



# **Fiscal Impact of Urban Infill Multifamily Development**

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Land Use Policy Committee

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# *PURPOSE OF STUDY*

Fairfax County requested MuniCap to analyze the fiscal impacts of urban infill multifamily development, such as the repurposing of a hypothetical vacant office building into multifamily housing.

## *CONSIDERATIONS UNIQUE TO URBAN INFILL MULTIFAMILY*

- High-density multifamily buildings can dramatically increase the taxable value compared to underutilized office buildings.
- Mid/high rise urban infill multifamily have relatively low student generation impacts.
- Urban infill areas require fewer capital improvements, as much required public infrastructure is already in place.

# *KEY FINDINGS*

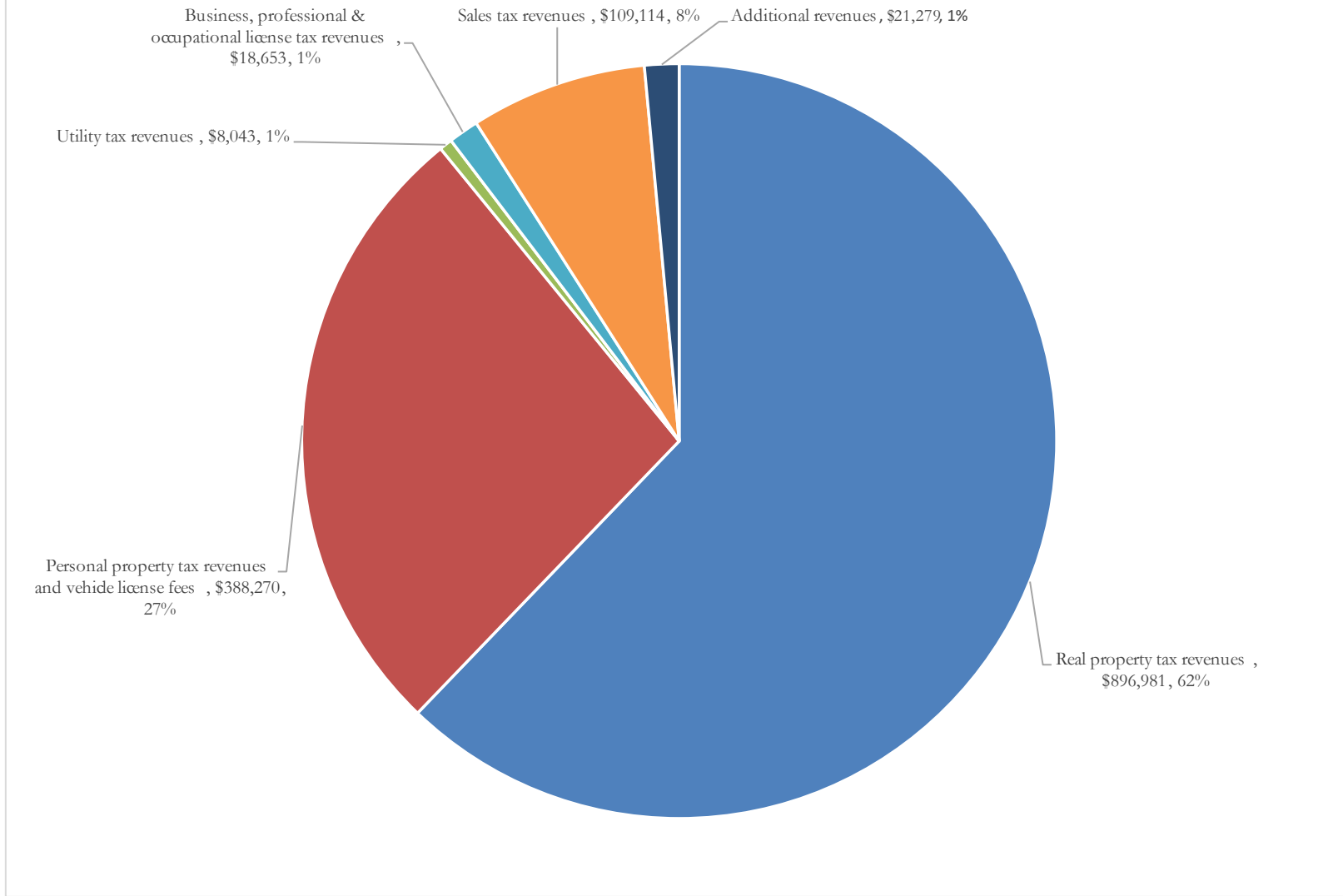
- **Urban infill multifamily development generates a significant positive fiscal impact:**
  - **Annual fiscal impact: \$609,008**
  - **Cumulative fiscal impact over 30 years: \$18,376,546**
- **The hypothetical conversion of vacant office into multifamily housing also represents a significant net positive fiscal impact to the County. Based on representative buildings:**
  - **Annual net increase: \$425,613**
  - **Cumulative net increase over 30 years: \$12,874,688**
- **Multiple such conversions have recently occurred or are underway in the County and the County has adopted policies that facilitate conversions in appropriate circumstances.**

# *KEY FINDINGS, CONTINUED*

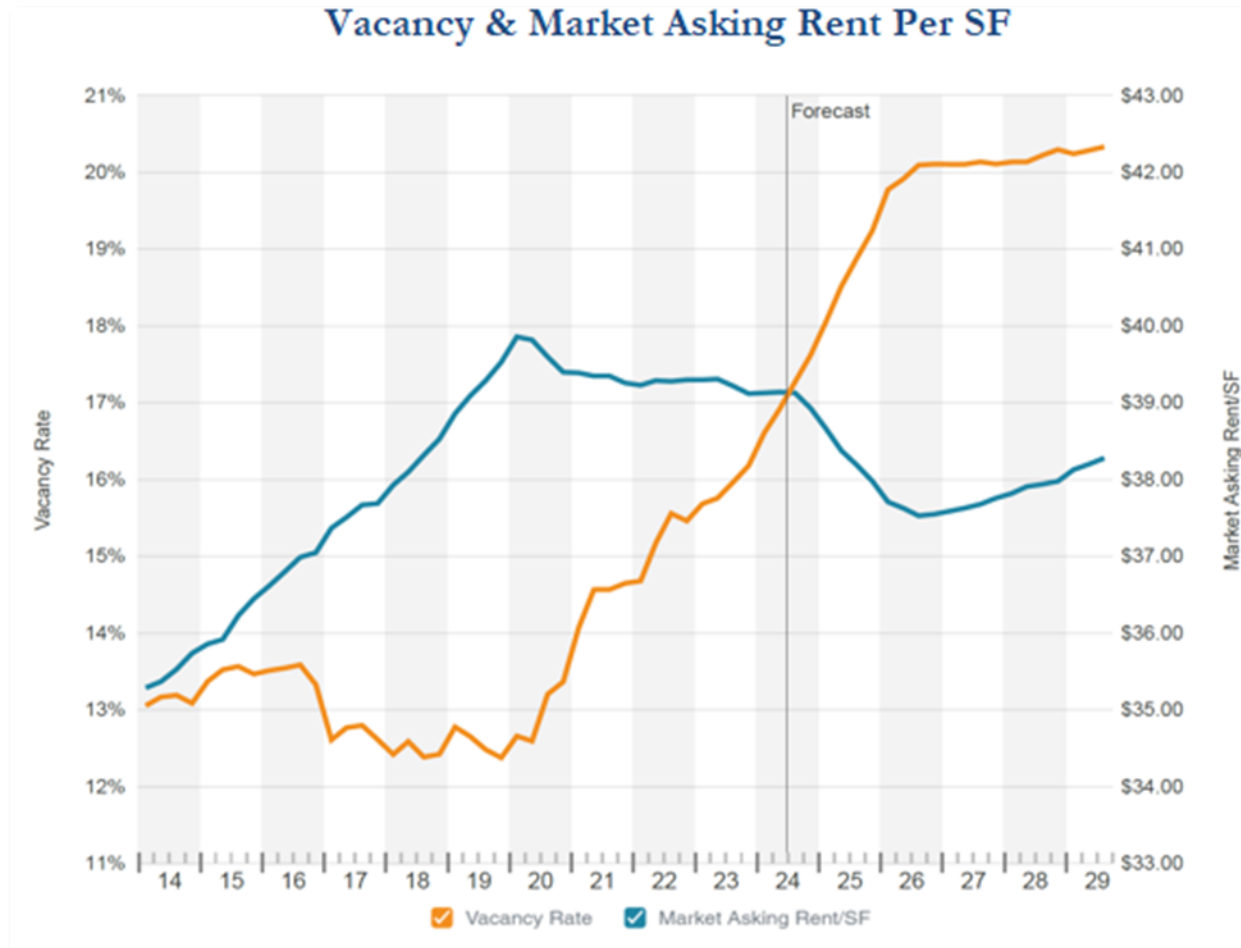
- Projected real and personal property tax revenues under the Multifamily Scenario are more than 4x those generated under the Vacant Office Scenario.
  - Property tax revenues represent 73.62% of the County revenues.
- Under the Multifamily Scenario, a high percentage of the projected increase in expenditures is attributable to school operations.
  - School operating expenditures represent 45.56% of the County expenditures.
- Vacant buildings still incur expenses for the County.
  - While vacant building generate little in terms of revenue, they generate public safety costs.
- Conversions and urban infill multifamily buildings can have ancillary benefits.
  - Multifamily properties can also help create a vibrant community, resulting in people patronizing stores and restaurants.

# KEY FINDINGS, CONTINUED

## Multifamily Scenario - Annual Revenues

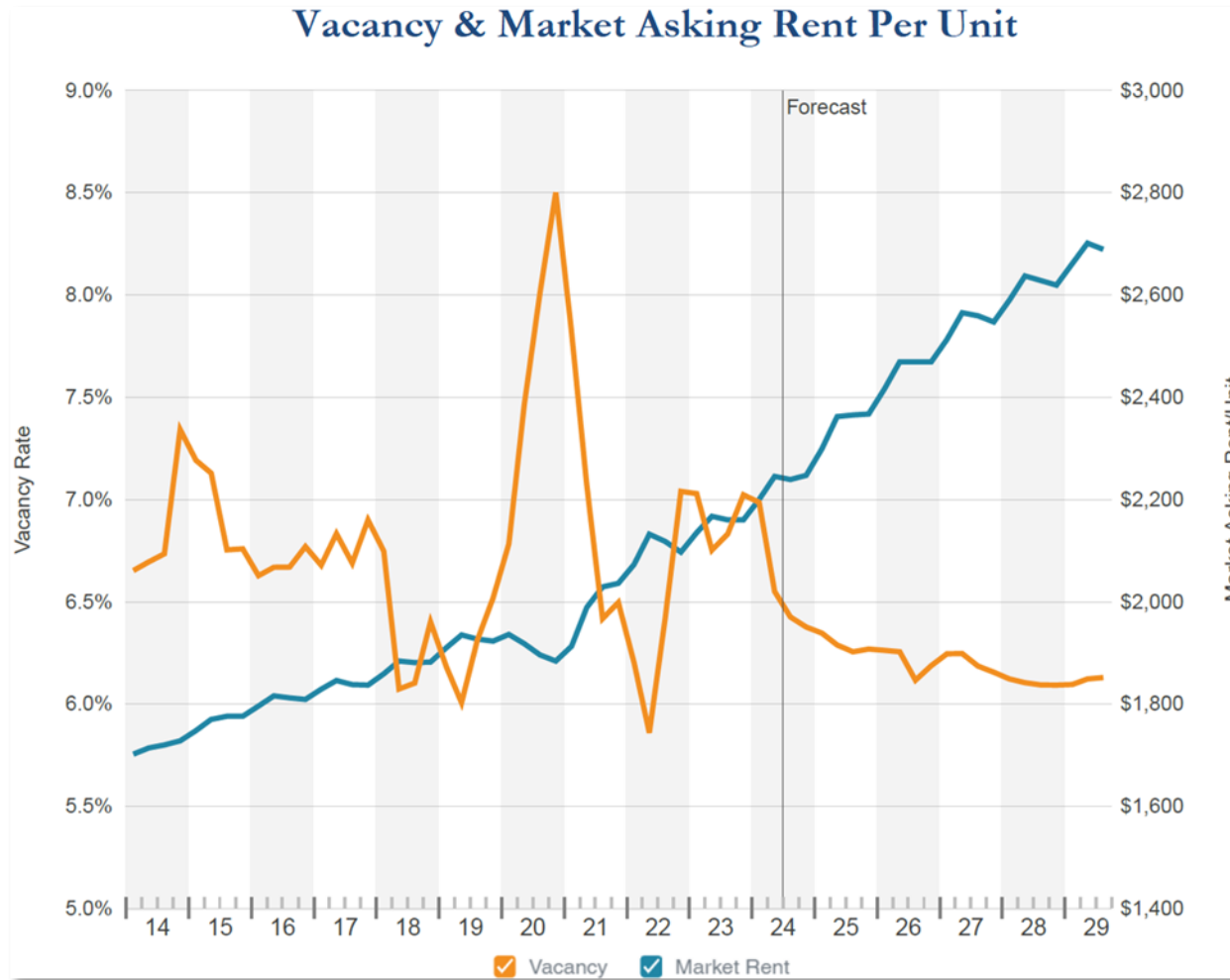


# VACANCY AND MARKET ASKING RENT - OFFICE



Source: CoStar, accessed September 2024.

# VACANCY AND MARKET ASKING RENT - MULTIFAMILY



Source: CoStar, accessed September 2024.



# ASSUMPTIONS

## ➤ Multifamily Scenario

- Estimates impacts of mid to high-rise multifamily apartments in an infill location.
- A comparison is also made to a hypothetical vacant office building repurposed into for-rent multifamily property

## ➤ Vacant Office Scenario

- Hypothetical vacant office remains unoccupied and unconverted

## ➤ Assumptions:

- Revenues and expenditures are calculated for thirty years (through fiscal year 2054).
- Values, sales, and corresponding taxes do not increase with appreciation or inflation.
- Tax rates remain static at fiscal year 2025 rates.
- Scenarios are illustrative and do not represent a specific planned development.

	Multifamily Scenario <sup>(a)</sup>	Vacant Office Scenario <sup>(a)</sup>
Building description	270,767 GSF/240 Units	270,767 GSF
Assumed occupancy	94%	0%
Market rent	\$2,650 per unit	\$0.00 PSF
Estimated employees	5	0
Estimated residents	587	0
Estimated students	24	0
Assessed value per unit/GSF	\$332,215	\$70
Total assessed value	\$79,731,640	\$18,926,759

<sup>(a)</sup>See Multifamily Conversion Fiscal Impact Analysis Report prepared by MuniCap dated September 23, 2024.

# SUMMARY OF RESULTS – MULTIFAMILY FISCAL IMPACTS

Fiscal Impacts to Fairfax County	Multifamily Fiscal Impacts	
	Annual Impacts	Cumulative Impacts 30 Years
Real property tax revenues	\$896,981	\$26,909,429
Personal property tax revenues and vehicle license fees	\$388,270	\$11,648,100
Utility tax revenues	\$8,043	\$241,297
Recordation tax revenues	\$0	\$106,309
Business, professional & occupational license tax revenues	\$18,653	\$559,578
Sales tax revenues	\$109,114	\$3,273,430
Additional revenues	\$21,279	\$638,361
<b>Total projected tax revenues</b>	<b>\$1,442,340</b>	<b>\$43,376,504</b>
<b>Total projected expenditures</b>	<b>(\$833,332)</b>	<b>(\$24,999,958)</b>
<b>Projected net fiscal impact</b>	<b>\$609,008</b>	<b>\$18,376,546</b>

# SUMMARY OF RESULTS – ANNUAL IMPACTS

Fiscal Impacts to Fairfax County	Annual Fiscal Impacts		
	Multifamily Scenario	Vacant Office Scenario	Delta <sup>(a)</sup>
Real property tax revenues	\$896,981	\$212,926	\$684,055
Personal property tax revenues and vehicle license fees	\$388,270	-	\$388,270
Utility tax revenues	\$8,043	\$8,789	(\$746)
Recordation tax revenues	\$0	-	\$0
Business, professional & occupational license tax revenues	\$18,653	-	\$18,653
Sales tax revenues	\$109,114	-	\$109,114
Additional revenues	\$21,279	-	\$21,279
<b>Total projected tax revenues</b>	<b>\$1,442,340</b>	<b>\$221,715</b>	<b>\$1,220,625</b>
<b>Total projected expenditures</b>	<b>(\$833,332)</b>	<b>(\$38,320)</b>	<b>(\$795,012)</b>
<b>Projected net fiscal impact</b>	<b>\$609,008</b>	<b>\$183,395</b>	<b>\$425,613</b>

<sup>(a)</sup>Delta represents the difference in fiscal impacts between the Multifamily Conversion Scenario and Vacant Office Scenario.

# SUMMARY OF RESULTS – CUMULATIVE IMPACTS

Fiscal Impacts to Fairfax County	Cumulative 30-Year Fiscal Impacts		
	Multifamily Scenario	Vacant Office Scenario	Delta <sup>(a)</sup>
Real property tax revenues	\$26,909,429	\$6,387,781	\$20,521,647
Personal property tax revenues and vehicle license fees	\$11,648,100	-	\$11,648,100
Utility tax revenues	\$241,297	\$263,664	(\$22,367)
Recordation tax revenues	\$106,309	-	\$106,309
Business, professional & occupational license tax revenues	\$559,578	-	\$559,578
Sales tax revenues	\$3,273,430	-	\$3,273,430
Additional revenues	\$638,361	-	\$638,361
Total projected tax revenues	\$43,376,504	\$6,651,445	\$36,725,059
Total projected expenditures	(\$24,999,958)	(\$1,149,588)	(\$23,850,370)
<b>Projected net fiscal impact</b>	<b>\$18,376,546</b>	<b>\$5,501,857</b>	<b>\$12,874,688</b>

<sup>(a)</sup>Delta represents the difference in fiscal impacts between the Multifamily Conversion Scenario and Vacant Office Scenario.

# METHODOLOGY (REVENUES)

MuniCap reviewed County General Fund revenues and determined which revenue streams were likely to be impacted under each scenario. MuniCap employed one of two accepted approaches:

- **CASE STUDY** – Research methodology used by County to generate actual revenue; model approach to generate forecasts. (Used to estimate all revenues except for “additional revenues.”)
- **AVERAGE IMPACT OR PRO RATA APPROACH** – Apportion current County revenues according to existing County resident or service populations; forecast future revenues based on projected increase to applicable population

Revenue Source	Revenues Impacted by Scenario	
	Multifamily Scenario	Vacant Office Scenario
Real property tax revenues	X	X
Personal property tax revenues and vehicle license fees	X	-
Utility tax revenues	X	X
Recordation tax revenues	X	-
Business, professional & occupational license tax revenues	X	-
Sales tax revenues	X	-
Additional revenues	X	-

# METHODOLOGY (EXPENDITURES)

MuniCap reviewed County General Fund expenditures and determined which line items would likely be impacted under each development scenario.

- County expenditures for both the Multifamily Conversion Scenario and the Vacant Office Scenario were estimated based on pro rata increases in development.

Expenditures	Expenditures Impacted by Scenario	
	Multifamily Scenario	Vacant Office Scenario
<b>Judicial Administration</b>		
Office of the Sheriff	X	X
<b>Public Safety</b>		
Police Department	X	X
Office of the Sheriff	X	X
Fire and Rescue Department	X	X
Department of Emergency Management and Security	X	X
Department of Animal Sheltering	X	-
<b>Public Works</b>		
Facilities Management Department	X	-
<b>Health and Welfare</b>		
Department of Family Services	X	-
Health Department	X	-
Department of Neighborhood and Community Services	X	-
<b>Park and Libraries</b>		
Fairfax County Park Authority	X	-
Fairfax County Public Library	X	-
<b>Transfers out</b>		
School operating	X	-

# *CONCLUSIONS*

- Urban infill multifamily development results do not include indirect, induced, and ancillary benefits.
  - These impacts are anticipated but not included.
- Under Multifamily Conversion Scenario, annual positive net fiscal impacts are projected to be 3.32x greater than under Vacant Office Scenario.
- Vacant buildings represent service costs to County.
- Vacant buildings can depreciate value of surrounding properties, negatively impacting County's single largest source of revenue.