Loudoun County Preservation and Conservation Coalition

FINDING THE RIGHT BALANCE FOR HOUSING AND DEVELOPMENT 2017-2040

Independent Analysis of the TischlerBise Fiscal Impact Study

(February 1, 2019)

Al Van Huyck

February 22, 2019

FINDING THE RIGHT BALANCE
FOR
HOUSING AND DEVELOPMENT 2017-2040

Independent Analysis of the TischlerBise Fiscal Impact Study

(February 1, 2019)

Al Van Huyck

The Major Conclusion of this analysis of the TischlerBise Fiscal Impact Study is that the overall risk to Loudoun County and its taxpayers in planning for the Loudoun 2040 Medium Scenario far outweighs the minimum revenue gains versus proceeding with a modified continuation of the Revised General Plan. At the same time, the Loudoun 2040 Medium Scenario will lower the quality of life for Suburban and Transition Policy Area residents, and likely negatively impact the equity value of current homeowners.

INTRODUCTION

The major decision the Board of Supervisors will have to make regarding the 2040 Comprehensive Plan is between two different strategies for Loudoun's future:

1. **Will Loudoun County seek to accommodate all potential demand for housing and non-residential development over the next 20 years generated by the private development market? (considered here the "Medium Scenario" of the Fiscal Impact Analysis);**
   Or
2. **Will Loudoun County manage future development in the best interests of the existing County residents? (considered here as the Revised General Plan Scenario (RGP) for convenience.)**

The TischlerBise Fiscal Impact Study (dated February 1, 2019) provides decision makers the basic information needed to assess the best future scenario for Loudoun's development. It should be noted that the TischlerBise Study states clearly[1] that none of the existing deficits in transportation (including Metro Capital Costs), Parks and Trails, and other Capital Facilities have been included in their work. Their assumption is that these deficits are the same for both scenarios and therefore cancel out of the analysis, however, they ultimately must be considered by the County as it copes with new growth demands.

[1] TischlerBise report, page 4.

COUNTYWIDE CONCLUSIONS FROM THE FISCAL IMPACT STUDY

The following analysis is made based on the data provided in the TischlerBise Report, by calculating the differences between the Revised General Plan (RGP) and the Medium Scenario in the projected outcomes of each scenario.

As noted in the TischlerBise Report both scenarios perform nearly as well, but as can be seen below the Medium Scenario creates much greater risks for the County in relation to the long-term costs and benefits.

Revised General Plan (2002 amended) to
Medium Loudoun 2040 - Planning Commission Plan

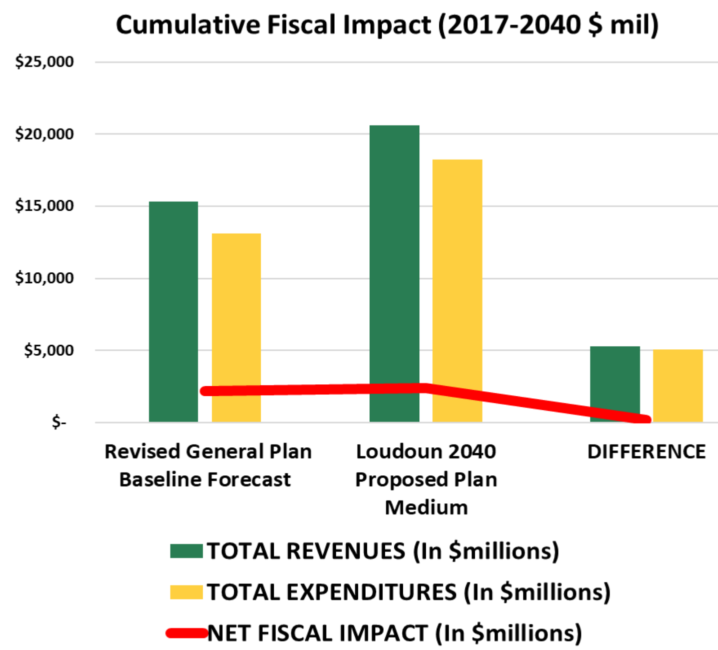
Summary of Cumulative Fiscal Impact (2017-2040) (In $millions)
LOUDOUN COUNTY FISCAL IMPACT MODEL COUNTYWIDE

Category	SCENARIO 1: Revised General Plan Baseline Forecast	SCENARIO 3: Loudoun 2040 Proposed Plan Medium	Difference	
TOTAL REVENUES ($mil)	$ 15,326	$ 20,615	$ 5,289	Revenue
TOTAL EXPENDITURES ($mil)	$ 13,123	$ 18,218	$ 5,095	Less Taxpayer contributions
NET FISCAL IMPACT ($mil)	**$ 2,202**	**$ 2,396**	**$ 194**	= Taxpayer GAIN

This demonstrates that Medium Scenario requires the County to advance **$5.095 billion** in taxpayer funds for capital facilities more than in the RGP to generate $5.289 billion in new revenues for a net gain of $194 million – or – **a return of 3.8% on a 23 year investment**.

Consider that this is the equivalent of an individual investor purchasing $5,000 worth of a stock over the years and receiving back $ 5,194 in revenue for a total Capital Gain of $ 194 after 23 years.

The High Growth Scenario is also very likely to occur given the lack of controls on growth in the current draft 2040 Plan; it shows that even more rapid growth does not change the basic risk reward ratio. The High Growth Scenario increases revenues and expenses over the Medium Growth Scenario by $ 1.928 Billion and $ 1.868 Billion respectively for a net gain of $ 60 million in receipts over the 23 years. This is a net return of 3.2% on public capital.



What do the Citizens Get for This Extra $5 Billion Dollar Investment?

Figure 1. Summary of Countywide Cumulative Growth

Cumulative Growth Projection Detail. Loudoun County Fiscal Impact Model Countywide				
Cumulative Years (2017-2040)	**SCENARIO 1:** Revised General Plan Baseline Forecast	**SCENARIO 3:** Loudoun 2040 Proposed Plan Medium	**DIFFERENCES**	
Total Residential Units	45,292	73,788	**28,496**	
Population	122,113 (522,113 Total)	208,084 (608,084 Total)	**85,971**	**= new cars on roads**
Total Non-Residential Sq.Ft.	55,719,895	66,361,260	**10,641,365**	**Primarily Retail & Public**
Total Employment	87,079	103,620	**16,541**	
School Enrollment	22,948	41,755	**18,807**	**= Hundreds of school**
School Totals	18	33	**15**	**boundary changes**
Public Safety Buildings, Sq.ft.	170,363	258,562	**88,200**	
Libraries, Sq.ft.	73,268	124,851	**51,583**	
Public Land Acres Needed (Fig.10)	3,018	4,171	**1,153**	**Sufficient for existing & new facilities?**

The Medium Scenario generates more school population (+18,807) than employment (+16,541). Given the projected population increase (+85,971) it suggests that most of the increased population generated will be commuters to jobs outside of Loudoun. Using current County norms it means 280,000 more trips per day on the roads from 85,000 new car registrations. Yet, the Countywide Transportation Plan proposes no major new roads to accommodate the increases.

The Medium Scenario will also result in constant school boundary changes and massive construction projects as the County tries to keep up with the build out of the additional development beyond what is planned now, which is already challenging. Based on current difficulties, one must also consider the task and feasibility of finding the land and constructing the 15 additional schools required for the Medium Scenario.

Will the Increase in Non-Residential Development be Worth It?

Figure 1. Summary of Countywide Cumulative Growth

Cumulative Growth Projection Detail. Loudoun County Fiscal Impact Model Countywide			
Cumulative Years (2017-2040)	**SCENARIO 1:** Revised General Plan Baseline Forecast	**SCENARIO 3:** Loudoun 2040 Proposed Medium	**DIFFERENCE**
Retail	5,317,762	9,000,309	**3,682,547**
Retail Urban	294,040	328,293	**34,253**
Other Non-Public	4,925,538	7,953,974	**3,028,436**
Other Public	3,817,756	7,713,886	**3,896,130**
Total Non-Residential Sq.Ft.	55,719,895	66,361,260	**10,641,365**

Both scenarios are *exactly the same* in a number of commercial categories which tend to be the main creators of high value jobs. High Density Office, Office Urban, Low Density Office, Heavy Industrial, Flex/Industrial, and Data Centers are projected for *exactly the same* level of development in the RGP as the Medium Scenario.

The key difference is in the projected additional growth in the Medium Scenario of 10 million square feet, which the TischlerBise report indicates is generated by Retail, Retail (Urban)), Other Non-Public, and other Public.

Presumably, the total additional growth projected in employment (+16,541) must come from the growth in these categories which for the most part are relatively low wage jobs. This will only add to the workforce and unmet housing need deficits the County is already facing.

Finding land for all public facilities is already a huge problem in Loudoun both because of rapidly escalating land prices and the scarcity of well-located parcels. The Medium Scenario requires purchasing an additional 1,153 acres more than the RGP scenario for a total purchase of 4,171 acres overall.

CONCLUDING COUNTYWIDE THOUGHTS

The risks to the quality of life of Loudoun's citizens and the County's sound fiscal structure created by the Medium Scenario are significant. What if technology changes, or inter-county competition for our Data Center tax base departs while the County is pursuing the Medium Scenario aggressive residential development policy? When the 2002 Revised General Plan was developed the then County Attorney stressed that the Plan need only provide "reasonable use" for all properties not the "highest" use. Loudoun should not forget that criteria now.

SUBURBAN/URBAN POLICY AREA FISCAL IMPACT

The Suburban Policy Area is already largely built out. Most of the increased development in this area comes from permitting higher densities of residential development in the Metro Tax District and potential infill projects along the major highway corridors of Rt 7, Rt 28, and Rt 50. The Urban Policy Area fiscal analysis is included in the Suburban Policy Area analysis.

Suburban Policy Area Results

Figure 32 & 33. Cumulative Revenues & Expenses (in $mil)

Category	SCENARIO 1: Revised General Plan Baseline Forecast	SCENARIO 3: Loudoun 2040 Proposed Plan Medium	DIFFERENCE
Total Revenues	10,116	12,261	**2,145**
Total Expenditures	6,489	8,590	**2,101**
Net Fiscal Impact	3,627	3,671	**44**
General Government Offset (Proffer Revenue)	526	827	**301**
Revised Fiscal Impact	3,101	2,844	**(257)**

The total revenues over total expenditures difference in the Medium Scenario results in only a $ 44 million dollar gain after 23 years while placing at risk $ 2.1 billion in new capital facilities. This total does not include the repayment cost of the Metro Line itself.

The Fiscal Impact Analysis also estimates that the Medium Scenario will generate $301 million in additional proffer contributions from the development community compared to the RGP. Without the increased proffers the Medium Scenario would actually create a public financing deficit of $ 257 million dollars. The estimated proffer calculations used by TischlerBise may overstate the actual potential contribution to capital facilities.

The TischlerBise first report on July 6, 2018 for the Stakeholder Plan fiscal analysis contains the methodology used in the current February 1, 2019 version. It states that “For those units where proffers can help offset capital costs, the proffer contribution is modeled at 100% of those costs, consistent with County policy” (p. 124). The methodology also assumes significant contributions from outside sources to assist with our road costs. Specifically, it states “For road and interchange development costs, the model incorporates only that portion of these costs paid by the County, 31%” (p.124). It is understandable that the consultants needed to establish simple ratios to calculate these impacts, but it should be noted that in both cases the resulting data is clearly a significant over estimate as to what the County actually receives in proffers and the additional expenditures it makes in transportation.

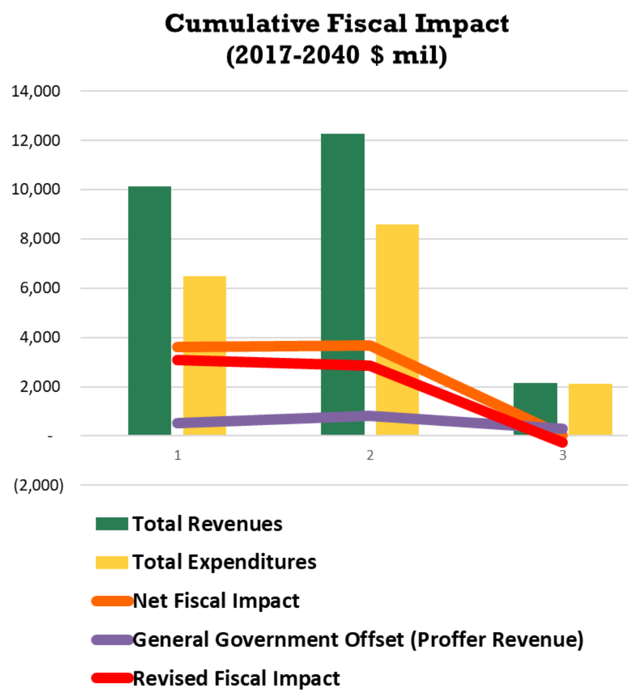


Figure 31 Suburban Policy Area Growth Projections

Suburban Policy Area Results

Figure 31. Growth Projections

Category	SCENARIO 1: Revised General Plan Baseline Forecast	SCENARIO 3: Loudoun 2040 Proposed Plan Medium	DIFFERENCE
Total Residential Units	25,965	38,968	**13,003**
Total Population	58,127	92,120	**33,993**
Total School Enrollment	7,985	14,580	**6,595**
Non-Residential Sq. ft	45,936,233	49,152,160	**3,215,927**
Total Employment	72,394	77,545	**5,151**
Facilities Land Needed (acres. Fig.36)	1,624	2,076	**452**

The Fiscal Impact Analysis shows that the bulk of the residential population will be commuting to jobs outside of the County. Projected additional employment in the Medium Scenario is 5,151 (of which it can be assumed some percentage will be living outside the County), and this is only 15% of the expected additional population.

The estimate of public land needed for capital facilities in both Scenarios presents a significant challenge for the Suburban Policy Area. There is simply not enough open land to be acquired to accommodate the needed facilities. Therefore, under both scenarios there is a high risk of creating structural deficits in capital facilities and transportation. Loudoun 2040 calls for small area plans to be prepared for the three suburban communities. It would be prudent to undertake these plans prior to implementing any zoning changes which open up the suburban area for increased densities.

Metro Rail Tax District

The Fiscal Impact Study attempts to estimate the revenues and expenses for the Metro Rail Tax District, but the uncertainty surrounding the potential development creates a potential wide margin for error in these projections. Further, the 20% tax surcharge in the study is used to off-set operating expenditures in the analysis, whereas the purpose of the surcharge was to raise the funds needed to pay-off the Metro bonds. It is the intent of the County to capitalize on the economic and social opportunities Metro Rail brings so essentially all scenarios are equal.

CONCLUDING THOUGHTS ON THE SUBURBAN/URBAN POLICY AREA

There is widespread citizen support for maximizing the development potential of the Metro Tax District. Therefore, it would be logical to prepare a modified scenario which would have the most favorable fiscal impact by 1) retaining the Revised General Plan projections, adding to them the addition residential and non-residential growth to be achieved in the Metro Tax District, and 2) at the same time reducing the proposed residential density increases that are scattered about the remainder of the Suburban Policy Area.

TRANSITION POLICY AREA FISCAL ANALYSIS

The Transition Policy Area (TPA) from the very outset of the Loudoun 2040 planning exercise has been "ground zero" for increasing density. The original concept of a physical transition between the Suburban Policy Area in the east and the Rural Policy Area in the west has been under assault throughout the last 15 years. When a previous Board of Supervisors opened the area to water and sewer service they placed enormous pressure for growth on the area.

Nonetheless, the TPA continued to develop under the original concept which has created an innovative life style represented by the national award winning Willowsford development and the Red Cedar Rural Village. This in turn has provided a quality of life for the existing residents which they are reluctant to see changed.

The Medium Scenario would, for all intents and purposes, extend the Suburban Policy Area throughout the Transition Policy Area even while keeping the required 50% open space but allowing much higher densities.

Transition Policy Area Results

Figure 38 & 39. Cumulative Revenues & Expenses (in $mil)

Category	SCENARIO 1: Revised General Plan Baseline Forecast	SCENARIO 3: Loudoun 2040 Proposed Plan Medium	DIFFERENCE
Total Revenues	2,491	5,288	**2,797**
Total Expenditures	3,375	5,701	**2,326**
Net Fiscal Impact	(884)	(413)	**471**
General Government Offset (Proffer Revenue)	-	428	**428**
Revised Fiscal Impact	(884)	(841)	**43**

What Is the Fiscal Impact?

The Government Offset (proffers) of $428 million is the key reason for the more favorable fiscal impact of the Medium Scenario over the Revised General Plan. If these proffers do not materialize then the Government revenues decrease to $2,369 million which reduces the net fiscal impact to $43 million. As discussed previously, it is highly likely that the TischlerBise methodology over estimates the proffer contribution.

At present there are no proffers required in the TPA. Therefore, it is critical before approving the Medium Scenario in the TPA to ascertain whether the proffer concept will withstand the likely court challenge. Under the State proffer legislation the County will have to establish that the TPA is really part of a "small community" plan surrounding one of the Metro Centers (of which only Ashburn can rightly be considered a community center). At present the draft Plan only recommends that these small area plans be completed in the "future."

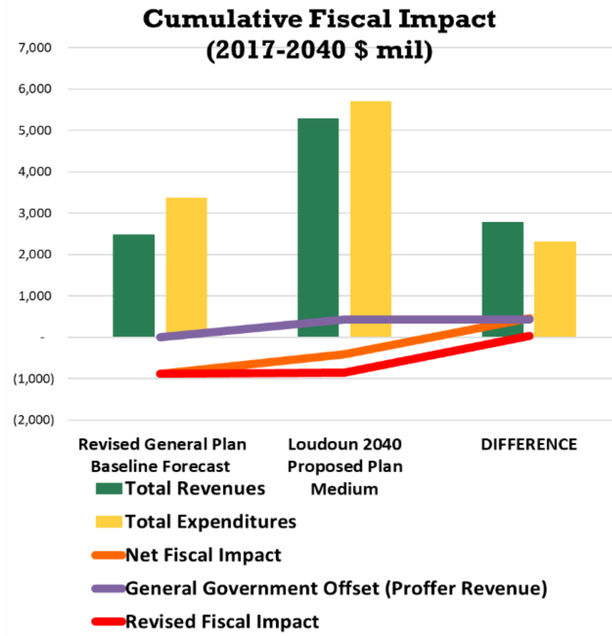


Figure 37: Transition Policy Area Growth Projections

TischlerBise estimates that the Medium Scenario will require 9 schools more than the RGP (Fig. 41).

In the same table it projects an actual *decrease* in lane miles of new road (from 95.41 to 91.26). This decrease is counterintuitive given the addition of 47,189 more people and 14,119 dwelling units (Fig.37), which would add an estimated 47,000 new vehicle registrations and generate 140,000 new vehicle trips per day.

Transition Policy Area Results

Figure 37. Growth Projections

Category	SCENARIO 1: Revised General Plan Baseline Forecast	SCENARIO 3: Loudoun 2040 Proposed Plan Medium	DIFFERENCE
Total Residential Units	6,778	20,897	**14,119**
Total Population	24,986	72,175	**47,189**
Total School Enrollment	6,280	17,077	**10,797**
Non-Residential Sq. ft	5,213,149	11,722,955	**6,509,806**
Total Employment	4,929	15,645	**10,716**
School Projects (Fig. 41)	5	14	**9**
Transportation Lane Miles (Fig.41)	95.41	91.26	**(4.15)**
Facilities Land Acres (Fig.42)	626	1,247	**621**

It is reasonable that the residents of the TPA are opposed to the tripling of the projected density into suburban style development, as they are likely to experience a loss of property value as the 14,000 additional houses are constructed.

While appropriately not considered in the Fiscal Impact Analysis (but of major planning significance) is the critical geography of the TPA in maintaining a recharge area for County water supply, which will be compromised through the proposed Medium Scenario.

Also not considered in the Medium Scenario is the potential of the TPA to provide the school sites, parks and trails which can relieve the deficits in the Suburban/Urban Area and provide an area of "green lungs" for the Eastern residents. If the TPA is filled with the high density housing this opportunity to provide the required public facilities identified in the Capital Needs Assessment (CNA) will be lost for all time.

The Special Case of the Transfer of Rural Policy Area land bays into the Transition Policy Area

Included in the Medium Scenario for the TPA are land bays (labeled P1, P2, and Q1) which are proposed to be transferred from the Rural Policy Area (RPA) to the TPA. This is a major public policy decision which is not consistent with the spirit of the original Loudoun 2040 Charter which noted that the RPA policies would continue without major study and analysis. There has been no analysis of the overall impact of this transfer.

The Loudoun 2040 Plan draft assumes that 1,000 residential units can be built in Land Bay P1; and 600 units built in Land Bay Q1 while Land Bay P2 would be developed in Data Centers. There are major reasons that this proposal transfer should be deleted from the Plan:

1. The transfer of any of the RPA land area to another Policy Area sets a dangerous precedent as once agreed upon it will be cited as justification for future transfers which surely will come as more development is sought on cheaper RPA land.
2. If the P1 and P2 Land Bays are transferred to the TPA it raises the immediate issue of why similar houses and farms on the opposite side of Evergreen Mills Road can be denied a transfer once the precedent is set.
3. Land Bay P1 is particularly disadvantaged to accommodate 1,000 residents. The current residents have been desperate to cash in on a potential major density increase. They currently explain that they are suffering from the constant noise from the Greenway (boundary to the North). The lighted ball fields at Heritage High School (along with concerns of students utilizing the private wooded area next door), and the Sports Plex across the road which also has lighted ball fields brings in crowds of people throughout the weekends. Residents and visitors have difficulty entering Evergreen Mills road safely because of the heavy traffic volume during the rush hours. To add to their concerns the County has broken ground on a new shooting range in the P1 land bay. *It is difficult to justify adding 1,000 houses (over 2,500 vehicles, and 10,000 vehicle trips a day) to live under the constraints that already effect the quality of life of the existing residents.*
4. P2 is was one of the most beautiful farms in Loudoun County which forms an important view shed from the Greenway and a clear break between the heavy development to the East and North and the entrance to the now rural area to the West. Under the rural clustering regulations a rural village concept could be developed (similar to Woodland on the Black Branch Parkway nearby) of up to 50 homes. The invasion of data centers into the west sets an extremely negative precedent for the long term sustainability of the County as a quality place to live and work.
5. The same potential for a rural village exists in Land Bay Q1 which is sited just below Woodland and compatible with it.

CONCLUDING THOUGHTS ON THE TRANSITION POLICY AREA

The Fiscal Impact Study analysis provided above demonstrates conclusively that packing high densities into the Transition Policy Area is a high risk strategy for the County and will have serious negative consequences for the present residents. However, the potential is there to plan the TPA as the "green lungs" for Eastern Loudoun to provide the land and capital facilities (particularly schools, parks, and trails) not available in the Suburban/Urban Policy Area. At the same time, the policies for the future build-out of the TPA can be revised to accomplish more of the County's goals for affordable housing and unmet housing needs through innovation and new designs.

TOWNS, JOINT LAND MANAGEMENT AREAS (JLMA's), AND RURAL POLICY AREA RESULTS

Unfortunately, the TischlerBise Fiscal Impact Study combined the Towns, JLMA's, and Rural Policy Area into one combined set of tables, which does not allow for any useful analysis. In reality, these three parts of the Loudoun 2040 Plan are very important in their *separate* impacts on the future of Loudoun.

Leesburg with a 2017 population of 44,840 needs to be separated out statistically from the other six Western Towns with a combined population of 12,782 and remainder population of the RPA outside of towns of 69,000. All the towns have their own planning and zoning controls which determine their growth and development. Yet, the County remains responsible for the schools and many of the capital facilities needed in response to Town decisions. Conversely, the County will be faced with hard decisions on the location of County office facilities responding to the growth of government under the various scenarios.

The continued growth of residential development *by-right* in the Rural Policy Area is a significant threat to the overall County objectives for farming and rural tourism. The projections for rural cluster housing units do not pay proffers, which may well turn the fiscal impact negative (whereas for many years in the past it was positive because "cows and crops" don't go to school or need public services). Policies to reverse this trend should be considered.

FINAL COMMENT

The TischlerBise Fiscal Impact Study has provided a well-documented professional model to compare the relative impacts of the various scenarios. The Study made no effort to analyze its own findings. However, the simple analysis provided in this summary highlights the risks versus rewards to Loudoun County and its taxpayers. The main conclusion is that to pursue an aggressive growth strategy commits the County to endlessly striving to keep up with schools, parks, public facilities and transportation at the direct cost to the public, while hoping that the new development will generate revenue which at best provide a small increment of surplus.

The unique impact of Loudoun's Data Center concentration and the already in place pipeline of residential projects plus the pending benefits of the Metro Line creates a unique opportunity for Loudoun to take control of its future and ensure a high quality of life for its residents. The Loudoun 2040 Plan now under development needs to be modified to capture this opportunity.