

*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 17,000 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 over 900,000 square feet of office space in Crystal City, and additional supporting retail and residential development is being delivered along Crystal Drive. In 2023, Amazon will open 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 were 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 (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. On February 12, 2022, the County Board approved the [Pentagon City Sector Plan](#) update and related items. 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 2024 adopted expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$4,379,860, 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 2024 execution plan compared to the revised FY 2023 plan is shown in the fund statement. The FY 2024 adopted budget reflects:

- ↓ Revenues decrease (\$220,300) based on changes to the real estate assessment tax base in CY 2023 compared to CY 2022.

**PROGRAM FINANCIAL SUMMARY**

	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted	% Change '23 to '24
Capital Projects	\$5,837,286	\$4,600,160	\$4,379,860	-5%
Total Expenditures	5,837,286	4,600,160	4,379,860	-5%
Total Revenues	5,547,728	\$4,600,160	\$4,379,860	-5%
<b>Change in Fund Balance</b>	(\$289,558)	-	-	-
<b>Total Authorized FTEs</b>	7.00	6.50	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 2024 adopted spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2024 expenditures. See the Fund Statement for the execution plan.

**FY 2024 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:

- Crystal City, Pentagon City, Potomac Yard Streets:
  - Eads Street Bicycle and Pedestrian Improvements: The South Eads Street Complete Street project will implement multimodal improvements along the entire corridor from Army Navy Drive to Four Mile Run. This project will be delivered in small-scale project phases along the corridor. Improvements include protected bike lanes, bus stop, sidewalk and crosswalk improvements, and other enhancements to existing facilities. The first phase (Army Navy Dr.

to 12th St. S.) is being coordinated with the Penn Place development and an adjacent Department of Parks and Recreation park development; it is expected to start construction in FY 2023. Design is underway for the second phase (12th St. S. to 15th St. S.), which is being coordinated with an adjacent private development; construction is expected to commence in FY 2024.

- 23<sup>rd</sup> Street S. Improvements, S. Eads Street to Crystal Drive: This project will simplify traffic operations and will improve pedestrian facilities, streetscape, street lighting, and crossing improvements at intersections located within the project limits. It is being delivered in two phases. Phase 1 of the project was completed in FY 2023 and implemented safety and pedestrian improvements on 23<sup>rd</sup> Street S. between S. Eads Street and U. S. Route 1. The second phase will realign 23<sup>rd</sup> Street S. between US Route 1 and Crystal Drive to create new development space on the north side of 23<sup>rd</sup> Street S., in keeping with the Crystal City Sector Plan. New development is pending in the areas adjacent to the Phase 2 project area. To best coordinate project delivery, it is anticipated that the County will contribute funds for the developer to build Phase 2 of the streetscape improvement project in conjunction with development. Design development for Phase 2 is expected to continue through FY 2024; construction expected to begin in FY 2025, pending schedule for private development.
- Crystal Drive Safety and Accessibility: The County frequently receives requests from residents, commercial property owners, and the Business Improvement District for minor improvements to the transportation network in the Crystal City/Potomac Yards areas. The funds allocated to this project implement various improvements across the TIF district, including upgrades to crosswalks and curb ramps, landscape upgrades, bike facility upgrades, signage and striping modifications, and streetlighting. The project focuses on locations outside existing, discrete projects and private development that are making similar improvements. Upcoming work will construct signal and intersection improvements at 15th Street S. and S. Fern Street; construction is expected to begin in FY 2023. Design is expected to begin on improvements at 15th Street S. and S. Joyce Street in FY 2024.
- Long Bridge Drive Pedestrian and Bike Connection: This project focuses on creating an enhanced bike/pedestrian facility along Long Bridge Drive to connect the terminus of the Virginia Passenger Rail Authority's future bike/ped crossing of the Potomac River of the Long Bridge Rail Project to the Crystal City bike network. This facility will also connect to VDOT's adjacent Boundary Channel Drive ped/bike improvements and to the Mount Vernon Trail. The project is being coordinated with DPR due to the bridge terminus landing behind the Long Bridge Aquatic Center. Planning phase begins FY 2023; design development is expected to begin in FY 2024.

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 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 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.
- 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.

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

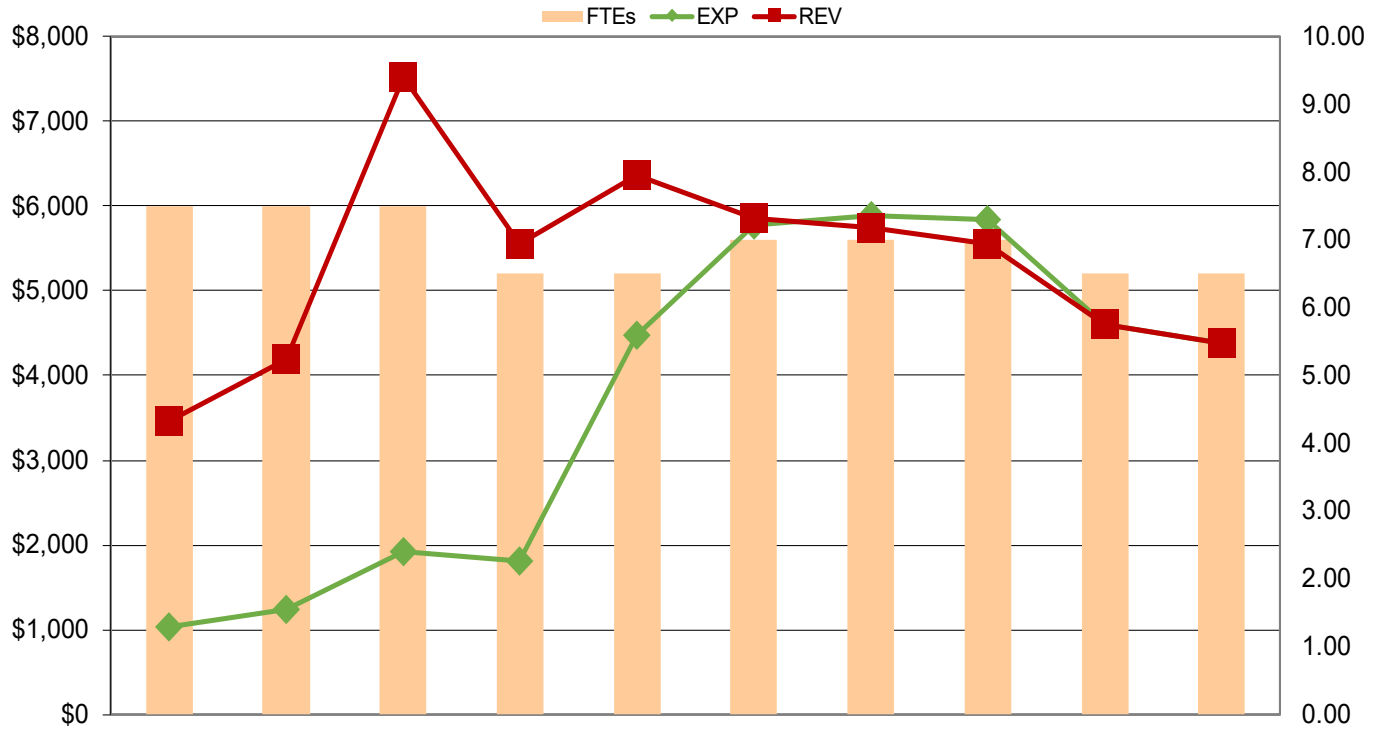
	<b>FY 2022 ACTUAL</b>	<b>FY 2023 ADOPTED</b>	<b>FY 2023 RE-ESTIMATE</b>	<b>FY 2024 ADOPTED</b>
<b>ADJUSTED BALANCE, JULY 1</b>				
Construction Reserve	\$22,890,489	\$26,295,729	\$22,700,930	\$21,531,870
Reserve	500,000	400,000	400,000	400,000
<b>TOTAL BALANCE</b>	<b>23,390,489</b>	<b>26,695,729</b>	<b>23,100,930</b>	<b>21,931,870</b>
<b>REVENUES</b>				
Tax Increment Area	4,134,537	4,600,160	4,349,040	4,379,860
Developer Contributions	-	-	-	-
Grant Revenues	1,413,191	4,597,500	2,188,200	7,429,800
<b>TOTAL REVENUES</b>	<b>5,547,728</b>	<b>9,197,660</b>	<b>6,537,240</b>	<b>11,809,660</b>
<b>TOTAL REVENUES &amp; BALANCE</b>	<b>28,938,217</b>	<b>35,893,389</b>	<b>29,638,170</b>	<b>33,741,530</b>
<b>EXPENSES</b>				
Capital Projects - Current Year	5,837,286	9,197,660	6,537,240	11,809,660
Capital Projects - Carry-Over	-	446,840	1,169,060	-
<b>TOTAL EXPENSES</b>	<b>5,837,286</b>	<b>9,644,500</b>	<b>7,706,300</b>	<b>11,809,660</b>
<b>BALANCE, JUNE 30</b>				
Construction Reserve	22,700,930	25,748,889	21,531,870	22,191,990
Reserve	400,000	500,000	400,000	400,000
<b>TOTAL BALANCE</b>	<b>\$23,100,930</b>	<b>\$26,248,889</b>	<b>\$21,931,870</b>	<b>\$21,931,870</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.
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 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted Budget	FY 2024 Adopted Budget
<b>\$ in 000s</b>										
<b>EXP</b>	\$1,030	\$1,243	\$1,920	\$1,816	\$4,479	\$5,770	\$5,888	\$5,837	\$4,600	\$4,380
<b>REV</b>	\$3,467	\$4,196	\$7,516	\$5,560	\$6,370	\$5,857	\$5,743	\$5,548	\$4,600	\$4,380
<b>FTEs</b>	7.50	7.50	7.50	6.50	6.50	7.00	7.00	7.00	6.50	6.50

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

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<b>Fiscal Year</b>	<b>Description</b>	<b>FTEs</b>
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 decreased 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 decreased based on real estate assessments (\$1,443,381) in CY 2021 compared to CY 2020.</li> </ul>	
FY 2023	<ul style="list-style-type: none"> <li>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.</li> <li>Revenues increased based on real estate assessments (\$296,930) in CY 2022 compared to CY 2021.</li> </ul>	

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

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<b>Fiscal Year</b>	<b>Description</b>	<b>FTEs</b>
<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	(0.50)	
FY 2024	<ul style="list-style-type: none"> <li>▪ Revenue decreased (\$220,300) based on changes to the real estate assessment tax base in CY 2023 compared to CY 2022.</li> </ul>	