Hanover County Board of Supervisors Workshop – Cash Proffers and Capital Funding

Agenda Item VI

November 28, 2012

Hanover: People, Tradition & Spirit

Overview

- Legal Authority
- Background of Cash Proffers in Hanover
- Cash Proffer Trends and Projections
- Revenue Alternatives
- Committee Recommendation

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Cash Proffers - Legal Authority

- The Virginia Code Section 15.2-2298 and the Appendix to the Hanover County Code, Article 9, Section 6A authorize the acceptance of cash proffers
  - The General Assembly passed legislation in 1989 for the collection of cash proffers for fast-growing localities to help fund capital expenses
  - Hanover Ordinance adopted June 28, 1989, establishing proffered conditions at the time of rezoning including the payment of cash
  - Hanover County Board of Supervisors directed staff to develop the cash proffer concept and adopted a cash proffer policy on August 1, 1990

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Cash Proffers

- A cash proffer is a voluntary offer of money (or equivalent value of land an/or improvements) submitted as part of a rezoning application
- Its purpose is to fund the incremental household impact upon capital improvements needed for schools, roads and other public facilities required to maintain the current level of service
- The public facilities must have a reasonable relation to the development permitted by the rezoning
- "Growth pays for growth" goal

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Cash Proffers - Hanover County History

- Ordinance 89-13 was adopted June 28, 1989 amending the provisions of the Zoning Ordinance pertaining to the establishment of proffered conditions at the time of rezoning including the payment of cash
- Cash proffers were accepted as conditions of zoning for (2) cases prior to an adoption of a cash proffer policy:
  - C-4-90 (Milestone subdivision), $1,077
  - C-6-90 (Loralea subdivision), $1,000

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Cash Proffers - Hanover County History

- Cash Proffers Policy initially adopted by the Board August 1990
  - Policy readopted by the Board on an annual basis
  - Initial amount $1,878 single-family / $1,179 Multi-family
- Landfill component eliminated in 1991
- Road proffers instituted in 1994
- Separate multi-family and single-family methodologies consolidated into residential unit methodology in 1996
- Jail component eliminated in 1997

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Cash Proffers - Collections

- As of June 30, 2012, the County has collected approximately $24,750,000 in cash proffers
- The inventory of unpaid proffered lots is 4,293 for a total of $52,083,904
  - Community Facilities = $35,274,875
  - Roads = $16,809,029
- Per adopted cash proffer policy proffers are increased year to year based on U.S. Consumer Price CPI

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Residential Growth Cost

- FY2001: Most recent Hanover formal analysis
  - Residential net impact was $440 per unit offset by positive commercial and agricultural impacts in a balanced $118.0 million General Fund budget
  - Largest residential impact – Public Schools:
    - $3500 local cost/student * .56 students/household = $1960/home
  - Capital impacts of growth funded primarily though capital budget and debt service

Hanover FY01	Residential	Commercial	Agricultural	Total
Revenues/Yr/Home	2,924	22,527	3,697	3,761
Expend/Yr/Home	3,364	13,398	3,364	3,761
Surplus (deficit)/Yr/Home	(440)	9,129	333	0

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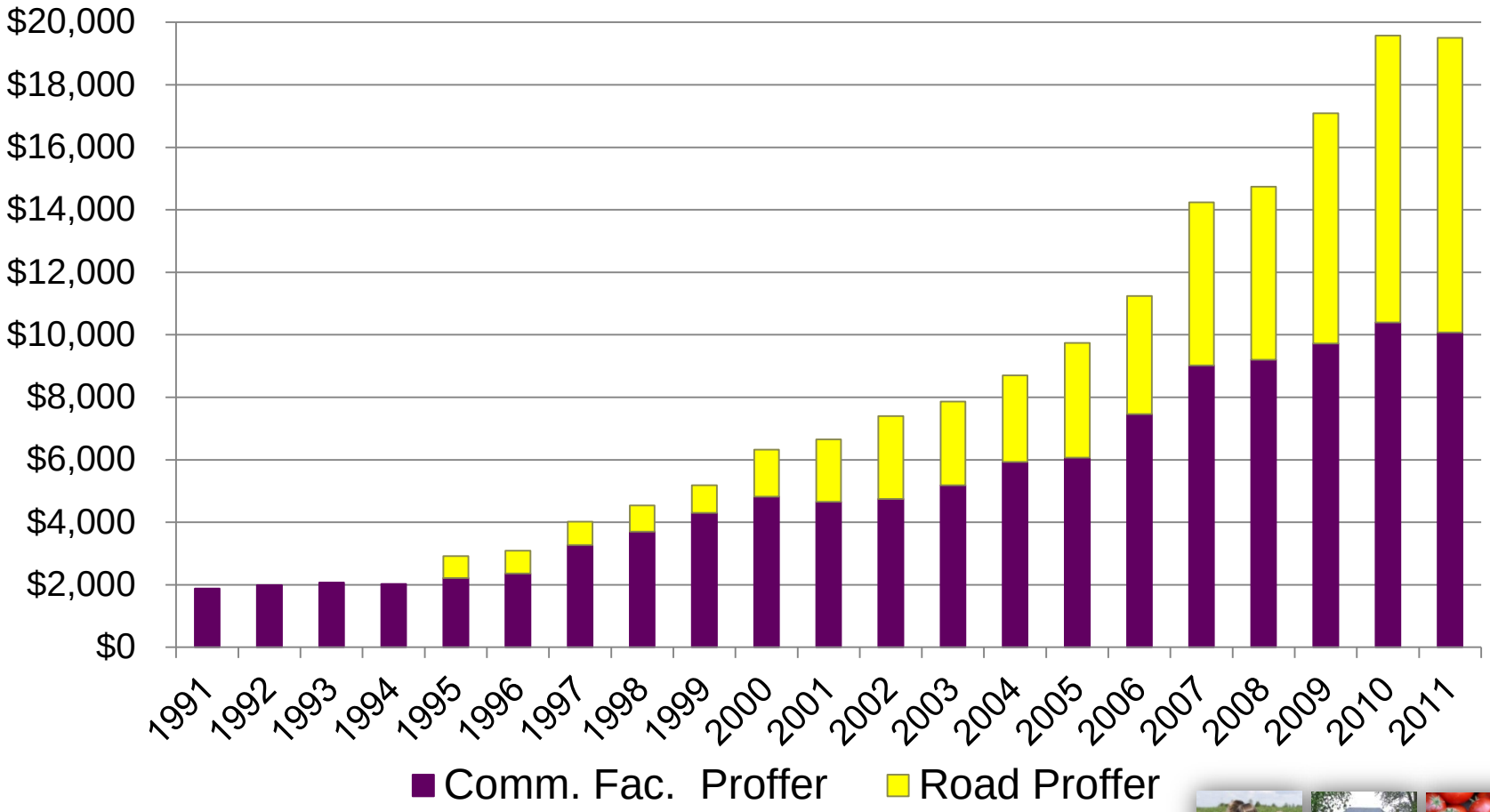
Net Cash Proffer Trend



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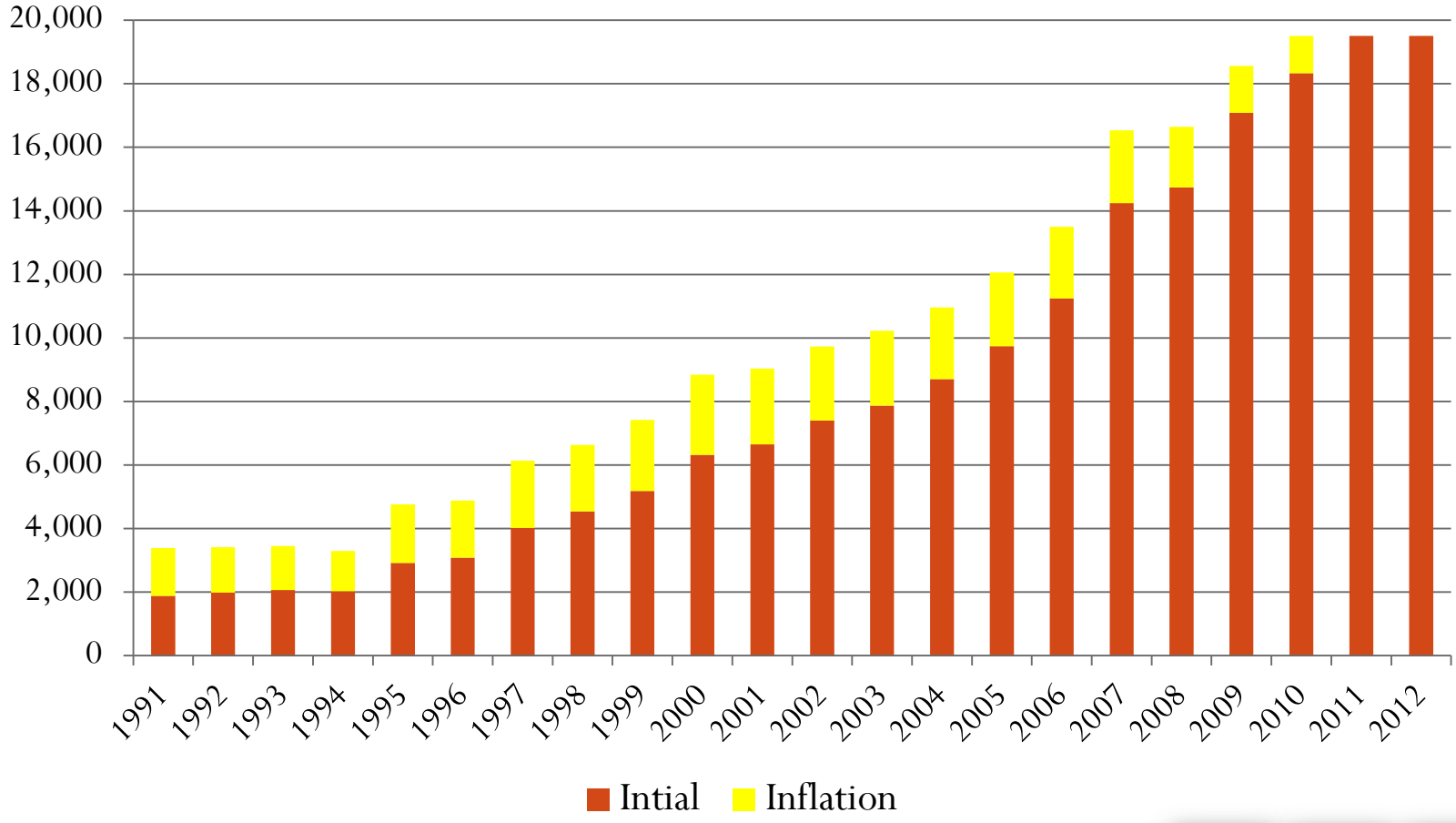
PY Proffers – Inflation Adjusted to 2012



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Cash Proffers by Category

Proffer Category	FY 2013 Cash Proffer (frozen)	Calculated Cash Proffer
Schools	$8,008	$8,351
Parks	873	948
Libraries	403	430
Fire-EMS	796	851
Roads	9423	9706
Total	$19,503	$20,286

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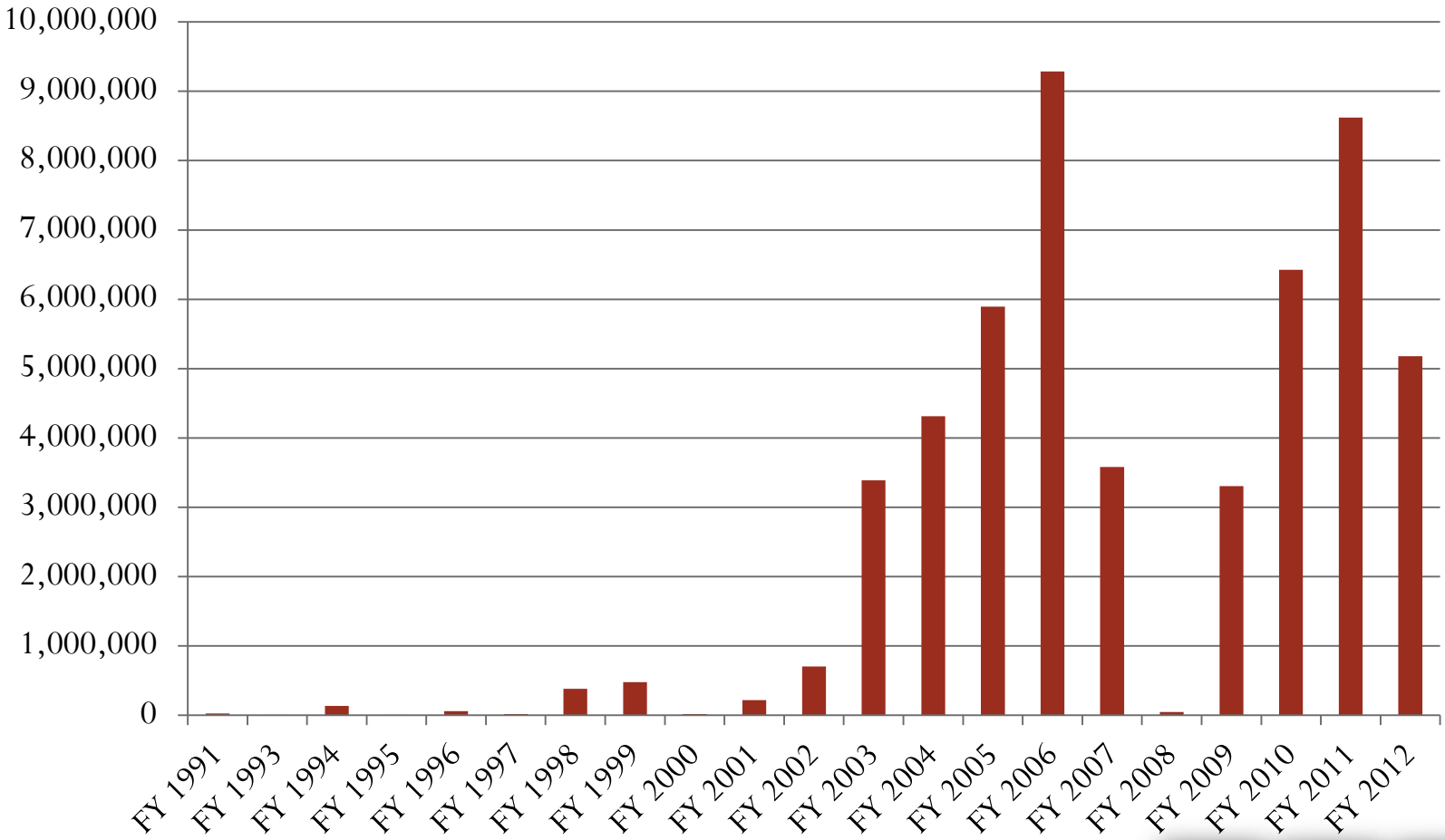
Outstanding Proffer Receivables by Year

($52.0 million, 4300 units, $12,000 average proffer)



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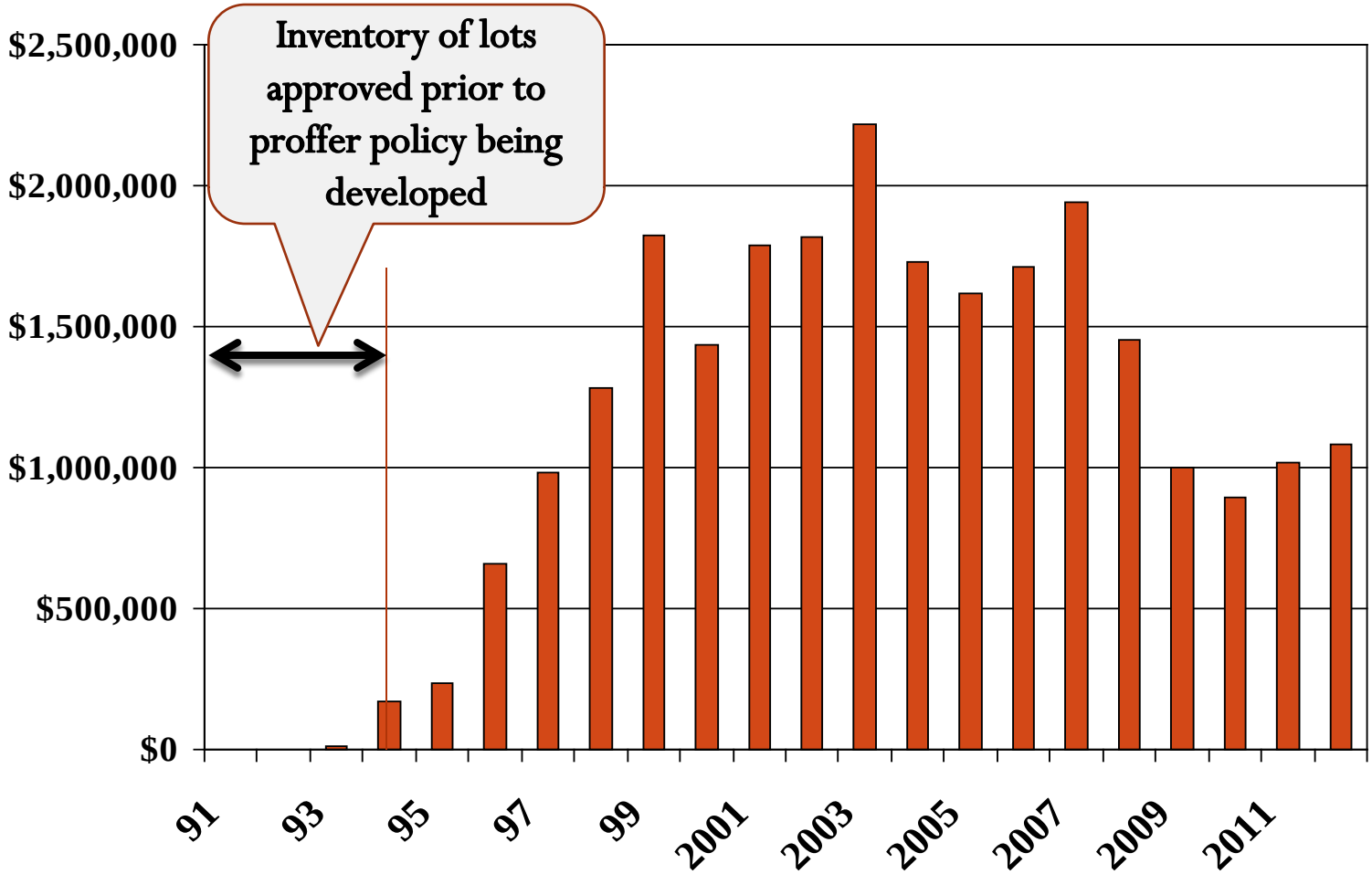
Prior Annual Cash Proffer Revenues



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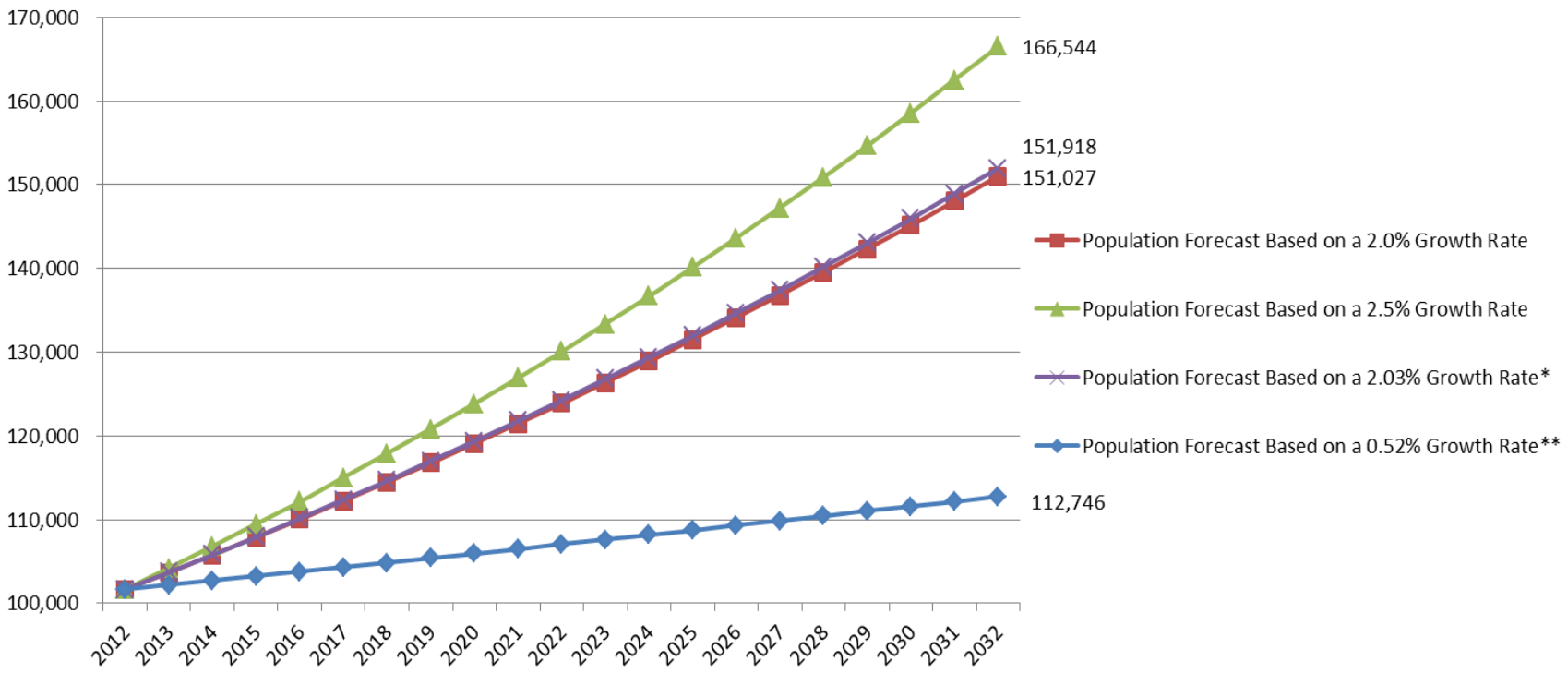
20 Year Population Forecast



*2.03% Growth rate is based on the average growth rate over the past 20 years
**0.52% Growth rate is based on the average growth rate over the past 5 years

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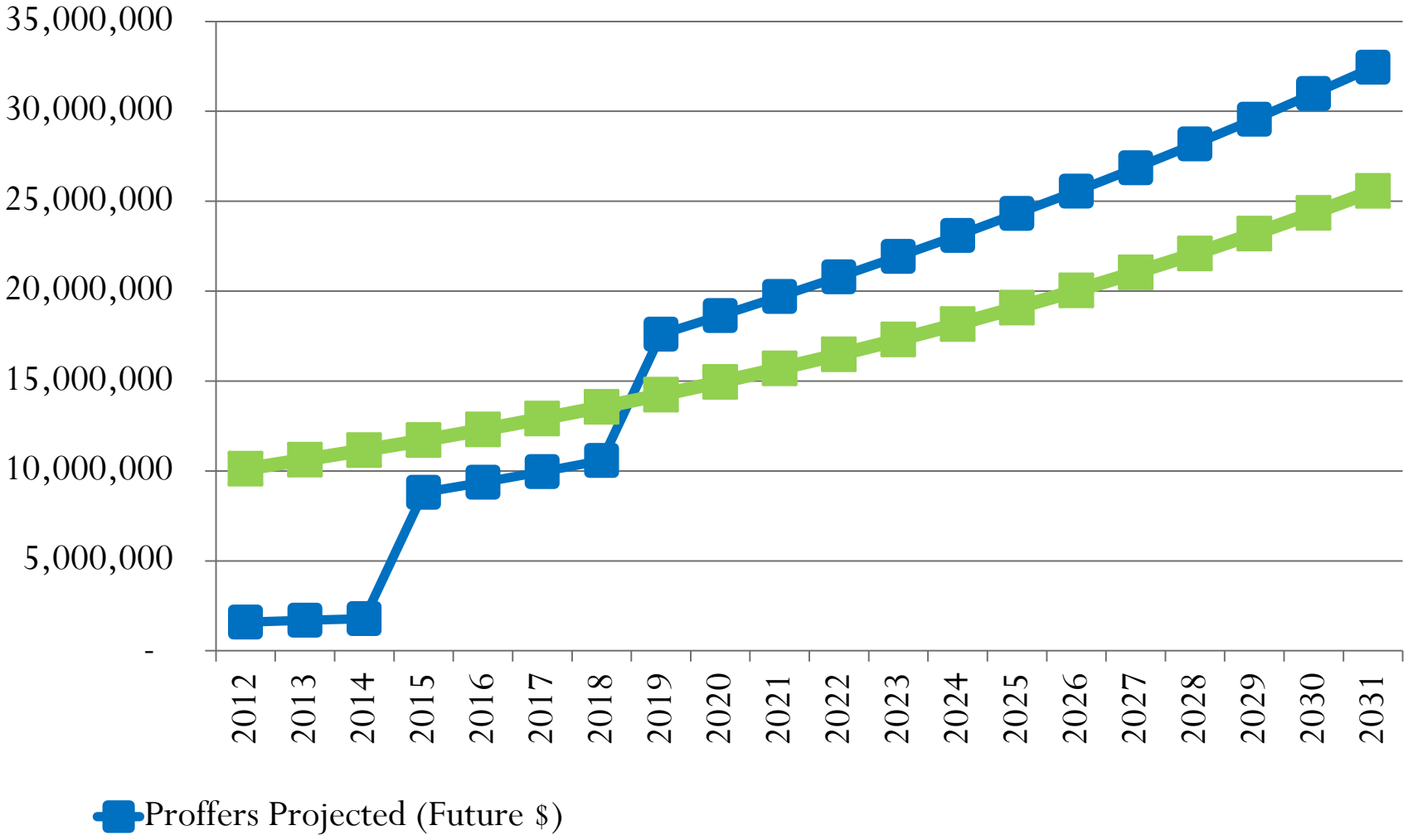
Alt Revenue Stream to Replace Cash Proffers



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Summary of Revenue Alternatives

Revenue	Unit Impact	Estimated Impact $	Impact Ceiling	Addl State Authority
Real property	1 cent	1,000,000	n/a	n/a
Per prop rate	1 cent	110,000	n/a	n/a
PP Retail Value	n/a	2,500,000	2,500,000	Highest method allowed per State
Motor Veh Fee	$1/year	166,000	6,300,000	$38.50 State max <4000 lbs
Solid Waste	$1/trip	250,000	n/a	Area fees range $3 - $7/trip
Meals	1%	1,000,000	4,000,000	Referendum (4% max rate); Ashland already has such tax
Admissions	1%	300,000	3,000,000	Add to enabled (10% max rate)
Cigarette	1 cent/pack	50,000	1,500,000	Add to enabled (30 cents/pack); Ashland has 19 cents/pack
Recordation	1 cent/$ recorded	200,000	n/a	New Va Code (Max at 8.3 cents)

Statewide Local Govt Other Revenues

Revenue Alt	Cities	Counties	Total	General Info
PP Retail Method	4	10	14	73 loan, 47 trade-in (Hanover)
Motor Vehicle Fee	35	89	124	1 at max, most $20-$25
Solid Waste	?	?	?	Not readily available
Meals	39	43	82	4% mostly
Cigarette	31	2	33	30 cents/pack
Admission	18	5	23	Generally 5 or 10%

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Committee Recommendation

Proffer Category	Calculated Proffer	Committee Recommendation[1]
Proffers to be Replaced		($1,225,000)
Road Proffer	4,789,000	
School Proffer	4,110,000	
Lib./Fire/Parks	1,101,000	
Change in Proffers	**10,000,000**	**($1,225,000)**
Motor Vehicle Fee	-	Motor Vehicle @ $10 1,300,000
TOTAL	**10,000,000**	**75,000**

[1] Committee proposed Board at its discretion seek General Assembly approval of grantor's, cigarette and/or admission tax. Annual Proffers to be replaced based upon historic annual average

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