

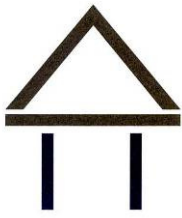
Market and Fiscal Impacts Analyses
Spring Arbor of Fredericksburg Memory Care
Spotsylvania County, Virginia

Prepared for:

Mr. Thomas N. Hudson
HHHunt

July, 2017

S. Patz and Associates, Inc.
46175 Westlake Drive, Suite 400
Potomac Falls, Virginia 20165



■ S. PATZ & ASSOCIATES, INC ■
■ REAL ESTATE CONSULTANTS ■

July 17, 2017

Mr. Thomas N. Hudson
Land Acquisition Manager
Properties Division
6224 30th Street NW
Washington, DC 20015

Dear Mr. Hudson:

Attached is our Fiscal Impacts Analysis (FIA) for the proposed 40-bed Spring Arbor at Fredericksburg Memory Care and market data that supports the proposal. The memory care facility was originally designed with 40 beds. That is still the case. However, County staff suggested that the new facility be designed with 48 beds so no changes would be necessary if market demand necessitates an increase.

We studied the market for a 40-bed facility, with the understanding that a maximum of 48 beds could be permitted. **Market support exists for the expansion, if needed and the FIA would increase to a total net benefit of approximately \$140,000 annually.**

The market analysis shows full market support for the proposed memory care facility and that the Spring Arbor site is a viable location for such housing for County residents. The net fiscal impacts expected from the new memory care facility is extensive at \$115,400+ annually at build out for 40 beds.

Mr. Thomas N. Hudson
July 17, 2017

<u>Detailed Breakdown of Net Tax Revenues, Spring Arbor at Fredericksburg Memory Care at 40 beds, Spotsylvania County, Virginia (constant \$2017)</u>			
	<u>On-site Impacts</u>	<u>Off-site Impacts</u>	<u>Total Impacts</u>
<u>Tax Revenues</u>			
Real Estate Tax	\$51,580	\$8,400	\$59,980
Personal Property Tax	\$50,440	\$6,330	\$56,770
Retail Sales Tax	--	\$1,640	\$1,640
BPOL Tax	\$9,100	\$3,460	\$12,560
Meals Tax	--	\$5,910	\$5,910
Transient Occupancy	--	\$1,650	\$1,650
Utility Taxes	\$3,310	\$2,240	\$5,550
Recordation Tax	<u>\$5,060</u>	<u>\$160</u>	<u>\$5,220</u>
Total Taxes	\$119,490	\$29,790	\$149,280
Tax Supported Costs	<u>-\$21,970</u>	<u>-\$11,900</u>	<u>-\$33,870</u>
Net Fiscal Benefit	\$97,520	\$17,890	\$115,410

The detailed market data that support our findings and conclusions are presented in the attached report. Please call if additional data or clarification are needed.

Again, our FIA is based on the 40-bed design for bed Spring Arbor at Fredericksburg Memory Care. The expansion, if realized, will generate a 20 percent higher net tax benefit.

Sincerely,



Stuart M. Patz
President

SMP/mes

TABLE OF CONTENTS

	<u>PAGE</u>
Introduction	5
Development Proposal.....	5
Site Setting	10
Market Analysis.....	11
Summary	14
Fiscal and Economic Impact Analysis.....	15
Summary of Fiscal Impacts.....	16
On-Site Impacts: Tax Revenues.....	16
Real Property Tax.....	17
Business Property Taxes.....	17
BPOL Tax.....	18
Consumer Utility Taxes.....	18
Recordation Tax.....	19
Summary of Tax Revenues.....	19
On-Site Costs to Spotsylvania County	19
Tax-Supported County Costs	20
Per Capita County Costs	21
On-Site Costs to the County	22
Net Fiscal Impacts On-Site.....	22
Off-Site Impacts: Economic and Fiscal.....	23
Business Receipts.....	24
Off-Site Fiscal Impacts	24
Total Fiscal Impacts.....	25

Introduction

This will set forth our Fiscal Impacts Analysis (FIA), with supporting market research, for the proposed development of a 40-bed memory care facility on an adjacent site to the Spring Arbor at Fredericksburg Assisted Living Facility. The development concept could be increased to 48 beds, but the current design and plan is for 40 beds. Any increase in beds will make the net fiscal benefits higher. The site requires a rezoning from its current zone of R-1 to the proposed C-2 zone, which allows for the housing type proposed.

The applicant has requested this FIA. The FIA requires a market study to show market support for the new memory care facility. Both are presented in this report.

The “target” market for assisted living facilities, including memory care facilities, is typically older adults in the 80+ age category and with incomes, reported in constant 2017 dollars of \$30,000 and above. A household with a single person is defined as a one-person household. For assisted living, that person is typically 80 years of age and older.

We use \$30,000 for household income, although income here is typically assets. There is no set income used by management of Assisted Living Facilities (ALF) to qualify residents, but management at area ALF’s agree that the \$30,000 income is as good of an estimate for affordability as any.

Currently, Spotsylvania County has 1,800± households with the head of the household 80+ years of age and with incomes of \$30,000. Approximately four percent of all County households are in this age and income category, which is increasing in number by 400± annually. That percentage is increasing and is expected to increase to 4.6 percent by 2020.

Development Proposal. HHHunt proposes to construct a 40-bed facility for persons with dementia, to include all of the services and facilities to support this older

population who require assistance with daily care. The proposal will have an allowable maximum of 48 beds. The building is estimated to cost approximately \$4,268,000 (for 40 beds) to construct and \$1,800,000 for site development. The concept elevation is shown below. It is designed as two attached single-story buildings with approximately 20 beds per building, divided by 12 private rooms and 4 companion rooms per building. This could change with a larger facility. Each section will have a kitchen, dining room, common area room and medical services. On-site staff will be at the facility at all times. On-site staff at the new memory care building is expected to be 40 full-time equivalents, with annual salaries totaling \$1,275,000, before benefits. The facility is expected to generate \$90,000 in annual expenditures within the community for goods and supplies. This includes expenditures for food, supplies, medical needs, pharmaceutical needs, linens, building equipment, etc.

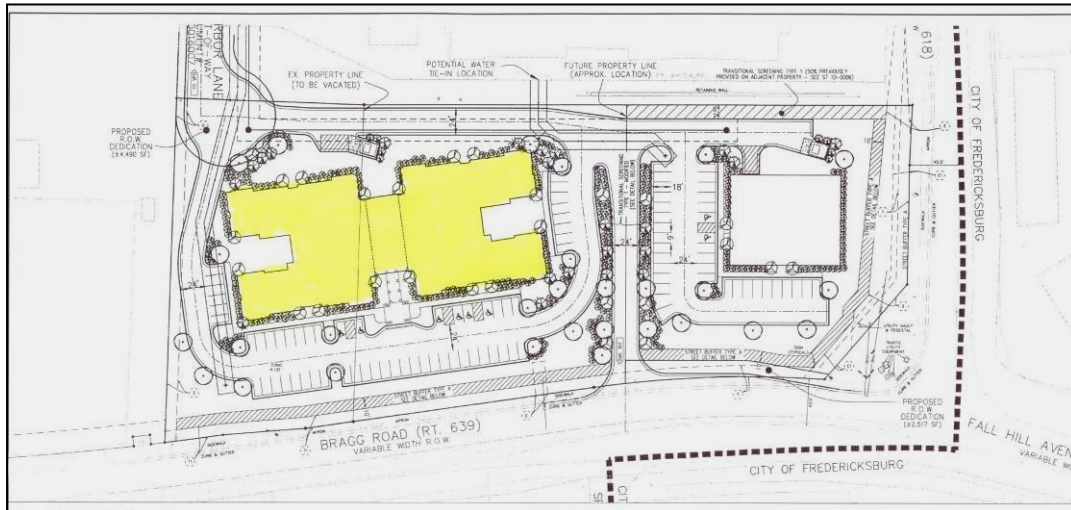


Concept Elevations

Elevation for Spring Arbor of Fredericksburg Memory Care

The total site under study for rezoning is just under four acres and will be subdivided into two development parcels, both within the proposed C-2 zoning. The memory care building will be set on 2.5± acres, as shown in the following site plan. This is the south portion of the full property. A commercial site of 1.3 acres, which can support up to 8,000 square feet in total space, is planned for the north part of the site. There are no development plans for this part of the site at this time. Thus, it is not included in the FIA calculations. However, net taxes will increase once the site is rezoned to commercial.

Access to the property will be off of Bragg Road. While the property is adjacent to the existing Spring Arbor ALF, the two sites are separated. Access is planned between the memory care property and the ALF property, via a new road on the south end of the property.



Concept Development Plan (Memory Care Building Highlighted)

Following is an aerial of the property. It shows that the site is rectangular and borders Bragg Road on the east and River Road on the north. The western site boundary line abuts the Spring Arbor of Fredericksburg ALF building and property. The Church of Jesus Christ of Latter-Day Saints is the south boundary.

Access to the site will be from Bragg Road. Spring Arbor Lane will be extended from the ALF property east into the site and will serve the new memory care building. The “star” is the location of the adjacent commercial property.



The aerial shows the site to be level and void of trees. It is currently a grassy meadowland (see photo). Public water and sewer are available at the property. Also shown (in aerial) is that Bragg Road is a four-lane arterial at this location with single family homes developed along this part of Bragg Road. The cleared land that surrounds the west and south sides of the ALF are new age-restricted homes that are being built, as described below.



View North from Church Parking Lot

Next shown are photos of the existing Spring Arbor ALF. The ALF was opened in 2014 with 66 basic assisted living beds and 23 memory care beds. The memory care beds are in a separate wing of the building and represent the age and health of residents expected to be attracted to the proposed 40-bed memory care building.

Spring Arbor of Fredericksburg Assisted Living Facility typically operates at a 96+ percent occupancy rate for 89 beds. Recent residents deaths and illnesses have reduced occupancy to below 90 percent, but management reports that lease-up will reach over 95 percent by Fall, 2017, as new residents are moving into the currently vacant beds.

The average age of the residents at the ALF is 90+ years, with most of the residents being in the high 80's to high 90's age category. Demand at the building for memory care beds greatly exceeds the 23 beds and is likely closer to 50 beds, as many residents remain in basic care due to limited supply of memory care beds.

Spring Arbor ALF has 25± percent of beds set aside for memory care. That is now below market, even though Spring Arbor is only three years old. The demographics show a greater need for memory care and new ALF's are being built with a higher percentage of memory care beds. This is one reason for the proposed expansion.



The following chart shows the monthly fees charged at Spring Arbor ALF. For basic care, monthly fees range from \$4,200 for a private room to \$5,625 for a large studio. The memory care beds have a higher monthly fee and are the likely rates, expressed in constant 2017 dollars, for beds at the new memory care building.

<u>Monthly Fees</u>		
	<u>Basic Care</u>	<u>Memory Care</u>
Private Room	\$4,200	\$6,750
Larger Room	\$5,575-\$5,625	--

There are companion (shared) rooms that comprise the ALF at a cost of \$5,125. The memory care building will also have companion suites.

Site Setting. The memory care building will be located in Spotsylvania County at the southwest corner of Bragg Road and River Road. Across River Road is the City of Fredericksburg. Bragg Road becomes Fall Hill Avenue in the City of Fredericksburg, which runs northeast to Route 1 near the location of Mary Washington Hospital. A second nearby hospital is located along Route 3, to the west of the Route 3/ Bragg Road intersection and at Chancellors Village Lane. This is Pratt Medical Center and Cancer Center. A third hospital is south along Hospital Road in the Cosner Corner section of the County.

The neighborhood, known as Heritage Hills, is located to the west and north and commercial uses to the south and west. Bragg Road is a moderately traveled arterial, but the setting is generally quiet. The Spring Arbor Assisted Living Facility has been very successful.



Map A - Site Location and Setting

Market Analysis

The greater Fredericksburg area has 13 ALF's, including facilities with just memory care. These are listed in Table 1 and are number-keyed to Map B. They are presented and analyzed to show market support for the proposed 40-bed Spring Arbor of Fredericksburg Memory Care.

Key data presented in Table 1 are as follows:

- The overall market area vacancy for ALF's is 6.5± percent. However, much of the vacancy (40±%) are at 2016 built facilities that are still in lease-up. The pre-2010 ALF's have a two percent vacancy.
- **Lease-up of new ALF beds since 2013 has equaled 250, or 60 beds per year on average.** This indicates that the market area has less than a year's supply of ALF beds and a pent-up demand may exist shortly.
- Key to the data presented in Table 1 is that two of the new ALF's are memory care. Cardinal Village and Poet's Walk are 100% memory care facilities. Since 2013, 120± memory care beds were occupied at these two facilities.
- Overall, the market for ALF beds has been active and successful. The trend is clearly in a higher percentage of memory care beds. For the newer ALF's, 47% of beds are in memory care. For the "older" ALF's, 25± percent of beds were for memory care.

Market support exists for new memory care beds, based on current occupancy data and demographic trends. By the time Spring Arbor of Fredericksburg opens in 2019 or after, the ALF market in Fredericksburg could be at or near 100 percent occupancy.

Table 1: Characteristics of Competitive ALF's by Type of Care, Fredericksburg Market Area, June, 2017

	Map B Key	Year Opened	Total Beds		Vacant Beds	
			ALF	ALZ	ALF	ALZ
Post-Recession Facilities						
Bickford of Spotsylvania	1	08/2016	44	16	4	7
Cardinal Village	2	2013	0	68	--	2
Poet's Walk of Fredericksburg	3	02/2016	0	68	--	15
Spring Arbor of Fredericksburg	4	2013	66	23	8 1/	0
The Crossings at Falls Run	5	2011	<u>105</u>	<u>16</u>	<u>8</u>	<u>6</u>
(Subtotal)			(215)	(191)	(20)	(30)
Older Facilities						
Brookdale Fredericksburg	6	1998	83	16	4	1
Camellia Colony of Chancellor's Village	7	1991	40	0	1	--
Greenfield Assisted Living of Spotsylvania	8	1990	62	32	0	3
Greenfield Assisted Living of Stafford	9	1998	30	30	1	2
Greenfield Assisted Living of Fredericksburg	10	1994	38	0	1	--
Heartsfield at Fredericksburg	11	2000	67	14	0	0
Hughes Homes	12	1998/09	70	20	0	0
Marian Manor of Stafford	13	1979	<u>0</u>	<u>35</u>	<u>--</u>	<u>0</u>
(Subtotal)			(390)	(147)	(7)	(6)
Total			605	338	27	36
Vacancy Rate					4.5%	10.7%

Notes: 1/ Two move-ins scheduled for July. Typically 96%-100% occupancy.

Source: S. Patz & Associates field and telephone survey.



Cardinal Village



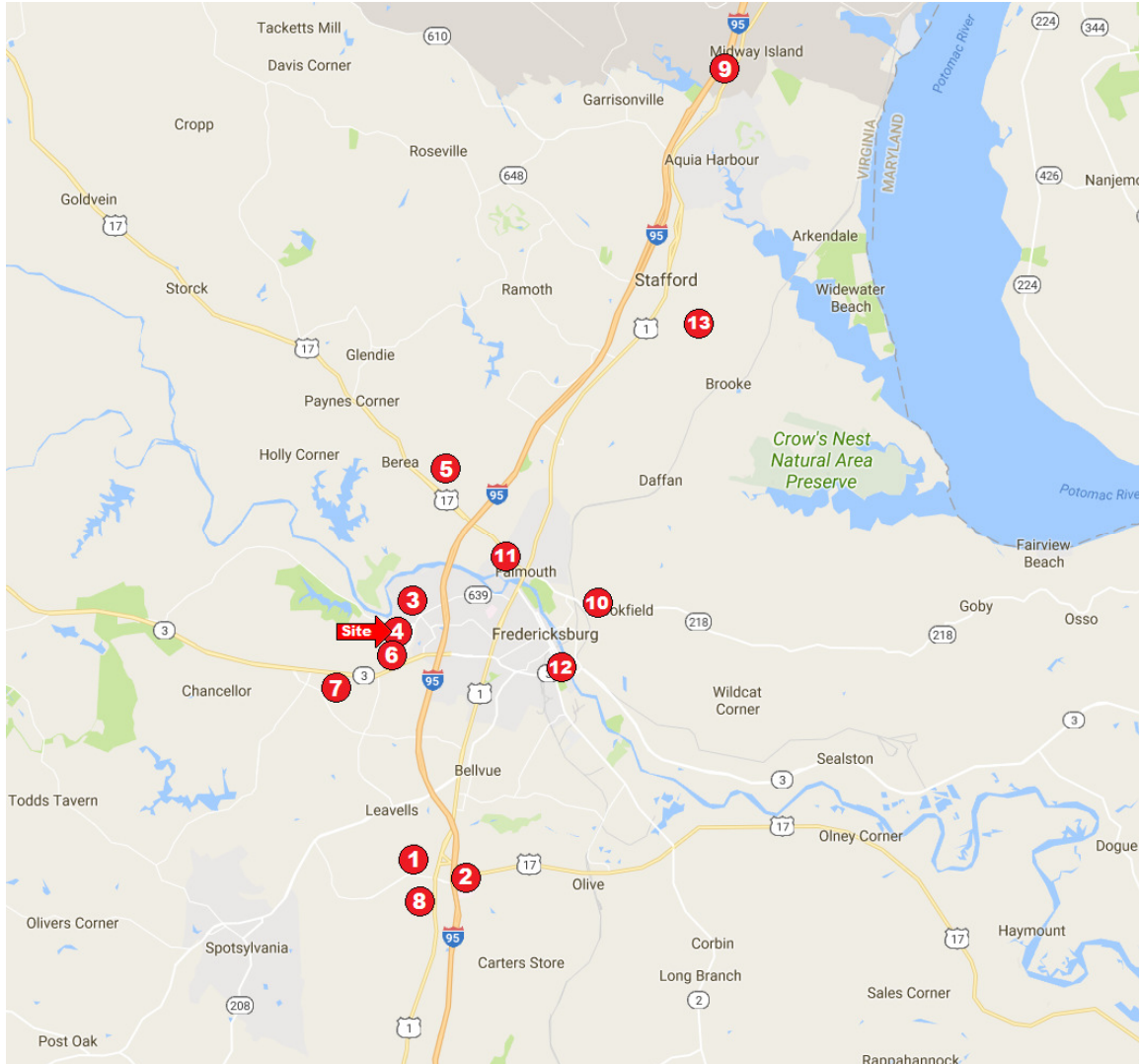
Bickford of Spotsylvania



Poet's Walk



The Crossings at Falls Run



Map B - Locations Assisted Living/Memory Care Facilities

Map B shows the locations of market area ALF's. Several are located near the Spring Arbor property.

Summary

Spring Arbor ALF has been a very successful community for older adults and has typically been near 100 percent occupancy. Any vacancy at the facility has usually been in the basic care beds. There is a pent-up demand for memory care beds, and a sufficient number of existing residents to fill most of the proposed 40 (or 48) new beds.

Market data show a expanding market for housing for older adults who require assistance with daily needs. The 40 or 48 new beds will serve only part of that evolving market. Also of note is that the Spring Arbor location has proven to be a viable one for ALF's, both with the success of Spring Arbor ALF but also for our ALF's. The fees at Spring Arbor have been readily accepted; the same memory care fees are expected at the proposed memory care building.

All of the market and site analysis data presented support the new proposal. The next section presents the resulting Fiscal Impacts Analysis to be generated by the proposal.

Fiscal and Economic Impact Analysis

The fiscal and economic impacts analysis for Spring Arbor at Fredericksburg Memory Care is presented in the following section. Fiscal and economic impacts for this study are treated in two ways: first, those impacts which occur directly from activities on-site at the property; and, second, those impacts which occur off-site due to the multiplier, spin-off or ripple effect of Spring Arbor residents and employee expenditures. The off-site impacts will be explained further on in this report; the present section deals with the on-site impacts. These impacts include taxes generated by the Spring Arbor at Fredericksburg Memory Care on-site to accrue to Spotsylvania County, such as the real property and personal property taxes for the development.

The fiscal impact analysis also projects the public service and facility costs to be incurred by Spotsylvania County due to the project. The results of the fiscal impact analysis will be to compare the tax revenues generated by the development with the tax-supported costs incurred by the County to determine the net fiscal impacts in terms of a revenue surplus or deficit over costs. This is done for both on-site and off-site impacts. Total annual impacts for the property are projected at complete buildout of the project. Results are given in constant year 2017 dollars, rounded to the nearest ten dollars.

Summary of Fiscal Impacts (40-bed Proposal)

The following chart summarizes the on-site and off-site (spin-off) revenues and costs that will accrue to Spotsylvania County once Spring Arbor at Fredericksburg Memory Care has been fully built out and stabilized occupancy is achieved. (The analysis is for a 40-bed proposal). The chart shows a significant revenue surplus of \$97,520 in on-site impacts (real estate taxes, population and education costs, etc.), and a net revenue surplus of \$17,890 for off-site spin-off effects. The off-site impacts are relatively modest, because only a portion of purchases by the Memory Care center and center employees are expected to be made in Spotsylvania County. Overall, this gives a net revenue surplus of \$115,410 annually for the County. The remainder of this report will give the derivation of these figures.

	<u>On Site Impacts</u>	<u>Off-site Impacts</u>	<u>Total Impacts 1/</u>
Total Tax Revenues	\$119,490	\$29,790	\$149,280
Less: Tax-supported Costs	<u>-\$21,970</u>	<u>-\$11,900</u>	<u>-\$33,870</u>
Net Fiscal Benefit	\$97,520	\$17,890	\$115,410
Note: 1/ 40-bed proposal			

On-site Impacts: Tax Revenues

The revenues to be considered in this report are taxes collected by Spotsylvania County for General Fund use. These include the property taxes, utility taxes, and other smaller taxes. The following table summarizes the taxes generated on-site by Spring Arbor at Fredericksburg Memory Care. The paragraphs to follow document the derivation of the tax amounts for the on-site development at the property.

Table 2 <u>Summary of Tax Revenues</u> <u>Generated On-site at Spring</u> <u>Arbor at Fredericksburg</u> <u>Memory Care, Spotsylvania</u> <u>County, Virginia (constant</u> <u>\$2017)</u>		
<u>Tax Source</u>	<u>Amount</u>	<u>Percent</u>
Real Estate Tax	\$51,580	43.2%
Personal Property	\$50,440	42.2%
Business License Tax	\$9,100	7.6%
Consumer Utility	\$3,310	2.8%
Recordation	<u>\$5,060</u>	<u>4.2%</u>
Total Taxes	\$119,490	100.0%
Source: S. Patz & Associates, Inc.		

Real Property Tax. This is a tax on the assessed value of real estate. The development cost for Spring Arbor at Fredericksburg Memory Care is projected at \$6.1 million. Taxed at the rate of \$0.85 per \$100 of valuation, the total real property tax at the site would be over \$51,500 each year, in constant 2017 dollars.

<u>Real Estate Taxes for the Spring</u> <u>Arbor at Fredericksburg</u> <u>Memory Care at Buildout,</u> <u>Spotsylvania County (constant</u> <u>\$2017)</u>	
<u>Development Costs</u>	<u>Amount</u>
Hard Costs	\$4,268,000
Site Development	\$1,800,000
Total Cost	\$6,068,000
Tax Rate \$0.85/\$100	0.0085
Real Estate Tax	\$51,580

Business Property Taxes. Businesses are assessed personal property taxes. This is a tax on the assessed value furniture, fixtures and equipment (FF&E) of the facility or

establishment. Business property is depreciated by the County over time. Table 3 shows an assessment ratio of 70 percent at the time the facility reaches stabilized occupancy in three to four years. At the tax rate of \$6.55 per \$100 of assessed value, the business property tax will be about \$50,400 per year.

Table 3 <u>Business Property Taxes for Spring Arbor at Fredericksburg Memory Care (constant \$2017)</u>	
	<u>Amount</u>
Equipment	\$500,000
Furnishings/Moveable	<u>\$600,000</u>
Total Business Property	\$1,100,000
Assessment Ratio	70.0%
Assessed Value	\$770,000
Tax Rate @ \$6.55/\$100	0.0655
Business Property Tax	\$50,440
Source: HHHunt	

BPOL Tax. This is the business and professional occupational license tax, which is levied on the gross receipts of an establishment at various rates for the type of establishment. Spring Arbor is considered a professional establishment, with BPOL taxes assessed at the rate of \$0.29 per \$100 of gross receipts in a year. Spring Arbor is projected to have gross revenues of over \$3.1 million after stabilized occupancy is achieved. Gross revenues were calculated based on expected monthly fees for residents of the memory care facility. At the County's tax rate, this will produce a BPOL tax of \$9,100 annually, in constant year 2017 dollars.

Consumer Utility Taxes. Expenditures on utilities are typically taxed in Virginia municipalities on the following utilities: electric, gas, water, land line, cell phone, and internet. The developer projects utility expenses of \$66,220 per year after stabilized occupancy is achieved. Utilities are assessed on volumes of services utilized for the

various utilities, such as kilowatt hours for electricity. On average, utility costs run at about five percent of gross outlays for utilities, or \$3,310 for the facility.

Recordation Tax. The last tax to be considered is the recordation tax. At total property value of almost \$6.1 million, and assuming a resale every twenty years plus the initial recordation, the total taxable amount over 20 years would be almost \$12.2 million. The state taxes the (re-)sales at \$0.25 per \$1,000 of valuation, of which one third is returned to the municipality. Total taxes over 20 years would come to \$101,130, or an average of \$5,060 annually over 20 years.

Summary of Tax Revenues. Table 4 summarizes the tax revenues that could be expected to flow from revenues at Spring Arbor at Fredericksburg Memory Care annually after buildout, in constant 2017 dollars. The total would come to \$119,490 each year.

Table 4 <u>Summary of Tax Revenues</u> <u>Generated On-site at Spring</u> <u>Arbor at Fredericksburg</u> <u>Memory Care, Spotsylvania</u> <u>County, Virginia</u> (constant \$2017)		
<u>Tax Source</u>	<u>Amount</u>	<u>Percent</u>
Real Estate Tax	\$51,580	43.2%
Personal Property	\$50,440	42.2%
Business License Tax	\$9,100	7.6%
Consumer Utility	\$3,310	2.8%
Recordation	<u>\$5,060</u>	<u>4.2%</u>
Total Taxes	\$119,490	100.0%
Source: S. Patz & Associates, Inc.		

On-Site Costs to Spotsylvania County

The previous subsection has derived the major tax revenues that would accrue to Spotsylvania County from the on-site development at the study property. The fiscal impacts analysis seeks to compare revenues with costs. In this case, since taxes are

deposited in the County's General Fund, those revenues for the site should be compared with the tax-supported costs that the County would incur in serving the residents at the site. Other sources of revenue are not studied, because they accrue to separate funds in which expenditures generally equal revenues.

The source for determining the tax-supported costs the County would incur for service to the site is the County's Budget. At this writing the County's FY2018 Budget has been recommended, but not yet approved. However, it is presumed that it will receive approval within a short time, and the budget analysis applied here will reflect the recommended budget for FY2018. In the succeeding paragraphs, the budget is presented both in terms of budgeted expenses and the portion that must be tax supported. The tax-supported portion of the budgeted expenditures will be derived and expressed on a per capita basis – for population (representing residents), and employment (representing business). An analysis for pupils (representing costs of public education) is not relevant for the memory care proposal. The per capita costs to the County for employment will be applied to the employment at the Spring Arbor site to determine the overall costs to the County from the development of the site.

Tax-supported County Costs. The FY2018 Recommended General Fund Budget for Spotsylvania County gives the proportion of each departmental or functional expenditure that must be supported by local taxes; these are shown in Table 5. Of the total General Fund budget, 90 percent must be supported by taxes. This is 100 percent for the transfer to the schools, and 78 percent for other Recommended Budget expenditures. The tax supported expenditures will be considered costs that must be made up by taxpayers, such as Spring Arbor at Fredericksburg Memory Care and its employees.

Table 5. Recommended FY2018 General Fund Budget, Spotsylvania County, VA

<u>Department or Function</u>	<u>Adopted FY2017</u>	<u>Designated Revenue</u>	<u>Net Tax Support</u>	<u>Percent Taxes</u>
Executive Services	\$4,676,661	\$0	\$4,676,661	100.0%
Administrative Services	\$13,827,828	\$2,401,253	\$11,426,575	82.6%
Voter Services	\$439,260	\$0	\$439,260	100.0%
Judicial Administration	\$4,257,990	\$2,044,052	\$2,213,938	52.0%
Public Safety	\$51,609,690	\$10,326,269	\$41,283,421	80.0%
Public Works	\$9,274,678	\$2,379,498	\$6,895,180	74.3%
Health and Welfare	\$19,687,739	\$8,862,420	\$10,825,319	55.0%
Parks, Recreation, Culture	\$7,542,964	\$690,119	\$6,852,845	90.9%
Community Development	\$2,655,511	\$333,000	\$2,322,511	87.5%
Debt Service	<u>\$10,392,885</u>	<u>\$0</u>	<u>\$10,392,885</u>	<u>100.0%</u>
Appropriated Expenditures	\$124,365,542	\$27,036,947	\$97,328,595	78.3%
Tax Relief	<u>\$1,090,709</u>	<u>\$0</u>	<u>\$1,090,709</u>	<u>100.0%</u>
Recommended Budget	\$125,456,251	\$27,036,947	\$98,419,304	78.4%
Transfers Out (ex. Educ.)	\$11,000,000	\$0	\$11,000,000	100.0%
Transfers to Schools	<u>\$121,861,505</u>	<u>\$0</u>	<u>\$121,861,505</u>	<u>100.0%</u>
Total General Fund	\$258,317,756	\$27,036,947	\$231,280,809	89.5%

Source: Recommended FY2018 Annual Budget for Spotsylvania County, Virginia

Per Capita County Costs. In Table 6 budgeted General Fund expenditures for FY2018 are allocated to population, employment and public school pupils. One hundred percent of the General Fund transfer to the School Fund is tax support, meaning that General Fund tax-supported costs per pupil are \$5,152 based on recent enrollment of 23,655 pupils in the County school system. Non-school expenditures are allocated by department to the resident population. For most functional non-school departments, total FY2018 expenditures are allocated to population in proportion to their numbers compared to the total of population plus employment in the County, or 79 percent population and 21 percent employment. The exceptions are health and welfare, and parks, recreation and culture, which are allocated in their entirety to population. The table shows that the per capita cost of services and facilities for the population average \$683 per person and \$549 per employee.

Table 6 Allocation of FY2018 Tax-supported General Fund Expenditures to Residents, Employees and Public School Pupils, Spotsylvania County, Virginia

<u>Department or Function</u>	<u>Tax Supported Expenditures</u>	<u>Population Share (79.0%)</u>	<u>Employment Share (21.0%)</u>
Executive Services	\$4,676,661	\$3,695,541	\$981,120
Administrative Services	\$11,426,575	\$9,029,386	\$2,397,189
Voter Services	\$439,260	\$347,107	\$92,153
Judicial Administration	\$2,213,938	\$1,749,474	\$464,464
Public Safety	\$41,283,421	\$32,622,544	\$8,660,877
Public Works	\$6,895,180	\$5,448,636	\$1,446,544
Health and Welfare	\$10,825,319	\$10,825,319	\$0
Parks, Recreation, Culture	\$6,852,845	\$6,852,845	\$0
Community Development	\$2,322,511	\$1,835,270	\$487,241
Debt Service	\$10,392,885	\$8,212,555	\$2,180,330
Appropriated Expenditures	\$97,328,595	\$80,618,678	\$16,709,917
Tax Relief	\$1,090,709	\$861,888	\$228,821
Adopted Budget	\$98,419,304	\$81,480,566	\$16,938,738
Transfers Out (ex. Education)	\$11,000,000	\$8,692,303	\$2,307,697
Subtotal Except Schools	\$109,419,304	\$90,172,869	\$19,246,435
Number of Persons		132,010	35,047
Cost Per Capita		\$683	\$549
Sources: Spotsylvania County, Virginia Recommended FY2018 Annual Budget, U.S. Census of Population, Virginia Employment Commission, and SPA			

On-site Costs to the County

Employees working on-site at the Spring Arbor at Fredericksburg Memory Care would incur costs to Spotsylvania County for services and facilities. The developer estimates that there will be 40 full-time equivalent (FTE) employees at the facility. This may increase slightly for a 48-bed facility. The table above derived the per capita costs for employment at \$549. This will yield costs to the County of \$21,970

Net Fiscal Impact On-site

The chart below indicates total tax revenues of \$119,490, less employee costs of \$21,970, giving a net annual fiscal impact for activities on-site of \$97,520, in constant year

2017 dollars. Subsequent analysis will show that the facility will also generated fiscal impacts off-site due to the spin-off effect of business and employee expenditures in the County.

<u>On-site Impacts</u>	<u>Amount.</u>
Total Tax Revenue	\$119,490
Tax-supportable Costs	<u>-\$21,970</u>
Net Fiscal Benefit	\$97,520

Off-site Impacts: Economic and Fiscal

In addition to the revenues and costs that accrue to Spotsylvania County from the development “on-site,” there are also off-site impacts that occur as residents and its employees (on-site) spend their receipts and income off-site in the County, and as businesses then re-spend the receipts off-site for the purchase of goods and services from other vendors in the County. Resident expenditures are modest.

The multipliers used in this analysis are specific to Spotsylvania County, Virginia. Consumer budgets are identified by the U.S. Bureau of Labor Statistics by area and income level. About 77 percent of this income is spent, other uses being taxes, savings and transfers to others not living in the household.

Consumer expenditures made off-site in the County are translated into economic impacts specifically for the County using multiplier matrices provided for the local area by the U.S. Bureau of Economic Analysis. These multipliers capture the round-by-round flows of expenditures in the County initiated on-site. There are separate matrices for off-site business receipts, employment and employee earnings. The items in the consumer budget are multiplied in turn by these expenditure-specific categories in each matrix and summed to give the “ripple effect,” “spin-off,” or “multiplier effect” of circulation of money through the economy. The ripple effects, plus the original impacts by Spring Arbor in the County, equal the total impacts on the County economy.

Business Receipts

The chart below sets forth the economic dollar flows set in motion by Spring Arbor and its employees. The direct expenditures represent the expenditures by Spring Arbor for goods and services excluding payroll. They total \$0.8 million. Another \$1.4 million in indirect ripple effects or spin-off are created within the County. Employee expenditures are based on payroll and the percentage likely to be spent in the County. Altogether, the business impact in Spotsylvania County would come to \$4.0 million. These off-site impacts also create tax receipts and costs to the County as do on-site impacts (see above). These will be explained in paragraphs to follow.

<u>Business Receipts:</u> <u>Sources of Impacts</u>	<u>Spring</u> <u>Arbor</u>	<u>Employees</u>	<u>Total</u> <u>Impact</u>
Direct Expenditures	\$855,530	\$494,410	\$1,349,940
Indirect Ripple Effect	<u>\$1,377,800</u>	<u>\$1,297,430</u>	<u>\$2,675,230</u>
Total Business Receipts	\$2,233,330	\$1,791,840	\$4,025,170

Off-site Fiscal Impacts

The methodology used in projecting fiscal impacts off-site mirror those used to project fiscal impacts on-site. As before, revenues will be limited to taxes, and costs will be those that must be tax-supported, as based on off-site employment created. The RIMS II multipliers from the Bureau of Economic Analysis break receipts, employment and earnings impacts down into 21 different sectors, and the impact dollar amounts (business revenues) in the sectors form the basis for determining taxes. Many taxes can be calculated directly from these receipts, such as the retail sales tax, the lodging tax, and the meals tax. Other taxes are based on employment impacts in particular sectors. For example, utility taxes in the County accrue from businesses at the rate of \$40 per employee. Similar relations to employment can be derived for real property taxes and personal property taxes, based on square footage per employee and costs per square foot for real property and personal property, from experience on-site and at other developments. To calculate each tax for 21 sectors for the impacts for the residential use

on site would be tedious, so the results will be presented here in summary form according to the type of use on-site that generates the off-site spin-off impacts.

Spring Arbor's expenditures will generate \$16,750 in taxes off-site for the County annually some time after buildout and stabilized occupancies on-site. Compared to \$6,750 in additional costs to the County, for a net off-site impact of \$10,000. The net fiscal impact from employee expenditures in the County will come to \$7,890 against costs of \$5,150, for a net impact of \$7,890. Altogether, off-site net fiscal impacts will come to \$17,890. Off-site impacts would not be immediate, but would build over time as businesses gradually expanded to meet increased demand for goods and services.

Annual Off-Site Fiscal Impacts

<u>Off-site Impacts</u>	<u>Spring Arbor</u>		<u>Total</u>
	<u>ALF</u>	<u>Employees</u>	<u>Off-site</u>
Property Taxes	\$8,350	\$6,380	\$14,730
Business Taxes	\$7,040	\$5,620	\$12,660
Other Taxes	<u>\$1,360</u>	<u>\$1,040</u>	<u>\$2,400</u>
Total Taxes	\$16,750	\$13,040	\$29,790
Tax-supported Costs	<u>-\$6,750</u>	<u>-\$5,150</u>	<u>-\$11,900</u>
Net Fiscal Benefit	\$10,000	\$7,890	\$17,890

Total Fiscal Impacts

With an on-site fiscal surplus of \$97,520 and an off-site surplus of \$17,890 per year, the net fiscal benefit to Spotsylvania County would be approximately \$115,410 per year. The off-site impacts may not all happen coincident with the on-site impacts, as the expansion of the local economy from the development will lag slightly behind on-site development as businesses adjust to increased demand for their goods and services. The chart below summarizes the on-site and off-site fiscal impacts for Spring Arbor Fredericksburg Memory Care, in constant year 2017 dollars.

<u>Total Fiscal Impacts</u>	<u>On-site</u>	<u>Off-site</u>	<u>Total</u>
Total Tax Revenue	\$119,490	\$29,790	\$149,280
Tax-supportable Costs	<u>-\$21,970</u>	<u>-\$11,900</u>	<u>-\$33,870</u>
Net Fiscal Benefit	\$97,520	\$17,890	\$115,410

Again, the above analysis is for a 40-bed memory care facility. If built as 48 beds, the net benefits would increase by approximately 20 percent to nearly \$138,500 annually at build out, and reported in constant 2017 dollars.