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## **Economic Analysis Update**

**FMFADA Board**

January 5, 2010

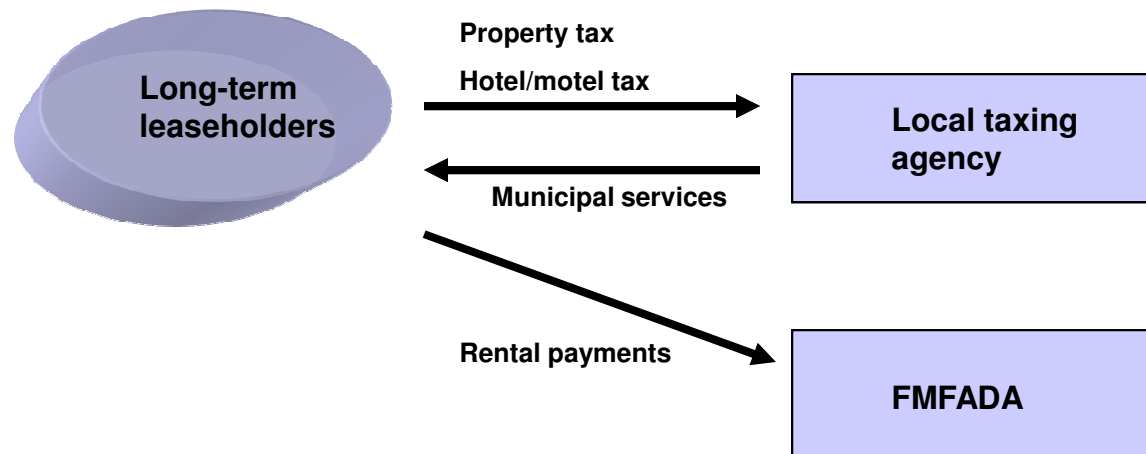
# Today's Agenda

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- **“Enclave” Fiscal Status**
- **Updated Investment Requirement**
- **Returns to Commonwealth**
- **Questions and Discussion**

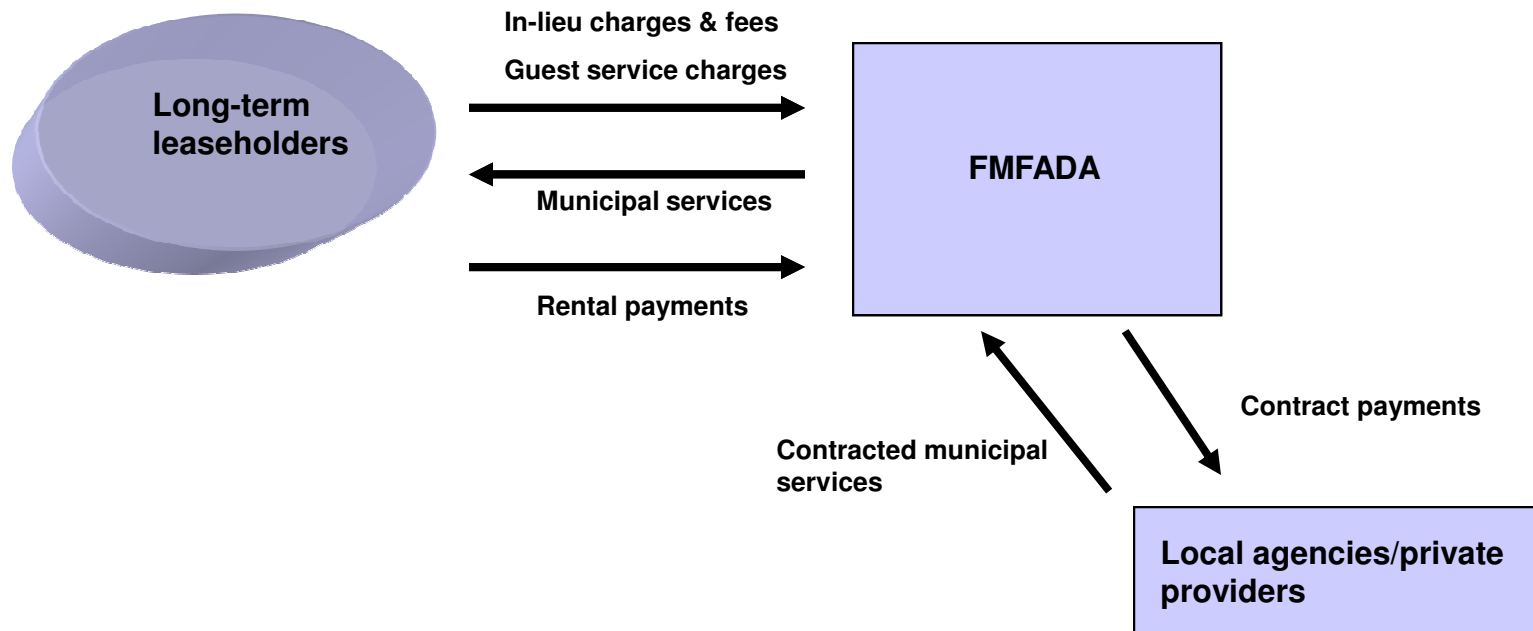
# Fiscal Impact of Enclave Status

- “Enclave” fiscal status exempts Fort Monroe from local property and other tax levies.
- Prior to the proposed legislation, our economic model assumed the following relationships:



# Enclave Status (con't)

- “Enclave” fiscal status permits FMFADA to set charges and fees to recover municipal and other service costs based on actual costs
- Under the proposed legislation, the model reflects revised fiscal relationships:



# Greater Initial Investment Required

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- 2011 = \$2.2M
- 2012 = \$7M
- 2013 = \$7M
- 2014 = \$5M
- 2015 = \$4M
- 2016 = \$4M

# Investment Requirement Discussion

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## ■ Key drivers of Commonwealth investment requirement:

- 50+/- FTE FMFADA organization to support master developer role
- Operational deficit
- Fiscal deficit (previously accrued to City of Hampton)
- “Worst case”
  - Uncovered infrastructure costs
  - Lack of residential leasehold revenue

## ■ Key drivers of financial sustainability:

- Interim leasing revenue
- Long term ground lease revenue
- Municipal service charges and fees
- Long-term residential leasehold revenue

## ■ Currently anticipating 2016 as break point

- Key assumption: long-term residential leasehold revenue
- Goal is to do better than the “worst case”

# Strategic State Investment

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- **Enables financial self-sustainability**
- **Generates jobs**
- **Generates tax revenues**
- **Strengthens regional tourism**
- **Preserves historic and natural assets**

# New Construction Jobs

- **Total construction economic output of \$864 million in Virginia**
- **Average of 420 construction jobs per year during 15-year build-out period**

<b>Geography/Impacts</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>City of Hampton</b>				
Output	\$497,014,000	\$119,253,000	\$87,371,000	<b>\$703,638,000</b>
Employment	224	73	60	<b>357</b>
<b>Virginia Beach-Norfolk-Newport News, MSA (a)</b>				
Output	\$497,015,000	\$160,091,000	\$152,302,000	<b>\$809,408,000</b>
Employment	224	87	93	<b>404</b>
<b>Virginia</b>				
Output	\$497,015,000	\$189,774,000	\$176,705,000	<b>\$863,494,000</b>
Employment	224	93	102	<b>419</b>

Notes:

(a) MSA includes: Gloucester County, Isle of Wight County, Mathews County, Surry County, York County, Chesapeake City, Hampton City, Newport News City, Norfolk City, Poquoson City, Portsmouth City, Suffolk City, Virginia Beach City, and Williamsburg City.

(b) Employment estimates assume the following construction period durations (in years):

15

Sources: IMPLAN, 2007; BAE, 2009.

- **Multiplier effect: Every dollar for construction results in \$1.73 in total economic activity in Virginia**

# New Permanent Jobs

- **FMFADA and its tenants, attractions, and concessions will generate \$333 million in total economic output at build-out**
- **3,000 permanent jobs created state-wide**

<b>Geography/Impacts</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>City of Hampton</b>				
Output	\$186,639,000	\$41,701,000	\$44,668,000	<b>\$273,008,000</b>
Employment	1,796	378	462	<b>2,636</b>
<b>Virginia Beach-Norfolk-Newport News, MSA (a)</b>				
Output	\$186,639,000	\$57,743,000	\$73,583,000	<b>\$317,965,000</b>
Employment	1,796	485	679	<b>2,960</b>
<b>Virginia</b>				
Output	\$186,639,000	\$62,001,000	\$84,875,000	<b>\$333,515,000</b>
Employment	1,796	467	738	<b>3,001</b>

Note:

(a) MSA includes: Gloucester County, Isle of Wight County, Mathews County, Surry County, York County, Chesapeake City, Hampton City, Newport News City, Norfolk City, Poquoson City, Portsmouth City, Suffolk City, Virginia Beach City, and Williamsburg City.

Sources: IMPLAN; Bay Area Economics, 2009.

- **Multiplier effect: Every dollar spent at Fort Monroe will result in \$1.74 in total economic activity for Virginia**

# Tax Revenue Payback

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**Virginia's initial \$29.3M investment in Fort Monroe will payoff with significant new tax revenue to the Commonwealth:**

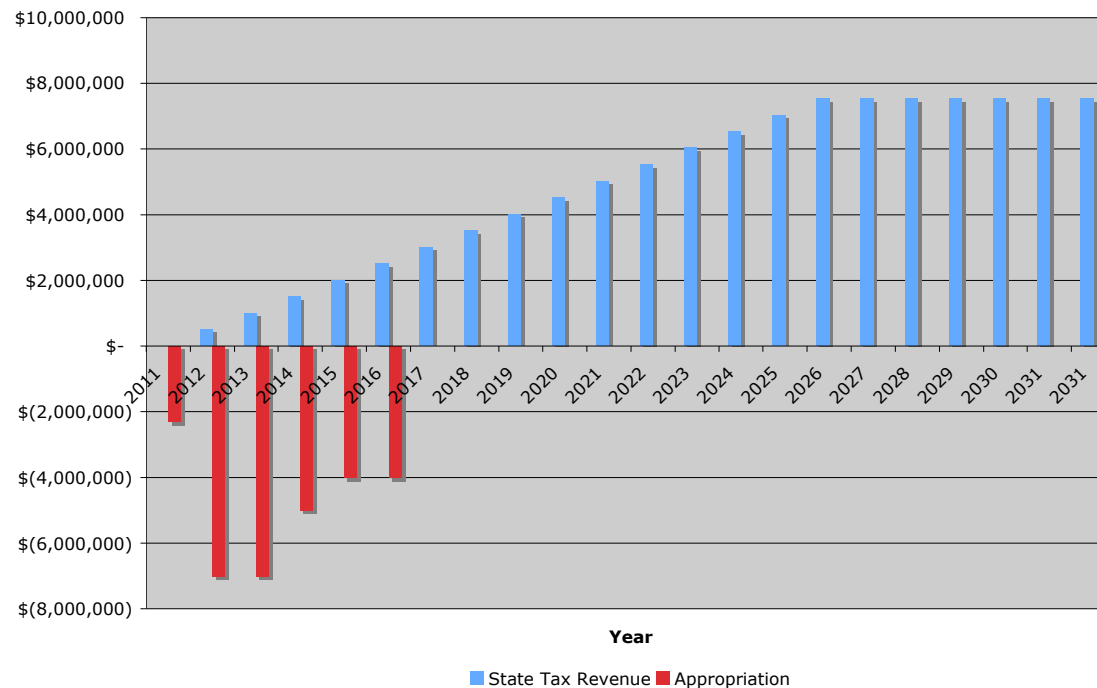
- Estimated \$7.5M annual tax revenue to Virginia (excludes local property and sales taxes to City of Hampton)
  - \$3.2M individual income tax
  - \$2.9M sales tax (includes only 2% to general fund)
  - \$1.4M other taxes, fees, & penalties
- Revenue to Virginia over first 15 years = \$52.7M
  - Average Annual Return on Commonwealth Investment = 9%
- Revenue to Virginia over 20-year planning period = \$105.5M
  - Average Annual Return on Commonwealth Investment = 14%

# Tax Revenue Payback -Details

- New occupants and tenants will generate new tax revenues for Commonwealth
- IMPLAN estimate of “stabilized” tax revenue ramped up over 15-years - numbers will be refined
- Note: tax revenue in early years lower “net” investment cost

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Investment Cost & State Tax Revenue



# Major Support to Regional Tourism

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Fort Monroe and Old Point Comfort will significantly enhance Virginia's position as a major leisure and recreational destination:

- Goal: Expand "Golden Triangle" to "Golden Quadrangle"
  - Lower Peninsula/FM , Williamsburg, Jamestown, and Yorktown
- Forecast 125,000+ annual cultural/heritage visitors
- 125,000 annual day-trippers for beach and recreation
- Strategic marketing partnerships with State and local convention and visitors bureaus and agencies
- NPS Partnership strengthens branding and enhances visitation

# Preserving Virginia's History

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The Commonwealth's investment in Fort Monroe will also yield intangible benefits related to preserving a critical part of Virginia's rich history. Fort Monroe's Anglo settlement and fortifications go back over 400 years:

- **1607: was named Point Comfort**
- **1609: Fort Algernoune - protect Jamestown**
- **1819-1834: Fort Monroe and Fort Calhoun (Fort Wool) built in response to War of 1812**
- **1861: Gen. Butler's "contraband slave decision"**
- **Post-Civil War: Artillery Corps**
- **Since WWII: mission to train soldiers**
- **Since 1973: headquarters for Training and Doctrine Command (TRADOC)**
  
- **National Historic Landmark since 1960**

# Wherry Housing - Improvements

- Investment approach to be utilized
- Improvements to be made that “add value”
  - Updated kitchens/baths, shutters, landscaping et cet.
- FMFADA, supported by Leasing and Property Manager, to make final analysis and investment decisions
- Example analysis:

## \$250,000 Improvement Budget

<b>No. Units Upgraded</b>		24
<b>Current Average Rent</b>	\$	500
<b>Rent with Upgrades</b>	\$	750
<b>Change in Rent</b>	\$	250
<b>Annual Revenue Change</b>	\$	70,800
<b>Required Investment</b>	\$	250,000
<b>Per Unit Investment</b>	\$	10,593
<b>Payback Period in Years</b>		3.5
<b>Total Units</b>		118
<b>Percent Upgraded</b>		20%