

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 7, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO # 29 REGIONAL RESTAURANT AND SALES TAX GROWTH

This is in response to Councilman Krupicka's question asking for information on regional restaurant and sales tax growth. For purposes of this memorandum, we have defined "regional" to include Alexandria, Arlington County and Fairfax County. Information presented in the following tables is derived from figures taken from the Annual Reports on Taxable Sales in Virginia Counties and Cities, Based on Retail Sales Tax Revenues. These annual reports are prepared by the Virginia Department of Taxation. Since tax rates vary from jurisdiction to jurisdiction and may change, rather than presenting tax revenue figures, we have focused on taxable sales.

Taxable restaurant food sales have increased from 2002 to 2003 and also from 2003 to 2004. Although Alexandria's total taxable restaurant food sales have increased from year to year, the percentage increase is less than that of Arlington County, the Northern Virginia Region, and the State as a whole. The Virginia Department of Taxation defines "restaurant" to include restaurants, cafeterias, delicatessens, grills, cafes, snack-bars, drive-ins and catering.

PERCENT INCREASE IN TAXABLE RESTAURANT FOOD SALES by Locality, Region, and State

Table with 6 columns: Year, Alexandria, Arlington, Fairfax County, No. Va. Region, State. Rows: 2002-2003, 2003-2004.

The following table shows the percentage increases in total taxable retail sales.

**PERCENT INCREASE IN TOTAL TAXABLE RETAIL SALES
by Locality, Region, and State**

	Alexandria	Arlington	Fairfax County	No. Va. Region	State
2002-2003	2.6%	6.5%	4.9%	4.9%	6.1%
2003-2004	3.7%	6.7%	8.4%	7.6%	8.4%

The following tables show Alexandria's "share" of the Northern Virginia Region (composed of Alexandria, Arlington and Fairfax County) and how it has changed.

**TAXABLE SALES: RESTAURANT MEALS
Percentage Share by Jurisdiction**

Calendar Year	Alexandria	Arlington	Fairfax County	No. Va. Region as a % of State Restaurant Sales
2002	14.6%	17.0%	68.8%	25.2%
2003	14.5%	18.0%	67.5%	25.1%
2004	14.1%	18.3%	67.6%	25.4%

It is evident that Alexandria's "share" of regional taxable restaurant meal sales has declined slightly over the past three years, as has Fairfax County's, while Arlington's has increased. The region (Alexandria, Arlington County and Fairfax County) accounts for approximately one-fourth of restaurant meals sales in the state.

Alexandria's "share" of total taxable retail sales has also declined.

**TOTAL TAXABLE RETAIL SALES
Percentage Share by Jurisdiction**

Calendar Year	Alexandria	Arlington	Fairfax County	No. Va. Region as a % of State Taxable Sales
2002	11.8%	15.0%	73.2%	21.5%
2003	11.5%	15.2%	73.3%	21.3%
2004	11.1%	15.1%	73.8%	21.1%

The reasons for the decline probably relate to more competition in neighboring jurisdictions for consumer spending. Such competition also relates to the establishment and growth of more Alexandria-like "urban centers" (i.e., street level activity and retail) such as Shirlington and Crystal City. Also, the City's only regional shopping center, Landmark Mall, is continuing to experience sales declines. This is why implementation of the Mt. Vernon Avenue, the King Street Retail Strategy, and the future Landmark Mall Study, and other initiatives City-wide aimed at encouraging more and economically healthier restaurants and retail stores is vital to the City's economic future.