

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 7, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #37: IMPACT OF NEW CONSTRUCTION

This memorandum is in response to Councilwoman Woodson's request for detailed breakdown charts regarding the residential and commercial cumulative increase in real property tax base since 1998.

Since the City's current real estate data base is not flexible enough to track the actual 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 2006) and then inflated those additions to reach 2006 values by applying the average appreciation rates experiences for that class of property (commercial or residential) in each year since the new construction was added to the tax base.

The results in the attachment show that since 1998, \$6.9 billion in new construction has been added to the City's real estate tax base. This represents 21.6% of the locally assessed tax base, and it has the effect of adding some \$58.7 million (in FY 2007 dollars) in added real estate tax revenues at an 84.7 cent real estate tax rate. If this \$58.7 million in added construction revenues had not occurred, the real estate tax rate would need to be 17.8 cents higher, or the City's budget reduced by that amount (or some combination thereof.) Of the \$6.9 billion in new construction since 1998, 43% has been residential, and 57% has been commercial. The attachment on the next page shows both the residential and commercial construction impacts in thousands of dollars.

Cumulative Value of New Construction Assessments CY 1998 through 2006
(\$ in thousands, Calendar Year Assessments)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential	\$92,623	\$281,126	\$506,556	\$723,699	\$940,136	\$1,259,833	\$1,617,011	\$2,167,478	\$2,982,701
Commercial	\$206,356	\$345,689	\$661,740	\$944,040	\$1,187,382	\$1,696,374	\$2,357,454	\$3,193,059	\$3,947,235
Total New	\$298,979	\$626,815	\$1,168,296	\$1,667,739	\$2,127,518	\$2,956,207	\$3,974,465	\$5,360,537	\$6,929,936

1998 New Construction									
Residential	\$92,623	\$93,271	\$97,553	\$106,674	\$123,027	\$153,144	\$178,979	\$217,102	\$259,371
Commercial	\$206,356	\$214,796	\$228,242	\$238,833	\$247,311	\$266,626	\$302,007	\$346,342	\$407,402
Subtotal 1998 New	\$298,979	\$308,067	\$325,795	\$345,506	\$370,338	\$419,770	\$480,987	\$563,444	\$666,774

1999 New Construction									
Residential		\$187,855	\$196,478	\$214,848	\$247,784	\$308,442	\$360,476	\$437,258	\$522,392
Commercial		\$130,893	\$139,087	\$145,541	\$150,707	\$162,477	\$184,038	\$211,055	\$248,264
Subtotal 1999 New		\$318,748	\$335,564	\$360,389	\$398,492	\$470,920	\$544,514	\$648,313	\$770,656

2000 New Construction									
Residential			\$212,526	\$232,397	\$268,024	\$333,636	\$389,920	\$472,973	\$565,061
Commercial			\$294,411	\$308,072	\$319,008	\$343,923	\$389,561	\$446,749	\$525,511
Subtotal 2000 New			\$506,937	\$540,469	\$587,032	\$677,559	\$779,482	\$919,722	\$1,090,572

2001 New Construction									
Residential				\$169,780	\$195,807	\$243,741	\$284,860	\$345,535	\$412,811
Commercial				\$251,595	\$260,527	\$280,874	\$318,146	\$364,849	\$429,172
Subtotal 2001 New				\$421,375	\$456,334	\$524,615	\$603,006	\$710,385	\$841,983

2002 New Construction									
Residential					\$105,494	\$131,319	\$153,472	\$186,162	\$222,408
Commercial					\$209,829	\$226,217	\$256,236	\$293,851	\$345,657
Subtotal 2002 New					\$315,323	\$357,536	\$409,708	\$480,013	\$568,065

2003 New Construction									
Residential						\$89,552	\$104,659	\$126,952	\$151,669
Commercial						\$416,257	\$471,494	\$540,710	\$636,037
Subtotal 2003 New						\$505,809	\$576,154	\$667,662	\$787,706

2004 New Construction									
Residential							\$144,644	\$175,453	\$209,614
Commercial							\$435,971	\$499,972	\$588,117
Subtotal 2004 New							\$580,615	\$675,425	\$797,730

2005 New Construction									
Residential								\$206,043	\$246,160
Commercial								\$489,531	\$575,835
Subtotal 2005 New								\$695,574	\$821,995

2006 New Construction									
Residential									\$393,215
Commercial									\$191,240
Subtotal 2006 New									\$584,455

Rate of Appreciation									
Residential		0.70%	4.59%	9.35%	15.33%	24.48%	16.87%	21.30%	19.47%
Commercial		4.09%	6.26%	4.64%	3.55%	7.81%	13.27%	14.68%	17.63%