

TOWN OF MIDDLEBURG, VIRGINIA TOWN COUNCIL MEETING

SUBJECT: Overview of CY2023 Real Property Assessments and Guidance on Real Property Tax Rate

STAFF CONTACT: Danny Davis, Town Manager
Tina Staples, Finance Director

DATE OF MEETING: February 9, 2023

BACKGROUND

- Loudoun County conducts annual real property revaluations across the County, including for the Town of Middleburg.
 - Assessments represent 100% fair market values as of January 1, 2023.
- For calendar year 2023 (CY23), real property values in Middleburg have increased 11.99%.
 - This is the total value change and includes new construction.
 - The “equalized change” for CY23 is 10.51%.
 - This amount excludes new construction and represents the increase in value for properties existing in 2022.
- The breakdown for average property value changes for key categories is below:

CY23 Real Property Assessments				
	Equalized Change	Total Value Change	Equalized Assessment ¹	Average
Single Family Detached	14.47%	19.27%	\$744,148	
Townhouse	9.05%	9.05%	\$751,739	
Condo	4.91%	4.91%	\$360,182	
Commercial	3.67%	3.67%	\$1,353,962	

As a reminder, in CY22, average assessments also increased by significant amounts:

- Single Family Detached: 16.73%
- Townhouse: 24.19%
- Condo: 5.54%

In response, the Town Council reduced the FY23 tax rate from 15.3 cents to 13.69 cents.

Real property assessments are conducted by Loudoun County. Any concerns or issues with an individual property’s assessment should be directed to the Loudoun County Commissioner of the Revenue. Notices will be sent to property owners in early February, including the name and contact of each property’s assigned assessor.

¹ The only category with new construction was single family detached. Adding those properties increases the average assessment by approximately \$11,500, to \$755,693. The rest of the staff analysis of values and tax rates uses the **equalized** average assessment for single-family detached units.

REAL PROPERTY TAX RATE DISCUSSION

The Town Council is responsible for setting the real property tax rate each year. This rate, multiplied by the property’s assessed value, results in a property owner’s real property tax bill for the Town.²

As part of its FY24 budget deliberations, the Town Council must adopt a real property tax rate by April 1, 2023, and may wish to consider the appropriate rate in light of recent property value increases.

The “equalized tax rate” is the rate for FY24 that would generate the same revenue as FY23, without including the value of new construction:

- The current tax rate is 13.69 cents per \$100 of assessed value.
- The equalized rate for FY24 would be 12.39 cents per \$100 of assessed value.
- During last year’s budget deliberations, the Town Council discussed the appropriateness of adding an inflationary factor to the equalized tax rate to account for regular increases in the cost of doing business.
 - For FY23, the Town Council approved a rate that was the equalized rate + 3%.

Town staff have shown the impact of four tax rate scenarios on the average residential tax bill below:

- Current rate: 13.69 cents
- Equalized rate + 7% (approx. rate of inflation): 13.25 cents
- Equalized rate + 3%: 12.76 cents
- Equalized rate: 12.39 cents

Staff notes that any rate above 12.51 cents would require a public hearing, pursuant to state code.³

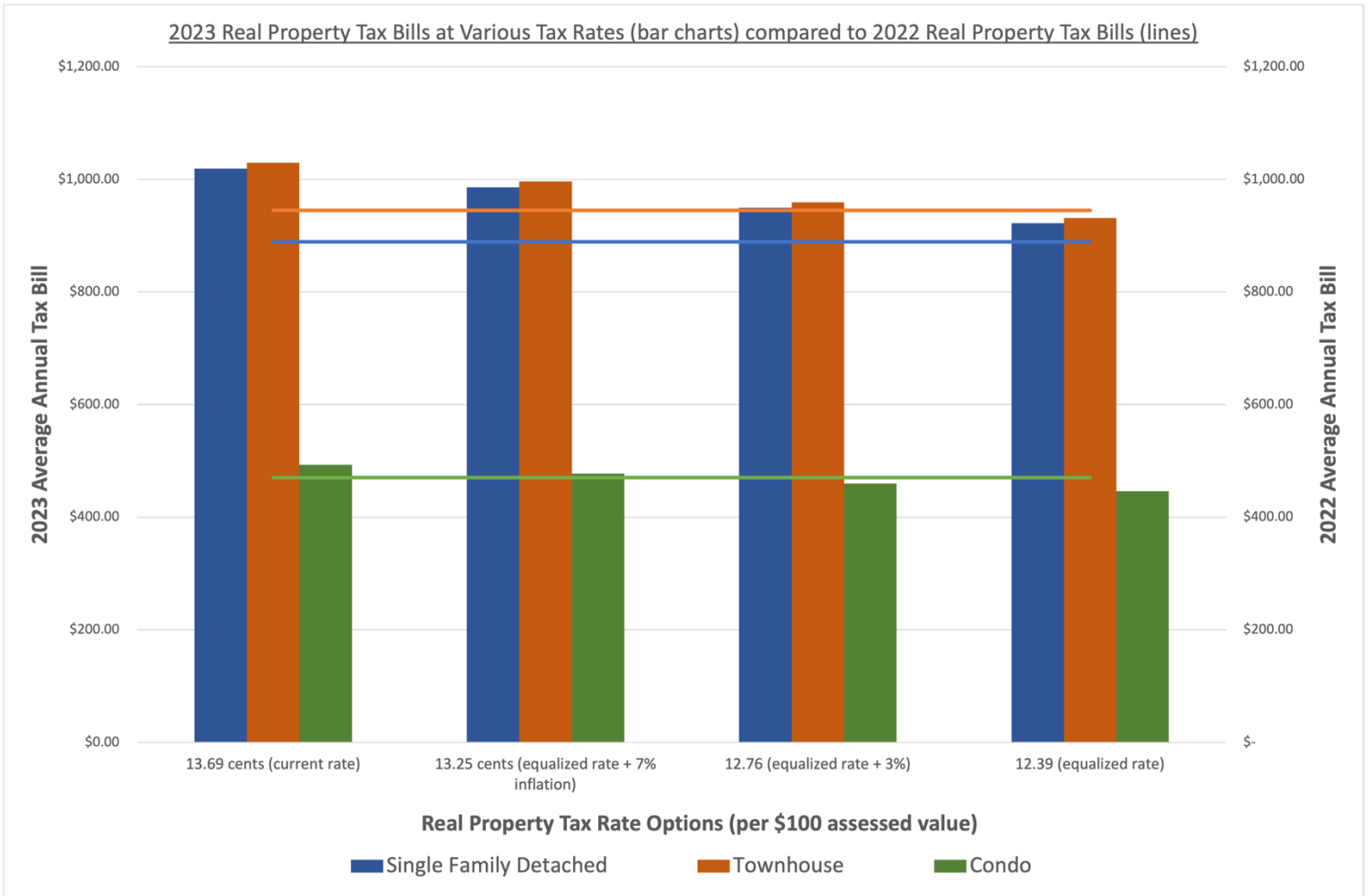
FY24 Real Property Tax Bills at Various Rates (based on Equalized Assessed Value)⁴									
	2022 Tax Bill	2023 Bill at 13.69 ¢	Change	2023 Bill at 13.25 ¢	Change	2023 Bill at 12.76 ¢	Change	2023 Bill at 12.39 ¢	Change
SFD	\$889	\$1,019	\$130	\$986	\$97	\$950	\$61	\$922	\$33
TH	\$945	\$1,029	\$84	\$996	\$51	\$959	\$14	\$931	-\$14
Condo	\$470	\$493	\$23	\$477	\$7	\$460	-\$10	\$446	-\$24

This information is reflected in the chart on the next page:

² Please note that town properties pay Town and County property taxes; both taxes are remitted to Loudoun County, and the County sends the Town its portion of the tax. The Loudoun Board of Supervisors sets the tax rate for Loudoun County real property taxes.

³ State Code § 58.1-3321 only requires a public hearing if the new rate results in revenues that are more than 101% of revenues generated in the prior year, excluding the value of new construction.

⁴ Staff based this table on the equalized assessed value for SFD properties in CY23, excluding new construction.



FISCAL IMPACT

For FY23, the Town anticipated \$556,753 for real property tax revenue (assessed value *times* tax rate), although in the budget document this amount is reduced by \$20,000 to account for tax appeals and tax relief for the elderly and permanently disabled.

For FY24, the four tax rates options would result in the following revenues:

FY24 Real Property Revenues at Various Rates (incl. value of new construction)									
	FY23 Revenue	FY24 @ 13.69 ¢	Change	FY24 @ 13.25 ¢	Change	FY24 @ 12.76 ¢	Change	FY24 @ 12.39 ¢	Change
Revenue	\$556,753	\$623,497	\$66,744	\$603,672	\$46,919	\$581,105	\$24,352	\$564,179	\$7,426

In all scenarios, even at the equalized tax rate, the Town would see an increase in real property revenues, due to the value of new construction.

GUIDANCE ON REAL PROPERTY TAX RATE

The Town Manager requests the Town Council provide input on the real property tax rate. If the Town Council decides to consider a tax rate above 12.51 cents, then a public hearing would be required.

Assuming a public hearing is needed, it is preferable to have guidance during this meeting on a maximum tax rate to advertise – the advertisement must run 30 days prior to the public hearing. This would then allow the Town Council to hold a Public Hearing on March 23rd. It is important to note that the tax rate in the advertisement is the **maximum** rate the Town Council could adopt; after the public hearing, the Council can choose to adopt a lower rate, if desired.

If the Town Council is not ready to give guidance on the tax rate during this meeting, then due to advertising requirements, the Town Council needs to provide its guidance no later than February 17th. In that scenario, the Town Council would have to call a Special Meeting to hold the Tax Rate Public Hearing the week of March 27th. A decision on the tax rate could be made at that Public Hearing or at a separate special meeting called before April 1st.

A draft public hearing notice is included, with no tax rate currently included. Staff will revise the advertisement subject to final guidance from Council.

As a reminder, the only decision being requested at this time is what tax rate to *advertise*. No formal tax rate approval is occurring at this time.

An overview of the FY24 Budget Review schedule is also attached, based upon guidance on the tax rate being provided at this meeting. The calendar will be revised if the Town Council decides to wait before giving guidance on the tax rate.