City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 10, 2009

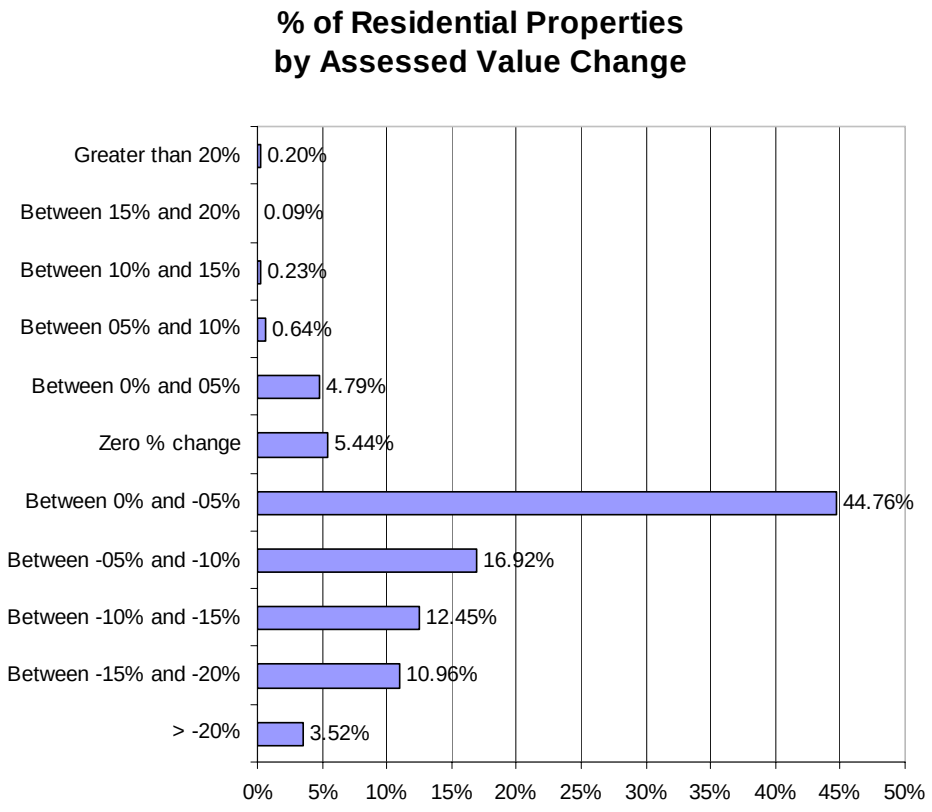
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 22: DETAIL OF THE PERCENTAGE AND TYPE OF RESIDENTIAL PROPERTIES WITH ASSESSMENT INCREASES AND DECREASES

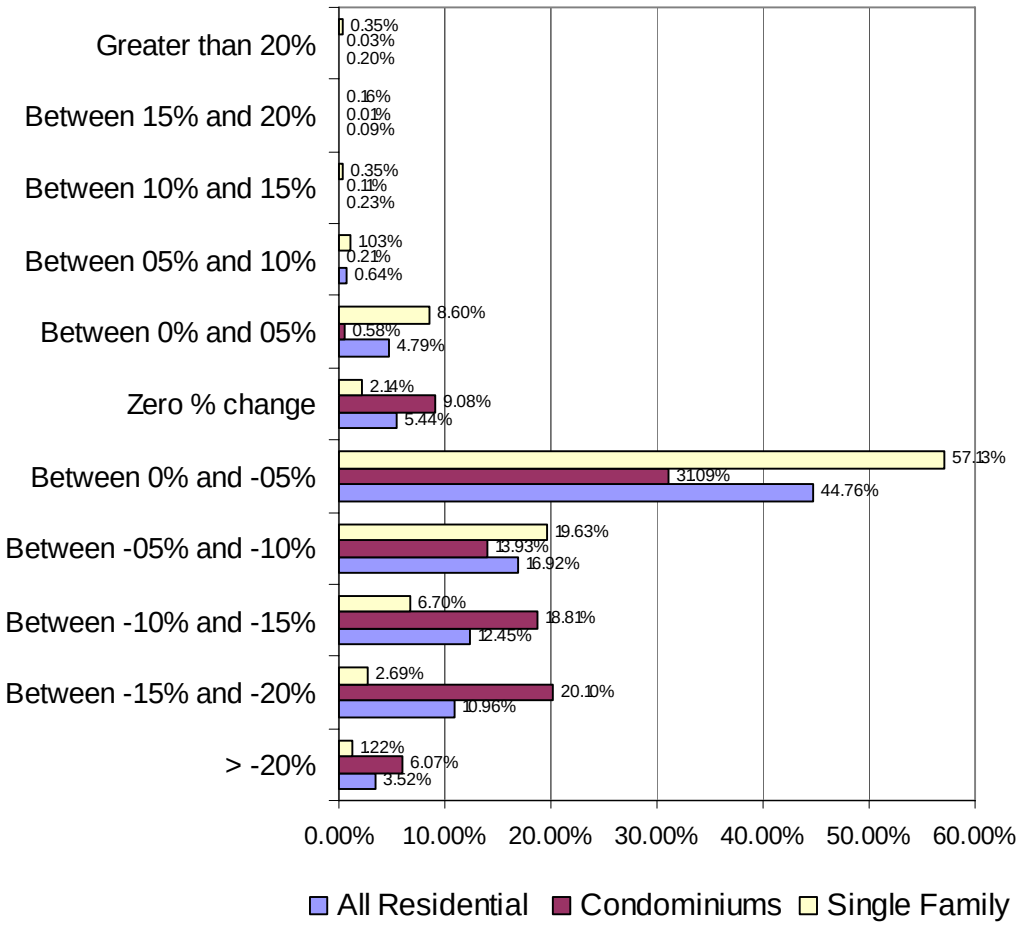
This is in response to a query about the number and type of properties with assessed value increases and decreases. The memo also describes the impact of the proposed 4.2 cent tax rate increase by value of the property and type of property (Single Family vs. Condominium). Under the City Manager's Proposed budget, the average homeowner will pay the same real estate tax in CY 2009 as in CY 2008. However, given the distribution of assessed value changes, approximately 56% of the residential properties in the City will pay higher real estate taxes in 2009, only 6% will pay an increase of more than 5.0%, and the increase will be concentrated on higher value properties which have so far performed well in the real estate downturn.

In Budget Memo #2, the City reported that the average residential property decreased by 4.71%. The average single family dwelling decreased by 3.46% and the average condo decreased by 7.57%. Averages, however, do not tell the whole story.

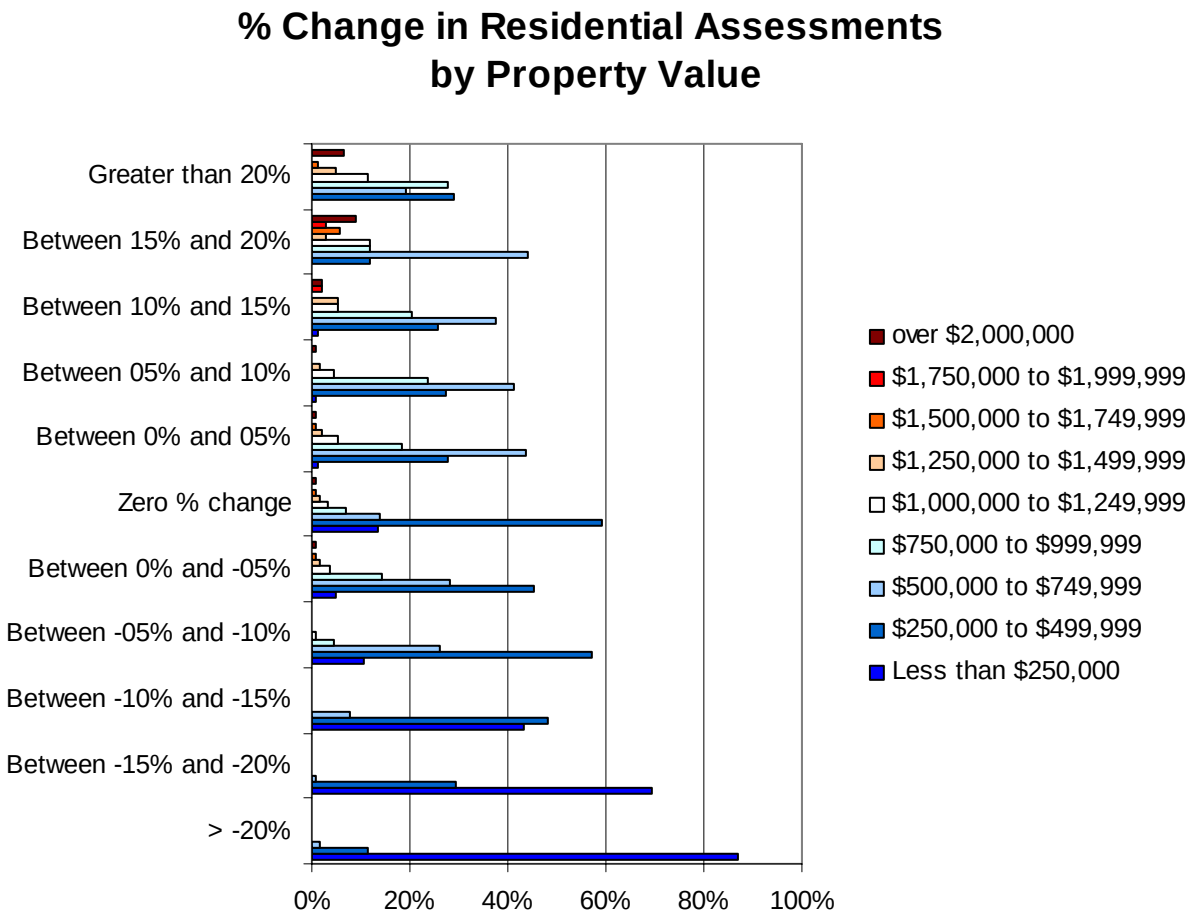


The chart above shows the percentage in assessments of all properties (both single family and condominium) by value change. From the chart, it is apparent that 6% of all properties increased in assessed value while 5% of properties showed no change. The remainder of residential properties – 89% - decreased in assessed value.

% Change in Residential Assessments



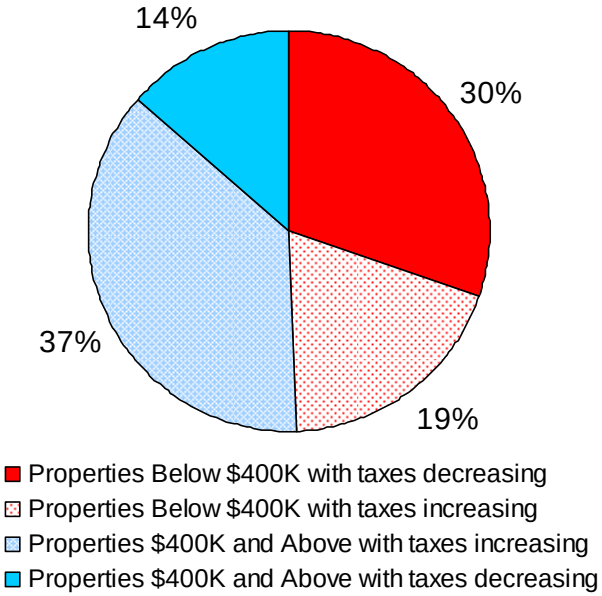
To further understand the assessment changes, the chart above shows the percent change in residential assessments by category of dwelling. It is apparent from the chart that the condo market has declined more than the single family market. While 60% of all condos decreased in value by at least 5% (the threshold for a lower real estate tax bill at a rate of 88.7 cents per $100), only 30% of single family homes decreased in value by at least 5%.



The chart above shows the change in residential assessments by property value. From the chart, it is apparent that properties valued at less than $250,000 were the weakest performing class of real estate. The majority of properties that decreased in value by over 10% were in the less than $250,000 range. Properties in the range of $250,000 to $499,999 (which includes the median assessed value) made up the majority of properties in the flat to -10% range. High value properties made up a relatively large share of the 11% of residential properties that increased in value in 2008.

The pie chart below shows the distribution of increases and decreases in real estate taxes by property value assuming a 4.2 cent real estate tax rate increase.

Distribution of Increases and Decreases in Real EstateTaxes with 4.2 cent Real Estate Tax Rate Increase by Value of Property



The solid slices of the pie (about 44% of the City's residential properties) show the share of properties with decreasing real estate taxes. The dotted slices of the pie (about 56% of the City's residential properties) show the share of properties with increasing real estate taxes.

A much larger percentage of the City's residential properties with a value of less than $400K (61%) experienced an overall real estate tax decrease compared to properties with a value of over $400K (27%). This is a result of relative weakness in the lower value end of the real estate market.

The Summary table below shows the Change in real property tax paid by property type. Tax rate increase of 4.2 cents/$100

	Decrease	**Increase <5%**	**Increase >5%**
Single Family	30.2%	59.3%	10.5%
Condo	58.9%	40.2%	0.9%
All	**43.9%**	**50.2%**	**5.9%**

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downturn.