



Harrisburg NC

The right side of opportunity

PROJECT DEVELOPMENT FINANCING DISTRICT PLAN

FARMINGTON RIDGE PARKWAY DISTRICT

November 12, 2018

Project development financing is a method of increasing the overall property value in a district that is currently blighted, depressed, or underdeveloped. Using this designation, the Town of Harrisburg (the “Town”) can finance the cost of property improvements with the additional property taxes resulting from the district’s new development. The State of North Carolina granted the counties and municipalities the legal authority to utilize project development financing in 2003 and later revised in 2007.

District Summary

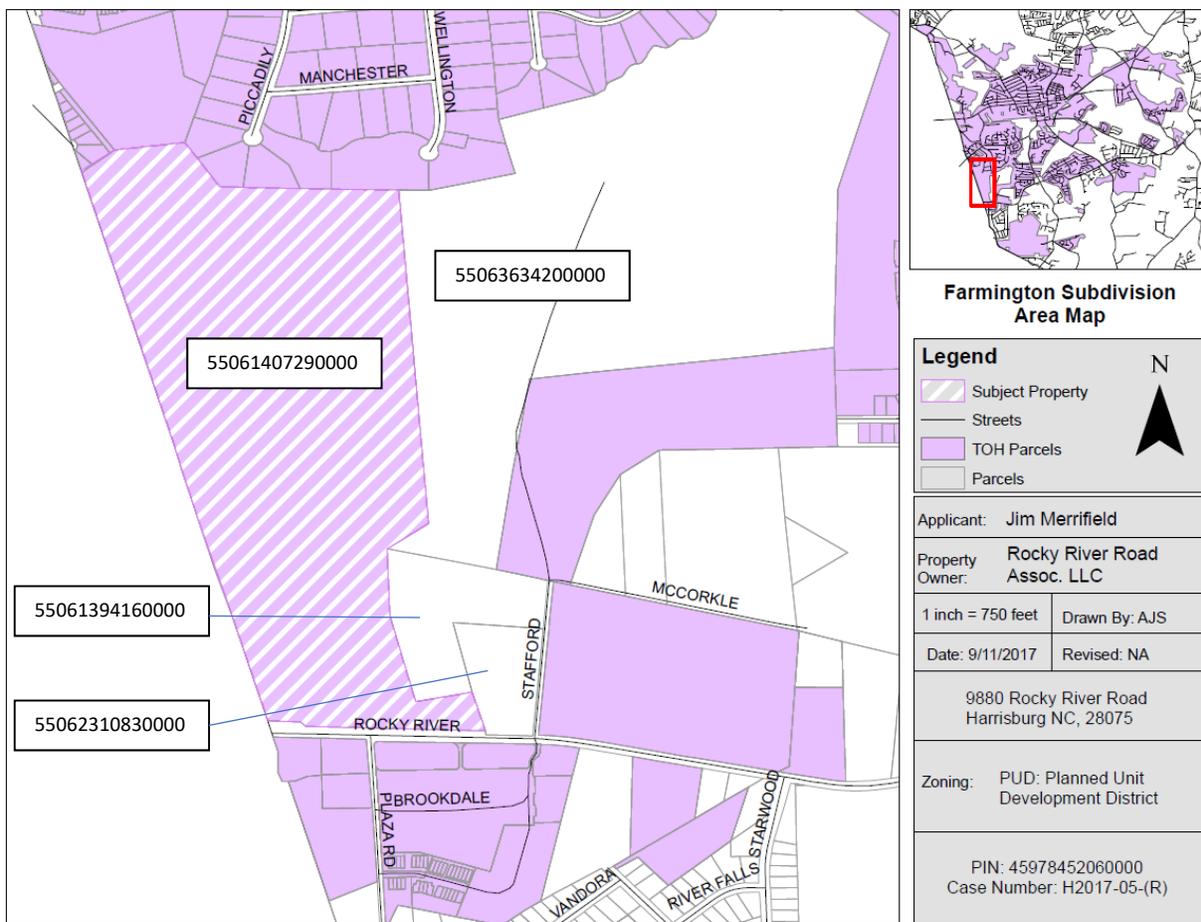
On October 9, 2017, Town Council unanimously approved the road layout preliminary plat for Farmington Ridge Parkway, which is the main artery through the proposed Farmington development and is needed before any residential or commercial development occurs. The developer, Jim Merrifield of Rocky River Road Associates, LLC (the “Developer”), has approached Town staff to use project development financing to fund the cost of the road, which he will construct. Mr. Merrifield has proposed to use the incremental increase of tax revenues of the development served by Farmington Ridge Parkway as the funding mechanism for the construction costs.

Establishing the Development Financing District

Guidelines require the Town must either meet at least one of the conditions set forth for a county district in G.S. 158-7.3(c) or that meet the criteria of urban redevelopment area as defined by G.S. 160A-503. The Town considers this district, hereby referred to as Farmington Ridge Parkway District, to meet the requirements of G.S. 158-7.3(c) for appropriate economic development.

The physical address of the parcel that will include the new street is 9880 Rocky River Road in Harrisburg. It is proposed that the District include the entire parcel (PIN 55061407290000) and is a total of 109 acres in land area. It is further proposed that the District include, at which time they are properly annexed into the Town, parcels PIN 55063634200000, 55061394160000 and 55062310830000 and is a total of approximately 135 acres in land area. The total land area within this District may not exceed 5 percent of the total land area in the Town and Cabarrus County. The land area for the proposed District is within the 5 percent limitation for both the Town and County. See Figure 1 for the boundaries of the District.

Figure 1. Farmington Ridge Parkway District Boundaries



Development District Financing Plan

Once the District has been established, a plan must be developed to fund the cost of the project. There are typically four options to finance project development districts:

1. Pay-as-you-go
2. Developer financing
3. Municipal financing
4. Municipal financing with developer participation

The method that is being proposed with this project is developer financing. This is where the Town will shift the risk of debt financing to a developer. The developer will incur the risk of issuing the debt and related issuance costs. The Town and Cabarrus County (the "County") then reimburses the developer for project development-eligible costs as the Town and County obtains incremental tax revenues.

There are a series of requirements relating to the financing of the Plan, which are detailed below.

Development District Boundaries

As noted above, parcel 55061407290000, located at 9880 Rocky River Road in Harrisburg is being established as the boundaries of the District. The legal boundaries can be seen on deed book 889, page 255 with Cabarrus County. At which time in the future, parcels 55063634200000, 55061394160000 and 55062310830000 located at 9100 Stafford Road, 9360 Stafford Road and 9400 Stafford Road, respectively are properly annexed into the Town, they will automatically become part of this District. The legal boundaries of these parcels can be seen in the Cabarrus County deed books.

Description of the Development Project

The District includes both residential and commercial components of a development named Farmington, which straddles both Mecklenburg and Cabarrus Counties. The specific project to be funded by the District is Farmington Ridge Parkway, Shady Vale Lane and a portion of Dutch Creek Drive (collectively referred to as the "Project"), which will include all of the following costs: survey and engineering costs, drainage facilities or improvements, utilities, adjacent sidewalks, street lights, planting strips, irrigation, street trees, signalization of the intersection of Farmington Ridge Parkway and Rocky River Road, and associated improvements to Rocky River Road and Plaza Road Extension as required by the North Carolina Department of Transportation. See below for the detail of the street site plan in Figure 2.

Base Valuation of the Development Financing District

According to Cabarrus County tax records, Parcel 5506147290000 has an assessed value at January 1, 2018 of \$4,178,520. This will be the set valuation for the District. At which time the other three parcels (55063634200000, 55061394160000 and 55062310830000) are annexed into the Town, the base valuation will be increased to include the value of those parcels on January 1st of the year in which they are annexed and included in this District.

Projected Increase in Assessed Valuation of District

Currently, the Developer has estimated future total valuation of the improved property within the District at \$108,403,850. Less the above amount of \$4,178,520 for the base valuation, the projected increase would be approximately \$104,225,330. At the Town's current tax rate for FY2019 of \$0.3550 per \$100 of value, the base valuation will generate approximately \$15,000 and at full completion of the project, approximately \$370,000. At the County's current tax rate for FY2019 of \$0.7200 per \$100 of value, the base valuation will generate approximately \$30,000 and at full completion of the project, approximately \$750,000. The agreement with the Developer will include a provision that 90% of the incremental tax increase will go to the Developer and 10% of the incremental tax increase will go to the Town and County. The 10% incremental increase, at the above approximated amounts, for both the Town and the County will amount to \$37,000 and \$75,000, respectively.

Estimated Duration of the District

Statutorily, the length of a development financing district cannot exceed 30 years. The total length of the District will be set at 14 years, which will include construction of the Project in Years 1 and 2 and repayment to the Developer in Years 3-14. See Figure 3 for full summary of the proposed financing arrangement. If the Developer is repaid in full of all principal and related accumulated interest prior to the end of the 14th year, the District will be considered dissolved at that time and the Town and County will resume collecting and retaining 100% of the tax generated from these parcels. If at the end of the 14th year, the total principal and related accumulated interest have not been completely repaid to the Developer due to the incremental tax increase not fully funding the obligation, the District will be considered dissolved at the end of the 14th year and no further repayments will be considered due to the Developer by either the Town or the County.

Figure 3. 14-Year Summary of Financing Arrangement of Project

Farmington TIF Analysis
For Illustrative Purposes Only

HARRISBURG	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Absorption														
Town Homes (180 Units)	\$0	\$0	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$0	\$0	\$0	\$0	\$0	\$0
Single Family Homes (38)	\$0	\$0	\$4,875,000	\$4,875,000	\$4,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial - Harrisburg														
Office	\$0	\$0	\$0	\$0	\$15,250,000	\$0	\$3,725,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retail	\$0	\$0	\$8,831,350	\$0	\$9,625,000	\$0	\$2,722,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outparcels	\$0	\$0	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Daycare	\$0	\$0	\$3,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	0	0	17,831,350	0	24,875,000	0	6,447,500	0	0	0	0	0	0	0
Cumulative	\$0	\$0	\$30,206,350	\$42,581,350	\$79,456,350	\$86,956,350	\$100,903,850	\$108,403,850	\$108,403,850	\$108,403,850	\$108,403,850	\$108,403,850	\$108,403,850	\$108,403,850
Less Base	\$0	\$0	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)	(\$4,320,000)
Tax Increment Value	\$0	\$0	\$25,886,350	\$38,261,350	\$75,136,350	\$82,636,350	\$96,583,850	\$104,083,850	\$104,083,850	\$104,083,850	\$104,083,850	\$104,083,850	\$104,083,850	\$104,083,850
Town of Harrisburg	\$0	\$0	\$82,707	\$122,245	\$240,061	\$264,023	\$308,585	\$332,548	\$332,548	\$332,548	\$332,548	\$332,548	\$332,548	\$10,673
Cabarrus County	\$0	\$0	\$167,744	\$247,934	\$486,884	\$535,484	\$625,863	\$674,463	\$674,463	\$674,463	\$674,463	\$674,463	\$674,463	\$21,669
			\$250,450	\$370,179	\$726,944	\$799,507	\$934,449	\$1,007,011	\$1,007,011	\$1,007,011	\$1,007,011	\$1,007,011	\$1,007,011	\$32,342
TIF Beginning Balance	\$6,000,000	\$6,300,000	\$6,615,000	\$6,695,300	\$6,659,886	\$6,265,936	\$5,779,726	\$5,134,264	\$4,383,966	\$3,596,153	\$2,768,949	\$1,900,385	\$988,393	\$30,802
Annual Interest	300,000	315,000	330,750	334,765	332,994	313,297	288,986	256,713	219,198	179,808	138,447	95,019	49,420	1,540
Reimbursement	0	0	(250,450)	(370,179)	(726,944)	(799,507)	(934,449)	(1,007,011)	(1,007,011)	(1,007,011)	(1,007,011)	(1,007,011)	(1,007,011)	(32,342)
Ending Balance	\$6,300,000	\$6,615,000	\$6,695,300	\$6,659,886	\$6,265,936	\$5,779,726	\$5,134,264	\$4,383,966	\$3,596,153	\$2,768,949	\$1,900,385	\$988,393	\$30,802	(\$0)
	12 years													
Town of Harrisburg	\$3,023,581													
Cabarrus County	\$6,132,357													
Total	<u>\$9,155,938</u>													

Benefit of Proposed Development

Completion of this Project will provide benefit to many residents and businesses in the area. Farmington Ridge Parkway will provide another arterial access directly between Rocky River Road and Tom Query/Caldwell Road. This will help alleviate traffic in other areas of Town and provide residents with another avenue to get to I-485. The development within the District is expected to create 180 town homes, 38 single family homes, 75,900 square feet of office space, 77,014 square feet of retail space, four outparcels and 12,000 square feet of day care space. All of this will provide additional housing options, job creation for the retail, office, and day care areas and additional economic impact of those retail sales to the Town and County.