bottom-line seems to be rental rates.

I agree with James McNeil's comments. The key drivers for bringing or keeping a business in Alexandria more likely revolve around space, transportation, parking, amenities. It might be useful to review these issues in the context of Alexandria's key commercial districts.

My sense is that Alexandria has not yet developed a 'core' business district. Arlington seems to have developed a strong business corridor along Wilson Boulevard, Clarendon Boulevard and Fairfax Boulevard, which includes four metro stops. (My understanding is that the Arlington city counsel pushed to have the metro follow that route to encourage that development.)

We, on the other hand, do not seem to have a city center. Rather, as we stated in our 2010 Strategic Plan, we emphasize our 'Urban Villages' and 'small town Main Street feel'. Old Town is an important boutique center, and the waterfront developments will provide additional tourist destinations. But Old Town could not be and should not be a modern commercial center; it is a unique asset that deserves to be preserved as an historic neighborhood. The same could be said about Del Ray. The Eisenhower corridor has developed and will continue to develop, but it has not developed sufficiently to be an interesting business core for the city. One does not sense a vibrant commercial zone when driving on Eisenhower. The city is contemplating adding significantly more office space in Potomac Yards, but it is hard to image that location becoming the city's business core, even if the city builds a metro stop there. Moreover, the Eisenhower and Potomac

Yards share a logistics issue: their metro stops are on their periphery. Rather than helping drive organic growth around the transportation hub, the hub seems to be an afterthought.

We might suggest that the city focus more attention on how to make our commercial centers places where businesses want to locate. The city hired Olin Studio to help develop the public space at the waterfront. The city might consider hiring a consultant to help improve our commercial centers as well.

Finally, having governmental processes that are business friendly is a good idea and not that hard to implement. But I was not sure what we mean when we say governments in Texas 'get it'. If 'getting it' means replacing Old Town with a replica of Crystal City, I would not be in favor of it.

11/12/13

Janet R. Gregor

Manager/TMP Coordinator

Carlyle Community Council

I am submitting comments on behalf of Carlyle Community Council (CCC), a nonstock corporation comprised of property owners in the Carlyle Community of Alexandria. Our Members represent nearly 5 million square feet of commercial property and over 1,700 residential units.

CCC members include large commercial property owners as well as smaller properties, four condominium developments and three apartment complexes. In addition, CCC property provides space to retail establishments, professional services tenants, law firms, financial institutions, educational and training centers and other high-skilled office tenants.

CCC commends the Task Force members and staff who are donating time to this significant undertaking. The scope of the Task Force's work is broad and the timeframe is short. Based on the direction from

City Council, it appears the Task Force is to investigate several fronts on the City's tax structure and then develop recommendations on the following:

1. Tax incentives to attract new businesses;
2. Tax incentives to keep existing businesses;
3. Reducing the residential tax burden over time; and,

4. Non-tax incentives for attracting and retaining businesses

In our view, all of these topics require substantial time and resources to fully explore. Data needs to be pulled together and analyzed, revenue scenarios developed for the short term and longer horizon, recommendations drafted, vetted with stakeholders and final recommendations proposed. To illustrate, one essential data set yet to be compiled is a matrix displaying the full range of taxes, fees and other costs currently imposed on City businesses.

For the Task Force to fulfill its mission requires time and resource commitments beyond what is reasonable to ask from volunteer members, limited staff resources and within a tight timeframe. While we understand the desire to have recommendations submitted in time for inclusion in the FY2015 budget process, that is not a workable schedule for the Task Force to prepare a thorough report that could ultimately have a far-reaching impact on the City's business and residential taxpayers.

CCC recommends that the Task Force request an extension to complete its work and the designation of staff and/or consultants full-time for the duration of the project.

We appreciate your consideration of our views. If you have questions or need additional information, please contact me.

11/6/13

Adron Krekeler

adron@krekelerbrowerwa.com

My comments about business taxes are as follows;

1. Many of the "Executive Suite" companies are not licensed to conduct business in the City. The city may be missing a large source of revenue.
2. I think the city should adjust the gross receipts tax so you can eliminate the personal property tax on equipment, furniture etc. This tax is unenforceable without the city conducting a survey of all of the businesses in Alexandria at their physical locations.

I have more in-depth thoughts about each of these and would be happy to discuss further.

10/24/13

Lori Alexander, Owner

The Physical Therapy Zone
127A North Washington Street

I cannot believe how I was treated when I called your office regarding my business personal property tax bill. I currently own The Physical Therapy Zone in Old Town Alexandria. I was only a few days late and paid the requested \$246.61 dollars I owed. I get a letter from your office charging me an additional \$26.00 for being a few days late! HOW OUTRAGEOUS! So I was warned by your office that I better pay soon because interest is accruing daily. I ended up paying more than the amount I owed because I did not want your office to continue sending me 10 cent bills from being late for my late fee! This again is ridiculous. This is making me consider moving my business to another city possible Fairfax county.

To make a long story short. DO NOT CHARGE 26.00 FOR BEING A FEW DAYS LATE FOR A \$246.61 BILL! It really turns business off! Also, the people working in your office should be kinder on the telephone.

10/24/13

Michael Beach

mbeach@targetedvictory.com

Our main issue is on the business license tax which is hitting us with a gross against all of our revenue even though we run a very low margin product (media buying which is less than 5%). We paid over \$500k last year and that amount is more than enough for us to consider relocating our operation.

10/21/13

JC Herz

jnhq@yahoo.com

I'm responding to a call for comments that was posted in the Del Ray Citizens' Association newsletter. I'm writing as a home-based technology consultant and author. When I hear "ease the burden on our residential taxpayers by increasing the share of taxation that derives from commercial activity," my first thought is that my residential taxes are never going to go down, but now the city is going to jack up my BPOL. There are a lot of home-based consultants and sole proprietors in Alexandria, and BPOL really hits us, especially if we are paying subcontractors, because our business tax is calculated

on the basis of gross receipts, not how much we actually take home at the end of the year. The step function from hobby business to sharply higher taxes on someone actually earning a white collar living (by paying a subcontractor or two) is steep and fundamentally unfair, because I don't necessarily earn that much more by scaling up a project by \$10,000, but if that puts me over the nominal-fee threshold, I pay a multiple of the taxes.

Alexandria needs to give small-scale consultants and sole proprietors (who are also residents, BTW) a break. Raise the gross income threshold, and/or base the tax on net income. If my BPOL goes up significantly as a result of this "ease the burden on our residential taxpayers," it's going to rile me (and a whole bunch of other BPOL payers) up tremendously.

10/22/13

Bruce Badger, Past President

bruce_badger@iiar.org

I appreciate the opportunity to comment. Alexandria appears to be well run. I moved my association from Arlington to Alexandria because of your more friendly business policies, which you should maintain or even augment.

Earlier comment from 10/22/13:

Ladies and Gentlemen,

Generally, I support the concept of reducing the tax burden on our residents. We have a rather broad spectrum of incomes, from the very lowest to some of the highest in our region. The existing State and Federal tax code, while impossibly complex, provides for limited taxation on those with limited incomes.

However, I find an increase in corporate and commercial taxes to be counterproductive as a means to increase City tax revenues or improve job creation. I suggest that the City look to increase revenues from those who live outside Alexandria and come to the City as tourists. A small tax on hotel stays, restaurant meals and non-grocery and clothing purchases would significantly increase revenues without impacting the citizens of Alexandria.

Alexandria is a home to many non-profit associations for many reasons, including more favorable taxation policies than in neighboring Maryland, the District and Arlington. This should not change since the employees of these associations spend a lot of money in Alexandria.

I support your initiative to raise revenues for Alexandria, but not by taxing corporations, commercial businesses or associations. Let's place the burden on those who visit our City rather than those who live and work within its boundaries.

10/15/13

Anita L. Boss, Psy.D.

ABPP 1200 Prince St., Alexandria, VA 22314

Thank you for your interest in hearing from Alexandria businesses regarding future concerns and development. I have two significant concerns.

1. As a licensed health care provider (Clinical Psychologist), my tax rate is significantly higher than other businesses, at 58¢ per \$100 of my gross income. This is 23¢ per \$100 more than financial service providers. Builders and developers, at 16¢ per \$100, have an extremely low tax rate. I understand that commerce, building, and development is encouraged in Alexandria, but this should not be on the backs of those of us who provide health care or other essential services that benefit city residents. Retail stores pay only 20¢ per \$100. Why is my business taxed nearly three times more? Frankly, with these tax rates, the only reason I continue to do business in Alexandria is because I live in the city. This brings me to the second concern.

2. I am a resident of the West End of Alexandria, and my business is in Old Town. Despite the increasing taxes I have paid to the city, both personally and professionally, I am not allowed a parking permit for Old Town. My choice is to either pay high rates for daily parking in a lot, or move my car all day long. This is a bit outrageous, considering I pay taxes to both live and work in the city. I am aware that businesses have long protested the unwillingness of Old Town to allow parking, but it seems to me that, at the very least, an Alexandria City resident with a business in Old Town should have an exemption.

Please feel free to contact me if you would like any additional information. I appreciate your interest in hearing from Alexandria business owners.

10/15/13

Larry Mann

lmann612@gmail.com

616 Queen Street

Thank you for the clarification. Even so, the attachment declares that the impetus is to "ease the burden on our residential taxpayers by increasing the share of taxation that derives from commercial activity." Although you are now asserting that it is not necessarily the intention of the task force to suggest raising taxes on businesses and so as to decrease taxes on residents, you have to admit - that is certainly what it sounds like.

I guess we should be relieved to learn that what it seems like you said isn't what you meant.

But I'm not relieved. I'm distressed that people in the Alexandria government are such weak and inherently confusing communicators. Your letter persuades me that if I want to just stay calm and sane, I should have nothing to do with this effort.

Thanks for helping me decide to keep my distance.

10/13/13

Carole Hedden

chedden1@cox.net

Until this tax is gone — I would encourage anyone who asks me to locate somewhere else. If you want more business here, get a better technology infrastructure and get rid of this tax.

I do not know how on Earth you can generate additional revenue sources to offset what I view as a necessity -- cutting city-based gross receipts taxes.

Just to be clear, had I known there was a gross receipts tax at the local level I would never have set up shop here four years ago. My husband and I would have moved to MD. 10% gross receipts on my little half million business is an additional cost that my customers will not pay, so I am eating this during an economic recession!

I would think this gross receipts tax on non-materiel services is a real barrier to entrepreneurship and growth for Alexandria. Since having registered my business, I have been told by other small business owners that they simply didn't get a business license and aren't paying — which makes me feel honest but also very stupid.

We like it here — but this is a definite no-brainer in terms of small business. We are not welcome here if the city insists on penalizing us by 10%, on top of what other states have as taxation on small business.

10/13/13

Elinor Coleman

Elinor Coleman's Vintage Mirage

117 South Columbus Street

As a business owner, property owner, car owner and Alexandria citizen I have quite a few viewpoints about tax revenues earned from business as compared to revenues earned from residents.

I would hope that the surveys and study details would be broken up into types of businesses and properties divided up into categories, such details would certainly afford the city manager and hopefully the budgetary experts?! guidelines for spending annual tax dollars. Are there in place tax and budgetary experts already?! Have you actually hired experts? Or are we still relying on individuals in city council and on the city staff?

Maybe now is the time to locate and hire a financial planning team of experts to raise some needed questions first about future financial needs and goals before City Hall decides to just gather all types of information.

I am personally aware of incentives offered to associations enticing them to rent space in Alexandria. Of course I have read details about the Marc Center and the US Patent Office. The large square footage rental property contracts offer major revenues and long term leases. Obviously there are major revenues in the chain stores and banks as well. For small entrepreneurs, such as my Vintage Mirage store I am in a totally unique and difficult category.

Small one store businesses offer unique business plans, hand made one of a kind merchandize, potentially a major public draw for tourism and shopping expeditions. However I had no major assistance working up a special deal with landlords and the constant strain on my budget when it came to property tax bills, since the landlord literally sent the bill amount based on square footage and the amount had to be paid in that month on top of the rent and utilities. No negotiation. No long term assurance as to how much money the next property tax amount would be billed. No long term leases with assured aspects to services or extra help from City Hall.

Further it is so blatantly clear that large national chains can impact the real estate market and conclude that the tax revenues should also be affected on these major square foot properties. Our small business properties often rely on side streets because there is NO COMMERCIAL standard for leasing.

Let me remind you that banks and government offices do not encourage tourism. National Harbor did not drastically change Old Town Alexandria as was economically

projected. Marc Center has not drastically impacted our businesses as was economically projected. Only the traffic patterns have been affected.

So yes I am disturbed and very concerned that this study will only offer numbers and that these numbers will directly impact further actions in City Hall without the specifics of SMALL INDEPENDENT BUSINESSES.

Our role in the economic system is downplayed and impacted regularly by City Hall.

It would be very helpful to all of us concerned about the viability of doing business in Old Town Alexandria if the specific questions needed for review would be outlined. This survey presented is all too vague.

Thank you for this opportunity to respond to your email and the study.

10/12/13

**Jennifer K. Smith, President
Smith Fairfield, Inc.**

Thank you for your email. I am a business owner in Alexandria and have found Alexandria's policies and tax structure to be unfriendly toward business. I have watched a number of my colleagues, who own large companies and employ hundreds of people, leave Alexandria for surrounding cities that are more hospitable toward business. I mentioned this to Alison Silberberg and she asked that I get involved. Unfortunately, I am traveling on business and will be away for the next month; however, if you are looking for someone to get involved after November 15th, I would be willing to volunteer my time to help develop a plan that made it advantageous for businesses to come and stay in Alexandria.

10/11/13

**Joann Bonkoski
blue Octopus Scuba**

As new business owners to Alexandria I have found the taxes to be exorbitant in nature and truly not a draw to keep our business here. Your taxes are figured into our monthly coots to do business and with the number of taxes to keep up with additional expense will be paid to our CPA. I believe that if you want to grow small businesses like ours you need to think about decreasing or deleting some of the taxes so that we may hire more Virginia residents and sell more retail which would increase your sales tax revenue.

10/11/13

Eileen Cross

eileen@pmaproperties.com

Maybe you should have a couple Round Tables . I know I could have several sessions that include my tenants.

10/11/13

Beth Clark

beth@imgen.com

I am a City of Alexandria resident and I have a small business in the City of Alexandria. If you increase my business taxes, I will have to consider options to move my business from the City of Alexandria and this most likely will have our family move as well.

I rent a very small office in Alexandria on S. Washington Street and I do most of my sales consulting activities in Maryland. I am not using many of the services provided by the City of Alexandria and therefore am not a drain. I pay a percent of every dollar I make to the city of Alexandria, above and beyond my state and federal taxes. It does not make me happy to read that you are considering raising these taxes.

10/11/13

Stephen A. Robinson

Bloom Fresh Flowers

I have been in business here now for 7 years and would love to be a part of the traditional old town path way ie(king street or just off it) but the following has forced me to be where I am and I still have a difficult time with all the extra taxes and fees I am required to pay each year.

The three things that make it so difficult to do business with in the city of Alexandria

in my opinion is:

#1 The amount of personal tax one has to pay each year

#2 The high rents

#3 The lack of sufficient parking for business as well as the public.

10/11/13

Denise Dunbar

ddunbar@alextimes.com

From my reading of the attached document, the Councilmen listed would like to raise taxes/fees on business, but also create more jobs in Alexandria. Unfortunately, those are mutually exclusive objectives. The worst thing Council can do for business is to raise taxes. Council for several years has wanted to create a new "add-on" business tax attached to commercial real estate. Please forgive my cynicism, but this task force comes across to me as cover for going ahead with a tax that would be strongly opposed by the Alexandria business community. It would be a business closer and job killer. I sincerely hope that's not the outcome of your committee.

10/13/13

Robert A. Peterson

Managing Director

LitCon Group, LLC

517 South Washington Street

Our firm is in the process of relocating within Alexandria. One of the most painful things for us was access to convenient parking. We considered purchasing a building until we were told that the permits we would have wanted to allow for on-site parking would never get approval from the city. In our prior location on North Lee Street we had similar problems. I requested that the City allow us to purchase zone parking permits for daytime on street parking, and was flatly told no. this made it incredibly inconvenient for us to conduct business. I suspect that we are not alone. Although I love the ambience of Old Town and understand the desire to maintain appearances, the lack of convenient parking options is a major impediment to attracting businesses to the area.

10/11/13

Jim Childress, Managing Director

Old Dominion Capital Management, Inc.

815 E. Jefferson Street

Charlottesville, VA 22902

Here are a few thoughts in response to your request for input. " Increasing the share of taxation that derives from commercial activity" seems somewhat at odds with " provide

jobs for our residents and help support the services our community relies on". A higher tax rate would make it harder for small businesses to create jobs. It is hard for me to imagine what positive steps the city government is going to take toward encouraging us to provide jobs that are going to offset the negative impact of higher taxes. It is possible that the meaning of your dual mandate is to raise taxes on businesses so that the government will have more money to hire city employees to provide needed services. There are probably citizens that would benefit from this, but we are not among them.

10/11/13

Kim Jones

kjmetal@comcast.net

1. What are the major impediments to and incentives for business retention and attraction?

My customers tell me the availability and the cost of parking keep them from staying for longer than a few hours. Silver Spring and Bethesda, MD is a great example of public parking.

2. What alternatives are feasible to address these impediments and what incentives might be effective? Please consider:

a. the costs and feasibility of implementation, b. City budget revenue impacts, and c. the specific level of expected growth in business and commercial activity over time that can be attributed to the alternative.

3. What objective criteria, and/or specific measures and feasible methods exist for tracking the impact on the City's revenue and expenditures and the growth in business and commercial activity?

I don't have enough information to answer 2 and 3.

10/11/13

Joe Ferrara

Offenbachers

If they could ease the permit process by eliminating riser drawings and multiple copies of manuals.

10/10/13

Marci Brand

Creative Marketing Concepts, Inc.

I moved my company out of Alexandria due to the taxes I was required to pay.

10/10/13

Deborah George

debinnova@aol.com

I just want to say that I have owned a staffing firm in City of Alexandria for 25 years. I provide temporary and full time employment to many Alexandria residents. I pay very high business property and revenue taxes and do not want to see any additional taxes or increases on my business. It already costs much more to have my headquarters here than in other counties/cities in the area.

10/10/13

Christopher T. Myles, President

Elevator Technologies, Inc.

OK, thanks, I did not see an attachment.

We do not have much or any work in Alexandria within the City limits and do strictly elevator work. Being a small business, it's important to get your name out there so maybe a publication of some type or having links on the City website maybe would help. We do both commercial and residential work. The City may be able to charge the companies for advertising and or to get screened or pre-qualified to do work in the city and consumers can feel they are getting a reputable company. I know of a specific City Government contract that continues to go out to the same company and any upgrades or repairs seem to stay in house and not go out for competitive bidding. I spent about two days surveying each site and preparing the bid for almost no reason. There should be an overall evaluation and quality control audit on this and other sites.

11/21/13

Howard Bergman

hjbergman51@gmail.com

I would like to share some additional comments with the Task Force.

1. Data.

The task force discussed the difficulty of collecting data to demonstrate that tax rate reductions will stimulate business growth in Alexandria. Some data the task force might consider collecting:

- a. How many businesses chose to locate in Arlington or Fairfax County instead of Alexandria because of taxes?
- b. How many businesses chose to locate in Alexandria instead of Arlington or Fairfax County in spite of taxes?

As I've mentioned, I do not believe that the business tax rates are significantly restraining the growth of business in Alexandria.

2. Property Taxes.

I was surprised to discover that commercial real estate taxes were not in the scope of the task force. It seems inappropriate to claim that Alexandria business taxes are higher than Arlington's if we only look at direct business taxes without considering the impact of commercial property taxes. I don't know whether shifting the direct taxation from business owners to property owners is a good idea, but if we're considering equalizing taxes with Arlington, we should increase the commercial real estate tax to the Arlington level as well.

3. Business Friendly

The City just gave NSF a major tax break to move here, and it is planning to build a \$250 million MetroRail station to attract businesses to Potomac Yards. These seem to send a message that Alexandria is interested in business. Of course, the tax break to NSF and the cost of the station are justified on the basis of the increased revenue that will be generated by all of the new businesses coming to Alexandria as a result of these projects. Has the city miscalculated?

10/29/2013

Gregory Llinas, President

GL Solutions, Inc.

2331 Mill Rd Suite 100

Alexandria, VA 22314

Gllinas@GL-Solutionsinc.com

Thank you for your request on inputs from business. My general comments related to business and how to promote more business to locate within the city of Alexandria is as follows:

1st, look at the city of Alexandria approach to development, the main constraint for any business to locate within the city limits at this point is Parking. Most buildings are being allowed to develop with poor or no appropriate parking allotment for its tenants and visitors. Therefore, better planning may need to be incorporated within the zoning.

2nd, Transportation needs to be emphasized as a cost reduction, while I believe the city of Alexandria has a very reliable bus system, most of them is not planned towards getting people to offices parks and location within the city from other areas, but rather to take citizens living on the city to metro locations, which most of them also have limited parking. The two main streets that serves as the main arteries within the city limits does not flow very well or have constant flow of traffic that does not belong to the city (Route 1 and the GW Avenue/Parkway). So solutions to the clog of traffic during rush hours may need to be analyze to get better ways for traffic flows that does not belong to the city but affect their business.

3rd, The location is excellent for any business related to government contracting due to how close the city in general is to most government offices. However, the tax rate charge to business for both, Business Licensing tax (based on revenue) and for tangible property is a couple of points higher than what is charge on the surrounding counties such as Fairfax and Arlington. These couple of points, add to a higher amount of revenue taxes for any business.

4th, the available infrastructure is also limited as some of the providers of technology are not to par for what is need it. Case in point is the vast availability of fiber optics networks at affordable and competitive pricing (Verizon vs Cox, and other providers) and the limited availability of the same quality thru providers in the City of Alexandria.

Perhaps you should take into account the above items and do an analysis also on real estate taxes, as that may be another contributor to business escaping the city altogether for a better and more business sense location outside the boundaries of the city of Alexandria.

Hope this help.

10/15/2013
Noe Landini
noe@noelandini.com

We can provide a more comprehensive response for you if necessary.

Maneuvering throughout the cities infamous bureaucratic channels is becoming more of a challenge every year. The fees and taxes paid by Alexandria businesses like ours have increased both categorically and in value. Just recently, we received a refuse bill from the city for \$17,000 for our restaurants located on the 100 block of King Street. That \$17,000 pays for the dumpster located in a trash room on Fayette Alley. That dumpster is used by other local businesses who are also supposed to pay a fee. Cumulatively, I would imagine that the city generates a significant amount of revenue for this service and with a handsome profit. Extensive research has shown us that privatizing this service would save my company alone nearly \$10,000 a quarter. This example is one of many where we see poorly managed city services that provide ineffective and inefficient values to organizations like ours.

Aside from federal, state and now regional taxes imposed on businesses. The City of Alexandria also requires sales tax, meal tax, business tax, real estate tax, refuse fees, application fees, SUP fees, license fees, parking fees etc. All of these taxes and fees generate an enormous amount of revenue for the city. Speaking with fellow businessmen and women about this and other issues has raised a simple question. "What do we get for all of the money we pay the city?" They all answered the same, "nothing." We get nothing outside of Fire and Police protection, not even trash collection. The sad part is, all of the people we spoke with rationalized the reality of this poll by saying that this is typical of any American city, that we pay and pay and pay but should expect nothing in return. These folks have obviously become complacent. All American cities are not all the same and quite honestly, it's embarrassing where we stand in the mix because we have the demographic with the most potential. I encourage you to research other cities, start with this easy to read article in Forbes, one of hundreds available on the internet. <http://www.forbes.com/best-places-for-business/>

The reality is that when a business like ours needs to renovate, improve or grow our business and we make the trip to City Hall to begin the application, licensing and/or permitting process we still get very little in return. We do all of the work, often and at the same time fight an uphill battle with staff and at the end of the day, we still pay two ways; the agony of dealing with that bureaucracy and fees, fees and more fees. City staff generally don't value the dollar during this process and there's never a sense of urgency to get the job done. To think we provide all that money to the city and when we finally need something in return such as permission to embark on improving our business, renovating our storefronts or obtaining an SUP - we get nothing but grief and on top of that, we get charged for it.

The businesses of Alexandria drive the local economy, a basic 101 economical fact. I often dream of a city that partners with its local business force; the ensuing explosion of capital bliss and economic stimulation that would result out of such a relationship would

take this town to another level. Like many business owners, I haven't got the time to embark on this crusade. Who will help? Who else in city government sees the value of economic stimulation? Who of all the cities employees can battle the complacent culture that exists in city hall and liaison to business owners and executives to finally make a difference? Find those people and form a committee to help us grow. Make sure your study doesn't fall by the way side.

This is attainable.

10/10/2013

Craig J. Sterling

Craig Sterling Photographs

craig@craigsterling.com

For what it is worth...if you want to promote business, make an environment that is "friendly" towards visitors and businesses. Quit being so aggressive writing parking citations!

For instance, the federal government has been shut down. Consequently, we have seen a nice increase in visitors to Old Town. While most of the city's revenue is typically generated over the weekends, due to the government shut down, we are seeing a nice uptick in business during the week. This has been a good sign for our community...

However, I think it is in quite poor taste for the city to be writing parking citations as aggressively as it has been lately. In my opinion and the opinion of others, THIS CHASES BUSINESS, NOT PROMOTES IT!

10/10/2013

Carole Rickard Hedden

President, The Write Stuff

1844 Carpenter Road

Alexandria VA 22314

chedden1@cox.net

Pursuant to the request for input in writing to the following questions:

The Task Force invites the public to provide in writing on the following:

1. What are the major impediments to and incentives for business retention and attraction?

Impediments: The gross receipts tax at the local level is a major impediment. I produce thought and analysis as a single-person business; as I near retirement I must move this business (which can operate from any location) to avoid this onerous taxation that adds a 10% cost to me and that my customers will not pay. The technology availability in the city blocks where I'm located provides for a single vendor — no choice and service slow-downs linked to overburdened system.

Incentives: Public transit, quality of life, relative security in an urban area

2. What alternatives are feasible to address these impediments and what incentives might be effective? Please consider:

- a. the costs and feasibility of implementation,
- b. City budget revenue impacts, and
- c. the specific level of expected growth in business and commercial activity over time that can be attributed to the alternative.

I am not aware enough of the situation to offer intelligent input. Having lived throughout the U.S., however, I do know that gross receipts on non-materiel goods has been eliminated in other states. I have NEVER seen gross receipts applied at the city level.

3. What objective criteria, and/or specific measures and feasible methods exist for tracking the impact on the City's revenue and expenditures and the growth in business and commercial activity?

I would be interested in seeing current data on sole proprietorship/non materiel businesses and the attrition levels.

10/11/2013

John Savage, Architect

savage.arch2@netzero.net

I am a practicing architect in the City of Alexandria. I have been in business in Alexandria since 1979. I have been a resident of Northern Virginia since 1949.

My father and his ancestors have resided in the Commonwealth of Virginia since 1608.

Having grown up in Northern Virginia, I can well remember when Alexandria was "it" for Northern Virginia, meaning it was the center of activity. The commerce was there, along with all resultant activity associated with an active commercial base. That is no longer the case. Just look at how Arlington has morphed into what it has become, maintaining the attractive mix between residential and commercial development that translates to an attractive and equitable distribution of taxation received from the businesses and residences. Arlington has gotten the distinction as an attractive urban county because of its very professional urban planning principles that they have held steadfast to.

Let's contrast this with the mindset of Alexandria. It is, and has remained for some time, fashionable to bash the business community. This has been promulgated by a very vocal minority, content to make very public their personal opinions. Why should one want to locate in Alexandria in this environment? Yes, there is an ever-expanding restaurant community. But, guess what, this is case in all surrounding jurisdictions. Alexandria has never figured out that with density increases there is not an automatic decrease in the quality of life. In many cases there is an increase in the quality of life with the generation of new businesses. In my opinion, new businesses will not want to locate in Alexandria until it deals certain basic urban planning principles and makes it attractive to locate here. Alexandria never has really gotten the correct business and residential mix. Other surrounding local jurisdictions have.

10/11/2013

**Neil Wolfe, President,
Wolfe Construction Inc.
wolfeconinc@comcast.net**

I am very interested in posting my comments written below in this task force forum for comments however the PDF listed at the bottom of your email seems to lead me nowhere- can you please provide me with a direct link to the comments board and or post my comments below? Thanks.....

I can assure you that raising taxes on small businesses in Alexandria is NOT the way to promote jobs or growth- why would anyone ever even start to pretend that raising business taxes will create jobs or opportunity? Your email also talked about 'helping to support the services our community relies on'- I'd hardly call raising the taxes on the businesses that provide those services as 'supporting' them.

The business gross receipts tax is already nothing more than an illegal income tax that is designed specifically to circumvent Virginia law that forbids cities and counties from

taxing income. Raise taxes on my business and that might be the straw that breaks this camel's back!

The activity of my business actually increases the tax base for this city- I build and increase real property value and you want to tax me even further as I work to grow your tax base?

I make under 100k every year yet merely by virtue of being a self-sufficient entrepreneur you tax my income where other residents making many times more than I pay no such taxes.

And then let's talk about your business tangible assets tax- I'm a builder and a carpenter- every year, year after year you tax the same hammer over and over and over again- you tax the very tools I need to build this city hence increasing your property tax base.

Another particular aspect of the Gross receipts tax that many who aren't self-employed might not be aware of is that even if a business suffers losses in a particular year they are still forced to pay the Gross Receipts tax as well as the tangible asset tax. Neither the federal or state government taxes a business that suffered a loss- instead they issue a credit.

You want to spur growth? Cut YOUR government spending enough to eliminate your Gross receipts and business tangible asset taxes.

Raising taxes on businesses, particularly closely held small businesses is tyranny by the majority. Sounds really nice to non business owning citizens to tax those 'greedy' business owners right?

Again get YOUR house in order and reduce SPENDING- if you need some help figuring out how to accomplish that I'll be happy to assist you in that endeavor.

Please be sure to properly educate non business owning citizens as to the unfair taxes small business owners are already forced to pay this city which in the end are nothing more than INCOME taxes that salaried citizens aren't forced to pay.

If this task force is serious about creating jobs in this community I have a win/win solution that I'd be happy to share with you in a face to face meeting- and this solution would also have real health benefits for our citizens and provide our youth with an invaluable experience.

You simply cannot raise taxes on businesses and simultaneously claim to be supporting them or creating jobs in the community. That's clearly a contradictory stated objective.

10/12/2013

Jody Manor

jody@bittersweetcatering.com

Thanks for contacting me. My first thought is the disconnect between 'increasing the share of taxation from commercial activity; and 'providing jobs' These seem diametrically opposed to me. How do we, as a City, think increasing tax revenue from businesses will increase jobs? I can assure you in my case, it will not.

I'm a long time business owner, commercial property owner and in the process of opening a new business. Over the years I've seen many sides of the City's tax and permit fee structures.

The bigger issue here is raising tax revenue in general. We currently suffer a stagnant waterfront that could be producing millions in tax revenue -- instead far too many residents and visitors walk our historic waterfront empty handed rather than shopping and buying food and drink.. I know from operating a business in the Food Pavilion for a number of years that there are simply very few quality choices available to generate tax revenue - an enormous lost opportunity for the City. Lack of programming, special event management and basic maintenance also discourage visitor spending throughout our historic district. Thankfully the City is moving forward to address some of these issues, but much work remains to reach our potential.

Another issue is the influx of larger national retailers and the importance of the small business community. As past chair of the ACVA I know that it is small business that financially supports the membership goals of ACVA. Very few national retailers pay the membership dues and I believe the same situation exists with the Chamber of Commerce. In effect, small businesses are subsidizing the marketing and business representation of these organizations for the benefit of all. Something needs to change in that equation or there will surely be a backlash by small businesses. Don't get me wrong, large retailers are essential to our economic health, but I believe a BID could potentially play a role here in leveling the playing field.

In my industry we've already recently been subject to two significant tax increases – this year's state sales tax increase and the City's increase in the meals tax a few years ago. Please be sure that the effect of a 10% tax on each dollar I sell is very significant to our customers.

I know there has been past discussion about a commercial add on tax. This kind of taxation would land squarely on the shoulders of the small business community as a pass

through expense in most leases. Having watched King St. slowly become more stable from a small business perspective over the last few years, that would be devastating to the vitality of our Main Street. That's a change I would very strongly oppose.

The answer, I believe to the quandary of increasing tax revenue from commercial activity is to simply have more of it. Don't institute higher taxes which will surely drive away business investment. Truly walk the walk in terms of making the City more business friendly – while there have been dramatic improvements in the past few years in this regard, I still find myself burdened by regulations that inhibit my ability to serve my customers and grow. Additionally, the threat of food trucks in the City very much increases the likelihood that I will have to lay off staff and eliminate health and retirement benefits for my employees. Is that really worth allowing a fad business model to congregate three to a block as was initially proposed by the City? Or is the City really serious about developing businesses that provide living wages?

Lastly the business license tax which taxes my investment in equipment is regressive. As a city we discourage investment in improvements and innovation by subjecting assets to taxation. Something needs to change there to encourage investment while replacing the lost revenue to the City.

We live in an increasingly competitive world but have the good fortune to live in a unique place of historic significance and beauty. We have an opportunity to leverage these assets in ways that can generate much more tax revenue, but simply increasing taxes is not the way. The City needs to be ever mindful of what will bring more investment and vitality to our streets.

Thank you.

10/11/2013

Leslie Kostrich, Owner

Minniesland.com, LLC

minniesland@gmail.com

I appreciate your email soliciting comments for the Business Tax Reform Task Force. I am in internet retail sales and have a home-based business. I am therefore responding with thoughts in reference to home-based businesses. I don't know if this is a significant issue or not for the City in terms of overall tax revenues, but I do think it likely that there are people operating home-based businesses in the city not all of which are licensed. These businesses may represent a new source of revenue if they can be licensed.

In the early 2000's, I knew two people who were pursuing similar business activities in their Alexandria homes, one who had an Alexandria business license, the other without. The one who was licensed told me she only became licensed because the city had contacted her many years before (based on her federal tax returns according to her) and had told her of the need for license. Until they contacted her, she had no idea that a license was required. The unlicensed person seemed to have the attitude that she could continue to be unlicensed as long as nobody insisted she get a license.

I do not know how much commercial activity is unlicensed, but I assume at least some home-based business owners are ignorant of the requirement that they obtain a license. Even as the owner of a licensed business, I am unclear on what activities necessitate a license, e.g., does someone who is self-employed and does consulting (say mostly going to client locations, whether inside or outside Alexandria) need a business license? Does a person who contracts out services and fulfills the work from a home in Alexandria need a license? Is there a threshold of activity that requires licensing or is it any money-making activity? Do certain business structures necessitate license while others do not?

It's not just a question of informing people when they actually inquire about getting a license. The need for licensing and paying business taxes should be understood by EVERYONE. There should be articles and letters appearing in publications such as the Gazette-Packet talking about business licensing for home-based businesses so people don't just shrug it off.

Another thing I wish to address is how business taxes are calculated. The city's business taxes are levied on a completely irrelevant measure -- gross receipts. If I were to sell all of my merchandise at cost, my business would experience an overall loss for the year, but under the current system I would owe a lot in Alexandria business taxes. This would further exacerbate my losses. Why aren't taxes levied on PROFIT rather than gross receipts? It would perhaps be necessary to make business taxes due after April 15th (perhaps May 1st instead of March 1st) but it would be fairer and make more sense. Tax rates would of course have to be changed, assuming the goal of making the new system revenue neutral compared to the old system, but the distribution of taxes would become fairer, shifting from less profitable to more profitable businesses.

Speaking of fairness, one must also address the issue of tax rates. It is great that the city levies no tax on businesses that have gross receipts under \$10,000. I know that an exemption can be helpful to such small businesses. But the flat tax of \$50 that covers the next range (\$10,000 to under \$100,000) makes absolutely no sense to me. In my sector (tax rate of \$2 per \$1000 gross receipts), the tax for \$10,000 would be \$20 if calculated using the sector rate, while taxes for \$99,999 would be \$200 (after rounding). A business

that has \$25000 in gross receipts would owe exactly \$50 if the tax is calculated using the sector rate.

Here is a table illustrating the tax rates as gross receipts vary.

Gross Receipts in \$	Tax due	Tax rate
under 10000	0	0
10000	50	0.5000%
15000	50	0.3333%
20000	50	0.2500%
25000	50	0.2000%
50000	50	0.1000%
75000	50	0.0667%
99,999	50	0.0500%
100,000	200	0.2000%

The city effectively punishes businesses with gross receipts from \$10000 to \$24,999 with higher tax rates, while giving lower rates to businesses in the range of over \$25000 up to \$99,999.99. Someone who has gross receipts of exactly \$100,000 has to pay \$200, so why should someone with as little as a penny less in gross receipts pay only \$50?

I do not know how the issues I've raised affect overall tax revenues, but I know I find them irksome whenever I must fill out the forms and pay my business taxes. I cannot speak for others, but it makes me think that the system is unfair. I am more than happy to pay my FAIR share, but I want to see everyone else doing the same thing. Of course this applies as well to the business property tax, but I do not have enough knowledge of how that affects different types of businesses to assess if it is fair or not. It does bother me that I have to pay a property tax on my old furniture every single year, but it is not much of a burden for my business.

Thanks again for the opportunity to make these comments.

10/16/2013

Greg Knott

greg@gregknott.com

Sorry, I shouldn't have been so rude. I just haven't had great experiences with the city government. I just saw the fax number and didn't see the word (or) e-mailed:-)

If you guys are serious about it I do have a idea. 4 or 5 years ago I even talked to several members of the city Council about it. One gave me a nice long lecture of the history of why that laws their, others blew me off. Frank Fannen was going to work on it, but never made any progress.

There is a law on the books about running a business out of your home. You are allowed to, but not allowed to meet clients have any employees or I suppose any interaction with the outside world. Somehow the teacher lobby managed to get exempt from the law. I believe it's for tutoring, piano teachers etc. etc. but there you are allowed to meet 12 students a day with no more than 2 at a time. I'm pulling this out of memory, but it's something like that.

The law is written so restrictive that if I telework from home I could not have a fellow employee over to my house for lunch.

Arlington I believe in again this is from 4 or 5 years ago, you are allowed to have 2 employees from 9 to 5 and allowed to meet, I don't know I think it was like 8 customers a day.

My situation was I was a wedding photographer at the time and would meet maybe one couple every couple weeks at my place. Our neighborhood has a busybody old lady in that calls the cops the drop of a hat for anything. Kids singing karaoke on the front step at 7 PM at night, the neighbors having a birthday party that was too loud, trying to show outdoor movie in the backyard etc. etc.

I got a call from the city telling me I can't do that anymore. The 2nd time I got a \$50 fine and the 3rd time would be cease and desist letter. I know a lot of small business owners and a lot of them started their businesses out of their homes. Then eventually retail and office space, but they started in their homes.

We were very close to moving to Arlington because of this. I have recommended to other friends thinking of buying homes and I know have small businesses to not buy in Alexandria. Several have bought homes in Arlington and now have storefronts in Arlington not Alexander.

Greg

PS I have 1/2 assed look into incorporating in Delaware, If I find the time to properly explored I still might.

10/10/2013

Dan Hazelwood

DanH@targetedcreative.com

As a business owner and resident, I am deeply concerned that these three chuckleheads on the council make any policy proposal. They know nothing of competence or business. Shifting is exactly the wrong way to see this. Yes residents should experience less tax burden but to think that shifting that on to business will do anything but drive businesses and jobs away and lower revenue is foolish. The answer is to attract more business and encourage business to be more profitable this will grow revenue that will allow decisions to be made that don't increase the residents share. Many easy steps are possible

The bottom line is most businesses would be happier with less interaction with city hall. Less notices and naturally less taxes. But at a minimum make the paperwork go away. If nothing else do it for any business that has less than an average of 10 employees. I have no major beefs with the city, but every letter or phone call I get from the city I think "What now" in not so polite terms.

There are many big and little fixes.

First, the bureaucracy. I don't mean that pejoratively, because I will gladly testify that city hall employees have taken steps to save my business money when they could have overlooked it. I mean just the constant swimming of paperwork.

Realize that a business needs to cope with state and federal paperwork in addition to the city. Obviously the task force can only address city issues.

1) Make a list of all filings due with the city. A small business of say \$1 million gross revenue that owns a town house in Old Town and operates a business pays and files how many forms. My business license, My city business property tax, my recycling plan, fire inspections and so forth. They all have different due dates, departments and you can never know the compliance status until you get the notice. Every time you get a notice you are just tired by the city. Because the state has at least as many and then the feds. Small business that have to outsource accounting and HR and payroll just find that eating a huge portion of their income. Less income = less spending in the city.

2) There should be one e-portal that a business owner and all there connected business can enter and see the status of every one of their fees and paperwork. You could build an online system of reminders. It should be an easy button to file.

3) Stop shoving stuff into new entities. The spin-off of Alexandria Renew was obviously an attempt to punish city business and residents by being able to raise more revenue. By splitting this from VA Water it increased everyone's personal paper work, postage, check writing. Every time I see that I know the deal was to gauge residents. There is NO doubt it shoved a ton more paperwork onto people. Why not consolidate it into the same citywide system?

Literally once every two weeks employees in each division should get together and have an hour of working through ways to bother businesses less frequently. Remember the average business owner in the city by raw numbers has to be someone who is operating that business 24/7. I am not talking the large corporations with their faceless gray suits. They have staff to deal with bureaucracy.

BPOL and Property Tax.

I bought a table for my office and you want to tax it as property? Fine I will buy plywood and nails and it will have no value. It just generates disgust with the city. Why not just put out a flat waiver any item that was purchased for under \$5000 is exempt for property tax. How much time do I need to spend thinking when did I buy that computer? Did I retire it? Oh you think it is easy because it is on my federal taxes. Wrong! That is just more crud I have to deal with my accountant on. And the time of when that is due is different that when the company taxes are do. So you make me look at more tax forms. I hate you even more. (meaning city bureaucracy not anyone personally). So I need spend time not on what works for my company but on tracking this total BS to fill out some form. Endless forms a form for forms. And I have to pay my accountant to track this stuff, which is effectively a tax on the cost of filling out forms.

BPOL this is a horrific thing and every time I fill it out I contemplate moving to somewhere that doesn't stick it to me. A lot of businesses can locate a short distance away in Arlington and Fairfax with ease. You should actively make sure our BPOL rates are under theirs to make it easier to stay here. You can't do anything if a business is willing to leave the state, but that is a real and profound threat as the internet makes remote locations more viable. Believe me I understand the funding but it creates bile in every business toward city hall. It sounds like a line from good fellas, (minus the swearing). Had a good year, pay me. Had a bad year pay me. Had to invest to make the business compete for next year, shut up pay me.

Parking. Stop thinking public transport is the solution. It is only a partial solution. Making parking convenient and affordable will go a long way for tourists, resident and businesses. In Old Town, get the wait staff at restaurants and the city hall government staff to stop parking on the streets. Someone could easily document the dozens of city hall employees who do the 2 hour shuffle on parking. Wait staff at restaurants have same issue. Efficiency for everyone would go up. People coming for business would find it easier to park and tourists as well. Everyone is happy. Staff get less stress and parking tickets. Everyone else has more convenience. If you don't think this is an issues just say so and someone can document the dozens of city employees parking on the street The badges are a giveaway. Not to mention that many businesses have to pay or incorporate their employees need to park. Public Transit will not solve this. It may make a dent, but if parking remains bad its easier and cheaper to relocate to Fairfax for more and cheaper of both. Imagine if you want to pay parking for 10 employees. \$140 a month if you are lucky ends up being over \$12,000 a year. But if I move to a location with free parking down route 1, bingo parking is free and can do something else with that money. And people will keep driving until Gas is \$40/gallon.

Garbage Pickup for businesses. This is a very unevenly applied situation I suspect. I pay for private pick up. Does everyone? Are people even told? No. You figure it out individually.

Recycling for businesses. If my business wants to recycle something I can't dispose of it at the city recycling center? So you know where it goes? What do I do with CFCs? Oh right I have to pay a private contractor. It might as well be a tax. In a large number of businesses street side garbage is not differentiated from business or residential. Who checks, enforces and what is the rule? I found out when I bought a building, but I can see from walking around many don't know. I don't want enforcement I want ease of understanding. Where confusion reigns.

If you look at the City website and see "start a small business" you get endless links of crud to wade through. Just daunting. No one in their right mind would knowingly embark on a task to do all that or even wade through it. But business people determine to start and then wade through the junk. Just wander around that site and just read aloud and look at the forms. I mean it's a giant go away this sucks sign.

There is clearly no reception from city government that encourages or supports small business. You don't care. You all want to chase the big hotels, companies, PTOs etc. Now that doesn't mean the individual staff inside the departments aren't courteous and helpful. They are. But instead of wine and flower you great business with blizzards of paperwork and endless fees and taxes.

I am a resident. I want the city to do certain essential functions, but if you keep assaulting my business with paperwork that sucks time I will stop being a productive revenue source for the city. Now I am lucky. I can walk to city hall from my office on a nice day and patiently jump through hoops and get resolution from the usually very friendly and helpful staff. But if the business isn't in old town. My goodness it would be frustrating.

Make it easier.

That alone would be HUGE. Because NO ONE wants to make it easier for small business. Everyone looks for a quick fix and the details are hard. Shift the tax burden and watch the city turn into Detroit. The city is a great place, make it easier to have a business here and you will have more businesses functioning, employing and building the economy. That will undoubtedly generate more revenue from the commercial side to relieve the burden on the residential side.

Thank you for your time.

Farley Enterprises – Pacers

Farley Enterprises (dba) Pacers has been operating in the City of Alexandria since 2003, a period of time in which we have increased revenues by almost 100%, increased employment by over 50%, and have brought traffic to the City by both our retail activities and our events such as the George Washington Parkway Classic. We believe we have been good citizens and increased revenue to the City by both the payment of property taxes and gross revenue taxes. We operate two locations in Alexandria; 1301 King Street and 1303 King Street.

We applaud any effort by the City to increase tax revenue to the City as long as that effort leads to lower tax rates and other incentives for businesses to locate in the City or expand existing operations. We believe in the maxim that “a rising tide raises all boats”. Each customer of ours or participant in our events is a potential customer of local restaurants, coffee shops and other retail operations. By corollary, each customer of a thriving new business is a potential customer of ours. Both of these options increase revenue to the City.

As you know, the failure rate of new businesses in the United States over four years approaches fifty percent. The margin for success or failure is often razor thin. Lower tax rates or tax incentives could make the difference between success and failure. Our success exemplifies how City tax burdens can be lessened for all citizens.

We do have one caveat: Although we do not have a problem with an incentive for a business to open, fundamental fairness demands we should receive the same continuing incentives or lower tax rates as new businesses.

10/31/2013

Howard Bergman

hjbergman51@gmail.com

Thank you for asking for comments regarding business tax reform in Alexandria. And I appreciate the opportunity that you gave me to participate at the Business Tax Reform Task Force meeting October 21. I hope to attend future meetings.

As I mentioned at the meeting, the critical issue facing the city is the forecasted deficit in the city's operations budget. The Department of Management and Budget ran 10-year projections based on current levels of spending and three levels of revenue growth. According to these projections, the city's expenditures will exceed its revenues in every year, even in the scenario with high revenue growth.

Staff warned, "These projected shortfalls provide an order of magnitude of the amount of expenditure reductions and/or revenue increases needed to balance the budget in any given year."

The order of magnitude of the shortfalls is significant. In the medium growth scenario, the city's revenues will grow by 20%, but its expenditures by 82%. The shortfall in our operating budget will be \$14.8 million in FY 2015 and will grow to \$133.7 million in FY 2023. It jumps from 2% of revenues to 17%. The total addition to the city's debt by the FY 2023 would be \$634 million.

Moreover, the city is planning at least two major infrastructure projects, the Potomac Yards Metrorail Station and the single sewer system in Old Town, that could add more than \$500 million to the city's debt, and, consequently, its debt service obligations.

As the Management and Budget Staff warned, the city has hard decisions to make regarding expenditure reductions and revenue increases. It seems likely that part of the resolution of the issue will be increased taxes for businesses. The business community must be engaged in the discussions to ensure a balanced approach that recognizes the need both for community services and for reasonable, competitive business tax rates. It must help the city analyze critically the total costs and benefits of proposed capital projects, including the costs of on-going maintenance and likely need for additional services.

Thanks again for this opportunity to participate.

10/28/2013

Don Buch

dnbuch@hotmail.com

I've not studied/investigated the Business Tax Reform Task Force in any detail but a variety of reactions come to mind - and public comment was invited!

1. I'd suggest that the mission statement appears to go far beyond just taxes – which I fully agree with but one might want to consider a more descriptive title than “Business Tax Reform”.
2. We need to move faster to pursue opportunities. Leaving aside how many years it took to get approval to move the Eisenhower West SAP forward, Council gave that approval months ago. We have business owners who for months have volunteered to pay for much/the bulk/all of the work yet we seem to wait and wait and wait. We're told we have to understand the political process. Perhaps the political process is overdue to get more attuned to fiscal realities? We repeatedly hear of business owners frustrated by how long it takes to get into business in Alexandria.
3. I know it's a sensitive issue but the City needs to confront it: we offer incentives and dedicate proffer after proffer to “affordable housing”. Yet we know that housing in general doesn't pay its fair share of the cost of City services and the “affordable” units even more so. At this point we need to dedicate proffers to (a) some of the things housing requires – such as schools and (b) things that will enhance the attractiveness of Alexandria to commercial/business ventures – such as improved transportation and roads, addressing overflowing sewers. The more that commercial businesses taxes will be expected to pay for schools, infrastructure and the like, that will only make Alexandria less appealing.
4. We ought to look at transferable development (air) rights where that might incent certain sites to (a) develop/redevelop sooner rather than later and/or (b) provide amenities and/or employment opportunities they might not otherwise be prepared to incorporate.
5. Politics again – we need to develop a community attitude focused on “let's explore that and see if we can craft a win/win out of the opportunity”. We have far too many people all too ready to say “no” or pursue the matter until they feel they've found a good reason to say no.

6. I assume someone(s) are already fully engaged in assessing the needs of and attractions to commercial enterprises that might logically want to follow NSF to Alexandria.

I look forward to seeing the concrete results of the Task Force in the not too distant future.

10/10/2013

Bruce Badger, Past President, IAR

3917 Robertson Blvd

Alexandria, VA 22309

bruce_badger@iiar.org

Generally, I support the concept of reducing the tax burden on our residents. We have a rather broad spectrum of incomes, from the very lowest to some of the highest in our region. The existing State and Federal tax code, while impossibly complex, provides for limited taxation on those with limited incomes.

However, I find an increase in corporate and commercial taxes to be counterproductive as a means to increase City tax revenues or improve job creation. I suggest that the City look to increase revenues from those who live outside Alexandria and come to the City as tourists. A small tax on hotel stays, restaurant meals and non-grocery and clothing purchases would significantly increase revenues without impacting the citizens of Alexandria.

Alexandria is a home to many non-profit associations for many reasons, including more favorable taxation policies than in neighboring Maryland, the District and Arlington. This should not change since the employees of these associations spend a lot of money in Alexandria.

I support your initiative to raise revenues for Alexandria, but not by taxing corporations, commercial businesses or associations. Let's place the burden on those who visit our City rather than those who live and work within its boundaries.

10/11/2013

Judy R. Guse-Noritake, Principal

Noritake Associates, Inc.

605 Prince St.

Alexandria, VA

jnoritake@nka-arch.com

I am glad that you are examining the City's business tax. It has been a beef of mine for the last 27 years that my husband and I have had our architecture business in the City. Let me explain why.

For all those years, while we have been on the small side for an architecture firm, we have mostly designed Class A office buildings in the northern Virginia market for developers. Our competition is normally large firms in the District of Columbia, Arlington and Fairfax County—not so much here in the City.

The business tax for Professional Services here in the City is \$0.58 per \$100. I checked the current rates in neighboring municipalities this morning and found that Arlington retains their \$0.36 per \$100 for Professional Services, while Fairfax County has set theirs at \$0.31 per hundred. Fairfax County's rate for similar architectural firms is almost half the City of Alexandria's. You will also note from the attached chart that Alexandria's Professional Services category is the highest of any business tax rate, for most categories almost twice as high.

On top of that, architecture firms are at an additional disadvantage as compared to engineering firms and other professional services. Those businesses execute their work product, get paid by their client and pay their business tax. But in the case of architecture firms the client paying to design and build a project contracts for virtually all professional services THROUGH THE ARCHITECT. This is done for reasons of project management, liability, etc. So the architect gets paid for their own labor and expenses and all of those for the engineering consulting team. On average, for the kind of work we do, for every \$100 we bill for our services there is another \$100 that we bill for the collective engineering services.

The result is that we send an invoice to the client for services for a month for \$100,000. We pay \$580 business tax on all of that. We keep \$50,000 in house and send the rest in payment to our consulting team. Some of those are in Alexandria—like Rhodeside & Harwell, Inc., our landscape architects. Whatever we send them we have already paid \$0.58/\$100 business tax on that amount and then they must pay the same amount again when it comes into their office. Same tax on the same money. The City is getting \$1.16/\$100 on that \$10,000 we just sent to the consultant.

While this probably seems like a good thing from your perspective, if you think now about the much higher tax rate Alexandria levies (almost twice as much as Fairfax County's rate, which qualifies as "much higher") the difference gets more stark. For the \$10,000 we just sent Rhodeside & Harwell, the City got \$116.00 between the two firms.

If both businesses were in Fairfax County the same \$10,000 would have paid a total tax of \$62.00. When you start running \$2 million, \$3 million through a small business like ours it makes a difference. It gives us a competitive disadvantage over our competitors located in the other jurisdictions in fee proposals, and that is a fact. The reality, especially in this economic climate, is that our clients look at our past work, our reputation AND our fees before they make a decision on who to hire to design their projects.

If the City has a goal to entice more professional services to come to the City to operate, then I would strongly advise that the business tax for Professional Services not be raised as you look to revamp this part of the City's revenue. It hurts enough already for a small firm like ours.

10/31/2013

Stacia C. Aylward, CEO

stacia.aylward@zelosinc.com

As a woman-owned small business in the City of Alexandria and a former resident of the City, I appreciate the opportunity to provide input to the Business Tax Reform Task Force and to offer my ongoing support for your Task Force if you need me personally, or Zelos, as you move forward with this important task.

Introduction to Zelos, as it pertains to this issue—

Zelos is a small, woman-owned business that moved from Midlothain, Virginia to Alexandria, Virginia in early 2012. Our reasons for locating in Alexandria were:

- i. I, the owner, lived in Alexandria and wanted my business to be located close to my home
- ii. Proximity to the Metro was important since the vast majority of our clients are in the DC-Metro region (and throughout Virginia)
- iii. Carr Workplaces was able to provide a flexible, reasonably priced “virtual office” solution that was great for a small business on a tight budget but is scalable as Zelos grows.

Further, Zelos currently holds a City of Alexandria training and organizational development contract, is delivering training to City staff this fall, and previously done an organizational assessment project for the City.

When I first read the solicitation for public comment and saw not only the title (“Business Tax Reform”) but also the City Council's direction to the task force to “ease the burden on our residential tax payers by *increasing the share of taxation that derives*

from commercial activity,” I immediately concluded that the underlying intent of the City is to raise taxes on existing or new businesses. As I read further (and received your clarifying email), I understand that raising business taxes may not be the sole intent but just one of many options and that what you might really be looking for here is volume— attracting new business and retaining more businesses to increase the tax base. Regardless, please consider this: businesses do not pay taxes; people pay taxes. If you raise business taxes or increase the cost of compliance, businesses will pass the burden onto their customers through higher prices, to their workers through lower wages, to their suppliers through lower prices, and then – only as a last resort – to their owners through lower profits. Of course, some of the businesses customers, workers and suppliers may also be residents or business owners in Alexandria.

Response to Specific Questions –

1. What are the major impediments to and incentives for business retention and attraction?

Asked in a different way, the questions are: why did Zelos locate in the City (answered above), why does Zelos stay, and what would cause Zelos to leave? To answer the last two questions, I provide the following.

In April, 2013, when my husband and I were looking to buy a house, we made the decision to leave the City of Alexandria (we didn’t want to—we simply could not afford the home prices, and now we live in Prince Georges County where we pay higher taxes and fees but far, far less for our mortgage). At that time, I also made the decision to keep Zelos in Alexandria, for these reasons:

- I did not want to change my business location twice in two years; it makes the business look “flakey” and increases administrative costs
- Carr Workplaces is a phenomenal small business office solution, and there is nothing like it available in Prince Georges County
- Zelos is enjoying its work with the City and wants to stay close
- One day, my family may return to Alexandria to live

On the other hand, there are reasons that might cause Zelos to leave Alexandria:

- If the cost of Carr Workplaces increased considerably
- If the cost of doing business (business license, etc.) increased considerably
- If transportation became unbearable—traffic, congestion, parking, etc.—for me or for my visitors, and there was a similar option at the same or lower cost in a different location

- For example, Carr Workplaces has a number of locations in DC and Virginia that—if suddenly it were not possible to park at a reasonable price in Alexandria—it might make sense for Zelos to look elsewhere

2. *What alternatives are feasible to address these impediments and what incentives might be effective? Please consider (a) the cost and feasibility of implementation, (b) City budget revenue impacts, and (c) the specific level of expected growth in business and commercial activity over time that can be attributed to the alternative.*

Asked a different way, what ideas do I have to help the City attract and retain business that would not have unintended consequences to City initiatives and fiscal responsibility? I would be more than happy to brainstorm ideas with you or other members of the public. I would suggest that the City start by considering the qualities that make Alexandria an attractive place to do business (and to live) and find ways to capitalize on those without ruining them in the process. From my perspective, here are some of the qualities that make Alexandria an attractive location to work and live:

- It is located near DC without being in DC (which means commuting isn't quite as bad but you can still get into the City quickly if you need to)
- There are businesses that serve businesses within walking distance to any location (for example, my bank, my investment firm, my realtor, my coffee shop, my grocery store, my dry cleaner and my shoe store are all within walking distance of my business location)
- We're surrounded by history and natural places, not high-rises and concrete (which means, visitors come visit; when we're stressed out, we can take a walk to the river or through a cemetery, or go shopping or grab a drink)
- We're not Tyson's Corner, or any other analogy for a giant highway intersection with little character and far too much traffic

3. *What objective criteria, and/or specific measures and feasible methods exist for tracking the impact on the City's revenue and expenditures and the growth in business and commercial activity?*

Asked a different way, how do we know if any changes the City makes will cause the City to “win” or “lose”? Zelos specializes in helping organizations develop performance measures that tie to their strategic goals, objectives and initiatives. For example, Zelos could help the City develop objective measures and help it determine how to track (and communicate) them, but we would need additional information and conversations with City staff. Additionally, the Task Force might consider using the Force Field Analysis technique to evaluate the possible changes it is considering to

taxes and fees affecting businesses, other monetary and non-monetary incentives, and changes in the administration of any tax or fee.

As I said in the first paragraph, I would be happy to talk with the Task Force further, formally or informally, if it has any questions or would like additional information. I also wanted to share with some research on business location determinants (from the Center for Business and Economic Research at the University of Tennessee, where I once worked), <http://cber.bus.utk.edu/pubs/mnm083.pdf>; the survey and analysis may give the Task Force some additional ideas for evaluation and consideration.

January 24, 2014

John J. Wallace, Esquire, CPA

1436 Brookhaven Drive

McLean, VA 22101

JohnJ@JJWallace.com

I know this is after the deadline but I can tell you this. Trying to do business in Alexandria is difficult.

I was in a building that did not have enough internet band with. I left after a year.

I had a client trying to open a new business in Alexandria. He lost 3 lease opportunities because the zoning board takes so long to approve businesses to be in a particular location. So the landlords leased to someone else.

Another former client had somekind of difficulties dealing with inspectors and zoning.

I would declare Alexandria a Business Free Zone.

Report of the Business Tax Reform Task Force – Attachment 6: Links to various academic and other materials of interest provided to and used by the Committee

Appendix 6

LINKS TO VARIOUS ACADEMIC AND OTHER MATERIALS OF INTEREST PROVIDED TO AND USED BY THE COMMITTEE

Do Business-Friendly Tax Climates Yield the Most Jobs?

Governing

Oct 2013

www.governing.com/blogs/by-the-numbers/state-business-tax-climates-jobs-data-analysis.html

This article includes an interesting scatter graph that suggests no relationship between employment/population and Tax Foundation's Business Climate score.

Academic Research Lacks Consensus on the Impact of State Tax Cuts on Economic Growth:A
Reply to the Tax Foundation

Center on Budget and Policy Priorities

June 2013

<http://www.cbpp.org/cms/?fa=view&id=3975>

This article provides a critical analysis of the studies cited by Tax Foundation in support of the argument that low state taxes drives growth; it also identifies articles that do not support the argument.

States with “High Rate” Income Taxes are Still Outperforming No-Tax States

Institute on Taxation and Public Policy

Feb 2013

<http://www.itep.org/pdf/lafferhighrate.pdf>

This article includes charts comparing states with no income tax against states with 'high' income tax, 2002 - 2011.

The task force wishes to express its appreciation to Mr. Howard Bergman for supplying these articles for its consideration.

Report of the Business Tax Reform Task Force – Attachment 6: Links to various academic and other materials of interest provided to and used by the Committee

Appendix 7

OBJECTIVES, SCOPE & METHODOLOGY

OBJECTIVES

Based on the above guidance the Task Force determined its objectives to be:

1. To analyze the alternatives available to the City Council to promote business growth and commercial activity in Alexandria and identify the most promising alternatives that align with City Council’s strategic economic development objectives and increase the number of businesses and jobs in Alexandria.
2. While these alternatives do not need to be revenue neutral in the short term, in the long term there should be a realistic prospect that growing commercial activity will generate more revenue over time than the costs to implement the alternatives or the revenue foregone as a result of any changes in taxes or fees.
3. The original objective of the Task Force was to present its recommendations by the end of December. The Task Force determined that with the resources and time available to it, it would endeavor to present a “preliminary” report to the City Manager and the City Council by the end of January that focuses on a limited number of issues. The possibility was kept open, and eventually to recommend, a follow-on study to be conducted for presentation and consideration next fall, in time for the FY 2016 budget process. Such a follow-on study could examine other changes in tax policy or tax administration, as well as other possible changes in other City policies or procedures if more time and resources were available.

SCOPE

Given the charges of the City Council and the City Manager, the Task Force defined the scope of the study to encompass:

1. Possible changes in
 - a. taxes and fees affecting businesses,
 - b. other possible monetary and non-monetary incentives,
 - c. changes in the administration of any tax or fee, and
 - d. other procedures or processes.
2. The Task Force endeavored to present for City Council’s consideration alternatives accompanied by
 - a. a specific statement for each of the costs and feasibility of implementation,
 - b. City budget revenue impacts, and
 - c. the specific level of expected growth in business and commercial activity over time attributable to the alternative.

3. The Task Force also sought to present objective criteria, specific measures and feasible methods for tracking the impact of alternatives on the City's revenue and expenditures and the growth in business and commercial activity.

METHODOLOGY

The Task Force used the following methodology to accomplish these objectives and fulfill the scope of the expected study:

1. Presentations by Staff
 - a. City Staff provided a history of previous studies referenced in the June 25th memorandum of the three Council members.
 - b. City Staff provided information on the nature and extent of taxes and fees currently imposed on businesses or commercial activities in Alexandria or collected by businesses in a fiduciary capacity (such as sales taxes).
 - c. City and Alexandria Economic Development Partnership (AEDP) staff provided
 - i. information on similar taxes and fees imposed in our primary competing jurisdictions,
 - ii. information on incentives that have been offered to attract new businesses, and
 - iii. AEDP's strategic areas of emphasis.
2. Develop Statistical Baseline
 - a. The Task Force looked at a statistical picture of business and commercial based on the most recent available data to describe the current business situation in Alexandria and its unique features and characteristics. Such features, in addition to taxes and fees, included a description of the number and size of firms and the number of their employees, and their classification into different lines of business. The Task Force used various City, State and Federal sources data sources.
 - b. The Task Force examined some basic trends to assess the growth in businesses and jobs over the last several years, depending on data availability.
3. Identify Impediments to and incentives for business retention and attraction.
 - a. The Task Force formed hypotheses to identify the primary impediments to and incentives for business retention and attraction in Alexandria.
 - b. These hypotheses were based on:
 - i. Data and assessments of comparative economic costs of doing business in key competing jurisdictions (e.g., taxes and fees, lease costs, transportation and labor force availability),
 - ii. Trend data for business activity in the City,

- iii. Prior City studies¹, and
 - iv. Informed judgment of members of the Task Force.
4. Solicitation of outside opinions.
- a. The Task Force generated postings and the solicitations of views and comments on the City’s website and e-mails the City and members of the Task Force sent e-mails to various organizations, businesses and the general public by to solicit opinions and comments on the issues being examined by the Task Force.²
 - i. The first solicitation had a deadline of October 31, 2013.
 - ii. Because the solicitation process and mechanisms were deemed insufficient a second solicitation was conducted that extended the deadline until November 15, 2013.
 - b. The meetings of the Task Force were open to the public.
5. Alternatives Generated and Analyzed
- a. The Task Force developed feasible alternatives to address the most important impediments and competitive disadvantages to business development, as well as identify the most effective incentives.
 - b. Alternatives were considered in the following categories:
 - i. Business tax rates
 - ii. Business tax administration
 - iii. Grants, loans and other assistance to businesses
 - iv. Other business promotional activities
 - v. Geographically targeted incentives
 - vi. Other miscellaneous ideas to assist business development
 - c. The Task Force’s evaluated alternatives based in part on the expected results in terms of the costs and feasibility of implementation, and the City budget revenue impacts.
 - d. The Task Force generally could not specify the level of expected growth in business and commercial activity over time attributable to the alternative because there would be too many confounding variables and there were no analytical tools known or available to the Task Force members that would produce reliable analysis.
 - e. The Task Force considered the availability of objective criteria, specific measures and feasible methods for tracking the impact of each alternative on the City’s revenue and expenditures and the growth in business and commercial activity. The Task Force offers several indicators for measuring success of the package of recommendations being made. However, the Task Force believes measures of the success each change taken individually are not feasible, nor useful.

¹ A wide variety of prior studies have been conducted to improve the business climate and increase business activity in the City. These studies are listed in the City Council members memorandum and the City Manager’s memorandum referenced above.

² Attachment 4 contains a summary of the comments received from various persons as a result of these solicitations.

- f. The Task Force divided alternatives into those that could be adequately analyzed in time for a January preliminary report and those that would require more time and resources to examine.
6. Evaluation of Alternatives
- a. The Task Force developed a list of recommendations based on a majority of the members (at least 4 of 6).
 - b. Individual recommendations are provided in Attachment 5 by those members who may disagree with any of the specific recommendations or reasoning of the majority.