

# CITY OF HIGH POINT

## AGENDA ITEM



**Title:** Business Development Committee

**From:** Randy Hemann

**Public Hearing:** N/A

**Attachments:** Development Incentive Grant

**Meeting Date:** February 6, 2017

**Advertising Date:** N/A

**Advertised By:** N/A

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### **PURPOSE:**

The creation of a Business Development Committee to review Development Incentive Grant proposals was included in the creation of that City Council Policy but the Committee has yet to be appointed by City Council.

### **BACKGROUND:**

At the September 8, 2015 City Council Meeting the Development Incentive Grant was approved. The policy calls for the creation of a Business Development Committee (BDC) to review Development Incentive Grant proposals. The BDC shall consist of seven (7) members. The BDC members shall be appointed by the City Council and will serve a 3-year staggered term. Each ward representative on City Council shall appoint one member from their respective wards to serve on the BDC and the Mayor shall appoint one member to the BDC from the City at large.

### **BUDGET IMPACT:**

N/A

### **RECOMMENDATION / ACTION REQUESTED:**

Staff recommends City Council appoint a seven (7) member BDC per the Development Incentive Grant policy adopted on September 8, 2015.



## **Development Incentive Grant**

The purpose of the Development Incentive Grant is to encourage rehabilitation of older buildings and/or promote infill growth with new commercial development in High Point's Downtown Municipal Service District ("Downtown MSD" see attached map).

### **Guidelines**

The incentive will be in the form of a grant and the High Point Development Incentive Grant will be based on the following formula:

- a. Appraised tax value of site and/or building is determined before any construction begins by the Guilford County Tax office.
- b. Appraised tax value of site and/or building is determined after construction is completed upon the issuance of a Certificate of Occupancy by the Guilford County Tax office.
- c. Grant amount is the difference between the pre-construction city tax value and the post construction city tax value as determined by the Guilford County Tax Office.
- d. Owner pays full amount of newly assessed tax value of property.
- e. The City of High Point provides grant incentive to property owner based on payment of City of High Point property tax.
- f. Five (5) concurrent tax years is the applicable time period for grant incentives.
- g. Grant disbursements will be as follows: Year 1 – 100%; Year 2 – 80%; Year 3 – 60%; Year 4 – 40%; Year 5 – 20%.
- h. On the 6<sup>th</sup> year, property owner will pay full amount of appraised tax value of the property without grant.

**Example:** Unimproved 4,577 sf building on .21 acres - \$167,700 tax value  
 $.664/\$100 = \$1,114$  Annual High Point Tax before development

Assume \$500,000 in additional tax value to property resulting in \$667,000 tax value  
 $.664/\$100 = \$4,429$  Annual High Point Tax after development

### **Grant Formula:**

Under above example, owner pays \$4,429 in city taxes after property improvements.

Year 1: Owner receives grant of \$3,315 (100%, \$4,429-\$1,114)

Year 2: Owner receives grant of \$2,652 (80%)

Year 3: Owner receives grant of \$1,989 (60%)

Year 4: Owner receives grant of \$1,326 (40%)

Year 5: Owner receives grant of \$663 (20%)

**Total Reimbursement over 5 years: \$9,945**

### **Eligibility**

1. The property must be located within the defined Downtown MSD.
2. Residential (except one and two family residential uses) or commercial property within the project area is eligible to apply. Adult businesses are excluded. Showrooms are excluded except when the first floor will be used for commercial purposes.
3. The applicant must be the property owner and taxpayer for the property.
4. Applications will be administered by the City of High Point and reviewed by city staff to ensure full compliance with grant requirements.
5. Grant reimbursements are non-transferable. They are made only to the original owner of the property for the scheduled grant period while they maintain ownership of the property
6. The grant amount will be recalculated yearly and reflect any valuation changes to the property through damage, further improvement and/or area-wide re-assessment. The constants of the program will remain the term and percentage of the base grant amount and the preconstruction unimproved assessed value.
7. Property Owner shall submit attached documentation to the High Point Finance Director along with receipt of payment of property tax and prior to June 30.
8. Property can only receive one grant per five (5) year period.
9. Grant reimbursements will not be granted for a nonconforming use.
10. Recipient of the Grant must operate their business during normal business hours consistent with other businesses located within the Downtown MSD throughout the term of the grant.
11. If it is determined by the Business Development Committee that the building is in need of structural improvements in order to bring the building up to City Code as determined by the BDC, then the Development Incentive Grant money must first be used for that purpose.

### **Examples of changes in valuation – properties are reassessed in Year 3; 10% increase**

Example: Unimproved 4,577 sf building on .21 acres - \$167,700 tax value  
 $.664/\$100 = \$1,113$  Annual High Point Tax before development

Assume \$500,000 in additional tax value to property resulting in \$667,000 tax value  
 $.664/\$100 = \$4,429$  Annual High Point Tax after development

#### **Grant Formula:**

Under above example, owner pays \$4,429 in city taxes after property improvements.

Year 1: Owner receives grant of  $(\$4,429 - \$1,113) = \$3,316$

Year 2: Owner receives grant of  $(\$4,429 - \$1,113) * .80 = \$2,653$

Year 3: Property values reassessed – new tax value is  $\$733,700 * (.664/\$100) = \$4,872$

Year 3: Owner receives grant of  $(\$4,872 - \$1,113) * .60 = \$2,255$

Year 4: Owner receives grant of  $(\$4,872 - \$1,113) * .40 = \$1,504$

Year 5: Owner receives grant of  $(\$4,872 - \$1,113) * .20 = \$752$

**Total Reimbursement over 5 years: \$10,480**

### **Examples of changes in valuation – properties are reassessed in Year 3; 10% decrease**

Example: Unimproved 4,577 sf building on .21 acres - \$167,700 tax value  
 $.664/\$100 = \$1,113$  Annual High Point Tax before development

Assume \$500,000 in additional tax value to property resulting in \$667,000 tax value  
 $.664/\$100 = \$4,429$  Annual High Point Tax after development

Grant Formula:

Under above example, owner pays \$4,429 in city taxes after property improvements.

Year 1: Owner receives grant of  $(\$4,429 - \$1,113) = \$3,316$

Year 2: Owner receives grant of  $(\$4,429 - \$1,113) * .80 = \$2,653$

Year 3: Property values reassessed – new tax value is  $\$600,300 * (.664/\$100) = \$3,986$

Year 3: Owner receives grant of  $(\$3,986 - \$1,113) * .60 = \$1,724$

Year 4: Owner receives grant of  $(\$3,986 - \$1,113) * .40 = \$1,149$

Year 5: Owner receives grant of  $(\$3,986 - \$1,113) * .20 = \$575$

**Total Reimbursement over 5 years: \$9,417**

### **Business Development Committee (BDC):**

- The BDC shall consist of seven (7) members
- The BDC members shall be appointed by the City Council and will serve a 3-year staggered term.
- Each ward representative on City Council shall appoint one member from their respective wards to serve on the BDC and the Mayor shall appoint one member to the BDC from the City at large.
- The Grant Administrator shall be the Core City Administrator and serve as an ex officio member of the BDC but without the right of a vote.
- City staff shall provide technical and professional assistance to the BDC upon request and with reasonable notice of the need for such support.
- The BDC shall review all grant applications covered under these grant guidelines, including but not limited to the applicant's eligibility and substandard nature of the building that could be remedied through the grant award, and provide a recommendation to City Council.

### **Program Management:**

- The applicant will secure the application from the Core City Administrator.
- The applicant will complete the application and return to the Core City Administrator for review with the BDC.
- BDC shall review the application and provide a recommendation to City Council.
- Final approval of the Development Incentive Grant will be given by the City Council.

### **Contact:**

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