

TAX ABATEMENTS

for

IMPROVED, EXPANDED and NEW OFFICE BUILDINGS

(Commercial Property Tax Abatement Program)

How does the program work?

If you own a building at least 20 years old in the City of Falls Church and invest to rehabilitate, expand, or replace your building for use as office space, you may be eligible for tax abatements for up to ten years. To qualify, an investment must result in: (1) at least 10,000 square feet of new, improved, or additional office space; and (2) assessed value at the time of project completion at least double (2X) the assessed value of the existing building. Only office or office portions of buildings that are strictly commercial in use (no residential components) are eligible for abatements.

Projects meeting these criteria can receive 100 percent tax abatement on the increase in assessed value for five years and 50 percent tax abatement on that value for an additional five years.

Examples of Eligible Projects

(A) Building Improvement Project

You have a 10,000 sf building more than 20 years old that you intend to rehabilitate for office use. The building, exclusive of land value, currently has a City assessed value of \$410,000. You invest in improvements resulting in a building assessed for \$1,450,000 upon completion of work and inspection by the City assessor.

The difference in building assessed value before and after improvements is \$1,040,000 in this example. This will be the amount upon which tax abatement will be calculated each year you are eligible for program benefits. Using the 2016 City of Falls Church real property tax rate of \$1.315 per \$100 assessed value, the table below illustrates program benefits over ten years:

<i>Year</i>	<i>Taxes Abated for Improvements</i>	<i>Taxes Payable for Pre-Improvement Value (Yrs. 1-5), then Pre-Improvement Value and 50% of Improvements (Yrs. 6-10)</i>
1	\$13,676	\$5,392 + Taxes on Land Value
2	\$13,676	\$5,392 + Taxes on Land Value
3	\$13,676	\$5,392 + Taxes on Land Value
4	\$13,676	\$5,392 + Taxes on Land Value
5	\$13,676	\$5,392 + Taxes on Land Value
6	\$6,838	\$12,230 + Taxes on Land Value
7	\$6,838	\$12,230 + Taxes on Land Value

8	\$6,838	\$12,230 + Taxes on Land Value
9	\$6,838	\$12,230 + Taxes on Land Value
10	\$6,838	\$12,230 + Taxes on Land Value
10-Year Total	\$102,570	\$88,110 + Taxes on Land Value

NOTE: Increases in assessed building and land value after the initial post-improvement assessment are subject to taxes payable during and after the eligible abatement period.

(B) Building Expansion Project

You have a 10,000 sf building more than 20 years old that you intend to expand at least an additional 10,000 sf for office use. The existing building, exclusive of land value, has a City assessed value of \$410,000. You invest in a 10,000 sf physical expansion resulting in a building assessed for \$2,910,000 upon completion of work and inspection by the City assessor.

The difference in building assessed value before and after expansion is \$2,500,000 in this example. This will be the amount upon which tax abatement will be calculated each year you are eligible for program benefits. Using the 2016 City of Falls Church real property tax rate of \$1.315 per \$100 assessed value, the table below illustrates program benefits over ten years:

<i>Year</i>	<i>Taxes Abated for Expansion Investment</i>	<i>Taxes Payable for Pre-Improvement Value (Yrs. 1-5), then Pre-Improvement Value and 50% of Expansion Value (Yrs. 6-10)</i>
1	\$32,875	\$5,392 + Taxes on Land Value
2	\$32,875	\$5,392 + Taxes on Land Value
3	\$32,875	\$5,392 + Taxes on Land Value
4	\$32,875	\$5,392 + Taxes on Land Value
5	\$32,875	\$5,392 + Taxes on Land Value
6	\$16,438	\$21,830 + Taxes on Land Value
7	\$16,438	\$21,830 + Taxes on Land Value
8	\$16,438	\$21,830 + Taxes on Land Value
9	\$16,438	\$21,830 + Taxes on Land Value
10	\$16,438	\$21,830 + Taxes on Land Value
10-Year Total	\$246,565	\$136,110 + Taxes on Land Value

NOTE: Increases in assessed building and land value after the initial post-improvement assessment are subject to taxes payable during and after the eligible abatement period.

(C) Building Replacement Project

You have a building more than 20 years old that you intend to replace with at least 10,000 sf of new office space. Your new office building will be 100,000 sf, replacing a 15,000 sf building, in this

example. The existing building has a City assessed value of \$615,000 before it is demolished. The new office building results in an assessed value of \$25 million upon completion of work and inspection by the City assessor.

The difference in building assessed values before demolition and after new construction is \$24,385,000. This will be the amount upon which tax abatement will be calculated each year you are eligible for program benefits. Using the 2016 City of Falls Church real property tax rate of \$1.315 per \$100 assessed value, the table below illustrates program benefits over ten years:

<i>Year</i>	<i>Taxes Abated for Expansion Investment</i>	<i>Taxes Payable for Pre-Improvement Value (Yrs. 1-5), then Pre-Improvement Value and 50% of Expansion Value (Yrs. 6-10)</i>
1	\$320,663	\$8,087 + Taxes on Land Value
2	\$320,663	\$8,087 + Taxes on Land Value
3	\$320,663	\$8,087 + Taxes on Land Value
4	\$320,663	\$8,087 + Taxes on Land Value
5	\$320,663	\$8,087 + Taxes on Land Value
6	\$160,332	\$168,419 + Taxes on Land Value
7	\$160,332	\$168,419 + Taxes on Land Value
8	\$160,332	\$168,419 + Taxes on Land Value
9	\$160,332	\$168,419 + Taxes on Land Value
10	\$160,332	\$168,419 + Taxes on Land Value
10-Year Total	\$2,404,975	\$882,530 + Taxes on Land Value

NOTE: Increases in assessed building and land value after the initial post-improvement assessment are subject to taxes payable during and after the eligible abatement period.

How do I get started?

All real estate taxes on the building and property must be paid and current prior to the City's acceptance of an application. After acceptance, taxes must remain current to continue eligibility and avoid penalties. During the construction phase of the project, the City will assess taxes at 100% of assessed value and until the final value appraisal.

Appropriate building permits must be obtained before an application is filed. There is a \$250 application fee (payable to the City of Falls Church) for the Commercial Property Tax Abatement Program.

The city assessor must inspect the building three different times:

1. Upon receipt of the application;
2. Immediately prior to the commencement of the proposed improvements; and
3. Upon completion of the project.

A written request must be submitted to the city assessor for final inspection (Step 3). The building owner must submit a detailed list of their actual improvement costs to the city assessor for review.

Are there other eligibility requirements?

Program eligibility is restricted to single projects. Separate applications are required for improvement projects in separate buildings or separately-timed projects in the same building. Building permits must be issued within a 60-day period from the time of acceptance into the City's tax abatement program and must be completed within two years from the date of the initial construction permit.

Would a new building qualify under the program?

Yes, but it must replace an existing building, double the assessed value of the existing building, and produce at least 10,000 sf of new office space. The program does not apply to structures built on vacant land.

How do I get additional information?

The City's Economic Development Office can provide additional information and answer questions about the Commercial Property Tax Abatement Program. Contact us at 703-248-5491; or edo@fallschurchva.gov. Our office is located in City Hall at 300 Park Avenue, Suite 301 East, Falls Church, VA, 22046.

The City's Real Estate Assessment Office has a critical role in processing program applications and conducting inspections for valuation purposes. The assessor's office is located in the Gage House, at 401 Great Falls Street, Falls Church, VA, 22046. Staff may be contacted at 703-248-5022 or realestateassessor@fallschurchva.gov.

The Commercial Property Tax Abatement Program application is attached. Here is a link to the City's Commercial Property Tax Abatement ordinance: [\[http://www.choosefallschurch.org/CPTAOrdinance\]](http://www.choosefallschurch.org/CPTAOrdinance)