



PORT460

LOGISTICS CENTER



**FISCAL IMPACT
ANALYSIS**

PREPARED BY

MATAN

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PORT 460 LOGISTICS CENTER

EXECUTIVE SUMMARY

The following report has been prepared by Matan Companies (“Matan”) for the City of Suffolk. The report addresses the estimated fiscal impacts to be generated by the proposed Port 460 Logistics Center industrial development.

The primary focus of this report is to:

- Outline the fiscal impact of the overall development
- Outline the employment opportunities that will be created by the development

PLAN AREA

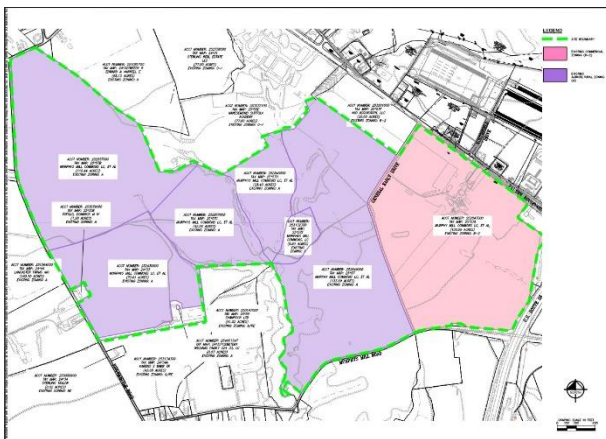


Figure 1 Existing Zoning

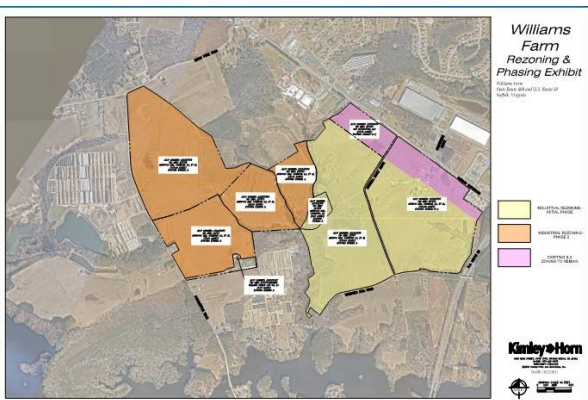


Figure 2 Proposed Zoning

The proposed site is located off Pruden Boulevard, at the RT 460 and RT 58 interchange, consisting of roughly 540 acres. The site, previously known as Williams’ Farm, fronts RT 460 and is bordered by Murphy’s Mill Road, Pitchkettle Road, and Kings Fork Road. In a regional sense the property is 25 miles inland from the Port of Virginia, 75 miles south of Richmond, 190 miles from Washington DC.

The predominant land use on the property has been farming with an Agricultural and B-2 zoning status (See Figure 1). The proposed development will reduce the amount of B-2 zoned acreage along the frontage of RT 460, with the balance of the acreage rezoned to M-2 (See Figure 2), catering to distribution, transit, and light industrial demands created by the increase of activity at the Port of Virginia. The development program will remain flexible to accommodate a shift in tenant needs within the M-2 use description.

GENERALIZED DEVELOPMENT PROGRAM

Matan is a family-owned and operated real estate firm that has been active since 1976. As a company, Matan offers a full range of strategic real estate services including development, property management, leasing, and asset management. Historically focused in the Washington, D.C. Metro area, Matan has recently expanded down the Interstate 95 corridor to Richmond, VA. Recognizing the lack of supply to meet the ever-growing logistics demand, Matan continues to pursue the opportunity to bring their expertise in delivering state-of-the-art industrial product to areas such as the City of Suffolk.

Matan has successfully brought to market 5 million square feet of Class-A industrial, bioresearch facilities, and office space, with an additional 15 million in the pipeline: 4.7 million of which will be delivered via this proposal.

PROPOSED BUILDINGS - M2 ZONING DISTRICTS

BUILDING 1:	334,800 SF
BUILDING 2:	334,800 SF
BUILDING 3:	1,049,220 SF
BUILDING 4:	429,000 SF
BUILDING 5:	242,000 SF
BUILDING 6:	460,000 SF
BUILDING 7:	242,000 SF
BUILDING 8:	460,000 SF
BUILDING 9:	1,067,000 SF
BUILDING 10:	90,000 SF
TOTAL:	4,686,100 SF

Figure 3 Product Mix



Figure 4 Proposed Phasing Map

Matan has found significant success in delivering a speculative industrial product. Spec development grants the greatest amount of tenant flexibility as it allows space to be adjusted quickly to meet tenant's specific time-sensitive needs. The proposed generalized development program at the subject property will consist of 10 spec industrial buildings across two phases (See Figure 4), ranging from roughly 90,000 sf to approximately 1,070,000 sf (See Figure 3). There will also be potential for over 2,600 trailer drops throughout the site. This design feature was specifically incorporated to accommodate tenants who carry out a mutualistic relationship with the Port of Virginia. This product mix creates the most efficient land use and offers the greatest level of flexibility to the consumer market. Additionally, retaining B-2 zoning on the property fronting RT 460 will allow development of commercial and retail centers to service the tenants of the Port 460 Logistics Center and the greater market residents.

FISCAL IMPACT OF INDUSTRIAL DEVELOPMENT

The fiscal impact analysis for the subject property took into consideration the value of the product being delivered, the timing of the delivery, and time value of the taxes to be paid on completed properties.

Throughout the analysis, the “city wide tax rate of \$1.110 per \$100 of assessed value” (*Appendix A. Suffolk, VA Real Estate Taxes*) was applied and an annual storm water management payment of \$330,075 spread over the full development was factored, pro rata for delivery date.

If a 10-year delivery timeline can be achieved, total property taxes paid will exceed \$36 million by 2036 (See Figure 5). This is an aggressive timeline that would require a jurisdictional commitment to cooperation and expedition of plans and approvals. In this scenario, \$213.7 million worth of Class-A industrial product will be delivered in a condensed window. Suffolk would become a leading example of speed-to-market accommodation, stimulating immediate economic growth.

Figure 5 10-Year Fiscal Impact

Tax Rate	\$	1.110	Annual SWM	\$	330,075
Year Delivered	SF Delivered	Assessed Value Delivered ⁽¹⁾	Annual Taxes ⁽²⁾	Total Taxes Paid Through 2036	PV of Taxes Paid Through 2036 ⁽³⁾
2023	1,405,830	\$60,374,492	\$769,179	\$12,286,824	\$11,257,246
2025	1,874,440	\$85,401,732	\$1,079,989	\$14,484,912	\$14,130,792
2027	1,405,830	\$67,952,023	\$853,290	\$9,343,287	\$8,744,474
Total	4,686,100	\$213,728,248	\$2,702,459	\$36,115,023	\$34,132,512

(1) Assessed Value Delivered based on current comparable industrial asset's Assessed Value in City of Suffolk, inflated by 3% until Year Delivered

(2) Annual Taxes paid based on Year Delivered Assessed Value multiplied by 1.11% tax rate and pro rata share of Annual SWM

(3) Net Present Value of future tax revenue received by the City of Suffolk, discounted back by 2%

Figure 6 15-Year Fiscal Impact

Tax Rate	\$	1.110	Annual SWM	\$	330,075
Year Delivered	SF Delivered	Assessed Value Delivered ⁽¹⁾⁽²⁾	Annual Taxes ⁽²⁾	Total Taxes Paid Through 2036	PV of Taxes Paid Through 2036 ⁽³⁾
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2027	1,874,440	\$90,602,698	\$1,137,720	\$12,457,716	\$11,659,299
2031	1,405,830	\$76,480,601	\$947,957	\$5,979,828	\$5,714,690
Total	4,686,100	\$227,457,791	\$2,854,856	\$30,724,368	\$28,631,235

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If a 15-year delivery schedule is adopted with adjusted stabilization periods, the total property taxes paid will be roughly \$31 million by 2036 (See Figure 6). It is in the jurisdiction’s best interest

to adopt a 10-year plan, introducing high-capital value into the local economy in a more condensed time frame.

Furthermore, as highlighted by the above tables, the City of Suffolk would receive almost \$6 million more in today's dollars of tax revenue through adopting a 10-year implementation plan.

Both scenarios assume the \$1.110 tax rate remains constant and accounts for 3% annual appreciation of property value. The tax revenue created by this project can aid the funding for the \$791 million planned general government projects outlined in the 2031 CIP.

FISCAL IMPACT OF VDOT DEVELOPMENT

Throughout the two phases of project development, road construction and improvements will take place. The improvements will create a transportation infrastructure that is suitable for the anticipated economic growth of the area. The interior road network, shown in Figure 1, will consist of new 3- and 4-lane public roads connecting the various parcels. Exterior road

Phase I			
ROAD	LANES	LF	COST (\$330)
Internal Road A	4	1620	\$ 2,138,400
Internal Road B	3	1657	\$ 1,640,430
Internal Road C	3	2422	\$ 2,397,780
Pruden/460	4	3860	\$ 2,547,600
Murphys Mill	4	3631	\$ 2,396,460
Subtotal			\$ 11,120,670
Contingency		10%	\$ 1,112,067
Total			\$ 12,232,737
Phase II			
ROAD	LANES	LF	COST (\$330)
Internal Road A	4	5365	\$ 7,081,800
Internal Road E	3	1295	\$ 1,282,050
Internal Road F	3	2125	\$ 2,103,750
Pitchkettle	4	4780	\$ 3,154,800
Subtotal			\$ 13,622,400
Contingency		10%	\$ 1,362,240
Total			\$ 14,984,640
Grand Total			\$ 27,217,377

Figure 7 Fiscal Analysis of VDOT Improvements

construction will include improvements to Pruden Boulevard, Murphy's Mill Road, and Pitchkettle Road. The exterior roads will be a mix of 3 and 4 lanes to accommodate the vehicular traffic in and around the subject property. The lane improvements along Pruden Boulevard align well with the "Pruden Center Turn Lanes Improvement" outlined in the 2031 CIP program (See Figure 7).

The nearly \$30 million of public road improvements associated with the subject property development align with the need to improve roadway conditions, outlined in chapter 6 of the 2026 Comprehensive Plan. Private funding allows for the City of Suffolk to allocate funds toward other public tax expenditures described in the CIP, such as Safety, Schools, or Parks and Recreation.

LOCALIZED FINANCIAL IMPACTS OF CONSTRUCTION

The large-scale financial impacts of the project during the development phase are evaluated in two categories, 1) costs that are deployed locally, and 2) construction jobs created. Matan is forecasting nearly \$600 million in hard and soft cost expenses for the various stages of the project. This represents a financial investment into the economy of Suffolk and surrounding areas through various contractors, governmental departments, utility providers, consultants, and other points of entry. Throughout the two phases, approximately \$3 million will be spent on fees, utility connections, inspections and reviews with different parties within the City of Suffolk.

The number of local jobs created during the construction phase will be significant for the City of Suffolk. “According to a model developed by Markstein Advisors to calculate the relationship between the volume of construction spending and demand for private construction employment (excluding the self-employed), every \$1 billion in extra construction spending generates an average of at least 6,300 construction jobs,” (*Appendix B. ABC National*). If only hard construction costs are considered, Matan expects \$420 million to be spent. In relation to Markstein Advisors, this equates to roughly 2,600 jobs created in the Suffolk market during the life of the construction phase. “The construction industry employs local workers, resulting in an increase in construction-



related jobs that are available to the locals. The construction industry provides jobs, wages, and keeps the income in the community. This, in turn, will improve the local economy, as the workers employed in the project will have wages to pass through to other local businesses,” (*Appendix C. Hogan Homes*)

LONG TERM EMPLOYMENT OPPORTUNITIES CREATED

As the buildings are delivered, Matan will need local maintenance technicians to service and maintain the facilities, as well as property and asset managers to service the tenants and properties. This equates to job creation for the life of the building, long after the construction phase ends. Based on Matan’s current portfolio and Building Engineer employment numbers, there is an anticipated need of 25 various full-time positions to service the completed development.

Assuming primarily industrial and logistics tenants will occupy the developed space, an S1 use will be employed. Under the S1 use, 1 employee is allowed per 500 sf of developed space. The 4,686,100 sf of developed space anticipated equates to 9,372 long term employment opportunities for greater Suffolk market at Port 460 Logistics Center.

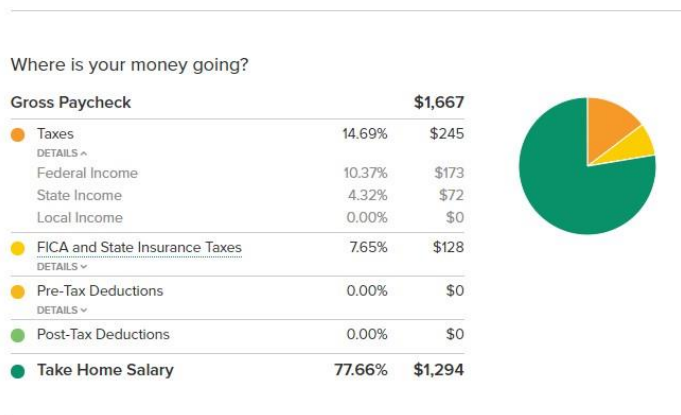


Figure 8 State Income Tax Per Employee

“The average Industrial Worker salary in Virginia is \$33,489” and “the average Industrial Manager salary in Virginia is \$86,892” both data points are as of October 29, 2021 (*Appendix D. Salary.com*). Roughly 10% of the overall employment will be for managerial positions with higher salary points, raising the average annual pay to roughly \$40,000.

With 9,372 long-term employees, at the previously stated average annual salary, a successful development will create an additional \$16.2 million in annual state income tax (See Figure 8).

Creating an employment hotbed within the region will create more customers and consumers for local and small businesses in the area, ultimately stimulating the region and contributing to state and local tax revenue.

Additionally, the commercial service and retail centers that will be constructed in the remaining B-2 zone will employ 40-80 permanent employees, depending on the final use. If the average employee of these establishments makes \$15/hour, an added \$50,000 to \$100,000 in state and local income tax will be produced annually.

KEY FINDINGS

- **10-Building development consisting of 4,686,100 square feet**
- **Additional retail parcels bordering Pruden Blvd**
- **Between \$28.6 and \$34.1 million in property tax revenue created**
- **Nearly \$30 million in public road improvements and construction**
- **Approximately \$420 million to be spent in hard construction costs, equating to the creation of 2,600 jobs during the construction phase (as well as long-term property maintenance and management jobs)**
- **Over 9,000 long-term employment opportunities created**
- **Additional \$16.2 million in annual state income tax**

FIGURE 2 PROPOSED ZONING

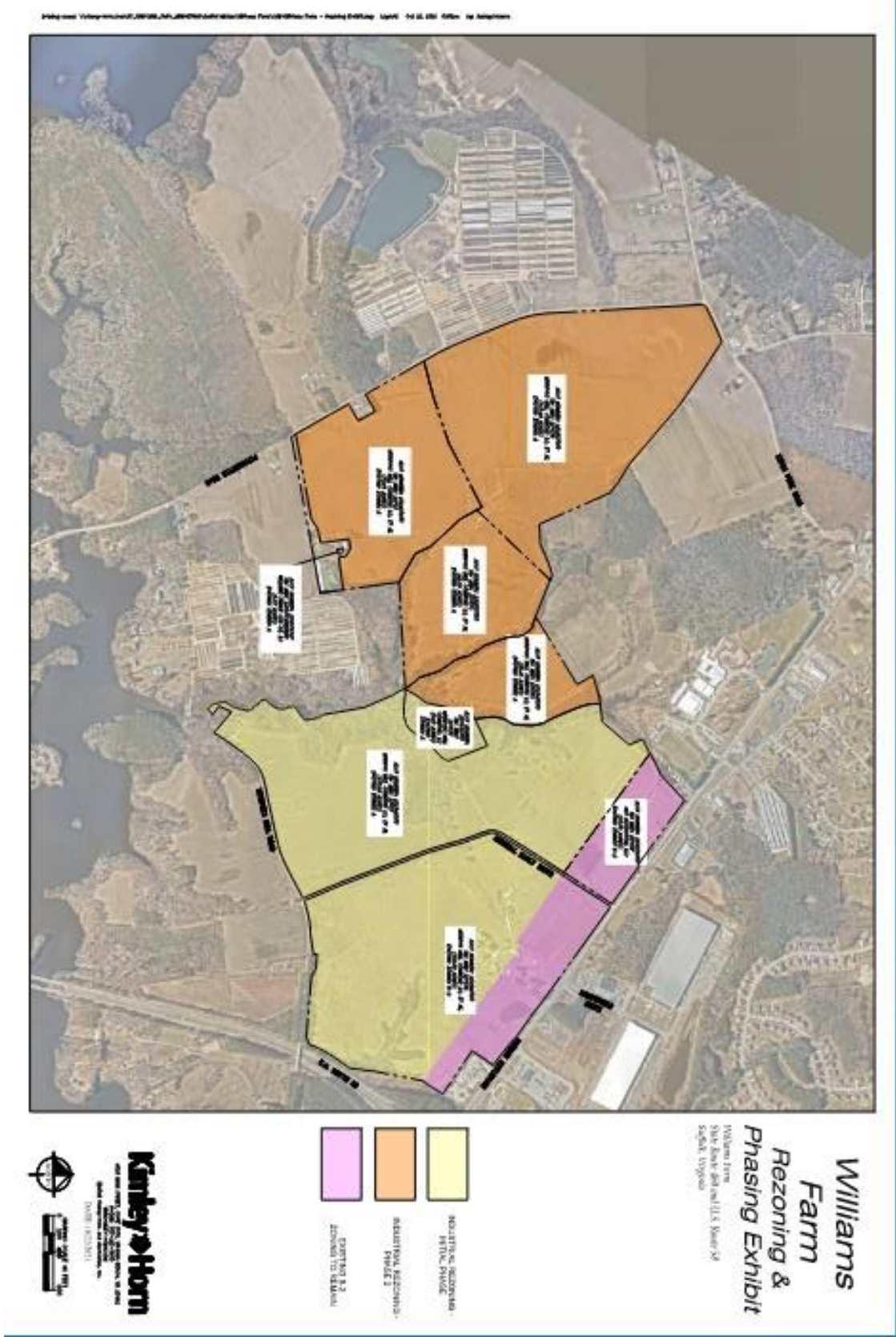


FIGURE 3 PRODUCT MIX

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FIGURE 4 PROPOSED PHASING MAP



FIGURE 5 10-YEAR FISCAL IMPACT ANALYSIS

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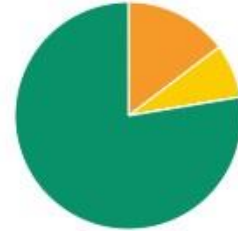
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FIGURE 8 STATE INCOME TAX PER EMPLOYEE

Where is your money going?

Gross Paycheck		\$1,667
● Taxes <small>DETAILS ^</small>	14.69%	\$245
Federal Income	10.37%	\$173
State Income	4.32%	\$72
Local Income	0.00%	\$0
● FICA and State Insurance Taxes <small>DETAILS v</small>	7.65%	\$128
● Pre-Tax Deductions <small>DETAILS v</small>	0.00%	\$0
● Post-Tax Deductions	0.00%	\$0
● Take Home Salary	77.66%	\$1,294



APPENDIX - SOURCES

- A. *Real estate taxes: Suffolk, VA.* Real Estate Taxes | Suffolk, VA. (n.d.). Retrieved November 2, 2021, from <https://www.suffolkva.us/970/Real-Estate-Taxes>.

- B. *\$1 billion in additional construction spending creates 6,300+ additional construction jobs.* ABC National. (n.d.). Retrieved November 2, 2021, from <https://www.abc.org/News-Media/News-Releases/entryid/15295/-1-billion-in-additional-construction-spending-creates-6-300-additional-construction-jobs> .

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