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HOUSING IS GOOD BUSINESS

Debunking the Burden: Study Finds Lower Housing Burden

LEESBURG, Va., (June 26, 2015) – A recent study conducted by RCLCO (Robert Charles Lesser & Co.) finds that the average public service demand (schools, public safety, social services, etc.) by the average house of all types and ages in Loudoun is $1.20 for every $1 in revenue generated, and that new homes are not only covering themselves from a fiscal impact perspective, but they are helping dilute the negative impact of the balance of older, non-proffered, or under-proffered housing stock.

The study was commissioned by “All-In Loudoun,” an umbrella land use and economic development group founded by a number of Loudoun County citizens, companies, and development entities. RCLCO is the nation’s leading independent real estate advisory firm, and was previously retained by Loudoun County to conduct a fiscal impact analysis of future development near Metro stations.

The idea for the study came in response to repeated assertions by some in Loudoun County that every new residential unit in Loudoun costs $1.62 for every $1.00 in taxes paid by the unit – inferring that new homeowners are a net drain on the county’s treasury. This assertion comes from a 2011 analysis by the Loudoun County Economic Development Commission’s Policy and Implementation Committee (“PIC”).

All-In Loudoun commissioned RCLCO to conduct a detailed review of PIC’s 2011 study and, more particularly, to independently analyze the fiscal impact of the development of new housing in the county. “Based on our extensive experience with fiscal impact analysis of development in Loudoun County, including work on behalf of the Loudoun County government itself, we were happy to work with stakeholders, using the same approach we have used in working with the county previously, to determine the actual fiscal impact of new homes on the Loudoun County budget,” said Leonard Bogorad, Managing Director, RCLCO.

For the All-In Loudoun study, RCLCO first determined that PIC’s $1.62 study had several miscalculations, including: (1) incorrectly allocating certain county expenditures between residential and non-residential uses in a manner inconsistent with assumptions by county financial services staff; (2) ignoring state and federal revenues, including school aid, that increases with higher population; and (3) assuming all retail sales taxes and BPOL taxes on retailers are attributable solely to nonresidential development, when, in fact, those taxes are primarily due to spending by residents.

RCLCO then applied a methodology consistent with the prior county-funded study, and found that the average residential unit in Loudoun – irrespective of the unit’s age or price – costs $1.20 for every $1.00 in taxes paid, or 42 cents per $1.00 lower than PIC’s 2011 study.

Finally, RCLCO used assumptions approved by county financial services staff to determine the “breakeven” values for new homes, which is the point at which a new housing unit pays its own way by costing $1.00 or less in county operating costs for every $1.00 in revenues that the home generates. The study found that new homes generate substantially higher taxes and assessments than the average home in the county, without generating higher service costs. For example, the average new single family home and townhome costs the county only 94 cents and 90 cents, respectively, for every $1.00 they cost in county revenue. The results were even more positive for the average new condominium.

“We believe that this study was invaluable in bringing to the attention of decision makers the flaws in the analyses they are relying on, and to provide evidence for the importance of a more balanced approach to future development – including the need for more workforce housing to support economic development,” said Jeanette Newton, CEO, Dulles Area Association of REALTORS®.

“We’ve all lived through the growth wars, and much of the battles were fought against housing. But as Loudoun evolves, we wanted to make sure this issue received a fresh and accurate look,” said Andrew Painter, a land use attorney with Walsh Colucci and president of the Loudoun Chapter of the Northern Virginia Building Industry Association. “The study shows that new homes are raising the average assessment in the county and that most of the product we’re building is helping to dilute the historic burden of housing. And that’s a good thing for taxpayers.”

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