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

Crystal City, Potomac Yard, and Pentagon City serve as one of Arlington's largest commercial office, retail, and hotel districts and includes over 13,000 housing units. This area represents 16 percent of the County's total assessed property value. The commercial building stock in this area is aging with some of it dating back to the 1960s. Additionally, the relocation of government offices due to the Base Realignment and Closure Commission (BRAC) and changes in federal government leasing trends have affected vacancy levels in the area (the commercial vacancy rate in Crystal City was 20 percent at the end of the fourth quarter of 2017).

The Crystal City Sector Plan (The Plan) establishes a vision for supporting the revitalization of this important district, which will enable the area to continue to thrive. 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. The near-term infrastructure improvements include realignment of streets and intersections, as well as the Synthetic Turf Program. Longer term improvements include a second entrance to the Crystal City Metrorail station, enhanced surface transit, and open spaces, including a park and an urban plaza. The essential infrastructure needs in the adjacent areas of Potomac Yard and Pentagon City are captured in the Phased Development Site Plans (PDSPs) for these areas.

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 also support Potomac Yard and Pentagon City. 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 in that area. 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, tracking the incremental increase in assessed values relative to the base year in each subsequent year, and segregating the incremental value in a separate fund.

The County Board policy that established the TIF requires the County Manager to revisit the percentage of incremental revenues going to the TIF each budget cycle and at other key milestones during the infrastructure planning process. In the FY 2018 Adopted Budget the TIF increment was set to 30 percent, a reduction from 33 percent from the FY 2017 TIF increment.

The FY 2019 Adopted Budget reduces the TIF increment from 30 percent to 25 percent, which will still provide the funding stream necessary to deliver the CIP commitments in the TIF area using a combination of TIF and other local and outside funding sources. Reducing the TIF increment allows for the reallocation of property tax funding so that it can be used for other County and School needs in the budget. The Crystal City, Potomac Yard, and Pentagon City TIF revenues reflect the TIF allocation at 25 percent.

SIGNIFICANT BUDGET CHANGES

The FY 2019 adopted expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is $4,718,020, based on current year revenues. This is a 25 percent decrease from the FY 2018 Adopted Budget. The complete spend down plan reflects utilization of current year revenues and fund balance as capital projects are rarely completed in a single year and require carryover of funds to be fully executed. The complete FY 2019 execution plan compared to the revised FY 2018 plan is shown in the fund statement. The FY 2019 budget reflects:

- ↓ Revenues and expenses decrease based on the decrease in real estate assessments in CY 2018 compared to CY 2017, and also a reduction in the TIF increment from 30 percent to 25 percent.

PROGRAM FINANCIAL SUMMARY

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted	% Change ‘18 to ‘19
Capital Projects	$1,919,836	$5,644,880	$4,718,020	-16%
Capital Projects Contingency	-	660,000	-	-100%
Total Expenditures	1,919,836	6,304,880	4,718,020	-25%
Total Revenues	7,515,703	$6,304,880	$4,718,020	-25%
Utilization of Fund Balance	($5,595,867)	-	-	-
Permanent FTEs	7.50	6.50	6.50	
Temporary FTEs	-	-	-	
Total Authorized FTEs*	7.50	6.50	6.50	

**There are a total of 35.5 FTEs to support the transportation capital program of which 29.0 FTEs are funded by Transportation Capital Fund and 6.5 FTEs are funded by Crystal City Tax Increment Fund (TIF).*

- The baseline CY 2011 real estate assessment tax base for the TIF is $9.8 billion.
- Revenue will be used to supplement other funding sources, examples of which include grant funds, commercial real estate revenue, and bonds. The majority of capital transportation projects are funded from multiple sources.
- This table reflects the FY 2019 spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2019 expenditures. See the Fund Statement for the execution plan.

FY 2019 MAJOR PROJECTS

A significant portion of the TIF funds will be used for the Crystal City, Pentagon City, Potomac Yard Streets program, which is focused on the implementation of the board-adopted Crystal City Sector Plan. The remaining portion of the TIF will be used for the Synthetic Turf Program to replace one of the multi-use fields at Long Bridge Park. The Synthetic Turf Program is largely focused on replacement of existing synthetic fields that are approaching the end of their useful life.

The goals of the Streets program are to re-connect the Crystal City street grid, allow for increased accessibility and mobility by all forms of travel, and create opportunities for new development. This work program also includes a significant amount of utility relocation and utility upgrades in support of plan implementation. Specific projects are as follows:

- The 15th Street Extension project will further enhance the Crystal City street grid by connecting South Clark Street to 15th Street South at the existing South Bell Street approach, creating a standard 4-way intersection. This replaces the existing 14th Road South routing for traffic on South Clark Street. The 15th Street Extension project will also shift the alignment of 15th Street South in order to create a space for the new garden park as called for in the Crystal City Sector

Plan. This park is not part of the road project and will be executed by the County's Department of Parks and Recreation in coordination with transportation staff in the Department of Environmental Services. An off-road 2-way bike path along Clark Street is also part of this project, connecting Army/Navy Drive to the Crystal City Metro escalator.

- Route 233 Viaduct Trail Access to National Airport will add a pedestrian connection that is not currently available from the Aurora Highlands Neighborhood and the hotels on Route 1 to National Airport. It will improve the sidewalk along the viaduct and replace the pedestrian connection to Crystal Drive once the current vehicle ramp to Crystal Drive is removed.

- A pedestrian connection linking Crystal City and Ronald Reagan Washington National Airport is being considered for inclusion in the Proposed FY 2019-FY 2028 CIP. This project follows on the work of the Crystal City Business Improvement District's (CCBID) 2017 preliminary planning study for this project. Funding is provided should concept planning and environmental documentation be ready to begin in FY 2019. This project will require on-going coordination with several stakeholders including private property owners, Metropolitan Washington Airports Authority, and the National Parks Service.

- The County will begin preliminary engineering for the east entrance to the Crystal City Metrorail Station. The County received $5 million in design funding from the Northern Virginia Transportation Authority (NVTA) and will leverage additional local resources to complete design work in the next several years. The new entrance will include two street-level elevators and stairs connecting to the fare payment area and an underground passageway and new mezzanine with stairs and elevators to the train platform. The new entrance will provide more direct access to businesses and residences on the east side of Crystal City, and will better connect to the Virginia Railway Express (VRE) Crystal City station, the northbound Metroway service originating in Alexandria, and the ART 43 to the Rosslyn-Ballston Corridor. This intermodal connectivity provides bus-to-rail transfers at one location from regional rail service to employment centers.

- Off-Vehicle Fare Collection involves development of an implementation plan and procurement of equipment for the Crystal City-Potomac Yard (CCPY) Transitway and the Columbia Pike corridor. The plan will identify the technology, installation requirements, site identification, and provide detailed cost estimates. Plan development will be conducted in coordination with WMATA and other regional partners, including the City of Alexandria. Several jurisdictions in the region have also identified funding for off-vehicle fare collection equipment to ensure a regional approach.

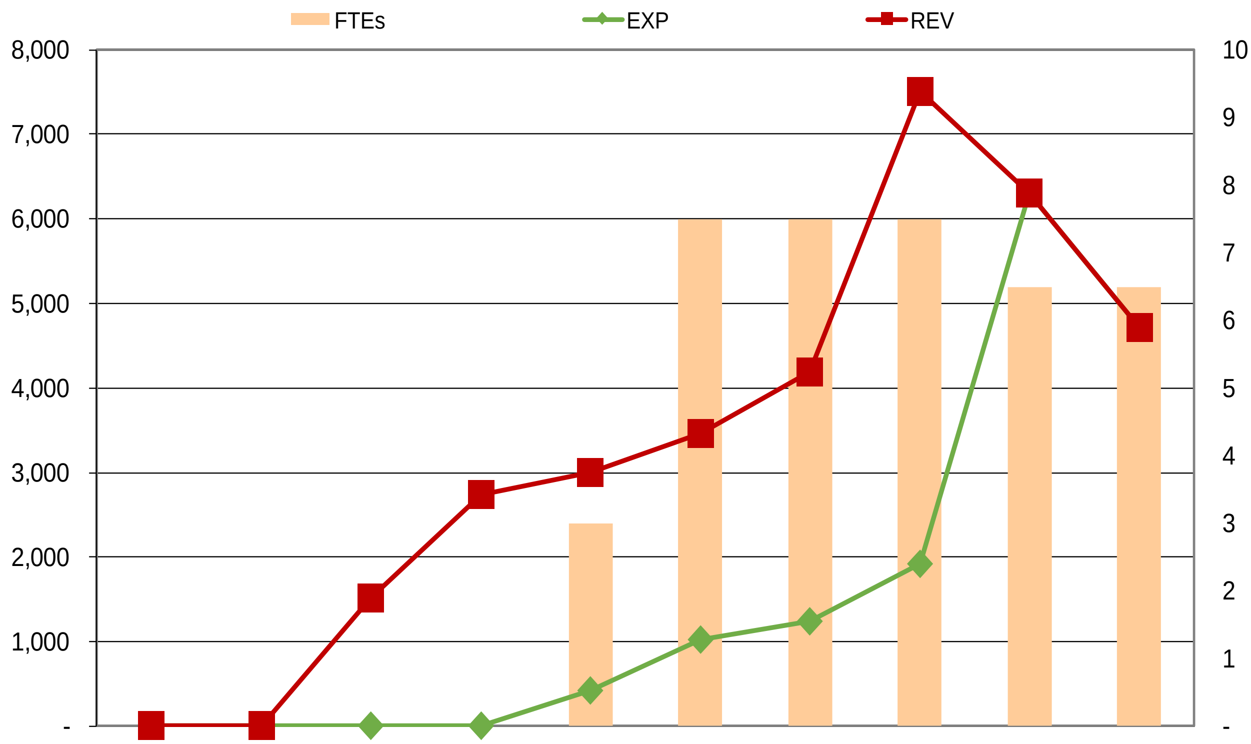
CRYSTAL CITY, POTOMAC YARD, AND PENTAGON CITY TAX INCREMENT FINANCING AREA FUND STATEMENT

	FY 2017 ACTUAL	FY 2018 ADOPTED	FY 2018 RE-ESTIMATE	FY 2019 ADOPTED
ADJUSTED BALANCE, JULY 1				
Construction Reserve	$12,219,031	$13,367,631	$17,244,898	$18,699,748
Reserve	-	570,000	570,000	520,000
TOTAL BALANCE	12,219,031	13,937,631	17,814,898	19,219,748
REVENUES				
Tax Increment Area	5,396,172	6,304,880	5,185,850	4,718,020
Developer Contributions	780,000	-	-	-
Grant Revenues	1,339,531	-	-	-
TOTAL REVENUES	7,515,703	6,304,880	5,185,850	4,718,020
TOTAL REVENUES & BALANCE	19,734,734	20,242,511	23,000,748	23,937,768
EXPENSES				
Capital Projects - Current Year	1,919,836	6,304,880	3,781,000	4,718,020
Capital Projects - Carry-Over	-	295,120	-	8,696,980
Contingency	-	660,000	-	-
TOTAL EXPENSES	1,919,836	7,260,000	3,781,000	13,415,000
BALANCE, JUNE 30				
Construction Reserve	17,244,898	12,342,511	18,699,748	10,042,768
Reserve [2]	570,000	640,000	520,000	480,000
TOTAL BALANCE	$17,814,898	$12,982,511	$19,219,748	$10,522,768

Notes:

1. Most capital projects span multiple years from design to construction completion. The FY 2017 Actual and FY 2018 Re-Estimate columns reflect that funding for capital projects is carried forward each fiscal year; ending balances fluctuate reflecting the carryover of these funds. The FY 2019 adopted budget column is presented in a similar fashion to show planned execution of projects in the fiscal year. These are staffs' best estimates based on preliminary plans, and design and construction schedules.
2. Balances equivalent to a minimum of ten percent of annual budgeted TIF revenues are held in a reserve in accordance with the County Board's financial and debt policies.

EXPENDITURE, REVENUE AND FULL-TIME EQUIVALENT TRENDS



$ in 000s	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted Budget	FY 2019 Adopted Budget
EXP	-	-	-	$12	$418	$1,030	$1,243	$1,920	$6,305	$4,718
REV	-	-	$1,520	$2,735	$3,003	$3,467	$4,196	$7,516	$6,305	$4,718
FTEs	-	-	-	-	3.00	7.50	7.50	7.50	6.50	6.50

Fiscal Year	Description	FTEs
FY 2012	▪ 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	▪ 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.	
FY 2014	▪ 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.	
	▪ 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.	3.0
	▪ *There are a total of 23.0 FTEs to support major street and transit program elements of which 15.5 FTEs are funded by the Transportation Capital Fund and 7.5 FTEs are funded by the 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.*	4.5
FY 2015	▪ Revenue projections in the tax district increased due to increases in real estate tax 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.	
FY 2016	▪ Revenue projections in the tax district decreased due to decreases in real estate tax assessments in CY 2015 compared to CY 2014.	
FY 2017	▪ Revenues and expenditures increased based on the tax district increase due to increases in real estate assessments in CY 2016 compared to CY 2015.	
FY 2018	▪ Revenues increase based on the increase in real estate assessments in CY 2017 compared to CY 2016, offset by a reduction in the TIF increment from 33 percent to 30 percent.	
	▪ FTEs decrease by 1.0 FTE to reflect the transfer of a position in the Real Estate Bureau to the Transportation Capital Fund.	(1.0)

Fiscal Year	Description	FTEs
FY 2019	▪ Revenues and expenses decrease based on lower real estate assessments in CY 2018 compared to CY 2017, and also a reduction in the TIF increment from 30 percent to 25 percent.	