

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 6, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #26 : IMPACT OF A DECLINE IN REAL ESTATE PROPERTY VALUE GROWTH

This is in response to Councilman Macdonald's question at the March 15, 2005 budget work session about the impact on revenues if the rate of growth in real estate property values were to decline.

The FY 2006 Proposed Budget assumes six percent growth in locally assessed real property values from January 2005 to January 2006. At the advertised maximum tax rate of \$0.915 per \$100 of assessed value, six percent growth would generate a \$7.2 million revenue increase in FY 2006. These funds are included in the Proposed FY 2006 Budget. If the growth in property values fails to meet the six percent target, the City would receive approximately \$1.2 million less in revenue in FY 2006 for every one percent below the six percent target. If the growth in assessments levels off to zero percent in January 2006, the City would receive \$7.2 million less than what is budgeted in FY 2006 based on the six percent rate.

It should be noted that real estate taxes are collected twice annually in June and November based on the assessment from January. The paragraph above describes the impact a decline in the January 2006 assessment would have on only one of two FY 2006 collections (June 2006). The full calendar year impact would be double the amounts stated above, with half of the impact occurring in the second half of FY 2006 and the other half occurring in the first half of FY 2007 (the November 2006 collection). The second half revenues for FY 2007 (the June 2007 collection) would be determined by the January 2007 assessment.