



HarrisburgNC

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Public Hearing Notice

Project Development District – Farmington Ridge Parkway District

Summary

The Town of Harrisburg will be holding a public hearing on Monday, December 10, 2018, to discuss the proposed Farmington Ridge Parkway Project Development District (the “District”). Town Council will be considering the following:

- Project Development District Plan
- Resolution to Create the District and Adoption of the Plan
- Infrastructure Reimbursement Agreement

Background

On October 9, 2017, Town Council approved the Farmington Ridge Parkway Road Layout. This will create a key corridor connection between Rocky River Road and Tom Query/Caldwell Road, and allow access ultimately up to Highway 49. This road will also provide all access to the entire Farmington Mixed-Use Development site.

In order to fund the construction of the Farmington Ridge Parkway (the “Project”), the developer is requesting a Project Development District (or Tax Increment Financing District (TIF)) be established by the Town and Cabarrus County. The funding will come from the incremental increase from the base year tax value (FY2018) of the District to the completed buildout year’s value. The risk is with the developer to secure financing, construct the road and complete the site buildout, in order to receive reimbursement funds. Funding will come from tax revenues actually paid by the developer. No Town or County money will be funded up front.

Financing Plan

The developer will incur all costs associated with the construction of the Project. The total cost is currently estimated at \$6,000,000 and financed at a rate of 5% over a 14-year period. This accounts for a 2-year construction period and 12-year repayment period, for a total of \$9,115,000. Estimated repayment amounts are calculated at \$3.1M from the Town and \$6.1M from the County.

The District currently brings in approximately \$15,000 in tax revenues. Upon final development buildout (anticipated to be 8 years) a total of \$385,000 in Town taxes will be received. The difference of revenues (or tax increment revenues) would be \$370,000, of which 10% (\$37,000) would be retained by the Town and the remaining 90% (\$333,000) would be repaid to the developer for payment on the construction and debt costs. Beginning with Year 15, or after such time that the debt is fully paid, 100% of the tax revenues would be staying with the Town.

Next Steps

During the Public Hearing on December 10, 2018, staff will provide further detail of this project and the public will have the opportunity to make comment, if they so choose. Council will ultimately have to consider approval of the resolution to establish the district, the project development plan, along with the infrastructure agreement with the developer on the repayment terms. If these are approved, they then go to Cabarrus County to consider the same items. The County will have up to 28 days to notify the Town if they choose to not approve these items. Otherwise, it will be considered approved by both the Town and the County.

FAQs

1. What costs are included in this project?
 - a. The Farmington Ridge Parkway project will include all costs associated with the following: survey and engineering costs, drainage facilities and/or improvements, utilities and street lights, adjacent sidewalks, planting strips, irrigation and street trees, signalization of the intersection of Farmington Ridge Parkway and Rocky River Road and the associated improvements to Rocky River Road and Plaza Road Extension, as required by NCDOT.
2. Is this a standard practice that Harrisburg has used in the past?
 - a. No. This is the first time this economic development tool has been used and has only been available in North Carolina since 2003. It is an option that has been available but this is the first development that has approached the Town to use it.
3. Does this cost the Town money?
 - a. Not technically. Unlike other forms of economic development grants that the Town has used in the past which actually use existing Town funds, this is only a payment of new tax revenue that is paid into the Town that would have otherwise not been received if not for the economic development that the Project generates. There will be costs subsequent to the construction the Town will be responsible for, such as sanitation (for the residential development portion) and streetlights along the road. These costs have been approximated to be largely covered by the current tax revenue of the District, and the 10% of the incremental tax revenues to be generated. Police and fire were also evaluated and determined to have adequate budgeted funds to cover any direct impact of the development.

4. Whose taxes pay for the project?
 - a. Council will establish a specific District that will provide the taxes used in the payment back to the developer. These taxes must first be paid by the developer and only then will it be paid back (90% of the increased value) to them. No other Town taxpayer will be responsible for paying any portion of this Project. The Project Plan has identified the specific parcel that will encompass the District.
5. What happens if the developer does not complete the Project, whether or not by choice?
 - a. In this case, if the road is not completed and the developer leaves, the most likely option will be that the road would remain unfinished until another developer steps in and completes it, maybe with the same funding mechanism. The Town would also have the option, if it so chose, to complete the road itself, but that would require alternative funding options that would have to be fully discussed and decided by the Council.
6. What happens if the developer does not complete Farmington Development or the values do not get to the anticipated amounts?
 - a. The agreement is such that there will be a 14-year window that the District would be established. After that time, the District is dissolved and all tax revenues come directly to the Town. The key timing is that upon Town acceptance of the road, there is 12 years of repayment. If values are higher than expected, the repayment could occur in less than 12 years, however, it cannot go in excess of 12 years.
7. Are there any risks to the Town?
 - a. There are very little risks in this scenario. The Town has chosen to use one of the safest methods to do this type of economic development financing in having the developer construct the road with their own funding. Given the repayment period is fixed and subject to meeting the minimum valuation increase to get full repayment, it also helps to ensure the development is built out timely. Again, the only real risk to the Town is if the developer leaves the project before the road is completed, there would be a decision as to whether the Town would complete the road or not.
8. What if Cabarrus County does not approve the District if the Town does approve?
 - a. More than likely, this economic development program would not happen and it would have significant implications on the Farmington development. Currently, there is no access to the site and until this road is constructed, the development cannot be built.
9. Are there other funding options, such as special tax districts, that may be more appropriate for this project?
 - a. There are various mechanisms that local governments have at their disposal to help with economic development. Sometimes it is straight funding assistance or infrastructure additions and others are more similar to special tax districts or tax increment financings. Often there are advantages of using special tax districts for areas such as downtown revitalizations that have an established tax base and have infrastructure or façade improvements that are being paid by this downtown district. In the situation we have with Farmington Ridge Parkway, this is an undeveloped piece of land with a relatively small tax value. The tax increment financing is a way to use the value of that future development to build the infrastructure today.