**Buncombe County**
**Project Development Financing Policy**

Overview:

Project Development Financing (also known as Tax Increment Financing (TIF)) is a financial tool used by local governments to promote economic development and redevelopment by paying for a variety of public improvements that would generate development in a designated area. By capturing future incremental revenue, the sponsoring government is able to undertake economic development activities or provide subsidies that otherwise might not be possible. Project Development Financing is a method of financing improvements that Businesses often require in order to locate in the community. The theory is development will typically increase new and existing property values, producing higher property-tax collections even if the tax rate remains constant over time.

A local government defines a designated geographic area known as a *development financing district*[2] and comes up with a *development financing plan*[3], which usually includes making capital expenditures to improve the area. Tax collections from this area are divided into revenue generated from the unimproved, or base, property valuations and revenue generated from future increases in property taxes. Current tax revenues are allocated as usual to the local government, but the incremental, or extra, tax revenues go to a special "Revenue Increment Fund" to be used for improvements in the district. This allows local governments to accumulate money to pay for debt issued to finance capital improvements within the district.

Project Development Financing can be used to finance the following:

- airport facilities
- auditoriums, coliseums, arenas, civic centers, convention centers, and facilities for exhibition, athletic and cultural events, shows and public gatherings
- hospital facilities
- art galleries, museums, and art centers
- parking facilities
- redevelopment projects
- sewer improvements
- storm water and flood control improvements
- water system improvements
- public transportation projects
- industrial parks, land for industrial use and construction of shell buildings
- preservation of a railroad corridor
- street, sidewalk, and neighborhood improvements

- the provision of low to moderate income housing
- other city, town, or municipal service district projects

**Approval Process Required by NC General Statutes**

1. Define a Development Financing District – Unit officials will define the development financing district (the "District"). The total land area of the District may not exceed 5% of the total land area of the unit. The District expires the earlier of 30 years or the retirement of the bonds. The District must be comprised of property that is either (a) blighted, deteriorating or undeveloped, (b) appropriate for rehabilitation or conservation activities or (c) appropriate for economic development of the community.

2. Establish Development Financing Plan – Unit officials will establish a development financing plan which, among other things, describes the following:

    - The boundaries of the district
    - The proposed public and private development of the District
    - The costs of the proposed public activities
    - The sources and amounts of funds to pay for the public activities
    - The base valuation of the District. This is the amount available before the TIF district is established: base revenues are shared among a mix of local governments that have the power to assess property taxes: schools, cities, counties and special districts.
    - The projected incremental increase in the property valuation of the land located with the District after completion of the improvements. By giving exclusive use of incremental revenues to the sponsoring government (the government that establishes the district), the successful tax increment financing process generates a revenue stream to underwrite projects within the TIF district and to provide development subsidies to encourage growth.
    - How the proposed development of the District will benefit the residents and business owners of the District in terms of jobs, affordable housing or services.
    - Any action which will be undertaken if the proposed project has a negative impact on residents or business owners of the District in terms of jobs, affordable housing, services or displacement.

    If manufacturing operations will be in the district, the Department of Commerce and Department of Environment and Natural Resources must review and approve the project. The plan must also include a requirement that any new manufacturer to be located in the District comply with certain wage requirements (at least 10% about average weekly manufacturing wage paid in the State).

The unit may approve the plan after publishing a notice in the local newspaper, notifying property owners in the District and holding a public hearing on the development financing plan.

3. Local Government Commission (LGC) Application and Approval – The unit must submit an application to the LGC, along with any statements of facts and documents concerning the proposed project development financing, the unit'[s financial condition, the establishment of the proposed development District, and the projected incremental tax revenues available for debt service payments on the proposed debt instruments.

   In addition to its normal findings of sound debt management practices of the unit, the LGC must find the following:

   - That the unit has adopted a development financing plan.
   - That the proposed projects are feasible.
   - That the proposed project development financing is necessary to secure significant new project development for a district.
   - That the private development forecast in the development financing plan would not be likely to occur without the public projects to be financed by the project development financing.
   - That the incremental tax revenues accruing to the district, together with any other revenues pledged by the unit, will be sufficient to pay the proposed project development financing debt. An annual report will be required.
   - That the proposed project development financing debt can be marketed at reasonable interest cost to the unit.

4. Determination of Incremental Valuation – Once a unit has established the District the LGC has approved the financing, the unit must notify the county assessor who then determines the base valuation of the District. The base valuation is the assessed value of all taxable property located in the District on the January 1st immediately preceding the effective date of the District. The base valuation may be adjusted if property is removed from or added to the District. Each year the District is in existence, the tax assessor must determine the current assessed value of taxable property located in the District. The assessor must also compute the difference between this current value and the base valuation of the

District.  If the current value exceeds the base value, the difference is the incremental valuation of the District.

5. Revenue Increment Fund – Each unit establishing a development financing district must establish a separate fund (the “Revenue Increment Fund”) to account for the proceeds from taxes levied on the incremental valuation of the District.  Money in the Revenue Increment Fund may be used to finance capital expenditures in the District, to meet principal and interest requirements on project development financing debt, to repay moneys expended on debt service on project development financing debt instruments, and to establish and maintain debt service reserves.  Each year, after these purposes are satisfied, money remaining the Revenue Increment Fund shall be transferred to the General Fund of the unit.

**Approval Process Required by Buncombe County**

All Projects financed with Project Development Financing shall clearly comply with all North Carolina General Statutes.

*If the public debt is to be rated and/or insured*, Buncombe County *may also* require the annual projected incremental increase in the property valuation of the District exceed the annual projected County expenditures, such as debt service incurred for the District, by 20 percent.

It is the policy of Buncombe County to consider judicious use of Project Development Financing for projects that demonstrate a substantial and significant public benefit to a *blighted area* within the County.  Care will be exercised to carefully evaluate each project to ensure the benefits that will accrue from the project are appropriate, in relation to the incentive provided to and the costs that will result from the project.  Each project, and the location at which it is proposed, is unique and, therefore, will be evaluated on its individual merit. Consideration will be given only for those projects with an overall positive contribution to the community’s economy and that are consistent with the County’s goals and objectives in the Strategic Plan and other adopted or endorsed planning documents.