

An Overview of Public Investment to Support COMMERCIAL REVITALIZATION IN FAIRFAX COUNTY, VIRGINIA

Prepared by Fairfax County's



Office of Community
Revitalization & Reinvestment
Fairfax County, Virginia

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On July 21, 2008, the Fairfax County Board of Supervisors adopted 16 Principles for Public Investment to Support Commercial Revitalization (Principles). These Principles guide the county's involvement in public-private partnerships specifically designed to promote revitalization, redevelopment, and reinvestment in key areas of the county - primarily the older commercial and new transit station areas.

Redevelopment projects typically present financial and other challenges not experienced in development of previously undeveloped sites. Therefore, to implement critical aspects of Fairfax County's Comprehensive Plan, the county may be asked to use public funds to provide needed public improvements to stimulate and support private revitalization, redevelopment, and reinvestment. The Principles provide a coordinated approach to address the needs and opportunities of this changing development environment, while ensuring that public dollars are contributed only when essential to realize revitalization.

16 Principles for Public Investment to Support Commercial Revitalization

1. The redevelopment site or area must be located within an area of the county that is of strategic importance to achieving the county's revitalization goals.
2. The use of public funds shall be directed toward select "Pioneer Projects" that result in area-wide benefits. Pioneer Projects include single projects that will have a catalytic effect on the revitalization of an area; projects on more than one site that collectively result in such benefits; or, area-wide public improvements (such as replacement of utilities) that have broad area benefits.
3. Projects for which public funds are used shall be consistent with the county's Comprehensive Plan and Zoning Ordinance.
4. The public purpose and the financial and other benefits from all publicly funded improvements shall be clearly defined, and, based upon the nature of the benefit, measurable.
5. Public funding mechanisms shall only be used for public facilities (e.g., fund, plan, construct, and/or maintain those infrastructure improvements as authorized by Virginia law and as specified by the Board of Supervisors in the establishment of any Community Development Authority (CDA) or other entity) to facilitate development, and/or to mitigate the impact of development. Such public facilities include, but are not limited to, roads, transit, utilities, streetscape improvements, public parks and open spaces, bicycle and pedestrian improvements, cultural facilities and parking garages.
6. There shall be no negative impact on the county's bond rating.
7. There shall be sufficient debt capacity available for the portion of the public investment that is identified as the county's responsibility.
8. The project must pose no direct or indirect liability to the county. The developer (or development entity such as a CDA) shall provide the type and level of surety that is acceptable to the county to protect the county from actions or inactions of the developer or development entity.
9. Each proposal for public funding shall include detailed information on the financial feasibility of the development project with which the public funding request is associated and an analysis of the contribution of the development to the county's goals as set forth in the Comprehensive Plan.
10. A development entity such as a CDA which includes a self-tax is the preferred funding method; Tax Increment Financing (TIF) in conjunction with such an entity and self tax may be utilized as a funding mechanism if it is demonstrated that a sufficient rate of return to encourage private investment is not otherwise available to the developer.
11. Any CDA that is established shall be structured to assume the risk of any deficiency in TIF revenues if they prove to be insufficient to pay debt service.
12. The maximum period of repayment for TIF debt service should not exceed 20 years.
13. The county shall strive to achieve a reasonable return on investment from any of its assets that may be utilized, such as county owned land or use of its lower cost of borrowing. Such return may be financial and/or achievement of county goals that further revitalization, redevelopment and/or investment.
14. The county expects to achieve tangible and intangible benefits to include such things as achievement of the goals and objectives of the Comprehensive Plan. In exchange for its financial participation, the county expects to establish performance measures for the project on such things as the specific character and intensity of development in addition to any other recommendations in the Comprehensive Plan necessary to achieve the public objectives.
15. If a TIF is to fund required shortfalls and to incentivize revitalization, under certain circumstances, the CDA shall remain in existence beyond the repayment on the initial obligations and shall repay a portion of or all if the incremental tax loss to the county's General Fund.
16. Developers will be required to grant full access to all accounting records, project pro formas and any other required financial information for any project involving a financial partnership with the county.

PROCESS FOR THE EVALUATION OF REQUESTS FOR PUBLIC INVESTMENT IN SUPPORT OF COMMERCIAL REVITALIZATION*

Fairfax County uses a two-tiered evaluation approach to determine if a project qualifies for public financial participation in support of commercial revitalization. Applicants should submit proposals to OCRR. All proposals shall be accompanied by a set of documents for review and evaluation by the county and its consultants.

TIER 1

1. After reviewing the submitted materials, staff will make a recommendation as to whether the project qualifies for further consideration.
2. General attributes of the proposal will be reviewed by the Community Revitalization and Reinvestment Advisory Group as to whether the project should be considered a candidate.

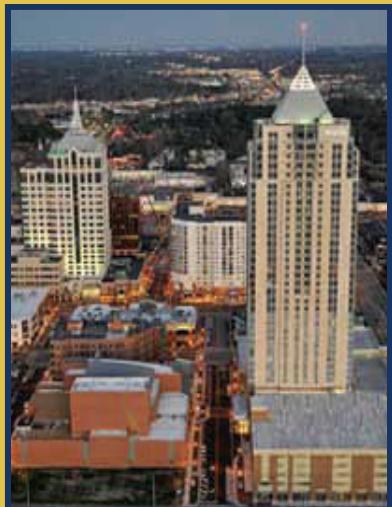
TIER 2

1. If it is determined that the project meets the criteria for further consideration, the developer shall submit a complete financial pro forma as well as any other documents deemed necessary by the county to undertake the evaluation, a fee of \$50,000 or other such amount sufficient to cover the county's cost (including staff time) for all review and analysis, and the identification of all corporate partners, including associations and the responsibilities of any parent organizations.
2. Due diligence shall be performed by the county to confirm information regarding the developers, property owners, and underwriting team, and the adequacy of developer's or property owner's financial projections and resources to sustain the project's proposed financing. Depending upon the scope of the proposal, use of financial, development and legal expert consultants will be employed as the analysis and negotiation for redevelopment projects are typically highly complex endeavors that require specialized skills.
3. These consultants will conduct detailed financial and fiscal analyses of the proposal.
4. Staff and consultants will work with the developer to address the issue of public assistance from the county in the form of a public financing structure such as a Community Development Authority (CDA), Tax Increment Financing (TIF), Service or Sanitary District, or by providing funding through other traditional methods of financing. If a CDA or CDA/TIF is the agreed upon public financing mechanism, see additional steps below.
5. Staff and consultants determine if proposal is supportable.
6. The Proposal is presented to and discussed at the Board of Supervisor's Revitalization and Reinvestment Committee.
7. The proposal is forwarded to the Board of Supervisors for decision and notice is provided to the public.

* Please note that this is a summary. For a complete list of submission requirements and a more detailed description of the process, please visit <http://fcrevit.org/programs/cda.htm>

FIRST FAIRFAX COUNTY CDA/TIF

On April 27, 2009, the Board of Supervisors created the county's first Community Development Authority (CDA). The CDA is for the proposed Mosaic – Merrifield Town Center. OCRR, the Department of Management and Budget, the Board, consultants, and the developer worked collaboratively to implement the CDA solution. Of the total approximately \$175 million in public infrastructure costs, the CDA will fund a \$30 million dollar portion of the public facilities to be constructed on the site through a 30 year bond, whose debt service will be paid by a self assessment; and, a \$42 million dollar portion of the public facilities to be constructed on the site (e.g., road improvements, parks, and a small portion of the parking garage) will be funded through a 22 year bond, whose debt service will be paid through incremental real estate tax revenues. Liability for the debt service will be secured by the CDA, not the county.



Covering 17 city blocks, the Virginia Beach Town Center is a CDA with tax increment financing.

HOW TO APPLY FOR A CDA/TIF IN FAIRFAX COUNTY

A CDA is one mechanism to fund public facilities and infrastructure. A CDA is established by the Board of Supervisors based on a petition submitted by at least 51% of the owners (by land or assessed value) of the parcel or parcels to be included within the CDA (see VA. Code Ann. Section 15.2-5153). A CDA is governed by a board appointed by the Board of Supervisors. The CDA may be funded by ad valorem special taxes or special assessments, as negotiated on a case by case basis. The CDA may also include Tax Increment Financing (TIF), which is a funding mechanism that obligates a portion of future "additional" tax revenue generated by the development. An advertised public hearing before the Board of Supervisors must be held on the question of creating a CDA.



Fairfax County is committed to non-discrimination on the basis of disability in all County programs, services and activities. Special accommodations will be provided upon request. For information call 703-246-6500 or TTY

For Additional Information, Contact:

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