

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 include nearly 16,000 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 900,000 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 early 2020, Amazon broke ground on the first phase of new construction for the Company's Headquarters, 2.15 million square feet of commercial development in Pentagon City. Over 1,100 new multifamily residential units were added to the Crystal City, Potomac Yard, and Pentagon City area over the past two years and there are over 2,100 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. The County is currently undertaking a planning process to update the Pentagon City PDSP. As Crystal City, Potomac Yard, and Pentagon City undergo large-scale redevelopment, timely investments in public infrastructure are important.

In October 2010, the Arlington County Board established a tax increment financing area to support implementation of infrastructure improvements outlined in the Crystal City Sector Plan. This source may also be used for infrastructure that will 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 2019 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 2022 adopted expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$4,316,559 based on current year revenues, or a twenty-five percent decrease from the FY 2021 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 2022 execution plan compared to the revised FY 2021 plan is shown in the fund statement. The FY 2022 budget reflects:

- ↓ Revenues decrease based on real estate assessments (\$1,443,381) in CY 2021 compared to CY 2020.

PROGRAM FINANCIAL SUMMARY

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	% Change '21 to '22
Capital Projects	\$5,769,769	\$5,759,940	\$4,316,559	-25%
Total Expenditures	5,769,769	5,759,940	4,316,559	-25%
Total Revenues	5,856,782	\$5,759,940	\$4,316,559	-25%
Utilization of Fund Balance	\$87,014	-	-	-
Permanent FTEs	7.00	7.00	7.00	
Temporary FTEs	-	-	-	
Total Authorized FTEs*	7.00	7.00	7.00	

*A total of 41 FTEs support the transportation capital program of which 34 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 appropriates projected new revenue to be received for Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area for FY 2022. Consequently, expenditures reflect the spending plan of current year revenues only. For a more complete view of sources and uses of funds and resulting fund balances, please refer to the Fund Statement shown below.
- This table reflects the FY 2022 spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2022 expenditures. See the Fund Statement for the execution plan.

FY 2022 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. Please see the Transportation Capital Fund narrative for details on this project.

- 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. Design is near complete for the first phase of this project and construction is expected to start in FY 2022.
 - 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. Design work is underway, and the project is expected to start construction in FY 2022.
 - The 15th Street South/South Clark-Bell Street Realignment project will connect South Clark Street to South Bell Street at 15th Street South to form a 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 and will implement the southbound Crystal City-Potomac Yard Transitway segment on South Clark Street between 12th Street South and 15th Street South. Design is underway with construction anticipated to commence in FY 2022.
 - 15th Street South Complete Streets: This project will improve pedestrian and bicycle facilities as well as landscaping along 15th Street between Richmond Highway and S Eads Street. The project will examine restriping of existing lanes, adding on-street bike facilities, upgrading of sidewalk space and improving landscaping, especially on the north side of 15th Street. Construction is expected to begin in FY 2022.
 - 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. Construction is expected to start in FY 2022.

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

	FY 2020 ACTUAL	FY 2021 ADOPTED	*FY 2021 RE-ESTIMATE	*FY 2022 ADOPTED
ADJUSTED BALANCE, JULY 1				
Construction Reserve	\$22,949,163	\$22,410,603	\$23,036,177	\$23,563,267
Reserve	500,000	600,000	500,000	500,000
TOTAL BALANCE	23,449,163	23,010,603	23,536,177	24,063,267
REVENUES				
Tax Increment Area	5,454,040	5,759,940	5,209,090	4,303,230
Developer Contributions	-	-	-	-
*Grant Revenues	402,742	-	732,000	2,977,500
TOTAL REVENUES	5,856,782	5,759,940	5,941,090	7,280,730
TOTAL REVENUES & BALANCE	29,305,945	28,770,543	29,477,267	31,343,997
EXPENSES¹				
Capital Projects - Current Year	5,769,769	5,759,940	5,414,000	7,280,730
Capital Projects - Carry-Over	-	3,253,380	-	1,655,770
TOTAL EXPENSES	5,769,769	9,013,320	5,414,000	8,936,500
BALANCE, JUNE 30				
Construction Reserve	23,036,177	\$19,157,223	\$23,563,267	\$22,007,497
Reserve ^{2,3}	500,000	600,000	500,000	400,000
TOTAL BALANCE	\$23,536,177	\$19,757,223	\$24,063,267	\$22,407,497

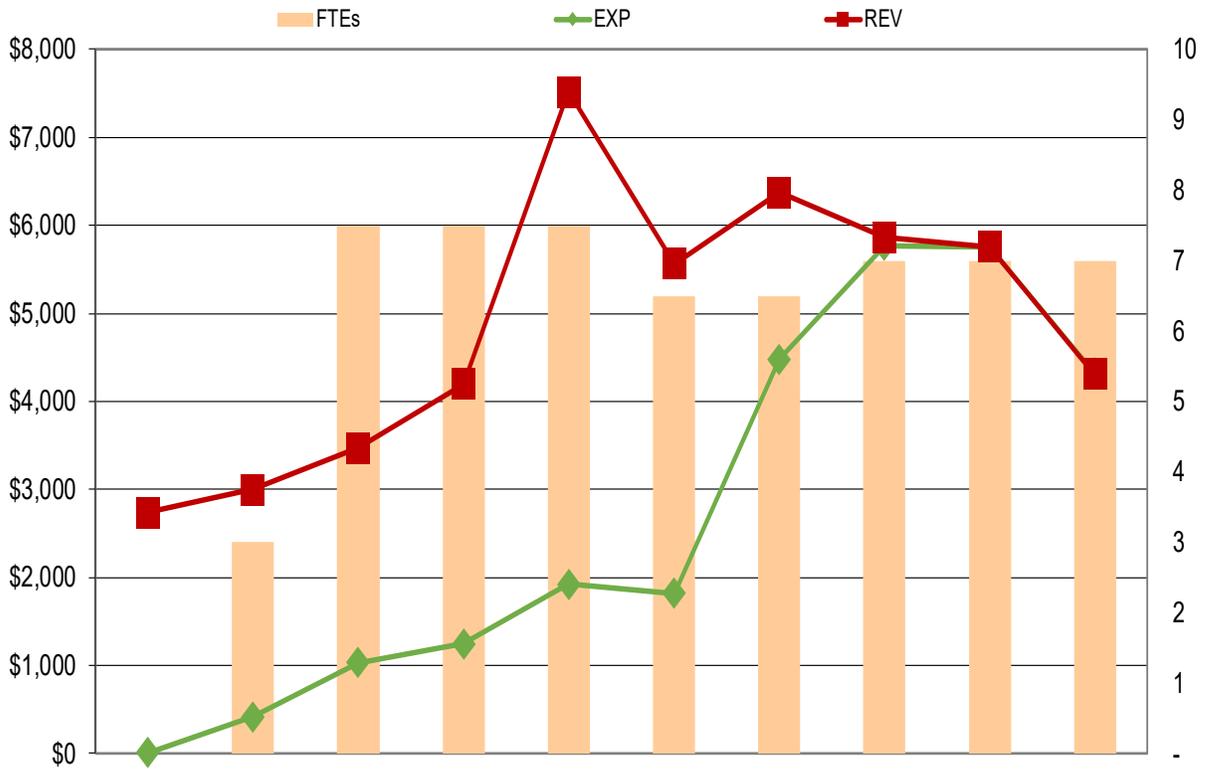
*For the first time in the FY 2021 Re-Estimate column and the FY 2022 Adopted column, revenues derived from grant reimbursement requests have been projected, which more accurately forecasts ending fund balance. No appropriation action is required as these funds have previously been appropriated into the budget via grant award board reports.

Notes:

1. Most capital projects span multiple years from design to construction completion.
2. Ending fund balances reflect that funding for capital projects is carried forward each fiscal year. Balances fluctuate, reflecting forecasted vs. actual project execution
3. 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 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
\$ in 000s	Actual	Adopted Budget	Adopted Budget							
EXP	\$12	\$418	\$1,030	\$1,243	\$1,920	\$1,816	\$4,479	\$5,770	\$5,760	\$4,317
REV	\$2,735	\$3,003	\$3,467	\$4,196	\$7,516	\$5,560	\$6,370	\$5,857	\$5,760	\$4,303
FTEs	-	3.00	7.50	7.50	7.50	6.50	6.50	7.00	7.00	7.00

The FY 2022 Adopted Budget includes a total of 41 FTEs to support the transportation capital program. 34.0 FTEs are funded by Transportation Capital Fund and 7.0 FTEs are funded by the Crystal City Tax Increment Fund.

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

Fiscal Year	Description	FTEs
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 remained 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> 	<p>3.00</p> <p>4.50</p>
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. 	
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. 	<p>(1.00)</p>
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. 	

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

- FY 2021 ▪ Revenues decrease based on real estate assessments (\$204,790) in CY 2020 compared to CY 2019.

- FY 2022 ▪ Revenues decrease based on real estate assessments (\$1,443,381) in CY 2021 compared to CY 2020.