

Fiscal and Service Impact Report for Factory Redevelopment in Scottsville

For the Planning Commission, Town Council, and Community

Matt Lawless, Town Administrator

Research Question: How would the current factory application impact the Town of Scottsville's finances and services? What are the positive and negative effects of downtown population growth on the Town's revenues and on service workloads?



Background: The question came from area residents speaking at the Planning Commission public hearing on October 7th. Commissioners and Councilors expressed interest in the topic. The question goes more broadly into other Town services beyond the scope of a normal zoning review, so the staff report on the application did not address this question. This report is the solution.

Bottom Line Up Front: The application describes significant downtown population growth. This would create positive, but not dramatic, new revenue for the Town, estimated at \$62,127 annually. There would also be some automatic increases to service workloads, estimated \$35,000. The overall Town fiscal impact is a net **positive \$27,127**. There are larger fiscal and service impacts to County and regional services, for which the Town is not responsible, but these are also net positive. The design and location of the factory application help make it a net positive. However, this analysis does not address the problem of existing Town (or County) services which may be unsatisfactory at the current service level. What service level is desired, and how to fund it, is a separate strategic and policy question. The local analysis matches the literature in urban planning and public finance, that infill redevelopment is more cost effective than suburban sprawl.

Non-Town Services: It simplifies this question to explain some important services which are not the Town's responsibility to fund or operate, but which are connected to proposed development. Scottsville residents benefit from many public services for which the Town government is not legally responsible. These include:

- **Fire and Rescue:** Our area has a mix of volunteer and paid services, with mutual aid between counties. Scottsville benefits from fire and EMS stations close to town, with very rapid response times for service calls. Backup comes from North Garden, Monticello, and other stations in the system as needed. Vehicles and staff are funded by the County budget, and the factory development does not trigger any requirement for more or larger fire engines. County deputy chiefs expressed no concerns about the factory application. SVFD will coordinate on operations planning.
- **Library:** The JMRL system is funded mainly by contributions from the several member counties and city, and not the towns in the region. Scottsville Library is a small building but serves a wide rural area, including some Buckingham County residents. Town staff shared project details with librarian Anne Lindberg and library board president Thomas Unsworth, who expressed support for the factory application because the Scottsville library needs greater usage. If the local library saw such demand that it required more staff or a renovation, such funding would come from Albemarle County.

- Schools:** Albemarle County Public Schools are paid for primarily by real estate tax, at the County level. Scottsville Elementary School was recently renovated and has classroom capacity. The southern feeder pattern has the least population growth in the county, and Monticello is the least crowded among high schools. Bus routes in Scottsville are not full. The factory apartments floorplans and amenities suggest fewer children than a similarly sized subdivision of houses. Adding perhaps 20 students to ACPS is not a serious impact to schools. Town staff shared project details with ACPS planner Maya Kumazawa, who expressed no concerns about either the Bird Street houses nor the factory apartments.

This table shows the “development pipeline” known to the County. Scottsville is currently zero. The pair of Bird Street developments, with 241 homes, would move Scottsville from the bottom to eighth of the 15 elementary schools. The fastest growing is Baker-Butler with 2,213 homes in development.

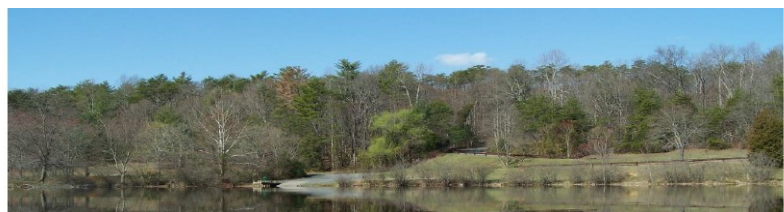
DEVELOPING UNITS BY HOUSING TYPE

Boundary	Apartment	Condo	Mobile	Single Family	Townhome	Unknown	TOTAL	% of Exist. Units	Impact to Boundary
AGNOR-HURT	751	330	0	364	385	0	1,830	56%	HIGH
BAKER-BUTLER	823	125	32	442	691	100	2,213	85%	HIGH
BROADUS WOOD	0	0	0	0	0	0	0	0%	LOW
BROWNSVILLE	483	355	0	986	290	0	2,114	88%	HIGH
CROZET	167	176	0	30	0	0	373	27%	MODERATE
GREER	22	0	0	70	47	0	139	5%	LOW
HOLLYMEAD	718	197	0	182	85	0	1,182	68%	HIGH
MERIWETHER LEWIS	0	0	0	0	0	0	0	0%	LOW
MOUNTAIN VIEW	881	276	0	336	347	0	1,840	45%	MODERATE
MURRAY	85	133	0	5	15	0	238	18%	LOW
RED HILL	0	0	0	0	0	0	0	0%	LOW
SCOTTSVILLE	0	0	0	0	0	0	0	0%	LOW
STONE-ROBINSON	922	81	0	638	237	0	1,878	62%	HIGH
STONY POINT	0	0	0	15	0	0	15	1%	LOW
WOODBROOK	784	0	0	6	49	0	839	22%	LOW
ELEMENTARY SUBTOTAL	5,636	1,673	32	3,074	2,146	100	12,661	41%	MODERATE

- Water and Sewer:** The water and sewer treatment plants are operated by Rivanna Water and Sewer Authority, and the distribution pipes are operated by Albemarle County Service Authority. Both agencies are strongly committed to budget practices of “development pays for itself.” Connection fees are relatively high, so that developers bear the cost of expanding services. Increasing population does not increase water bills. The Scottsville water and sewer plants are at about 30% capacity at present and can support new development. RWSA and ACSA staff expressed no concern about the factory application. Downtown Scottsville has had several water main upgrades in recent years, and the fourth phase of work improves the water main going to the factory, as well as adding fire hydrants to the west downtown area.

Totier Creek Reservoir

- Constructed in 1971
- 155 million gallons
- Water area: 66 acres



The local reservoir capacity is very large compared to the amount of daily water use, so Scottsville is very well protected against drought impacts to drinking water. If the water treatment plant were operating at 100% capacity, the reservoir would store 600 days of water supply.

Scottsville’s water and sewer plants are each working at about 30% capacity at present. Existing staff and equipment can treat more water with only minimal added cost for chemicals and electricity. New customers pay the same per-gallon rate as existing residents, so the water authority’s finances improve. To an economist, a situation where marginal revenue exceeds marginal cost suggests that growth is good.

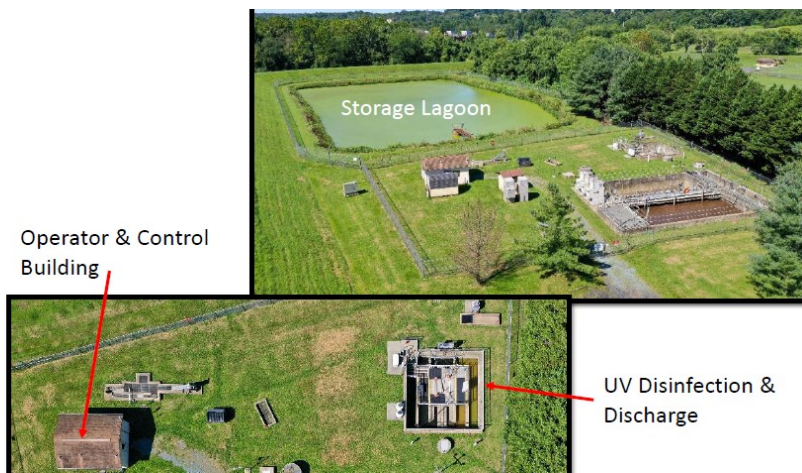
Scottsville Water Treatment Plant

- Constructed in 1964
- Treatment Capacity: 250,000 gallons per day; normally treats about 50,000 gpd



Scottsville Wastewater Treatment Plant

- Control Building, Aeration and Sedimentation Basins Constructed in 1983
- Treatment Capacity: 200,000 gpd; normally treats about 60,000 gpd
- Biological Treatment Process: aeration, sedimentation, disinfection
- Overflow Storage Lagoon:
 - 2 million gallons



Non-Town Revenues: A \$50 million building at the County’s 85.4 cent real estate tax rate generates \$427,000 of County revenue. This is by far the largest line item of government revenue from the development. The real estate tax supports County services including schools, library, fire & rescue, parks, and social services. Other non-Town revenues include the water and sewer bills of residents, sales tax paid by retail shopping, and property tax upon privately owned vehicles.

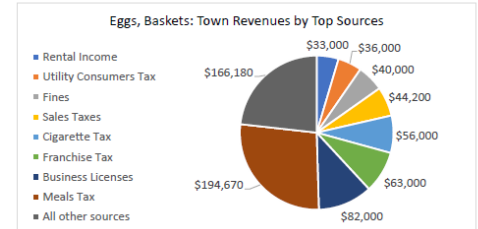
Net Effects of Proposed Development: The costs of suburban sprawl are well documented in planning literature. Suburban localities face a fiscal trap from low-density development: expanding road, water, schools, and other infrastructure is very expensive and difficult to fully support with residential real estate taxes. At the same time, older cities with declining populations must maintain aging, overbuilt infrastructure with fewer taxpayers. Infill and redevelopment within existing neighborhoods has the best fiscal impact. There is efficiency in using the existing infrastructure and locating new residents near existing services. This is true in revitalization of a city like Richmond, which has seen its finances improve with population growth in the past 20 years. The same logic applies in Scottsville. A 205-apartment renovation using existing asphalt, pipe, conduit, and brick, walkable to existing services, places less fiscal stress on the local government than a greenfield development of 205 homes in any other location.

Town Revenues: Historically, the Town’s budget annual budget has balanced around \$600,000. This figure boosts higher when large grant-funded projects are underway, but the reliable structural base is about \$600,000. The 2019 actual budget, pre-pandemic and with no large active grants, shows a good example.

In **2019**, the largest revenue sources were:

- Meals tax (4.5% on in-town restaurants): \$172,000
- Business license (in-town business incomes): \$92,000
- Bank franchise tax (on in-town bank assets): \$72,000
- Cigarette tax (per pack, paid by wholesaler): \$70,000
- Sales tax (shared by county, per population): \$41,000
- Utility tax (paid by electric and gas companies): \$39,000
- Rent (cell phone tower, theater, and market): \$30,000
- All other sources (19 revenue lines) \$175,000

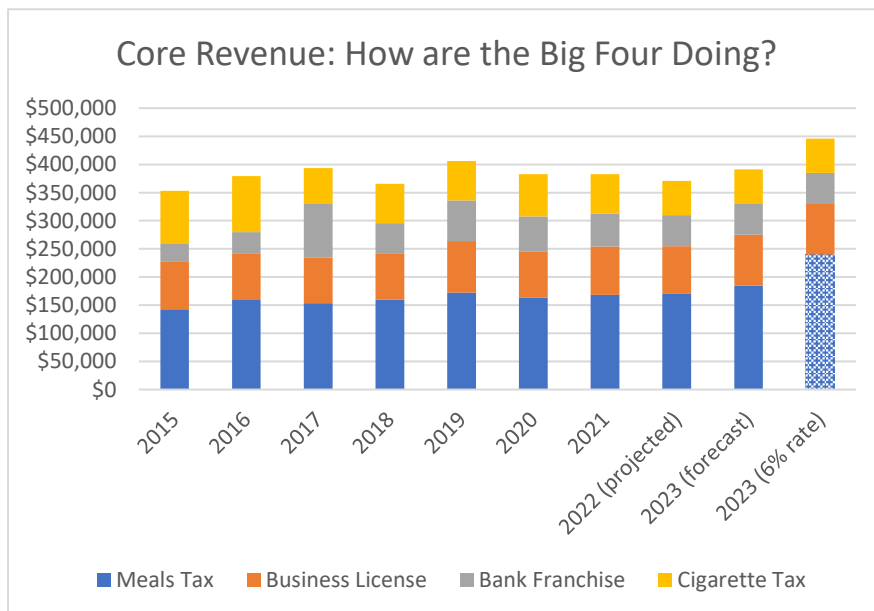
Revenues: What We Have to Work With
 Total Revenue in the recommended budget: \$720,050
 Of this, Meals Tax is the biggest source: \$194,670 (it's not the steadiest tax base)
 About half of the Town's revenue comes from meals tax, business license, and bank franchise tax
 Grant funds with competitive applications: \$46,900 (necessary for extra projects)
 Total revenue growth is only 1% over the current year's projected conclusion.



The pie chart at right is from the budget recommendation in February **2020**, just before Covid struck. It shows how reliant the Town budget at that time was on business-related revenue, especially meals tax, business license, and bank tax: those three bring almost half of the Town’s revenues.

Town Council has monitored and discussed this tax base situation several times in recent years. A real estate tax is the biggest potential policy change. The April 2022 work session included this staff report:

“The biggest question in the recommended budget is about local tax rates. The Town has a serious structural problem: while costs such as healthcare and pensions, insurance, computers, and fuel have increased, the core revenues from local businesses have not. The pattern in the graph at the right is erratic and puts the Town in a vulnerable position once Rescue Plan funds run out in 2024. The staff recommendation is to increase the **meals tax and lodgings tax**, which adds about \$60,000 in revenue for next year.”



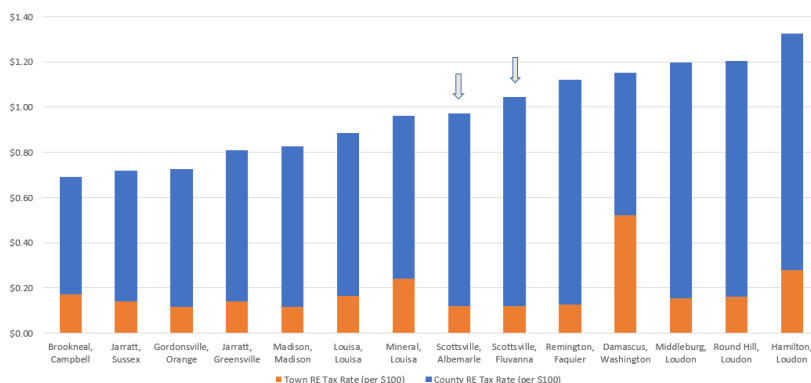
This graph from the April 2022 Town Council work session shows the relatively flat growth of the Town’s core revenues connected to local businesses. Staff recommended increases to meals tax and lodging tax. Town Council voted to increase the lodging tax but not the meals tax.

The April 2022 Town Council work session also included this discussion, below, of real estate tax.

“The other taxation alternative is re-establishing the **real estate tax**.

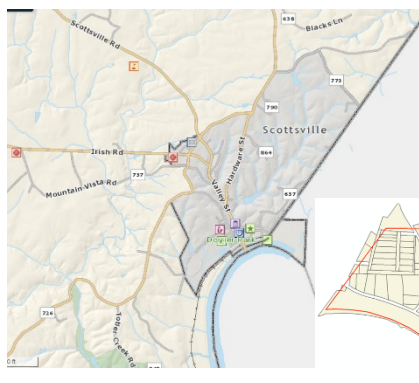
To raise the same \$65,000 in new revenue as the recommended meals and lodging tax concept, the Town would need a real estate tax of 10 cents per \$100 assessed value. This would be added on to the 88.4 cent Fluvanna County tax or the 85.4 cent Albemarle County tax. This table, from a 2021 staff report, compares to other towns.

Peer Community Comparison
Option 1: +\$0.12 Real Estate Tax (2/3 of Peer Community Average)



The Town of Scottsville used a real estate tax for many years, at a rate around 15 cents. Town Council set the rate at zero in 1996 when the expanded town boundaries took in more businesses, which paid business license and bank franchise taxes.

Real estate tax administration is more complicated because Scottsville crosses two county lines. Albemarle has a unified Finance Department, and Fluvanna has a separately elected Treasurer and Commissioner of the Revenue. To levy the tax, Town staff would need to coordinate with the assessors, billing staff, and enforcement staff in both counties. This would likely involve service fees.



The tax base for town real estate tax is important to understand. The total value of taxable property in the Albemarle portion of Scottsville is \$77,551,100 for the 2022 assessments. The Fluvanna portion, much smaller, is \$2,550,600. The total of both is \$80,101,700.

In the future, if the value of taxable property in town increases, so does the revenue from real estate tax. Value can come from existing property being worth more, or from the construction of new buildings. Real estate taxation connects to future economic development very directly.

Real estate tax rates are stated per \$100 of taxable value. A \$1.00 tax rate on a \$100,000 property means an annual tax bill \$1,000. To give an Albemarle example: the owner of a \$300,000 property, at the current County tax rate of 85.4 cents, pays an annual bill of \$2,562. Adding a 10-cent Town tax would increase their bill by \$300, to a total of \$2,862.

Many localities have real estate tax relief programs for certain groups, such as low-income elderly people, disabled veterans, and so on. Another two-county problem is that Albemarle and Fluvanna structure their relief programs differently, with different eligibility and benefit levels. To be consistent to all town residents, the Town might need to choose one county’s relief program, making things awkward for the other county’s billing office. The other option would be to have no relief program at all: if a \$300,000 house were owned by an elderly disabled veteran, should they pay a \$300 Town tax?

Town Council will need to choose a package of tax rates to advertise for public hearing in May. Which package best meets the goals of the community?”

Summary of Town revenue effects

The factory redevelopment is residential only, with no commercial spaces. Under the Town’s current laws, a residential-only project makes for a weaker revenue base than mixed-use. This is why the Town studied mixed-use renovation concepts in the past. If the factory included a bank and a brewpub, Town revenues would be stronger.

For the current application, the Town revenue effects are roughly as follows:

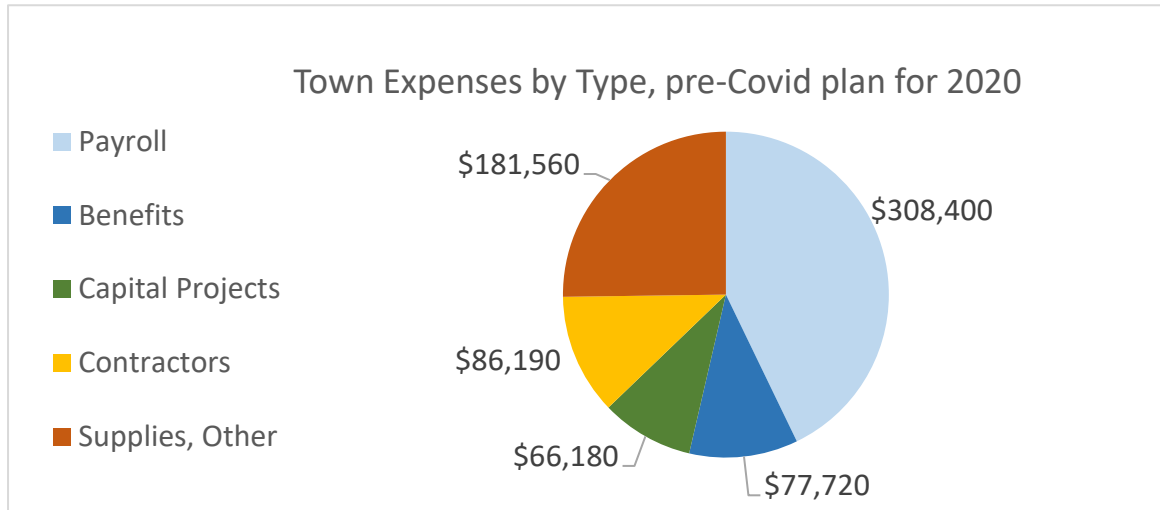
Impacts of Tire Plant Redevelopment Proposal Upon the Core Town of Scottsville Revenue Lines				
Revenue Line	2019 Revenue	Type of Impact	Approx. new annual revenue	Explanation
Meals Tax	\$172,000	Significant: residents shop local, Town keeps revenue	\$18,720	400 people * \$20 weekly spend * 52 * 4.5% tax rate
Business License	\$92,000	Minimal: businesses draw from a much wider market area	\$2,760	Town residents 5% of market area population. 400 new residents is 60% pop. growth (rev. ₂₀₁₉)* 0.05 *.6
Bank Franchise*	\$72,000	Minimal: bank deposits formula unhelpful	\$2,160	
Cigarette Tax	\$71,000	Minimal: businesses draw from a wide area, smoking rate slowly declining	\$2,130	
Sales Tax	\$41,000	Significant: sales shared around entire county, but linked to school-age population in town	\$24,657	Assume student increase from 35 to 55 (57% increase) and 2% inflation County-wide.
Utility Tax	\$39,000	Significant: connected to overall energy use in town	\$11,700	60% population growth, but 50% more energy-efficient
Total (six sources)	\$487,000		\$62,127 / year *plus \$75,000 in first year	The general contractor pays business license on a \$50,000,000 base

As noted previously, Scottsville is unusual among Virginia towns for not imposing a town-level real estate tax on top of the county tax. If the factory renovation proceeded at a \$50 million assessed value, the tax base of the entire town would increase from about \$80 million to \$130 million, and Albemarle County would earn \$427,000 in annual tax revenue. If the Town adopted a 10 cent real estate tax, the owner of a \$300,000 house would pay \$300 per year to the Town. But the factory owner would pay \$50,000 to the Town. A 10-cent real estate tax increases the total Town revenue impact from \$62,127 to \$112,127.

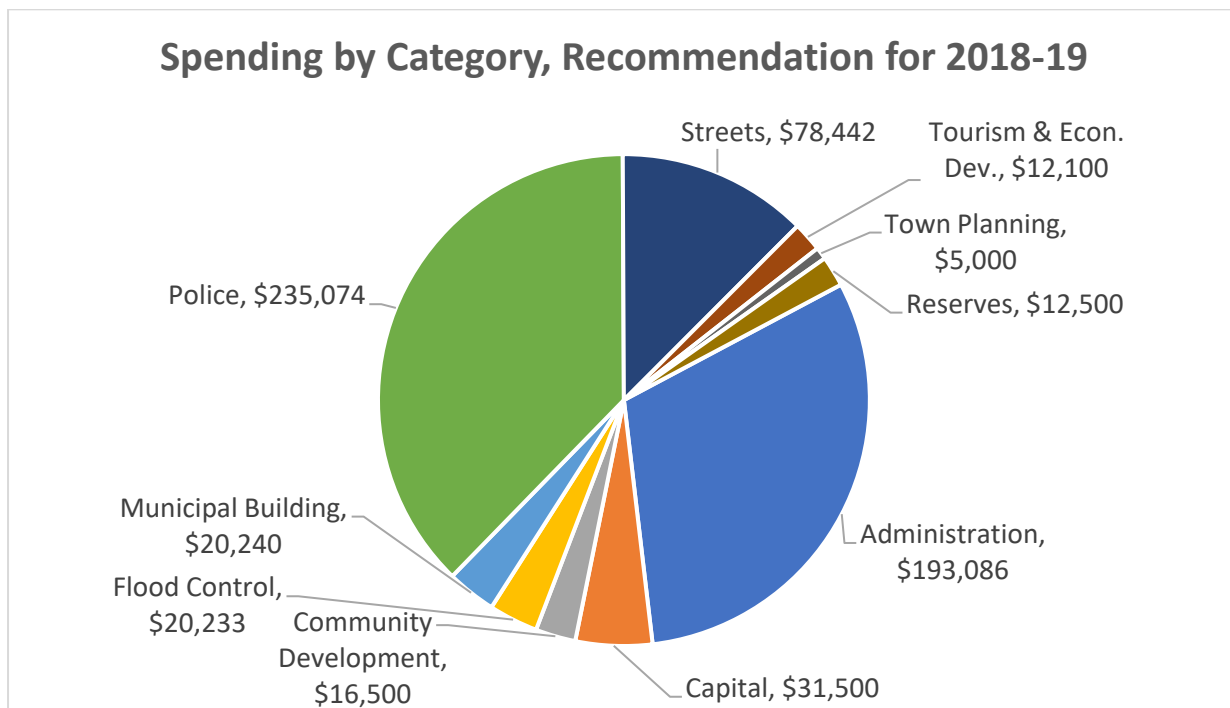
In conclusion, Scottsville’s current tax base relies heavily on businesses and tourism to raise revenue for local services. Scottsville is unusual among Virginia towns for not having a local real estate tax. Scottsville used this tax for many years but stopped in 1996. The factory redevelopment might increase the town population by 60% and increase the annual core revenues by about 10%. Separate from any new residential construction, restaurants and banks should remain the Town’s priorities for economic development, since these businesses remain the best drivers of the Town budget on the basis of tax revenue per acre.

Town Services:

This chart below shows the Town budget summary before Covid and the large infusions of federal and state grant funding. The core Town budget is over 50% personnel costs, followed by supplies and services, with about 10% annual capital investment in buildings and heavy equipment.



The 2018-19 budget report has a similar breakdown by department which is helpful, and it continues to describe the base budget well –the Town’s core services when large grant projects are not in place. Police is the largest department, because of the four staff positions and their equipment. Administration is two full-time positions, and Streets is one position. The other services have smaller costs for supplies and services.



So, if the Town population increases from 600 to 1,000 people because of new development, how will Town services and their costs be affected? The list on the next page reviews potential service impacts.

Line Item Impacts of Factory Redevelopment upon the Town of Scottsville Budget

Administration. Negligible new workload, nor cost increase. Administrative and legal salaries are fixed, and tasks like running Council meetings do not change if population increases. Basic overhead costs like office supplies, website hosting, and internships are not affected.

Farmers Market. Negligible new workload, nor cost increase. The market manager pay is fixed, and increased foot traffic does not impact market operations. A slight increase in bathroom supplies is likely. Most of the usage/workload connects to the wider regional population, so the relevant increase from the apartments is closer to 4% population growth in the trade area, rather than 60% growth in the town limits.

Capital. The factory application includes a \$200,000 proffer given for sidewalk improvements, which can match VDOT grants and does not obligate any Town spendings. In the long term, new sidewalks will need to be repaired. The current sidewalk repair budget is about \$10,000 per year, and with more sidewalk to maintain, this might need to increase by **\$5,000** per year, but not until several years after construction.

Community. Negligible new workload, nor cost increase. Similar to the farmers market, increased traffic to the Town's festivals and events does not increase their cost very much: the more common concern is that events lack attendance, or volunteers, considering the planning work involved. A slight increase in portable toilet costs is possible. Again, most of the usage/workload connects to the wider regional population, so the relevant increase from the apartments is closer to 4% population growth in the trade area, rather than 60% growth in the town limits. On the other hand, new residents represent potential donors and volunteers.

DMV Select. Negligible new workload, nor cost increase. Like the farmers market, most of the usage/workload connects to the wider regional population, so the relevant increase from the apartments is closer to 4% population growth in the trade area, rather than 60% growth in the town limits. New residents might find the DMV convenient, and the DMV office is intended to be self-supporting with user fees.

Flood Control. Negligible new workload, nor cost increase. The factory is outside of the existing flood control system and is required by modern stormwater regulations to have no downstream impact on the Town. It may be hoped that some new residents take interest in service with Scottsville Volunteer Fire Department.

Parks. Small new workload and cost increase. The application does not create new parks or obligate the Town to new land. In-town residents do tend to be the most frequent regular users of Town parks, consuming bathroom supplies and creating trash. So here, the workload increase is probably closer to 60% rather than 4%. This might mean more frequent service of trashcans and increase turf maintenance. A conservative cost estimate is **\$30,000** for supplies and part-time labor. Parks maintenance is an issue of concern already, and development impacts should not be confused with existing concerns.

Police. Negligible new workload, nor cost increase. This is very important to scrutinize, because it is the Town's largest category. Chief Jenkins presented a budget analysis showing costs to establish patrol coverage closer to 24/7 and administrative aid for reporting and accreditation. This is a commendable goal for professional policing, but it is not a consequence of or requirement for new development. Town case data does not detail how many town residents are victims or perpetrators of crime. Anecdotally, most traffic offenses are drivers passing through town, not residents, and most criminals come from out of town, rather than living here. A large fraction of today's Town police responses are outside of town limits, as mutual aid calls. Moreover, there is no reason to claim that the proposed apartments are especially likely to have many criminal residents, nor victims of crime. So the workload effect is more similar to the farmers market: perhaps a 4% population growth in the trade area, rather than 60% growth in the town limits. This does not trigger any requirement for an additional officer and equipment, or any substantial supplies costs.

Streets. Small new workload and cost increase. These line items overlap with Parks maintenance and Capital sections above. The \$15,000 for sidewalk repair and \$30,000 for parks would also cover any minor impact to trash on streets or damaged signs.

Planning. Negligible new workload, nor cost increase. Planning Commission and ARB expenses are similar to administrative costs in having fixed overhead. New residents attending meetings does not increase the cost. Proper oversight of site plan and construction for the factory renovation may require a one-time consultant cost for plan review and inspections, perhaps \$20,000 in one year. This cost is more than offset by the \$75,000 one-time revenue from the construction contractor's business license.

Tourism. Negligible new workload, nor cost increase. Tourism efforts are not really affected by population.

Cost impact total: \$5,000 annually for sidewalk repair and \$30,000 annually for parks and streets maintenance. The total cost of **\$35,000 annually** represents a part-time employee and some supplies and contract services. Other Town departments have negligible or modest cost increases which existing staff can absorb in their current workload. A police patrol is a good example of this: making a patrol shift of a town of 1,000 residents with 9,000 daily vehicle trips is not very much harder than working the same shift in a town of 600 residents with 8,000 daily trips. It does not require a second officer on the shift.