Fund 70040: Mosaic District Community Development Authority

Focus

The purpose of Fund 70040, Mosaic District Community Development Authority (CDA), is to provide the necessary accounting structure for revenue collections and anticipated bond proceeds from the sale of Mosaic District CDA bonds for this project. The District was created to provide a vehicle for financing certain public improvements that were needed to develop the District in accordance with existing zoning. The County agreed to create the District to promote economic development and development of an especially desirable nature (i.e., mixed-use urban). The public improvements financed through the District include all or a portion of the following infrastructure and facilities: sanitary sewer mains and lines; water mains and lines, pump stations, and water storage facilities; storm sewer mains and lines; landscaping and related site improvements; parking facilities; sidewalks and walkway paths; stormwater management and retention systems; lighting; street and directional signage; wetlands mitigation; roads, curbs, and gutters; public park and plaza facilities; open space areas; public school improvements; and any and all facilities and services related to the above, including the acquisition of land.

On October 15, 2007, the Board of Supervisors approved a rezoning of properties subsequently included in the District in RZ 2005-PR-041, a request by the private developer to rezone 31.31 acres of land to the Planned Development Commercial (PDC) and Planned Residential Mix (PRM) Districts to develop the portion of Merrifield designated as the town center in the Comprehensive Plan. The site is located south of Rt. 29, west of Yates Way, east of Eskridge Road and north of Luther Jackson Middle School. The project was approved for approximately 1,000 dwelling units, a multi-plex theatre, 125,000 square feet of office space, 500,000 square feet of other non-residential uses and a 150-room hotel. Among the public improvements were two parks, the realignment and widening of Eskridge Road, the widening of Rt. 29, improvements to the Rt. 29/Gallows Road intersection and construction of a grid of streets. Most of all parking was provided in structures. Two Proffered Condition Amendments were subsequently approved, which modified certain uses and the layout of the site.

On July 21, 2008, the Board of Supervisors adopted the 16 Principles for Public Investment in Support of Commercial Redevelopment ("Principles") to provide policy guidance related to requests for public investment in designated redevelopment, revitalization and other strategic areas of the County and endorsed a process whereby such requests would be evaluated.

The County has various funding methods available that can be used to assist commercial investment. One mechanism by which public investment may be requested is through the establishment of a CDA, to provide a broad range of public infrastructure and services. A CDA is established by petition to the Board from a majority (51 percent) of landowners within a proposed area and is governed by appointees of the Board of Supervisors. The 51 percent can be based on either land area or assessed value. A CDA is a flexible tool that can be funded by ad valorem special taxes and/or special assessments, as negotiated with petitioners. It typically covers a relatively small area, such as a single shopping mall, a downtown redevelopment area, a mixed-use development, and usually involves a single or small group of owners. No General Fund or debt impact is intended, unless the CDA is coupled with tax increment financing.

Pursuant to Article 6 of Title 15.2 of the Code of Virginia, prior to accepting any petitions for the creation of a CDA, the Board must act to assume the power to consider such a request. The Board held a public hearing on September 8, 2008, after which the Board adopted an ordinance by which the County assumed the power to consider petitions for the establishment of CDAs.

The Board of Supervisors adopted an Ordinance that established the Mosaic District CDA on April 27, 2009, on the land that is encompassed by RZ 2005-PR-041. The Ordinance establishing the Mosaic District CDA was amended on April 27, 2010, and again on April 26, 2011. The last amendment included the imposition of a special assessment to be levied on the properties within the District. On April 26, 2011, the Board also approved the bond resolution and amendments to the Board's bylaws and endorsed the special assessment report that provided the basis for the allocation of the special assessment among the various parcels within the District.

County staff and the County's financial and bond consultants negotiated terms and conditions for the Memorandum of Understanding (MOU) among the County, the CDA and the developer. In summary, the MOU provided for the following:

- Fund a portion of the public facilities to be constructed on the site (road improvements, parks, and a small portion of the parking garage) through a 25-year bond (including capitalized interest) also issued through the District whose debt service will be paid through incremental real estate tax revenues, and a special assessment levy to property owners, if necessary. Liability for the debt service will be secured by the District, not the County.

In June 2011, the CDA issued $46.98 million of revenue bonds, Series 2011A, and an additional $18.67 million, Taxable Series 2011A-T, in July 2011. Proceeds from the CDA Bonds were used to finance certain public infrastructure improvements within the Mosaic District. On December 3, 2020, the CDA closed on $55.65 million of Revenue Refunding Bonds, Series 2020A and Series 2020A-T, which refunded all the prior CDA Bonds and resulted in net present value debt service savings of $24.2 million.

The CDA bonds are payable primarily from certain incremental real estate tax revenues collected by the County in the District and if necessary certain special assessments imposed and collected by the County within the District. The payment of incremental real estate tax revenues and special assessments, as applicable, by the County to the CDA for debt service payments on the CDA Bonds are subject to appropriation by the County. For FY 2026, projected tax increment financing (TIF) revenues are $8,310,671 based on January 1, 2025, assessed values and the FY 2026 Advertised Budget Plan real estate tax rate of $1.14 per $100 of assessed value. Per the bond documents, the County is to transfer to the CDA only those tax increment revenues required for debt service payments, which equates to $4,881,795 in FY 2026. The difference of $3,428,876 will be retained in the General Fund.

FY 2026 Funding Adjustments

The following funding adjustments from the FY 2025 Adopted Budget Plan are necessary to support the FY 2026 program:

Fiscal Agent Payments **$3,095**

The January 2025 assessments are projected to generate $8,310,671 in TIF revenues per the Department of Tax Administration assessed value of parcels within the district at the FY 2026 Advertised Budget Plan real estate tax rate of $1.14 per $100 of Assessed Value. Per the bond documents, the County is to transfer to the Community Development Authority (CDA) only those tax increment revenues required for debt service payments, which equates to $4,881,795 in FY 2026 and is $3,095 more than the FY 2025 payment. The excess TIF revenues not required for debt service payments of $3,428,876 will be retained in the General Fund. The CDA, while related to the County, is a legally separate Authority and is not considered a component unit of the County.

Changes to FY 2025 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2025 Revised Budget Plan since passage of the FY 2025 Adopted Budget Plan. Included are all adjustments made as part of the FY 2024 Carryover Review and all other approved changes through December 31, 2024.

There have been no adjustments to this Fund since approval of the FY 2025 Adopted Budget Plan.

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FUND STATEMENT

Category	FY 2024 Actual	FY 2025 Adopted Budget Plan	FY 2025 Revised Budget Plan	FY 2026 Advertised Budget Plan
Beginning Balance	**$0**	**$0**	**$0**	**$0**
Revenue:				
TIF Revenue - Series A[1]	$4,880,561	$4,878,700	$4,878,700	$4,881,795
Total Revenue	**$4,880,561**	**$4,878,700**	**$4,878,700**	**$4,881,795**
Total Available	**$4,880,561**	**$4,878,700**	**$4,878,700**	**$4,881,795**
Expenditures:				
TIF Revenue - Series A to Trustee	$4,880,561	$4,878,700	$4,878,700	$4,881,795
Total Expenditures	**$4,880,561**	**$4,878,700**	**$4,878,700**	**$4,881,795**
Total Disbursements	**$4,880,561**	**$4,878,700**	**$4,878,700**	**$4,881,795**
Ending Balance	**$0**	**$0**	**$0**	**$0**

[1] The January 2025 assessments are projected to generate $8,310,671 in TIF revenues per the Department of Tax Administration assessed value of parcels within the district at the FY 2026 Advertised Budget Plan real estate tax rate of $1.14 per $100 of Assessed Value. Per the bond documents, the County is to transfer to the Community Development Authority (CDA) only those tax increment revenues required for debt service payments, which equates to $4,881,795 in FY 2026. The difference of $3,428,876 will be retained in the General Fund. The CDA, while related to the County, is a legally separate Authority and is not considered a component unit of the County.