

*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 over 16,000 housing units. Despite an aging commercial building stock, with some buildings dating back to the 1960s, 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, and additional supporting retail development is being delivered 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 with expected occupancy in 2023. The second phase is currently in planning review and will add an additional 3.35 million square feet of new commercial development, including a 350-foot tall architecturally iconic flagship building, The Helix. Over 1,100 new multifamily residential units were added to the Crystal City, Potomac Yard, and Pentagon City area over the past three years and there are nearly 4,600 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 (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 2023 proposed expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$4,600,160, 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 2023 execution plan compared to the revised FY 2022 plan is shown in the fund statement. The FY 2023 proposed budget reflects:

- ↑ Revenues increase based on real estate assessments (\$296,930) in CY 2022 compared to CY 2021.
- ↓ Authorized FTEs decrease by 0.5 driven by a technical adjustment to align positions with actual staffing levels.

**PROGRAM FINANCIAL SUMMARY**

	FY 2021 Actual	FY 2022 Adopted	FY 2023 Proposed	% Change '22 to '23
Capital Projects	\$5,888,341	\$4,316,559	\$4,600,160	7%
Total Expenditures	5,888,341	4,316,559	4,600,160	7%
Total Revenues	5,742,653	\$4,303,230	\$4,600,160	7%
Utilization of Fund Balance	(\$145,688)	(\$13,329)	-	-
Total Authorized FTEs*	7.00	7.00	6.50	

\* A total of 47.5 FTEs support the transportation capital program of which 41 FTEs are funded by Transportation Capital Fund and 6.5 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 reflects the FY 2023 spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2023 expenditures. See the Fund Statement for the execution plan.

**FY 2023 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. The existing interchange is inadequate for current demands and for future planned growth in Crystal City. The interchange project also includes a connection to Long Bridge Park Drive and a bicycle connection from the Humpback Bridge (Mount Vernon Trail) to Long Bridge Park. Boundary Channel Drive will be reduced from four lanes to two lanes and all existing ramp terminals along Boundary Channel Drive will be converted to roundabouts. The eastern side of the interchange will be reconfigured to better separate various movements and provide an improved connection between Long Bridge Drive and I-395 northbound. Project elements include new curb and gutter, shared-use paths, bicycle facilities, street trees, and street lighting. The Virginia Department of Transportation (VDOT) will be handling the construction, which is anticipated to begin in 2022 and be completed in FY 2025.
- 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 2023.
  - South 12<sup>th</sup> Street – Eads to Clark Bell: This project will create the cross-section on 12<sup>th</sup> 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. The project is starting construction in FY 2022 and should be complete in FY 2023.
  - 18<sup>th</sup> 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.

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

- Temporary Park in Crystal City: As a result of the South Clark-Bell Street demolition project, a portion of the roadway right-of-way will become temporarily available for public space uses until the Richmond Highway project proceeds. The Public Spaces Master Plan encourages temporary uses and programming to enhance the public space system as opportunities arise.
- 23<sup>rd</sup> Street South and South 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.
- Metro Market Square: This project is an important public space located on 18th Street South and Crystal Drive at the site of the future Crystal City Metro station east entrance. The Square will be a retail-oriented, flexible urban public space that can accommodate programs such as fairs, carnivals, and farmers markets.

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

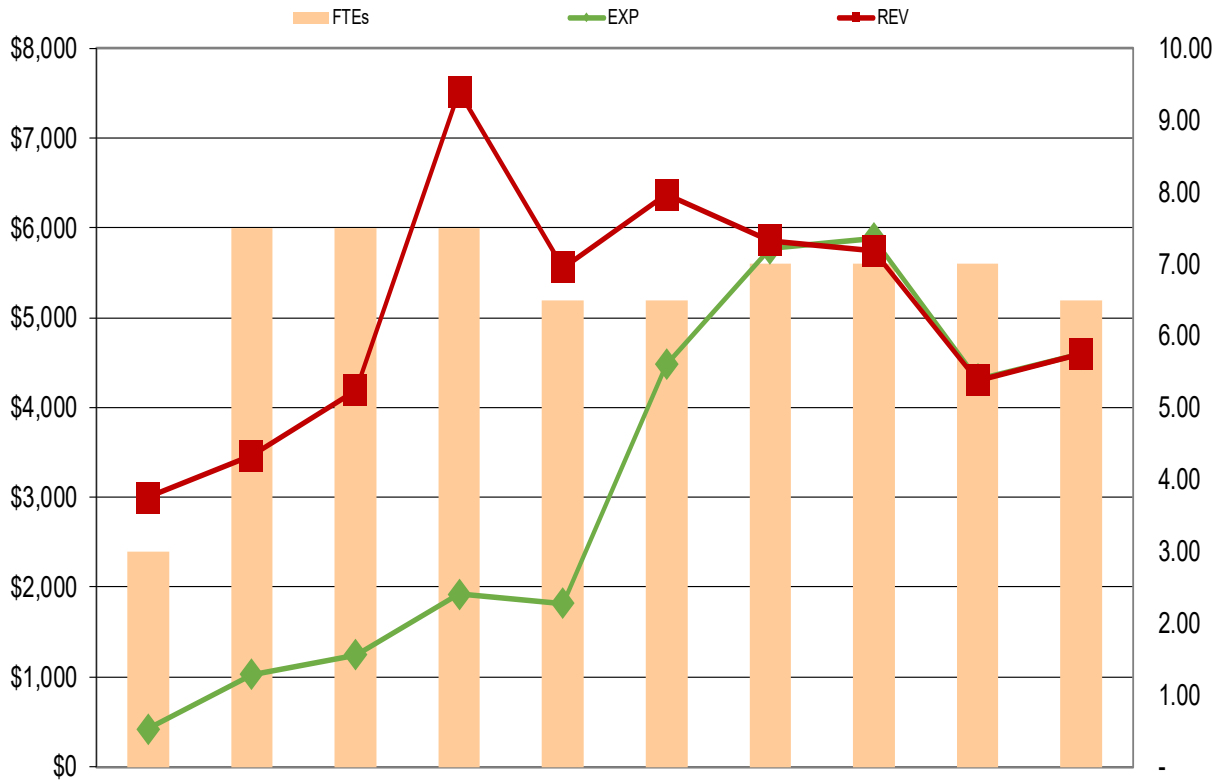
	<b>FY 2021 ACTUAL</b>	<b>FY 2022 ADOPTED</b>	<b>FY 2022 RE-ESTIMATE</b>	<b>FY 2023 PROPOSED</b>
<b>ADJUSTED BALANCE, JULY 1</b>				
Construction Reserve	\$23,036,177	\$23,563,267	\$22,890,489	\$26,295,729
Reserve	500,000	500,000	500,000	400,000
<b>TOTAL BALANCE</b>	<b>23,536,177</b>	<b>24,063,267</b>	<b>23,390,489</b>	<b>26,695,729</b>
<b>REVENUES</b>				
Tax Increment Area	4,793,837	4,303,230	4,278,240	4,600,160
Developer Contributions	-	-	-	-
Grant Revenues	948,816	2,977,500	5,047,000	4,597,500
<b>TOTAL REVENUES</b>	<b>5,742,653</b>	<b>7,280,730</b>	<b>9,325,240</b>	<b>9,197,660</b>
<b>TOTAL REVENUES &amp; BALANCE</b>	<b>29,278,830</b>	<b>31,343,997</b>	<b>32,715,729</b>	<b>35,893,389</b>
<b>EXPENSES</b>				
Capital Projects - Current Year	5,888,341	7,294,059	6,020,000	9,197,660
Capital Projects - Carry-Over	-	1,655,770	-	446,840
<b>TOTAL EXPENSES</b>	<b>5,888,341</b>	<b>8,949,829</b>	<b>6,020,000</b>	<b>9,644,500</b>
<b>BALANCE, JUNE 30</b>				
Construction Reserve	22,890,489	21,994,168	26,295,729	25,748,889
Reserve	500,000	400,000	400,000	500,000
<b>TOTAL BALANCE</b>	<b>\$23,390,489</b>	<b>22,394,168</b>	<b>\$26,695,729</b>	<b>\$26,248,889</b>

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. In addition, the FY 2022 Re-Estimate column and the FY 2023 Proposed column forecast grant revenues, which increases fund balance.
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 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
\$ in 000s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted Budget	Proposed Budget
<b>EXP</b>	\$418	\$1,030	\$1,243	\$1,920	\$1,816	\$4,479	\$5,770	\$5,888	\$4,316	\$4,600
<b>REV</b>	\$3,003	\$3,467	\$4,196	\$7,516	\$5,560	\$6,370	\$5,857	\$5,743	\$4,303	\$4,600
<b>FTEs</b>	3.00	7.50	7.50	7.50	6.50	6.50	7.00	7.00	7.00	6.50

The authorized FTEs for FY 2023 were reduced by 0.5 as a technical adjustment to realign staffing levels.

The FY 2023 Proposed 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.

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

<b>Fiscal Year</b>	<b>Description</b>	<b>FTEs</b>
FY 2014	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	3.00
	<ul style="list-style-type: none"> <li>▪ <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></li> </ul>	4.50
FY 2015	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	
FY 2016	<ul style="list-style-type: none"> <li>▪ Revenue projections in the tax district decreased due to decreases in real estate tax assessments in CY 2015 compared to CY 2014.</li> </ul>	
FY 2017	<ul style="list-style-type: none"> <li>▪ Revenues and expenditures increased based on the tax district increase due to increases in real estate assessments in CY 2016 compared to CY 2015.</li> </ul>	
FY 2018	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ FTEs decrease by 1.0 FTE to reflect the transfer of a position in the Real Estate Bureau to the Transportation Capital Fund.</li> </ul>	(1.00)
FY 2019	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	
FY 2021	<ul style="list-style-type: none"> <li>▪ Revenues decrease based on real estate assessments (\$204,790) in CY 2020 compared to CY 2019.</li> </ul>	
FY 2022	<ul style="list-style-type: none"> <li>▪ Revenues decrease based on real estate assessments (\$1,443,381) in CY 2021 compared to CY 2020.</li> </ul>	