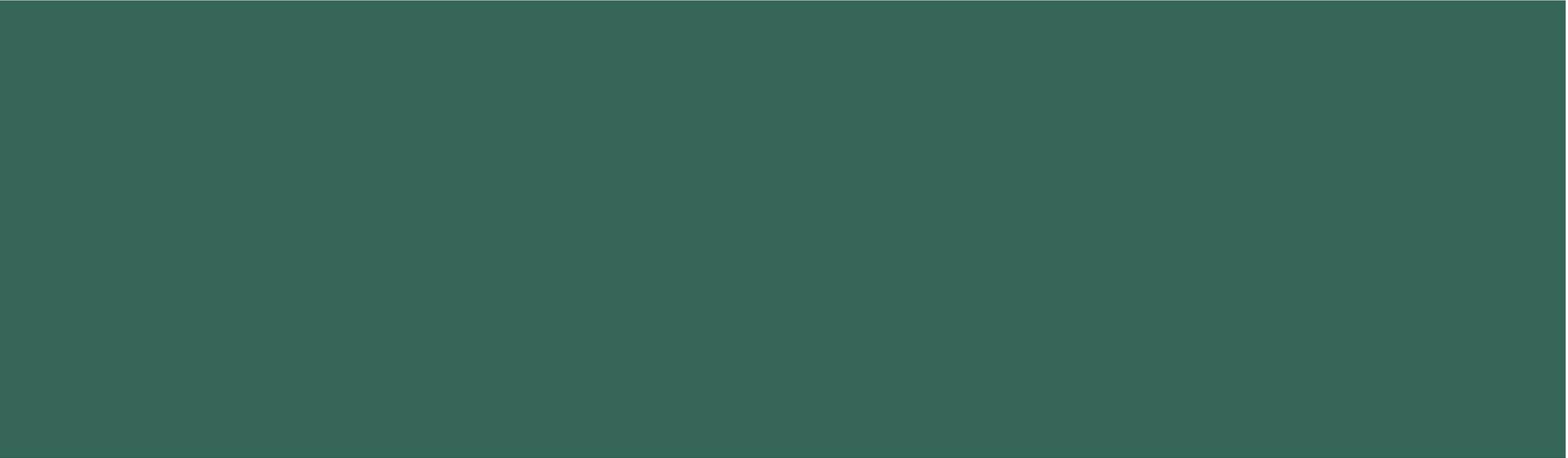




# COMMUNITY DEVELOPMENT AUTHORITY

BOTETOURT COUNTY BOARD OF SUPERVISORS 9/24/19



## PLAN TO COVER

- What is a Community Development Authority (CDA)? Purpose and why is it being proposed?
- How would the County form CDAs?
- How does a CDA work?
- Benefits of a Community Development Authority.
- Questions and Comments

## WHAT IS A COMMUNITY DEVELOPMENT AUTHORITY (CDA)?

- Financing tool available to local governments that enables partnering with the private sector to provide infrastructure or services;
- Separate authority created by the locality for [each] specific development project or specific geographic area;
- Voluntary special assessment district created at the request of the landowners;
- Authorized by Va. Code Article 6, Chapter 51, Title 15.2 (§§15.2-5152 et seq.) as part of Water and Waste Authorities Act.

*From Virginia General Assembly presentation*

# WHAT IS THE PURPOSE OF A COMMUNITY DEVELOPMENT AUTHORITY? WHAT DOES IT DO?

- To finance infrastructure or provide services made necessary by development within the CDA district
- To issue bonds to finance CDA improvements
- To generate moneys to pay for improvements or services through user fees, special ad valorem taxes, or assessments on property within the CDA district

*From Virginia General Assembly presentation*

# COUNTY ENABLING ORDINANCE

- Cities have inherent authority to accept citizen petitions for CDAs. Counties need to assume the authority by ordinance.
- So, before the Board of Supervisors (BOS) can consider petitions for creation of a Community Development Authority (CDA), it has to adopt an ordinance allowing it to do so.
- An ordinance does not commit the BOS to do anything further. There is no time period to act upon a petition, and no requirement to pass a petition if it is submitted.

## WHY IS A CDA ENABLING ORDINANCE BEING PROPOSED FOR BOTETOURT COUNTY AT THIS SPECIFIC TIME?

- October 2015- Exit 150 Market Study and Conceptual Master Plan- includes several public finance tools to pay for infrastructure & capital improvements and to encourage commercial development at Gateway Crossing.
- Zoning amendments for the Gateway Crossing area are being presented to the Board of Supervisors and we should expect developers to begin planning commercial projects at Gateway Crossing and other commercial areas.
- Recently, private developers have asked Botetourt County staff what the County is willing to consider doing to support commercial development at Gateway Crossing and at adjacent commercial areas.

## WHAT DOES THE PETITION PROVIDE?

- A property owner or owners owning at least 51% of the land area or land valuation in a designated area may submit a petition to the BOS asking to create a CDA. **The BOS could require a higher percentage or provide a formal way for opposing landowners to object to the CDA petition.**
- The Petition is a formal request to create a CDA and the petition has to include:
  - Name and boundaries of the district.
  - Public improvements or services proposed to be provided.
  - Plan for financing services.
  - The benefits of the CDA.
  - Who serves on the CDA board of directors and how they would be appointed.

## ADOPTION OF A PETITION

- Public notice is given for at least three weeks, with a waiting period of at least 10 days from last publication before action can be considered.
- Public hearing is required prior to consideration for adoption of a petition.
- BOS has authority to modify the plans, not inconsistent with the petition.
- Upon approval, the BOS would file articles of incorporation with the State Corporation Commission and record the existence of the CDA in the land records for the parcels involved.
- Articles of Incorporation would specifically limit the functions, purposes, and area subject to the authority.

# HOW IS A CDA FUNDED? WHERE DOES THE MONEY COME FROM?

## Special Tax

- Levied as an ad valorem real estate tax
- Levied annually by locality
- Limited to 25 cents per \$100 of assessed value unless a greater tax is requested by all landowners
- Taxes collected are paid by locality to CDA, subject to annual appropriation
- Required to be levied on all taxable property [in the designated district]
- Creates tax lien on property

## Special Assessment

- Not an ad valorem tax
- Assessment is a one time, fixed levy that is apportioned among the parcels in the district
- No limit on amount, but cannot exceed the benefit to the property owner[s]
- Creates tax lien on property
- Assessment can be paid over time (40 year maximum) or in a lump sum
- Can be prepaid and property released from lien

*From Virginia General Assembly presentation*

# WHAT PUBLIC IMPROVEMENTS CAN A CDA PAY FOR?

- Several public improvements that are not currently provided in the designated area, including:
  - Sidewalks (and curb & gutter)
  - Off-street public parking
  - Streetscape improvements (sidewalks, crosswalks and landscaping)
  - Roads and streets (collector streets, for example)
  - Storm water management systems
  - Recreational facilities (parks & entertainment venues)
  - Fire stations, fire trucks and related equipment
- Public services that are not currently provided in the designated area, including:
  - Landscaping
  - Storm water system maintenance
  - Snow removal
  - General upkeep of public improvements and spaces above what is provided elsewhere in the County

# BASIC EXAMPLE OF HOW A CDA WOULD WORK

## Sample Project Details (Hypothetical)

- 10 commercial properties, comprising 30 acres
- Total real estate assessed value of \$20 million
- At least 51% of property owners (in terms of total acreage or land value) determine off-street parking and streetscape improvements would help their businesses and increase their property values.
- Cost estimate for improvements is \$550,000. Property owners will cover 10% of cost at the outset, leaving financing of \$500,000, which if amortized over 20 years @ 5% would equal debt payments of ~\$40,000 per year.
- \*\*\* keep in mind that one penny on the *ad valorem* real property tax rate for the 10 parcels with \$20 M in total real estate value would generate \$2,000 annually. \*\*\*

## CDA Process

- If the county has an enabling ordinance for CDAs in place, the property owners could petition the Board of Supervisors to create a Community Development Authority (CDA).
- Petition outlines the project details, the terms of financing and who would serve on the CDA board overseeing the project.
- The Board of Supervisors could adjust the project details, keeping the intent of the project in place and consider any objecting property owners' views.
- Should the Board of Supervisors approve the petition following a public hearing, the CDA would be created and the project would get started.
- The benefitting property owners would receive an initial additional levy of 20 cents (generating \$40,000 total annual revenue) to cover the debt payments.
- As property values would subsequently increase, the special tax levy would proportionately decrease.
- When debt is retired, CDA could dissolve and the special tax levy would end.

## WHO DECIDES WHETHER A CDA CAN FORM AND LEVY SPECIAL TAXES AND ASSESSMENTS?

- Per the Virginia Constitution, only elected officials- a governing locality board- may impose taxes. So, the CDA board of directors could recommend taxes to the Board of Supervisors, but it would ultimately be up to the Board of Supervisors. **The Board of Supervisors could only impose the tax on land within the district.**
- The CDA Board of Directors could put a user fee on improvements it constructs. So, for instance, for a parking lot, it could create a parking fee. **Only applies to the CDA's own improvements. The form and scope of the fees would be set out in the Petition.**
- The CDA Board of Directors could make a levy of a special assessment. However, Virginia law is very strict on how levies for special assessments have to be made and the amounts. **Only could be applied to properties within the district. Form and scope of assessments would be set out in the Petition.**

# BENEFITS OF COMMUNITY DEVELOPMENT AUTHORITIES

- Infrastructure can be financed without general fund money (tax burden for public improvements would not rest with all taxpaying citizens in the County)
- Infrastructure costs are paid by those who benefit most
- Infrastructure typically can be financed on a tax exempt basis
- CDA financing is “up front” and in a uniform manner rather than in stages as development progresses; increase in tax revenues to locality “ramps up” more quickly
- CDA financing is typically long term; development has more time to stabilize and cover debt service than conventional financing
- CDA financing enhances feasibility of redevelopment projects
- Locality is in no way obligated on the CDA bonds
- Costs of creating the CDA may be financed through the CDA bonds

## CAN A CDA END?

- CDA can only continue to exist for 50 years or until the purposes of the district have been completed.
- Once the purposes of the CDA are done—all bonds retired, all of the services handed off to others—it would vote to go out of existence.
- BOS would accept vote, and CDA would be rolled up.



# QUESTIONS AND COMMENTS

