

*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.

**SIGNIFICANT BUDGET CHANGES**

The FY 2025 adopted expenditure budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$6,506,510, 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 2025 execution plan compared to the revised FY 2024 plan is shown in the fund statement. The FY 2025 adopted budget reflects:

- ↑ Revenues increase (\$2,126,650) based on changes to the real estate assessment tax base in CY 2024 compared to CY 2023.

**PROGRAM FINANCIAL SUMMARY**

	<b>FY 2023 Actual</b>	<b>FY 2024 Adopted</b>	<b>FY 2025 Adopted</b>	<b>% Change 24 to '25</b>
Capital Projects	\$6,076,290	\$4,379,860	\$6,506,510	49%
<b>Total Expenditures</b>	<b>6,076,290</b>	<b>4,379,860</b>	<b>6,506,510</b>	<b>49%</b>
Total Revenues	7,949,883	\$4,379,860	\$6,506,510	49%
<b>Change in Fund Balance</b>	<b>\$1,873,593</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Authorized FTEs</b>	<b>6.50</b>	<b>6.50</b>	<b>6.50</b>	

\* A total of 47.5 FTEs support the transportation capital program of which 41 FTEs are funded by Transportation Capital Fund (TCF) 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 2025 adopted spending plan of current year revenues and does not show the use of fund balance for the total projected FY 2025 expenditures. See the Fund Statement for the execution plan.

**FY 2025 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-adopted 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. The National Environment Policy Act (NEPA) process is nearing completion and preliminary engineering work is underway.

- 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 project; it is expected to start construction in FY 2025. Design has also been completed for the second phase (12th St. S. to 15th St. S.) and construction is expected to commence in FY 2025 (this phase is funded with TCF).
  - Crystal Drive Safety and Accessibility Improvements: The funds allocated to this program 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 projects focus on spot locations outside existing, discrete projects and private development that are making similar improvements. Construction work for the signal and intersection improvements at 15th Street S. and S. Fern Street continues into FY 2025 due to long lead times on signal equipment. Design for improvements at 15th Street S. and S. Joyce Street began in FY 2024 and are anticipated to be constructed in FY 2025.
  - 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. Design development began in FY 2024 is expected to continue through FY 2027.
- 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. Design is well underway.

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 currently underway.
- 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 scheduled to begin in Fall 2024.

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

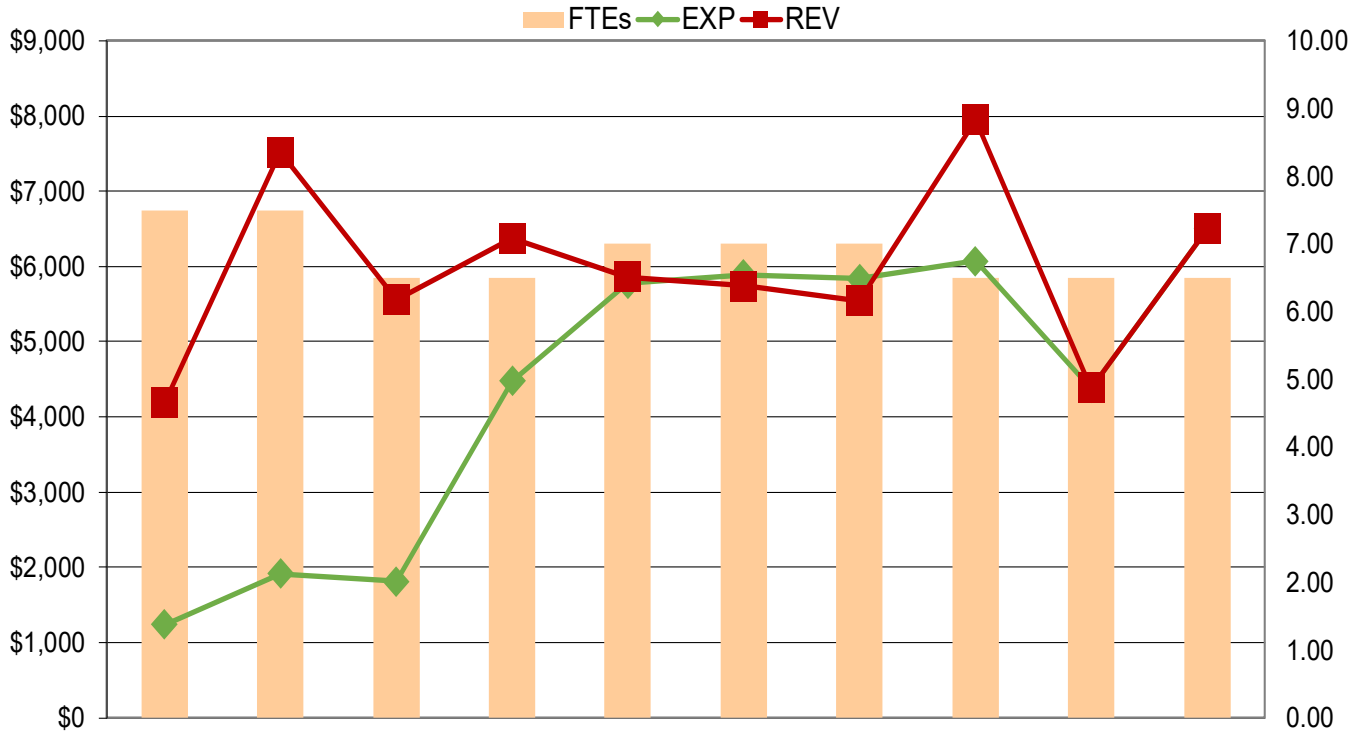
	<b>FY 2023 ACTUAL</b>	<b>FY 2024 ADOPTED</b>	<b>FY 2024 RE-ESTIMATE</b>	<b>FY 2025 ADOPTED</b>
<b>ADJUSTED BALANCE, JULY 1</b>				
Construction Reserve	\$22,700,930	\$21,531,870	\$24,474,524	\$26,824,322
Reserve	400,000	400,000	500,000	600,000
<b>TOTAL BALANCE</b>	<b>23,100,930</b>	<b>21,931,870</b>	<b>24,974,524</b>	<b>27,424,322</b>
<b>REVENUES</b>				
Tax Increment Area	4,553,418	4,379,860	5,665,790	6,506,510
Developer Contributions	-	-	-	-
Grant Revenues	3,396,465	7,429,800	5,066,000	7,334,400
<b>TOTAL REVENUES</b>	<b>7,949,883</b>	<b>11,809,660</b>	<b>10,731,790</b>	<b>13,840,910</b>
<b>TOTAL REVENUE &amp; BALANCE</b>	<b>31,050,813</b>	<b>33,741,530</b>	<b>35,706,314</b>	<b>41,265,232</b>
<b>EXPENSES</b>				
Capital Projects - Current Year	6,076,289	11,809,660	8,282,000	13,840,910
Capital Projects - Carry-Over	-	-	-	14,039,890
<b>TOTAL EXPENSE</b>	<b>6,076,289</b>	<b>11,809,660</b>	<b>8,282,000</b>	<b>27,880,800</b>
<b>BALANCE, JUNE 30</b>				
Construction Reserve	24,474,524	21,531,870	26,824,322	12,684,423
Reserve	500,000	400,000	600,000	700,000
<b>TOTAL BALANCE</b>	<b>\$24,974,524</b>	<b>\$21,931,870</b>	<b>\$27,424,322</b>	<b>\$13,384,423</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 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
\$ in 000s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted Budget	Adopted Budget
<b>EXP</b>	\$1,243	\$1,920	\$1,816	\$4,479	\$5,770	\$5,888	\$5,837	\$6,076	\$4,380	\$6,507
<b>REV</b>	\$4,196	\$7,516	\$5,560	\$6,370	\$5,857	\$5,743	\$5,548	\$7,950	\$4,380	\$6,507
<b>FTEs</b>	7.50	7.50	6.50	6.50	7.00	7.00	7.00	6.50	6.50	6.50

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

<b>Fiscal Year</b>	<b>Description</b>	<b>FTEs</b>
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> <li>Authorized FTEs decreased due to a technical adjustment to align positions with actual staffing levels.</li> <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)

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

---

<b>Fiscal Year</b>	<b>Description</b>	<b>FTEs</b>
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.	