

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 28, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #40: CHANGES IN REAL ESTATE TAX BASE: 1991-2006

This memorandum is in response to Councilwoman Woodson's request for information regarding changes in the composition of tax base for residential, commercial, and multi-family properties from 1991-2006.

For the purposes of assessment reporting, residential property includes single family homes, residential condominiums, and cooperatives. Commercial property is composed of office, retail and service properties, hotels, as well as all vacant land. Multi-family property is considered commercial real estate which is used for residential purposes (i.e. residential rental units). Non-locally assessed property includes real estate that is State-assessed by the Virginia Department of Taxation and the State Corporation Commission. This includes utility, railroad, and pipeline parcels.

The composition of the tax base for residential, commercial, and multi-family properties has changed over the past 15 years (Attachment I). During this time period, there has been a gradual, but large increase in residential property assessments as a percentage of the total property assessments. In 1991, residential property (single family, residential condominiums, and cooperatives) equaled 46 percent of the property tax base. By 2006, this same residential property class rose to 62 percent of the property tax base. This represents a total increase in share of 16 percentage points or an average increase in share of one percentage point per year.

In contrast, commercial property assessments have experienced a gradual decline as a percentage of the real estate tax base. In 1991, other commercial property (excluding multi-family property) assessments equaled 36 percent of the property tax base. In 2006, other commercial property assessments' share decreased to 26 percent, representing a total decrease in share of 10 percentage points. During the same time period, multi-family property remained steady, decreasing in share by only 2 percentage points since 2004. Non-locally assessments' share

declined by 4 percentage points, representing six percent of the real estate tax base in 1991 and two percent in 2006.

Another way of looking at the tax base would be to shift the multi-family rental element of the tax base from the commercial tax base to the residential tax base. If one makes this shift, the attached graph shows the share of the property tax devoted to residential and commercial use by shifting multi-family commercial properties (i.e. residential rental units) to the residential use category. The attached table (Attachment II) provides the specific percentage shares of each category and shows a 72 percent residential use tax base in 2006 where it is 14 percent higher than in 1991. The chart also shows a drop of two percent in the multi-family commercial category over the last two years. This drop can largely be attributed to condominium conversions.

Attachments