

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 serves as one of Arlington's largest commercial office, retail, and hotel districts and includes over 14,500 housing units. The commercial building stock in this area is aging, with some buildings dating back to the 1960s, and experiencing higher vacancy rates than historical averages. These trends have been recently reversed as this area is experiencing a rapid transition with intensive commercial and residential development. With Amazon's selection of Arlington's Pentagon City and Crystal City neighborhoods for its second headquarters in November 2018, the pace of commercial redevelopment has accelerated. The company has leased almost 600,000 square feet of office space in Crystal City which is currently being occupied or renovated, and additional supporting retail development is also under construction along three blocks of Crystal Drive. In December 2019, Arlington approved the first new construction for the Company's Headquarters, 2.15 million square feet of commercial development in Pentagon City. Over 435 new multifamily residential units were added to the Pentagon City neighborhood in 2019 and there are over 250 additional housing units in the development pipeline. To learn more about the Amazon agreement, visit the website at <https://www.arlingtonva.us/amazon/>.

The Crystal City Sector Plan (The Plan) established a vision for supporting the revitalization of this important district. The Plan envisioned 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 investments in existing parks. Longer term improvements include a second entrance to the Crystal City Metrorail station, enhanced surface transit, and open spaces, including parks and plazas. 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. As Crystal City, Potomac Yard, and Pentagon undergo large-scale redevelopment, timely investments in public infrastructure are important.

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 was 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. The current TIF increment is 25 percent, which was last adjusted during the FY 2020 budget process. This increment provides 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.

SIGNIFICANT BUDGET CHANGES

The FY 2021 adopted expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$5,759,940, based on current year revenues. The complete spend down

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FUND SUMMARY

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 2021 execution plan compared to the revised FY 2020 plan is shown in the fund statement. The FY 2021 budget reflects:

- ↓ Revenues decrease based on real estate assessments (\$204,790) in CY 2020 compared to CY 2019.

PROGRAM FINANCIAL SUMMARY

	FY 2019 Actual	FY 2020 Adopted	FY 2021 Adopted	% Change '20 to '21
Capital Projects	\$4,478,775	\$5,964,730	\$5,759,940	-3%
Total Expenditures	4,478,775	5,964,730	5,759,940	-3%
Total Revenues	6,369,654	\$5,964,730	\$5,759,940	-3%
Utilization of Fund Balance	\$1,890,879	-	-	-
Permanent FTEs	6.50	7.00	7.00	
Temporary FTEs	-	-	-	
Total Authorized FTEs*	6.50	7.00	7.00	

*There is a total of 36 FTEs to support the transportation capital program of which 29 FTEs are funded by Transportation Capital Fund and 7 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 2021 spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2021 expenditures. See the Fund Statement for the execution plan.

FY 2021 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 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:

- **Boundary Channel Drive Interchange Improvements:**
The project will upgrade the Boundary Channel Drive/I-395 interchange to improve traffic operations and safety for all users. The existing interchange is inadequate for current demands and for future planned growth in Crystal City. The interchange project also includes a connection to Long Bridge Park Drive and a bicycle connection from the Humpback Bridge (Mount Vernon Trail) to Long Bridge Park. Boundary Channel Drive will be reduced from four lanes to two lanes and all existing ramp terminals along Boundary Channel Drive will be converted to roundabouts.

The eastern side of the interchange will be reconfigured to better separate various movements and provide an improved connection between Long Bridge Drive and I-395 northbound. Project elements include new curb and gutter, shared-use paths, bicycle facilities, street trees and street lighting.

■ **Army Navy Drive Complete Street Improvements:**

The project will re-build Army Navy Drive within the existing right-of-way as a multimodal complete street featuring enhanced bicycle, transit, environmental and pedestrian facilities. The goal of the project is to improve the local connections between the Pentagon and the commercial, residential and retail services of Pentagon City and Crystal City. The reconstruction will provide a physically separated two-way protected bicycle lane facility along the south side of Army Navy Drive, in addition to shorter and safer pedestrian crossings, and will accommodate future high-capacity transit. Motor vehicle travel lanes will be reduced in number where appropriate and will be narrowed to dimensions appropriate for a slower urban context. The existing raised medians will be removed and re-built as a planted median. The traffic signal equipment at the five-project corridor signalized intersections will be replaced with all new equipment. The new street design will incorporate best practices of environmental sustainability, including green landscaping treatments to reduce stormwater runoff and recharge groundwater.

■ **Crystal City, Pentagon City Potomac Yard Streets:**

- **Eads Street Bicycle and Pedestrian Improvements:** The South Eads Street Complete Street project implemented new bicycle facilities along the entire corridor (Army Navy Drive to Four Mile Run). This project includes small-scale projects along the corridor to improve on the existing bicycle and pedestrian facilities. It could include installing permanent physical barriers, bus stop islands, sidewalk and crosswalk improvements, trail connections, and other revisions and adjustments to the existing facilities.
- **South 12th Street – Eads to Clark Bell:** This project will create the cross-section on 12th Street South called for in the Crystal City Sector Plan. In addition to the standard Sector Plan streetscape, including landscaping, sidewalks, pedestrian ramps, and street lighting, the project will implement the eastbound and westbound lanes of the Crystal City-Potomac Yard Transitway.
- **South Clark Street realignment and 15th Street:** This project will connect South Clark Street to South Bell Street at 15th Street South to form a standard 4-way intersection and complete the street grid in the northern area of Crystal City. The project will also create space for the 15th Street South Garden Park, to be located between South Clark Street and Crystal Drive in the median of 15th Street South. Finally, this project will implement the southbound Crystal City-Potomac Yard Transitway segment on South Clark Street between 12th Street South and 15th Street South. The project is funded with grant funding in FY 2021, fronted by TIF, and will rely on TIF in FY 2023.
- **18th Street South – Fern to Eads:** This project will rebuild 18th Street between South Fern Street and South Eads Street to continue the existing South Hayes Street Protected Bike Lane. Additionally, the project will rebuild the intersection of 18th Street South and South Fern Street to decrease crossing distances and decrease the existing impervious area.
- **23rd Street @ Route 1:** This project will shift the northern (westbound) lanes of 23rd Street South to the south to create more developable space in keeping with the Crystal City Sector Plan. Additionally, the project will realign and rebuild the intersections along 23rd Street South with South Eads Street, Route 1, and South Clark Street to simplify and improve the existing traffic operations. New streetscape and lighting will be provided throughout the project's limits. The project will also make safety and pedestrian improvements on 23rd Street South between South Eads Street and Route 1. The existing pedestrian tunnel has been closed and

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FUND SUMMARY

filled and all above ground structures removed. The project is funded with grant funding in FY 2021, fronted by TIF, and will rely on TIF in FY 2023.

- Crystal City Safety and Accessibility Improvements: This project funds minor improvements to the street, bicycle, and pedestrian network in the Crystal City/Potomac Yards areas, such as crosswalk and ramp improvements, landscape upgrades, bike facility upgrades, signage and striping modifications, and streetlighting.

**CRYSTAL CITY, POTOMAC YARD,
AND PENTAGON CITY TAX INCREMENT FINANCING AREA
FUND STATEMENT ¹**

	FY 2019 ACTUAL	FY 2020 ADOPTED	FY 2020 RE-ESTIMATE	FY 2021 ADOPTED
ADJUSTED BALANCE, JULY 1				
Construction Reserve	\$20,918,284	\$20,391,087	\$22,949,163	\$22,410,603
Reserve	640,000	500,000	500,000	600,000
TOTAL BALANCE	21,558,284	20,891,087	23,449,163	\$23,010,603
REVENUES				
Tax Increment Area	5,040,366	5,964,730	5,651,140	5,759,940
Developer Contributions	500,000	-	-	-
Grant Revenues	829,288	-	-	-
TOTAL REVENUES	6,369,654	5,964,730	5,651,140	5,759,940
TOTAL REVENUES & BALANCE	27,927,938	26,855,817	29,100,303	\$28,770,543
EXPENSES¹				
Capital Projects - Current Year	4,478,775	5,964,730	5,651,140	5,759,940
Capital Projects - Carry-Over	-	4,785,746	438,560	3,253,380
TOTAL EXPENSES	4,478,775	10,750,476	6,089,700	9,013,320
BALANCE, JUNE 30				
Construction Reserve	22,949,163	15,505,341	22,410,603	19,157,223
Reserve ²	500,000	600,000	600,000	600,000
TOTAL BALANCE	\$23,449,163	\$16,105,341	\$23,010,603	\$19,757,223

Notes:

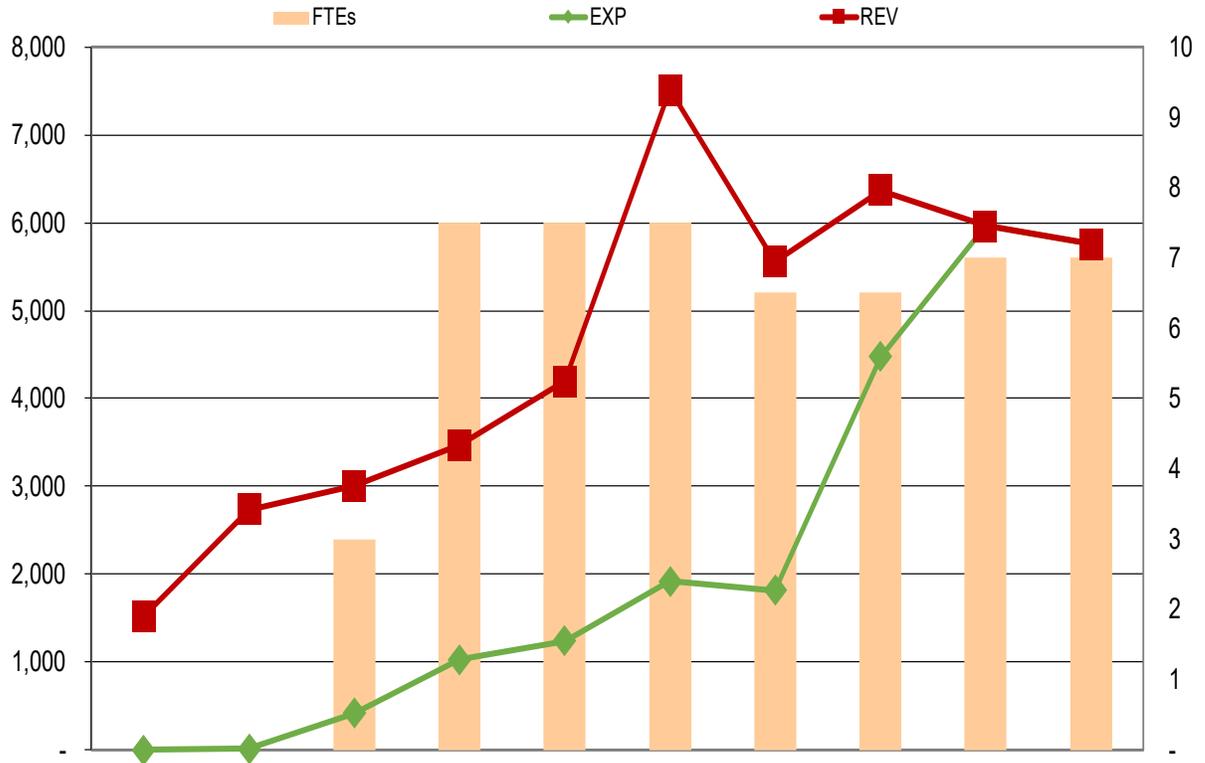
1. Most capital projects span multiple years from design to construction completion. The FY 2019 Actual and FY 2020 Re-Estimate columns reflect that funding for capital projects is carried forward each fiscal year; ending balances fluctuate reflecting the

carryover of these funds. The FY 2021 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.

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

EXPENDITURE, REVENUE AND FULL-TIME EQUIVALENT TRENDS



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
\$ in 000s	Actual	Adopted Budget	Adopted Budget							
EXP	-	\$12	\$418	\$1,030	\$1,243	\$1,920	\$1,816	\$4,479	\$5,965	\$5,760
REV	\$1,520	\$2,735	\$3,003	\$3,467	\$4,196	\$7,516	\$5,560	\$6,370	\$5,965	\$5,760
FTEs	-	-	3.00	7.50	7.50	7.50	6.50	6.50	7.00	7.00

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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 increased 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	<ul style="list-style-type: none"> Revenue projections in the tax district decreased due to a decline in real estate assessments in CY 2013 compared to CY 2012. The program can 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. <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 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.</i> 	3.0 4.5
FY 2015	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Revenue projections in the tax district decreased due to decreases in real estate tax assessments in CY 2015 compared to CY 2014. 	
FY 2017	<ul style="list-style-type: none"> Revenues and expenditures increased based on the tax district increase due to increases in real estate assessments in CY 2016 compared to CY 2015. 	

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TEN-YEAR HISTORY

Fiscal Year	Description	FTEs
FY 2018	<ul style="list-style-type: none"> ▪ Revenues increased 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)
FY 2019	<ul style="list-style-type: none"> ▪ Revenues and expenses decreased 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. 	
FY 2020	<ul style="list-style-type: none"> ▪ Revenues and expenses increased based on a 3.0 percent increase in CY 2019 real estate assessment compared to CY 2018 and the adopted tax rate increase, the planned project expenditures from the Adopted 2019 – 2028 CIP, and the addition of a Principal Planner position that will be split 50/50 between CPHD General Fund and Crystal City TIF due to an anticipated increase in development activity and ancillary development activity associated with Amazon (\$75,000). 	0.5
FY 2021	<ul style="list-style-type: none"> ▪ Revenues decrease based on real estate assessments (\$204,790) in CY 2020 compared to CY 2019. 	