Commonwealth Green

Fiscal Impact on York County, Virginia

Prepared for

Commonwealth Green LLLP

October 20, 2011

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Commonwealth Green

Fiscal Impact on the County of York

EXECUTIVE SUMMARY

This report, prepared by ***The Wessex Group, Ltd*** **(TWG),** presents an assessment of the fiscal impact of the proposed mixed-use development on **York County, Virginia.** The development, to be named **Commonwealth Green,** is proposed by **Commonwealth Green LLLP.** At completion **Commonwealth Green** is planned to create a total of 41,000 square feet of Retail/Restaurant and Commercial Office space, 94 Town Home units for sale, 397 apartments for rent with 16 of the residential units for rent (to be located over the commercial property). Of this total, 347 residential units and all of the commercial property are to be located in York County and 50 residential units in Newport News. This report describes the fiscal impact analysis of only those units to be located in **York County**. Two (2) related analyses of the likely fiscal impact of the proposed property are described: herein: one (1) derived from the use of the County Average residency generators and the second (2) developed using residency generators obtained from three (3) comparable properties. They are separately identified as...

1. **"County Average"** analysis.
2. **"Comparable"** analysis.

Both analyses are driven by industry standard fiscal impact analysis methods. The only differences between the two (2) analyses are (a) the assumed "generators" for number of people per household and (b) the number of school-age children per household. The **"County Average"** analysis applies the county-wide average generators (as provided by the York County Planning Department) for (1) number of persons per household by type of residence and (2) number of school age children per household by type of residence (single family, town home, apartment, etc.). The **"Comparable"** analysis uses generators derived from an examination of several "comparable" facilities (similar in price, size and character of the neighborhood). For the **"Comparable"** analysis four (4) properties were surveyed and the generators derived from the weighted averages for (1) number of people per household and (2) number of school age children per household for these properties.

The following provides a summary description of selected aspects of the proposed project and the results of an analysis of the net fiscal impact expected to be created by **Commonwealth Green** for **York County**.

- Construction of the proposed project is planned to begin in 2013 and continue for four (4) years through 2016. By the end of 2017 all units are assumed to be occupied.
- At completion, the proposed development is expected to have a real property value of $64.5 million.
- The cumulative residential population of **Commonwealth Green**, at build-out, based on the York **"County Average"** generator by type of housing unit of 2.78 persons per household is estimated to be 1,225 people. The **"County Average"** school age child generators by the type of housing units are 0.40 for Town Homes and 0.33 for Multi Family and Apartments for Rent.
- The **"Comparable"** analysis applies population and school age children generators derived from the survey of three (3) similar properties. A total of 60 school age children reside in the three (3) properties collectively representing 718 total units yielding a generator of 0.084 for Multi Family and Apartments for Rent. Applying the **"Comparable"** generators, at full occupancy, the proposed development is expected to provide housing for a total of 705 persons and 37 school-age children.
- Construction employment is estimated to create jobs for up to 145 persons during the period 2013-2017 with a annual payroll ranging from $2.9 million in 2013 to $7.3 million in 2015 and $2.0 million by

2017. When complete, **Commonwealth Green** is planned to create commercial business space (retail and office) for up to 70 employees.

- At full occupancy in 2017 and assuming the **County Average** generators, **Commonwealth Green** is estimated to annually generate $865,540 in revenues for the York County (Table A) and create estimated public expenses of $1,675,080 yielding a projected net annual fiscal impact for York County of -$809,540 in 2017. When the stream of revenues and expenditures are projected over 20 years and discounted back to 2013 (using a 3% discount rate), the Net Present Value of the cash flows to the County over the twenty year period is a negative - $1.66 million (including the construction period).

Table A

Net Fiscal Impact – Commonwealth Green – County Average Analysis
($ thousands)

Cash Inflow and Outflow	2013	2014	2015	2016	2017
Total County Revenues	$5,350,670	$1,031,490	$1,457,390	$1,008,260	$865,540
Total Public Service Expenditures	319,290	969,020	1,668,200	1,706,240	1,675,080
Net Fiscal Impact	**$5,031,380**	**$62,470**	**-$210,810**	**-$697,980**	**-$809,540**
Net Present Value of Cash Flows (2013-2035 – includes construction)					**-$1,656,070**

- At full occupancy in 2017 and assuming the **Comparable** generators, **Commonwealth Green** is estimated to annually generate $832,530 in revenues for the York County (Table A) and create estimated public expenses of $775,430 yielding a projected net annual fiscal impact for York County of $57,100 in 2017. When the streams of revenues and expenditures are projected over 20 years and discounted back to 2013 (using a 3% discount rate), the Net Present Value of the cash flows to the County over the twenty year period is a positive $6.6 million (including the construction period).

Table B

Net Fiscal Impact – Commonwealth Green – Comparable Analysis
($ thousands)

Cash Inflow and Outflow	2013	2014	2015	2016	2017
Total County Revenues	$5,345,270	$1,014,350	$1,426,600	$975,250	$832,530
Total Public Service Expenditures	176,900	505,690	834,110	806,590	775,430
Net Fiscal Impact	**$5,168,370**	**$508,660**	**$592,490**	**$168,660**	**$57,100**
Net Present Value of Cash Flows (2013-2035 – includes construction)					**$6,605,390**

The striking difference between these two analytic results is purely driven by the application of two (2) different set of assumptions about (1) the number of people and (2) the number of school age children that ultimately will reside in the development. The net result, if the development is approved and constructed, is most likely to be different from either of these two (2) estimates. Nevertheless, an analysis based on the actual experience of similar types of properties appears to offer a strong basis for projecting the likely future experience than one based on the average experience (by type of housing) for the entire County.

Commonwealth Green

Fiscal Impact on York County

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Commonwealth Green

Fiscal Impact on York County, Virginia

As part of a development application to be submitted to **York County** by **Commonwealth Green LLLP,** this report from ***The Wessex Group, Ltd.*** (TWG) presents the results of a fiscal impact analysis of the proposed mixed use development to be known as **Commonwealth Green.**

Introduction to the Study

Fiscal impacts are those cash flows that directly affect a municipality's budget. New developments attract new County residents who, in turn, generate the need for public services such as emergency medical services, police, and fire protection. In turn, the development also creates additional tax revenue for the locality from real estate taxes, other local taxes and from resident household spending. The purpose of a fiscal impact analysis is to estimate the net financial impact (net of projected locality revenues and expenditures) of the proposed property on the jurisdiction's budget. All dollar amounts in this report are expressed in 2011 dollars, and all fiscal impact estimates are based on Revenues and Expenditures as shown in the York County FY 2012 Adopted Budget. As no attribution for economic inflation has been made, the estimates provided here represent current dollar amounts. In effect, the revenues and expenditures shown in this report are the amounts the locality would expect to receive (or expend) if the development were completed and occupied in this budget year. Where future projections are discussed, in an attempt to derive an estimate of the long term-fiscal impact, real property values have been adjusted to reflect the expected real growth (not including inflation) in real estate property values. Those values are then discounted back to the present.

For this study two (2) sets of Fiscal Impact estimates have been developed. One uses generators for household size and numbers of school age children obtained from the York County Development office. These estimates are based on the average County population by type of housing. The second fiscal impact estimate applies generators obtained from a survey of properties considered to be comparable (in price and neighborhood) to the proposed development. The descriptors applied to each of the two (2) estimates and the generators used in the two (2) analyses are...

- **County Average Model**
  - Number of Persons per Household: 2.78
  - Number school age children per household
    - Town Homes: 0.40
    - Multi-family and Apartments 0.33

- **Comparable Model**
  - Number of Persons per Household: 1.39
  - Number school age children per household
    - Town Homes & Apartments 0.84

The comparable generators were developed from three (3) Apartment and Town Home developments as shown in Table 1 below.

Table 1
Comparable Developments – Population Generators

Type Development	Name	Location	No. of Units	Number of Residents	Number School Age Children
Apartment/Town Homes	Alexandria	Carmel, Indiana	174	242	6
Apartment/Town Homes	Brickshire	Merriville, Indiana	296	411	34
Apartment/Town Homes	Trophy Club	Midlothian, Virginia	248	345	20
Total			**718**	**998**	**60**
Comparable Generators (Persons and School Age Children per Household)				**1.39**	**0.084**

Development Plan and Construction Investment

The development plan for **Commonwealth Green** consists of both residential and commercial components. It also includes the construction of the buildings and improvements to the land surrounding the buildings. When complete **Commonwealth Green** will contain...

- 94 Town Home Units
- 331 Apartments for Rent
- 16 Apartments for Rent (located over commercial structures)
- 24,000 SF Retail/Restaurant Commercial space
- 10,000 SF Office – Type B
- 7,000 SF Clubhouse with a Swimming Pool and Maintenance Building

At build-out, the real property value for **Commonwealth Green** is expected to total $64.5 million in market value. The cumulative construction investment for the development is projected at $52.8 million.

Residential Population

As proposed and applying the York County's Development Management specified population and school age children generators (2.78 persons and 0.336 school age children per household for Multi-family and Apartments and 2.78 persons and 0.40 for school age children per household for Town Homes and Apartments) the development is expected, at build-out, to provide housing for 1,225 people including 152 public school students.

However, when the Comparable generators are applied in the analysis, **Commonwealth Green** is expected to provide residency for only 705 people including 37 school age children.

Employment and Payroll

The incremental FTE construction employment is included in the analysis as it is, in part, the basis for estimating local government expenditures related to the development of the property.

Construction employment is determined by assuming that payroll is 40% of total construction costs and that annual expense for a construction worker including benefits is $55,095 (Virginia Employment Commission 2010 average annual construction wage of $42,580 plus 30% payroll expense such as payroll taxes and benefits). New construction activity is expected to generate as many as 145 jobs and $6.8 million in payroll during 2015.

In addition, approximately 70 permanent jobs also are expected to be generated through the management and operation of the property creating an estimated additional $2.0 million in payroll when fully occupied.

Local Government Revenues

Government revenues for real estate developments normally are generated from two (2) sources: construction activities and from the spending by the residents of the new residences. Activities associated with the project's construction generates revenues such as retail sales tax on purchases of construction materials, building fees, and Business Professional and Occupational License (BPOL) fees.

Residential units generate locality revenues including real estate tax, personal property tax, retail sales tax, meals tax from residents and other miscellaneous revenues. Figure 1 below shows the annual revenue streams that the County may expect from this development based on the County Average Generators. At full-occupancy in 2017, the proposed development is expected to generate an estimated $865,540 in local tax revenues. The annual line-item estimates are shown in Table 2 below. Assumptions associated with the various components of the revenue stream are identified in the Appendix.

Figure 1
Commonwealth Green
Estimated York County Public Revenues
County Average Generators
$(000)

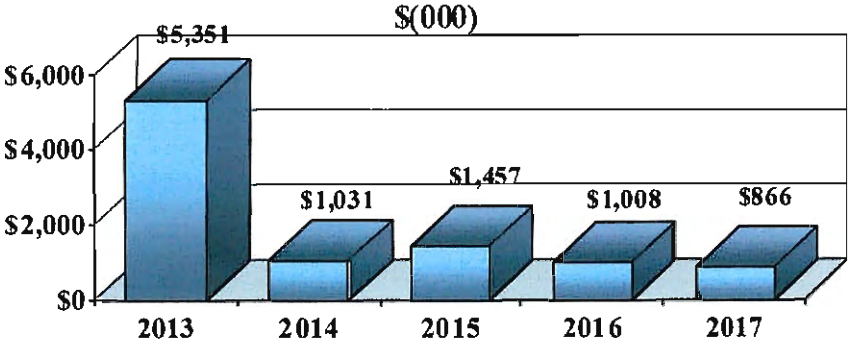


Table 2

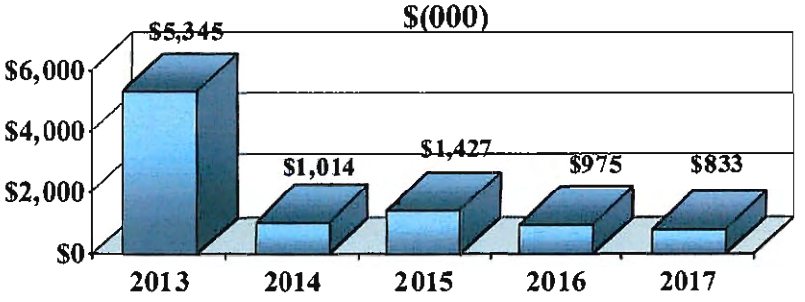
Commonwealth Green
Estimated York County Public Revenues
County Average Generators

Revenue Source	2013	2014	2015	2016	2017
Real Estate Tax	$32,360	$186,340	$362,540	$416,230	$420,230
Personal Property	25,970	85,190	154,780	169,010	169,010
Retail Sales Tax	26,190	81,270	134,500	132,600	127,760
Meals Tax	7,300	20,650	33,740	32,210	30,810
Building Permits	5,210,420	532,500	589,170	121,000	0
Business and Professional Licenses	20,290	45,910	63,580	43,670	34,950
Recordation Taxes	10,560	28,350	32,920	8,260	0
Other Local Revenues	17,580	51,290	86,160	85,290	82,780
Total Revenues	**$5,350,670**	**$1,031,490**	**$1,457,390**	**$1,008,260**	**$865,540**

Table 3
Commonwealth Green
Estimated York County Public Revenues
Comparable Generators

Revenue Source	2013	2014	2015	2016	2017
Real Estate Tax	$32,360	$186,340	$362,540	$416,230	$420,230
Personal Property	25,970	85,190	154,780	169,010	169,010
Retail Sales Tax	26,190	81,270	134,500	132,600	127,760
Meals Tax	7,300	20,650	33,740	32,210	30,810
Building Permits	5,210,420	532,500	589,170	121,000	0
Business and Professional Licenses	20,290	45,910	63,580	43,670	34,950
Recordation Taxes	10,560	28,350	32,920	8,260	0
Other Local Revenues	12,180	34,150	55,370	52,290	49,780
Total Revenues	**$5,345,270**	**$1,014,350**	**$1,426,600**	**$975,250**	**$832,530**

Figure 2
Commonwealth Green
Estimated York County Public Revenues
Comparable Generators
$(000)



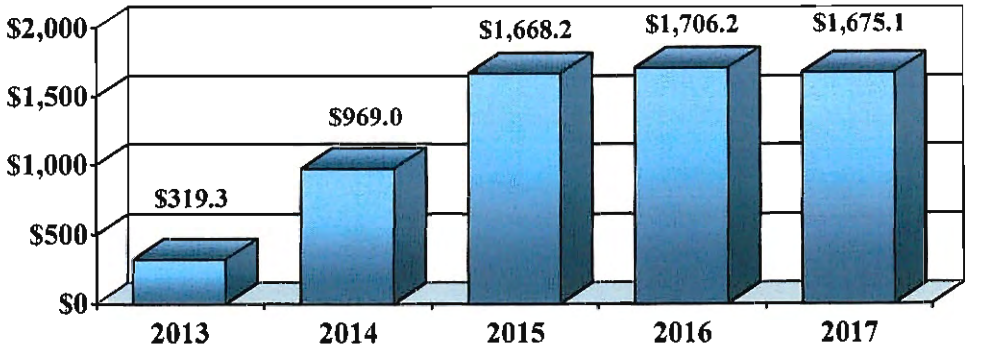
Local Government Public Service Expenditures

Current per capita operating costs based on the FY2012 York County budget have been applied to the projected residential population to obtain the estimated cost of public service expenditures (not including education) that the County will incur in providing services to the expected residents at **Commonwealth Green**. Education expenditures are based on the projected number of school age children expected to be housed at the new development. These costs have been estimated using the County Average generators and are shown in Table 4 and Figure 3 below. At build-out, 1,225 residents are expected to reside at **Commonwealth Green** including 152 school age children. The combined value of public service and estimated education expenditures are shown in Table 4 below. At full occupancy by the end of 2017, residents of **Commonwealth Green** are expected annually to use public services, including education, valued at $1,675,080.

Table 4
Commonwealth Green
Estimated York County Public Service Expenditures
County Average Generator

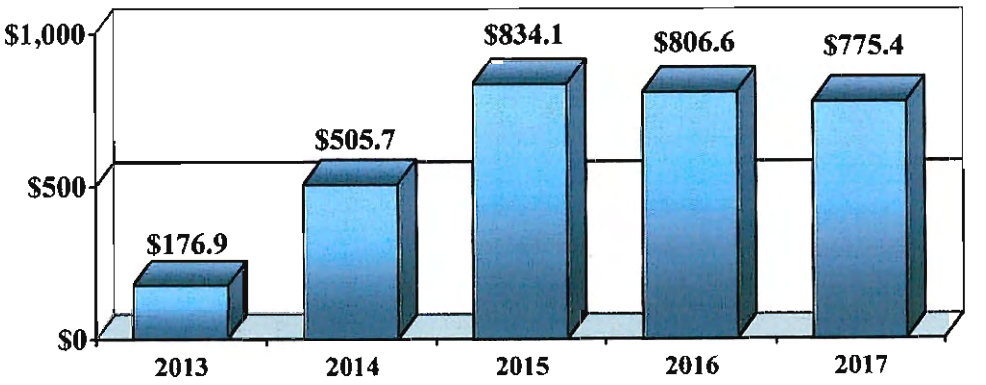
Public Service Expenditures	**2013**	**2013**	**2014**	**2015**	**2016**
General Administration	$6,340	$18,510	$31,090	$30,780	$29,870
Judicial Services	8,280	24,160	40,580	40,170	38,990
Public Safety	88,100	257,090	431,850	427,540	414,950
Environmental & Development	21,850	63,770	107,120	106,050	102,930
Finance & Planning	25,400	74,130	124,520	123,280	119,650
Human Services	9,900	28,900	48,540	48,060	46,640
General Services	22,310	65,110	109,370	108,280	105,090
Community Services	18,780	54,820	92,080	91,160	88,480
Debt Service	7,700	22,470	37,740	37,370	36,260
Non-departmental	9,430	27,510	46,210	45,750	44,410
Total Public Service Expenditures	**$218,100**	**$636,450**	**$1,069,110**	**$1,058,440**	**$1,027,270**
Education Expenditures					
Operations	$86,160	$283,160	$510,080	$551,560	$551,560
Debt Service	15,030	49,410	89,010	96,250	96,250
Total Education Expenditures	**$101,190**	**$332,570**	**$599,090**	**$647,810**	**$647,810**
Total Expenditures	**$319,290**	**$969,020**	**$1,668,200**	**$1,706,240**	**$1,675,080**

Figure 3
Commonwealth Green
Estimated York County Public Service Expenditures
County Average Generator
($000)



When the Comparable generator is applied to the analysis, the costs estimated to be expended by the County for Public Services to **Commonwealth Green** are shown in Figure 4 below. At full occupancy in 2017, 705 residents are expected to reside in **Commonwealth Green** including 37 school age children. They are expected to use public services, including education, valued at $775,430. These estimates are graphed in Figure 4 below and shown in Table 5 on the following page.

Figure 4
Commonwealth Green
Estimated York County Public Service Expenditures
Comparable Generator
($000)



Education Expenditures

For this analysis, education expenditures have been calculated through use of the County specified generator of 0.40 school age children per Town Home unit and 0.36 school age children per Town Home unit (York County Planning). Because the analysis includes only the expenditures that affect the fiscal impact of this development on County expenditures, the per student amounts cited in the analysis reflect only those expenditures funded from local sources and not those from other sources.

Operating costs associated with public education (including debt service) are expected to generate the largest single expenditure, estimated to be $647,810 annually at full occupancy in 2016, and beyond, based on the County student generators of 0.40 students per Town Home household and 0.33 for Multi-Family and Apartments (York County Planning).

Table 5
Commonwealth Green
Estimated York County Public Service Expenditures
Comparable Generator

Public Service Expenditures	2013	2013	2014	2015	2016
General Administration	$4,390	$12,320	$19,980	$18,870	$17,960
Judicial Services	5,740	16,080	26,080	24,630	23,440
Public Safety	61,060	171,180	277,540	262,090	249,500
Environmental & Development	15,140	42,460	68,840	65,010	61,890
Finance & Planning	17,610	49,360	80,030	75,570	71,940
Human Services	6,860	19,240	31,200	29,460	28,050
General Services	15,460	43,350	70,290	66,370	63,190
Community Services	13,020	36,500	59,180	55,880	53,200
Debt Service	5,340	14,960	24,260	22,910	21,810
Non-departmental	6,530	18,320	29,700	28,050	26,700
Total Public Service Expenditures	**$151,150**	**$423,770**	**$687,080**	**$648,830**	**$617,670**
Education Expenditures					
Operations	$21,930	$69,750	$125,190	$134,320	$134,320
Debt Service	3,830	12,170	21,850	23,440	23,440
Total Education Expenditures	**$25,760**	**$81,920**	**$147,030**	**$157,760**	**$157,760**
Total Expenditures	**$176,900**	**$505,690**	**$834,110**	**$806,590**	**$775,430**

Net Fiscal Impact

The ***net*** fiscal impact of a development on the local government is calculated by subtracting expected government expenditures from expected government revenues. The annual estimated net fiscal impact of **Commonwealth Green** during the development period and at build-out are shown in Table 4 and graphically displayed in Figure 3 following. At full occupancy in 2016 the net fiscal impact, based on the use of the County Average generator, is estimated to be a negative -$809,540. However, when the Comparable generators for number of people and school age children are used in the analysis the results are very different as shown in Table 5 below (graphed in Figure 5 and 6 below). The extraordinary differences between the two (2) analyses illustrates the sensitivity of the results to the estimated number of residents and school age children expected to reside in the proposed development. The comparable model is based on the actual experience of three (3) comparable properties while the York County model is based on the average of Town Homes and Apartments in York County.

Table 4
Net Fiscal Impact – Commonwealth Green
County Average Generator

Cash Inflow and Outflow	2012	2013	2014	2015	2016
Total Revenues	$5,350,670	$1,031,490	$1,457,390	$1,008,260	$865,540
Total Expenditures	319,290	969,020	1,668,200	1,706,240	1,675,080
Net Fiscal Impact	**$5,031,380**	**$62,470**	**-$210,810**	**-$697,980**	**-$809,540**

Table 5
Net Fiscal Impact – Commonwealth Green
Comparable Generator

Cash Inflow and Outflow	2012	2013	2014	2015	2016
Total Revenues	$5,345,270	$1,014,350	$1,426,600	$975,250	$832,530
Total Expenditures	176,900	505,690	834,110	806,590	775,430
Net Fiscal Impact	**$5,168,370**	**$508,660**	**$592,490**	**$168,660**	**$57,100**

Figure 5
Commonwealth Green
York County - Net Fiscal Impact
County Average Generators

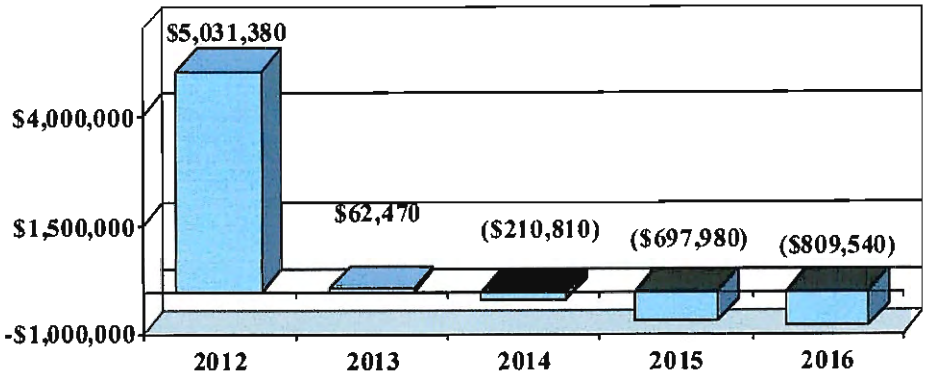
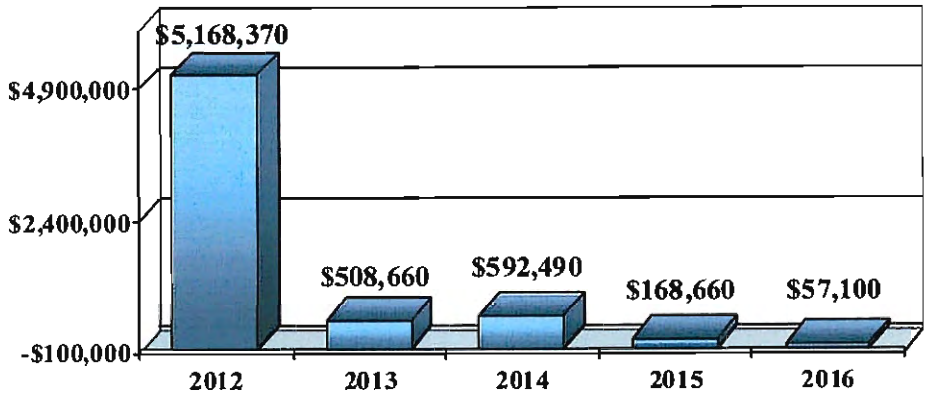


Figure 6
Commonwealth Green
York County - Net Fiscal Impact
Comparable Generator



Projected Cumulative Fiscal Impact

In an effort to illustrate the long-term net fiscal benefit or cost of this development to York County County, TWG also calculates the Net Present Value of a 20-year series of projected annual cash flows from 2013 through 2033. A modest 3.0% real appreciation (not including inflation) has been included in the real estate valuation for residential property. All other costs and revenues are estimated in 2011 dollars and projected over a 20-year period and then discounted back to 20112 at 3%. Based on the "County Average" people per household and number of school age children for town homes in York County, the estimated net present value of the projected net fiscal impact for **Commonwealth Green,** including construction, is an estimated negative **-$ 1,656,070.** However, when the household size and school age child generators derived from "Comparable" properties are applied to the analysis a very different picture emerges and the proposed project is projected generate a net positive fiscal impact of **$57,100** and, in the long run, produces a cumulative positive net fiscal impact of **$6,605,390.**

Commonwealth Green
APPENDIX

Table A-1
Demographic Characteristics of York County

Demographic Characteristic	Amount	Source
Population	65,464	York County 2010
No of Households	22,745	ditto
Number of People per Household	2.78	ditto
Median Household Income	$77,662	U.S Census 2009
School Enrollment	12,410	York County Planning Department
Number of School-age Children per Town Home	0.40	ditto
Number of School-age Children per Multi-family Condo & Apartment	0.36	ditto
Employment - Total	20,963	Virginia Employment Commission

Table A-2
Assumptions Used in the Analysis

Construction – Cost Allocation	Assumed Value	Rationale for Assumption
Labor (percent total construction cost)	40%	Interviews with area builders
Materials	50%	ditto
Overhead	10%	ditto
Salaries FTE Employees		
Construction Payroll Expense	$ 55,094	VEC avg. weekly wage York County *52 weeks +30% payroll cost
Cost of Money		
Discount Rate	3.00%	TWG Assumption

Table A-3
Locality Revenue Generators

Real Property Tax	Value	Source
Real Estate Rate (per $100 of Assessed Value)	$.006575	York County Adopted Budget FY 2011
Annual Appreciation Rate for Residential Property	2.0%	TWG Assumption
Personal Property Tax		
Personal Property Rate (per $100 of Assessed Value)	$4.00	York County Adopted Budget FY 2011
Personal Property Tax Collections	$ 11,162,000	
Percent residential	80.0%	
Residential (per Household)	$361	(Total Personal Pty * % Residential)/No of Households
Commercial (per Employee)	$141	(Total Personal Pty * % Commercial)/Employment
Retail Sales Tax		
Sales Tax Rate - Local Portion	1.0%	York County Adopted Budget FY 2011
Retail - Percent Residential	30%	TWG Assumption
% Construction Materials purchased Locally	20%	
Meals Tax		
Meals Tax Rate	4.0%	York County Adopted Budget FY 2011
Budget Amount	$5,200,000	
Percent residential	80%	
Meals Tax/HH	$182.90	(Total Meals Tax* % Residential)/No. of Households
Percent of Employees who purchase meals	50%	TWG Assumption
No of Working Days	200	
Cost per meal	$10	Virginia Travel Corporation

Table A-4
Locality Revenue Generators (cont'd)

Business and Professional Licenses		
Contractor (per $100 Gross Revenues)	$0.0016	York County Adopted Budget FY 2011
Retail (per $100 Gross Revenues)	$0.0020	
Business Services (per $100 Gross Revenues)	$0.0036	
Professional Services (per $100 Gross Revenues)	$0.0058	
Building Fees		
Rezoning Fee	$5,000,250	
Building Permit Fees	$86,430	
Utility (Sewer & Water) Hook up per Residential Unit	$1,366,400	
Recordation Taxes		
Recordation Tax Rate (per $100 Sale Price)	$ 0.00083	York County Clerk of Court
Turnover of Residential Property every 5 years	5.0%	TWG Assumption
Other Local Tax Revenues		
Budget Amount	$ 5,652,878	York County Adopted Budget FY 2012
Amount Per Capita	$ 63.48	(Total Other Income* % Residential) / Population
Amount per Employee	71.43	Total Other Income*Percent Employee/ Employment

Methodology for Estimating Net Fiscal Impact

The construction and occupancy of this development and its supporting infrastructure will generate incremental County expenditures and revenues.

Revenues for the study derive, in general, from three sources – spending by the developer of the property, spending by the employees or residents of the development and spending by customers of the commercial enterprises that occupy the property. Estimates of each have been derived by examining each individual revenue category (real property, personal property, retail sales tax, meals tax, business and professional license fees, permits and recordation tax fees) and estimating the incremental revenues that are likely to be generated by the development. The analysis uses a "build-up" method by summing together the separate estimates for each source of revenue and expenditure. Care is exercised at each step in the process to insure that revenues are incremental to the existing revenue stream for the locality. For example, Real Property revenues are based on the projected valuations of the property as it is developed less the current values that the undeveloped property generates. Retail Sales taxes revenues are based on the estimated net new revenues generated for the County by the spending of new residents. To the extent possible, expenditures and revenues also are assessed in the year in which they occur and the revenue stream over time is discounted to provide a cumulative measure of impact.

Proffers by the developer are discussed separately to identify non-recurring revenue sources intended to compensate the locality for the capital expenses of increasing its service capacity, both for increasing the capacity of the school system for any new children expected to be added to the community (in the case of residential development) and for expanding the ability of the locality to provide government services to the net new residents that are expected to be added by the development.. As is generally accepted practice for fiscal impact studies that no assumption is made as to whether the employees of commercial development will reside within the locality or not, since existing housing already has been assessed for expanding the capacity of the County government and schools. However, to the extent that the development includes new housing units, the cost of increasing the capacity of the County government and schools has been assessed and included in the analysis.

Expenditures for residential and for commercial development have been allocated on a per capita and per employee basis. Total expenditures from the FY 2011 York County budget have been separated into separate amounts based on the proportion of residential vs. commercial real property value. According to the York County Land Book, 85.1% of total property value is due to residential development and the remaining proportion is allocated to commercial development.