

# LOCAL OPTION PROJECT DEVELOPMENT FINANCING Q&A'S

*(Q) What is Local Option Project Development Financing (PDF) ?*

(A) It is a local economic development tool that can help revitalize communities and create quality jobs. It is a financing option that counties and municipalities can use to finance infrastructure and attract new job growth in North Carolina. It offers a new way for North Carolina to compete and invest in future development.

*(Q) How are the projects financed?*

(A) The municipality or county establishes a development financing district for a development project. The funds to pay for the project development are generated by the difference between the property tax collected before the project is started and the property tax collected after the project is completed. This increment can be used to pay for bonds that help pay for the costs of the public infrastructure in the project.

For example, property taxes collected in the development financing district before redevelopment were \$50,000 a year. After the public investment leverages private investment, the property taxes collected after the project is completed are \$120,000 a year. The \$70,000 difference is used to pay off the bonds for the public investment.

What makes this a powerful development tool is that local governments receive the same level of funding as they receive today - the predevelopment level of property tax collected from the project - and devote the additional revenue to pay for the public investment. This financing tool allows local governments to grow their tax base without reducing the current level of collections.

*(Q) How does Local Option PDF work?*

(A) **Step One:** A municipality or county works with private enterprise to bring forward a new economic development project.

**Step Two:** The municipality or county reviews the development plan to ensure that it meets the stringent requirements set forth by the Legislature. It publishes the information about the proposal in the local media.

**Step Three:** The local government must seek approval from the North Carolina State Treasurer's Local Government Commission in order to proceed with a project plan.

**Step Four:** The Local Government Commission reviews the plan and notifies the county or municipality of state approval.

**Step Five:** The local government must publish notice for a public hearing on the creation of a *development financing district*, which defines the area used to finance the project(s).

**Step Six:** The county or municipality works closely with the State Treasurer's Office which approves and issues the bonds for the local government(s).

**(Q) *Will my property taxes be raised to finance a new development?***

(A) No. Property within the development financing district is taxed at the same rate as properties throughout the particular local jurisdiction – but the *increased value* of the property *within the specific district* creates a revenue stream to pay off the costs of the improvements associated with the project. In fact, the taxes generated in the specific district pay the debt costs of the project, not the taxpayers outside the district.

**(Q) *What happens if the project fails? Do taxpayers bear the financial burden?***

(A) No. There are safeguards written into the legislation to protect citizens. Investors who purchase the bonds assume all financial risks associated with the project. The bond payments are based solely on the increased property values and subsequent increased taxes collected within the project development financing district so the general fund for a county or municipality will not be responsible for payment of the bonds in the event the project fails.

**(Q) *What types of property will be eligible to benefit from this economic development tool?***

(A) North Carolina's Local Option PDF is written to give local governments flexibility to pursue multiple types of economic development projects. This financing tool can be used for new industrial site development, redevelopment of existing industrial and brownfield sites, and to restore blighted areas. The goal of Local Option PDF is to create quality jobs and economic development based on what the local governments and citizens want for their area.

***(Q) Do any other states use this financing tool?***

(A) Yes, 48 other states, including the ones around North Carolina, use a similar financing tool to attract development. West Virginia most recently passed an amendment to its state constitution authorizing a program similar to North Carolina's proposal.

This financing tool makes North Carolina more competitive with other states in the job and development market.

***(Q) Are there any safeguards in this amendment to protect the citizens?***

(A) Yes, extensive safeguards have been included in this measure to make sure citizens are protected. For instance, the legislation provides for local decision-making, including requirements for public involvement and local notices. Local ordinances creating development financing districts are enacted with the usual requirements for public input. Since the local option PDF program does not pledge general taxes to pay for the project it does not require voter approval.

The State Treasurer's Local Government Commission will ensure that the districts are capable of "paying their way" before approving them.

***(Q) Is this legislation supported by both local governments and business groups?***

(A) Yes, Local Option PDF has wide-ranging support and we expect this to broaden as we go forward towards November 2004. The business community, as well as municipal, county and state government, all believe it is important to have another tool in the effort to provide quality jobs and communities for North Carolina's future. Numerous chambers of commerce, NC Citizens for Business and Industry, as well as the NC League of Municipalities and Association of County Commissioners strongly support this local option economic development tool.

***(Q) What types of jobs will be created by this amendment?***

(A) Projects offering quality, well-paying jobs will be targeted. The legislation requires manufacturing jobs associated with local option PDF to be above average, meeting specific wage and benefit requirements that must be certified by the Secretary of the NC Department of Commerce.

*(Q) Didn't a similar constitutional ballot measure fail in previous votes of the people?*

(A) Yes, a similar measure has failed twice, most recently in 1993. However, the circumstances surrounding that measure were quite different. In 1993 the coalition supporting the issue had only had 13 weeks to do voter outreach before the election and there were a multitude of other ballot measures distracting voters. The role local governments play in economic development has also become a more critical part of North Carolina competing for quality growth and economic development.

With sufficient time to educate citizens of the important economic development benefits of this proposal and its focus on job creation and revitalization, we expect this measure to pass just as it did in West Virginia last November.