Subject: Conversion of a Commercial Property to Residential Property within a Business Improvement Districts (BIDs)
Related Department: AED

FY 2026 Proposed Budget
Budget Work Session Follow-up

4/2/2025

The following information is provided in response to a request made by Ms. Coffey at the work session on March 25, 2025, regarding the following question:

If a commercial building within a BID converts to a residential property, what happens to its contribution to the tax revenue in a Business Improvement District?

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The County has three Business Improvement Districts (BIDs), Rosslyn BID, National Landing BID, and Ballston BID. These service districts levy an ad valorem property tax on real estate located within the district to provide additional services directed at properties included within the district. The additional tax levy is established, assessed, and collected through the normal County tax billing and collection processes. The County Board, as the governing body, approves the services, appropriation levels, and management of the districts. Per the service agreements, each BID submits its proposed workplan and budget for review and approval by the County Board as part of the County's annual budget process.

Each BID boundary is defined by specific parcels (Real Property Codes or RPCs) and the designated land uses as defined in each BID's specific policies and governing documents. The National Landing BID includes residential rental properties, commercial office, and retail properties. The Ballston BID includes only commercial properties, including commercial office and retail properties. Lastly, the Rosslyn BID includes both commercial and residential properties in the district.

If a property is redeveloped or converted and the updated land use no longer requires inclusion within a BID, the property will be removed from the BID and the additional BID tax rate would also be removed from the property. For example, a commercial use property within Ballston BID that converts to a residential use property, would no longer be required to have the additional BID tax rate and would only be responsible to pay the general real estate tax rate. There is no direct loss of tax revenue to the County when a property is removed from the BID; it would, however, impact BID tax revenues received. The loss of BID revenues could indirectly impact the County revenues received from the BID administrative fee which each BID pays to the County at year end based on two percent of their total annual BID tax revenues.

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Given changing market conditions and the interest in redevelopment and reuse of properties in all of Arlington's commercial districts, this may become a more common occurrence. Therefore, a larger policy discussion may be warranted to examine how best to evolve BID related policies that encourage redevelopment while also ensuring long term viability of BID funding in support of vibrant neighborhoods.