

Fiscal Impact Analysis

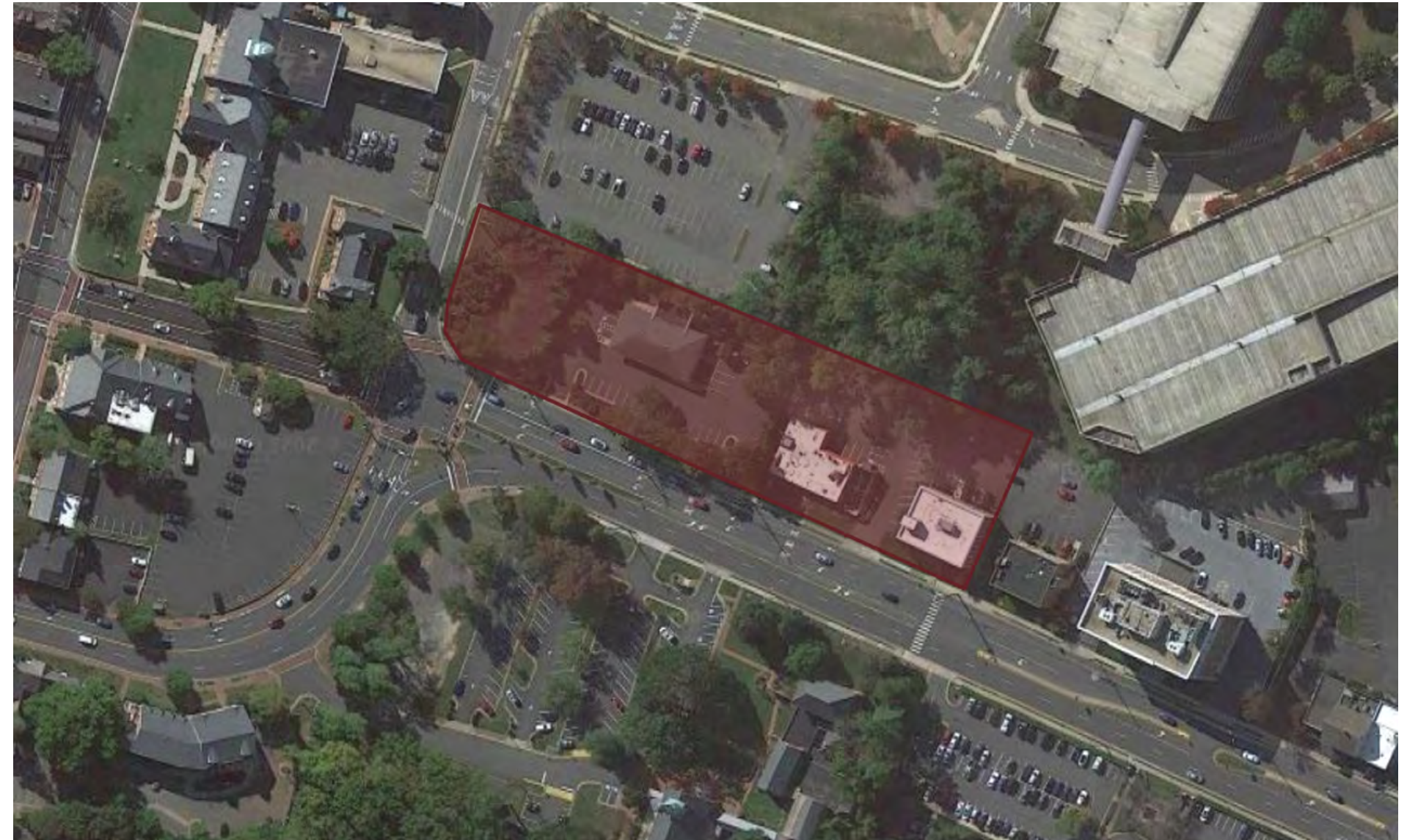
City Center West
City of Fairfax, Virginia

August 2022 (Update to January 24, 2022 Submission)



Overview

This Fiscal Impact Report analyzes the redevelopment of three parcels on Main Street in the Old Town area of the City of Fairfax. The total area of the properties is 1.78 acres.



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Description of the parcels:

10523 Main Street - 0.33 acres (existing Ox Hill Realty and Infinite Technologies offices)

10515 Main Street - 0.61 acres (former restaurant)

10501 Main Street - 0.84 acres (former Wells Fargo branch)

The development also includes undeveloped County of Fairfax property on the corner of Main and West Streets - 0.24 acres. This parcel will be dedicated to serving the community in the form of an open area, plaza, or similar space.



Building Program

- General Office and Specialty Medical Suites on 2 floors – 66,687 SF
- Bank Condo with underground drive-through teller lanes – 15,918 SF
- Restaurant / Retail – 3 units – 7,324 SF
- Luxury Condominium 84 Units on 4 floors – 142,061 SF
 - 8 one-bedroom units – 1,055-1,172 SF range
 - 31 two-bedroom units – 1,295-1,704 SF range
 - 36 two-bedroom units - 1,740-2,042 SF range
 - 9 three-bedroom units – 2,216-3,262 SF range
- Parking spaces – 467 inclusive of accessible spots



Current View



Future Rendering



City Center West

City of Fairfax

	Potential Redevelopment LOW	Potential Redevelopment HIGH
RESIDENTIAL REVENUES		
Real Estate Tax	\$778,000	\$951,000
BPOL (Rental Tax)	\$0	\$0
Personal Property Tax	\$60,000	\$74,000
Retail Sales Tax (1%)	\$5,000	\$6,000
Restaurant Tax (1% + 4%)	\$5,000	\$7,000
TOTAL	\$848,000	\$1,038,000
RESIDENTIAL EXPENSES		
Education	\$42,000	\$51,000
Police/Fire	\$85,000	\$103,000
Misc. Gov't	\$137,000	\$167,000
TOTAL	\$264,000	\$321,000
COMMERCIAL REVENUES		
Real Estate Tax	\$580,000	\$708,000
BPOL (Rental Tax)	\$8,000	\$10,000
Restaurant Tax (4%)	\$107,000	\$131,000
<i>(Less 1/3 resident spending)</i>	<i>(\$1,000)</i>	<i>(\$2,000)</i>
BPOL/BPP	\$198,000	\$241,000
TOTAL	\$892,000	\$1,088,000
COMMERCIAL EXPENSES		
Police/Fire	\$70,000	\$85,000
Misc. Gov't	\$78,000	\$95,000
TOTAL	\$148,000	\$180,000
BALANCE	\$1,239,000	\$1,714,000
MEDIAN	\$1,476,500	

This table summarizes the annual fiscal impact of the City Center West project.

The overall fiscal impact to the City of Fairfax ranges from \$1,293,000 to \$1,714,000. This projection considers the major tax components and a reasonable increase in City expenses as defined in the City of Fairfax Fiscal Impact Estimate Template. The median projected net tax income to the City is \$1,476,500.



Primary Uses and Revenues

The redevelopment will increase the Gross Building Area (GBA) from its current level of 19,469 square feet to 273,159 square feet. Currently, two of the properties (10501 and 10515 Main Street) are non-income producing. The third houses a medical practice and the offices of the real estate developer engaged in the redevelopment. The current commercial real estate taxes are \$79,322 (FY 2021) are project to increase to a range of \$580,000 to \$708,000 post development.

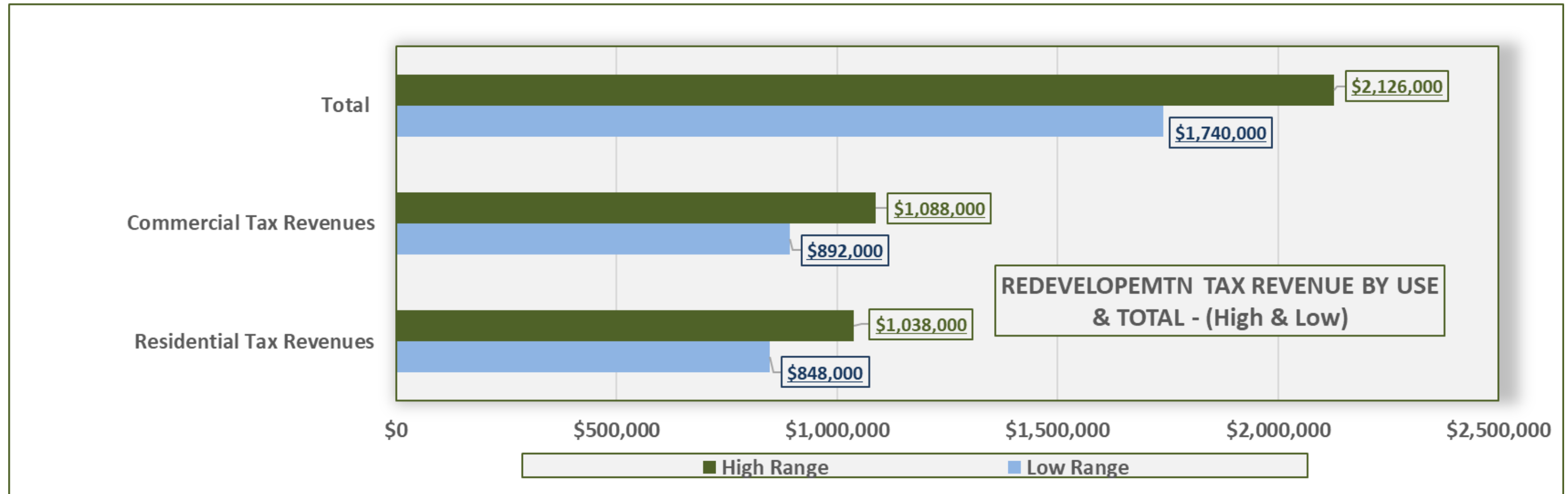
The leading categories of new tax revenue generation are:

Category	Low Range	High Range
Residential Real Estate Property Taxes	\$778,000.00	\$951,000.00
Commercial Real Estate Taxes	\$580,000.00	\$708,000.00
Sales Taxes	\$457,000.00	\$559,000.00

Property taxes are calculated using a cost basis methodology. Sales taxes are a function of the property's focus on specialty medical practitioners. Market analysis reveals this sector is in demand, growing, and needs updated space.



Revenues Across Sources



City Center West

City of Fairfax

TOTAL REVENUES AND EXPENDITURES BY YEAR

2024 - 2044

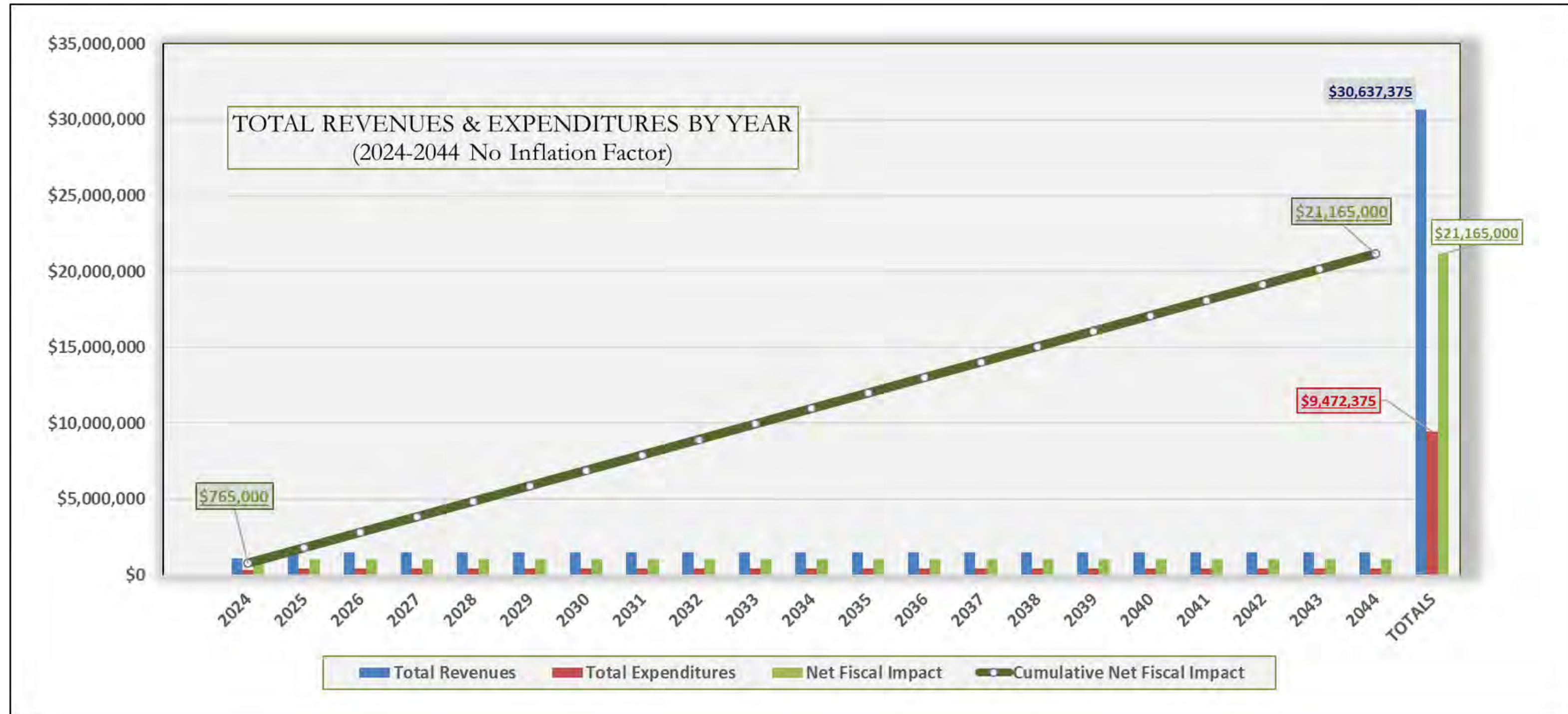
No Inflation Factor

Year	Total Revenues	Total Expenditures	Net Fiscal Impact	Cumulative Net Fiscal Impact
2024	\$1,107,375	\$342,375	\$765,000	\$765,000
2025	\$1,476,500	\$456,500	\$1,020,000	\$1,785,000
2026	\$1,476,500	\$456,500	\$1,020,000	\$2,805,000
2027	\$1,476,500	\$456,500	\$1,020,000	\$3,825,000
2028	\$1,476,500	\$456,500	\$1,020,000	\$4,845,000
2029	\$1,476,500	\$456,500	\$1,020,000	\$5,865,000
2030	\$1,476,500	\$456,500	\$1,020,000	\$6,885,000
2031	\$1,476,500	\$456,500	\$1,020,000	\$7,905,000
2032	\$1,476,500	\$456,500	\$1,020,000	\$8,925,000
2033	\$1,476,500	\$456,500	\$1,020,000	\$9,945,000
2034	\$1,476,500	\$456,500	\$1,020,000	\$10,965,000
2035	\$1,476,500	\$456,500	\$1,020,000	\$11,985,000
2036	\$1,476,500	\$456,500	\$1,020,000	\$13,005,000
2037	\$1,476,500	\$456,500	\$1,020,000	\$14,025,000
2038	\$1,476,500	\$456,500	\$1,020,000	\$15,045,000
2039	\$1,476,500	\$456,500	\$1,020,000	\$16,065,000
2040	\$1,476,500	\$456,500	\$1,020,000	\$17,085,000
2041	\$1,476,500	\$456,500	\$1,020,000	\$18,105,000
2042	\$1,476,500	\$456,500	\$1,020,000	\$19,125,000
2043	\$1,476,500	\$456,500	\$1,020,000	\$20,145,000
2044	\$1,476,500	\$456,500	\$1,020,000	\$21,165,000
TOTALS	\$30,637,375	\$9,472,375	\$21,165,000	

The 20-Year Net Fiscal Impact of the City Center West development on the City of Fairfax with no inflation factor is
\$21,165,000



20-Year Projection



City Center West

City of Fairfax

TOTAL REVENUES AND EXPENDITURES BY YEAR

2024 - 2044

Inflation Factor = 2.5%

Year	Total Revenues	Total Expenditures	Net Fiscal Impact	Cumulative Net Fiscal Impact
2024	\$1,107,375	\$342,375	\$765,000	\$765,000
2025	\$1,513,413	\$467,913	\$1,045,500	\$1,810,500
2026	\$1,551,248	\$479,610	\$1,071,638	\$2,882,138
2027	\$1,590,029	\$491,601	\$1,098,428	\$3,980,566
2028	\$1,629,780	\$503,891	\$1,125,889	\$5,106,455
2029	\$1,670,524	\$516,488	\$1,154,036	\$6,260,491
2030	\$1,712,287	\$529,400	\$1,182,887	\$7,443,379
2031	\$1,755,095	\$542,635	\$1,212,459	\$8,655,838
2032	\$1,798,972	\$556,201	\$1,242,771	\$9,898,609
2033	\$1,843,946	\$570,106	\$1,273,840	\$11,172,449
2034	\$1,890,045	\$584,359	\$1,305,686	\$12,478,136
2035	\$1,937,296	\$598,968	\$1,338,328	\$13,816,464
2036	\$1,985,728	\$613,942	\$1,371,787	\$15,188,251
2037	\$2,035,372	\$629,290	\$1,406,081	\$16,594,332
2038	\$2,086,256	\$645,023	\$1,441,233	\$18,035,565
2039	\$2,138,412	\$661,148	\$1,477,264	\$19,512,829
2040	\$2,191,873	\$677,677	\$1,514,196	\$21,027,025
2041	\$2,246,669	\$694,619	\$1,552,051	\$22,579,076
2042	\$2,302,836	\$711,984	\$1,590,852	\$24,169,928
2043	\$2,360,407	\$729,784	\$1,630,623	\$25,800,551
2044	\$2,419,417	\$748,028	\$1,671,389	\$27,471,940
TOTALS	\$39,766,979	\$12,295,040	\$27,471,940	

The 20-Year Net Fiscal Impact of the City Center West development on the City of Fairfax with a 2.5% inflation factor is **\$27,471,940**



Tax Components

This tax components included in the analysis are as follows:

Residential Revenues

- Real Estate Tax
- Personal Property Tax
- Retail Sales Tax (1%)
- Restaurant Tax (1% + 4%)

Commercial Revenues

- Real Estate Tax
- BPOL (Rental Tax)
- Retail Sales Tax (1%)
- Restaurant Tax (4%)
- Retail/Restaurant BPOL/BPP
- Office BPOL/BPP

Expenses

Commercial & Residential

- General Government
- Police
- Fire
- Public Works (n/incl refuse)
- Human and Social Services
- Culture and Recreation
- Planning and Development
- Education



Maintaining Existing Jobs & Tax Revenue

This development prevents the loss of existing tax revenue and jobs while creating new tax revenue. Although not included in the summary, the impact of this aspect of the development merits consideration when assessing the project in its entirety.

A recent merger of two major financial institutions threatens the loss of 90+ jobs and Bank Franchise Taxes in the City. Both banks kept offices in the Old Town area of the City. Since the merger, they have consolidated into one of the previous locations and were seeking ways to shed real estate assets while increasing their visibility. They were impartial to staying in the City of Fairfax.

Relocating the combined institution to City Center West keeps the jobs in the City and retains their Bank Franchise Tax revenue.

The fiscal impact of retaining the Bank Franchise Tax is at least \$494,000 annually. This number is derived by doubling the annual average Bank Franchise Tax (\$247,000), once for each bank. This derivation is conservative because both banks were above average in size prior to the merger, and their increased presence will only increase their net deposits in the community. Additionally, retaining these jobs in the City not only serves the community, it activates consumer activity.

Finally, merging and moving the Banks to their new location opens the opportunity to redevelop their respective former locations, which the developer plans to do.

Source: Commissioner of Revenue, City of Fairfax



Residential Property Taxes

City Center West										City of Fairfax	
REAL ESTATE RELATED REVENUES (RESIDENTIAL)											
Real Estate Tax											
Proposed Development	# of Units			Value/Unit LOW	Value/Unit HIGH	Total Value LOW	Total Value HIGH	Tax Rate	Tax Receipts LOW	Tax Receipts HIGH	
Condominium	84			\$861,250	\$1,052,639	\$72,345,028	\$88,421,701	\$1.075	\$777,709	\$950,533	
TOTAL (rounded)	84					\$72,345,000	\$88,422,000	\$1.075	\$778,000	\$951,000	

The residential real estate tax revenues skew to the conservative side of the median price range. The range above is based on an average price of \$956,945. The actual prices will vary from approximately \$506,000 to just over \$2,000,000 million with more units in the higher price ranges bringing the median price to over \$884,000. This nuance combined with consistent inflation related to residential real estate increases the likelihood that actual residential real estate tax will be higher than modeled.

Source: Ox Hill Research and Analytics



Residential Vehicle, Retail, & Restaurant Revenue

City Center West		City of Fairfax						
VEHICLE & RETAIL/RESTAURANT REVENUES (RESIDENTIAL)								
Vehicle Property Tax & License Fee								
Development	FY14 Adopted Total	City HH's	Per Capita	New Units				Revenue
Condominium	\$7,599,000	9,000	\$800	84				\$67,000
TOTAL (rounded)				84				\$67,000
Local Option Retail Sales Tax Revenue								
Development	CDP Est. of Avg. HH Income	% income on Retail	Per Cap Retail Expenditures	% spent in City	\$ spent in City	Total Retail Expenditures	Tax Rate	Tax Receipts
Condominium	\$77,000	20%	\$15,400	35%	\$5,390	\$452,760	1%	\$5,000
TOTAL (rounded)						\$452,760		\$5,000
Meals Tax Revenue (incl. sales tax on meals)								
Development	CDP Est. of Avg. HH Income	% income on Restaurants	Per Cap Rest. Expenditures	% spent in City	\$ spent in City	Total Retail Expenditures	Tax Rate	Tax Receipts
Condominium	\$77,000	5%	\$3,850	35%	\$1,348	\$113,190	5%	\$6,000
TOTAL (rounded)						\$113,190		\$6,000

Residents of the condominiums are projected to generate \$67,000 in vehicle property taxes and fees base on past revenues divided by the number of households. Additionally, the residents are expected to spend 35% of their retail and meal budgets within the City resulting in \$11,000 in tax receipts annually. As restaurant and retail options are activated in the Old Town area, this number is expected to increase.

Source: City of Fairfax Fiscal Impact Estimate Template



City Expenditures

City Center West		City of Fairfax			
ESTIMATED EXPENSES (RESIDENTIAL)					
City Government Expenses					
City Cost Center	FY 22 Net Cost to City	% Applic. to Residential	FY 22 Residential Expenditures	Per Capita for 9,250 Units	For 84 Units
General Government	\$14,950,068	30%	\$4,485,020.40	\$485	\$40,729
Police	\$13,166,702	40%	\$5,266,681	\$569	\$47,827
Fire	\$12,720,177	40%	\$5,088,071	\$550	\$46,205
Public Works (n/incl refuse)	\$5,241,037	30%	\$1,572,311	\$170	\$14,278
Human Services	\$7,002,828	80%	\$5,602,262	\$606	\$50,875
Culture and Recreation	\$5,179,179	90%	\$4,661,261	\$504	\$42,329
Planning and Development	\$2,810,665	15%	\$421,600	\$46	\$3,829
Education	\$48,815,933	100%			\$46,548
TOTAL	\$109,886,589				\$292,620
<i>Education worksheet, Multifamily Rental</i>					
Unit Type	HU's	Yield Ratio	Students	Cost per	Cost
Apartment, all units	84	0.120	10		
Multifamily, all units FCPS	84	0.100	8		
AVERAGE OF ABOVE, APARTMENT			9	\$15,516	\$139,644
AVERAGE OF ABOVE, CONDOMINIUM		<i>1/3 of apt ratio</i>	3	\$15,516	\$46,548

One of the largest components of the City's expenditures is education. This model takes into account the fact that condominiums account for fewer student enrollments. A compensating factor for the proposed development is the development will be luxury condos targeting "buy-down" buyers. The "buy-down" buyer is between 55 and 66 years old and their children have left their 3+ bedroom suburban home. They desire to stay close to friends and the communities to which they belong, but no longer want the upkeep of a single-family home. It is unlikely they will have school age children.

Sources: City of Fairfax FY 2022 Budget, City of Fairfax Fiscal Impact Estimate Template, Fairfax County Public Schools

Commercial Property Taxes

City Center West		City of Fairfax						
REAL ESTATE RELATED REVENUES (COMMERCIAL)								
Real Estate Tax								
Proposed Development	Sq. Ft.	Value/Sq. Ft. LOW	Value/Unit HIGH	Total Value LOW	Total Value HIGH	Tax Rate	Tax Receipts LOW	Tax Receipts HIGH
Restaurant / Retail	7,324	\$537	\$657	\$3,934,132	\$4,808,383	\$1.200	\$47,210	\$57,701
Office Condo	5,023	\$537	\$657	\$2,698,135	\$3,297,721	\$1.200	\$32,378	\$39,573
Medical	61,664	\$537	\$657	\$33,123,196	\$40,483,907	\$1.200	\$397,478	\$485,807
Bank Condo	15,918	\$537	\$657	\$8,550,451	\$10,450,552	\$1.200	\$102,605	\$125,407
TOTAL (rounded)	89,929			\$48,306,000	\$59,041,000	\$1.200	\$580,000	\$708,000
Business Privilege Tax (on Commercial Rental Income)								
Proposed Development	Sq. Ft.	Per Sq. Ft. Ann. Rent LOW	Per Sq. Ft. Ann. Rent HIGH	Total Ann. Rent LOW	Total Ann. Rent HIGH	Tax Rate	Tax Receipts LOW	Tax Receipts HIGH
Restaurant / Retail	7,324	\$44	\$54	\$322,725	\$394,441	0.23%	\$742	\$907
Office Condo	5,023	\$0	\$0	\$0	\$0	0.23%	\$0	\$0
Medical	61,664	\$54	\$66	\$3,329,856	\$4,069,824	0.23%	\$7,659	\$9,361
Bank Condo	15,918	\$0	\$0	\$0	\$0	0.23%	\$0	\$0
TOTAL (rounded)	89,929			\$3,652,581	\$4,464,265	0.23%	\$8,000	\$10,000

The future assessment of the commercial pedestal is derived using a cost basis methodology. This basis is then applied evenly across the various business uses. Over time, the assessments can be fine-tuned to reflect the ultimate uses and distribution of those uses. The rental rates are based on market leasing rates for restaurants, retail, and medical office space. Note, the bank and a law office will be condos and not leases.

Sources: City of Fairfax FY 2022 Tax Rates, Ox Hill Companies, Trinity Construction, Ox Hill Realty



City Center West

City of Fairfax

SALES, BPOL & BPP TAX REVENUES (COMMERCIAL)

SQUARE FOOTAGE MATRIX

Component	Retail SF	Restaurant SF	Office / Personal Svc SF
Law Offices	5,023		
Specialty Medical	61,664		
Restaurant		7,324	
Office Uses			0
TOTAL	66,687	7,324	0

ESTIMATES OF FUTURE MEALS TAX

Component	SF	Est. Sales/SF	EST. SALES	Retail Tax Rate	Meals	Retail Sales Tax	Meals
Restaurant	7,324	\$325	\$2,380,000	1%	4%	\$23,800	\$95,200
TOTAL RET/REST	7,324		\$2,380,000				\$119,000

ESTIMATES OF FUTURE BPOL AND BPP

Component	SF	Est. Sales/SF	EST. SALES	Est. BPOL per SF	EST. BPOL	Est. BPP per SF	EST. BPP
Law Offices	5,023	\$498	\$2,500,000	0.4%	\$10,000	\$0.20	\$1,000
Specialty Medical	61,664	\$745	\$45,938,000	0.4%	\$183,750	\$0.30	\$18,500
Restaurant	7,324	\$325	\$2,380,000	0.2%	\$4,760	\$0.20	\$1,460
TOTAL	74,011		\$50,818,000		\$198,510		\$20,960



Commercial Sales, BPOL, & BPP Tax Revenues

The tenant roster for City Center West is focused on three categories: specialty medical, restaurants (perhaps some light retail), and a law office condominium.

Deriving the revenue per square foot for the specialty medical involved gathering data from several sources and testing it against our internal knowledge base of this leasing space. From a square footage needed per physician perspective, a higher number than the industry norm was used. The industry recommends 1,500 square feet per physician. It was more prudent to use 2,100 square feet per physician. Reasons for this is the industry averages include high-volume general practitioners that require less space than the elective specialists this development will house.

Additionally, the revenue generated by the high-volume the practitioners is greater than specialists that will be in City Center West. To accurately and conservatively account for this divergence in the data, a reverse weighed average methodology was employed to identify the revenue per physician that reflects the specialist's potential, yet considers the industry trend towards higher volume facilities.

The legal office revenues per square foot are based on an industry average of \$500,000 in revenues per attorney.

The restaurant revenues per square foot use an industry average of \$325 per square foot. This factor is conservative and could be positively impacted by new restaurant designs and income streams that include take-out and delivery creating front-of-house and back-of-house revenue streams.

Sources: Merritt Hawkins' 2019 Physician Revenue Survey, Medical Groups Management Association, Ox Hill Companies lease analysis, www.law.com, www.practicepanther.com, www.inc.com, National Restaurant Association, Restaurant Rewards Network Establishment Services Inc., City of Fairfax Fiscal Impact Estimate Template



Commercial Expenditures Incurred by the City

City Center West		City of Fairfax			
ESTIMATED EXPENSES (COMMERCIAL)					
City Government Expenses (Commercial)					
	FY 22 Net Cost to City	% Applic. to Commercial	FY 22 Commercial Expenditures	Expenses for 1,000 Sq. Ft.	For 89,929 Sq. Ft.
General Government	\$14,950,068	35%	\$5,232,524	\$581	\$52,284
Police	\$13,166,702	30%	\$3,950,011	\$439	\$39,469
Fire	\$12,720,177	30%	\$3,816,053	\$424	\$38,130
Public Works (n/incl refuse)	\$5,241,037	25%	\$1,310,259	\$146	\$13,092
Social Services	\$7,002,828	10%	\$700,283	\$78	\$6,997
Culture and Recreation	\$5,179,179	5%	\$258,959	\$29	\$2,588
Planning and Development	\$2,810,665	40%	\$1,124,266	\$125	\$11,234
Education	\$48,815,933	0%			\$0
TOTAL	\$109,886,589				\$164,000
based on: 9,000,000 sq. ft. total Commercial space in City					



Base Assumptions

City Center West		City of Fairfax
SOURCES USED FOR BASE ASSUMPTIONS		
City of Fairfax Fiscal Impact Estimate Template		
City of Fairfax FY 2022 Budget		
City of Fairfax Schedule of Rates and Levies		
City of Fairfax Assessment Database		
Fairfax County Public Schools		
Commissioner of Revenue, City of Fairfax		
Ox Hill Research & Analytics		
Applicable Trade Association Data and Research		
PROJECT ASSUMPTIONS		
Constuction Start Date		October - 2022
Constuction End Date		March - 2024
Project Cost / Basis (rounded)		\$91,910,000



Disclaimer

Reasonable and prudent efforts have been made to ensure this report reflects accurate and timely information, and even liable. This report is based on estimates, assumptions, and information developed by Ox Hill Research & Analytics from its independent research efforts, general knowledge of the industry, consultations with experts, and public information. This report is based on information that to our knowledge is current as of the date is report.

This report may contain prospective financial information, estimations, or opinions that represent our view of reasonable expectations time of the report, but such information or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved.

Although we believe that the expectations reflected in the financial projections are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, financial projections involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections, and other forward-looking information will not occur, which may cause the project's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results.



Contact Information

For questions and feedback

Mailing Address

10523 Main St Suite 200 Fairfax VA 22030



Email Address

Michael Matz: mmatz@oxhillco.com



Phone Number

Michael Matz - Managing Director
(703) 559-5460

