

STAFF REPORT

Council Work Session, April 17, 2012

Downtown Business Improvement District Considerations (AD12-016)

Consideration of beginning the process to establish a downtown Business Improvement District (BID)

Speaker: Scott Fogleman and Ed Gawf

From: Ben Shivar, Town Manager

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Approved by: Benjamin T. Shivar, Town Manager

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Executive Summary: Staff recommends that a Business Improvement District (BID) be established in downtown Cary effective July 1, 2012 to facilitate mitigation of impact fees for a three year period to encourage new private investment in the core of downtown. For properties located within the downtown BID, the Town would pay impact fees associated with private property improvement permits issued between July 1, 2012 and June 30, 2015. There would not be an incremental tax associated with this BID. The process of establishing a BID consists of issuing a report to property owners in the BID at least four weeks prior to a required public hearing. The public hearing must take place prior to Council approval and a BID may only begin at the start of a fiscal year. Staff is recommending that Council begin the process associated with establishing a BID in downtown Cary that would become effective July 1, 2012.

Background: The Town of Cary has been planning and setting the stage for redevelopment in the downtown area for a number of years. The Town hired a Downtown Development Manager in 2011 and significant capital investments have been made to increase service levels and help stimulate private investment in the downtown. To help advance the timing of potential private investment in the downtown, staff has been researching how to mitigate impact fees in the downtown area. A variety of mechanisms have been reviewed including direct economic development incentives, community development, urban redevelopment, and a municipal service district (also known as business improvement district).

Discussion: A Municipal Service District (commonly referred to as a Business Improvement District or BID) is authorized by North Carolina General Statutes and is designed to define special service areas where projects or activities are provided to a greater extent than throughout the entire jurisdiction. Staff is proposing that a BID be established effective July 1, 2012 as BIDs can only be formed at the beginning of a fiscal year per state law. The BID area being recommended and shown in the [attached map](#) is focused in the center of downtown and extends out approximately ¼ mile and includes predominantly those properties already zoned as high density mixed use.

To help encourage property redevelopment and investment by the private sector that is focused in the core area of downtown, staff is recommending that from the time period covering July 1, 2012 through June 30, 2015 (three fiscal years), impact fees associated with new development activity within the BID boundary be paid by the Town of Cary. This includes and is limited to water development fees, sewer development fees, reclaimed water development fees, transportation development fees, as well as any impact fees associated with park and recreation land dedication, whether for single family or multi-family development (Council is considering the adoption of multi-family land dedication and payment-in-lieu fees that may become effective as soon as July 1, 2012).

Staff is not proposing that an incremental tax rate be instituted associated with the BID. The tax rate for property owners in the BID would remain the same as that of the rest of the Town of Cary.

The proposed schedule associated with establishing a BID in downtown Cary is as follows:

Tuesday April 17, 2012: Feedback and direction from Town Council regarding moving forward with the process of forming a Downtown Business Improvement District.

Thursday May 10, 2012: Council calls for a required public hearing on the establishment of the BID to be held at its Thursday June 14, 2012 Council meeting.

Friday May 11, 2012: Staff mails notification to all property owners in the potential BID. Included in the mailing will be a report which includes the background, purpose, and schedule. By state law, this mailing must occur at least four weeks prior to the required public hearing on the establishment of the BID. Link to [draft report provided here](#).

Thursday June 14, 2012: Public Hearing on BID at Town Council meeting.

Thursday June 28, 2012: Council vote on BID resolution with effective date of July 1, 2012 if approved. Link to [draft resolution provided here](#).

Fiscal Impact: The amount of fees that will need to be paid by the Town of Cary associated with new permit activity in the time period from July 1, 2012 through June 30, 2015 is completely dependent upon the level of new development that occurs during that time frame. Staff is currently considering an amount to include in the fiscal year 2013 budget to allow for these payments that would be funded by a transfer from existing general fund fund balance. Depending upon the level of new permit activity and fees associated with new development over the next three years, an additional appropriation in future years may or may not be necessary, and if so, would be considered as part of each budget development process. The applicable fees will be paid on behalf of the property owners to the respective funds of the Town of Cary. For example, transportation development fees due and payable at the time of permit issuance will be paid by the Town of Cary and recorded within the transportation development fee revenue account within the General Capital reserve. These revenues will then be made available for appropriation to future capital projects that qualify for transportation development fee revenue throughout Town.

Staff Recommendation: That Council authorize staff to begin the process as outlined above aimed at the possibility of establishing a Business Improvement District in downtown Cary effective July 1, 2012.