

**ECONOMIC DEVELOPMENT INCENTIVES ORDINANCE
TOWN OF LURAY**

February 15, 2017

Draft Outline #3

Many development projects are attracted to areas and municipalities that provide incentives. Such incentives allow mutually beneficial circumstances that reward the developer and the locality. For some projects, reductions in regulatory and/or financial requirements over a period of years allows their project adequate start-up capital and time for initial success, and also ensures their longevity. The purpose and intent of this ordinance is to stimulate interest in economic development in Luray.

ELIGIBILITY

Commercial, Industrial, and Large Residential (large subdivisions and multi-unit) developments occurring in the B1, M1, PND, and R5 Zoning districts, within corporate limits.

Projects may be new construction, renovation, expansion, or replacement.

As set forth below, the type and location of each development dictates the source and limits of statutory authority for economic development incentives.

INCENTIVE VALUATION ELIGIBILITY

Based on the combined Itemized Engineers and Architects Construction Estimate of the Project (as verified by the Town through a Third-Party), the Incentive Period shall be allocated as follows:

\$500,000 up to \$1 million	Two Years
\$1 million up to \$5 million	Three Years
\$5 million up to \$10 million	Five Years
Over \$10 million	Up to Ten Years

CONTACTS & DISCUSSIONS

The Council shall appoint a three (3) member panel who will handle initial conversations with interested developers. The panel shall consist of the Mayor, a Council member appointed by the majority of Council, and the Town Manager. Not all incentives will apply to every project. In some cases, the developer's budget or schedule may preclude some incentive options.

Additionally, this panel shall meet with the developer and the Page County Economic Director and a Page County Economic Development Authority representative for projects that may qualify for additional county, region, or state incentives and benefits.

All formal decisions necessary by the Town Council shall be discussed and voted upon in open session. For aspects that involve the negotiating position of the Town, closed sessions may be

required. Panel meetings and discussions need to reflect the privacy of the developer, and the situation. Activities that discourage, or disenfranchise, potential developers is not advised.

REAL ESTATE TAXES

Abatement during the Construction Period

Freezing the property value at the amount assessed prior to the project beginning. After the Certificate of Occupancy has been issued, the owner/developer shall have a certified appraisal done of the property, and the tax bill on the following January 1 shall be based on that amount. The Town reserves the right to verify the appraisal through a third-party. Should the County tax re-assessment be updated within a year after the C.O. is issued, then the assessed value shall become the tax value of the property on the following January 1.

Example:

A parcel is valued at \$100,000 prior to the project. The Developer pays taxes based on that value for the three year construction period. Once the C.O. has been issued, and the Developer-provided appraisal reviewed and accepted by the Town, the new property value is \$1.75 million. On January 1 of the year following the date of the C.O., the Developer will pay taxes based on \$1.75 million.

Example #2:

As in the above example, the County tax re-assessment occurs 7 months after the C.O. was issued. The assessment rate is \$1.67 million. The owner pays taxes on that new amount. Future assessments may indicate future changes to taxes owed.

Deferral (pro-rated based on the number of Incentive Years) and Waiving

After the Certificate of Occupancy has been issued, the Developer could pay a pro-rated and increasing percentage of taxes due for the number of incentive years allocated. The value for taxation shall be based on the appraisal provided by the developer, or the current assessed value (if re-assessment is completed within that time period).

Example:

A project is eligible for Five Years of Incentives. The first year after the C.O., the developer pays 0/5 of the total taxes due. The second year, 1/5 of taxes owed, and so on. The Town waives the portion not paid for each of the first five years. By the sixth year, the parcel is paying full taxes.

These examples are partial exemptions rather than deferrals since the Town is not repaid the taxes on a later date. For a true deferral, Va. Code § 58.1-3219 authorizes the deferral of real estate taxes exceeding 105 percent of the prior assessed value until the property is sold or transferred. At that time, the Town is repaid the deferred taxes plus interest at a rate set by ordinance. The deferral may either be made available for all property or be limited to property occupied by the owner as a primary dwelling.

For a partial exemption of real estate taxes, the statutory authority and limitations depend upon the nature of the construction and whether the development is located within an area designated as a local enterprise zone, technology zone, etc.:

- Va. Code § 58.1-3219.4 authorizes a partial exemption for a period of up to 15 years for new structures in a housing rehabilitation zone. The Town may designate a rehabilitation zone pursuant to Va. Code § 36-55.64 and include other benefits such as the reduction of permit fees and user fees for a period of up to 10 years.
- Va. Code § 58.1-3220 authorizes a partial exemption for a period of up to 15 years for the rehabilitation, renovation or replacement of residential structures that are at least 15 years old.
- Va. Code § 58.1-3220.1 authorizes a partial exemption for a period of up to 15 years for the rehabilitation, renovation, or replacement of a hotel or motel that is at least 35 years old.
- Va. Code § 58.1-3221 authorizes a partial exemption for a period of up to 15 years for the rehabilitation, renovation, or replacement of commercial or industrial structures that are at least 20 years old.
- There is also authority for offering tax incentives within areas designated as technology zones, local enterprise zones, and tourism zones pursuant to Va. Code § 58.1- 3245.6, Va. Code § 58.1-3850, and Va. Code § 58.1-3851. Unlike the statutes listed above, the availability of these incentives is based upon both the type and location of the development.

FACILITY FEES

Deferral (pro-rated)

Example:

A project owes \$300,000 in water and sewer facility fees. The project is eligible for 3 years of incentives. Instead of paying the full amount up-front, the project owner/developer can pay 1/3 of the amount, or \$100,000, each year for the next three years from project start. Project start is defined as the time when a Town Zoning Permit has been issued, a Building Permit has been issued, and water use for construction/operation begins.

CONNECTION FEES

Waiving

In-town water and sewer connection fees will be waived for all eligible projects.

APPLICATION FEES

Eligible projects shall pay the base fees for applications as established by the current Town Rate/Fee Schedule, but the advertising and incremental fees may be waived by the Town.

There is authority for extending these types of benefits to projects within areas designated by the Town as housing rehabilitation zones, technology zones, local enterprise zones, and tourism zones under Va. Code § 36-55.64, Va. Code § 58.1- 3245.6, Va. Code § 58.1-3850, and Va. Code § 58.1-3851. Otherwise, Virginia Code § 15.2-2119 generally requires that fees and charges for water and sewer be uniform for the same type, class and amount of use. The Town also has general authority to require payment of fees at such times as they determine under Va. Code § 15.2-2119(B).

BUSINESS LICENSE FEES

Deferral and Waiving

For eligible projects over \$5 million, the Town will offer a pro-rated deferral of business license fees owed for a maximum of two (2) years. The first year of operation (after the C.O. is issued), the project will pay 0/2 of the assessed business license fees. The second year, they will pay 1/2 of all fees owed. Starting the third year, they will pay 100% of business license fees owed.

This example is an exemption rather than a deferral since the Town does not recapture taxes at a later date. The statutory authority for this incentive is located at Va. Code § 58.1-3703(D):

Any county, city or town may establish by ordinance a business license incentive program for "qualifying businesses." For purposes of this subsection, a "qualifying business" is a business that locates for the first time in the locality adopting such ordinance. A business shall not be deemed to locate in such locality for the first time based on merger, acquisition, similar business combination, name change, or a change in business form. Any incentive established pursuant to this subsection may extend for a period not to exceed two years from the date the business locates in such locality. The business license incentive program may include (i) an exemption, in whole or in part, of license taxes for any qualifying business; (ii) a refund or rebate, in whole or in part, of license taxes paid by a qualifying business; or (iii) other relief from license taxes for a qualifying business not prohibited by state or federal law.

ACCEPTANCE OF DEVELOPERS AGREEMENTS

The Town will review, and potentially accept, unsolicited DA's from proposed project developers. Developers who submit a D.A. that the Town accepts will be eligible for discussions on additional deferred and pro-rated items including, but not limited to, off-site improvements that are required as part of the project, portions of project development that benefit the neighborhood or town as a whole, mutually beneficial conditions for Special Use Permits, and other items that the project, and the Town, deem relevant and important.

APPLICABILITY & USE

It is hoped that the County of Page will join the Town of Luray in adopting a similar ordinance. Such investments in our communities can only enhance the benefits and financial position of the entire area. The expansion of economic activity also expands the tax base, and mitigates taxes on individual residents. Since such funds were not being received by the affected local governments initially, there is no money "lost" in providing such incentives to interested developers. The use of such short-term incentives that provide an economic benefit to developing entities will provide long-term benefits to the communities involved.