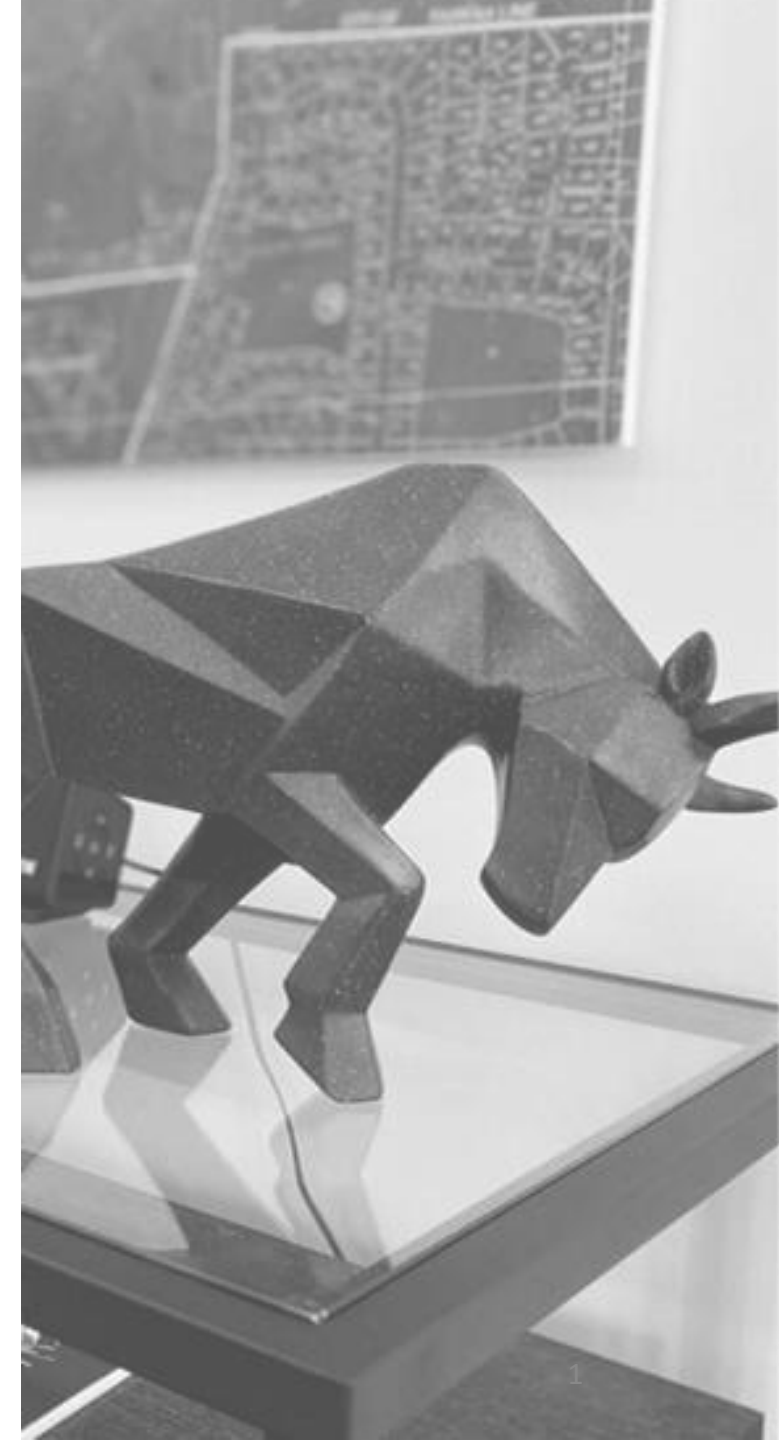




# Fiscal Impact Analysis

City Centre West | City of Fairfax, Virginia

April 2023 (Update to August 2022 submission)



# Overview

This Fiscal Impact Analysis examines 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.

## Description of the parcels:

### **10523 Main Street - 0.33 acres**

(existing Ox Hill Companies and Infinite Technologies offices)

### **10515 Main Street - 0.61 acres**

(former restaurant)

### **10501 Main Street - 0.84 acres**

(former Wells Fargo branch)



# Building Program

General Office and  
Specialty Medical Suites  
on 1 floor



**20,770 SF**

Bank offices/branch with  
underground drive-through  
teller lanes



**15,062 SF**

Restaurant /Retail  
2 units



**10,024 SF**

Luxury Condominium  
79 Units



**210,472 SF**

Total Building Area – **256,328 SF**

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

The overall fiscal impact to the City of Fairfax ranges from \$1,627,000 to \$2,162,000 of new tax revenues on an annual basis.

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 \$1,894,500.

City Centre West		City of Fairfax	
	Potential Redevelopment LOW	Potential Redevelopment HIGH	
<b>RESIDENTIAL REVENUES</b>			
Real Estate Tax	\$1,480,000	\$1,809,000	
BPOL (Rental Tax)	\$0	\$0	
Personal Property Tax	\$57,000	\$69,000	
Retail Sales Tax (1%)	\$5,000	\$7,000	
Restaurant Tax (1% + 4%)	\$7,000	\$9,000	
<b>TOTAL</b>	<b>\$1,549,000</b>	<b>\$1,894,000</b>	
<b>RESIDENTIAL EXPENSES</b>			
Education	\$48,000	\$58,000	
Police/Fire	\$81,000	\$99,000	
Misc. Gov't	\$142,000	\$173,000	
<b>TOTAL</b>	<b>\$271,000</b>	<b>\$330,000</b>	
<b>COMMERCIAL REVENUES</b>			
Real Estate Tax	\$288,000	\$352,000	
BPOL (Rental Tax)	\$1,000	\$2,000	
Retail Sales Tax (1%)	\$29,000	\$36,000	
Restaurant Tax (4%)	\$117,000	\$143,000	
<i>(Less ½ resident spending)</i>	<i>(\$2,000)</i>	<i>(\$2,000)</i>	
Retail/Restaurant BPOL/BPP	\$7,000	\$9,000	
Office BPOL/BPP	\$60,000	\$74,000	
<b>TOTAL</b>	<b>\$500,000</b>	<b>\$614,000</b>	
<b>COMMERCIAL EXPENSES</b>			
Police/Fire	\$35,000	\$43,000	
Misc. Gov't	\$40,000	\$49,000	
<b>TOTAL</b>	<b>\$75,000</b>	<b>\$92,000</b>	
<b>BALANCE</b>	<b>\$1,627,000</b>	<b>\$2,162,000</b>	
<b>MEDIAN</b>	<b>\$1,894,500</b>		

# New Tax Revenues by Sector

The redevelopment will increase the Gross Building Area (GBA) from its current 19,469 square feet to 408,267 square feet including underground parking. 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 generated by the three parcels totaled \$77,660 in FY 2022. These commercial property taxes are projected to increase from approximately \$500,000 to \$614,000 per annum post development.

The leading categories of new tax revenue generation are:

	<b>Low Range</b>	<b>High Range</b>
<b>Residential Tax Revenues</b>	\$1,549,000.00	\$1,894,000.00
<b>Commercial Tax Revenues</b>	\$500,000.00	\$614,000.00
<b>Total</b>	\$2,049,000.00	\$2,508,000

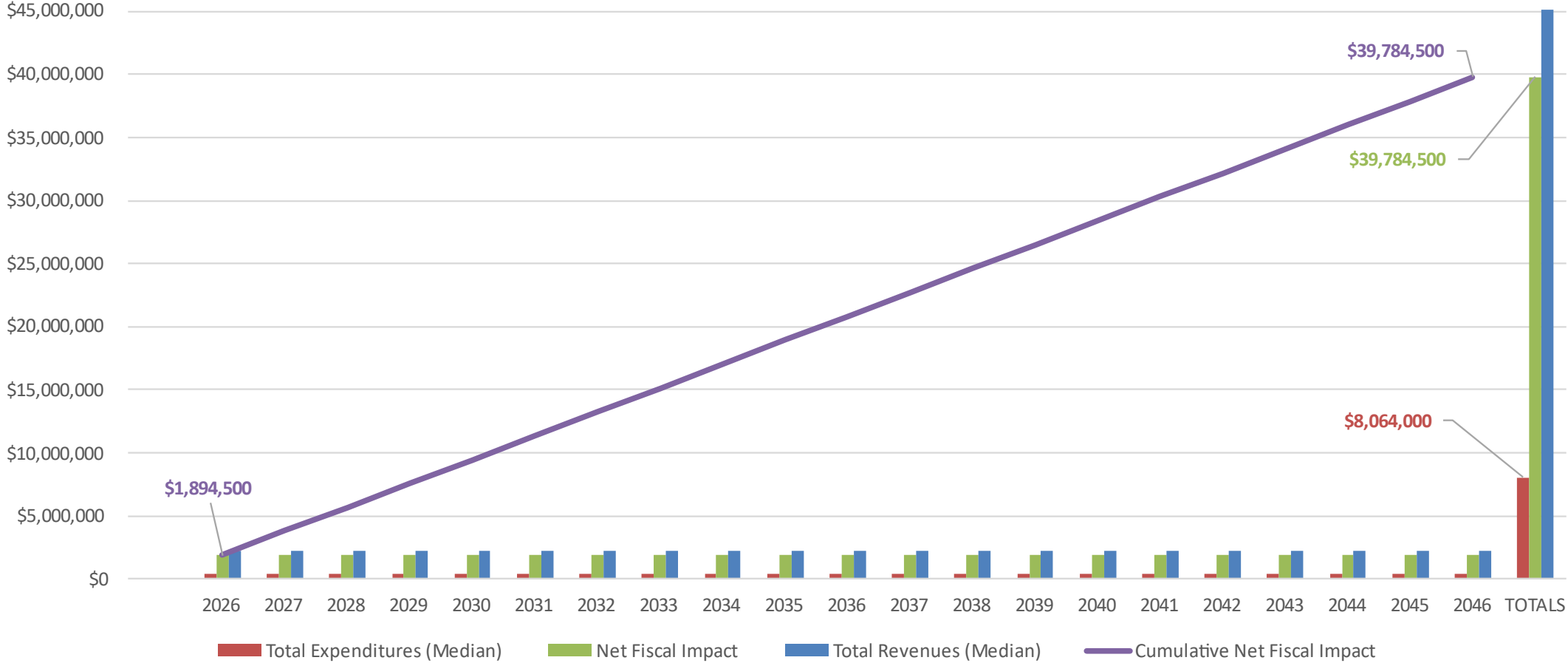
**Note:** Property taxes are calculated using a cost basis methodology. Total property taxes on the three assembled properties is projected increase from \$77,660 in 2022 to the range of \$2,049,000 to \$2,508,000 depicted above.

The 20-Year Net Fiscal Impact  
of the City Centre West development on the City of  
Fairfax with no inflation factor is

**\$39,784,500**

<b>City Centre West</b>		<b>City of Fairfax</b>		
<b>TOTAL REVENUES AND EXPENDITURES BY YEAR</b>				
<b>2026 - 2046</b>				
<b>No Inflation Factor</b>				
<b>Year</b>	<b>Total Revenues (Median)</b>	<b>Total Expenditures (Median)</b>	<b>Net Fiscal Impact</b>	<b>Cumulative Net Fiscal Impact</b>
2026	\$2,278,500	\$384,000	\$1,894,500	\$1,894,500
2027	\$2,278,500	\$384,000	\$1,894,500	\$3,789,000
2028	\$2,278,500	\$384,000	\$1,894,500	\$5,683,500
2029	\$2,278,500	\$384,000	\$1,894,500	\$7,578,000
2030	\$2,278,500	\$384,000	\$1,894,500	\$9,472,500
2031	\$2,278,500	\$384,000	\$1,894,500	\$11,367,000
2032	\$2,278,500	\$384,000	\$1,894,500	\$13,261,500
2033	\$2,278,500	\$384,000	\$1,894,500	\$15,156,000
2034	\$2,278,500	\$384,000	\$1,894,500	\$17,050,500
2035	\$2,278,500	\$384,000	\$1,894,500	\$18,945,000
2036	\$2,278,500	\$384,000	\$1,894,500	\$20,839,500
2037	\$2,278,500	\$384,000	\$1,894,500	\$22,734,000
2038	\$2,278,500	\$384,000	\$1,894,500	\$24,628,500
2039	\$2,278,500	\$384,000	\$1,894,500	\$26,523,000
2040	\$2,278,500	\$384,000	\$1,894,500	\$28,417,500
2041	\$2,278,500	\$384,000	\$1,894,500	\$30,312,000
2042	\$2,278,500	\$384,000	\$1,894,500	\$32,206,500
2043	\$2,278,500	\$384,000	\$1,894,500	\$34,101,000
2044	\$2,278,500	\$384,000	\$1,894,500	\$35,995,500
2045	\$2,278,500	\$384,000	\$1,894,500	\$37,890,000
2046	\$2,278,500	\$384,000	\$1,894,500	\$39,784,500
<b>TOTALS</b>	<b>\$47,848,500</b>	<b>\$8,064,000</b>	<b>\$39,784,500</b>	

### TOTAL REVENUES & EXPENDITURES BY YEAR (2026-2046 No Inflation Factor)



## 20-Year Projection

The 20-Year Net Fiscal Impact  
of the City Centre West development on the City of  
Fairfax with a 2.5% annual inflation factor is

**\$51,498,713**

<b>City Centre West</b>		<b>City of Fairfax</b>		
<b>TOTAL REVENUES AND EXPENDITURES BY YEAR</b>				
<b>2026 - 2046</b>				
<b>Inflation Factor = 2.5%</b>				
<b>Year</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Fiscal Impact</b>	<b>Cumulative Net Fiscal Impact</b>
2026	\$2,278,500	\$384,000	\$1,894,500	\$1,894,500
2027	\$2,335,463	\$393,600	\$1,941,863	\$3,836,363
2028	\$2,393,849	\$403,440	\$1,990,409	\$5,826,772
2029	\$2,453,695	\$413,526	\$2,040,169	\$7,866,941
2030	\$2,515,038	\$423,864	\$2,091,174	\$9,958,114
2031	\$2,577,914	\$434,461	\$2,143,453	\$12,101,567
2032	\$2,642,361	\$445,322	\$2,197,039	\$14,298,606
2033	\$2,708,420	\$456,455	\$2,251,965	\$16,550,572
2034	\$2,776,131	\$467,867	\$2,308,264	\$18,858,836
2035	\$2,845,534	\$479,563	\$2,365,971	\$21,224,807
2036	\$2,916,673	\$491,552	\$2,425,120	\$23,649,927
2037	\$2,989,589	\$503,841	\$2,485,748	\$26,135,675
2038	\$3,064,329	\$516,437	\$2,547,892	\$28,683,567
2039	\$3,140,937	\$529,348	\$2,611,589	\$31,295,156
2040	\$3,219,461	\$542,582	\$2,676,879	\$33,972,035
2041	\$3,299,947	\$556,146	\$2,743,801	\$36,715,836
2042	\$3,382,446	\$570,050	\$2,812,396	\$39,528,232
2043	\$3,467,007	\$584,301	\$2,882,706	\$42,410,938
2044	\$3,553,682	\$598,909	\$2,954,773	\$45,365,711
2045	\$3,642,524	\$613,882	\$3,028,643	\$48,394,354
2046	\$3,733,588	\$629,229	\$3,104,359	\$51,498,713
<b>TOTALS</b>	<b>\$61,937,090</b>	<b>\$10,438,377</b>	<b>\$51,498,713</b>	



# Tax Components

This tax components included in the analysis are as follows:



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



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



- 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.

In 2020, two regional banks merged and created the 6<sup>th</sup> largest bank in the United States. 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 will be staying in the City and relocating to the City Centre West building.

Relocating the combined institution to City Centre West keeps the jobs 90+ jobs in the City and retains their Bank Franchise Tax revenue.

The fiscal impact of retaining the Bank Franchise Tax is at least \$454,000 annually. This number is derived by doubling the annual average Bank Franchise Tax (\$227,000), from each bank. This derivation is conservative as 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

<div style="display: flex; justify-content: space-between; align-items: center;"> <span style="font-size: 2em; font-weight: bold;">City Centre West</span> <span>City of Fairfax</span> </div>								
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
City Centre West	79	\$1,854,752	\$2,266,919	\$146,525,369	\$179,086,562	\$1.010	\$1,479,906	\$1,808,774
<b>TOTAL (rounded)</b>	<b>79</b>			<b>\$146,525,000</b>	<b>\$179,087,000</b>	<b>\$1.010</b>	<b>\$1,480,000</b>	<b>\$1,809,000</b>

The average and mean of the unit prices track very closely to one another because all the units will be equally furnished and equipped. Square footages will vary causing prices to range from \$1.1 million to

just over \$2.4 million. The median price in the range is \$2.03 million and the average price is \$2.1 million. Given this tight range and uniformity, residential property tax revenues should track closely to

the model above.

# Residential Property Taxes

City Centre West							City of Fairfax		
<b>Vehicle Property Tax &amp; License Fee</b>									
Development	FY14 Adopted Total	City HH's	Per Capita	New Units		Revenue			
City Centre West	\$7,599,000	9,000	\$800	79		\$63,000			
<b>TOTAL (rounded)</b>				79		\$63,000			
<b>Local Option Retail Sales Tax Revenue</b>									
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	
City Centre West	\$109,708	20%	\$21,942	35%	\$7,680	\$606,685	1%	\$6,000	
<b>TOTAL (rounded)</b>						\$606,685		\$6,000	
<b>Meals Tax Revenue (incl. sales tax on meals)</b>									
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	
City Centre West	\$109,708	5%	\$5,485	35%	\$1,920	\$151,671	5%	\$8,000	
<b>TOTAL (rounded)</b>						\$151,671		\$8,000	

Residents of the condominiums are projected to generate \$63,000 in vehicle property taxes and fees based 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 \$14,000 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 2023

# City Expenditures

## City Centre West

City of Fairfax

### City Government Expenses

City Cost Center	FY 23 Net Cost to City	% Applic. to Residential	FY 23 Residential Expenditures	Per Capita for 9,500 Units	For 79 Units
General Government	\$16,447,975	30%	\$4,934,392.50	\$519	\$41,033
Police	\$13,643,552	40%	\$5,457,421	\$574	\$45,383
Fire	\$13,506,526	40%	\$5,402,610	\$569	\$44,927
Public Works (n/incl refuse)	\$4,844,436	30%	\$1,453,331	\$153	\$12,086
Human Services	\$8,679,479	80%	\$6,943,583	\$731	\$57,741
Culture and Recreation	\$5,753,538	90%	\$5,178,184	\$545	\$43,061
Planning and Development	\$2,696,416	15%	\$404,462	\$43	\$3,363
Education	\$47,729,709	100%			\$270,505,304
<b>TOTAL</b>	<b>\$113,301,631</b>				<b>\$270,752,898</b>

### Education worksheet

Unit Type	HU's	Yield Ratio	Students	Cost per	Cost
Apartment, all units	79	0.110	9		
Apartment, 2+ br. units ONLY	32	0.300	10		
Multifamily, all units FCPS	79	0.100	8		
<b>AVERAGE OF ABOVE, APARTMENT</b>			<b>9</b>	<b>\$17,672</b>	<b>\$159,048</b>
<b>AVERAGE OF ABOVE, CONDOMINIUM</b>			<b>3</b>	<b>\$17,672</b>	<b>\$53,016</b>

One of the largest components of the City's expenditures is education. This model considers 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

# City Centre West

City of Fairfax

## 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
Total Sold and Rentable	45,856	\$553	\$675	\$25,343,669	\$30,975,596	\$1.135	\$287,651	\$351,573
<b>TOTAL (rounded)</b>	<b>45,856</b>			<b>\$25,344,000</b>	<b>\$30,976,000</b>	<b>\$1.135</b>	<b>\$288,000</b>	<b>\$352,000</b>

## 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
Rentable Only	10,024	\$54	\$66	\$541,296	\$661,584	0.23%	\$1,245	\$1,522
<b>TOTAL (rounded)</b>	<b>10,024</b>			<b>\$541,296</b>	<b>\$661,584</b>	<b>0.23%</b>	<b>\$1,000</b>	<b>\$2,000</b>

The future assessment of the commercial component of the proposed development is derived using a cost basis methodology. This basis is then applied evenly across the various commercial 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 the restaurant(s). Note, the bank and other office space will be sold as condos and not leased.

Sources: City of Fairfax FY 2023 Tax Rates, Ox Hill Companies, Trinity Construction, Ox Hill Realty

# New Sales and Meal, BPOL, and BPP Taxes

City Centre West								City of Fairfax	
<b>RETAIL/RESTAURANT -- ESTIMATES OF FUTURE SALES &amp; MEALS TAX</b>									
Component	SF	Est. Sales/SF	EST. SALES		Retail Tax Rate	Meals	Retail Tax Revenue	Meals	
Retail, General	0	\$0	\$0		1%		\$0	\$0	
Retail, Specialty	0	\$0	\$0		1%		\$0	\$0	
Restaurant	10,024	\$325	\$3,258,000		1%	4%	\$32,600	\$130,300	
<b>TOTAL RET/REST</b>	<b>10,024</b>		<b>\$3,258,000</b>				<b>\$32,600</b>	<b>\$130,300</b>	
<b>RETAIL/RESTAURANT -- ESTIMATES OF FUTURE BPOL AND BPP</b>									
Component	SF	Est. BPOL per SF	EST. BPOL		Est. BPP per SF	EST. BPP			
Retail, General	0	\$0.63	\$0		\$0.20	\$0			
Retail, Specialty	0	\$0.63	\$0		\$0.20	\$0			
Restaurant	10,024	\$0.63	\$6,320		\$0.20	\$2,000			
<b>TOTAL</b>	<b>10,024</b>		<b>\$6,320</b>			<b>\$2,000</b>			
<b>OFFICE &amp; PERSONAL SERVICE -- ESTIMATES OF FUTURE BPOL AND BPP</b>									
Component	SF	Est. BPOL per SF	EST. BPOL		Est. BPP per SF	EST. BPP			
Office / Pers. Svc.	35,832	\$1.63	\$58,410		\$0.24	\$8,600			
<b>TOTAL</b>	<b>35,832</b>		<b>\$58,410</b>			<b>\$8,600</b>			

# Commercial Sales, BPOL, & BPP Tax Revenues

The tenant roster for City Centre West is focused on three categories:

- Specialty medical
- Restaurants (perhaps some light retail)
- Bank 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 Centre 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 while considering the industry trend towards higher volume facilities.

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.practicepanther.com](http://www.practicepanther.com), [www.inc.com](http://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 Centre West					
City of Fairfax					
<b>City Government Expenses (Commercial)</b>					
	FY 23 Net Cost to City	% Applic. to Commercial	FY 23 Commercial Expenditures	Expenses for 1,000 Sq. Ft.	For 45,856 Sq. Ft.
General Government	\$16,447,975	35%	\$5,756,791	\$606	\$27,788
Police	\$13,643,552	30%	\$4,093,066	\$431	\$19,757
Fire	\$13,506,526	30%	\$4,051,958	\$427	\$19,559
Public Works (n/incl refuse)	\$4,844,436	25%	\$1,211,109	\$127	\$5,846
Social Services	\$8,679,479	10%	\$867,948	\$91	\$4,190
Culture and Recreation	\$5,753,538	5%	\$287,677	\$30	\$1,389
Planning and Development	\$2,696,416	40%	\$1,078,566	\$114	\$5,206
Education	\$47,729,709	0%			\$0
<b>TOTAL</b>	<b>\$113,301,631</b>				<b>\$84,000</b>
<b>based on: 9,000,000 sq. ft. total Commercial space in City</b>					

Sources: City of Fairfax Fiscal Impact Estimate Template

# Base Assumptions

<b>City Centre West</b>		<b>City of Fairfax</b>
<b><u>SOURCES USED FOR BASE ASSUMPTIONS</u></b>		
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		
<b><u>PROJECT ASSUMPTIONS</u></b>		
Construction Start Date		July - 2023
Construction End Date		November - 2025
Project Cost / Basis (rounded)		\$136,330,000

# 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.

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For questions and feedback

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