



PREPARED FOR
Town of Middleburg, Virginia



MIDDLEBURG

EST VIRGINIA 1787

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Annexation Fiscal Analysis

Town of Middleburg, Virginia



CHMURA

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1. Background and Summary

The Town of Middleburg has been approached by two property owners interested in the annexation or boundary line adjustment (BLA) of their land to enter the Town limits. Two draft proposals for residential construction on these properties have been presented. The proposal from the Windy Hill Foundation includes the creation of 60 apartment units on approximately 33 acres of land. The proposal for the Homewood Farm property involves the annexation of approximately 22 acres of land into the Town boundaries and construction of 66 residences, comprised of multi-family, townhome, and single-family units.

Chmura Economics & Analytics (Chmura) was contracted to evaluate the potential budgetary impact of the proposed Windy Hill and Homewood Farm residential developments and annexation into town boundaries.¹ If the proposals are approved, the Town’s revenue will be impacted due to expanded real estate tax and water and sewer user fees. The Town’s expenditure may increase to provide a similar level of police and water and sewer administration services for residents.² Tax revenue and costs were not calculated for Loudoun County.

Chmura concludes that the developments will roughly break even in terms of fiscal impact for the town government. The projects will include 126 new housing units, including age-restricted and subsidized units, condo and townhouse units, and single-family homes all designed to increase the Town’s supply of affordable workforce housing. Using the Fiscal Year (FY) 2023 budget as guidance, the proposed construction will generate \$133,648 in annual revenue for the Town of Middleburg, including real estate taxes and water and sewer user fees. The estimated annual Town cost to provide police and water/sewer administrative services at current per capita spending levels is \$132,575. The revenue could potentially support expanding staff levels to maintain quality of service for residents and workers, including one potential full-time police officer and one part-time water/sewer contract operator.

Table 1.1: Summary of Fiscal Impacts of Proposed Windy Hill and Homewood Farm Construction (FY 2023)

	Windy Hill	Homewood Farm	Total
Revenues			
Real Estate	\$10,268	\$41,138	\$51,406
Water/Sewer User Fees	\$39,163	\$43,079	\$82,242
Total	\$49,430	\$84,218	\$133,648
Expenditures			
Public Safety (Police)	\$37,264	\$40,990	\$78,254
Water/Sewer Administration	\$25,867	\$28,454	\$54,321
Total	\$63,131	\$69,444	\$132,575
Net Fiscal Impact	(\$13,701)	\$14,773	\$1,073

Note: Numbers may not sum due to rounding.

Source: Chmura

¹ Chmura provides economic software, consulting, and data so clients can make informed decisions that benefit their communities. Our PhD economists, data scientists, and strategic planners guide clients through their local labor market. Over the past 24 years, we have served hundreds of clients nationwide with thoroughness, accuracy, and objectivity.

² This analysis only considers the main revenue source and cost for the Town of Middleburg.

2. Town Revenues

The preliminary plan for the Windy Hill residential component features 60 units. Twenty of those would be subsidized independent living units restricted for individuals aged 65 and older. Forty units would be duplex or quadplex buildings, also subsidized but not age-restricted. The Homewood Farm residential component features 66 new housing units, including 48 condo units (having one, two, or three bedrooms), 10 single-family cottage style homes, and eight townhouse units. In all, the two proposals total 126 new housing units.

The residential developments will expand the Town's tax base and increase real estate tax revenue for the Town. The current real estate tax rate for the Town of Middleburg is 13.69 cents per \$100 of assessed value.³ Loudoun County assesses real estate at 100% of its fair market value and is the assessing authority for the Town. The properties are intended to be priced at an attainable level for local workers. Based on Chmura's research of the assessed value of similar properties, as well as information from the Town of Middleburg, the assessed value of the eight townhomes in the Homewood Farm proposal is expected to average around \$475,000 each. The 48 multi-family condos are expected to range from \$300,000 to \$450,000, averaging about \$375,000. The assessed value of the 10 single-family homes in the Homewood Farm proposal is assumed to be around \$825,000 each. As a result, the annual real estate tax revenue is estimated to be \$41,138 in Fiscal Year (FY) 2023 for the Town.

In the Windy Hill proposal, the 40 duplex and quadplex units are expected to be owned by Windy Hill, a not-for-profit organization, and thus would be tax exempt. The 20 subsidized independent living units are expected to be similar to other properties operated by Windy Hill, and to other multi-family housing in Middleburg. The assessed value is estimated to average about \$375,000. As a result, the annual real estate tax revenue is estimated to be \$10,268 in FY 2023 for the Town.

The Town of Middleburg collects a consumer utility fee on the water and sewer usage by all customers in the town. In FY 2023, water user fees are estimated to total \$642,063, while sewer user fees are estimated to total \$630,034. Chmura uses a per-capita approach to estimate Town revenue related to water and sewer user fees, after accounting for the fact that the Salamander Resort and Spa makes up 50% of the Town's water and sewer revenues. Both residents and workers utilize these services. The Town population is generally estimated at around 700 residents in 2022.⁴ Total employment in Middleburg is estimated at 1,624 per Chmura's JobsEQ®, but the latest LEHD Origin-Destination Employment Statistics from the U.S. Census Bureau⁵ indicates approximately 2% of Town residents also work in Middleburg. These data indicate user fees are collected from 2,290 residents and workers (excluding Salamander) in the Town, or approximately \$170 per person in water user fees and \$167 per person in sewer user fees. The proposed annexation and housing developments will increase the population of the town. The latest American Community Survey indicates that the average household size in Middleburg is 1.94.⁶ Assuming a similar household size for each proposed housing unit, the Windy Hill and Homewood Farm proposals could add an estimated 116 and 128 new residents, respectively. The additional annual water user fee revenue is estimated to be \$41,510 in FY 2023, while the estimated sewer user fee revenue is expected to be \$40,732.

Table 2.1: Tax and Fee Revenue of Proposed Construction (Annual)

Tax/Fee	Windy Hill	Homewood Farm	Total
Real Estate Tax	\$10,268	\$41,138	\$51,406
Water User Fees	\$19,767	\$21,743	\$41,510
Sewer User Fees	\$19,396	\$21,336	\$40,732
Total	\$49,430	\$84,218	\$133,648

Note: Numbers may not sum due to rounding.

Source: Chmura

³ Town of Middleburg, Virginia, *Fiscal Year 2023 Adopted Budget*, accessed August 2022, <https://www.middleburgva.gov/314/Town-Budget>.

⁴ Town of Middleburg, Virginia, *FAQs on Proposed Annexations/BLAs*, accessed August 2022, <https://www.middleburgva.gov/389/FAQs-on-Proposed-AnnexationsBLAs>.

⁵ Longitudinal Employer-Household Dynamics, U.S. Census Bureau, Center for Economic Studies, 2019 data, accessed September 2022, <https://onthemap.ces.census.gov/>.

⁶ United States Census Bureau, *American Community Survey 2015-2020, Table S1101*, accessed August 2022, <https://data.census.gov>.

3. Town Expenditures

While benefiting from revenue collected from the two proposed developments, the Town of Middleburg will also incur costs to provide services to new residents. As discussed in the revenue analysis above, the proposed construction is expected to add a total of 244 new residents. The primary Town costs will be for public safety (police protection), and administrative services and operations for water and sewer utilities. Note that the Town currently contracts out water/sewer administrative services.

For town cost categories related to public safety and administration, both residents and workers will utilize those services. Chmura allocates total Town expenses in those categories based on the current number of employees and residents in the Town. Using this approach, based on the FY 2023 adopted budget for the Town of Middleburg, annual Town costs for police salaries and other wages and benefits are estimated to be \$320 per resident and worker. Annual Town costs for water and sewer operations, administration, and contract services is estimated to be \$222 per resident and worker (excluding Salamander). When completed, the Windy Hill and Homewood Farm proposals could add 244 new residents. Maintaining the current per capita spending levels on these operations would raise the overall Town police cost by \$78,254 and the overall water and sewer administrative services cost by \$54,321.

Table 3.1: Estimated Town Costs for Proposed Construction (Annual)

Spending Items	Windy Hill	Homewood Farm	Total
Public Safety (Police)	\$37,264	\$40,990	\$78,254
Operations – Water	\$6,088	\$6,697	\$12,785
Operations – Sewer	\$5,746	\$6,321	\$12,067
Administration & Insurance	\$2,607	\$2,868	\$5,474
Contract Services	\$11,426	\$12,569	\$23,995
Total	\$63,131	\$69,444	\$132,575

*Note: Numbers may not sum due to rounding.
Source: Chmura*

Comparing the total Town costs of \$132,575 with the Town revenue of \$133,648, the net fiscal impact of the Windy Hill and Homewood Farm developments will be slightly positive for the Town of Middleburg. A number of residential units are tax exempt, and other units are intended to be affordable, limiting the potential for real estate tax. Maintaining a similar division of expenditure for police and utility administration, the expected revenue could support one full-time police officer and one part-time contract operator.⁷ In addition, with the additional residents the town may choose to administer these services directly instead of through current contract services and potentially realize savings.

Table 3.2: Scenario for Increasing Staff Using All Expected New Revenue

Spending Items	Current Staff	FY 2023 Budget	Additional Revenue from Proposed Construction	Potential Additional Staff
Public Safety (Police)	9	\$733,264	\$78,888	1.0
Water/ Sewer Administration	2	\$840,222	\$54,760	0.25
Total	11	\$1,573,486	\$133,648	1.25

*Note: Numbers may not sum due to rounding.
Source: Chmura*

⁷ Salaries account for a small portion of the overall water/ sewer administration budget; discussions with Town administration suggest the estimated additional costs for contract services could support a part-time position of 10 to 15 hours per week.