

**1500 GATEWAY
FREDERICKSBURG, VA
PROFFER JUSTIFICATION AMENDMENT**

JUNE 7, 2023

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

I. Introduction

The purpose of this document is to update the proffer tables submitted May 4, 2023 to revise impacts to include the planned expansion of James Monroe High School. Changes only include the additional proffer contribution for the high school expansion, as such middle school impacts and public safety impacts have not changed.

Public School Facility Impacts

REVISED SCHOOL PROFFER CONTRIBUTION METHODOLOGY

Municap examined the City's FY 2024 Adopted Capital Improvement Plan (the "CIP") and the FY 2024 School Board Approved Budget to evaluate planned improvements that would increase school capacity. The CIP includes projects that will increase capacity for elementary school, middle school, and high school facilities.

The City plans to convert Walker-Grant Middle School to a new elementary school. The cost identified in the CIP to convert this school to allow for more capacity is \$4,000,000. This improvement is anticipated to be covered through a grant and the school operating fund balance. As such, there is not an anticipated burden to the taxpayers and MuniCap did not calculate a contribution for this improvement.

The FY 2024 School Board Approved Budget includes costs associated with an entirely new middle school in the amount of \$74,780,000 as a result of the conversion of Walker-Grant Middle School to an elementary school. The City and School district anticipate \$8,566,984 of the \$74,780,000 will be offset through state grants, for a net cost to taxpayers of \$66,213,016 ($\$74,780,000 - \$8,566,984 = \$66,213,016$). **As the Developer is in negotiations with the City, contributions for this improvement do not consider the \$8,566,984 grant and includes the full \$74,780,000 in construction costs as identified in the FY 2024 School Board Approved Budget.** Current capacity is not utilized as the school will be brand new. MuniCap determined the cost per student based on the anticipated capacity of the new school (i.e. total construction cost of \$74,780,000 / anticipated capacity of 1,100 = cost per student). The cost per student was then applied to the middle school students projected to enter the City of Fredericksburg Public School System as a result of the Development to estimate the proffer contribution.

The CIP includes costs associated with an expansion to James Monroe High School. Construction is anticipated to cost \$5,830,000 and commence in fiscal year 2028. The anticipated increase in capacity is not yet available. As seen in Table III-A.4 on the following page, MuniCap calculated the year-over-year growth based on the projected enrollments identified in the Capital Impacts Study prepared by TischlerBise dated February 13, 2023. The assumptions therein are limited in that the enrollment projections are based on the entire school district and do not provide growth rates for each school type (i.e., elementary, middle, and high school). MuniCap's goal was to extrapolate the growth rate from the Capital Impact Study and apply it to a per-school growth factor to estimate a reasonable increase in capacity for the future high school expansion. This approach does not estimate actual projected enrollment but is instead based on capacity. Based on this calculation, the estimated high school capacity after growth in the school year 2028-2029 is 1,266.

TABLE III-A.4
City School Facilities – Projected Capacity Growth

	<i>SY 21- 22^(b)</i>	<i>SY 22- 23^(c)</i>	<i>SY 23- 24</i>	<i>SY 24- 25</i>	<i>SY 25- 26</i>	<i>SY 26- 27</i>	<i>SY 27- 28</i>	<i>SY 28- 29</i>
Projected K-12 enrollment	3,547	3,662	3,712	3,782	3,821	3,836	3,886	3,982
Year-over-year growth %	-	3.24%	1.37%	1.89%	1.03%	0.39%	1.30%	2.47%
District capacity (K-12)	3,994	3,994	3,994	3,994	3,994	3,994	3,994	3,994
Excess available capacity	447	332	282	212	173	158	108	12
Utilization	89%	92%	93%	95%	96%	96%	97%	100%
SY 22-23 existing capacity & growth %	-	1,164	1.37%	1.89%	1.03%	0.39%	1.30%	2.47%
Estimated high school capacity growth ^(d)	-	-	1,180	1,202	1,214	1,219	1,235	1,266

^(a)Year-over-year growth and estimated high school capacity increase are calculated by MuniCap and based on the projected enrollment, capacity and utilization as provided in the Capital Impacts Study dated February 13, 2023.
^(b)SY 21-22 is the base year as identified in the Capital Impacts Study dated February 13, 2023.
^(c)High school capacity in school year 2022-2023 is based on the current capacity as identified in Table III-A.3 in the proffer tables dated May 4, 2023.
^(d)High school capacity projected growth is calculated by applying the year-over-year growth to existing SY 22-23 high school capacity beginning and ending on the anticipated year of the James Monroe High School expansion (SY 2028-2029).

The City of Fredericksburg Public Schools received a grant from the Virginia Department of Environmental Quality Clean Bus Program. Therefore, the City of Fredericksburg removed the costs associated with school bus replacement from the CIP. As such, no proffer has been contemplated for school bus replacement.

MITIGATION STRATEGIES

The City Capital Improvement Plan includes capital improvements that will increase capacity with the new middle school facility. Proffers for eligible public school improvements are calculated below in Table III-A.5. High school students are not included in the principal payment credit calculation as that credit is based on the anticipated debt service for a new school cost and would unreasonably reduce the total contribution.

TABLE III-A.5
Projected School District Impact

<i>School Impact for Proposed Zoning Reclassification</i>	
New Middle School	
a) Total student capacity at new school ^(a)	1,100
b) Approximate construction cost (per school) ^(a)	\$74,780,000
c) Facility cost per capita (b ÷ a)	\$67,981.82
d) Projected students at Development after by-right allocation ^(b)	47.31
e) Sub-total: school proffer contribution for Development (c × d)	\$3,216,219.82
James Monroe High School Expansion	
f) Total student capacity at new school ^(c)	1,266
g) Approximate construction cost (per school) ^(d)	\$5,830,000
h) Facility cost per capita (g ÷ f)	\$4,605.06
i) Projected students at Development after by-right allocation ^(b)	63.70
j) Sub-total: school proffer contribution for Development (h × i)	\$293,342.32
k) Less: Principal payment per credit per student^(e)	(\$599,985.42)
l) Net proffer contribution (e + j + k)	\$2,909,576.72
m) Percentage of total students generated: townhome units	63%
n) Percentage of total students generated: multi-family units	37%
Proffer contribution: per townhome unit (l × m ÷ 361)	\$5,082.21
Proffer contribution: per multi-family unit (l × n ÷ 288)	\$3,732.29
^(a) Source: City of Fredericksburg FY 24 School Board Approved Budget. ^(b) See Table III-A.2 in the proffer tables dated May 4, 2023. ^(c) See Table III-A.4. ^(d) City of Fredericksburg FY 24 Adopted Capital Improvement Plan ^(e) Source: City of Fredericksburg Capital Impact Study dated February 13, 2023. Credit calculations are based on principal payments to be made by the City on outstanding and future public school debt. A credit is required with new residential units that pay school proffer contributions and will also contribute to future principal payments on the school debt through property taxes.	

Conclusions

SUMMARY OF ANALYSIS

Based on MuniCap's analysis, the estimated cash proffer that may be collected from the Development is as shown on the following page in Table IV-A.

TABLE IV-A
Summary of Analysis

Public Facilities	Estimated Proffer per Dwelling Unit
a) Public school facilities cost per unit^(a)	
i) Single-family attached	\$5,082.21
ii) Multifamily	\$3,732.29
b) Public safety facilities cost per unit^(b,c)	
i) Single-family attached	\$902.13
ii) Multifamily	\$790.40
iii) Per 1,000 GSF Retail	\$1,369.17
iv) Per 1,000 GSF Office	\$719.29
v) Per 1,000 GSF Flex/Industrial	\$1,293.46
vi) Per 1,000 GSF warehouse	\$271.31
vii) Per continuing care bed	\$230.30
viii) Per hotel room	\$53.63
c) Public parks facilities cost per unit	N.A.
d) Public transportation facilities cost per unit	N.A.
e) Total estimated proffer per unit	
i) Single-family attached	\$5,984.34
ii) Multifamily	\$4,522.69
iii) Per 1,000 GSF Retail	\$1,369.17
iv) Per 1,000 GSF Office	\$719.29
v) Per 1,000 GSF Flex/Industrial	\$1,293.46
vi) Per 1,000 GSF warehouse	\$271.31
vii) Per continuing care bed	\$230.30
viii) Per hotel room	\$53.63
f) Total estimated proffer per unit type	
i) Single-family attached	\$2,160,346.74
ii) Multifamily	\$1,302,534.72
iii) Per 1,000 GSF Retail	\$102,687.75
iv) Per 1,000 GSF Office	\$86,314.80
v) Per 1,000 GSF Flex/Industrial	\$65,190.38
vi) Per 1,000 GSF warehouse	\$13,022.88
vii) Per continuing care bed	\$32,242.00
viii) Per hotel room	\$5,792.04
Total Development proffer contribution	\$3,768,131.31
^(a) See Table III-A.5.	
^(b) See Table III-B.9 in the proffer tables dated May 4, 2023.	
^(c) See Table III-B.10 in the proffer tables dated May 4, 2023.	

ASSUMPTIONS AND LIMITATIONS

In preparation of this narrative, MuniCap relied on multiple sources for the information presented and used herein. While these sources are believed to be reliable, MuniCap has not undertaken any efforts to independently verify the veracity of any such information.

While the methodology employed and the content provided herein are believed to be consistent with applicable law, including the Residential Proffer Legislation, none of the statements in this document should be construed as legal advice.