

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO # 66: IMPACT OF NEW CONSTRUCTION

This is in response to requests by Mayor Euille and Councilman Macdonald for information regarding the estimated impact of new construction on real estate tax revenues.

Since the City's current real estate data base is not flexible enough to track the appreciation of individual parcels over a multi-year period, it was necessary to use a methodology that is probably close, but remains only an estimate of the impact on the real estate tax base of new construction. The methodology staff used took the actual addition of new construction in tax each year (1998 to 2005) and then inflated those additions to reach 2005 values by applying the average appreciation rates experienced for that class of property (commercial or residential) in each year since the new construction was added to the tax base.

The results show that since 1998, \$5.4 billion in new construction has been added to the City's real estate tax base. This represents 20 percent of the locally assessed tax base, and it has the effect of adding some \$49 million (in FY 2006 dollars) in added real estate tax revenues at a 91.5 cent real estate tax rate. Of the \$5.4 billion in new construction since 1998, 40 percent has been residential and 60 percent has been commercial. The following chart shows both residential and commercial construction impacts in thousands of dollars.

Attachment

**Cumulative Value of New Construction Assessments CY 1998 through 2005**  
(\$ in thousands)

	Calendar Year Assessments							
	1998	1999	2000	2001	2002	2003	2004	2005
<b>Value of New Construction</b>								
1998 through 2005								
Residential	\$92,623	\$281,126	\$506,556	\$723,899	\$940,136	\$1,259,833	\$1,617,011	\$2,167,478
Commercial	\$206,356	\$345,688	\$661,740	\$944,040	\$1,187,382	\$1,696,374	\$2,357,454	\$3,193,058
<b>Total New Construction All Yrs.</b>	<b>\$298,979</b>	<b>\$626,815</b>	<b>\$1,168,296</b>	<b>\$1,667,739</b>	<b>\$2,127,518</b>	<b>\$2,956,207</b>	<b>\$3,974,465</b>	<b>\$5,360,537</b>
<b>1998 New Construction</b>								
Residential	\$92,623	\$93,271	\$97,553	\$106,674	\$123,027	\$153,144	\$178,979	\$217,102
Commercial	\$206,356	\$214,796	\$228,242	\$238,833	\$247,311	\$266,626	\$302,007	\$346,342
<b>Subtotal 1998 New Construction</b>	<b>\$298,979</b>	<b>\$308,067</b>	<b>\$325,795</b>	<b>\$345,506</b>	<b>\$370,338</b>	<b>\$419,770</b>	<b>\$480,987</b>	<b>\$563,444</b>
<b>1999 New Construction</b>								
Residential		\$187,855	\$196,478	\$214,848	\$247,784	\$308,442	\$360,476	\$437,258
Commercial		\$130,893	\$139,087	\$145,541	\$150,707	\$162,477	\$184,038	\$211,055
<b>Subtotal 1999 New Construction</b>		<b>\$318,748</b>	<b>\$335,564</b>	<b>\$360,389</b>	<b>\$398,492</b>	<b>\$470,920</b>	<b>\$544,514</b>	<b>\$648,313</b>
<b>2000 New Construction</b>								
Residential			\$212,526	\$232,397	\$268,024	\$333,636	\$389,920	\$472,973
Commercial			\$294,411	\$308,072	\$319,008	\$343,923	\$389,561	\$446,749
<b>Subtotal 2000 New Construction</b>			<b>\$506,937</b>	<b>\$540,469</b>	<b>\$587,032</b>	<b>\$677,559</b>	<b>\$779,482</b>	<b>\$919,722</b>
<b>2001 New Construction</b>								
Residential				\$169,780	\$195,807	\$243,741	\$284,860	\$345,535
Commercial				\$251,595	\$260,527	\$280,874	\$318,146	\$364,849
<b>Subtotal 2001 New Construction</b>				<b>\$421,375</b>	<b>\$456,334</b>	<b>\$524,615</b>	<b>\$603,006</b>	<b>\$710,385</b>
<b>2002 New Construction</b>								
Residential					\$105,494	\$131,319	\$153,472	\$186,162
Commercial					\$209,829	\$226,217	\$256,236	\$293,851
<b>Subtotal 2002 New Construction</b>					<b>\$315,323</b>	<b>\$357,536</b>	<b>\$409,708</b>	<b>\$480,013</b>
<b>2003 New Construction</b>								
Residential						\$89,552	\$104,659	\$126,952
Commercial						\$416,257	\$471,494	\$540,710
<b>Subtotal 2003 New Construction</b>						<b>\$505,809</b>	<b>\$576,154</b>	<b>\$667,662</b>
<b>2004 New Construction</b>								
Residential							\$144,644	\$175,453
Commercial							\$435,971	\$499,972
<b>Subtotal 2004 New Construction</b>							<b>\$580,615</b>	<b>\$675,425</b>
<b>2005 New Construction</b>								
Residential								\$206,043
Commercial								\$489,531
<b>Subtotal 2005 New Construction</b>								<b>\$695,574</b>
<b>Rate of Appreciation</b>								
Residential		0.70%	4.59%	9.35%	15.33%	24.48%	16.87%	21.30%
Commercial		4.09%	6.26%	4.64%	3.55%	7.81%	13.27%	14.68%