

Market and Fiscal Impacts Analyses
The Villas at Salem Church
Spotsylvania County, Virginia

Prepared for:

**Mr. Paul Janney
268 Main Street, LLC**

November, 2017

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



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

November 8, 2017

Mr. Paul Janney
C/o 268 Main Street, LLC
520 William Street
Fredericksburg VA 22401

This will submit the Fiscal Impacts Analysis (FIA) for the proposed 45-lot subdivision, The Villas at Salem Church, that is planned for new construction on a 6.65-acre vacant parcel located along Ross Drive, just east of Salem Church Road. The site is being proposed for rezoning from R-1 to R-8. Under the new zoning, 45 attractive one-story, attached villa homes, designated for active seniors, will be built with an average sales price of \$250,000.

Along with the FIA is an overview market study of the Fredericksburg area senior housing market. That analysis shows an active market and that the homes planned at The Villas at Salem Church will be very competitively priced.

The FIA shows a very large net positive benefit to the County, at build-out, of nearly \$122,000 annually.

The positive report is the result of the age-restrictions of the new homes, meaning no new school costs to the County.

The following chart summarizes the Fiscal Impacts calculations. Both on-site and off-site analyses are positive and numbers are rounded.

<u>Total Fiscal Impacts</u>	<u>On-site</u>	<u>Off-site</u>	<u>Total</u>
Total Tax Revenue	\$139,540	\$35,140	\$174,680
Tax-supportable Costs	<u>-\$44,780</u>	<u>-\$8,170</u>	<u>-\$52,950</u>
Net Fiscal Benefit	\$94,760	\$26,970	\$121,730

Mr. Paul Janney
November 8, 2017

The detailed financial and economic data that support our findings and conclusions are presented in the attached analysis. The report is prepared in a format acceptable to County staff and elected officials and is based on data and input provided by staff. Please call if additional data or clarification are needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart M. Patz", with a long, sweeping horizontal line extending to the left.

Stuart M. Patz
President

SMP/mes

Introduction

This will set forth our Fiscal Impacts Analysis (FIA) for the proposed 45-lot subdivision, The Villas at Salem Church, to be built on Ross Drive, near Salem Church Road in Spotsylvania County, Virginia and near the intersection of Plank Road and Salem Church Road.

The FIA will be used as part of an application for site rezoning, from the current R-1 zone to a proposed R-8 zone. The R-8 zone allows the proposed use of attached single family homes, which includes villas.

The study to follow is presented in two sections. The first is the description of the development proposal, which includes a site description, a brief overview of the development proposal, and an overview analysis of the "villa" home market in the County, that is defined as competitive with the homes to be built on the 6.65-acre study site.

A design plan is now set for the homes planned on the villas Ross Drive property; generally, the new homes will be single-story attached homes designed for occupancy by active older adults. The proposal is for age-restricted homes.

Attached homes for active seniors can include zero lot line homes, duplexes, triplexes or one-story towns (quads). All of these would/could be one-story, or perhaps one-story with loft. Typically, homes of this type have one- or two-car garages. These homes are typically 1,500 square feet to 2,400 square feet.

A description of the homes to be built on the Ross Drive property is presented next. All are attached homes.

Site Description

The study site consists of an irregularly-shaped 6.65-acre parcel located east of Salem Church Road and on the north side of Ross Drive. The site is located approximately five miles west of Downtown Fredericksburg and a half mile south of Route 3 (Plank Road), a major commercial corridor in Spotsylvania County. The setting is mature within Spotsylvania County, with predominately single-family homes built during the 1970's. The age-restricted Alexander Heights Apartments is located just south along Salem Church Road. Map A shows the location of the study site.



Map A - Site Location

Next shown is a northern aerial view of the study site. Ross Drive is currently lined with mature single-family homes that were largely built in the 1970's. The northern portion of the study site is fully wooded, while most of the property that fronts Ross Drive is cleared with some scattered trees. Ross Drive is a small residential street that runs from Salem Church Road on the west to Lucas Drive on the east.



Northern Aerial

Photos of the study site and setting are shown next. Ross Drive is a quiet, two-lane roadway with low density residential development. Homes along Ross Drive are small with large lots.



Study Site from Ross Drive



View West

Ross Drive



View East

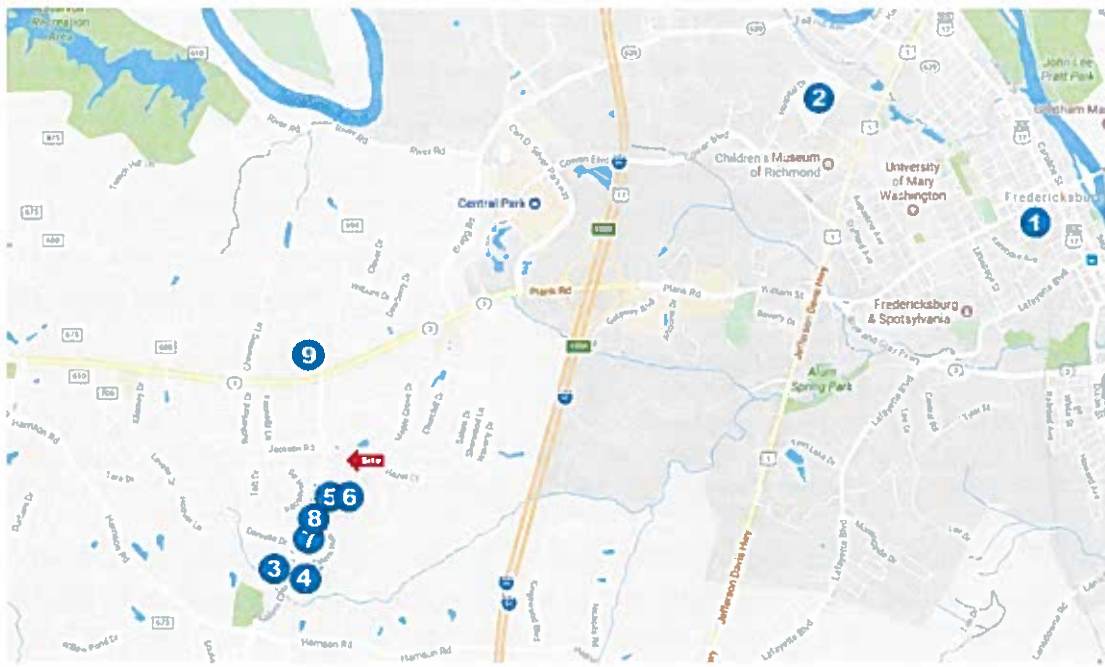
Next shown is a wider map of the study site, which shows the site setting within Spotsylvania County. The site is located within close proximity to both Downtown Fredericksburg (Note 1) and Mary Washington Hospital (Note 2). Both are within a ten-minute drive from the site.

Salem Church Road is a four-lane roadway that runs in a north-south direction between Harrison Road in the south and Route 3 in the north. Most of the roadway serves residential uses. At the southern end of the roadway is the successful age-restricted Alexander Heights Apartments (Note 3), which will be detailed further below. Across the street from this community is Greens at Salem Run (Note 4), a 182-unit LIHTC community that was built in 1997. The remaining residential developments include a mix of mature single-family homes and townhomes, as well as the Meadows at Salem Run, an age-restricted LIHTC community (Note 5) and Salem Run Apartments (Note 6), a 268-unit LIHTC community that was constructed in 1995.

Non-residential developments along this roadway include the Central Rappahannock Regional Library (Note 7) and a handful of commercial uses (LabCorp, Valero, Rappahannock Pediatric Associates, Crossroads Auto, Prime Care and Sans Institute). Also along this roadway is a small shopping center called The Shoppes at Salem Run (Note 8), located at the southern intersection of Salem Church Road and Salem Run

Boulevard. This is a 15,200± square foot retail center that was built in 2005. Most of the tenants are small restaurants and a nail salon.

More substantial development is located along Route 3, north of the study site. This roadway provides access to both I-95 and Downtown Fredericksburg to the east. The closest major shopping center to the site is the 115,350± square foot Weis- and Aldi-anchored Chancellor Center (Note 9). Other major retailers at the intersection of Route 3 and Salem Church Road include CVS, Wells Fargo and Regency Furniture.



Map B - Site Location

Next shown is a map identifying the site's close proximity to many of the regional shopping centers. Several are located near the study site along Route 3.



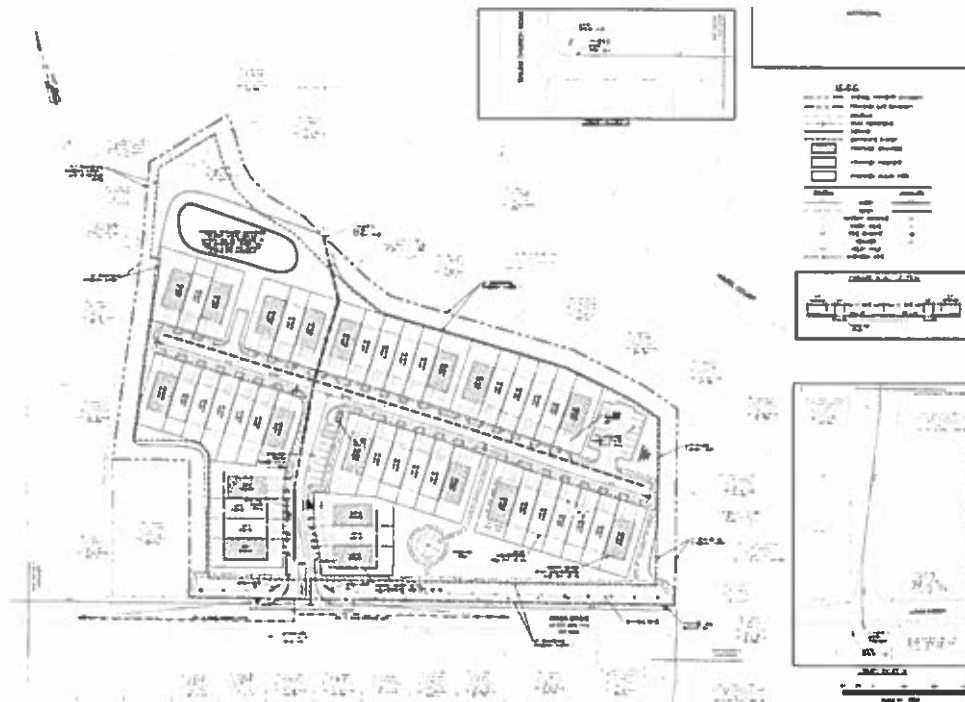
Map C - Nearby Shopping Centers

Overall, this is an attractive location for moderate-priced homes. In addition to the successful Alexander Heights, a new apartment community is planned here, along with (perhaps) medical office space.

The greater Fredericksburg area has approximately 15,000 households headed by a senior aged 62 to 79 and with incomes of \$45,000 and above. Over 75 percent of senior households in the area have incomes that exceed \$45,000.

Development Proposal

Following is the GDP for the 45-lot subdivision. The site entrance will be from Ross Drive and a new road will be built which will connect with a new east-west road within the property. Homes are attached in rows of three to seven. The community will have a landscaped area with two parking areas, and a SWM pond on the northwest corner.



General Development Plan

Next shown is a photo of the examples of homes to be built, along with an interior photo. The base homes will be 1,500 to 1,600 square feet in size, with options for a loft area and basement. All homes will have a one-car garage. Homes will be two-bedroom with 2.5 baths and an option for a third bedroom. Homes prices are expected to average

\$250,000, reported in constant 2017 dollars. Home construction is expected to be started by mid-2018 and sales are likely to commence by mid-2019.



Public water and sewer are near the property and will be extended there. Other required utilities are at the site. Most lots are at least 25 feet wide.

Age-Restricted For-Sale Housing Market

Following is an overview market study of the for-sale, age-restricted housing market in Spotsylvania County that shows the sales pace and price range of homes similar to The Villas at Salem Church.

Data in Table 1 summarize the overall new construction, age-restricted for-sale housing market in the Fredericksburg region. There are five-active senior subdivisions in the market area. Three of these—Celebrate by Del Webb, Barley Woods and River Crossing at Spring Arbor—have a mix of attached and detached homes. The remaining two communities consist entirely of detached single-family homes.

Two of the active communities began sales prior to the recession. These include Virginia Heritage at Lee's Parke, which is now 76.4 percent sold out, and Regency at Chancellorsville, which is 44.4 percent sold out. Sales at Celebrate by Del Webb also began

during the recession in 2008. To date, 488 single-family homes and 258 attached villa homes have sold here. This represents nearly half of all homes sold in the age-restricted subdivisions under study. More recent to open is the 30-home River Crossing at Spring Arbor, which began sales in 2015 and is now nearly sold out. Barley Woods, which began sales in 2017, has sold 23 homes to date. Barley Woods and River Crossing are higher priced compared with Celebrate by Del Webb.

Other salient points in Table 1 are as follows:

- Approximately 1,560 new homes at these communities have sold to older adults since 2008, at an average annual sales pace of 155± homes. Over 81 percent of homes sold have been detached homes.
- The current available inventory at these communities is 810± homes, of which 730± homes (90.4 percent) are detached homes and 80± homes (9.6 percent) are attached homes. At the current sales pace, the detached homes will sell out in less than six years **and the attached homes will sell out in fewer than two years, based on the current sales pace.**
- On average, the detached homes have sold for \$110,480 above the price of the attached homes.
- Over 87 percent of attached homes were sold at Celebrate by Del Webb. These homes have generally sold in the low-\$200,000's and at an average annual pace of 25± homes per year (partly during the recession). The townhomes at River Crossing at Spring Arbor are, on average, smaller and more expensive. These homes have sold at a slower pace, at an average of 10± homes per year. Barley Woods has the most expensive and largest townhomes in the market.
- Detached homes have sold between the upper-\$200,000's and mid-\$500,000's. Only Virginia Heritage at Lee's Parke has homes at this upper price ranges. Regency at Chancellorsville and River Crossing at Spring Arbor have an upper price limit in the low-\$400,000's. For Celebrate by Del Webb and Barley Woods, the upper price limit has been in the low-\$300,000's. The detached homes at Barley Woods are selling in the low-\$300,000's.
- The 23 home sales at Barley Woods have been pre-sales.

Overall, this sector of the housing market is very strong and active. The detached homes are typically 1,500 square feet to 2,200 square feet in size. These sizes support a moderate sales price, which appears to be “at market”.

Table 1: Characteristics of Active Age-Restricted Subdivisions, Fredericksburg Region, October, 2017

	<u>Year Started</u>	<u>Approved Lots</u>	<u>Home Sold</u>	<u>Price Range</u>	<u>Home Sizes</u>
<u>Detached</u>					
Celebrate by Del Webb	2008	793	488	\$245,990-\$335,990	1,453-2,020
Virginia Heritage at Lee's Parke	2006	795	607	\$342,000-\$550,000	2,218-2,512
Regency at Chancellorsville	2004	288	128	\$375,000-\$410,000	1,650-2,026
River Crossing at Spring Arbor	2015	33	27	\$256,800-\$439,330	1,582-1,598
Barley Woods	2017	87	12	\$312,990-\$334,990	1,860-2,182
(Subtotal/Average)		(1,996)	(1,262)	(\$360,309)	(1,910)
<u>Attached</u>					
Barley Woods	2017	36	11	\$274,990-\$306,990	1,717-1,769
Celebrate by Del Webb	2008	308	258	\$199,000-\$219,000	1,370-1,516
River Crossing at Spring Arbor	2015	30	27	\$214,000-\$285,000	1,056-1,575
(Subtotal/Average)		(374)	(296)	(\$249,830)	(1,411)
Total/Average		2,370	1,558	\$318,879	1,723

Notes 1/ 23 homes pre-sold. Estimated mix between single-family and attached.

Source: S. Patz & Associates, Inc.

Only one of the subdivisions, Celebrate by Del Webb, is located in Stafford County. This community is situated at the southern edge of the County off Celebrate Virginia Parkway, which is accessible from Route 17 in the north. The remaining four subdivisions are located in northern Spotsylvania County. River Crossing at Spring Arbor is located off River Road near its terminus at Bragg Road. Regency at Chancellorsville is located north of Plank Road and accessible from Lees Command Boulevard. Barley Woods is also located on the north side of Plank Road, but closer to Fredericksburg. Virginia Heritage at Lee's Parke is the southernmost subdivisions, located off Spotsylvania Parkway west of Route 1.

Photos of typical homes in the active subdivisions are shown below.



Celebrate by Del Webb (TH)



Virginia Heritage at Lee's Parke



River Crossing at Spring Arbor (SFH)



River Crossing at Spring Arbor (TH)



Regency at Chancellorsville



Barley Woods

The paragraphs below briefly describe each of the active age-restricted subdivisions. Most have expansive amenity packages centered around a clubhouse.

- **Celebrate Virginia by Del Webb.** This is the largest active age-restricted subdivision in the market area with just over 1,100 lots, it opened in 2008. This is one of three communities under study with a mix of single-family and attached homes. This is an amenitized community with a 30,000± square foot clubhouse called Riverside Lodge. This clubhouse includes a fitness center, indoor pool, indoor walking track, spa, game room and fitness center. Outdoor amenities include a swimming pool, outdoor dining terrace, tennis courts, bocce ball, a putting green, outdoor amphitheater and walking/biking trails.
- **Virginia Heritage at Lee's Parke.** This is a 795-lot single-family subdivision that began in 2006. Homebuilders in this community include D.R. Horton and Lennar Homes. The centerpiece of this community is a recently renovated 16,000± square foot clubhouse that includes a fitness center with aerobics studio and indoor swimming pool. The clubhouse also includes events space, billiards area, business center, card room, arts and crafts areas, and the woodworking shop. Outdoor amenities include tennis and bocce courts, outdoor swimming pool and walking/biking trails.
- **Regency at Chancellorsville.** This subdivision, which is being built by Tricord Homes, began in 2004 with 288 lots. The largest amenity is a recently-built 5,000 square foot clubhouse with a fitness center and indoor swimming pool. Also within the clubhouse is a multi-purpose room, kitchen, tavern room and bar, and clubroom. Outdoor amenities include a swimming pool, outdoor patio, putting green, bocce ball court, and walking and biking trails.

- **River Crossing at Spring Arbor** Foundation Homes is building this small subdivision that has a mix of single-family homes and townhomes. The homes are adjacent to an existing assisted living facility (ALF) and a proposed memory care facility. Sales in this community began in 2014, after the ALF opened. There is no on-site clubhouse. There are a handful of passive outdoor amenities including a gazebo, picnic area and walking trail.

- **Barley Woods** This is the newest age-restricted subdivision in the county, which opened in 2017. The homes are being built by Cornerstone Homes. At build out, it will have a mix of 123 single-family homes and villas. The largest amenity will be a community clubhouse, which will include a fitness center and gathering room. Outdoor amenities will include an outdoor swimming pool and walking trails.

Fiscal Impacts Analysis

Fiscal and Economic Impact Analysis

This section is the fiscal impacts analysis, which documents the net tax benefits that The Villas at Salem Church will generate to the County. The analysis of the fiscal and economic impacts of the proposed 45-lot Villas at Salem Church is treated in two ways. First is the analysis of those impacts which occur directly from activities on-site at the property, based on real estate taxes and from expenditures of home buyers; and, second, those impacts which occur off-site, which calculate the multiplier or spin-off effects of resident expenditures and additional spin-offs from business expenditures in the County which results from new business from the residents of the new 45 villa homes.

The off-site impacts will be explained further in this report; this present subsection studies the on-site impacts. These impacts include the various taxes generated by the development to accrue to the 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 from development of the site and for off-site spin-off effects. The results of the fiscal impact analysis will be to compare the tax revenues generated by the property with the tax-supported costs incurred by the County to determine the net fiscal impacts in terms of annual revenue surpluses or annual deficits over costs. This analysis is also prepared 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.

Overall, The Villas at Salem Church will result in a very significant revenue surplus of \$122,000 annually for the County, with tax revenues of \$175,000 to the County and costs of \$53,000 for County services. These impacts are large because there are no public school pupils at the Villas, and the cost of education is the single largest expense to the County from new home development.

<u>Total Fiscal Impacts</u>	<u>On-site</u>	<u>Off-site</u>	<u>Total</u>
Total Tax Revenue	\$139,540	\$35,140	\$174,680
Tax-supportable Costs	<u>-\$44,780</u>	<u>-\$8,170</u>	<u>-\$52,950</u>
Net Fiscal Benefit	\$94,760	\$26,970	\$121,730

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 paragraphs to follow document the derivation of the tax amounts for the on-site development at the property.

Real Property Tax. This is a tax on the assessed value of real estate. Homes on the property are planned for a \$250,000 average value per home, including upgrades and options, based on data provided by the developer and our market research. For 45 homes at this average value, taxed at the rate of \$0.85 per \$100 of valuation, the total real property tax at the site would be over \$95,600 each year, when reported in constant 2017 dollars, as Table 2 shows.

Table 2 <u>Real Estate Taxes for The Villas at Salem Church at Buildout, Spotsylvania County (constant \$2017)</u>	
	<u>Amount</u>
Number of Homes	45
Average Value Per Home	\$250,000
Total Market Value	\$11,250,000
Tax Rate/\$100	\$0.850
Real Estate Tax	\$95,630
Sources: 268 Main Street, LLC and S. Patz & Associates., Inc.	

Personal Property Taxes. Residences are also assessed for personal property taxes. This is primarily a tax on motor vehicles. To address residential personal property taxes, the first step is to estimate the average depreciated value per vehicle in the County. The sequence of calculation to achieve this are shown in Table 3, and summarized as follows:

- The FY 2018 Adopted Budget for Spotsylvania County gives an allocation of \$42.8 million for expected personal property taxes including delinquencies.
- Of this amount 20 percent is estimated to be non-residential, so that residential personal property taxes are 80 percent, or \$34.3 million. To this is added the Personal Property Relief Act (PPTRA) revenue of \$14.5 million from the state.
- Dividing the total residential personal property tax by the tax rate produces the total assessed value of vehicles in the County at \$1.5 billion
- It is estimated that there are 94,600 vehicles in the County, based on the U.S. Census. Based on the County population of 132,000, the average number of vehicles per person is 0.72. Dividing the number of vehicles into the total assessed value of vehicles gives an average assessed value per vehicle of about \$15,700.

Table 3. Estimation of the Average Depreciated Value of Residential Vehicles, Spotsylvania County, Virginia (constant \$2017)

	<u>Amount</u>
Personal Property Tax FY 2018	\$42,849,188
Percent Residential	0.8
Residential Property Tax	\$34,279,350
PPTRA	<u>\$14,500,000</u>
Total Residential Property Tax	\$48,779,350
Property Tax Rate Per \$100	\$6.55
Assessment Ratio	0.5
Effective Tax Rate	\$3.28
Depreciated Value of Vehicles	\$1,489,445,814
Number of Vehicles in County	94,604
Depreciated Value per Vehicle	\$15,744
County Population	132,010
Vehicles Per Capita	0.717

Sources: FY 2018 Adopted Budget for Spotsylvania County, Virginia, and the U.S. Census of Population

The last step in deriving the personal property tax for 44 households (occupied dwelling units) at The Villas at Salem Church is to estimate the number of vehicles that subdivision households have, applying the average vehicle depreciated value, and computing the property tax at the County rate of \$6.61, assessed at 50 percent of value, to the average value per vehicle. Forty-four households were studied to account for any vacancy after development. An occupancy rate of 97 percent for homes accounts for normal turnover. The result is a projection of the personal property tax at \$32,260 annually.

Table 4. Derivation of Personal Property Taxes at The Villas at Salem Church at Buildout, Spotsylvania County, Virginia (constant \$2017)

	<u>Amount</u>
Number of Homes	45
Occupancy Rate	0.97
Number of Households	44
Persons Per Household	2
Numbers of Persons	87
Vehicles Per Capita	0.717
Number of Vehicles	63
Average Value of Vehicles	\$15,744
Total Vehicle Value	\$984,991
Assessment Ratio	0.5
Vehicle Assessed Value	\$492,495
Tax Rate per \$100	\$6.55
Personal Property Tax	\$32,260

Sources: FY 2018 Adopted Budget for
Spotsylvania County, Virginia, and S.
Patz & Associates., Inc.

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. For households, most utility taxes are approximately \$3.00 per month per utility;

for five utilities, this is \$180 per household per year. For 44 households at the site, utility taxes would come to \$7,860 annually, as the following chart shows.

	<u>Amount</u>
Number of Utilities	5
Ave. Monthly Tax/Utility	\$3.00
Number of Months	12
Annual Utility Tax	\$180
Households	44
Utility Tax	\$7,860

Motor Vehicle License Fees. It was shown above that there would be an estimated 63 vehicles at the homes at the 45-lot Villas subdivision. Motor vehicle license fees in the County are \$25 per vehicle, yielding total fees at the site of \$1,560.

Recordation Tax. The last tax to be considered is the recordation tax, which yields a small amount per year for the property. At a total property value of \$11.25 million, and assuming a home resale every ten years, plus the initial recordation fee, the total taxable amount for recordation over 20 years would be \$33.75 million. The state taxes the grantees of (re-)sales at \$0.25 per \$100 of valuation, of which one third is returned to the municipality. It also taxes the grantor of the transaction at the rate of \$0.10 per \$100 of valuation, with one half retained by the municipality. Total taxes over 20 years would come to \$44,720, or \$2,230 annually.

**Table 5. Grantee and Grantor Recordation
Taxes for The Villas at Salem Church,
Spotsylvania County, VA, 2017**

Total Home Value	\$11,250,000
Original Sale Plus Every	10
Number of Years	20
Total Turns Per Dwelling	3
Total Taxable Value	\$33,750,000
Grantee State Tax/\$100	\$0.25
Local Share of State	0.33
Local Tax Per \$100	\$0.0825
Total Grantee Local Tax	\$27,844
Annual Average	\$1,390
 Total Taxable Value	 \$33,750,000
Grantor State Tax/\$100	\$0.10
Local Share of State	0.50
Local Tax Per \$100	\$0.05
Total Grantor Local Tax	\$16,875
Annual Average	\$840
 Total Recordation Tax	 \$2,230

Source: S. Patz & Assoc., Inc.

Summary of Tax Revenues. Table 6 summarizes the total tax revenues that can be expected to flow from future residents at The Villas at Salem Church annually after buildout, in constant \$2017. The total would come to almost \$140,000 each year.

Table 6. Summary of Annual Taxes by Source to Spotsylvania County from The Ross Drive Villas at Buildout (constant \$2017.

	<u>Amount</u>
Real Estate Tax	\$95,630
Personal Property Tax	\$32,260
Utility Tax	\$7,860
Motor Vehicle Licenses	\$1,560
Recordation Tax	<u>\$2,230</u>
Total Tax Revenue	\$139,540
Source: S. Patz & Associates., Inc.	

Costs to Spotsylvania County

The previous section derived the major tax revenues that would accrue to Spotsylvania County from the on-site development of 45 homes at the new villa homes under study. The fiscal impacts analysis compares these revenues with costs to the County as the result of increased population in the County. In this case, since taxes are deposited in the County's General Fund, those revenues are compared with the tax-supported costs that the County would incur in serving the residents at the site. Other sources of revenue are not relevant, as they accrue to separate funds in which expenditures generally equal revenues.

The source for determining the tax-supported costs the County incurs for service to the site is the County's FY2018 Adopted Budget. In the succeeding paragraphs, the budget will be presented both in terms of budgeted expenses and the portion that must be tax supported. The tax-supported portion of the budgeted expenditures are derived and expressed on a per capita basis – for population (representing residents), employment (representing businesses), and pupils (representing costs of public education). The per

capita costs to the County are then applied to the population and pupils at the site to determine the overall costs to the County from the development of the site.

Tax-supported County Costs. The FY2018 Adopted 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 7. Funds or departments not requiring tax support are not shown. Of the total General Fund budget, 73 percent must be supported by taxes. This is 100 percent for the transfer to the schools, and 52 percent for all other expenditures. The tax supported expenditures are considered costs that must be made up by taxpayers, such as the residents of the proposed villas homes.

Table 7. <u>FY2018 Budget for Spotsylvania County, Virginia: Adopted General Operating Expenditures, Designated Revenue, and Net Tax Support</u>				
<u>Department or Function</u>	<u>Adopted FY2018</u>	<u>Designated Revenue</u>	<u>Net Tax Support</u>	<u>Percent Taxes</u>
Executive Services	\$5,014,724	\$29,000	\$4,985,724	99.4%
Administrative Services	\$13,451,416	\$2,351,253	\$11,100,163	82.5%
Voter Services	\$438,212	\$60,000	\$378,212	86.3%
Judicial Administration	\$4,182,973	\$2,044,052	\$2,138,921	51.1%
Public Safety	\$56,449,784	\$16,131,177	\$40,318,607	71.4%
Public Works	\$50,063,165	\$43,280,382	\$6,782,783	13.5%
Health and Welfare	\$20,711,920	\$10,137,285	\$10,574,635	51.1%
Parks, Recreation & Culture	\$7,520,722	\$689,692	\$6,831,030	90.8%
Community Development	\$5,539,728	\$3,073,326	\$2,466,402	44.5%
Total Gen. Oper. Fund	\$163,372,644	\$77,796,167	\$85,576,477	52.4%
Local Transfer to Schools	\$124,075,315	\$0	\$124,075,315	100.0%
Total Including Educ. Xfer.	\$287,447,959	\$77,796,167	\$209,651,792	72.9%
Source: Adopted FY2018 Annual Budget for Spotsylvania County, Virginia				

Per Capita County Costs. In Table 8 budgeted General Fund expenditures for FY2018 are allocated to population (residents), employment (businesses) and public school pupils. One hundred percent of the General Fund transfer to the School Fund is

tax supported, meaning that General Fund tax-supported costs per pupil are \$5,271 based on FY2017 enrollment of 23,539 pupils in the County school system. Non-school expenditures are allocated by department to the two other classes of users, population and employment. For most functional non-school departments, total FY2017 expenditures are allocated to the users in proportion to their numbers, 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 data in the following table show that the per capita cost of services and facilities for the population average \$540 per capita; for employees, the amount is \$409 per capita. If school costs are expected, public school pupils require \$5,271 per pupil in tax support.

Table 8. Allocation of FY2018 Tax-supported General Operating Fund Expenditures to Residents, Employees, and Public School Pupils, Spotsylvania County, Virginia

<u>Department or Function</u>	<u>Total Net Tax Support</u>	<u>Population Share</u>	<u>Employment Share</u>
Executive Services	\$4,985,724	\$3,944,914	\$1,040,810
Administrative Services	\$11,100,163	\$8,782,914	\$2,317,249
Voter Services	\$378,212	\$299,257	\$78,955
Judicial Administration	\$2,138,921	\$1,692,404	\$446,517
Public Safety	\$40,318,607	\$31,901,769	\$8,416,838
Public Works	\$6,782,783	\$5,366,822	\$1,415,961
Health and Welfare	\$10,574,635	\$10,574,635	\$0
Parks, Recreation & Culture	\$6,831,030	\$6,831,030	\$0
Community Development	\$2,466,402	\$1,951,520	\$514,882
Total Gen. Operating Fund	\$85,576,477	\$71,345,265	\$14,231,212
Persons	166,839	132,010	34,829
Net Tax Support Per Cap.	\$513	\$540	\$409
Local Transfer to Schools	\$124,075,315	\$124,075,315	\$0
Public School Pupils	23,539	23,539	0
Net Tax Support Per Cap.	\$5,271	\$5,271	\$0
Total Including Educ. Xfer.	\$209,651,792	\$195,420,580	\$14,231,212

Sources: Adopted FY2018 Annual Budget and County Schools for Spotsylvania County, Virginia, and S. Patz & Associates, Inc.

On-site Costs to the County. Residents living on-site at The Villas at Salem Church would incur tax-supported costs to Spotsylvania County for services and facilities; **there will be no public school pupils for this age-restricted proposal.** The table above derived the per capita tax supported costs for each of these. The discussion to follow estimates the numbers of residents that would be living at the site after buildout. The estimation of the number of residents is straightforward. The 44 households (occupied housing units) are expected to have 2.0 persons per household, based on research at similar for-sale age-restricted subdivisions. This is a total of 88 people (rounded); at a cost of \$513 per person. The calculation of 2.0 persons per household could change over time, but to be conservative, we based our analysis on typical household size for villas.

Net Fiscal Impact On-site

The following chart shows that The Villas at Salem Church will show an annual revenue surplus of nearly \$95,000. This is the difference between \$140,000± in revenues and \$45,000± in costs.

<u>On-site Impacts</u>	<u>Amount</u>
Total Tax Revenue	\$139,540
Tax-supportable Costs	<u>-\$44,780</u>
Net Fiscal Benefit	\$94,760

Off-site Impacts: Economic and Fiscal

In addition to the revenues and costs that accrue to Spotsylvania County from the 45 villa home development "on-site," there are also off-site impacts that occur as residents spend money at businesses off-site in the County, and these businesses then re-spend the business receipts for other purchases of goods and services from other vendors in the County. 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. Expenditures outside the County have been accounted for in the spin-off multipliers that area applied.

Consumer expenditures made off-site in the County are translated into economic impacts in 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 by residents from 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 multipliers applied account for a certain proportion of impacts that "leak" to businesses outside the County. The ripple effects, plus the original consumer expenditures, equal the total economic impacts of residents on the County's economy.

Business Receipts

The chart below sets forth the economic dollar flows set in motion by activities on-site at the property. The direct expenditures represent the expenditures by residents directly in the county. They total \$1.6 million when housing units are occupied. Another \$4.3 million in indirect ripple effects or spin-off are created within the County. The indirect ripple expenditures are more than two times direct expenditures. Altogether, the business impact in Spotsylvania County would come to \$5.9 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>Source of Impacts Off-site</u>	<u>Amount</u>
Direct Expenditures	\$1,624,921
Indirect Ripple Effect	<u>\$4,264,131</u>
Total Business Receipts	\$5,889,051

Employment and Earnings

The off-site expenditures by residents living at the property would create 20 new jobs in the County, based on calculations from BEA (U.S. Bureau of Economic Analysis) for Spotsylvania County. That number was not derived by SPA, but from prior studies by staff of the federal government who are privy to non-published data.

These off-site employment impacts would generate \$500,000 in employee earnings in the County. This is a very conservative average of about \$25,000 per employee based primarily on service-related jobs. This is a modest amount since most of the job impacts are in services such as retail trade, eating establishments, and overnight accommodations.

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. The RIMS II multipliers from the Bureau of Economic Analysis separate receipts, employment and earnings impacts 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 \$82 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.

To calculate each tax for 21 sectors for the off-site impacts would be tedious, so the tax results will be presented here in summary form in Table 9.

The residences on-site would generate \$35,140 in taxes off-site for the County annually some time after buildout and stabilized occupancies on-site. Impacts are not immediate, but would build over time as businesses gradually expanded to meet increased demand for goods and services. As with tax-supported costs to the County for on-site uses, the cost to the County for serving expanded business is based on projected employment. The property would generate about 20 jobs off-site in the County. It was shown previously that each job represents about \$409 in costs to the County, for a total cost of about \$8,170 to the County from off-site uses. Deducting these tax-supported costs from projected tax revenues would leave a net fiscal benefit (tax revenue surplus) of \$26,970 annually, in constant year 2017 dollars.

Table 9. Summary of Fiscal Impacts Generated Off-site by Development at The Villas at Salem Church at Full Impact, Spotsylvania County (constant \$2017)

	<u>Amount</u>
Real Estate Tax	\$7,860
Business Property Tax	\$3,620
Machinery and Tools	\$5,710
BPOL Taxes	\$2,710
Retail Sales Tax	\$5,010
Meals Tax	\$5,720
Transient Occupancy	\$2,730
Utility Taxes	\$1,630
Recordation Tax	<u>\$150</u>
Total Taxes	\$35,140
Total Cost	<u>-\$8,170</u>
Net Fiscal Benefit	\$26,970

Sources: Bureau of Economic Analysis, U.S. Department of Commerce, and S. Patz & Associates, Inc.

Total Fiscal Impacts

With an off-site fiscal surplus of \$26,970 and an on-site surplus of \$94,760 per year, the net fiscal benefit to Spotsylvania County would be a significant surplus of over \$121,700 per year. As noted above, 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 the proposed 45-lot subdivision.

<u>Total Fiscal Impacts</u>	<u>On-site</u>	<u>Off-site</u>	<u>Total</u>
Total Tax Revenue	\$139,540	\$35,140	\$174,680
Tax-supportable Costs	<u>-\$44,780</u>	<u>-\$8,170</u>	<u>-\$52,950</u>
Net Fiscal Benefit	\$94,760	\$26,970	\$121,730