

Arlington Community Facilities Study Study Committee Meeting #1 – February 11, 2015

Major conclusions:

- **Arlington's tax base is split 50-50 between residential and commercial property taxes, unlike most of the surrounding jurisdictions.**
- **For every 1% reduction in commercial taxes, the County loses between \$3-\$4 million, and residential home owners will see an increase in their taxes of about \$560/year.**
- **There has been a dramatic drop in Federal jobs. Over the last decade, Arlington has lost 8,000 Federal jobs – the equivalent of seven military base closings.**
- **There has been a dramatic drop in federal offices in Arlington; the commercial vacancy rate is now above 20%, an historic high. That vacancy represents lost revenue of \$60 million to \$80 million.**

Arlington Community Facilities Study Launched

Last night the county launched the Community Facilities Study, a daunting 11-month county-wide effort to resolve long-term land issues for the siting of schools, fire houses, vehicle storage sites and other facility needs. The study will focus on demographic and economic forecasts, existing county property, and identified needs to create recommendations that will guide the county in facility planning, perhaps for the next 50 years. The problem will be finding appropriate space for a burgeoning population in the 26 square miles that is Arlington, in a climate of revenue challenges related to a drop in the commercial tax base.

The Committee itself is chaired by former Arlington County Board Member John Milliken and co-chaired by Ginger Brown from Waverly Hills and the Lee Highway Alliance. The 23 members of the committee represent a broad spectrum of community leaders, chosen by the County Board and the School Board. Chairman Mary Hynes and Board Member John Vihstadt attended last night's meeting, along with School Board Chairman James Lander and APS Board Member Nancy Van Doren.

In addition, 115 residents have volunteered for the resident forum, which is drawn from civic associations and other interest groups. The meetings are scheduled twice a month through the spring and summer, meeting on the second and fourth Wednesdays at 7:00 p.m. Last night's meeting was held at Kenmore Middle School. The February 25 meeting will be held at Wakefield High School. All meetings are open to the public.

Michelle Cowan from Arlington staff presented an overview on revenues and taxes for the County, with comparisons in the region. Arlington's general revenue fund for fiscal year 2015 totals \$1.15 billion, 82% of which comes from local taxes. In comparison, Fairfax has a budget of \$3.72 billion, Loudon County's is \$1.98 billion, Prince William's is \$989.84 million and Alexandria's is \$636.77 million.

The primary difference between Arlington and these other jurisdictions is the percentage of the tax base that is paid by homeowners, versus commercial real estate. For the past 30 years, the split in Arlington has been about 50-50. In Loudon County, 70% of the tax base is paid by homeowners; in Fairfax the number rises to 75% and in Prince William it's 80%.

One major problem for the County is that we've lost revenue from restructuring in the Federal government. Over the past decade the county has lost 8,000 jobs from reorganization—the equivalent of seven military bases closing. We now have buildings in Crystal City that are completely vacant. The vacancy rate is now at 20%--the highest it's been in decades.

What do losses in the commercial real estate mean for Arlington homeowners? According to Cowan, each 1% of commercial vacancy is equivalent to \$3-\$4 million in lost revenue. So potentially a 20% vacancy rate means lost revenue of up to \$80 million—enough to cover the needs of new schools and many other programs. On an individual homeowner basis, each percentage point difference in the split between homes/commercial tax base results in an increased taxes for the average home of about \$115. A five percent shift increases taxes for the average homeowner by \$560.

In summary, the ability to increase the commercial tax base is key to new development, and the County's ability to meet the rising needs for schools, affordable housing and other programs.

The next meeting will focus more on revenue and March meetings will focus on demographics, which are important in making planning decisions about schools and other facilities. A draft report is due in September, with a final report and recommendations scheduled for November.

Sarah McKinley
Columbia Heights Civic Association
February 12, 2015

Link to the financial presentation:

http://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/5/2015/02/CFS_SC1_Presentation-RevenueOverview.pdf

Link to information about the group:

<http://commissions.arlingtonva.us/community-facilities-study/>