Local citizens formed the Town of Potomac on March 13, 1908, to provide better services and promote growth. Taxes paid for police and public works projects, such as water and sewer service to replace polluted wells and outhouses. Electric streetlights were added, and major roads were paved. Telephone and gas services were extended from Alexandria. These many improvements led to rapid growth as the population rose from fewer than 500 in 1908 to 2,700 citizens in 1924. In 1926, the Town Hall and Firehouse was constructed and still serves today as a symbol of the Town of Potomac government, well-served and well-run, Potomac became the target of annexation by the City of Alexandria, effective January 1, 1930.

The Town Council retained architect Francis Drischler to design this 3,600 square-foot building. Erected in 1926, the structure replaced the old Portable Volunteer Firehouse, which had also doubled as a town hall. The ground floor housed a garage for the town's fire trucks and offices, along with the jail. The upper floor was a large open hall with a stage, and it was used for Town Council meetings, community activities, and office space. As fire engines increased in size, the ground floor was later reconfigured from three small bays to two larger ones.

The Town of Potomac was one of the first communities in the area to provide sanitary sewer service to all houses within the town limits. Sewer lines were laid in 1923, and the Town Council mandated that all residences hook into these lines within 60 days of notice. Former unsanitary conditions caused by outhouses and standing sewage had polluted wells and led to a serious outbreak of influenza during World War I. Like the other municipal services, the sewer lines made Potomac a more pleasant place to live and accelerated growth of the town.

The original town government consisted of Mayor Joseph Supplee, Sergeant Richard H. Roberts, Treasurer Walter U. Varney, Clerk George W. Zachary and six council members. In addition to these elected positions, the Town Council eventually appointed Fire Department and Police officers, building and electrical inspectors, a Sanitary Board and Engineer, an Attorney and other necessary ad hoc officers, all of which served on a volunteer basis. The Town Council initially met on the second floor of the Mount Vernon School, but it later moved to the upper floor of the new Firehouse in 1926.