STAFFORD Virginia

#29

BOARD OF SUPERVISORS

Agenda Item

Meeting Date:	June 20, 2017
Title:	Approve an Award of Future Incremental Taxes to Incentivize the Redevelopment of Aquia Town Center
Department:	Economic Development
Staff Contact:	Bruce Register; Director of Economic Development
Board Committee/ Other BACC:	N/A
Staff Recommendation:	N/A
Fiscal Impact:	See background report
Time Sensitivity:	N/A

ATTACHMENTS:

1.	Background Report	3.	Renaissance Financial Analysis
2.	Proposed Resolution R17-183		

	Consent Agenda		**Other Business**		**Unfinished Business**
	Discussion		**Presentation**		**Work Session**
X	**New Business**		**Public Hearing**		**Add-On**

REVIEW:

X	County Administrator	Thomas C. Foley
X	County Attorney (*legal review only*)	Charles L. Shumate
X	Finance and Budget	Andrea Light

DISTRICT:	Aquia

Attachment 1
R17-183

BACKGROUND REPORT

The Aquia Town Center (Center) has long been a key commercial gateway to the County, and the Center has been adversely affected by the general economic decline in recent years. The Center has been in an under developed state for over a decade and is beginning to negatively affect other businesses in that area. Redevelopment of this important gateway would positively impact the entire Route 1 corridor around the Garrisonville Road and the Interstate 95 interchange.

In order to spur redevelopment, in September 2015, the Board entered into a tax increment financing (TIF) Memorandum of Understanding (MOU), with the County's Economic Development Authority (EDA) and Mosaic Aquia Capital, LLC (Mosaic). The MOU is to provide financial assistance via a portion of taxes paid being returned to Mosaic to enable the development of the commercial portion of the Center (Project). Due to financial complications with the anchor store, Mosaic has not been able to complete negotiations and move this Project forward. Therefore, Mosaic has requested a partnership with the County to amend the MOU in order to ensure that redevelopment of the Center proceeds.

To fully assess the economic impacts of the development and the financial gain the Project would bring to the County, the Board engaged Renaissance Planning Group (Renaissance) as an external financial consultant. Renaissance projected that the tax revenues from the proposed development could be more than $71 million over the next 30 years. The Renaissance projections assume a full build out of the Center with retail, restaurant, and grocery uses by 2017. The actual incremental tax revenue (ITR) would be less, as Mosaic projects that full build out of the Center would likely take 18 months after construction begins. Completion of this Project would immediately increase the real estate and personal property tax revenue, as well as increase the sales and meals tax collected by shopping and restaurant venues.

The TIF MOU would return a portion of the increased tax revenue back to Mosaic. Under the current MOU, the County would return 75% of the tax revenue paid above the baseline to Mosaic (via the EDA) up to $6.25 million at the time the agreement was approved, with a net present value escalation of 5%. Under the requested amendments to the MOU, the County would return 80% of the tax revenue paid above the baseline to Mosaic (via the EDA) up to $18.25 million in current dollars with a net present value escalation of 5%. Even with the TIF returns, the overall tax revenue received and retained by the County would increase. The $71 million tax revenue calculated by Renaissance does not include the expected revenue increase from neighboring businesses.

The Board has been working for many years to bring investments to the property to fulfill the vision of the Center, approved in 2008, but it lacked progress until Mosaic purchased the property. Mosaic's plan for the Center proposes to fulfill much of that vision, and to create an active and vibrant major commercial gateway to the County, which has the potential to positively affect the larger area.

Approval of proposed Resolution R17-183 authorizes an award of future increment tax financing to Mosaic for the redevelopment of Aquia Town Center.

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, George L. Gordon, Jr., Government Center, Stafford, Virginia, on the 20th day of June, 2017:

MEMBERS:	VOTE:
Paul V. Milde, III, Chairman	
Meg Bohmke, Vice Chairman	
Jack R. Cavalier	
Wendy E. Maurer	
Laura A. Sellers	
Gary F. Snellings	
Robert "Bob" Thomas, Jr.	

On motion of , seconded by , which carried by a vote of to , the following was adopted:

A RESOLUTION TO APPROVE AN AWARD OF FUTURE INCREMEMENTAL TAXES TO MOSAIC AQUIA CAPITAL, LLC TO INCENTIVIZE THE REDEVELOPMENT OF AQUIA TOWN CENTER

WHEREAS, the Aquia Town Center has long been a key commercial gateway to the County, and the property has been adversely affected by the general economic decline in recent years; and

WHEREAS, Mosaic Aquia Capital, LLC (Mosaic), a private real estate investment firm founded in 2012 for the primary purpose of investing in office, retail and industrial real estate in the Mid-Atlantic region, has acquired the commercial portion of the Aquia Town Center, Tax Map Parcel No. 21-49 (Property); and

WHEREAS, the Renaissance Planning Group, an external financial consultant, projected that the tax revenues from the proposed development would exceed $71 million over the next 30 years; and

WHEREAS, Mosaic requested assistance from the County in the form of a future incremental tax supported incentive; and

WHEREAS, Mosaic would use these funds to go to construction on approximately 167,000 square feet of new commercial space, at an estimated cost of $55 million; and

WHEREAS, having the Aquia Town Center operating as an active and vibrant major commercial gateway located adjacent to Interstate 95, Route 1, and Garrisonville Road is in the best interest of the citizens of Stafford County; and

WHEREAS, the Board desires to bring investment to the Property to fulfill the vision of the Aquia Town Center, approved in 2008; and

WHEREAS, the Board believes Mosaic's proposal for the Aquia Town Center fulfills much of that vision and will have a positive economic impact on the broader area around the Town Center; and

WHEREAS, the Board approved a prior tax incentive agreement with Mosaic, but Mosaic requires additional incentives to bring a desirable anchor tenant to the Project; and

WHEREAS, the Board created the Economic Development Authority of Stafford County, Virginia (EDA), pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2 of the Code of Virginia of 1950, as amended (Act); and

WHEREAS, the County has the authority, pursuant to Virginia Code § 15.2-953, to make gifts, donations and appropriations of money to the EDA for the purposes of promoting economic development; and

WHEREAS, the EDA has the authority to make grants of money and property pursuant to the Act in furtherance of its purposes, including promoting economic development; and

WHEREAS, the Board determined that it is necessary and desirable to provide certain incentives for the redevelopment and development of Aquia Town Center (Project) which it believes will have a positive economic impact beyond the Town Center; and

WHEREAS, the Project would further the public interest and benefit the County and its citizens through the redevelopment of an under developed area in Stafford County, and by creating additional jobs in the County and increasing the County's tax base; and

WHEREAS, the Board desires to enter into an agreement with the EDA and Mosaic, providing for the terms of the incentives to be provided to Mosaic for the Project;

NOW, THEREFORE, BE IT RESOLVED by the Stafford County Board of Supervisors on this the 20th day of June, 2017, that it be and hereby does approve Mosaic Aquia Capital LLC's (Mosaic) request, in an amount up to Eighteen Million Two Hundred Fifty Thousand in current dollars ($18,250,000) to be outlined in a Memorandum of Understanding (MOU) as referenced below, paid annually with a net present value escalation of 5%, in an amount not to exceed the incremental increases in the previous year's tax collections on the commercial property at Aquia Town Center (Tax Map Parcel No. 21-49), to assist in the redevelopment and revitalization of the Aquia Town Center; and

BE IT FURTHER RESOLVED that the County Administrator is authorized to draft, negotiate, and execute a MOU with Mosaic and the Stafford County Economic Development Authority (EDA) to realize this incentive from said account in conformance with the terms of this Resolution and other material terms as determined by the Board; and

BE IT FURTHER RESOLVED that the County Administrator is authorized to transfer funds each calendar year to the EDA, subject to annual appropriation by the Board; and

BE IT STILL FURTHER RESOLVED that under the terms of the MOU, the EDA will remit the funds to Mosaic, until such time as an amount up to $18,250,000, in current dollars, is paid in full to satisfy this commitment.

TCF:MTS:br

RENAISSANCE PLANNING GROUP

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Aquia Towne Center Economic Benefits

NOTICE of CONFIDENTIAL INFORMATION NOT TO BE DISCLOSED

Stafford County Department of Economic Development & Tourism, 1300 Courthouse Road, Stafford, Virginia 22555 is in receipt of a May 6, 2017 request for confidentiality and has subsequently issued an assurance of confidentiality to Mosaic Aquia Capital LLC in a letter dated May 9, 2017. That promise of confidentiality extends to all contents of this report in accord with Virginia Code § 2.2-3705.6(3) and the Stafford County Freedom of Information Act Policy, as amended by Resolution R17-61. All proprietary information voluntarily provided by Mosaic Aquia Capital LLC, used by the County for business, trade, and tourism development or retention; and memoranda, working papers, or other information related to businesses that are considering locating or expanding in Virginia, prepared by the County, where competition or bargaining is involved and where disclosure of such information would adversely affect the financial interest of the County, will be held in confidence and shall not be disclosed.

Executive Summary

Renaissance prepared projections of the real and business property, sales, and meals tax revenues that would be collected by Stafford County from two scenarios of property improvement at the Aquia Towne Center. The analysis considers only revenues from these major tax sources that are generated from new development considered in each scenario. The projections are for a 30-year horizon, and the streams of revenue are converted to their net present values using a range of discount rates to account for different potential approaches to using the revenue to incentivize the property improvements. Data tables showing the detailed results by scenario are attached at the end of this paper. The results are summarized in the table below, which compares the results using a five percent discount rate.

Table 1: Comparison of Scenario Results Using a Five Percent Discount Rate

Scenario	**NPV of Total Revenue**
Scenario A – Retail, Restaurant and Grocery	$34,034,748
Scenario B - Retail, Pharmacy and Grocery	$24,171,985

Scenarios A and B are roughly the same size (166,859 GSF and 172,426 GSF respectively). The principal difference between the two scenarios is the inclusion of restaurant space in Scenario A which generates tax revenue based on the 4.0% meals tax, whereas other general retail sales are taxed at the lower 1.0% rate.

Background and Context

The objective of this white paper is to examine the public benefits that might be associated with varying levels of reinvestment and redevelopment of portions of the Aquia Towne Center property. This memorandum summarizes two scenarios currently contemplated for the site, updating similar analyses performed in 2014 and 2015.

Plans are in place for the redevelopment of the entire Aquia Towne Center property into a mix of retail, restaurant, office, and multifamily residential uses. Some progress on redevelopment has been made, namely a new office building and the construction of multifamily apartments on the southern end of the site. But most the site remains currently vacant, with legacy uses consisting of a retail building solely occupied by a Rite Aid drugstore plus an adjacent vacant retail space. Stafford County wishes to understand the potential revenues that could be generated by the vacant portion of the site under different scenarios of property improvement. These revenues could potentially be used to incentivize the improvement of the properties as part of a broader strategy of spurring the redevelopment of the entire Towne Center site.

The scenarios analyzed in this paper are:

- Scenario A: Development of an additional 62,942 GSF of general retail space, 27,800 GSF of restaurant space, and 76,117 GSF of grocery space.
- Scenario B: Development of an additional 79,847 GSF of general retail space, 11,115 GSF of pharmacy space, and 81,464 GSF of grocery space.

Real property taxes, sales taxes, and meals taxes are the revenues projected in this analysis, because they are the primary taxes being generated by the two properties.

Tax Revenue Analysis

We prepared projections of the tax revenue generated by each of the two scenarios described above. The detailed results are shown in the exhibit tables attached at the end of this paper. For each scenario, the tax revenues are projected for a 30-year horizon starting in 2018, and the net present value (NPV) of the stream of revenue is calculated for a set of discount rates. Because we do not know the method that the County may use to leverage this revenue, we are showing discount rates that range from four percent (probably close to the County's cost of funds) to seven percent (probably closer to the interest rate that would be assigned to a TIF revenue bond). A specific discount rate can be tested with the County's guidance on what would be appropriate.

The discussion below describes our methodology, data sources, and assumptions.

Approach Summary

Each of the occupied properties will generate real property tax and either meals or sales taxes. From a property tax perspective we assessed comparable total assessed property values per total building square feet to derive estimates that could logically be applied to new development at Aquia Towne Center. The square footage of comparable sites was reviewed, including consideration of overall parcel assessed value (including ancillary uses such as parking and loading) as a function of the building square footage.

The assessed values were assumed to increase at an annual inflation rate of two and a half percent, but this inflationary increase is applied biennially because properties in Stafford County are reassessed every two years. We used the current County property tax rate of 0.99 percent, which was obtained from the County website. The projections reflect a one-year lag between assessment and tax collection, so the taxes on the 2015 value are collected in 2016 and so on.

The sales values were based on a combination of local comparable properties, where reasonably available from ESRI Business Analyst and supplemented by national averages. Specific assumptions for each of the retail use types are described in the following sections.

The business personal property taxes and merchants capital taxes were provided by the Office of the Commissioner of Revenue based on estimates from similarly sized retail properties within Stafford County based on the types of uses in Scenario A and generally considered representative of the uses in Scenario B.

Pharmacy / Drugstore Comparables

For the purposes of this report, we have used the terms "pharmacy" and "drug store" interchangeably, recognizing that the comparables we are examining are generally national chains such as CVS, Walgreens, and Rite-Aid that include both prescription pharmacy and sell both over the counter (OTC) medicines and other sundries. To estimate the assessed value of new pharmacy space we identified six comparable stand-alone drugstores in Stafford County and obtained their property data and assessed values from the County GIS website. The comparable properties and the relevant information are shown in the table below.

Table 2: Drugstore Assessed Value Comparables

Drugstore	Address	Year Built	Total Assessed Value	Building SF	Assessed Value PSF
CVS/Pharmacy	2614 Jefferson Davis Hwy	1997	$1,494,300	8,757	$171
CVS/Pharmacy	388 Garrisonville Rd	2014	$3,795,400	14,832	$256
CVS/Pharmacy	902 Garrisonville Rd	2010	$3,107,700	14,901	$209
CVS/Pharmacy	1 McWhirt Loop	2003	$2,108,100	11,946	$176
CVS/Pharmacy	450 Chatham Heights Rd	2002	$1,916,300	10,107	$190
Rite Aid	1095 International Pkwy	2006	$3,031,400	14,535	$209
Average Assessed Value PSF					$202

Based on the property tax comparables, we assumed that the assessed value the pharmacy property would be $200 per square foot.

We considered both local sales from comparable drug stores from ESRI Business Analyst and national sales data compiled by third party sources. CVS is the most common pharmacy in the study area, and Net Lease Advisor indicates that the CVS sales per square feet average $840, higher than the $680 average for publicly traded drugstores.[1] Drugstorenews.com identifies Walgreens, CVS Health, and Rite-Aid as the three highest sales revenue generators nationwide, with average sales per square feet of $667.[2] However, about two-thirds of sales from each of these three retailers is prescription medicine which is exempt from sales tax. (Non-prescription medicines are also exempt from sales tax, which would affect the sales revenues from both pharmacy and grocery stores, but non-prescription medicines account for only about 7% of the value of prescription medicines statewide.[3] The average sales of non-medical for the three retailers is about $214; we assumed $215 for our analysis.

Grocery Store Revenue

To estimate the assessed value of the new grocery store, we identified five full-line grocery stores in Stafford County or the City of Fredericksburg and obtained their property data and assessed values from the jurisdictions' GIS websites. The comparable properties and the relevant information are shown in the table below. We used the average assessed value of the four stores which have larger footprints in line with the proposed site. These also happen to be the four stores constructed after 2000 which likely affects the assessed value, although over the 30-year study amortization period the Aquia Towne Center site is likely to undergo several types and phases of reinvestment.

Table 3. Grocery Store Assessed Value Comparables

Grocery Store	Address	Year Built	Total Assessed Value	Building SF	Assessed Value PSF
Shoppers Food*	1505 Stafford Marketplace, Stafford	2003	$12,891,361	68,109	$189
Giant Food	317 Worth Ave, Stafford	2002	$7,806,900	64,814	$120
Food Lion	2612 Jeff Davis Hwy, Stafford	1992	$2,673,300	35,214	$76
Giant Food*	35 Town and Country Rd, Falmouth	2004	$6,899,860	60,600	$114
Wegmans	2281 Carl D. Silver Pkwy, Fredericksburg	2009	$22,972,536	150,762	$152

[1] "Net Lease Advisor", Calkain Companies, http://netleaseadvisor.com/tenant/cvs/
[2] "PoweRx Top Pharmacy Retailers", Drugstorenews.com, April 27, 2015
[3] "Executive Summary: Drugs and Other Medical Items (Sales Tax)", Virginia Joint Subcommittee to Evaluate Tax Preferences, July 2014: http://dls.virginia.gov/commissions/tax/files/report%20Drugs.pdf

Average Assessed Value PSF	$130
Average Assessed Value PSF – Stores With > 50,000 GSF Footprint	$144

* Assessed value pro-rated to reflect exclusion of attached supporting retail

ESRI Business Analyst does not provide reliable annual sales figures for individual comparable stores to produce an appropriate sample set to analyze, so we assessed both average sales for stores within the region and industry-level sources to estimate the sales at the proposed new grocery store. According to the Food Marketing Institute (FMI), the median weekly sales per square foot of selling area achieved by U.S. supermarkets in 2015 was $11.03, which translates to $574 on an annual basis.[4] This value is down 9% from the 2013 value of $11.85 from the same source. Because this figure is reported for selling area only, it would be lower when calculated for total building area (which is the square footage figure we obtained for our comparable stores). The FMI also reported that the median annual store sales divided by the median total store area was $431 per square foot. ESRI Business Analyst indicates that the average annual store sales for ten area sites is $465 per square foot, which we assumed for this analysis.

Restaurant and Retail Space

For the retail and restaurant space, we selected our assumptions for assessed value and sales with the following considerations in mind. The analysis prepared by MuniCap, Inc. for the Town Center at Aquia CDA estimated that the assessed value for new retail space would be $150 per square foot and for new restaurant space would be $190 per square foot. These seem to be reasonable assumptions and are in line with our assumption of $125 per square foot for the new grocery store, which is a significantly larger building and would thus typically have a lower per-square foot valuation for physically similar space. Restaurant space can be expected to have a higher valuation than general retail space because of the higher level of interior build-out and finishes.

For the general retail space we assumed annual sales of $350 per square feet, based on the 2016 Virginia data compiled by the International Council of Shopping Centers (ICSC) estimates of $378 for Virginia and $342 nationwide.

For the restaurant space we assumed annual sales of $530 per square foot. This is based on the average revenue per square foot of the largest casual dining restaurant chains in the U.S., as reported by a financial analyst examining the state of the industry.[5]

Summary of Tax Revenue

Attachments A and B show the analysis results for Scenarios A and B respectively.

[4] "Supermarket Facts". https://www.fmi.org/our-research/supermarket-facts
[5] "Darden Analysis: Why Revenue per Square Foot is Essential." http://marketrealist.com/2013/11/darden-analysis-revenue-per-square-foot-essential

Sensitivity Considerations

The analysis described in this memorandum reflects several standardized assumptions in both the approach and in specific numeric values. This section of the memorandum describes several considerations that could be applied to consider the sensitivity of the approach to alternative assumptions.

Value of the No-Build Scenario

The consideration of economic benefits is based on total values for comparable developed and productive properties, with those benefits applied to new development on portions of the Aquia Towne Center property.

An argument could be made that under a "no-build" scenario the vacant portions of the Aquia Towne Center property are still generating at least a nominal amount of property tax. The 24.96-acre parcel (Parcel 49R) that these uses are assumed to be operated upon has a current appraised and assessed value of $6,245,100 of which $6,100,000 is land value and $145,000 is improvement value. The improvement value is associated with the neighborhood strip center containing the Rite Aid store. The current land value also reflects the surface parking associated with the 32,198 GSF office building at 475 Towne Center Drive, which is a condominium site with a land value of $611,000 and an improvement value of $15,554,700.

For the sake of simplicity, we did not attempt to define and disaggregate the portion of the assessed land value of the subject property associated with the office parking, the active Rite-Aid store, and the vacant retail space. However, a quick sensitivity test shows the degree to which the existing assessed land value could be considered in comparing Scenarios A and B. The existing assessed value is roughly one quarter of the 2018 assessed property value in both Scenarios A and B, and the property tax accounts for roughly one-sixth of the benefits in each scenario, so the effect of assuming that the no-build scenario has no property tax value (other than associated with the existing uses) could at most account for about 4% of the estimated NPV.

Specific Tenant Markets

The specific tenants in a retail center can affect many elements of sales, including the draw of customers from both distinct market segments and drive-time distances. These market characteristics in turn affect sales volumes and prices per square foot. These effects apply to each of the four categories of retail use, but are probably most sensitive to the grocery store and restaurant categories. The site has consistently been marketed as likely to include a high-end grocery store, with Harris Teeter specifically named in promotional materials. Stafford County currently does not have a comparable grocery store in the general vicinity; the area is generally served by grocers Giant, Food Lion, and Aldi, as well as smaller independent neighborhood grocers.

In our November 2014 technical memorandum we examined then-current data for both Harris Teeter and Whole Foods in considering an appropriate sales per square foot estimate. Harris Teeter is an upscale grocery chain that operates in the Mid-Atlantic region; its company-wide estimated store sales performance was reported to be $455 per square foot as of 2013. Whole Foods, another upscale chain that operates nationally, is reported to have a store average of around $530 per square foot. The $530 per square foot estimate is 14% higher than the $465 value used in the analysis, yet the grocery sales are only about one-third of the tax revenue in Scenario B (with the larger grocery store assumption and the lack of a restaurant to generated meals tax). If the $530 value is used instead of the $465 value, the NPV of either scenario would increase by roughly a million dollars at a five percent discount rate (an increase of about 5% for Scenario B and about 3% for Scenario A).

In terms of tax revenues from restaurants, the Commissioner of Revenue has noted that the restaurant sales observed in Stafford County are notably lower than the national averages, with local chain restaurants generating up to $344 per square foot. If the $344 per square foot is used instead of the national average of $530 per square foot, the NPV of Scenario A would decrease by about 4.2 million dollars at a five percent discount rate (but would still be 5.6 million dollars higher than the NPV of Scenario B.)

Retail Leakage

A concern typical of economic benefit analysis is the degree to which new development generates new retail sales taxes for a jurisdiction as opposed to redistributing existing sales. New retailers taking market share from existing retailer is a fact of life in today's marketplace. The nation is generally over-retailed, and online retail is putting pressure on retailers to pare down to the best "A" locations that are expected to draw from larger areas than they used to. However, for Aquia Towne Center there is evidence that the evaluated scenarios will generate new sales taxes rather than simply redistributing the source of those sales taxes.

Most grocery spending is local, usually within a 5-10 minute drive in suburban areas. That will especially be the case here because the area is not a major employment center that might have people grocery shopping before they start their commute home. Our qualitative assessment of the local market is that 5 and 10 minute drivetime grocery leakage is substantial, meaning there is a lot of local spending that could be captured within the area that is now going elsewhere. And this is the case even though there are several other grocery stores within these drivetime areas (on Garrisonville Road on the other side of I-95 from Aquia). The April 2012 retail attraction and marketing study notes that a lot of Stafford residents are grocery shopping outside of the county (during their commutes) due to local traffic congestion, with a sales gap in the Northern Trade Area larger than the amount of grocery store sales within the area.[6] The restaurant and general retail leakage amounts are also positive, though not nearly as large as the grocery leakage. In general, at the time the Riddle study was completed, the Aquia area was actually under-retailed, rather than over-retailed as is the case in many other areas across the country.

Additionally, the Aquia Towne Center tax projections are made across a 30-year period during which substantial residential and commercial growth is forecasted throughout the County, and the Comprehensive Plan includes growth management strategies to concentrate development in targeted growth areas). The 2015 Countywide population of 142,003 is expected to nearly double to 251,850 by 2040 according to the Fredericksburg Area Metropolitan Planning Organization[7]. More recent projections by the state of Virginia are more aggressive, with a recent forecast 2040 population of 333,652 for the County.[8] It appears reasonable that, even with increasing pressure from e-commerce,

[6]. "Retail Attraction and Marketing for Stafford Virginia", The Riddle Company, April 2012
[7]. 2040 Long Range Transportation Plan, Fredericksburg Area Metropolitan Planning Organization, adopted April 2013
[8]. "Virginia Community Profile – Stafford County", Virginia Employment Commission, May 2017

the meals and sales tax revenues from Aquia Towne Center will generally be serving a growing population base as opposed to redistributing existing sales from other locations in the County.

Aquia Towne Center
Attachment A: NPV for Scenario A: Retail, Restaurant, and Grocery

ASSUMPTIONS							
Building Sq. Ft.		**Assessed Value PSF**		**Sales & Meals Spending Per Year**		**Tax Rates**	
New Pharmacy	0	Pharmacy	$200	Pharmacy Sales (PSF)	$215	Real Propert	0.990%
New Retail	62,942	Retail	$150	Retail Sales (PSF)	$350	Local Sales	1.0%
New Restaurant	27,800	Restaurant	$190	Restaurant Sales (PSF)	$530	Meals	4.0%
New Grocery	76,117	Grocery	$145	Grocery Sales (PSF)	$465		
TOTAL	166,859					**Other**	
						Inflation	2.5%

TAX PROJECTIONS									
Year		Assessed Value Inflation*	Real Estate Assessed Value	Real Property Taxes	Sales Taxes	Meals Taxes	Business Personal Property Taxes	Merchants Capital Taxes	TOTAL PROJECTED REVENUE
2018	1	0	$25,760,265	$0	$574,241	$589,360	$314,206	$14,852	$1,492,659
2019	2	5.06%	$27,064,378	$255,027	$588,597	$604,094	$314,206	$15,223	$1,777,147
2020	3	0	$27,064,378	$267,937	$603,312	$619,196	$314,206	$15,604	$1,820,256
2021	4	5.06%	$28,434,513	$267,937	$618,395	$634,676	$314,206	$15,994	$1,851,209
2022	5	0	$28,434,513	$281,502	$633,855	$650,543	$314,206	$16,394	$1,896,499
2023	6	5.06%	$29,874,010	$281,502	$649,701	$666,807	$314,206	$16,803	$1,929,019
2024	7	0	$29,874,010	$295,753	$665,944	$683,477	$314,206	$17,224	$1,976,603
2025	8	5.06%	$31,386,382	$295,753	$682,592	$700,564	$314,206	$17,654	$2,010,769
2026	9	0	$31,386,382	$310,725	$699,657	$718,078	$314,206	$18,095	$2,060,762
2027	10	5.06%	$32,975,317	$310,725	$717,148	$736,030	$314,206	$18,548	$2,096,658
2028	11	0	$32,975,317	$326,456	$735,077	$754,431	$314,206	$19,012	$2,149,181
2029	12	5.06%	$34,644,693	$326,456	$753,454	$773,291	$314,206	$19,487	$2,186,894
2030	13	0	$34,644,693	$342,982	$772,290	$792,624	$314,206	$19,974	$2,242,077
2031	14	5.06%	$36,398,580	$342,982	$791,598	$812,439	$314,206	$20,473	$2,281,699
2032	15	0	$36,398,580	$360,346	$811,388	$832,750	$314,206	$20,985	$2,339,675
2033	16	5.06%	$38,241,258	$360,346	$831,672	$853,569	$314,206	$21,510	$2,381,303
2034	17	0	$38,241,258	$378,588	$852,464	$874,908	$314,206	$22,048	$2,442,215
2035	18	5.06%	$40,177,222	$378,588	$873,776	$896,781	$314,206	$22,599	$2,485,950
2036	19	0	$40,177,222	$397,754	$895,620	$919,200	$314,206	$23,164	$2,549,945
2037	20	5.06%	$42,211,194	$397,754	$918,011	$942,180	$314,206	$23,743	$2,595,895
2038	21	0	$42,211,194	$417,891	$940,961	$965,735	$314,206	$24,336	$2,663,129
2039	22	5.06%	$44,348,135	$417,891	$964,485	$989,878	$314,206	$24,945	$2,711,405
2040	23	0	$44,348,135	$439,047	$988,597	$1,014,625	$314,206	$25,568	$2,782,044
2041	24	5.06%	$46,593,260	$439,047	$1,013,312	$1,039,991	$314,206	$26,208	$2,832,763
2042	25	0	$46,593,260	$461,273	$1,038,645	$1,065,991	$314,206	$26,863	$2,906,978
2043	26	5.06%	$48,952,044	$461,273	$1,064,611	$1,092,640	$314,206	$27,534	$2,960,265
2044	27	0	$48,952,044	$484,625	$1,091,226	$1,119,957	$314,206	$28,223	$3,038,237
2045	28	5.06%	$51,430,241	$484,625	$1,118,507	$1,147,955	$314,206	$28,928	$3,094,222
2046	29	0	$51,430,241	$509,159	$1,146,469	$1,176,654	$314,206	$29,652	$3,176,141
2047	30	5.06%	$54,033,897	$509,159	$1,175,131	$1,206,071	$314,206	$30,393	$3,234,960
Aggregate Cash Flow				$10,803,105	$25,210,734	$25,874,497	$9,426,190	$652,034	$71,966,561

** Properties are reassessed every two years, so inflation is applied biennially*

tax revenue at a discount rate of:	4.0%	$5,688,465	$13,524,554	$13,880,637	$5,433,266	$349,790	$38,876,713
	5.0%	$4,944,046	$11,821,789	$12,133,040	$4,830,121	$305,751	$34,034,748
	6.0%	$4,329,346	$10,414,965	$10,689,176	$4,324,997	$269,366	$30,027,849
	7.0%	$3,818,301	$9,244,625	$9,488,023	$3,898,999	$239,097	$26,689,045

The total aggregate cash flow over 30 years from all tax sources projected is approximately $71.97 million.
At a discount rate of five percent, the net present value of this revenue stream is approximately $34.03 million.

Aquia Towne Center
Attachment B: NPV for Scenario B: Retail, Grocery, and Pharmacy

ASSUMPTIONS							
Building Sq. Ft.		**Assessed Value PSF**		**Sales & Meals Spending Per Year**		**Tax Rates**	
New Pharmacy	11,115	Pharmacy	$200	Pharmacy Sales (PSF)	$215	Real Propert	0.990%
New Retail	79,847	Retail	$150	Retail Sales (PSF)	$350	Local Sales	1.0%
New Restaurant	0	Restaurant	$190	Restaurant Sales (PSF)	$530	Meals	4.0%
New Grocery	81,464	Grocery	$145	Grocery Sales (PSF)	$465		
TOTAL	172,426					**Other**	
						Inflation	2.5%

TAX PROJECTIONS									
Year		Assessed Value Inflation*	Real Estate Assessed Value	Real Property Taxes	Sales Taxes	Meals Taxes	Business Personal Property Taxes	Merchants Capital Taxes	TOTAL PROJECTED REVENUE
2018	1	0	$26,012,330	$0	$682,169	$0	$314,206	$14,852	$1,011,227
2019	2	5.06%	$27,329,204	$257,522	$699,224	$0	$314,206	$15,223	$1,286,175
2020	3	0	$27,329,204	$270,559	$716,704	$0	$314,206	$15,604	$1,317,073
2021	4	5.06%	$28,712,745	$270,559	$734,622	$0	$314,206	$15,994	$1,335,381
2022	5	0	$28,712,745	$284,256	$752,987	$0	$314,206	$16,394	$1,367,843
2023	6	5.06%	$30,166,328	$284,256	$771,812	$0	$314,206	$16,803	$1,387,078
2024	7	0	$30,166,328	$298,647	$791,107	$0	$314,206	$17,224	$1,421,184
2025	8	5.06%	$31,693,498	$298,647	$810,885	$0	$314,206	$17,654	$1,441,392
2026	9	0	$31,693,498	$313,766	$831,157	$0	$314,206	$18,095	$1,477,225
2027	10	5.06%	$33,297,982	$313,766	$851,936	$0	$314,206	$18,548	$1,498,456
2028	11	0	$33,297,982	$329,650	$873,234	$0	$314,206	$19,012	$1,536,102
2029	12	5.06%	$34,983,692	$329,650	$895,065	$0	$314,206	$19,487	$1,558,409
2030	13	0	$34,983,692	$346,339	$917,442	$0	$314,206	$19,974	$1,597,961
2031	14	5.06%	$36,754,741	$346,339	$940,378	$0	$314,206	$20,473	$1,621,396
2032	15	0	$36,754,741	$363,872	$963,887	$0	$314,206	$20,985	$1,662,951
2033	16	5.06%	$38,615,450	$363,872	$987,985	$0	$314,206	$21,510	$1,687,573
2034	17	0	$38,615,450	$382,293	$1,012,684	$0	$314,206	$22,048	$1,731,231
2035	18	5.06%	$40,570,357	$382,293	$1,038,001	$0	$314,206	$22,599	$1,757,099
2036	19	0	$40,570,357	$401,647	$1,063,951	$0	$314,206	$23,164	$1,802,968
2037	20	5.06%	$42,624,232	$401,647	$1,090,550	$0	$314,206	$23,743	$1,830,146
2038	21	0	$42,624,232	$421,980	$1,117,814	$0	$314,206	$24,336	$1,878,337
2039	22	5.06%	$44,782,083	$421,980	$1,145,759	$0	$314,206	$24,945	$1,906,890
2040	23	0	$44,782,083	$443,343	$1,174,403	$0	$314,206	$25,568	$1,957,521
2041	24	5.06%	$47,049,176	$443,343	$1,203,763	$0	$314,206	$26,208	$1,987,520
2042	25	0	$47,049,176	$465,787	$1,233,857	$0	$314,206	$26,863	$2,040,713
2043	26	5.06%	$49,431,041	$465,787	$1,264,704	$0	$314,206	$27,534	$2,072,231
2044	27	0	$49,431,041	$489,367	$1,296,321	$0	$314,206	$28,223	$2,128,118
2045	28	5.06%	$51,933,487	$489,367	$1,328,729	$0	$314,206	$28,928	$2,161,231
2046	29	0	$51,933,487	$514,142	$1,361,948	$0	$314,206	$29,652	$2,219,947
2047	30	5.06%	$54,562,620	$514,142	$1,395,996	$0	$314,206	$30,393	$2,254,737
Aggregate Cash Flow				$10,908,814	$29,949,078	$0	$9,426,190	$652,034	$50,936,116

** Properties are reassessed every two years, so inflation is applied biennially*

tax revenue at a discount rate of:	4.0%	$5,744,127	$16,066,487	$0	$5,433,266	$349,790	$27,593,671
	5.0%	$4,992,424	$14,043,688	$0	$4,830,121	$305,751	$24,171,985
	6.0%	$4,371,709	$12,372,452	$0	$4,324,997	$269,366	$21,338,524
	7.0%	$3,855,664	$10,982,147	$0	$3,898,999	$239,097	$18,975,907

The total aggregate cash flow over 30 years from all tax sources projected is approximately $50.94 million.
At a discount rate of five percent, the net present value of this revenue stream is approximately $24.17 million.