

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 together serve as one of Arlington's largest commercial office, retail, and hotel districts and include over 17,000 housing units. 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. In 2023, Amazon opened the first phase of new construction for the company's headquarters, 2.15 million square feet of commercial development in Pentagon City. The second phase received approvals to add an additional 3.35 million square feet of new commercial development, including a 350-foot tall architecturally iconic flagship building, The Helix. Over 1,000 new multifamily residential units have been added to the Crystal City, Potomac Yard, and Pentagon City area over the past three years and there are nearly 6,000 additional housing units in the development pipeline. To learn more about the Amazon agreement, visit the website at:

<https://www.arlingtonva.us/Government/Topics/Amazon/Amazon-in-Arlington-Resources>.

The Crystal City Sector Plan (2010) and the Pentagon City Sector Plan (2022) established a vision for supporting the revitalization for two neighborhoods of this important district. The Plans envisioned 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 in Crystal City, as well as investments in existing parks. Longer-term improvements include additional improvements in Crystal City, as well as infrastructure projects that implement the Pentagon City Sector Plan. 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.

FUND SUMMARY

SIGNIFICANT BUDGET CHANGES

The FY 2027 proposed expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$4,812,280, based on current year revenues. 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 2027 execution plan compared to the revised FY 2026 plan is shown in the fund statement. The FY 2027 Proposed budget reflects:

- ↓ Revenues decrease (\$765,890) based on changes to the real estate assessment tax base in CY 2026 compared to CY 2025.

PROGRAM FINANCIAL SUMMARY

	FY 2025 Actual	FY 2026 Adopted	FY 2027 Proposed	% Change '26 to '27
Capital Projects	\$20,207,319	\$5,578,170	\$4,812,280	-14%
Total Expenditures	20,207,319	5,578,170	4,812,280	-14%
Total Revenues	10,772,623	5,578,170	4,812,280	-14%
Change in Fund Balance	(9,434,696)	-	-	-
Total Authorized FTEs	6.50	6.50	6.50	-

- 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 2027 proposed spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2027 expenditures. See the Fund Statement for the execution plan.

FY 2027 MAJOR PROJECTS

The TIF funds will be used for the Crystal City, Pentagon City, Potomac Yard Streets program and the Crystal City Metrorail Station East Entrance, which are focused on the implementation of the board-Proposed Crystal City Sector Plan.

The goals of these programs 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. Specific projects are as follows:

- Crystal City, Pentagon City, Potomac Yard Streets:
 - Crystal City to Ronald Reagan Washington National Airport (DCA) Multimodal Connection: This project will create a context-sensitive multimodal connection between Crystal City and National Airport designed to meet the needs of a broad range of pedestrians, bicyclists, and micro-mobility users of all ages and abilities. National Environment Policy Act (NEPA)

approvals were secured, and preliminary engineering work is underway with major design elements to be determined in FY 2027.

- o 15th St S / S. Clark Bell Street Realignment: The South Clark Street Extension 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 to the north 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. Construction began in FY 2026 and is anticipated to be completed in FY 2027.
- o 18th Street S. Realignment – Clark Bell to Crystal Drive: The project will construct the new alignment of 18th Street South between Route 1 and Crystal Drive and improve multimodal connectivity to and from the Crystal City Metrorail Station, MetroWay stop and the planned future location of the Crystal City Virginia Railway Express (VRE) Station. The project will also implement streetscape improvements, including new sidewalks, pedestrian ramps, lighting, and landscaping, as well as improvements for the Crystal City Bike Network. Design is being coordinated with the Crystal City Second Entrance and the design of Metro Market Square Park. The project is expected to start construction in FY 2027.
- o Army Navy Drive Protected Bike Lanes: The project will resolve missing links in the protected bike lane network along Army Navy Drive west of Joyce Street by extending the two-way cycle track to the terminus of the proposed Arlington View Connector project, west of Nash Street. The project also includes improved sidewalks, accessible bus stop islands, new streetlights, storm sewer improvements, curb ramps, pavement markings, and tree plantings. Construction began in FY 2026 and is expected to be completed in FY 2027.
- o 15th Street S. Safety and Accessibility Improvements: This project will implement multimodal improvements to 15th Street S. between S. Joyce Street and Hayes Street, with the goal of enhancing pedestrian safety and improving bus stop access. Construction is anticipated to begin in FY 2027 and be completed by FY 2028.
- o Long Bridge Drive Pedestrian and Bike Connection: This project creates an enhanced bike/pedestrian facility along Long Bridge Drive that will connect the future Long Bridge Bicycle and Pedestrian crossing over the Potomac River (constructed by the Virginia Passenger Rail Authority) to the Crystal City bike network. This facility will also connect to Virginia Department of Transportation (VDOT)'s adjacent Boundary Channel Drive ped/bike improvements and to the Mount Vernon Trail. The project is being coordinated with the Department of Parks and Recreation (DPR) due to its proximity to Long Bridge Park and the Long Bridge Aquatic Center. Design development began in FY 2025. Construction is anticipated to begin in FY 2028.
- Crystal City Metrorail Station East Entrance: This project will design and build a new entrance to the east end of the Crystal City Metro station to provide better access from Crystal Drive, the existing and future Crystal City VRE station, and the Transitway. The County executed a comprehensive design-build agreement with Clark Construction in 2023. Construction began in July 2024 and the project is expected to be completed in FY 2027.

Additionally, TIF funds will be used for the following Crystal City Open Spaces projects:

- 23rd Street S. and S. Eads Street Park: This project will provide permanent improvements to this small urban public space. The existing infrastructure is aging and in need of upgrades for the space to continue to be a welcome respite for casual use in the Crystal City area. The public engagement for this project is complete and the project is in permitting.
- Metro Market Square: This project is an important public space located on 18th Street S. and Crystal Drive at the site of the future Crystal City Metro station east entrance. The Square is intended to be a retail-oriented, flexible urban public space. The public engagement for the Master Plan for Metro Market Square is underway.

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

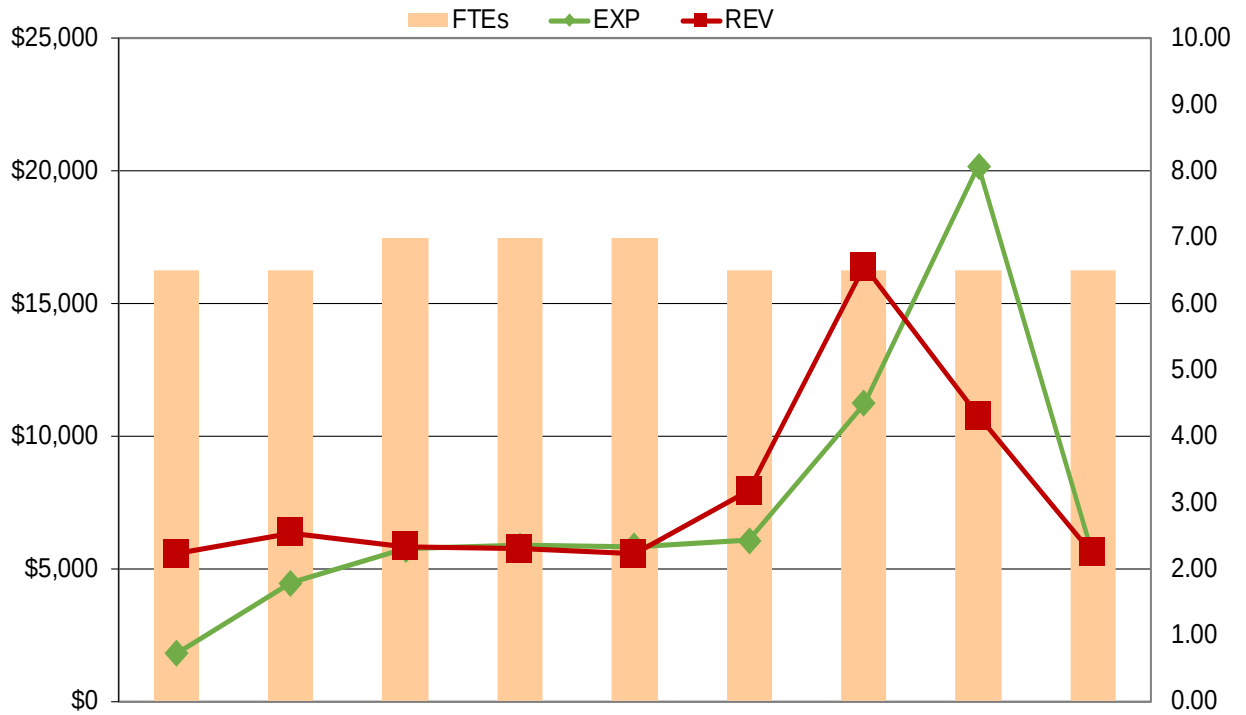
	FY 2025 ACTUAL	FY 2026 ADOPTED	FY 2026 RE-ESTIMATE	FY 2027 PROPOSED
ADJUSTED BALANCE, JULY 1				
Construction Reserve	\$29,523,278	\$14,911,699	\$20,088,582	\$19,222,262
Reserve	600,000	600,000	600,000	500,000
TOTAL BALANCE	30,123,278	15,511,699	20,688,582	19,722,262
REVENUES				
Tax Increment Area	5,650,116	5,578,170	4,913,680	4,812,280
Miscellaneous Revenues	(250,000)	-	-	-
Grant Revenues	5,372,507	3,462,000	4,511,200	725,000
TOTAL REVENUES	10,772,623	9,040,170	9,424,880	5,537,280
TOTAL REVENUES & BALANCE	40,895,901	24,551,869	30,113,462	25,259,542
EXPENSES				
Capital Projects - Current Year	20,207,319	9,040,170	9,424,880	5,537,280
Capital Projects - Carry-Over	-	8,397,830	966,320	11,684,720
TOTAL EXPENSES	20,207,319	17,438,000	10,391,200	17,222,000
BALANCE, JUNE 30				
Construction Reserve	20,088,582	6,513,869	19,222,262	7,537,542
Reserve	600,000	600,000	500,000	500,000
TOTAL BALANCE	20,688,582	7,113,869	19,722,262	8,037,542

Notes:

1. Most capital projects span multiple years from design to construction completion, and actual project execution may differ from forecasted. Ending balances at the end of a given fiscal year are carried forward to the next year.
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.
3. Miscellaneous Revenues in FY 2025 reflect lower than expected refund from VDOT for the Boundary Channel project than was anticipated and accrued for in FY 2024 (TIF portion of refund).

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

EXPENDITURE, REVENUE AND FULL-TIME EQUIVALENT TRENDS



	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Adopted Budget	FY 2027 Proposed Budget
EXP	\$1,816	\$4,479	\$5,770	\$5,888	\$5,837	\$6,076	\$11,246	\$20,207	\$5,578	\$4,812
REV	\$5,560	\$6,370	\$5,857	\$5,743	\$5,548	\$7,950	\$16,395	\$10,773	\$5,578	\$4,812
FTEs	6.50	6.50	7.00	7.00	7.00	6.50	6.50	6.50	6.50	6.50

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

Fiscal Year	Description	FTEs
FY 2018	- 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.	(1.00)
FY 2019	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 2021	Revenues decreased based on real estate assessments (\$204,790) in CY 2020 compared to CY 2019.	
FY 2022	Revenues decreased based on real estate assessments (\$1,443,381) in CY 2021 compared to CY 2020.	
FY 2023	- The County Board approved an additional one percent merit pay adjustment for a total increase of 5.25 percent, increased the pay-for-performance budget by an additional 0.5 percent, and increased the pay range movement to five percent. Additional compensation changes approved by the County Board include an optional one-time cash-out of 40 hours of compensation time for those with balances of 80 or more, a one-time increase in shift differential pay from \$0.75 to \$1.00 per hour for the B shift and from \$1.00 to \$1.30 per hour for the C shift, and a one-time increase in language premium from \$0.69 to \$0.92 per hour. - Revenues increased based on real estate assessments (\$296,930) in CY 2022 compared to CY 2021. - Authorized FTEs decreased due to a technical adjustment to align positions with actual staffing levels. - The authorized FTEs for FY 2023 were reduced by 0.5 as a technical adjustment to realign staffing levels. The FY 2023 Adopted Budget includes a total of 47.5 FTEs to support the transportation capital program. 41.0 FTEs are funded by Transportation Capital Fund and 6.5 FTEs are funded by the Crystal City Tax Increment Fund.	(0.50)
FY 2024	Revenue decreased (\$220,300) based on changes to the real estate assessment tax base in CY 2023 compared to CY 2022.	
FY 2025	Revenue increased (\$2,126,650) based on changes to the real estate assessment tax base in CY 2024 compared to CY 2023.	
FY 2026	Revenue decreased (\$928,340) based on changes to the real estate assessment tax base in CY 2025 compared to CY 2024.	