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To: Jeff Harvey  
From: John Holden   
Cc: Mike Smith  
Date: January 5, 2021  
Subject: UD5 Zoning and Economic Development Impact Estimates

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As requested, I offer the following economic development impact assessment for you, your staff, the Planning Commission, and Board as you consider the proposed UD5 Zoning changes. These estimates are targeted to the immediate projects foreseen in “Downtown Stafford”. This memo was prepared with additional input from ED&T staff, the Commissioner of Revenue’s office, and input from developers. I look forward to any input, questions, and recommendations on these estimates.

With my staff, we looked at a variety of sources and our combined experience in economic development to estimate the potential economic impact of the proposed UD5 Zoning on the JPI “Fountain Park” and the County’s 28 acres. These two developments are the most immediate projects in the proposed area, now commonly referred to as Downtown Stafford, that will be subject to the UD5 zoning. We also had conversations with some of our contacts in the commercial and multi-use development market for input.

*Let me emphasize that “Downtown Stafford” is proposed as an area much larger than the six acres of Fountain Park and the 28 +/- county-owned acres. That said, the immediate proposed application of the UD5 zoning is on these 34 acres and, thus, our estimates are based on those. Clearly a larger area of consideration will have different impacts.*

**Assumptions**

These estimates are based on potential jobs, using industry averages, per square foot by type of development (office, retail, eating\drinking). Further I considered the potential real estate investment and thus revenues per square feet of non-residential development. I also consider the real estate revenue per unit of comparable residential units in the vicinity. With input from the COR Office, I have conservative estimates based on “other” tax revenue including business personal property and meals taxes. I did not account or estimate additional sales tax. Nor did I estimate any potential tourism occupancy tax. There is no plan for lodging in Fountain Park, but I would encourage the County and its prospective private partner to consider a boutique hotel on the County’s 28 acres. Such a hotel may make sense on the County’s parcel, but that again has different investment and employment per square foot estimates. Suffice it to say, a mid-to high-end lodging brand will generate additional tourism occupancy tax revenue.

*All of these estimates are very conservative.* Additional tax revenue would be expected from higher uses that generate additional sales. For example, I have not added estimates for revenue generated by the non-commercial uses such as a Stafford Museum and Cultural Center. Although there will most likely be additional revenue, the estimates provided here are intentionally conservative.

On the cost side, I have interpolated the most recent estimates of students for the type of residential development being planned under the UD5 standards. There are other costs of public services we have not calculated (water, sewer, public safety, etc.). However, many of these costs will be covered by utility rates.

My approach was based on estimates and calculations made for the JPI Fountain Park project and additional research and experience—extrapolating what we learned from JPI and other sources to the County’s 28-acre site. We have considered Stafford School District projections and actuals.

In addition, and of significance, I would like to point out that according to most planning and economic development research, *more dense mixed-use development results in more economic value per acre and less fiscal impact per acre.* Additionally, as part of the less fiscal impact per acre (or square foot), *more dense “urban” environments tend to favor households with less or no school aged children.*

The most recent and comparable residential development in Stafford to estimate school-aged children in the “Downtown Stafford” planning area is the Abberly Waterstone apartments (Abberly). These are four-story apartments with a mix of one, two, and three-bedroom (BR) units. Abberly has a total of 288 units. 102 are 1BR, 164 2BR, and 22 are 2BR+ units. I did not adjust for number of smaller bed room units on the estimated number of school-aged children.

Abberly is a segment of school planning unit 292. According to Stafford Schools “2018 – 19 Current and Projected Elementary Students by Planning Unit” there are the following number of students by school level in this planning unit.

	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>School Level</b>	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Elementary	21	13	21	20	21
Middle	7	6	7	6	7
High	14	8	14	12	14

Although the *actuals for 2019-20 are generally 50% below the projected for 2019-20, for purposes of my estimates use the higher and maximum figures per unit.*

Finally, I have assumed that the buildout in five years would be 85% of the total planned by JPI in Fountain Park and only 50% of the County’s buildout. This reduces the square feet by type of development and number of residential units in these estimates. Clearly, there will be nuances to the buildout phase by type, notably as required at Fountain Park and may be planned by the County. But I feel these reductions are appropriate on a 5-year planning horizon.

*I have estimated the following economic impacts of the UD5 zoning for Fountain Park and the County's 28 acres.*

***Jobs & Wages***

The proposed developments under UD5 zoning may generate up to 534 jobs. These will include a range of jobs in the proposed offices, retail, and eating\drinking spaces. These estimates are based on US averages of jobs per square feet by commercial use. This does not include any “spin off” or indirect or induced jobs.

Based on Stafford's most recent average wage, the 534 jobs will generate upwards to \$27M in wages. I considered, but have made no attempt to estimate what percentage of those new wages would be spent on meals or sales—resulting in additional tax revenue to the County. Such other tax revenue was estimated by the COR office based on square footage by use.

***Non-Residential Tax Revenue***

The proposed non-residential development at Fountain Park and the County's property (based on Stantec's recommendations) is estimated to generate \$26M in new real estate tax value in the approximate 32 acres (\$774,000 per acre). Based on the 85% and 50% buildout over 5-years, the new real estate tax revenue is estimated \$265,860 per year. An additional \$590,000 in “other” (business personal property and meals) tax revenue is estimated.

***Residential Impacts***

A key concern for the Planning Commission and the Board of Supervisors is residential growth. As we have discussed, Downtown Stafford is focused on a more efficient model to provide for necessary residential growth as we continue to expand our economic base (in 2020-21, alone, there are over 750 new jobs in two new projects in “central Stafford”: Publix and DHL). And another 150-200 job announcement pending but not yet confirmed.

With input from School Department reports and the COR office, I estimated that the proposed UD5 projects will generate \$2.0M in real estate tax revenue and cost \$1.5M in student costs. Student costs are based on the most comparable residential development in the Downtown Stafford area (Abberly) and on projections by the School Department for the same area (as noted, the actual students per unit in this area are actually less than projected but I used the higher projected estimates).

**Overall Impacts**

In net, the estimated *tax revenue above costs* to students for the UD5 plans in the 34+/- acres is \$1.3M.

It is easy to estimate what will happen without the UD5 zoning. Fountain Park will not proceed nor will the development of the County's property. My estimates are just that, based on professional experience, input from other staff, and developers. As noted earlier, a more urban development generates more revenue per acre and less costs per acre. Data from the Fredericksburg Area Builders Association and Stantec's retail "leakage" demonstrate demand for residential and retail development. Beyond demand, there is general and historical community desire for "Downtown Stafford." The data appears to demonstrate positive economic and fiscal impacts based on plans for Fountain Park and Stantec's recommendations for the County's 28 acres.

<b>UD5 Economic Impact: Fountain Park (JPI) + County 28-acre Site</b>		
	<b>Estimate</b>	<b>Notes--all estimates assume JPI 85% builtout, County land 50%</b>
Direct jobs expected	534	Estimated 250 jobs per SF office, 300 jobs per SF retail, restaurants, other
Estimated total new wages	\$ 26,882,723	2020 Q2 average County wage
Projected assessed value in real property*		
Office	\$ 9,680,925	Estimated value of \$150 per square foot
Retail	\$ 11,116,875	Estimated value of \$175 per square foot
Eating\Drinking	\$ 5,524,875	Estimated value of \$225 per square foot
Estimated RE tax revenue of above at \$1.01/\$100	\$ 265,859	
Estimated "other" tax revenue (BPP, Meals)	\$ 590,000	Does not include sales tax or any occupancy tax (portion County site may be lodging)
Residential Units	1,039	JPI as approved and recommended # per Stantec
1BR Units	672	JPI as approved and same % JPI in County property
2BR Units	316	JPI as approved and same % JPI in County property
3BR Units	50	JPI as approved and same % JPI in County property
Estimated RE revenue from residential units	\$ 2,069,397	Based on comparable residential units in area
Residents	1,416	1.25 per 1 BR, 1.5 per 2 BR, 2 per 3 BR
School agend children (all levels, max projection)**	152	Based on max projections for school unit 292 per unit (not reduce for 1-2BR units)
Estimated student costs	\$ 1,552,331	Based on \$ 10,245 per student cost
Net tax revenue less student costs	\$ 1,372,925	Estimated (RE commercial + "other" + RE residential) - student costs

\* Does not include potential county office or other "entertainment" space