

Appendix G: Fiscal Impact Analysis

Analysis

The fiscal impact analysis calculates the changes to the City of Alexandria's revenues and costs stemming from the defined redevelopment alternatives. It serves to shed light on how the defined alternatives' changes to the residential and business population on the parcels would impact the City's fiscal performance. The analysis provides one more data point in the redevelopment decision-making process and answers the question as to whether any of the redevelopment alternatives are good for the City from a fiscal perspective.

Methodology

The fiscal impact analysis focuses on projecting the balance of city revenues and city service costs associated with the redevelopment alternatives at buildout. It incorporates the revenue and cost categories found in the City's General Fund, and projects the increased costs and revenues based on the estimated increase in residential and business population in each redevelopment alternative. The primary focus of the fiscal impact analysis is on the City of Alexandria's General Fund, which receives the City's revenues for operational expenditures and funds the City's primary public services. An important caveat to note is that the fiscal impact analysis only considers the change in ongoing revenues and costs. One time costs, such as infrastructure improvements, are identified in the financial analysis.

This analysis uses a combination of techniques to estimate the increases in costs and revenues. Where possible, the increases in revenues are modeled following the manner in which they are collected and allocated to the City. For example, increases in property tax revenues are based on an estimate of the increase in assessed valuation associated with a given project component. In other cases, where this type of detailed modeling is not possible due to lack of adequate data, the analysis utilizes revenue multipliers that represent the City's current average revenue per service population¹. The same general approach applies to the service cost portions of the model. Generally, this methodology presents a reasonably conservative analysis of the potential fiscal impacts of the alternatives.

Key Assumptions

The following outlines some of the key assumptions used in the fiscal impact analysis:

- The City of Alexandria's approved budget for Fiscal Year 2010 provides the basis for cost and revenue calculations and assumptions.

¹ Service population equals the resident population plus one half of the number of employees. This scaling of employees represents the lower service demand of employees relative to residents.

- Resident and Service Population Assumptions – In light of the redevelopment alternatives and the amounts of residential units and commercial square footage, the alternatives amount in increased residential population and employees based on the following assumptions: 2.04 persons per household, 1 employee per 250 square feet of office space, and 1 employee per 500 square feet of retail space. This results in the following totals for resident population, employment, and service population in the redevelopment alternatives:

Table G-1: Resident and Population Assumptions

	<u>Alternative A</u>	<u>Alternative B</u>	<u>Alternative C</u>	<u>Alternative D</u>	<u>Baseline</u>
Total Projected Resident Population	1,457	1,082	1,457	2,362	0
Total Projected Employment	4,500	4,460	80	2,500	233
Total Projected Service Population	3,707	3,312	1,497	3,612	117

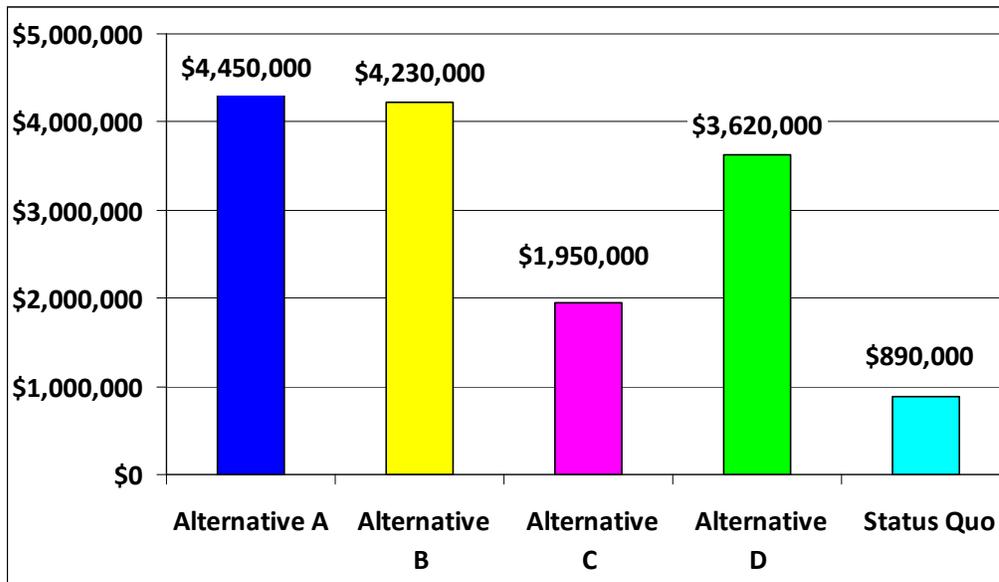
Source: BAE, 2009.

- The Baseline calculations incorporate the current estimated number of employees working on the four parcels. The City has provided estimated revenues that are derived from the four existing land uses, and where possible the fiscal impact analysis forecasts service costs based on the estimated service population

Net Fiscal Impact

The four redevelopment alternatives all yield strong positive annual net fiscal impacts. This positive net fiscal impact is primarily a result of the increase in the Real Property Tax category, because each scenario results in the delivery of hundreds of new residential units as well as large amounts of taxable commercial property. Although the City receives some property tax revenue from the existing uses, it is a small fraction of the amount that would be received under the redevelopment alternatives. The net fiscal impact by scenario is detailed below.

Figure G-1: Net Fiscal Impact by Scenario



Source: BAE, 2009.

Alternatives A and B yield the highest positive annual fiscal impact (\$4.5 and \$4.2 million per year) because these programs deliver the most office space, which is the most fiscally positive land use. Alternative B is slightly lower than Alternative A because less residential development occurs, and the park space delivered on the Virginia Paving parcel requires additional city costs to maintain and operate. Although Alternative D has the highest amount of residential units, it results in a lower fiscal impact (\$3.6 million per year) relative to A and C due to the drop in office square footage from 1.1 million square feet to 600,000. Alternative C results in the lowest fiscal impact of the four scenarios because the exclusion of Covanta and Norfolk Southern result in the smallest development program. Although it yields the lowest annual fiscal impact of \$1.95 million per year, it is still more than twice that of the existing uses, which result in \$890,000 in annual net fiscal impact.

Projected Revenues

The fiscal impact analysis calculates revenues that the City of Alexandria would receive, factoring in the following revenue categories:

- Real Property Taxes
- Business License Fees
- Penalties and Interest
- Recordation
- Personal Property Taxes

- Utility Taxes
- Cigarette Taxes
- Restaurant Food Taxes
- Communication Service Taxes
- Licenses, Permits, and Fees
- Fines & Forfeitures
- Charges for Services
- Miscellaneous Revenues
- Sales Taxes
- Motor Vehicle License Fees
- Admissions Taxes

In each alternative, the Real Property Tax category represents two thirds or more of the revenues to the City. The City charges \$.887 per \$100 of assessed value for real residential and commercial property. The assumed values of the residential and commercial properties are based on the financial and market analysis of this engagement. The details of the Real Property Tax calculation are shown in Table 17:

Table G-2: Projected Tax Revenue for Each Redevelopment Alternative

For-Sale Residences	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Multifamily Units	465	345	465	761	0
Average Price per Unit	\$385,000	\$385,000	\$385,000	\$385,000	\$0
Total Multifamily Value	\$179,084,060	\$132,972,900	\$179,084,060	\$293,171,023	\$0
Townhome Units	94	70	94	142	0
Average Price per Unit	\$550,000	\$550,000	\$550,000	\$550,000	\$0
Total Townhomes Value	\$51,695,579	\$38,384,829	\$51,695,579	\$78,326,635	\$0
Total Residential Value	\$230,779,639	\$171,357,729	\$230,779,639	\$371,497,658	\$0
Property Tax Revenues \$.887 per \$100	\$2,047,015	\$1,519,943	\$2,047,015	\$3,295,184	\$0
Commercial Properties (including Rental Apartments)					
Rental Apartment Value	\$31,942,749	\$23,718,023	\$31,942,749	\$18,481,199	\$0
Office Value	\$454,784,000	\$454,784,000	\$248,064,000	\$454,784,000	\$0
Retail Value	\$17,765,000	\$10,659,000	\$10,659,000	\$17,765,000	\$0
Industrial Value	\$0	\$0	\$0	\$0	\$38,842,649
Total Commercial Value	\$504,491,749	\$489,161,023	\$290,665,749	\$491,030,199	\$38,842,649
Property Tax Revenues \$.887 per \$100	\$4,474,842	\$4,338,858	\$2,578,205	\$4,355,438	\$344,534
Total Annual Real Property Revenues	\$6,521,857	\$5,858,801	\$4,625,221	\$7,650,622	\$344,534

Source: City of Alexandria, 2009; BAE Market Analysis, 2009.

The commercial properties are valued based on applying a capitalization rate to their stabilized occupancy, as part of the financial analysis exercise.

Additional detail on the remaining revenue categories can be found in Documentation section

that follows the analysis.

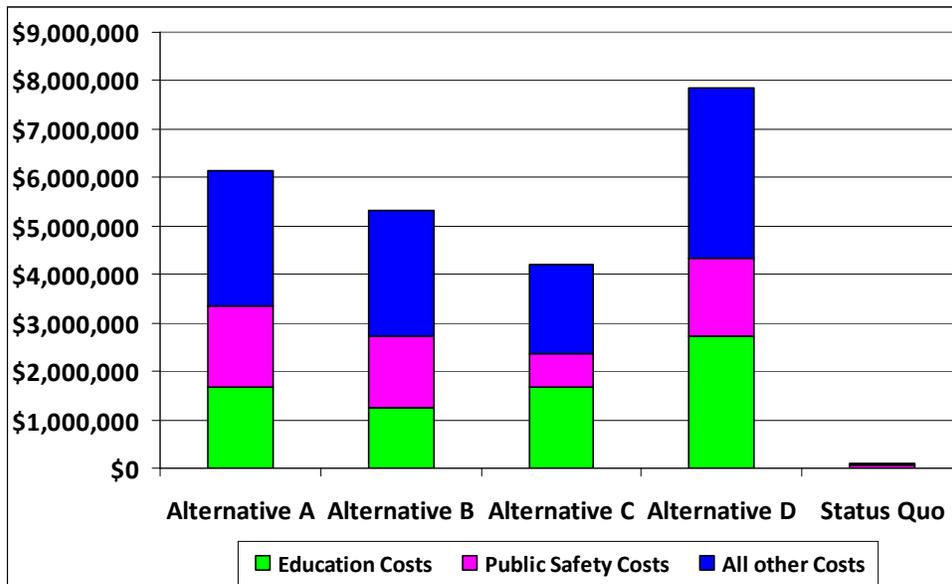
Projected Service Costs

The City of Alexandria would incur increased costs for providing the following services to the additional residents and employees in each redevelopment alternative:

- Fire
- Police
- Library
- Schools
- Other Educational Activities
- Recreation, Parks, and Cultural Activities
- Additional Park Management (to manage park space in Alternative B)
- Other Recreational Activities
- Code Administration
- Planning and Zoning
- Economic Development Activities
- Historic Alexandria
- Transit Subsidies
- Transportation and Environmental Services
- Health/Human Services
- Human Services Contribution Funds including the Children's Fund, Youth Fund, and Community Partnership Fund
- Mental Health, Retardation, and Substance Abuse

In each redevelopment alternative, the costs associated with providing schools and public safety (fire and police), combine to represent over half of the total cost to the City. The cost to the school system is assumed to be \$1,154 per resident, based on the most recent budget. The costs of the public safety categories of fire and police are based on service population since these categories do provide service to employees along with residents, and amount to \$449 per service population member.

FigureG-2: Service Costs for Each Redevelopment Alternative



Source: BAE, 2009.

The details of the fiscal cost assumptions and calculations can be found in the following documentation .

Documentation

Table G-3: Projected Net Fiscal Impact

Annual Revenues	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Total Annual Real Property Revenues	\$6,521,857	\$5,858,801	\$4,625,221	\$7,650,622	
Total Projected Service Pop. Revenues	\$1,874,606	\$1,674,783	\$757,012	\$1,826,461	
Total Projected Resident Pop. Revenues	\$665,190	\$493,915	\$665,190	\$1,078,283	
Total Projected Business License Revenues	\$1,434,705	\$1,421,952	\$25,506	\$797,059	
Total Projected Penalties and Interest	\$39,225	\$35,025	\$28,214	\$46,624	
Total Projected Recordation Revenues	\$60,831	\$54,317	\$43,754	\$72,304	
Subtotal: Revenues (a)	\$10,596,415	\$9,538,794	\$6,144,897	\$11,471,353	\$995,000
Annual General Fund Costs	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Total Projected Service Population Costs	\$1,182,242	\$1,056,221	\$477,418	\$1,151,879	\$37,155
Total Projected Resident Population Costs	\$2,499,883	\$1,856,205	\$2,499,883	\$4,052,347	\$0
Total Projected Public Safety Costs	\$1,663,284	\$1,485,986	\$671,674	\$1,620,565	\$52,273
Total Projected Park/Open Space Costs	\$0	\$221,215	\$0	\$0	\$0
Subtotal: General Fund Costs	\$5,345,409	\$4,619,628	\$3,648,976	\$6,824,792	\$89,427
Additional General Gov't/Legislative Costs 15%	\$801,811	\$692,944	\$547,346	\$1,023,719	\$13,414
Subtotal: Costs	\$6,147,221	\$5,312,572	\$4,196,322	\$7,848,510	\$102,841
Net Annual Fiscal Impact	\$4,449,194	\$4,226,222	\$1,948,574	\$3,622,843	\$892,159
Notes					
(a) Baseline revenues based on City of Alexandria actual tax revenues					
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-4: Existing Service Population

City of Alexandria	2010
Population	142,588
Households	70,541
Persons Per Housing Unit	2.04
Employment	101,310
Service Population (a)	193,243

Note:
(a) Service population equals the population plus one half the employment population to represent employment uses' lower demand for municipal services.

Sources: City of Alexandria, 2009; Virginia Employment Commission, 2008; BAE, 2009.

Table G-5: Development Alternatives

Land Use	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Residential Units	714	530	714	1,158	
MF For Sale	465	345	465	761	
Townhomes	94	70	94	142	
MF Rental	155	115	155	254	
Office, Square Feet	1,100,000	1,100,000	0	600,000	
Retail, Square Feet	50,000	30,000	40,000	50,000	
Assumption					
Residents	1,457	1,082	1,457	2,362	
MF For Sale	2.04 persons/unit 949	705	949	1,553	
Townhomes	2.04 persons/unit 192	142	192	291	
MF Rental	2.04 persons/unit 316	235	316	518	
Office, Employees	1 worker/250 sq. ft. 4,400	4,400	0	2,400	
Retail, Employees	1 worker/500 sq. ft. 100	60	80	100	
Total Projected Resident Population	1,457	1,082	1,457	2,362	0
Total Projected Employment	4,500	4,460	80	2,500	233
Total Projected Service Population	3,707	3,312	1,497	3,612	117
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-6: Projected Real Property Tax Revenues

For-Sale Residences	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Multifamily Units	465	345	465	761	0
Average Price per Unit	\$385,000	\$385,000	\$385,000	\$385,000	\$0
Total Multifamily Value	\$179,084,060	\$132,972,900	\$179,084,060	\$293,171,023	\$0
Townhome Units	94	70	94	142	0
Average Price per Unit	\$550,000	\$550,000	\$550,000	\$550,000	\$0
Total Townhomes Value	\$51,695,579	\$38,384,829	\$51,695,579	\$78,326,635	\$0
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Property Tax Revenues \$.887 per \$100	\$2,047,015	\$1,519,943	\$2,047,015	\$3,295,184	\$0
Commercial Properties (including Rental Apartments)					
Rental Apartment Value	\$31,942,749	\$23,718,023	\$31,942,749	\$18,481,199	\$0
Office Value	\$454,784,000	\$454,784,000	\$248,064,000	\$454,784,000	\$0
Retail Value	\$17,765,000	\$10,659,000	\$10,659,000	\$17,765,000	\$0
Industrial Value	\$0	\$0	\$0	\$0	\$38,842,649
Total Commercial Value	\$504,491,749	\$489,161,023	\$290,665,749	\$491,030,199	\$38,842,649
Property Tax Revenues \$.887 per \$100	\$4,474,842	\$4,338,858	\$2,578,205	\$4,355,438	\$344,534
Total Annual Real Property Revenues	\$6,521,857	\$5,858,801	\$4,625,221	\$7,650,622	\$344,534
Source: City of Alexandria, 2009; BAE Market Analysis, 2009.					

Table G-7: Projected Revenues from Service Population

2010 Service Population	193,243	Rev./Service Pop.			
FY 2010 Personal Property Tax Revenues	\$31,100,000	\$160.94			
FY 2010 Utility Tax Revenues	\$10,600,000	\$54.85			
FY 2010 Cigarette Revenues	\$2,800,000	\$14.49			
FY 2010 Restaurant Food Revenues	\$15,300,000	\$79.17			
FY 2010 Communications Service Revenues	\$12,000,000	\$62.10			
FY 2010 Other Miscellaneous Tax Revenues	\$2,230,000	\$11.54			
FY 2010 Licenses, Permits, and Fee Revenues	\$5,727,760	\$29.64			
FY 2010 Fines & Forfeitures Revenues	\$4,552,050	\$23.56			
FY 2010 Charges for Services Revenues	\$12,640,834	\$65.41			
FY 2010 Miscellaneous Revenues	\$772,151	\$4.00			
Annual Revenue per Population	\$97,722,795	\$505.70			
Projected Revenues	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Service Population	3,707	3,312	1,497	3,612	117
Total Projected Service Pop. Revenues	\$1,874,606	\$1,674,783	\$757,012	\$1,826,461	\$58,914
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-8: Projected Revenues from Resident Population

2010 Resident Population	142,588	Rev./Service Pop.			
FY 2010 Local Sales Tax Revenues (a)	23,400,000	\$164.11			
FY 2010 Motor Vehicle License Revenues	\$31,100,000	\$218.11			
FY 2010 Admissions Revenues	\$10,600,000	\$74.34			
Annual Revenue per Resident Population	\$65,100,000	\$456.56			
Projected Revenues	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Resident Population	1,457	1,082	1,457	2,362	0
Total Projected Resident Pop. Revenues	\$665,190	\$493,915	\$665,190	\$1,078,283	\$0
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-9: Projected Revenues from Business Licenses

2010 Employee Population	101,310	Rev./Emp. Pop.			
FY 2010 Business License Revenues	\$32,300,000	\$318.82			
Annual Revenue per Employee Population	\$32,300,000	\$318.82			
Projected Revenues	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Employee Population	4,500	4,460	80	2,500	233
Total Projected Business License Revenues	\$1,434,705	\$1,421,952	\$25,506	\$797,059	\$74,286
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-10: Projected Revenues from Penalties and Interest (as % of Property Tax Revenues)

FY 2010 Real Property Tax Revenue		\$290,997,724			
FY 2010 Personal Property Tax Revenue		\$31,100,000			
Total FY 2010 Property Tax Revenue		\$322,097,724			
FY 2010 Penalties and Interest		\$1,870,000			
FY 2010 Penalties and Interest as % of Total Prop. Tax Rev.		0.58%			
Projected Property Tax Revenues	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Real Property Tax (a)	\$6,521,857	\$5,858,801	\$4,625,221	\$7,650,622	\$344,534
Projected Resident Population	1,457	1,082	1,457	2,362	0
Projected Personal Property Tax Rev/Serv. Pop.	\$160.94	\$160.94	\$160.94	\$160.94	\$160.94
Projected Personal Property Tax Revenue	\$234,479	\$174,105	\$234,479	\$380,094	\$0
Total Projected Property Tax Revenues	\$6,756,337	\$6,032,906	\$4,859,700	\$8,030,716	\$344,534
Total Projected Penalties and Interest	0.58%	\$39,225	\$35,025	\$28,214	\$46,624
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-11: Projected Revenues from Recordation (as % of Property Tax Revenues)

FY 2010 Real Property Tax Revenue		\$290,997,724				
FY 2010 Personal Property Tax Revenue		\$31,100,000				
Total FY 2010 Property Tax Revenue		\$322,097,724				
FY 2010 Recordation Revenues		\$2,900,000				
FY 2010 Penalties and Interest as % of Total Prop. Tax Rev.		0.90%				
Projected Property Tax Revenues		Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Real Property Tax (a)		\$6,521,857	\$5,858,801	\$4,625,221	\$7,650,622	\$344,534
Projected Resident Population		1,457	1,082	1,457	2,362	0
Projected Personal Property Tax Rev/Serv. Pop.		\$160.94	\$160.94	\$160.94	\$160.94	\$160.94
Projected Personal Property Tax Revenue		\$234,479	\$174,105	\$234,479	\$380,094	\$0
Total Projected Property Tax Revenues		\$6,756,337	\$6,032,906	\$4,859,700	\$8,030,716	\$344,534
Total Projected Recordation Revenues	0.90%	\$60,831	\$54,317	\$43,754	\$72,304	\$3,102
Source: City of Alexandria, 2009; BAE, 2009.						

Table G-12: Projected One-Time Revenues from Impact Fees

	<u>Alternative A</u>		<u>Alternative B</u>		<u>Alternative C</u>		<u>Alternative D</u>	
Total Commercial and Residential Square Footage		1,987,784		1,746,140		869,799		1,986,659
Total Construction Costs		\$269,720,461		\$237,449,219		\$119,870,461		\$295,699,017
Planning & Zoning								
Development Site Plan/Special Use Permit (\$2,000)		\$2,000		\$2,000		\$2,000		\$2,000
+ \$10/100SF (Maximum \$30,000)		\$30,000		\$30,000		\$30,000		\$30,000
Final Site Plan Reviews (\$3,000)		\$3,000		\$3,000		\$3,000		\$3,000
+ \$12/100SF (Maximum \$30,000)		\$30,000		\$30,000		\$30,000		\$30,000
Total Planning & Zoning Revenues		\$65,000		\$65,000		\$65,000		\$65,000
Housing								
Voluntary Housing Contribution (\$1.50/SF)	\$1.50	\$2,981,676		\$2,619,210		\$1,304,699		\$2,979,989
Transportation and Environmental Services								
Eisenhower Improvement Fund (\$1.50/SF)	\$1.50	\$2,981,676		\$2,619,210		\$1,304,699		\$2,979,989
Code								
Construction Fees (\$6.00/\$1,000 of Const. Cost)	\$6.00	\$1,618,323		\$1,424,695		\$719,223		\$1,774,194
Total One-Time Development Impact Fees		\$7,646,675		\$6,728,115		\$3,393,621		\$7,799,172
Source: City of Alexandria, 2009; BAE, 2009.								

Table G-13: Projected Costs from Service Population

2009 Service Population	193,243	Cost/Service Pop.			
FY 2010 General Fund Code Administration Costs	\$6,995,739	\$36.20			
FY 2010 General Fund Planning and Zoning Costs	\$5,409,792	\$27.99			
FY 2010 General Fund Economic Development Activities Costs	\$3,221,153	\$16.67			
FY 2010 General Fund Historic Alexandria Costs	\$2,554,331	\$13.22			
FY 2010 General Fund Transit Subsidies Costs	\$16,054,474	\$83.08			
FY 2010 General Fund Trans. & Environmental Services Costs	\$27,394,521	\$141.76			
Annual Costs per Service Population	\$61,630,010	\$318.92			
Projected Service Population Costs					
	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Service Population	3,707	3,312	1,497	3,612	117
Total Projected Service Population Costs	\$1,182,242	\$1,056,221	\$477,418	\$1,151,879	\$37,155
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-14: Projected Costs from Resident Population

2009 Resident Population	142,588	Cost/Resident Pop.			
FY 2010 General Fund Health Costs	\$6,870,274	\$48.18			
FY 2010 General Fund Other Health Costs	\$1,038,600	\$7.28			
FY 2010 General Fund Human Services Costs	\$27,773,777	\$194.78			
FY 2010 General Fund Human Services Contributions					
Children's Fund	\$854,480	\$5.99			
Youth Fund	\$261,041	\$1.83			
Community Partnership Fund	\$799,577	\$5.61			
FY 2010 General Fund Mental Health, Retardation and Substance Abuse Costs	\$17,149,339	\$120.27			
FY 2010 General Fund Rec, Parks, & Cultural Activities Costs	\$18,919,041	\$132.68			
FY 2010 General Fund Other Recreational Activities Costs	\$288,814	\$2.03			
FY 2010 General Fund Library Costs	\$6,093,498	\$42.73			
FY 2010 General Fund Schools Costs	\$164,594,674	\$1,154.34			
FY 2010 General Fund Other Educational Activities Costs	\$12,304	\$0.09			
Annual Costs per Resident Population	\$244,655,419	\$1,715.82			
Projected Resident Population Costs					
	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Resident Population	1,457	1,082	1,457	2,362	0
Total Projected Resident Population Costs	\$2,499,883	\$1,856,205	\$2,499,883	\$4,052,347	\$0
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-15: Projected Public Safety Costs

2009 Service Population	193243	Cost/Service Pop.			
FY 2010 General Fund Fire Costs	\$32,709,142	\$169.26			
FY 2010 General Fund Police Costs	\$53,997,444	\$279.43			
Annual Public Safety Costs per Service Population	\$86,706,586	\$448.69			
Projected Public Safety Costs	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected Service Population	3,707	3,312	1,497	3,612	117
Total Projected Public Safety Costs	\$1,663,284	\$1,485,986	\$671,674	\$1,620,565	\$52,273
Source: City of Alexandria, 2009; BAE, 2009.					

Table G-16: Projected Additional Rec, Parks, Cultural Activities Costs from Park/Open Space Management

Total Acreage Managed	964.62				
FY 2010 General Fund Rec, Parks, & Cultural Activities Costs	\$18,919,041				
Annual Rec, Parks, & Cultural Activities Costs/Acre	\$19,613				
Projected Park Space Costs	Alternative A	Alternative B	Alternative C	Alternative D	Status Quo
Projected City-Managed Park/Open Space (acres)	0	11	0	0	0
Total Projected Park/Open Space Costs	\$0	\$221,215	\$0	\$0	\$0
Source: City of Alexandria, 2009; BAE, 2009.					