



# Economic Incentive Program

Economic Incentives Committee

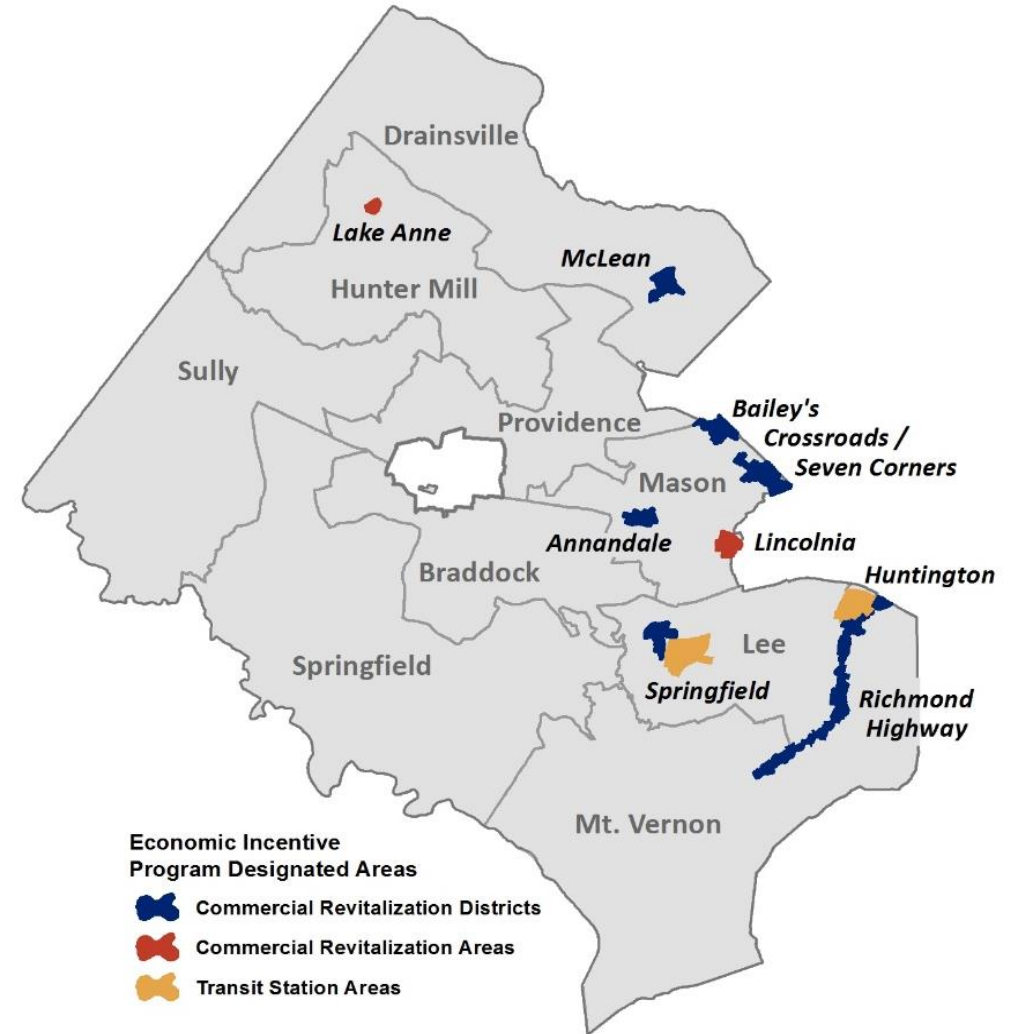
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# The Case for Economic Incentive Program (EIP)

- **Targets areas with:**
  - Limited development activity relative to Comp Plan potential
  - Declining competitiveness
  - Outdated land development and architectural designs
- **Initiatives already in place:**
  - Updated Comprehensive Plans
  - Regulatory incentives
- **Need for financial incentive**



# Program and Financial Incentives

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- **State law permits a 10-year program**
  - Commences when the Board adopts EIP Ordinance
- **Links tax incentive to parcel consolidation**
- **Incentives**
  - Reduces Site Plan Fees by 10%
  - Real Estate Tax Abatement:
    - Difference in value between Base Value & Post-Development Value
    - Up to 10 years or number of years left in the program



# Eligibility Requirements

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- **Commercial, industrial, multifamily or mixed-use development**
- **Minimum consolidation of two parcels and two acres\***
- **Up to 20% of existing development may be retained or repurposed\***
- **Must be located within one of these 7 areas:**
  - Annandale CRD
  - Baileys Crossroads/Seven Corners CRD
  - Lake Anne Village Center CRA
  - Lincolnia CRA
  - McLean CRD
  - Richmond Highway CRD/SNAs, Huntington TSA (Land Units R & Q)
  - Springfield CRD, TSA (non single-family portion)

\*Exceptions may be made by the Board

# Development Activity since 2009

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- **Only 70 entitlements since 2009 (14% of total land area)**
  - 48 of these have been built
  - 30 of those built added additional GFA
- **Most apartment buildings date from the 1970s or earlier**
- **Office buildings date predominately from the 1960s - 80s**
  - Only Springfield had major office construction since 2000
- **Retail centers date mostly from the 1960s - 80s**
  - Springfield in the 1990s
  - Richmond Hwy & Seven Corners: 20% retail growth since 2000



# Highlights: Commercial Values

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- **Change in assessed value from 2004 to 2019**
  - Lowest increases in Bailey's Crossroads (33%) and Annandale (48%)
  - Highest increases in Richmond Highway (142%) and Lincolnia (130%)
- **Assessments per SF for office/retail and per unit for multi-family - 2019**
  - Lowest: Baileys - lowest office values @ \$116/sf  
Seven Corners, Baileys and Richmond Highway – lowest multifamily values @ \$153,000/unit, \$157,000/unit & \$159,000/unit  
Lincolnia – lowest retail value @ \$189/sf
  - Highest: McLean @ \$255/sf - office, \$360/sf - retail, \$290,000/unit - MF



# Highlights: Size of Commercial Parcels

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- **Commercial parcels less than 2 acres**

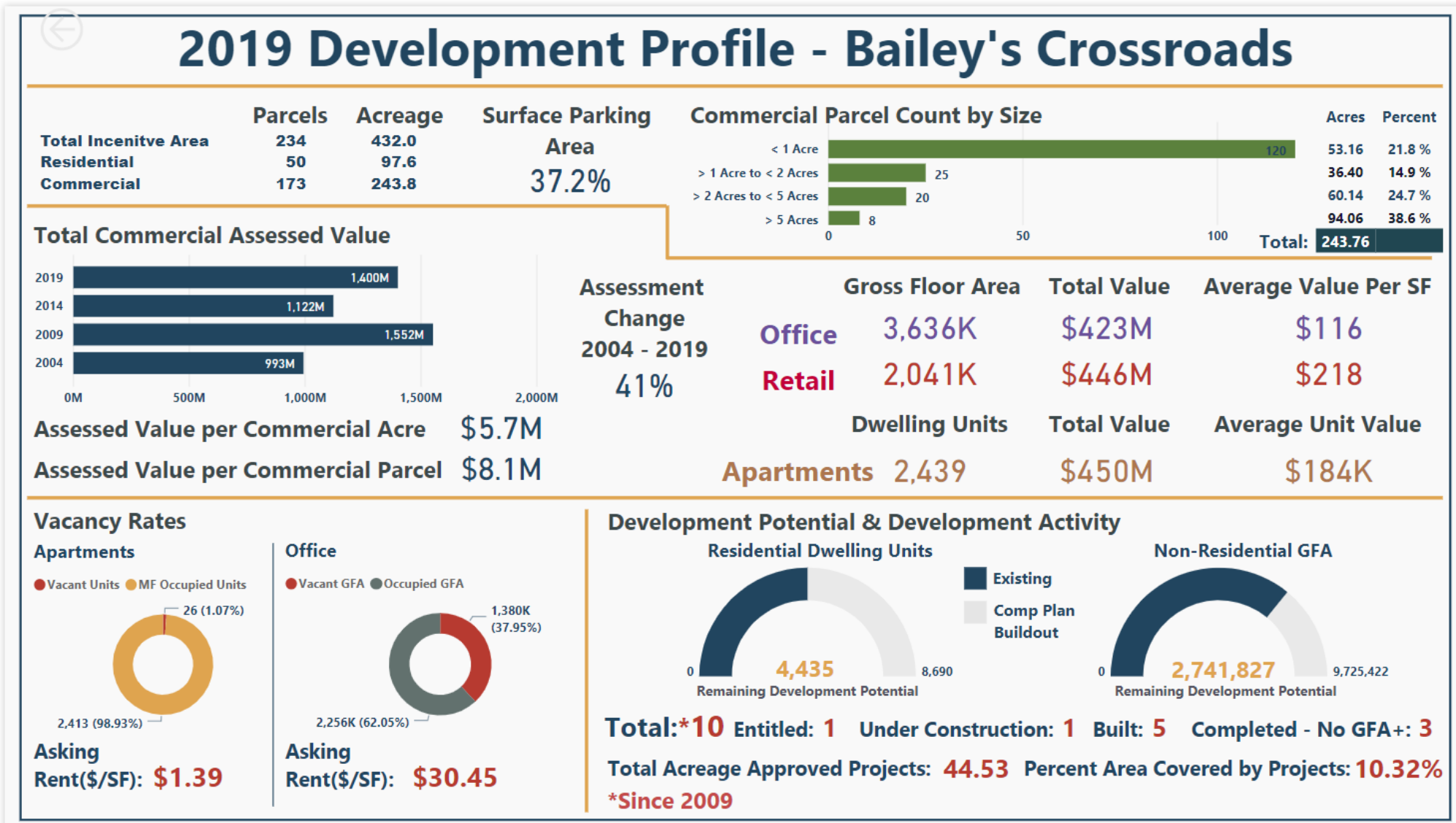
- 25% of commercial parcels:  
Seven Corners, Bailey's, Richmond Hwy
- 50% of commercial parcels:  
Annandale, McLean

- **Surface parking**

- 30% of the land area  
Exceptions: Annandale - 45.5%  
Lake Anne Village Center - 22%

Location	# of Parcels > 2 acres
Richmond Highway	276
Annandale	153
Lincolnia	146
Greater Springfield	145
McLean	141
Baileys Crossroads	138
Seven Corners	64
Lake Anne	11

# Criteria/Metrics Dashboard Example





# Prototypical Example – Tax Abatement

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## 1. Base Assessed Value

- \$5 million
- Real estate tax amount = \$57,500/year

## 2. Post Development Assessed Value

- \$120 million

## 3. Increment

- \$115 million

## 4. Ten Year Abatement (on Increment)

- \$1.15 per \$100 = \$1,322,500 x 10 years = \$13,225,000
- Year 11 Real Estate tax = \$1,380,000

Without EIP Program  
10 Year revenues =  
\$575,000

It is estimated that it will  
take 7 years to recoup tax  
revenue (break even)

# Program Reporting

- **Staff will report annually on:**
  - Number of requests
  - Projects approved to date
  - Status of approved projects
  - Tax abatement data
  - Potential tax abatement amounts



# Next Steps and Timeline

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- **July 28, 2020 - Board authorizes public hearing**
- **September 15, 2020 - Board holds public hearing**
  - Establish the program and determine its effective date
- **Once approved, staff will:**
  - Prepare application forms and procedures
  - Conduct extensive outreach and education about the program
  - Meet with applicants to discuss potential projects
  - Develop tracking system





# Q & A