

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 14, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO #34 : FISCAL IMPACT OF DIFFERENT TYPES OF DEVELOPMENT (COUNCILWOMAN WOODSON'S REQUEST)

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In discussing the changes in the real estate tax base for FY 2003, Councilwoman Woodson requested information on the fiscal impact of different types of development. The following memorandum responds to that request.

Determining the fiscal impact of different types of development is not a science and varies to some degree based on various factors which are unique to each situation. However, studies undertaken in other jurisdictions across the United States generally have concluded that the net fiscal impact (i.e., the difference between tax revenues generated and expenditures caused by new development) is the following: (1) single family detached home development generally has a negative fiscal impact to a community, and (2) commercial office building or other commercial development (i.e., hotel, retail, restaurant, etc.) has a positive net fiscal impact to a community.

In recent years, there have been three development-related fiscal impact studies completed in Alexandria. The first was for the overall Carlyle development plan, the second for Potomac Yard development plan, and the third for the Patent and Trademark Office development. All studies were undertaken by outside firms who specialize in the economics of real estate development.

The chart below shows the net fiscal impact of six types of land use development. These represent calculations from the Patent and Trademark Office analysis completed by Delta Associates.

<b>ESTIMATED 1<sup>ST</sup> YEAR NET FISCAL IMPACT FOR EACH PROPERTY TYPE AT CARLYLE DEVELOPMENT</b>		
<b>Land Use</b>	<b>First Year Impact Per Unit</b>	<b>First Year Impact Per Square Foot</b>
One Apartment Unit	\$465 (938 SF)	\$0.50
One Townhouse Unit	\$1,353 (1,692 SF)	\$0.80
One Condominium Unit	\$1,519 (1,160 SF)	\$1.31
1,000 S.F. Office Space	\$3,918 (1,000 SF)	\$3.92
One Hotel Room	\$7,437 (783 SF)	\$9.50
1,000 S.F. Retail Space	\$7,405 (1,000 SF)	\$7.41

It should be noted in the above chart that apartments, townhouses and condominiums produced a net positive fiscal impact. Unlike studies of more suburban residential development (such as Loudoun County), where each new single family detached house generally brings more school-aged children, new Alexandria residential development (which is much more urban in nature) generally tends to have few new children added for each new residential unit. As public education is one of the City government's largest budget items, this low number of additional children added by the City's new residential development (such as in the PTO development) results in a net fiscal gain to the City according to the analyses. A change in the assumption of the number of children per household could change these net fiscal gains to net fiscal losses.