

## Approved Minutes

### Ad Hoc Commercial Transportation Tax Option Study Committee Meeting of January 22, 2008

Members Present: George Foote, Mark Feldheim, Lois Walker, John Renner, Paul Friedman

Public Present: Eric Dobson

City Staff Present: Tom Culpepper, Cindy-Smith Page, Mark Jinks, Bruce Johnson

The meeting started with introductions. George Foote nominated Paul Friedman as chair of this Ad Hoc Commercial Transportation Tax Option Committee (the "Committee"), Lois Walker seconded the nomination and the Ad Hoc Committee voted unanimously to have Paul Friedman serve as chair.

Mark Jinks provided a copy of the City Council charge to the Committee and explained the charge and timetable including Council's requesting a report from the Committee by February 29<sup>th</sup> in order to have the Committee's recommendations prior to advertising the 2008 proposed City real estate tax rate(s).

Tom Culpepper explained the history of the Northern Virginia Transportation Authority (NVTA) and HB3202, which created the new regional and local taxing authority, the NVTA structure, and actions to date, including the bond validation process which is now in front of the Virginia Supreme Court with a decision expected in February. Mr Culpepper explained that the planned initial NVTA bond issue would be \$100 million with Alexandria to receive an \$8.5 million allocation from that bond package for the Potomac Yard Bus Rapid Transit capital project.

Bruce Johnson explained the 7 NVTA levied taxes and fees which were described in materials handed out to the Committee. The NVTA levied fees and taxes were effective and implemented as of January 1, 2008. The allocation methodology for these revenues (\$281.2 million regionally) was explained including the 60% that NVTA retains for transportation projects it selects, and the 40% which (net of WMATA funding) is allocated to localities for local transportation projects and services. Alexandria expects to receive about \$6.5 million in net new 40% funds per year. In total on a multi-year basis each NVTA locality (including Alexandria) will receive 60% and 40% project allocations which are equal to the funds that NVTA receives from the taxes and fees it levied from that locality. For example, if Alexandria produces 7% of the NVTA fees and taxes, it will get 7% of the project allocations.

Also, the HB3202 mandates a formulae reallocation of some of the 40% dollars to 60% dollars, based on a localities levying either the commercial real estate tax for

transportation or the added decal fee was also explained to the Committee. With the reallocation the locality remains whole over time.

HB3202 also authorized an increase in vehicle decal fees (which the City already enacted and raises \$0.7 million for transportation each year), as well as authorized a new real estate tax on commercial property not to exceed 25-cents per \$100 of valuation. Each 1-cent for Alexandria would raise (2007 data) about \$0.9 million in new funds for transportation purposes annually. Arlington and Fairfax appear ready to enact such a tax in the 10-cent to 15-cent range. Arlington may get to their rate in a two-step process over a two year period.

Cindy Smith-Page explained how the new law explains the assessments process in regard to splitting mixed use properties into both commercial and residential assessment categories. Apartments, which are normally considered commercial property in Virginia, for the purposes of this add-on tax would be considered residential properties.

The Committee discussed the Washington Post article (12-31-08) on the subject of the tax being considered in Alexandria. Mr. Jinks indicated that staff would be issuing a memo in response to the Post article and would be copying the Committee. The Committee discussed other ways to raise funds for transportation, and also discussed the feasibility of creating transportation taxing districts (i.e., not City-wide) which HB3202 allows. The Committee requested real estate data by small area plan.

Mr. Jinks also explained that members of Council wished for the Committee to look at the upcoming (2009) likely Homestead Exemption legislation, as well as looking at the gross receipts tax as a way to temper or target tax relief in conjunction with any enactment in Alexandria of a transportation tax on commercial property.

The Committee discussed public input and asked that an email address be created and outreach done so that those who wished to provide input to the Committee could do so. The public input would be established by this process, as well by allowing brief public comment at the beginning of the Committee's meetings. Staff also indicated that the documents provided to the Committee would be posted on the City's web site.

The Committee divided responsibilities, with Ms. Walker and Mr. Foote to focus on transportation needs, and Mr. Feldheim and Mr. Renner to focus on the tax analysis. Mr. Friedman will take on addressing question #3 (a,b,c,d) in Council's adopted charge to the committee.

The Committee also asked for copies of regional and local transportation planning documents. The Committee set their meetings for the Committee's term: January 30<sup>th</sup>, February 4<sup>th</sup>, with the last meeting on February 14<sup>th</sup>. When discussions and the agenda were complete, the committee adjourned.

Approved as amended: 1/30/08