



Gilbert Street Mixed-Use

ECONOMIC AND FISCAL CONTRIBUTION TO THE TOWN OF BLACKSBURG AND MONTGOMERY COUNTY

(Prepared by Mangum Economics – Dated September 6, 2019)



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GILBERT STREET MIXED-USE

ECONOMIC AND FISCAL CONTRIBUTION TO
THE TOWN OF BLACKSBURG AND MONTGOMERY COUNTY



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About Mangum Economics, LLC

Mangum Economics, LLC is a Richmond, Virginia based firm that specializes in producing objective economic, quantitative, and qualitative analysis in support of strategic decision making. Much of our recent work relates to IT & Telecom Infrastructure (data centers, terrestrial and subsea fiber), Renewable Energy, and Economic Development. Examples of typical studies include:

POLICY ANALYSIS

Identify the intended and, more importantly, unintended consequences of proposed legislation and other policy initiatives.

ECONOMIC IMPACT ASSESSMENTS AND RETURN ON INVESTMENT ANALYSES

Measure the economic contribution that businesses and other enterprises make to their localities.

WORKFORCE ANALYSIS

Project the demand for, and supply of, qualified workers.

CLUSTER ANALYSIS

Use occupation and industry clusters to illuminate regional workforce and industry strengths and identify connections between the two.

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Executive Summary

This report quantifies the likely economic and fiscal impact associated with the construction and ongoing operation of Gilbert Street, a proposed mixed-use development that would be located in Downtown Northwest, at the intersection of Main Street and Prices Fork Road in the Town of Blacksburg in Montgomery County, Virginia. The principle findings from that assessment are as follows:

- 1. The Gilbert Street mixed-use development would provide a substantial boost to the area's construction industry, which is the county's second largest growth sector and pays above average wages when compared to all industries:**
 - The one-time pulse of economic activity associated with construction of the proposed development would generate a direct impact on Montgomery County and the Town of Blacksburg's construction industry of approximately 363 new full-time-equivalent jobs, \$14.3 million in associated labor income, and \$39.8 million in additional economic output during both years of construction.
 - Accounting for the ripple effects this economic activity will create, the total impact on Montgomery County and the Town of Blacksburg from construction would be approximately 490 new full-time-equivalent jobs, \$19.3 million in associated labor income, \$55.7 million in additional economic output, and \$1.7 million in state and local total tax revenue in both years of construction.

- 2. At full build out, new retail and restaurant businesses as well as Virginia Tech employees located at the Gilbert Street mixed-use development would have a significant economic impact on Montgomery County and the Town of Blacksburg:**
 - At full build-out of Scenario 1 (general retailers, restaurants, and office space):
 - Ongoing commercial operations at the Gilbert Street mixed-use development would have a direct annual impact on Montgomery County and the Town of Blacksburg of approximately 638 full-time-equivalent jobs, \$30.8 million in associated labor income, and \$36.6 million in additional economic output.
 - Accounting for the ripple effects this economic activity will create, the total annual impact on Montgomery County and the Town of Blacksburg from ongoing operations would be approximately 796 full-time-equivalent jobs, \$36.5 million in associated labor income, and \$55.8 million in additional economic output.

- At full build out of Scenario 2 (grocery store, general retailers, restaurants, and office space):
 - Ongoing commercial operations at the Gilbert Street mixed-use development would have a direct annual impact on Montgomery County and the Town of Blacksburg of approximately 649 full-time-equivalent jobs, \$31.1 million in associated labor income, and \$37.1 million in additional economic output.
 - Accounting for the ripple effects this economic activity will create, the total annual impact on Montgomery County and the Town of Blacksburg from ongoing operations would be approximately 810 full-time-equivalent jobs, \$36.8 million in associated labor income, and \$56.7 million in additional economic output.
- 3. At full build out, the Gilbert Street mixed-use development would make a significant positive fiscal contribution to the Town of Blacksburg and Montgomery County:**
 - Under Scenario 1 (general retailers and restaurants):
 - Accounting for those local revenue sources that could be estimated, we project that at full build-out, the Town of Blacksburg would receive approximately \$476,254 in tax revenue from ongoing commercial operations at the Gilbert Street mixed-use development. Montgomery County is expected to collect taxes totaling approximately \$134,079 (*please note that because of a lack of available data, this calculation necessarily excludes potential revenue from Merchant's Capital and Business Personal Property Tax*).
 - Under Scenario 2 (general retailers, grocery store and restaurants):
 - Accounting for those local revenue sources that could be estimated, we project that at full build-out, the Town of Blacksburg would receive approximately \$485,094 in tax revenue from ongoing commercial operations at the Gilbert Street mixed-use development, while Montgomery County is expected to collect taxes totaling approximately \$159,069 (*please note that because of a lack of available data, this calculation necessarily excludes potential revenue from Merchant's Capital and Business Personal Property Tax*).

The estimates provided in this report are based on the best information available and all reasonable care has been taken in assessing that information. However, because these estimates attempt to foresee circumstances that have not yet occurred, it is not possible to provide any assurance that they will be representative of actual events. These estimates are intended to provide a general indication of likely future outcomes and should not be construed to represent a precise measure of those outcomes.

Introduction

This report quantifies the likely economic and fiscal impact associated with the construction and ongoing operation of Gilbert Street, a proposed mixed-use development that would be located in Downtown Northwest, at the intersection of Main Street and Prices Fork Road in the Town of Blacksburg in Montgomery County, Virginia.

W.M. Jordan Company and Hanbury are proposing a five-story mixed-use building to be owned by the Virginia Tech Foundation as part of a long-term strategic development plan for Downtown Blacksburg. The five-story mixed-use building would contain ground level as well as surface parking, street level retail and restaurants, four stories of office space to be occupied by the Virginia Tech Foundation, and a rooftop terrace and restaurant. Construction is planned to commence in May 2020 with an anticipated completion date of March 2022. The project is anticipated to involve a total capital investment of approximately \$80.0 million.

In the following sections, we quantify the likely economic and fiscal contribution that the proposed Gilbert Street Mixed-use development would make to the Town of Blacksburg and Montgomery County. To accomplish this, we consider both the one-time impact from construction as well as the ongoing impact that the site would generate once it is at full build-out and full-occupancy.

Background Information

In this section, we provide a context for the economic and fiscal impact analyses to follow by reviewing recent economic trends in the Town of Blacksburg and Montgomery County. Please note that economic and labor statistics are only available for counties and independent cities. As a result, the following paragraphs describe economic trends in Montgomery County, which is inclusive of the Town of Blacksburg.

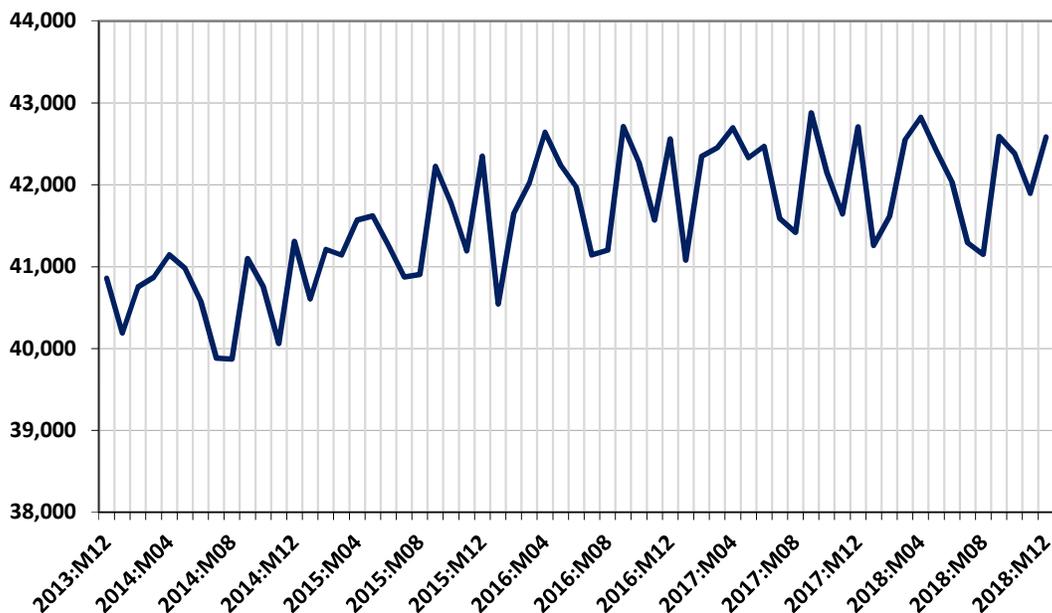
Total Employment

Figure 1 depicts the trend in total employment in Montgomery County from December 2013 to December 2018. As these data show, employment in the county gradually trended upward. However, this growth has slowed since the beginning of 2017. As of December 2018, total employment in the county stood at 42,584. This represents a 1,724 job increase in employment over the five-year period, or 4.2 percent growth. To put this number in perspective, over this same period, total statewide employment in Virginia increased by 7.0 percent.¹

¹ Data Source: U.S. Bureau of Labor Statistics.



Figure 1: Total Employment in Montgomery County from December 2013 to December 2018²

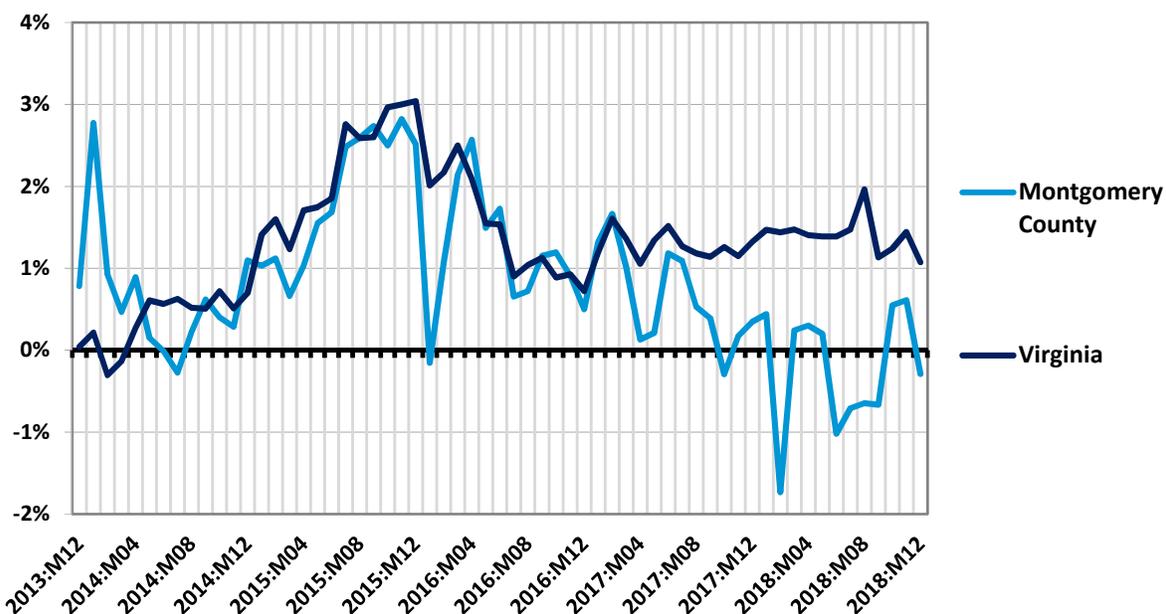


To control for seasonality and to provide a point of reference, Figure 2 compares the year-over-year change in total employment in Montgomery County to that of the state of Virginia as a whole over the same five-year period. Any point above the zero line in this graph indicates growth in year-over-year employment, while any point below the zero line indicates a decline in year-over-year employment. As these data indicate, year-over-year employment changes in Montgomery County generally tracked the statewide trend from 2014 to early 2017. However, since March 2017, Montgomery County has fallen below the statewide trend in employment growth. As of December 2018, year-over-year employment growth was negative 0.3 percent in Montgomery County as compared to positive 1.1 percent statewide in Virginia.

² Data Source: U.S. Bureau of Labor Statistics.



Figure 2: Year-Over-Year Change in Total Employment – December 2013 to December 2018³



Employment and Wages by Major Industry Sector

To provide a better understanding of the underlying factors motivating the total employment trends depicted in Figures 1 and 2, Figures 3 through 5 present data on private employment and wages by major industry sector in Montgomery County.

Figure 3 shows the distribution of private employment across major industries in Montgomery County’s economy in 2018 by ranking each industry by employment. As these data indicate, the county’s largest industry sector that year was Trade, Transportation, and Utilities (5,876 jobs), followed by Manufacturing (5,200 jobs), and Leisure and Hospitality (4,799 jobs).

³ Data Source: U.S. Bureau of Labor Statistics.



Figure 3: Private Employment by Major Industry in Montgomery County in 2018⁴

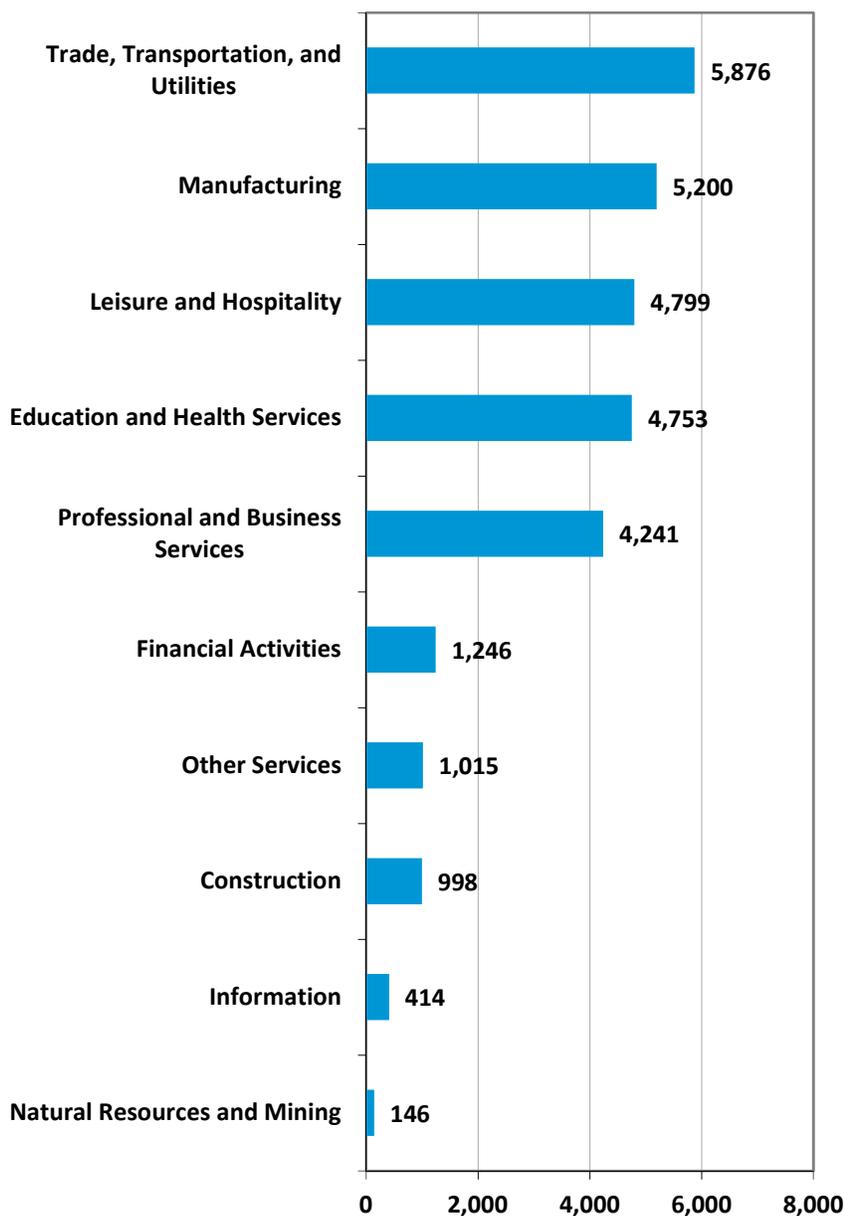
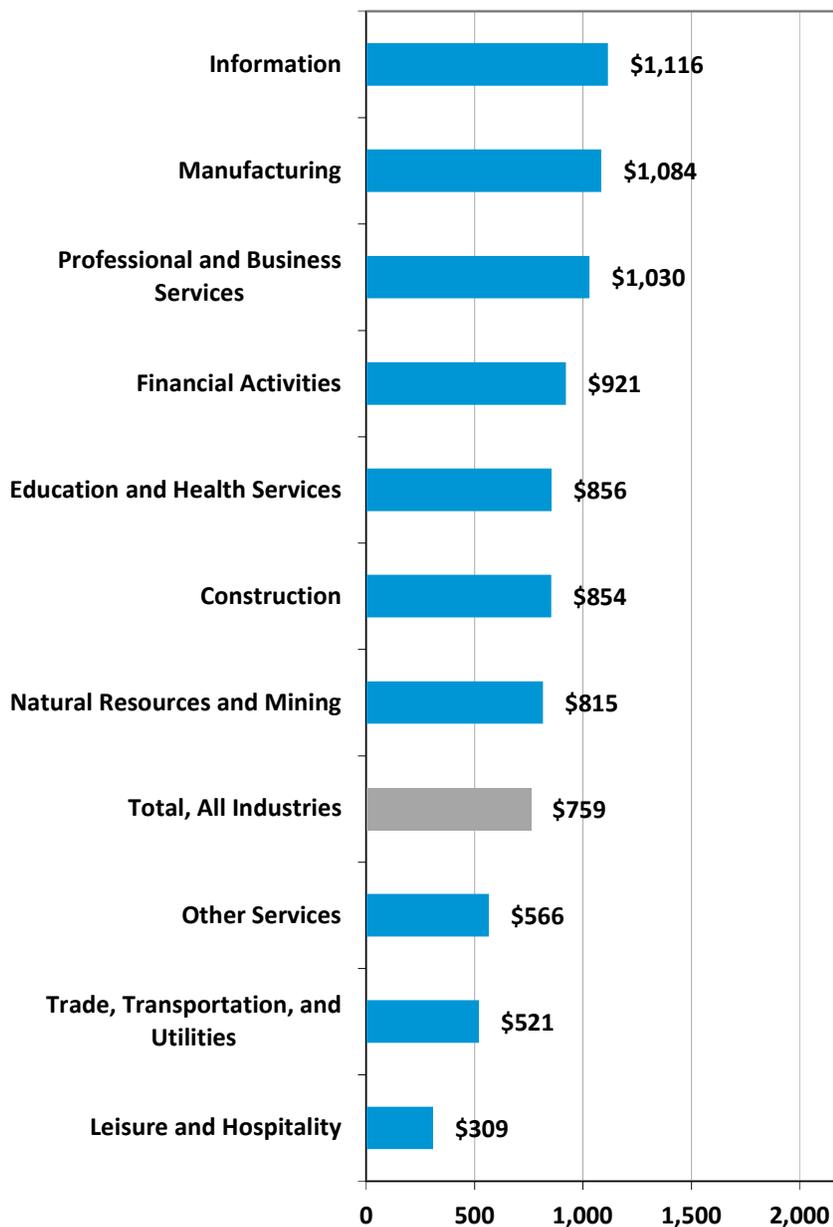


Figure 4 offers a similar ranking for private average weekly wages by major industry sector in Montgomery County in 2018. As these data show, the highest paying industry sectors in the county that year were Information (\$1,116 per week), Manufacturing (\$1,084 per week), and Professional and Business Services (\$1,030 per week). By way of reference, the private average weekly wage across all industry sectors in Montgomery County that year was \$759 per week.

⁴ Data Source: U.S. Bureau of Labor Statistics.



Figure 4: Average Private Weekly Wages by Major Industry in Montgomery County in 2018⁵

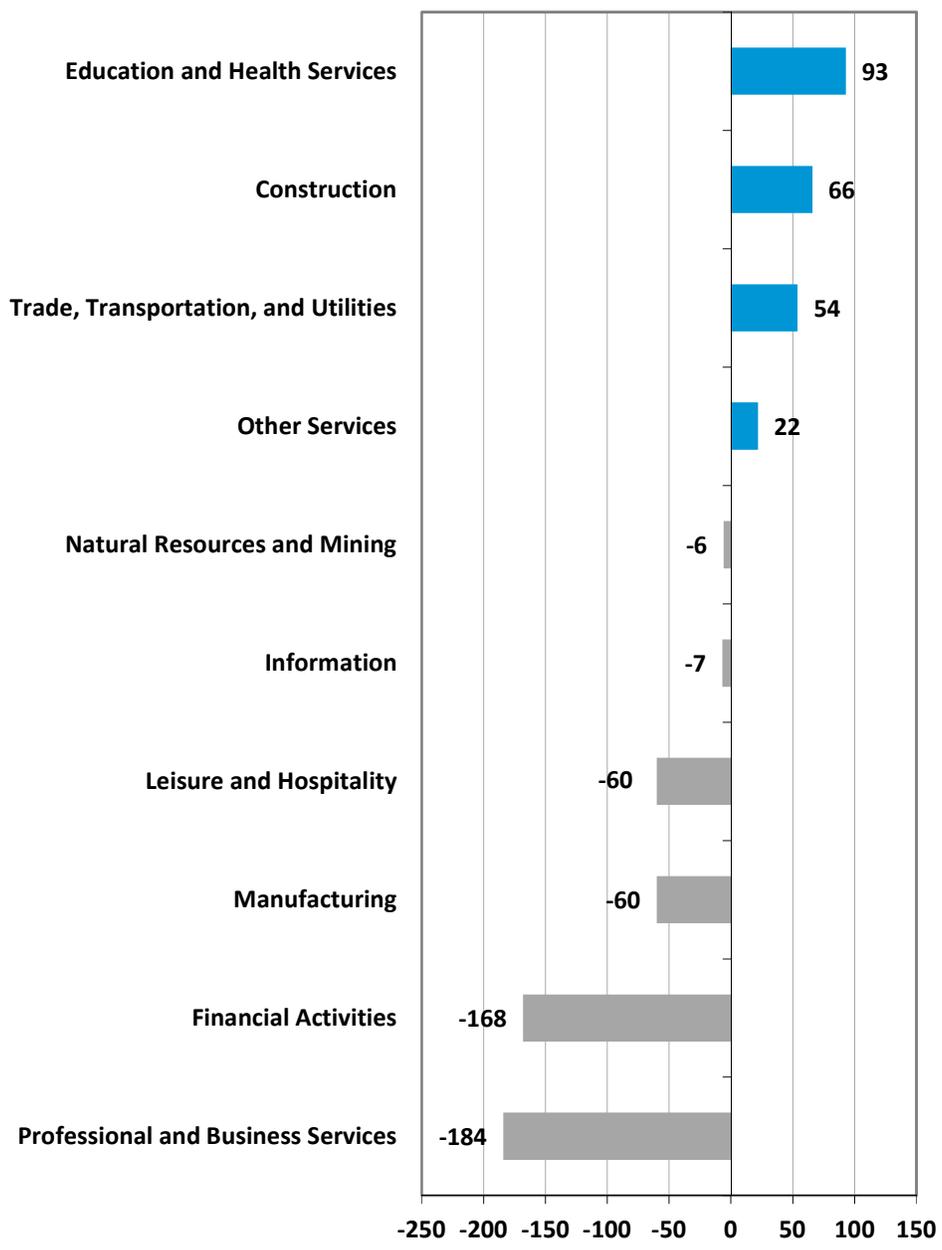


Lastly, Figure 5 details the year-over-year change in private employment between 2017 and 2018 by major industry sector in Montgomery County. Over this period, the largest employment gains occurred in the Education and Health Services (up 93 jobs), Construction (up 66 jobs), and Trade, Transportation, and Utilities (up 54 jobs) sectors. At the other end of the spectrum, the largest employment losses occurred in the Professional and Business Services (down 184 jobs), Financial Activities (down 168 jobs), and Manufacturing and Leisure and Hospitality (down 60 jobs) sectors.

⁵ Data Source: U.S. Bureau of Labor Statistics.



Figure 5: Change in Private Employment by Major Industry in Montgomery County from 2017 to 2018⁶



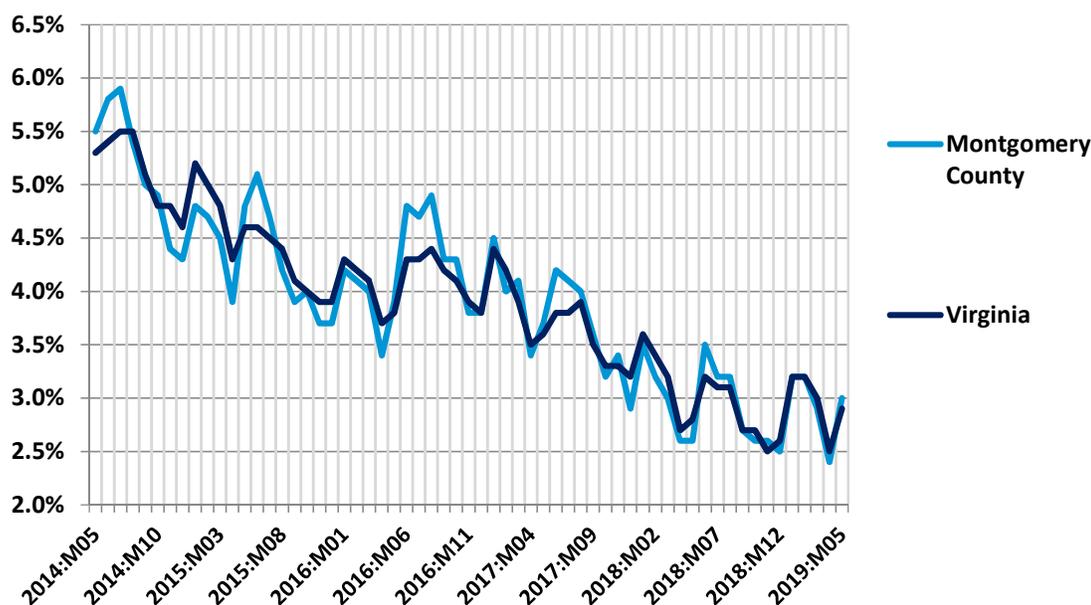
⁶ Data Source: U.S. Bureau of Labor Statistics.



Unemployment

Figure 6 illustrates the trend in Montgomery County’s unemployment rate over the five-year period from May 2014 through May 2019 and benchmarks those data against the statewide trend for Virginia. As these data show, unemployment rates in Montgomery County generally tracked very closely with statewide trends. However, unemployment in Montgomery County tends to increase above the state average during the months of May through August. Virginia Tech, a major employer and economic driver in the region, is on break during these months.

Figure 6: Unemployment Rate – May 2014 to May 2019⁷



⁷ Data Source: U.S. Bureau of Labor Statistics.

Overall Economic and Fiscal Impact

In this section, we quantify the likely economic and fiscal contribution that the proposed Gilbert Street mixed-use development would make to the Town of Blacksburg and Montgomery County. To accomplish that task, we employ a commonly used regional economic impact model called IMPLAN. The IMPLAN model uses regional and national economic data to construct traditional economic multipliers and uses those multipliers to quantify economic and fiscal impact.

Economic multipliers measure the ripple effects that an expenditure has as it makes its way through the economy. For example, as when a retail store or restaurant located in the proposed Gilbert Street mixed-use development purchases goods and services or pays its workers, thereby generating income for someone else, which is in turn spent, becoming income for yet someone else, and so on, and so on. Through this process, one dollar in expenditures generates multiple dollars of income. The mathematical relationship between the initial expenditure and the total income generated is the economic multiplier.

In the analysis that follows, these impact estimates are divided into three categories. First-round direct impact measures the direct economic contribution that a prospective business in the proposed Gilbert Street Mixed-use development would make to the local economy (e.g., own employment, wages paid, and goods and services purchased). Second-round indirect and induced impact measures the economic ripple effects of that first round direct impact in terms of business to business, and household (employee) to business, transactions. Total impact is simply the sum of the preceding two. These categories of impact are then further defined in terms of employment (the jobs that are created), labor income (the wages and benefits associated with those jobs), and economic output (the total amount of economic activity that is created in the economy).

ONE-TIME CONSTRUCTION IMPACT

In this portion of the section, we assess the economic and fiscal impact that the one-time pulse of activity associated with construction of the Gilbert Street mixed-use development would have on Montgomery County and the Town of Blacksburg.



Assumptions

- Total construction costs exclusive of land acquisition are estimated to be \$80.0 million.
 - Investment in construction of the five-story building and associated parking is estimated to be \$71.5 million, including a \$13.5 million allowance for tenant improvements.⁸
 - Soft costs for architecture, engineering, and other supporting services are estimated to be \$8.5 million.⁹
- Construction expenditures take place over a two-year period.

Table 1: Total Capital Investment in the Gilbert Street Mixed-Use Development (2019 dollars)

	Investment
General Construction Cost Commercial Building (Office, Retail, Restaurant)	\$71,500,000
Soft Costs	\$8,500,000
TOTAL INVESTMENT	\$80,000,000

Results

By entering these assumptions into the IMPLAN model, we obtain the estimates of annual economic and fiscal impact shown in Table 2. As these data indicate, expenditures associated with the construction of the Gilbert Street mixed-use development are expected to have the following approximate direct annual impact on Montgomery County and the Town of Blacksburg in both Year 1 and Year 2 of construction: 1) 363 full-time-equivalent jobs, 2) \$14.3 million in labor income, and 3) \$39.8 million in economic output (in 2019 dollars).

Taking into account the economic ripple effects that direct impact would generate, we estimate that the total annual impact on the Town of Blacksburg and Montgomery County in both Year 1 and Year 2 from construction would be approximately: 1) 490 full-time-equivalent jobs, 2) \$19.3 million in labor income, 3) \$55.7 million in economic output, and 4) \$1.7 million in state and local tax revenue (in 2019 dollars).

⁸ Data Source: W.M. Jordan Company.

⁹ Data source: W.M. Jordan Company.

Table 2: Estimated Annual Economic and Fiscal Impact on Montgomery County and the Town of Blacksburg from Construction the Gilbert Street Mixed-Use Development (2019 dollars)

Economic Impact	Employment	Labor Income	Output
1st Round Direct Economic Activity	363	\$14,337,136	\$39,829,872
2nd Round Indirect and Induced Economic Activity	127	\$4,971,644	\$15,876,230
Total Economic Activity	490	\$19,308,780	\$55,706,102
Fiscal Impact			
State and Local Tax Revenue			\$1,741,820

ONGOING OPERATIONAL IMPACT SCENARIO 1

In this section, we estimate the economic and fiscal impact that ongoing operations at the Gilbert Street mixed-use development would have on the Town of Blacksburg and Montgomery County at full build-out under Scenario 1, where first-floor commercial space is configured to include only retail and restaurant tenants.

Assumptions

For purposes of assessing the ongoing economic and fiscal benefit to the Town of Blacksburg and Montgomery County from the proposed Gilbert Street mixed-use development, we assume that at full build-out:

- All four stories of office space (200,000 sf) will be occupied by the Virginia Tech Foundation and will house the Behavioral Health, the Outreach and International Affairs, and the Computer Science departments. It is assumed that approximately 481 employees with an average salary of \$57,418 will be located at the site.¹⁰ It is also anticipated that approximately 130 of those 481 employees will be new hires within the Computer Science department, while the remainder will be comprised of an as yet unknown proportion of new hires and existing staff currently located elsewhere in the Town of Blacksburg. As a result, it is not possible to know with precision what proportion of these 481 employees will represent new economic activity in the Town of Blacksburg and what proportion will simply be a transfer of existing economic activity.
- The first-floor commercial space will consist of 26,541 sf of general retail and 5,800 sf of indoor restaurant space.¹¹
- The rooftop venue consists of a restaurant with 7,391 sf of indoor space and a 5,100 sf terrace.¹²

¹⁰ Data Source: W.M. Jordan Company, Richmond Times Dispatch 2018 state payroll database, and The Mehigan Company, Inc. Assumes 300 sf per employee plus common space on each floor.

¹¹ Data Source: W.M. Jordan Company.

¹² Data Source: W.M. Jordan Company.



- Restaurants at the Gilbert Street mixed-use development would generate a combined total revenue of approximately \$7.2 million annually.¹³
- Retailers would generate an annual revenue of \$7.6 million.¹⁴
- The Gilbert Street mixed-use development will be owned by the Virginia Tech Foundation and is therefore exempt from local real estate taxes. The portion of the building leased to private, for-profit entities, including the restaurant and retail operations, will be taxed on the value of the lease and land.¹⁵
- All commercial tenants will have 10-year lease terms with a total land value of \$970,230; a first floor lease value of \$746,336; and a rooftop restaurant lease value of \$328,830 (including percentage rent for rooftop terrace).¹⁶

Results – Economic Impact

By feeding these assumptions into the IMPLAN model, we obtain the following estimates of annual economic impact. As shown in Table 3, economic activity at the proposed Gilbert Street mixed-use development would directly generate an annual impact on the Town of Blacksburg and Montgomery County of approximately: 1) 638 full-time-equivalent jobs, 2) \$30.8 million in labor income, and 3) \$36.6 million in economic output to the Town of Blacksburg and Montgomery County (in 2019 dollars). Taking into account the economic ripple effects that direct impact would create, we estimate that the total annual impact on the town and county would be approximately: 1) 796 full-time-equivalent jobs, 2) \$36.5 million in labor income, and 3) \$55.8 million in economic output (in 2019 dollars).

Table 3: Estimated Annual Economic Impact on the Town of Blacksburg and Montgomery County from the Ongoing Operation of Gilbert Street Mixed-use, Scenario 1 (2019 Dollars)

Economic Impact	Employment	Labor Income	Output
1st Round Direct Economic Activity	638	\$30,837,070	\$36,575,761
2nd Round Indirect and Induced Economic Activity	158	\$5,628,192	\$19,239,365
Total Economic Activity	796	\$36,465,262	\$55,815,126

¹³ Data source: eMarketer, W.M. Jordan Company, Thalhimer. Assumes 95 percent occupancy and annual revenue of \$466 per square foot for first floor restaurants and \$500 per square foot for the rooftop restaurant. Revenue from rooftop terrace is considered at 42 percent due to the limitations of outdoor use.

¹⁴ Data source: eMarketer, W.M. Jordan Company, Thalhimer. Assumes annual revenue of \$300 per square foot and a 95% occupancy.

¹⁵ Data source: W.M. Jordan Company and Town of Blacksburg.

¹⁶ Data Source: W.M. Jordan Company, Thalhimer. Assumes land value of \$30 per sf applied to 32,341 sf on ground floor; commercial lease rates range from \$18 to \$32 per sf, and an additional \$21 per sf percentage rent for the 5,100 sf rooftop terrace.

Results – Fiscal Benefit

Table 4 provides an overview of the net new annual tax revenue the Town of Blacksburg and Montgomery County could expect to derive from the Gilbert Street mixed-use development after full build-out and occupancy. We estimate that commercial operations would generate annual sales, meals and business license taxes as well as real estate (lease hold estate) taxes of approximately \$476,254 for the Town of Blacksburg. Montgomery County is expected to collect annual sales taxes from commercial operations and real estate (lease hold estate) taxes totaling \$134,079 (*it should be noted that because of a lack of available data, this calculation necessarily excludes potential revenue from Merchants Capital and Business Personal Property Tax for Montgomery County*).¹⁷

Table 4: Estimated Annual Town of Blacksburg Tax Revenue from Gilbert Street Mixed-Use Development at Full Build-Out (2019 dollars)

Revenue Source	Tax Base	Town Tax Rate	Town Tax Revenue	County Tax Rate	County Tax Revenue
Sales Tax ¹⁸	\$14,714,988 in sales	0.11%	\$16,712	0.89%	\$130,438
Meals Tax	\$7,150,803 in sales	6.0%	\$429,048	4.0% ¹⁹	n/a
Lease-Hold Real Estate Tax ²⁰	\$409,079 in year 1 (\$306,809 in year 10)	\$0.26/\$100	\$1,064 in year 1 (\$798 in year 10)	\$0.89/\$100	\$3,641 in year 1 (\$2,731 in year 10)
Business License Tax	\$14,714,988 in sales	\$0.20/\$100	\$29,430	n/a	n/a
Total in Year 1			\$476,254		\$134,079

ONGOING OPERATIONAL IMPACT SCENARIO 2

In this section, we estimate the economic and fiscal impact that ongoing operations at the Gilbert Street mixed-use development would have on the Town of Blacksburg and Montgomery County at full build-out under Scenario 2, where first-floor commercial space is re-configured to include a grocery store, as well as retail and restaurant tenants.

¹⁷ Data Source: Montgomery County Commissioner of Revenue. Businesses operating in the Town of Blacksburg are subject to Montgomery County Business Personal Property Taxes (\$2.55/\$100) as well as Merchants Capital Tax on inventory on hand.

¹⁸ Assumes that: 1) pursuant to §58.1-638.B of the Code of Virginia, the local sales tax rate is one percent, 2) pursuant to §58.1-605.H of the Code of Virginia, the Town of Blacksburg receives a proportion of half of the local one percent sales tax that is equivalent to the ratio between the town's school age population and Montgomery County's school-age population (which is 22.71% as reported by the University of Virginia's Weldon Cooper Center).

¹⁹ Data Source: Town of Blacksburg Finance Department. Montgomery County has a Meals Tax but it is not applied on top of Town Meals Taxes.

²⁰ Data Source: According to Virginia Code § 58.1-3203 a lease-hold real estate tax is applied to property owned by non-taxable entities that is leased to for-profit businesses. For a ten-year lease term, the lease-hold tax is calculated based on 20 percent of the assessed lease and land value in year one and reduced annually by 2 percent until a 15 percent threshold is reached.

Assumptions

For purposes of assessing the ongoing economic benefit to Montgomery County and the Town of Blacksburg from the proposed Gilbert Street mixed-use development, we assume that at full build-out:

- All four stories of office space (200,000 sf) will be occupied by the Virginia Tech Foundation and will house the Behavioral Health, the Outreach and International Affairs, and the Computer Science departments. It is assumed that approximately 481 employees with an average salary of \$57,418 will be located at the site.²¹ It is also anticipated that approximately 130 of those 481 employees will be new hires within the Computer Science department, while the remainder will be comprised of an as yet unknown proportion of new hires and existing staff currently located elsewhere in the Town of Blacksburg. As a result, it is not possible to know with precision what proportion of these 481 employees will represent new economic activity in the Town of Blacksburg and what proportion will simply be a transfer of existing economic activity.
- The first-floor commercial space consists of a 19,784 sf grocery store, 6,757 sf of general retail and 5,800 sf of indoor restaurant space.²²
- The rooftop venue consists of a restaurant with 7,391 sf and a 5,100 sf terrace.²³
- Restaurants at the Gilbert Street mixed-use development would generate a combined total revenue of approximately \$7.2 million annually.²⁴
- Retailers would generate an annual revenue of \$1.9 million and the grocery store would generate revenues of \$8.5 million annually.²⁵
- The Gilbert Street mixed-use development will be owned by the Virginia Tech Foundation and is therefore exempt from local real estate taxes. The portion of the building leased to private, for-profit entities, including the restaurant and retail operations, will be taxed on the value of the lease and land.²⁶
- All commercial tenants will have 10-year lease terms with a total land value of \$970,230; a first floor lease value of \$746,336; and a rooftop restaurant lease value of \$328,830 (including percentage rent for rooftop terrace).²⁷

²¹ Data Source: W.M. Jordan Company, Richmond Times Dispatch 2018 state payroll database, and The Mehigan Company, Inc. Assumes 300 sf per employee plus common space on each floor.

²² Data Source: W.M. Jordan Company.

²³ Data Source: W.M. Jordan Company.

²⁴ Data source: eMarketer, W.M. Jordan Company, Thalhimier. Assumes 95 percent occupancy and annual revenue of \$466 per square foot for first floor restaurants and \$500 per square foot for the rooftop restaurant. Revenue from rooftop terrace is considered at 42 percent due to limitations of use.

²⁵ Data source: eMarketer, W.M. Jordan Company, Thalhimier. Assumes annual revenue of \$300 per square foot and a 95 percent occupancy for general retail and \$500 per square foot and 95 percent occupancy for the grocery store.

²⁶ Data source: W.M. Jordan Company and Town of Blacksburg.

²⁷ Data Source: W.M. Jordan Company, Thalhimier. Assumes land value of \$30 per sf applied to 32,341 sf on ground floor; commercial lease rates range from \$18 to \$32 per sf, and an additional \$21 per sf percentage rent for the 5,100 sf rooftop terrace.

Results – Economic Impact

By feeding these assumptions into the IMPLAN model, we obtain the following estimates of annual economic impact. As shown in Table 5, economic activity at the proposed Gilbert Street mixed-use development would directly generate an annual impact on the Town of Blacksburg and Montgomery County of approximately: 1) 649 full-time-equivalent jobs, 2) \$31.1 million in labor income, and 3) \$37.1 million in economic output to the Town of Blacksburg and Montgomery County (in 2019 dollars). Taking into account the economic ripple effects that direct impact would create, we estimate that the total annual impact on the town and county would be approximately: 1) 810 full-time-equivalent jobs, 2) \$36.8 million in labor income, and 3) \$56.7 million in economic output (in 2019 dollars).

Table 5: Estimated Annual Economic Impact on the Town of Blacksburg and Montgomery County from the Ongoing Operation of Gilbert Street Mixed-use, Scenario 2 (2019 Dollars)

Economic Impact	Employment	Labor Income	Output
1st Round Direct Economic Activity	649	\$31,079,910	\$37,124,599
2nd Round Indirect and Induced Economic Activity	161	\$5,708,463	\$19,546,522
Total Economic Activity	810	\$36,788,373	\$56,671,121

Results – Fiscal Benefit

Table 6 provides an overview of the net new tax revenue the Town of Blacksburg and Montgomery County could expect to derive annually after full build-out of the Gilbert Street Mixed-use development. We estimate that commercial operations would generate annual sales, meals and business license taxes as well as real estate (lease hold estate) taxes of approximately \$485,094 for the Town of Blacksburg. Montgomery County is expected to collect annual sales taxes from commercial operations and real estate (lease hold estate) taxes totaling \$159,069 (*it should be noted that because of a lack of available data, this calculation necessarily excludes potential revenue from Merchant’s Capital and Business Personal Property Tax for Montgomery County*).²⁸

²⁸ Data Source: Montgomery County Commissioner of Revenue. Businesses operating in the Town of Blacksburg are subject to Montgomery County Business Personal Property Taxes (\$2.55/\$100) as well as Merchants Capital Tax on inventory on hand.



Table 6: Estimated Annual Town of Blacksburg Tax Revenue from Gilbert Street Mixed-use at Full Build-Out, Scenario 2 (2019 dollars)

Revenue Source	Town Tax Rate	Tax Base	Town Tax Revenue	County Tax Rate	County Tax Revenue
Sales Tax ²⁹	0.11%	\$17,534,208 in sales	\$19,914	0.89%	\$155,428
Meals Tax	6.0%	\$7,150,803 in sales	\$429,048	4.0% ³⁰	n/a
Lease-Hold Real Estate Tax ³¹	\$0.26/\$100	\$409,079 in year 1 (\$306,809 in year 10)	\$1,064 in year 1 (\$798 in year 10)	\$0.89/\$100	\$3,641 in year 1 (\$2,731 in year 10)
Business License Tax	\$0.20/\$100	\$17,534,208 in sales	\$35,068	n/a	n/a
Total in Year 1			\$485,094		\$159,069

The estimates provided in this report are based on the best information available and all reasonable care has been taken in assessing that information. However, because these estimates attempt to foresee circumstances that have not yet occurred, it is not possible to provide any assurance that they will be representative of actual events. These estimates are intended to provide a general indication of likely future outcomes and should not be construed to represent a precise measure of those outcomes.

²⁹ Assumes that: 1) pursuant to §58.1-638.B of the Code of Virginia, the local sales tax rate is one percent, 2) pursuant to §58.1-605.H of the Code of Virginia, the Town of Blacksburg receives a proportion of half of the local one percent sales tax that is equivalent to the ratio between the town’s school age population and Montgomery County’s school-age population (which is 22.71% as reported by the University of Virginia’s Weldon Cooper Center).

³⁰ Data Source: Town of Blacksburg Finance Department. Montgomery County has a Meals tax but it is not applied on top of Town Meals Taxes.

³¹ Data Source: According to Virginia Code § 58.1-3203 a lease-hold real estate tax is applied to property owned by non-taxable entities that is leased to for-profit businesses. For a ten-year lease term, the lease-hold tax is calculated based on 20 percent of the assessed lease and land value in year one and reduced annually by 2 percent until a 15 percent threshold is reached.