COUNTY STAFF PRESENTATION TO THE BOARD OF SUPERVISORS

Budget Workshop

Public Investment for Private Revitalization/Redevelopment/ Reinvestment

March 8, 2008

Concentrated Growth Strategy

- The County's Comprehensive Plan seeks to manage the additional development that will inevitably come to the County by concentrating growth in centers, by preserving stable residential neighborhoods, and by providing a balance between residential and employment uses
- The County has participated in Council of Government regional forums such as the Metropolitan Development Policy Committee, the Transportation Planning Board, the Air Quality Committee, and the COG Board in efforts to achieve a regional concept for concentrating growth in identified Activity centers throughout the region
- Regional air quality and congestion management strategies include concentrating future growth in activity centers with transportation connections created between and within centers
- The County is projected to receive an additional 245,000 jobs and 290,000 new residents by 2030, for a total of approximately 850,000 jobs and 1,330,000 residents

Concentrated Growth Strategy

- The County has initiated studies in Annandale, Baileys Crossroads, Lake Anne, Springfield and Tysons, so that those areas are planned appropriately to accommodate future growth in a way that utilizes underutilized land and assists in the revitalization, redevelopment and reinvestment of our older commercial areas into mixed use activity centers
- By continuing this strategy, we can contribute to the future quality of life in areas in need of redeveloping or revitalization, maximize our past investment in public facilities and transportation, improve air quality, enhance quality of family living through reduced commutes, and create convenient and attractive higher density environments in which people live, work, shop and play
- Redevelopment also improves upon the natural environment by not intruding on undeveloped green space and by enhancing open space, stormwater management and energy efficiency in our older commercial areas
- Concentrating growth in centers also reduces the sprawl to remote counties, affects the quality of life for persons who work in the County and enhances the attractiveness of the County for economic development

Public Investment

- Historically, the County has received significant proffered contributions from private developers and, unlike other jurisdictions, has not had to contribute public funds to bring private development to fruition
- In addition, the County has not invested significant public funds in the revitalization/redevelopment/ reinvestment of its commercial areas
- The development climate is changing; portions of the County are changing to a more urban form as a result of efforts to concentrate future growth in designated areas. Development in these areas is typically “brownfield” development and therefore presents financial and other challenges not experienced in “greenfield” development

Brownfield Development Challenges

- Developing a project in a brownfield site is typically more expensive and time consuming than developing the same project in a greenfield. This results from the additional complexities of a pre-developed site, including:
  - demolition costs
  - environmental remediation
  - land prices that reflect a developed site
  - relocation costs
  - major infrastructure improvement/replacement (sewer, water, street relocation)
  - under grounding of utilities
  - property assemblage/consolidation
  - holding costs

Public Investment

- To implement critical aspects of the Comprehensive Plan's vision for areas such as Merrifield, Springfield and Tysons Corner, the County will be asked to consider the use of public funds to provide needed infrastructure improvements for private revitalization/redevelopment/reinvestment
- By law, public funds may only be used for public improvements on public property (or right of way)

Public Investment

- For example, the infrastructure costs required to implement the redevelopment of Springfield and Tysons Corner, including roads, sidewalks and trails, public open space, utilities and transit/circulator service, is beyond the ability of the private sector to absorb, even considering potential increases in Plan density according to private developers

Public Investment

- For the first time, individual catalytic projects are requesting financial assistance for public improvements related to their redevelopment proposals, asserting that the projects are not economically feasible without such assistance
    - Merrifield Town Center (Eskridge Road extension; streets; public parks)
    - Springfield Mall (storm drainage realignment; roads)

Public Investment

Public and Private Investments reap mutual benefits

- Public contributions foster private sector revitalization, redevelopment and reinvestment
- Private development contributes to the common good

Methods of Funding We have Used

- **<u>Proffers</u>:** Historically used for localized improvements related to single developments. Provide vital infrastructure without cost to the County, but does not address issue of requirements that exceed the ability of the project to sustain
- **<u>General Obligation Bonds</u>:** Used for broad area improvements (i.e., transportation) and for smaller area improvements of general benefit on public land (i.e., streetscapes). Long term debt and recurring expenditure impact. Improvements tend to lag behind needs; insufficient capacity to fund the magnitude of projects now under consideration
- **<u>Transportation Improvement Districts</u>:** Used to fund large projects of general benefit to all users in an area; voluntary tax by petition of landowners (Route 28, Dulles Rail). Generally requires public support and consensus. No general fund or debt impact

Methods of Funding We have Used

- **<u>Sanitary Districts</u>:** Broad range of purposes and revenue options. Limited use in Fairfax to date (McLean and Reston Community Centers). Uniform taxation; no direct general fund or debt impact. Created by petition. Board controlled
- **<u>Service Districts</u>:** Generally service oriented, but certain infrastructure may be funded. May be an option for continuing maintenance or operating support. Ad valorem tax; contributions from the general fund are possible. Board controlled. (Gypsy Moth)
- **<u>Public Private Partnerships:</u>** Primarily used for provision of specific public facilities where there is a confluence of public need and private profit; generally involves leverage of land value and/or public sector assumption of risk to reduce financial and debt impact. In practice, PPEA opportunities tend to jump projects ahead of other priorities if funding support can be seen as non-competitive or not interfering with completion of other projects

Other Methods of Funding Available

- **Community Development Authorities:** Broad range of infrastructure and services. Established by petition of majority of owners and governed by appointees of the BOS. Flexible tool, funded by ad valorem special taxes or special assessments, as negotiated with petitioners. Typically covers relatively small area (i.e., a single shopping mall; a downtown redevelopment area; a mixed use housing development; single or small group of owners). No general fund or debt impact is intended, unless coupled with tax increment financing

- **Tax Increment Financing:** Funding mechanism only. Obligates portion of future "additional" tax revenue generated by the development. Usually works best for relatively small geographic areas. Examples in Virginia are limited in scope and are usually coupled with a CDA governance and funding structure. In theory, creates a net benefit to the general fund that may or may not cover cost of increased services; debt impact will be the same as the net revenue impact – positive, negative or neutral as determined by project pro forma and economic impact analysis

Policy Decision

- Timely implementation of plans to achieve the County's vision for redeveloping its commercial areas will be dependent to a significant extent upon whether the County is willing to expend public funds toward the public improvements necessary to support the planned revitalization/redevelopment/reinvestment
- Does the Board of Supervisors want the staff to pursue such implementation strategies?

Policy Decision

- If the Board decides to pursue public finance options, policy issues including the following will need to be addressed:
  - Under what circumstances is public financial assistance appropriate;
  - What forms of public financial assistance will the County employ (i.e., general fund and/or non-general fund impact);
  - What benefits should the County expect to receive in return (tangible and intangible);

Key Policy Issues

- Will such public financial investment be limited to area-wide improvements, such as those that may be required in Tysons Corner or Springfield to implement the Comprehensive Plan, and/or
- Will such investment be limited to site specific proposal or smaller areas, perhaps benefiting only a single owner, such as the Merrifield Town Center project, where the project is important to the County but would not occur without such public investment?

If Yes, Next Steps

- If the Board decides to pursue public financing options, staff will develop guidelines to present to the Board regarding, but not limited to, the following:
  - Potential liability to the County
  - Expected level of sureties to protect County
  - Lack of impact on bond rating
  - Relationship to County's debt capacity
  - Tangible and intangible benefits to the County; return on investment
  - Which tools are best used in which circumstances