

## Executive Summary

Bonaventure Realty Group, LLC engaged RCLCO to conduct a fiscal impact analysis of its proposed Breckinridge development in Chesapeake, Virginia. RCLCO is a real estate advisory firm based in Bethesda, Maryland with extensive experience in the preparation of market, fiscal, and economic impact analyses for a variety of private and public sector clients across the United States.

This analysis assesses the impact of a development program prepared by Bonaventure Realty Group, LLC. Residences, including single-family detached houses, townhouses, for-sale multiplex condominiums, and rental apartments make up the bulk of the program though a grocery-anchored retail shopping center is also included. The table below details the proposed development program.

**Figure 1**

### ***Breckinridge Development Program***

#### **Residential Program**

Product Type	Units	Density	Acres	Avg. SF	Avg. Price/ Rent	Avg. Price/ SF	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Large Lot SFD	79	2.49	31.7	3,000	\$395,000	\$132	5	15	15	15	12	12	5	0	0	0	0	0	0	0	0	79
Medium Lot SFD	119	3.76	31.6	2,450	\$330,000	\$135	10	15	15	15	15	15	15	10	9	0	0	0	0	0	0	119
Small Lot Cottages/Condos	213	6.57	32.4	2,100	\$275,000	\$131	15	20	25	25	25	25	25	25	15	10	3	0	0	0	0	213
Townhouse Condos	213	12	17.8	1,650	\$235,000	\$142	15	20	20	20	20	20	20	20	20	20	18	0	0	0	0	213
Multiplex/MF Condos <sup>1</sup>	405	12	33.8	1,550	\$200,000	\$129	0	15	15	15	15	20	25	30	35	40	40	40	40	40	35	405
Garden Apartments	596	20	29.8	980	\$1,200	\$1.22	150	150	0	0	0	0	148	148	0	0	0	0	0	0	0	596
<b>Total For-Sale</b>	<b>1,029</b>	<b>7.0</b>	<b>147.3</b>	<b>2,000</b>	<b>\$253,000</b>	<b>\$133</b>	<b>45</b>	<b>85</b>	<b>90</b>	<b>90</b>	<b>87</b>	<b>92</b>	<b>90</b>	<b>85</b>	<b>79</b>	<b>70</b>	<b>61</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>35</b>	<b>1,029</b>
<b>Total Rental</b>	<b>596</b>	<b>20</b>	<b>29.8</b>	<b>980</b>	<b>\$1,200</b>	<b>\$1.22</b>	<b>150</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148</b>	<b>148</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>596</b>
<b>Total</b>	<b>1,625</b>	<b>9.2</b>	<b>177.1</b>																			<b>1,625</b>

#### **Commercial Program**

	SF/Units	Density/ FAR	Acres	ADR/Rent	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Neighborhood Retail	341,950	0.25	31.4	\$19	0	0	200,000	0	0	0	141,950	0	0	0	0	0	0	0	341,950
Hotel	0	20	0.0	\$70	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Flex Commercial	0	0.25	0.0	\$19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## Conclusions

The proposed development at Breckinridge is projected to yield a positive net fiscal impact (revenues less expenditures) to the City of Chesapeake's General Fund. When completed, we project that the property will generate approximately \$8.26 million in annual tax revenues and \$6.97 million in expenditures, resulting in a positive annual net fiscal impact of \$1.29 million in constant 2011 dollars. In comparison, the vacant site today generates approximately \$93,000 in annual tax revenues for the City of Chesapeake. The assessed value of the the property at build-out is projected to be approximately \$371 million in constant 2011 dollars, compared to \$9 million today.

In total, and including inflation, RCLCO projects that the project will generate a positive net fiscal impact of \$46,291,000 over the twenty year period from 2012 - 2031. Relative to a no-development scenario, which is projected to generate \$2,359,000 in net fiscal impact over the same period, the Breckinridge Development generates a benefit of \$43,932,000. The primary source of the fiscal benefit is increased property tax revenues that are projected to total \$73,159,000 over the analysis period. This single line-item accounts for almost half of the total revenues of \$170,616,000 generated by the development. The proposed development will also increase the City's expenditures; total costs of \$124,325,000 through 2031 are anticipated. Figure 2 summarizes the main conclusions of the analysis.

**Figure 2**

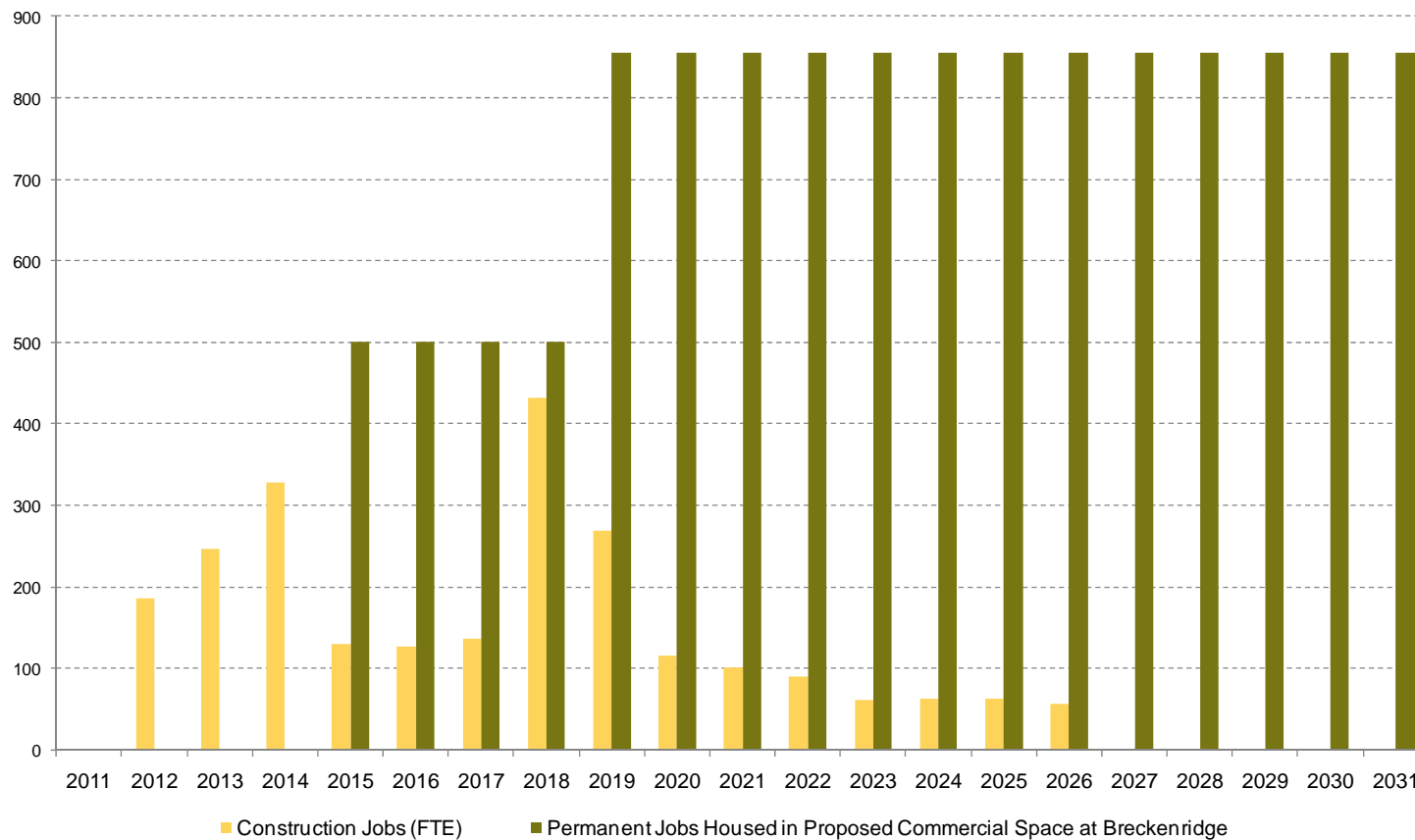
**Projected Revenues and Expenditures, 2012 - 2031**

Revenues	Development Scenario				No Development Scenario		
	2012 - 2021	2022 - 2031	Total		2012 - 2021	2022 - 2031	Total
Real Property Tax	\$21,236,000	\$51,923,000	\$73,159,000	42.9%	\$1,063,000	\$1,296,000	\$2,359,000
Personal Property Tax	\$3,836,000	\$10,189,000	\$14,025,000	8.2%	\$0	\$0	\$0
Retail Sales Tax	\$7,329,000	\$16,106,000	\$23,435,000	13.7%	\$0	\$0	\$0
Meals and Beverage Tax	\$10,256,000	\$22,515,000	\$32,771,000	19.2%	\$0	\$0	\$0
Lodging	\$0	\$0	\$0	0.0%	\$0	\$0	\$0
BPOL	\$2,359,000	\$4,408,000	\$6,767,000	4.0%	\$0	\$0	\$0
Building Permit Fees	\$677,000	\$167,000	\$844,000	0.5%	\$0	\$0	\$0
Miscellaneous	\$2,961,000	\$7,498,000	\$10,459,000	6.1%	\$0	\$0	\$0
Proffers	\$7,547,000	\$1,609,000	\$9,156,000	5.4%	\$0	\$0	\$0
<b>Total</b>	<b>\$56,201,000</b>	<b>\$114,415,000</b>	<b>\$170,616,000</b>	<b>100.0%</b>	<b>\$1,063,000</b>	<b>\$1,296,000</b>	<b>\$2,359,000</b>
Expenditures	2012 - 2021	2022 - 2031	Total		2012 - 2021	2022 - 2031	Total
Non-Educational Operating Expenditures	\$17,149,000	\$43,301,000	\$60,450,000	48.6%	\$0	\$0	\$0
Educational Operating Expenditures	\$11,778,000	\$32,032,000	\$43,810,000	35.2%	\$0	\$0	\$0
Capital Expenditures	\$6,483,000	\$13,582,000	\$20,065,000	16.1%	\$0	\$0	\$0
<b>Total</b>	<b>\$35,410,000</b>	<b>\$88,915,000</b>	<b>\$124,325,000</b>	<b>100.0%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Net Fiscal Impact	2012 - 2021	2022 - 2031	Total		2012 - 2021	2022 - 2031	Total
<b>Total</b>	<b>\$20,791,000</b>	<b>\$25,500,000</b>	<b>\$46,291,000</b>		<b>\$1,063,000</b>	<b>\$1,296,000</b>	<b>\$2,359,000</b>

We estimate that during the construction phase from 2012 – 2026, the project will support an average of 160 full-time equivalent construction jobs each year. Further, we anticipate that the commercial space proposed for the site will support approximately 850 permanent jobs. Figure 3 displays the projected number of jobs supported by the project on an annual basis.

**Figure 3**

***Projected Number of Jobs Supported by the Breckinridge Development***



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## CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they stand the test of time.

We assume that the economy and real estate markets are close to bottoming out for the current cycle, and that they will grow at a stable and moderate rate starting in 2010, more or less in a straight line on average for the duration of the analysis period (to 2020 and beyond). However, history tells us that stable and moderate growth patterns are not sustainable over extended periods of time, and that the economy is cyclical and that the real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when the current economic and real estate downturns will end, and what will be the shape and pace of growth once they are recovered.

With the above in mind, we assume that the long term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not take into account the potential impact of future economic shocks on the national and/or local economy, and does not necessarily account for the potential benefits from major "booms," if and when they occur. Similarly, the analysis does not necessarily reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

For all the reasons outlined , we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that once the current cycle is over, the following will occur in accordance with current expectations:

- Economic, employment, and household growth.
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels.
- The cost of development and construction.
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth).
- The availability and cost of capital and mortgage financing for real estate developers, owners and buyers, at levels present in the market before the most recent run up (i.e., early 2000s levels).
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand.
- Major public works projects occur and are completed as planned.

Should any of the above change, this analysis should probably be updated, with the conclusions reviewed accordingly (and possibly revised).

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## GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.