

Response to Questions on the FY 2014 Budget

Request By: Supervisor Herrity

Question: What is the long term impact on the tax base of rezoning commercial property to residential use?

Response: Over the last several years, nearly all rezonings of commercial property have allowed for mixed use development of property including office, hotel, retail and multi-family residential. Staff is not aware of any significant rezoning of commercial property to strictly residential zoning. Rezoning of commercial property to mixed use property can substantially increase the building density of the property. For example, in the Arbor Row development that was recently approved in Tysons, 335,000 square feet of existing office space was rezoned to allow for just over 2.5 million square feet of mixed-use development including office, retail, hotel and multi-family residential.

Long term, the added density from rezoning will increase the overall assessed value of the property, but the added density could not be attained without the multi-family component. While multi-family is used for residential purposes, it is valued as a commercial entity under the capitalized income approach to valuation. Based on different market dynamics, trends in the valuation of multi-family apartments do not always follow the trends of residential property. In FY 2014, for example, multi-family apartments increased in equalization by 4.9 percent compared to 3.5 percent for residential property. Multi-family assessments also increased by 14.54 percent and 12.60 percent in FY 2012 and FY 2013 respectively; again, far outpacing the gains in residential property. Likewise, multi-family apartment gains have also surpassed the equalization change for office buildings over the last few years.