

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 in order to provide a vehicle for financing certain public improvements that are 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) in particular. The public improvements financed through the District include all or a portion of the following infrastructure and facilities; sanitary sewers 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 in order to develop the portion of Merrifield designated as the town center in the Comprehensive Plan. The site is located south of Lee Highway/Rt. 29, west of Yates Way, east of Eskridge Road and north of the 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 are two parks, the realignment and widening of Eskridge Road, the widening of Lee Highway, improvements to the Lee Highway/Gallows Road intersection and construction of a grid of streets. Virtually all parking will be provided in structures. Two Proffered Conditions Amendments have subsequently been approved, which modified certain uses and layout of the site.

On July 21, 2008, the Board of Supervisors adopted 16 Principles for Public Investment in Support of Commercial Redevelopment ("Principles") in order 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, which can be established 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 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 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.

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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 by laws 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 through a 30-year bond to be issued by the District whose debt service will be paid by a self-assessment.
- 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 (includes capitalized interest) also issued through the District whose debt service will be paid through incremental real estate tax revenues. 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 to support mixed-use development within the District. On October 20, 2020, the CDA issued \$55.65 million Revenue Refunding Bonds, Series 2020A and Series 2020A-T, which refunded all of the prior CDA Bonds and resulted in net present value debt service savings of \$24.2 million. Additionally, there were two related one-time revenue credits to the County's General Fund as a result of this refunding. First, there was no debt service payment due in March 2021 as a result of the Series 2020A and Series 2020A-T. This allowed the County to retain the \$2.8323 million previously set aside for this debt service payment and was reflected as general fund real estate tax revenue as part of the *FY 2021 Third Quarter Review*. Second, the Mosaic Surplus Fund maintains funding equal to one half of Maximum Annual Debt Service (MADS). Following the refunding and the resulting lower one half MADS figure, an excess of \$2.1 million will be returned to the County's General Fund as part of the *FY 2021 Carryover Review*.

The CDA bonds are payable primarily from certain incremental real estate tax revenues collected by the County in the District and 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 2022, projected tax increment financing (TIF) revenues are \$7,128,294 based on January 1, 2021 assessed values and the FY 2022 Adopted 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 \$4,882,023 in FY 2022. The difference of \$2,246,271 will be retained in the General Fund.

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Pandemic Response and Impact

The Mosaic District Community Development Authority reflects a decrease of 1.3 percent in assessed values for FY 2022 compared to the prior year. This District is composed of commercial properties (86 percent), whose values have been impacted by the COVID-19 pandemic, and residential properties (14 percent). Commercial property values in the district are down 2.1 percent due to increased vacancy and collection loss, and certain property types having higher capitalization rates due to more risk in the market. Residential properties are up 3.5 percent, consistent with Countywide trends in an overall strong residential real estate market. The Mosaic District is fully built out and reflect values on existing properties. County staff continue to monitor the impact of the COVID-19 pandemic on the District's real estate market, and the corresponding impacts on assessed values and real estate tax revenues in this fund.

FY 2022 Funding Adjustments

The following funding adjustments from the FY 2021 Adopted Budget Plan are necessary to support the FY 2022 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the Budget on May 4, 2021.

Fiscal Agent Payments **(\$782,577)**

The January 2021 assessments are projected to generate \$7,128,294 in TIF revenues per the Department of Tax Administration assessed value of parcels within the district at the FY 2022 Adopted 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 \$4,882,023 in FY 2022. The decrease in debt service payments from the prior fiscal year is primarily a result of the Series 2020 Mosaic CDA Refunding bond sale. The excess in TIF revenues not required for debt service payments of \$2,246,271 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 2021 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2021 Revised Budget Plan since passage of the FY 2021 Adopted Budget Plan. Included are all adjustments made as part of the FY 2020 Carryover Review, FY 2021 Mid-Year Review, FY 2021 Third Quarter Review, and all other approved changes through April 30, 2021.

Third Quarter Adjustments **(\$2,832,300)**

As part of the *FY 2021 Third Quarter Review*, the Board of Supervisors approved a decrease of \$2,832,300. On October 20, 2020, the Mosaic District Community Development Authority (CDA) issued \$55,650,000 Revenue Refunding Bonds, Series 2020A and Series 2020A-T, which refunded all of the prior CDA Bonds. This decreased the FY 2021 debt service payment from \$5,664,600 to \$2,832,300.

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FUND STATEMENT

Category	FY 2020 Actual	FY 2021 Adopted Budget Plan ¹	FY 2021 Revised Budget Plan ¹	FY 2022 Advertised Budget Plan	FY 2022 Adopted Budget Plan
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenue:					
TIF Revenue - Series A ²	\$5,534,213	\$5,664,600	\$2,832,300	\$4,882,023	\$4,882,023
Total Revenue	\$5,534,213	\$5,664,600	\$2,832,300	\$4,882,023	\$4,882,023
Total Available	\$5,534,213	\$5,664,600	\$2,832,300	\$4,882,023	\$4,882,023
Expenditures:					
TIF Revenue - Series A to Trustee	\$5,534,213	\$5,664,600	\$2,832,300	\$4,882,023	\$4,882,023
Total Expenditures	\$5,534,213	\$5,664,600	\$2,832,300	\$4,882,023	\$4,882,023
Total Disbursements	\$5,534,213	\$5,664,600	\$2,832,300	\$4,882,023	\$4,882,023
Ending Balance	\$0	\$0	\$0	\$0	\$0

¹ There were two one-time revenue credits to the County's General Fund as a result of the issuance of the Revenue Refunding Bonds, Series 2020A and Series 2020A-T. First, there was no debt service payment due in March 2021 as a result of the Series 2020A and Series 2020A-T. This allowed the County to retain the \$2.8323 million previously set aside for this debt service payment and was reflected as general fund real estate tax revenue as part of the *FY 2021 Third Quarter Review*. Second, the Mosaic Surplus Fund maintains funding equal to one half of Maximum Annual Debt Service (MADS). Following the refunding and the resulting lower one half MADS figure, an excess of \$2.1 million will be returned to the County's General Fund as part of the *FY 2021 Carryover Review*. The trustee transferred these funds directly to the County's General Fund and did not pass through Fund 70040.

² The January 2021 assessments are projected to generate \$7,128,294 in TIF revenues per the Department of Tax Administration assessed value of parcels within the district at the FY 2022 Adopted 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 \$4,882,023 in FY 2022. The difference of \$2,246,271 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.