

Our Mission: To provide a supplemental financial mechanism for the revitalization of Crystal City, Potomac Yard, and Pentagon City streets, transit, and public open spaces

In October 2010, the Arlington County Board established a tax increment financing area in support of the Crystal City Sector Plan and infrastructure that will support Potomac Yard and Pentagon City.

Crystal City, Potomac Yard, and Pentagon City serve as Arlington's largest commercial office, retail, and hotel district, providing housing for thousands of households. The building stock is aging, dating back to the 1960s. Additionally, an economic dislocation is predicted in the area following decisions by the Base Realignment and Closure Commission (BRAC). The Crystal City Sector Plan establishes a vision for Crystal City and the surrounding neighborhoods of Potomac Yard and Pentagon City that will enable the area to continue to thrive, considering these factors. The Plan envisions significant public infrastructure improvements in streets, transit, and public open spaces to support construction and reconstruction of office, retail, and residential spaces in Crystal City and Potomac Yard. The near-term infrastructure improvements include realignment of streets and intersections, and a streetcar system. Longer term improvements include a second entrance to the Crystal City Metrorail station, and open space including a park and an urban plaza.

Tax increment financing (TIF) is a mechanism used to support development and redevelopment by capturing the projected increase in property tax revenues in the area and investing those funds in improvements associated with the project. Unlike a special district, it is not an additional or new tax, rather, it redirects and segregates the increased property tax revenues that would normally flow to the General Fund so that it can be used for a specified purpose. The amount of the tax increment revenue is determined by setting a baseline assessed value of all property in the area on January 1, 2011 and in each subsequent year, tracking the incremental increase in assessed values relative to the base year, and segregating the incremental value in a separate fund. The Board approved allocating 33 percent of the incremental revenues to the Crystal City, Potomac Yard, and Pentagon City TIF area. The 33 percent remained in effect in FY 2013. This rate can be revisited as part of the annual budget process and at other key milestones during the infrastructure planning process.

SIGNIFICANT BUDGET CHANGES

The FY 2014 proposed budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$2,289,560, a 36 percent decrease from the FY 2013 adopted budget. The proposed budget reflects:

- ↓ Revenue projections in the tax district decrease due to a decline in real estate assessments in CY 2013 compared to CY 2012. The program is able to accommodate decreased funding due to recent adjustments to project timelines. As a result, the impact on project development in the short-term is negligible.

FUND SUMMARY

PROGRAM FINANCIAL SUMMARY

| | FY 2012 Actual | FY 2013 Adopted | FY 2014 Proposed | % Change '13 to '14 |
|------------------------------|-------------------|--------------------|---------------------|------------------------|
| Personnel | - | - | - | - |
| Non-Personnel | - | \$ 3,550,600 | \$ 2,289,560 | -36% |
| Total Expenditures | - | 3,550,600 | 2,289,560 | -36% |
| Total Revenues | \$ 1,520,190 | \$ 3,550,600 | \$ 2,289,560 | -36% |
| Net Tax Support | - | - | - | - |
| Permanent FTEs | - | - | - | |
| Temporary FTEs | - | - | - | |
| Total Authorized FTEs | - | - | - | |

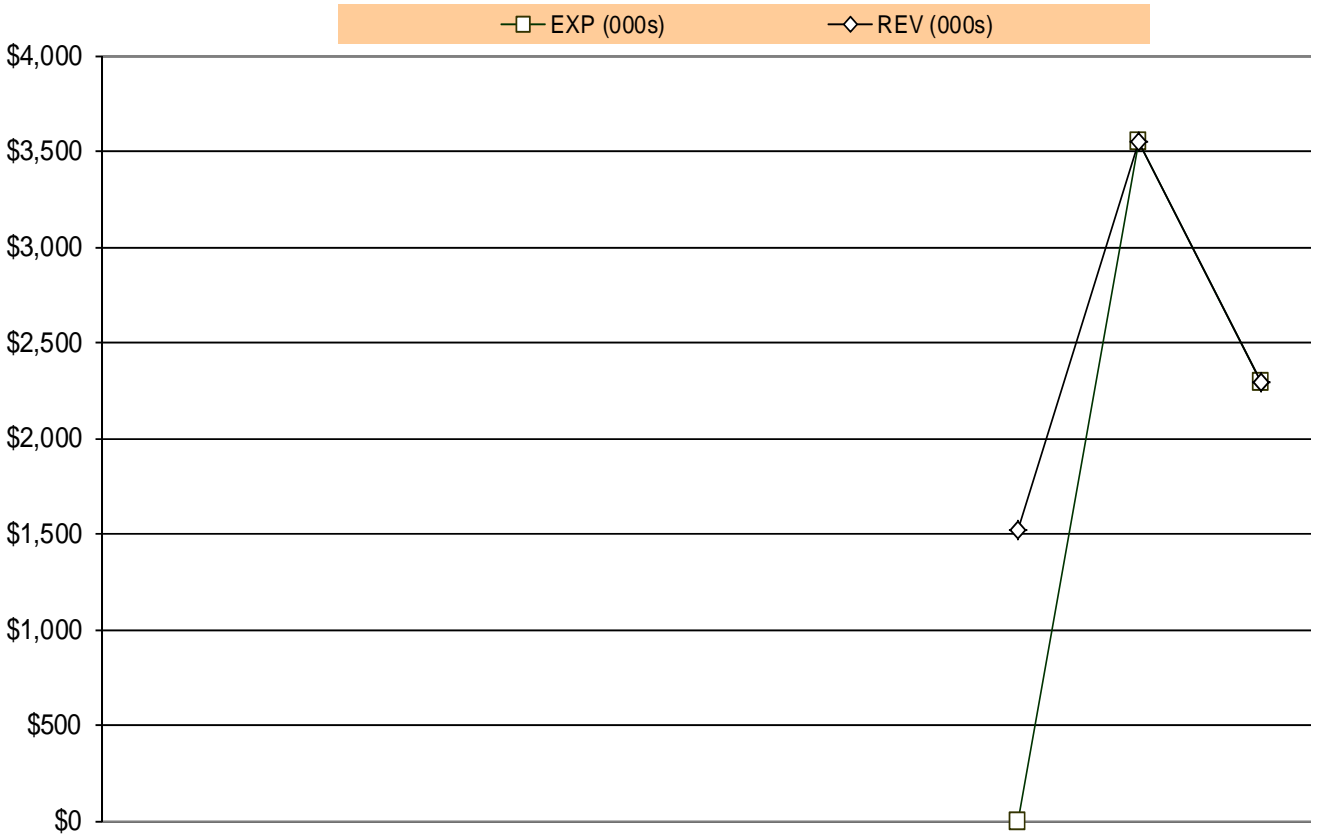
**CRYSTAL CITY, POTOMAC YARD,
AND PENTAGON CITY TAX INCREMENT FINANCING AREA
FUND STATEMENT**

| | FY 2012 ACTUAL | FY 2013 ADOPTED | FY 2013 RE-ESTIMATE | FY 2014 PROPOSED |
|-----------------------------------|-------------------|--------------------|------------------------|---------------------|
| ADJUSTED BALANCE, JULY 1 | | | | |
| Unallocated Fund Balance | - | - | \$ 1,520,190 | - |
| TOTAL BALANCE | - | - | 1,520,190 | - |
| REVENUES | | | | |
| Tax Increment Area | \$ 1,520,190 | \$ 3,550,600 | 2,565,170 | \$ 2,289,560 |
| TOTAL REVENUES | 1,520,190 | 3,550,600 | 2,565,170 | 2,289,560 |
| TOTAL BALANCE AND REVENUES | 1,520,190 | 3,550,600 | 4,085,360 | 2,289,560 |
| EXPENSES | | | | |
| Planning and Design | - | 3,227,818 | 3,713,964 | 2,081,418 |
| Contingency | - | 322,782 | 371,396 | 208,142 |
| TOTAL EXPENSES | - | \$ 3,550,600 | \$ 4,085,360 | \$ 2,289,560 |
| CLOSING BALANCE, JUNE 30 | \$ 1,520,190 | - | - | - |

- The baseline assessment for the TIF is based on CY 2011 values is \$9.7 billion.
- Beginning in FY 2013, revenues reflect a full year of real estate tax collections.
- In the first three years of the TIF expenditures will be primarily for planning and design, as well as a portion of personnel costs associated with the streetcar and street reconfigurations. Revenues will be used to supplement state and federal funds, commercial real estate revenue, and bonds (General Obligation or other bonds).

CRYSTAL CITY, POTOMAC YARD & PENTAGON CITY TAX INCREMENT FINANCING AREA
TEN-YEAR HISTORY

EXPENDITURE AND REVENUE TRENDS



| | FY 2005 Actual | FY 2006 Actual | FY 2007 Actual | FY 2008 Actual | FY 2009 Actual | FY 2010 Actual | FY 2011 Actual | FY 2012 Actual | FY 2013 Adopted Budget | FY 2014 Proposed Budget |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------|-------------------------|
| EXP (000s) | | | | | | | | - | \$3,551 | \$2,290 |
| REV (000s) | | | | | | | | \$1,520 | \$3,551 | \$2,290 |

**CRYSTAL CITY, POTOMAC YARD & PENTAGON CITY TAX INCREMENT FINANCING AREA
TEN-YEAR HISTORY**

| Fiscal Year | Description | FTEs |
|--------------------|---|-------------|
| FY 2012 | <ul style="list-style-type: none">▪ The Tax Increment Financing Area (TIF) was established by the County Board in October 2010, with an initial allocation of 33 percent of the incremental real estate tax revenue over the base of \$9.8 billion going to the TIF. The adopted General Fund CY 2011 real estate tax rate is \$0.945 (excluding the stormwater tax) for each \$100 of assessed value, and 33 percent of the estimated tax base of the FY 2012 increment of \$292 million, or \$455,449 will initiate this fund. The revenue includes only a partial year (the June 2012 tax payment). The adopted budget assumes a three percent growth in the real estate tax base. Subsequent to adoption of the FY 2012 budget, real estate values increased 9.8 percent between CY 2011 and CY 2012, yielding a revised revenue estimate of \$1,520,200. | |
| FY 2013 | <ul style="list-style-type: none">▪ The budget increases due to: a full year of revenue collection compared to a partial year's revenues in FY 2012; an increase in the real property tax rate from \$0.945 to \$0.958 per \$100 of assessed value (excluding the stormwater tax); and, an assumed increase of three percent over the CY 2012 assessed value of property in the area.▪ The portion of real estate revenue dedicated to the TIF in the area remains at 33 percent in FY 2013. | |