

# SPECIAL ASSESSMENT DISTRICTS

Background  
on Request  
from Chatham  
Park (coming  
in December)

# CHATHAM PARK'S REQUEST

- Ask Chatham County to levy and collect a special assessment on the properties in the development
- The assessment could be paid over 25 annual payments with interest (property owner's option)
- County would remit assessment payments less administrative costs to the developer to reimburse for a portion of the public infrastructure improvements paid by the developer

# CHATHAM PARK'S VIEW...

- “Growth Pays for Growth”: Using the SAD tool as proposed, property owners outside the development and the County are not burdened by the infrastructure costs of new development
- Chatham County is protected. The County will have:
  - no obligation to pay assessments;
  - no obligation to fund the assessments that remain unpaid by others;
  - no obligation to fund initial or ongoing administrative costs;
  - no obligation to provide infrastructure
- Improved delivery of project benefits: Use of the SAD tool will speed the implementation of higher-quality infrastructure to quickly form a strong basis for the project to grow and deliver its economic development and other benefits

--Slide content from the developer

# WHAT IS AN ASSESSMENT?

- Charge levied against real property to pay for public improvements that benefit the property
- Like a user charge, it is levied in the same proportion as the benefit received
- But, is levied against and is a lien against the property, not the person
- Typically used to fund public capital improvements instead of services (funds the water line, not operation of the water system)

# TRADITIONAL ASSESSMENTS

- Cities and counties in NC have had the authority to levy assessments for many years; traditionally:
  - Cost of improvements usually fronted by the jurisdiction; assessment payments cannot be used to secure debt
  - Property owners have up to 10 years to repay the assessments, plus interest
  - Assessment cannot be imposed until the improvement is complete
- Assessment must be based on one of these:
  - Front footage, a uniform rate/foot of property that abuts the project (most common)
  - The size of the property in relation to the overall acreage benefited
  - The value added to the property because of the improvement
- Typically used by cities for roads and water and sewer
- Chatham County has never used this authority

# SPECIAL ASSESSMENT DISTRICTS

- Legislation was originally approved in 2008 to enhance assessment authority; known as special assessment districts for critical infrastructure or SAID
  - Authority to levy special assessments expires July 1, 2020
  - Assessments can be collected over 25 years; interest up to 8% may be charged
  - Debt financing is allowed (assessment can be pledged as security)
  - Counties (and cities) were given broader authority for “critical infrastructure”
  - Counties can establish districts in cities; cities can only establish districts in corporate limits (not ETJ)

# SPECIAL ASSESSMENT DISTRICTS

- Allows contracting with a private entity to construct the public improvements
- Improvements do not have to be complete before the assessment is imposed; based on estimated cost
- Basis for assessment not prescribed, but must bear a relationship to the improvements
- Requires a petition from of a majority of property owners, representing 66% of the assessed property value; the petition must include the estimated cost
- Lengthy and complex process to establish (11 steps)

# COLLECTION

- The assessment is a lien on the property
- The county can use the same collection and enforcement measures as it does for collecting taxes
- The lien may be foreclosed, just like taxes
- County has an obligation to collect
- The assessment is subordinate to local, federal and state taxes

# YOU'VE ALREADY SEEN THIS

- Lakewood Falls residents' request was under the new legislation
- The petition was denied because it did not meet the technical requirements of the legislation (a copy of our response was sent to you a week ago)

# IN NC

- While special assessment districts set up in a manner similar to the new legislation are widely used throughout the country, only 2 cities in NC have exercised this option:
  - The first was Hillsborough for infrastructure for Waterstone (330-acre development)
  - Mooresville in 2015 for a smaller commercial development

# MANY THINGS TO FIGURE OUT

- We are not here to address these questions, but much time and effort will be required by staff and our attorneys to do so (the developer has pledged to reimburse all costs):
  - Develop the best structure allowed under the state statute, including whether there will be a single district established at the outset or multiple ones created over time
  - If county financing is required, develop the structure in a way that doesn't affect our bond rating; will LGC approval be needed?
  - How will all of this be coordinated with the town?
- Chatham Park has requested that they be allowed to present their request on December 14 and the county manager has given tentative approval

# NEXT STEPS

- Developer will present its request at December 14 meeting (with BOC agreement)
- Board considers whether to move forward after that presentation
- If yes, staff and our attorney will work with the developer's consultant to answer all legal and administrative questions (developer has said all costs will be reimbursed)
- A concrete proposal will be brought back to the BOC for approval
- Only after that approval, would the county staff work to begin implementation, which is quite complex