First, I want to thank the Commission for the time it allowed us at its August 5th work session to present the two very different scenarios in our 2010 proffers. Although we were not expecting to present this issue that evening we did greatly appreciate the initial feedback/ comments that we received and the time that was afforded us.

Second, I feel so much of our time is spent based on an "us vs. them" mentality when it comes to development, (and the sometimes associated perception that whatever is good for a developer is bad for the Town, and vice versa,) that I wanted to use this opportunity to focus on a few of the potential positives for the Town of such investment and development. The hope is simply to highlight some of the potential reasons that the Town may consider viewing FRLP more as a partner in accomplishing its objectives rather than as an adversary to them.

**FRLP Perspective - Virginia Economic Growth & Employment Picture**

1) *Virginia grew by 0.0% in 2014.* Real GSP (Gross State Product) in the state of Virginia grew by .6% in 2011, .7% in 2012, .4% in 2013, and 0.0% in 2014…

    a. *In 2014 Virginia ranked 48th of all states in GDP growth, ahead of only Alaska and Mississippi, which saw their economic outputs drop.*[1]

2) Employment in Virginia has gone from 3,970,428 to 4,035,125 since 2008 – for a *gain of 64,697 total jobs in the past 7 years.*[2] In addition, Virginia lost 5,980 jobs from year-end 2014 through November of 2015…

    a. *In 2014, employment growth in the Commonwealth was at 0.39 percent -- well below the U.S. average of 1.97 percent.* ***National Ranking:*** *49th in 2014 for employment growth.*[3]

| **Year** | **Employed** | **Change** |
|---|---|---|
| 2008 | 3,970,428 | |
| 2009 | 3,842,516 | (127,912) |
| 2010 | 3,860,386 | 17,870 |
| 2011 | 3,936,860 | 76,474 |
| 2012 | 3,974,519 | 37,659 |
| 2013 | 4,004,513 | 29,994 |
| 2014 | 4,041,105 | 36,592 |
| 2015 (Nov.) | 4,035,125 | (5,980) |

---

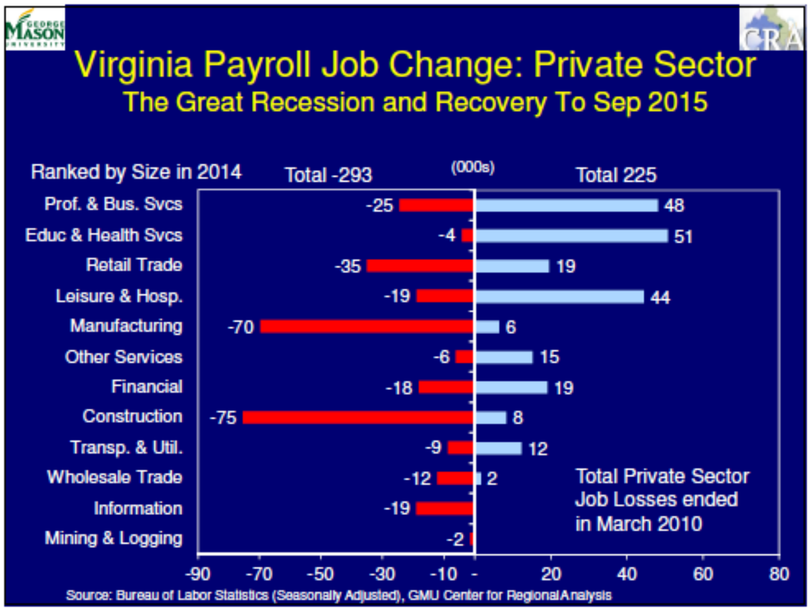
[1] U.S. Department of Commerce, www.bea.gov

[2] U.S. Bureau of Labor Statistics/ Virginia Employment Commission/ Virginia Labor

[2] U.S. Bureau of Labor Statistics/ Virginia Employment Commission/ Virginia Labor Market Information (www.virginialmi.com)

[3] U.S. Department of Commerce (www.bea.gov), and Virginia.gov, http://vaperforms.virginia.gov/indicators/economy/employmentGrowth.php

b. *Virginia lost 75,000 construction jobs during the recession. 8,000 of those jobs have been regained.*




c. Between September 2014 and September 2015 the Commonwealth added 32,900 jobs, 5,000 of those jobs were in construction – or 15%. In addition, it added 8,000 jobs in Prof. and Business Services, or another 24% of the total, a category that includes many related industries (legal, engineering and design, landscape architecture, mortgage brokers, surveyors, real estate agencies, banks, etc.).[4]

3) *Between 1960 and 2010 the Commonwealth added an average **47,574** building permits annually – between 2009 and 2015 (thru Nov.) the Commonwealth averaged **25,976** new building permits per year.* To break it down further:

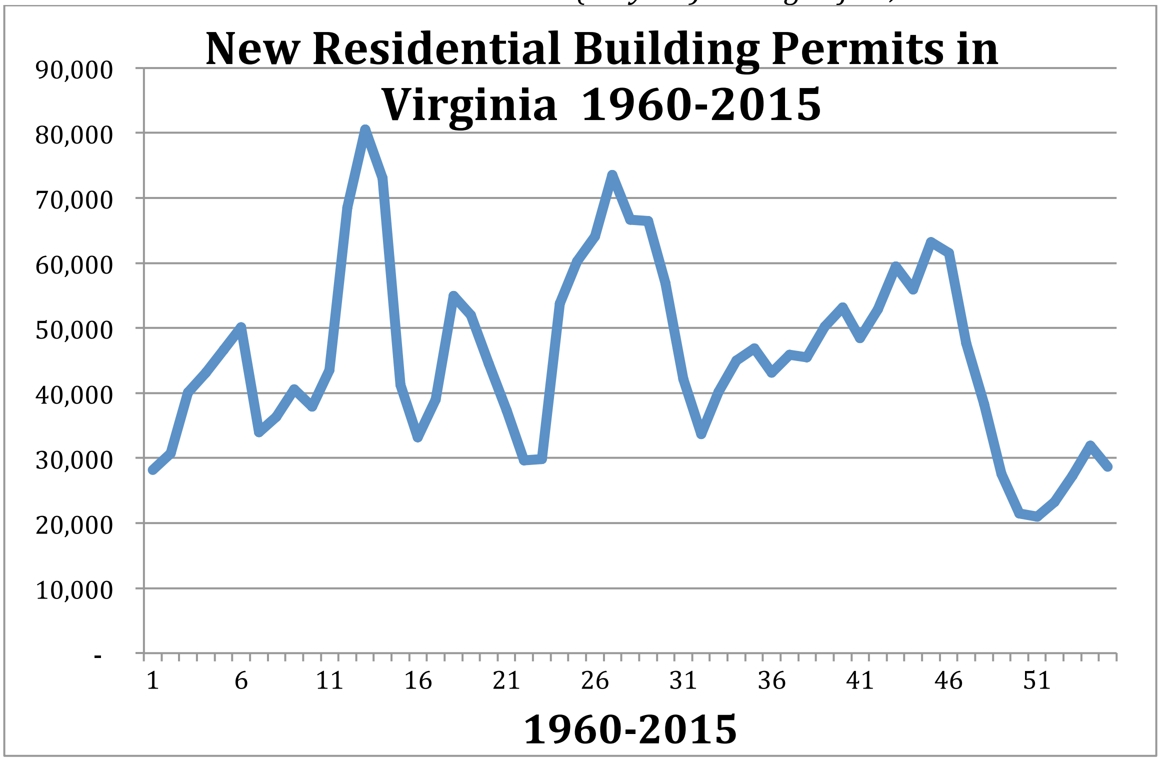
   a. 1960-1969 – average 38,760 (high of 46,639-1964/ low 28,214 in 1961)
   b. 1970-1979 – average 53,056 (high of 80,544 in 1972/ low 33,210 -1975)
   c. 1980-1989 – average 53,847 (high of 73,511 in 1986/ low 29,677 -1981)
   d. 1990-1999 – average 44,575 (high of 53,151 in 1999/ low 33,706 -1991)
   e. 2000-2009 – average 47,638 (high 63,220 in 2004/ low 21,452 -2009)
   f. 2010-2015 – average 26,730 (high 31,944 in 2013/ low 20,992 in 2010)

4) *To put these numbers in perspective**, 8 of the 12 <u>lowest</u> years** for total number of new building permits issued in the Commonwealth - since 1960 - **<u>have occurred in the last 8 years</u>**. The four outliers are 1981-82 (16-18% interest rates) and 1960-61.*

---

[4] George Mason University Center for Regional Analysis, "The Virginia and Northern Virginia Economies, Current Trends and Future Prospects", 11/18/2015.

a. *The 2009-2015 average is 46% below the 50-year (1960-2010) average and 43% below the total 1960-2015 (55-year) average of 45,342.*[5]




**General Overview of the Impact of a New Home vs. an Existing Home**

1) *New homes will be predominately owner occupied versus 41% of existing homes that are renter occupied*. Of its 5,561 occupied housing units, 3,273 (58.9%) are owner occupied and 2,286 (41.1%) are renter occupied.[6]

2) *The Town's housing stock is aging - a total of 7.1% of the Town's occupied housing units were built after the year 2000, or in the last 15 years.* 25.7% were built between 1980 and 1999, or 32.8% of the Town's housing was built within the last 35 years. Of the remainder, 25.5% was built between 1960- and 1979, 25.3% was built between 1940 and 1959, and the remaining 16.5% was built prior to 1940.[7]

3) *The average value of a home in the Town in 2011 was $165,210 (median = $168,800). New homes will be approximately twice that value and will generate twice the local property taxes for the Town as each existing home.* In addition, the higher household incomes required to purchase a new home means significantly

---

[5] U.S. Census Bureau, Monthly and Annual Building Permit Data
[6] U.S. Census Bureau, 2010 Census
[7] AmericanFactFinder, and U.S. Census Bureau, 2010 Census

more local tax receipts per capita for new residents than existing residents. This is important because the Town funds approximately 13% of its general fund from property taxes, the rest is generated in other taxes (and transfers from enterprise business'/ the State) – and those receipts (meals/ personal property…) will be significantly higher per capita for new residents (i.e. median household incomes will be higher than the existing median household income).

## General Overview of the Impact of a New Home to the Town's W&S Business'

1. *New users to the W&S system lower rates for existing users – period.* It is important to articulate the impact of each new residential connection to the Town's system and existing ratepayers – without any "Tap Fee":

   a. Each new user will lower rates by spreading the costs of existing system debt among more users.[8]

   b. Each new user will lower rates by spreading the costs of operations, maintenance, and future capital facility investments amongst more users.[9] This is already the case for newer users (i.e. homes built in last 20 years) subsidize the older housing stock in the community where this infrastructure needs constant repair and replacing.

   c. Each new user (and existing users right now) is effectively subsidizing past users as rates were too low for far too long – this means rates today and moving forward need to be higher to make up for rates that were artificially low in the past.[10]

   d. There is no cost to the system for each new user – the costs to build the infrastructure needed for new customers to tap into the system is paid for by new customers per Town Code. This did not use to be the case, in fact, "tap fees" began as a way to recoup the actual costs to the Town to build new infrastructure to serve new development, whereas, tap fees today have evolved to represent a "capacity fee" or a fee to "buy-into" each system.

---

[8] Per the most recent budget, 34% of both the W&S systems expenditures are allocated to Debt Service and Reserve Fund for debt service – adding users = less costs per user.

[9] W&S system assets (most with a 50 year lifespan) are already over 50% depreciated (i.e. both systems will require significant annual investments simply to fix existing/aging infrastructure (Inflow & Infiltration) – these are huge liabilities facing both W&S funds. New users, through their rates, will pay for (I&I) costs the Town has to pay either way.

[10] Rates have never been sufficient to fully fund O&M and save for future Capital facility upgrades (as a family might save for a new car when the old car is old). In addition, "Connection Fees" were always used for O&M (which keeps rates artificially low) instead of capital improvements – and would be like the Town using the money it gets from the State / V-DOT/ Transportation dollars to build a new police headquarters.

2. *The absolute best business plan, or business strategy for the Town's W&S systems, and the best way to keep rates as low as possible for existing customers is by adding new customers – and that is true even with ZERO tap fees. Moreover, there should be no question about who is subsidizing whom in the case of new W&S customers.*

3. As far as the tap fees go – at the current rate 1,000 future homeowners (and taps) would pay 15 million dollars in tap fees and use 208,000 gallons a day.[11] More importantly, FRLP/New Homeowners will pay all the costs to hook into the system. For comparison purposes - Dominion uses 250,000-300,000 gallons of water per day with a peak use of 600,000 gallons. They agreed to pay 3.99 million in off-site improvements (that covers approximately 50% of what the Town will spend on those) plus the tap fee of approximately 1.5 million. In other words, the Dominion project is costing the W&S system money to accommodate it – our project will not (without any tap fees). As far as rates - the more water you use – the less you pay per gallon.

**<u>Jobs – Construction & Permanent Jobs from Building 100 (or 1,000) homes</u>**

1. *According to the most recent industry research report, building 100 SFD homes creates 394 one-year equivalent construction jobs and support 69 permanent jobs in the community annually. 1,000 SFD units would create 3,940 one-year equivalent construction jobs and support 690 permanent jobs in the community per year.*[12]

    a. *To put those numbers in perspective, the Keystone Pipeline would have created 3,900 one-year equivalent construction jobs and 35 permanent jobs.*[13]

    b. *Similarly, if we assume the dominion power plant employed 1,000 people for 2 years than it created the equivalent of 2,000 one-year construction jobs and 40 (?) permanent jobs.*

    c. *The permanent jobs supported are the effects on local business' – from landscaping to local restaurant's – it represents the jobs that will be supported by the goods and services needed (consumed) by new residents.*

2. *Building 100 homes would generate $28,700,000 in construction wages, and $287,000,000 in construction wages for 1,000 homes. Some of these wages will be spent in the community no matter where that worker lives.*

---

[11] Town Engineer estimated each new home in our development would use 208 gallons per day, 2009, staff report on FRLP rezoning.
[12] "The Economic Impact of Home Building in a Typical Local Area, Income, Jobs, and Taxes Generated", National Association of Homebuilders, April 2015.
[13] "Will the Keystone XL Pipeline Create 42,000 Jobs?", Washington Post, 1/6/2015

a. *These are good and important jobs. And we certainly recognize the Town's desire for more "white collar"/desk jobs, but construction jobs pay very good and "living" wages. In addition, such "desk jobs" are not for everyone. 16.4% of the Town's population over age 25 has a bachelor degree or higher – by focusing exclusively on "desk jobs" the Town is forgetting this other 83.6% of its own population that could raise a family and buy a home with these wages.*[14]

b. It is also important to note that, unlike Dominion, which was a 2 year construction project – *building 1,000 homes would take 20+ years – meaning this will equate to 200 construction jobs for a 20+ year period* – there is a big difference on the affect of where these workers live (and many already live in the community).

**The Point is, we believe that there can be such a thing as a "win/ win"**

The irony of the biggest complaints about development and "developers" (negative fiscal and environmental impacts) is that developers don't make the rules yet all of the negative consequences of the rules are assumed to be their fault, when the truth is developers build what government(s) requires them to build.[15]

Moreover, if these issues are viewed/portrayed as a "win/lose" or "lose/win" situation than such a perspective precludes the possibility of any development, or any viable development, ever being considered "win/win".

And - I want to be clear that I am not saying this is the Town's perspective on development, but I am positing that from our perspective it often appears to be (i.e. if it's "good" for the developer it must, almost by definition, be bad for the Town).

(And I know for a fact that many/most do not share this view of development (and others do not share it purposefully or consciously)- I just wanted to share our perspective at times).

*The point tonight is - I believe that there are many opportunities for "win/ win" outcomes for the Town in this entire N.E. planning area and with both FRLP projects – and I fear that finding them will be much more difficult in closed sessions.*

---

[14] U.S. Census Bureau, 2010 Census.

[15] Real Estate Developers are merely playing by the rules", Washington Post, August 22, 2014