

*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, the continued relocation of government offices due to Base Realignment and Closure Commission (BRAC) has gradually increased vacancy levels in the Crystal City area. 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 has remained in effect since TIF inception. 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 2015 adopted budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$3,482,480, a 52 percent increase from the FY 2014 adopted budget. The adopted budget reflects:

- ↑ Revenue projections in the tax district increase due to increases in real estate assessments in CY 2014 compared to CY 2013, as well as some adjustments to the CY 2013 assessments that increased revenue estimates for FY 2014.

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

**FUND SUMMARY**

**PROGRAM FINANCIAL SUMMARY**

	FY 2013 Actual	FY 2014 Adopted	FY 2015 Adopted	% Change '14 to '15
Capital Projects	\$11,779	\$2,081,418	\$3,165,891	52%
Interest on Debt	-	-	-	-
Capital Projects Contingency	-	208,142	316,589	52%
<b>Total Expenditures</b>	<b>11,779</b>	<b>2,289,560</b>	<b>3,482,480</b>	<b>52%</b>
<b>Total Revenues</b>	<b>2,735,430</b>	<b>2,289,560</b>	<b>3,482,480</b>	<b>52%</b>
<b>Net Tax Support</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Permanent FTEs	-	3.0	7.5	
Temporary FTEs	-	-	-	
<b>Total Authorized FTEs</b>	<b>-</b>	<b>3.0</b>	<b>7.5</b>	

*There are a total of 23.0 FTEs to support major street and transit program elements of which 15.5 FTEs are funded by Transportation Capital Fund and 7.5 FTEs are funded by Crystal City Tax Increment Fund. Of the total Crystal City TIF FTEs, 3.0 FTEs were approved at FY 2014 adoption and 4.5 FTEs were approved at FY 2013 closeout and are included in the FY 2015 adopted budget.*

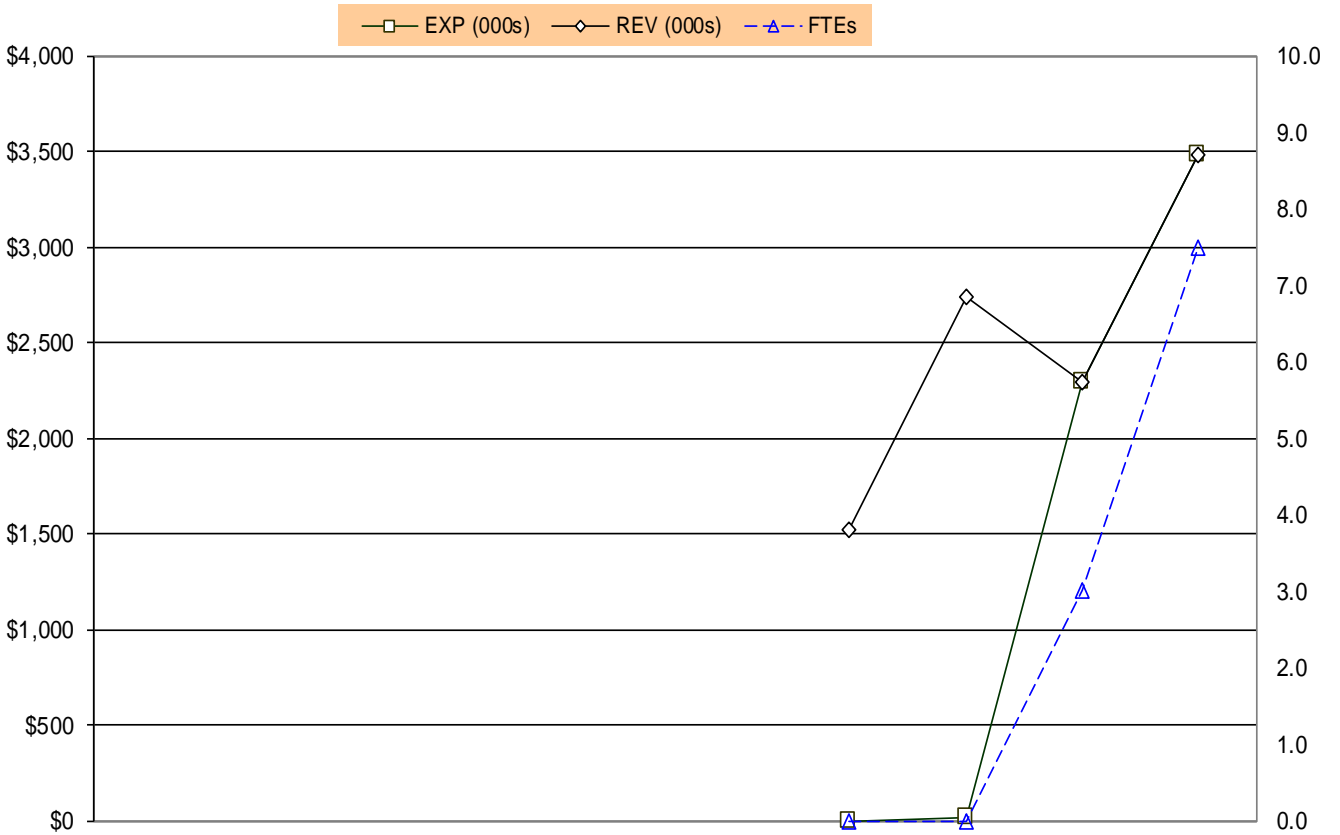
**CRYSTAL CITY, POTOMAC YARD,  
AND PENTAGON CITY TAX INCREMENT FINANCING AREA  
FUND STATEMENT**

	FY 2013 ACTUAL	FY 2014 ADOPTED	FY 2014 RE-ESTIMATE	FY 2015 ADOPTED
<b>ADJUSTED BALANCE, JULY 1</b>				
Fund Balance	\$1,520,190	-	\$4,243,841	-
<b>TOTAL BALANCE</b>	<b>1,520,190</b>	<b>-</b>	<b>4,243,841</b>	<b>-</b>
<b>REVENUES</b>				
Tax Increment Area	2,735,430	2,289,560	2,993,100	3,482,480
<b>TOTAL REVENUES</b>	<b>2,735,430</b>	<b>2,289,560</b>	<b>2,993,100</b>	<b>3,482,480</b>
<b>TOTAL BALANCE AND REVENUES</b>	<b>4,255,620</b>	<b>2,289,560</b>	<b>7,236,941</b>	<b>3,482,480</b>
<b>EXPENSES</b>				
Planning and Design	11,779	2,081,418	6,579,037	3,165,891
Contingency	-	208,142	657,904	316,589
<b>TOTAL EXPENSES</b>	<b>11,779</b>	<b>2,289,560</b>	<b>7,236,941</b>	<b>3,482,480</b>
<b>CLOSING BALANCE, JUNE 30</b>	<b>\$4,243,841</b>	<b>-</b>	<b>-</b>	<b>-</b>

- The baseline assessment for the TIF is based on CY 2011 values at \$9.7 billion.
- Beginning in FY 2013, revenues reflect a full year of real estate tax collections.
- In the first three years, the TIF expenditures will be primarily used 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, REVENUE AND FULL-TIME EQUIVALENT TRENDS**



	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Adopted Budget	FY 2015 Adopted Budget
<b>EXP (000s)</b>							-	\$12	\$2,290	\$3,482
<b>REV (000s)</b>							\$1,520	\$2,735	\$2,290	\$3,482
<b>FTEs</b>							-	-	3.0	7.5

*There are a total of 23.0 FTEs to support major street and transit program elements of which 15.5 FTEs are funded by Transportation Capital Fund and 7.5 FTEs are funded by Crystal City Tax Increment Fund. Of the total Crystal City TIF FTEs, 3.0 FTEs were approved at FY 2014 adoption and 4.5 FTEs were approved at FY 2013 closeout and are included in the FY 2015 adopted budget.*

**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"> <li>▪ 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.</li> </ul>	
FY 2013	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ The portion of real estate revenue dedicated to the TIF in the area remains at 33 percent in FY 2013.</li> </ul>	
FY 2014	<ul style="list-style-type: none"> <li>▪ Revenue projections in the tax district decreased 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.</li> <li>▪ There are a total of 8.0 authorized FTEs, of which 3.0 FTEs are funded by the Crystal City Tax Increment Fund and 5.0 FTEs are funded by the Transportation Capital Fund.</li> <li>▪ <i>There are a total of 23.0 FTEs to support major street and transit program elements of which 15.5 FTEs are funded by Transportation Capital Fund and 7.5 FTEs are funded by Crystal City Tax Increment Fund. Of the total Crystal City TIF FTE's, 3.0 FTEs were funded at FY 2014 adoption and 4.5 FTEs were funded at FY 2013 closeout.</i></li> </ul>	<p>3.0</p> <p>4.5</p>
FY 2015	<ul style="list-style-type: none"> <li>▪ Revenue projections in the tax district increase due to increases in real estate assessments in CY 2014 compared to CY 2013, as well as some adjustments to the CY 2013 assessments that increased revenue estimates for FY 2014.</li> </ul>	