

## FISCAL IMPACT ANALYSIS

Lake Kilby Rd Subdivision

November 11, 2022

As part of a rezoning application submitted to the City of Suffolk by Lake Kilby Properties, L.L.C., this report from Blakeway Corporation presents estimates of the fiscal impact of the Lake Kilby Rd Subdivision planned for tax parcels 33\*48, 33\*48A/33\*49, and 34\*26. All of the parcels are currently zoned RE, Rural Residential:

Tax Map #	A	RE	RL	Total (AC)
33*48	0.00	42.68	0.00	42.68
33*48A/49	0.00	3.94	0.00	3.94
34*26	0.00	40.95	0.00	40.95
<b>TOTAL</b>	<b>0.00</b>	<b>87.58</b>	<b>0.00</b>	<b>87.58</b>

### 1.0 Introduction

The purpose of this report is to describe estimates of the fiscal revenues and expenditures that this development will generate for the City of Suffolk. Fiscal impacts are those that directly affect a municipality's budget. Any new development that attracts new city residents generates the need for public services, such as *emergency medical services, police and fire protection*. In turn, the development generates additional tax revenue for the city. The major portion of the City's revenues from residential development is derived from real estate taxes and local household spending. Commercial developments involved in any project will generate revenues in several ways such as retail, meals, real property, business licensure and personal property taxes. All dollar figures contained in this report are expressed in 2021 dollars, and all fiscal impact estimates are based on the City of Suffolk's FY 2021 Comprehensive Annual Financial Report. No projection for economic inflation has been made.

The plans and estimates included in this report cover the development and sales schedules, construction investment, the employment directly associated with the construction of this development and the local spending of new residents in the development. Employment estimates are used to calculate the marginal cost of government services and no attribution is made as to the residence location of any employees. The fiscal impacts that flow from the development efforts and new residents are the new revenues that the City of Suffolk will collect and the new expenditures that Suffolk will incur to provide government services for this project.

### 2.0 Schedule and Construction Investment

The developer proposes a total of 204 *single family homes* for the project. Additional improvements include extension of City water services and sewer utilities along rights-of-way to serve the development as well as proffered off-site road improvements.

### 3.0 Development Schedule and Construction Investment

The developer proposes a total of 204 single family homes. The breakdown of costs associated with each unit are as follows:

**Table 1 - Lake Kilby Development Plan**

Type	Quantity	SF / Unit	Construction Cost	Infrastructure Cost	Average Market Value
SFH	204	2,720	\$296,000.00	\$75,000.00	\$500,000.00

From the data above, we calculate the total **construction investment** for *Lake Kilby Rd* to be approximately \$75,684,000. Construction is planned to begin in late 2023 with homes coming onto the market in late 2024. Contractors estimate that 85% of construction materials will be purchased in Suffolk, resulting in average sales of \$64,331,400 for city businesses during the construction phase of this development.

### 4.0 Residential Population Projections

The residential population of the *Lake Kilby Rd Subdivision* development is estimated at 536.5 persons at buildout. To arrive at this estimate, an average household of 2.63 persons has been assumed (source: United States Census Bureau 2020 data) and multiplied by the number of proposed dwelling units.

$$\text{Total Residents} = (2.63 \times 204 \text{ units}) = \underline{536.5 \text{ residents}}$$

The Unified Development Ordinance (LIDO), Section 31-601 (h)(2)C (i) is the basis for how the City of Suffolk calculates the number of students generated by a development. This table shows the following information:

<u>Type of Development</u>	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>
Single Family Home	0.180	0.100	0.130
Townhouse	0.180	0.100	0.130

For example, a single family development of 100 units would be projected to generate approximately 18 elementary age students (100 x 0.18), 10 middle school age students (100 x 0.100) and 13 high school age students (100 x 0.130). Using these ratios, the number of students generated from the Lake Kilby Road Subdivision development would be as follows:

	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>
School Age Residents	<u>36.7</u>	<u>20.4</u>	<u>26.5</u>

Therefore, the total school age residents for this development would be 83.6 students

### 5.0 Employment and Payroll

The number of incremental full-time equivalent (FTE) employees is included in this fiscal impact analysis because it is one basis of local government expenditure estimates attributed to new construction activity. It is assumed that 50% of the construction workers will be full-time and 50% will be part-time. Payroll is

applied as **40% of construction costs** (construction workers earn an average of **\$44,930**; source: Bureau of Labor & Statistics, VA, May 2021, code 47-2141), the construction efforts should provide an average of **673.8 construction jobs** with an annual payroll of **\$30,273,600**.

$$\text{Total Jobs Generated} = (\$75,313,000 \times 0.40) / \$44,930 = \underline{\underline{673.8 \text{ jobs}}}$$

## 6.0 Local Government Revenues

Residential developments in Suffolk generate several types of revenues, including **real estate taxes**, **personal property taxes** and **retail sales taxes**. The annual estimates for each one of these categories are shown in Table 2, and assumptions associated with the various components of the revenue stream are as follows:

### Real Estate Taxes

The average projected market value of each single family home is **\$500,000**. The City of Suffolk's Financial Year 2021 Comprehensive Annual Report indicates that the current real estate tax rate is \$1.11 per hundred dollars of assessed value. For the purposes of this analysis, 94% of the future market value has been used in this analysis for determining the real estate taxes

$$\text{Real Estate Tax Revenue} = (0.94 \times ((\$500,000 \times 204) / 100) \times \$1.11 = \underline{\underline{\$1,064,268.00}}$$

No adjustment has been made for the current real estate taxes received on the property. It is anticipated that the revenue stream will steadily increase for the City of Suffolk; however, due to the level of uncertainty of real estate values at future rates and assessments, no appreciation of the real estate value has been included in this analysis.

### Personal Property Taxes

The City of Suffolk collects approximately \$24 million in personal property taxes. The City's tax rate is \$4.25 per \$100 of assessed value and no increase is accounted for in this analysis. The residential personal property tax calculation has been based on current personal property taxes paid by the residents in the City of Suffolk. Per the Fiscal Year 2021 Comprehensive Annual Report, the personal property taxes for the residents in the City of Suffolk is **\$23,575,894**. Per the same report, the City of Suffolk has **94,960 residents**. Dividing the personal property taxes paid by the number of citizens provides us with an estimated value of personal property taxes for each resident of **\$248**. This estimated value of personal property has been multiplied by the cumulative number of residents of the development to calculate the tax revenue for residential personal property. Applying these estimates, the City can expect to collect nearly the following personal property taxes:

$$\text{Personal Property Tax Revenue} = (\$248 \times \underline{\underline{536.5 \text{ residents}}}) = \underline{\underline{\$133,056.96}}$$

### Meals Taxes

The City of Suffolk currently levies a 6.5 % tax on prepared food and beverages. For the purposes of this analysis, we have not included any impact to meals taxes by the residential units. In this analysis, we have assumed that the construction employees will eat out an average of 3 times per week with an average

meal cost of \$7.50. For the purposes of this analysis, we anticipate that as building construction is completed the buildings will be sold over a two year period.

$$\text{Meal Tax Revenue} = (\$7.50 \times 6.5\% \times 3 \times \underline{673.8} \times 52 \times 2) = \underline{\$102,484.19}$$

### Retail Sales Taxes

For the purpose of this analysis, we have ignored the additional revenue source of retail sales taxes for each of the residential units with the assumption that 536.5 new residents will result in an increase in retail sales taxes.

### Building Permit Revenue

Revenue will be received by the City of Suffolk from the application of building permit fees for the project. Building permit fees for the residential development are derived by adding the water and sewer connection and availability charges, the plan review fee charged by the Inspections Department (*varies between \$75 and \$250 based on the square footage of the building*), the Zoning Clearance letter (*\$35 per application*), the Certificate of Occupancy Inspection Fee (*\$50 per inspection*) and the sum of the square footage of the building times the review fee schedule listed below:

- ❖ \$8.00 per 100 square feet up to a 2,500 square foot building = \$1,500
- ❖ Water Tap, Sewer Tap, Miscellaneous Fees = \$8,085

Based on these fees, the City of Suffolk will receive in excess of \$1,955,340.00 in building permit & tap fees.

### Recordation Tax Revenue

Suffolk collects recording taxes on real estate transfers. These included a deed recording fee of \$0.33 per \$100 of the selling price and a deed of trust recording tax of \$0.33 per \$100 of selling price or the face value of the mortgage, whichever is greater.

In 2021, the existing properties will be purchased from the developer for a total price of \$2,600,000, collecting an additional \$17,160 in recordation taxes. For the purposes of this analysis, we anticipate that as building construction is completed the buildings will be sold over a two-year period. We have used the average market value of the single-family homes at \$500,000 for this analysis. Based on the information provided, the City can expect to receive the following:

$$\text{Recordation Fee Revenue} = \$17,160 + (\$0.66 * 5000) \times 204 = \underline{\$690,360.00}$$

For the purposes of this proposal, we did not include any resale of residential units after their initial sale.

### Revenues from School Proffers

The following information was provided by the school board Fall 2021. Students from the *Lake Kilby Rd Subdivision* development will go to the following schools and the corresponding enrollment capacities:

- ❖ Elementary School – Elephants Fork Elementary School (*498 student facility capacity, 513 students enrolled with committed development projected future capacity of -214*).
- ❖ Middle School – Kings Fork Middle (*1,161 student facility capacity, 1,027 students enrolled with committed development projected future capacity of 3*).
- ❖ Kings Fork High School (*1,638 student facility capacity, 1,569 students enrolled with committed development projected future capacity of -95*).

Per the *Unified Development Ordinance* (UDO), the *Lake Kilby Rd Subdivision* development will generate additional students as follows:

	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>
<b>School Age Residents</b>	<b>36.7</b>	<b>20.4</b>	<b>26.5</b>

Therefore the total school age residents for this development would be 83.6 students

Because 87.58 acres of this project is currently zoned RE, credits can be applied to offset some of the students generated from the development. Based on the UDO, twenty-nine (29) 3-acre lots can be developed on the lots currently zoned RE. Based on the Unified Development Ordinance (LIDO), Section 31-601 (h)(2)C (i) the number of students expected within this many single-family homes is as follows.

	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>
<b>Credit for RE</b>	<b>5.2</b>	<b>2.9</b>	<b>3.8</b>
<b>Credit for Future Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

Therefore, the city would only receive proffers from the following number of students:

	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>
<b>New Students for Proffers</b>	<b>31.5</b>	<b>17.5</b>	<b>22.8</b>

Per discussions with the Department of Planning, each additional elementary school student would require a proffer of \$40,677.50. The following calculates the per unit proffer amount for elementary school students:

$$\begin{aligned} \text{Elementary School Proffer TOTAL} &= \$40,677.50 \times 31.5 \text{ students} = \underline{\$1,281,341.25} \\ \text{Elementary School Proffer (per Unit)} &= \$40,677.50 \times 31.5 \text{ students} / 204 \text{ units} = \underline{\$6,281.08} \end{aligned}$$

Per discussions with the Department of Planning, each additional middle school student would require a proffer of \$42,328. The following calculates the per unit proffer amount for Middle School Students:

$$\begin{aligned} \text{Middle School Proffer TOTAL} &= \$42,328.00 \times 17.5 \text{ students} = \underline{\$740,740.00} \\ \text{Middle School Proffer (per Unit)} &= \$42,328.00 \times 17.5 \text{ students} / 204 \text{ units} = \underline{\$3,631.08} \end{aligned}$$

Per discussions with the Department of Planning, each additional high school student would require a proffer of \$29,680. The following calculates the per unit proffer amount for high school students:

$$\begin{aligned} \text{High School Proffer TOTAL} &= \$29,680 \times 22.8 \text{ students} = \underline{\$675,220.00} \\ \text{High School Proffer (per Unit)} &= \$29,680 \times 22.8 \text{ students} / 204 \text{ units} = \underline{\$3,309.90} \end{aligned}$$

Per discussions with the Department of Planning, each additional elementary, middle and high school student would require a proffer.

**Total Revenue from school proffers = \$2,697,301.25 or \$13,222.06 per unit.**

**Education Revenue from the Commonwealth**

In the City's School Board budget for 2021-2022, the Commonwealth of Virginia provides the City with over \$94 million in revenue for public education. This amount includes the education sales tax revenue

redistributed by the Commonwealth from sales taxes. To arrive at a per pupil revenue amount, \$94 million has been divided by the number of children within the public-school system (13,869 pupils, source: City of Suffolk School System website) to reach \$6,777.70 per pupil. The estimated number of children generated by *Lake Kilby Rd Subdivision* is estimated at **83.6** as shown above. By buildout, the children multiplied by the **\$6,777.7 per child** will generate the following:

$$\text{State Education Revenue} = \$6,777.70 \times \underline{83.6} \text{ new students} = \underline{\$566,886.83}$$

**Education Federal Funds**

The Federal Government also provides funding for public education to each of the localities. The 2021-22 School Board budget indicates \$1,092,000 in federal funds will be given to the City of Suffolk for public education spending **\$78.74 per pupil**.

$$\text{Federal Education Revenue} = \$78.74 \times \underline{83.6} \text{ new students} = \underline{\$6,585.81}$$

**Miscellaneous Taxes and Revenues**

Incidental and miscellaneous taxes and revenues are collected by the City of Suffolk as part of normal activities. These taxes and revenues collected include public service taxes, a variety of licenses, permits and fees, fines and forfeitures, revenues from the use of money and property, revenues from the Commonwealth and the Federal government and charges for services. The City budget shows that miscellaneous revenue sources are expected to total about \$206 million. For this analysis, 95% of these revenues are attributed to residential uses and 5% are attributed to commercial uses.

The U.S. Census Bureau (2020) indicated that there are 43,622 employees working within the City of Suffolk. On a per employee basis, 5% of the listed revenues total \$235.89 (\$205,801,960 divided by 43,622 employees x 5%).

$$\text{Misc Taxes - Jobs} = \$235.89 \times \underline{673.8} \text{ jobs} = \underline{\$158,943.07}$$

The Fiscal Year 2021 Comprehensive Annual Report indicates that there are 93,825 people residing in the City of Suffolk. On a per resident basis, 95% of the listed revenues totals \$2,737.04 (\$205,801,960 divided by 93,825 residents x 95%).

$$\text{Misc Taxes - Residents} = \$2,737.04 \times \underline{536.5} \text{ residents} = \underline{\$1,131,393.58}$$

Based on these estimates, the City of Suffolk at buildout is anticipated to receive approximately **\$1,290,336.64** annually in miscellaneous revenues. The totals are shown in Table 2 below:

**Table 2 - Lake Kilby City Revenue Projections**

<i>Category</i>	<i>Revenue During Construction</i>	<i>Revenue After Build Out</i>
Real Estate Taxes	\$1,064,268.00	\$1,064,268.00
Personal Property Tax	\$133,056.96	\$133,056.96
Meals Tax	\$102,484.19	\$0.00
Building Permit Revenue	\$1,955,340.00	\$0.00
Recordation Taxes	\$690,360.00	\$0.00
School Proffers	\$2,697,301.25	\$0.00
Revenue for Education		
From Commonwealth	\$566,886.83	\$566,886.83
From Federal	\$6,585.81	\$6,585.81
Miscellaneous Revenue	\$1,290,336.64	\$1,290,336.64
TOTAL \$	8,506,619.68	\$3,061,134.25

## 7.0 Local Government Expenditures

Local government expenditures attributed to the development of Lake Kilby Rd Subdivision has been estimated through the utilization of projected government expenses reported in the City's June 30, 2021 Comprehensive Financial Report. See Below:

**Table 3 - FY 2021 Suffolk Government Expenditures (Exhibit 10)**

<i>Category</i>	<i>Cost</i>
General Government Admin	\$18,342,664.00
Judicial Admin	\$9,881,242.00
Public Safety	\$66,684,485.00
Public Works	\$1,074,919.00
Health and Welfare	\$15,545,111.00
Education	\$66,066,766.00
Parks, Recreation & Cultural	\$11,558,843.00
Community Development	\$9,998,194.00
Nondepartmental	\$1,600,956.00
TOTAL \$	200,753,180.00

**Table 3** shows that the City of Suffolk has total government expenditures of \$200,753,180 including educational expenses. For this analysis, 95% of these expenditures are attributed to residential uses and 5% are attributed to commercial uses. The only exception to this is educational expenses, which are attributed as 100% for the residential uses.

The Fiscal Year 2021 Comprehensive Annual Report indicates that there are **93,825 people** residing in the City of Suffolk. On a per resident basis, 95% of the listed expenditures, and 100% of the educational expenditures totals:

$$\text{Expenditures (per resident)} = ((\$134,686,414 * 0.95) + \$66,066,766) / 93,825 = \underline{\underline{\$2,067.88}}$$

As previously calculated, the number of new residences generated by this subdivision is **536.5**. This figure has been applied to the cumulative residents generated by the project for the ultimate build-out.

$$\text{Total Expenditures for Lake Kilby Rd Subdivision} = \$2,067.88 \times 536.5 = \underline{\underline{\$1,109,459.08}}$$

See below for a breakdown of the projected City Expenditures for the Lake Kilby Rd Subdivision Development:

**Table 4 - Lake Kilby Projected City Expenditures**

<i>Category</i>	<i>Cost</i>
General Government Admin	\$99,644.51
Judicial Admin	\$53,678.76
Public Safety	\$362,256.14
Public Works	\$5,839.38
Health and Welfare	\$84,447.11
Education	\$377,789.94
Parks, Recreation & Cultural	\$62,792.14
Community Development	\$54,314.09
Nondepartmental	\$8,697.02
TOTAL \$	1,109,459.08

## 8.0 Net Fiscal Impact

The net fiscal impact of a development on the local government is calculated by subtracting the government expenditures from the government revenues. The annual estimated net fiscal impacts during the development period and at build-out are shown on **Table 5**. The City should realize a cumulative net fiscal impact of about \$7,397,160.60 from 2023 to 2025. Once build-out occurs, it is estimated that the Lake Kilby Rd Subdivision development will provide an annual positive net fiscal impact to the City of Suffolk of approximately \$1,951,675.16.

**Table 5 - Net City Impacts**

<i>Category</i>	<i>During Construction</i>	<i>After Build Out</i>
Annual City Revenue	\$8,506,619.68	\$3,061,134.25
Annual Expenses	\$1,109,459.08	\$1,109,459.08
TOTAL	\$7,397,160.60	\$1,951,675.16