

# **POLICIES AND PROCEDURES MANUAL**

for the Tax Increment Grant (TIG)



**Economic & Community Development  
City of Fayetteville, North Carolina**

Telephone: (910) 433-1590

Email: [EconCommDev@fayettevillenc.gov](mailto:EconCommDev@fayettevillenc.gov)

Last Updated: October 9, 2023

# City of Fayetteville

## Tax Increment Grant Policy

### I. Purpose

Tax Increment Grant (TIG) financing is a tool used by municipalities to assist with the financing of private development projects which create public benefits such as increased employment opportunities, economic diversity, affordable housing, public infrastructure, public facilities, and environmental improvements in areas identified by the municipalities as needing additional public and private investment and development. It is one of several financing tools available to the City of Fayetteville for use in creating such public benefits where the private market alone has not created similar benefits for the citizens of Fayetteville. Because TIG financing uses a portion of the incremental tax increases from private development projects as the source of the City's financial assistance, the City will be able to assist private development projects with minimum financial risk. The purpose of this policy is to establish a TIG financing program for use by the City and private developers seeking to work together to create the benefits described herein.

### II. Program Description

The City's TIG financing program seeks to encourage the development of public benefits throughout the City of Fayetteville. The City has also identified certain priority areas for use of TIGs. See Section VI - Priority Areas. When developers are planning projects that will generate public benefits, the developers may apply to the City for TIG financing. See Section IV-Applications. The City will consider applications based upon several factors described below, including whether the project is feasible "but for" the City's TIG financing. See Section III-C – But For Requirement. If the City approves the applications, it will negotiate an agreement with the developer and/or its affiliate owner of the project site documenting the terms and conditions of the TIG financing (a "TIG Agreement"). A TIG Agreement may either be a separate agreement or be incorporated into a development agreement covering other aspects of a project. Among other things, the TIG Agreement will describe the project, including the public benefits to be achieved, and the City's obligation to provide grants to the project owner from the incremental increases in property taxes actually paid by the project.

Prior to its execution, the TIG Agreement will be the subject of a public hearing and vote by the City Council. If approved by the City Council, the TIG Agreement may be executed by the City and Developer and its affiliate project owner.

TIG financing of a project will be equal to a percentage of the increase in property tax revenues

generated by the project for a period of years after project completion, as described below in Section VI – Priority Areas. Through TIG financing, the City will reimburse developers from a portion of the new property taxes paid on completed projects beginning with the first fiscal year after the project (or phase of the project) has been issued a certificate of occupancy or substantial completion.

### **III. Threshold Requirements**

All applications for TIG financing must meet the following threshold requirements:

A. Public Purposes/Benefits

The City will only consider projects for TIG financing that serve a public purpose and provide public benefits, including, but are not limited to:

- Providing public infrastructure and/or facilities;
- Increasing employment opportunities and economic diversity;
- Developing affordable housing; or
- Delivering environmental or energy improvements.

B. Increased Tax Value

The City will only consider projects for TIG financing that will create new revenue for the City by increasing the assessed tax value of existing property.

C. “But For” Requirement

The City will only consider projects for TIG financing that satisfy a “but for” requirement, meaning the City will only provide TIG financing to projects that will not occur without the City’s financial assistance. The purpose of this requirement is to ensure that TIG financing is provided only to projects that create significant public benefits and which will not proceed forward (or will not proceed forward with the public benefits included) without the financial assistance provided by the City.

### **IV. Applications**

Developers interested in pursuing TIG financing shall apply to the Director of the City’s Economic and Community Development Department. Each application shall be accompanied by a nonrefundable application fee. All applicants for TIG financing are expected to comply with all relevant requirements contained in the City of Fayetteville Code of Ordinances, particularly its Unified Development Ordinance found at Part II, Chapter 30 of the Code. Prior to submitting an application, developers are strongly encouraged to arrange a pre-application conference with

the Director of the City's Economic and Community Development Department in addition to or in conjunction with the pre-application conference required (or encouraged) by Section 30-2.B.5 of the Code. The purpose of this pre-application conference is to discuss the requirements of TIG financing and the application review process.

The TIG application shall include the following:

- A general description of the project. This general description of the project should include the location of the proposed development, any preliminary drawings or plans, and the public benefits to be included in the proposed project. Where a proposed development includes affordable housing, the description should include a breakdown of unit types, the percentage of area median income attached to different unit types, and the number of each unit type in the proposed project.
- A statement of the total amount of financial assistance being sought from the City.
- Identification of the developer, including relevant experience, development portfolio, and an ownership chart.
- The ownership structure of the proposed project.
- The financing structure of the proposed project.
- A preliminary development budget, including a sources and uses chart.
- A preliminary development schedule.
- A detailed description of the developer's readiness to proceed.
- A statement of the developer's plans to further the goals of the City's Small Disadvantaged Business Enterprise Program for Construction, Procurement, and Professional Services.

These application requirements may be amended from time to time by City Staff in a manner consistent with this Policy.

## **V. Selection**

The City will evaluate project proposals for TIG financing on a case by case basis based on the criteria set forth in this Policy as further described in the application. An application satisfying the threshold requirements described above is not a guarantee that the applicant will receive TIG financing from the City. The City may deny an application for any reason, in its sole discretion, but not for an unlawful reason.

## **VI. Priority Areas (See Attached Maps)**

**Priority Area 1.** Projects located in the following areas are eligible for TIG financing of up to 75% of incremental property taxes assessed on the project each year for up to 15 years beginning with the first fiscal year after the project has been issued a certificate of occupancy or substantial

completion. The City shall not provide a tax increment grant or reimbursement to a project owner prior to the date when the project, or phase of such project, is issued a certificate of occupancy or has achieved substantial completion and has timely paid the total property taxes and all other fees due to the City on the project or phase of the project.

- Murchison Choice Neighborhood
- Downtown Fayetteville
- 71st District Redevelopment Area
- Bonnie Doone Redevelopment Area
- Central Campbellton Redevelopment Area
- Deep Creek Redevelopment Area
- Massey Hill Redevelopment Area
- Murchison Road/Bragg Boulevard Redevelopment Area

**Priority Area 2.** Projects located within the city limits (but not in Priority Area 1) are eligible for TIG financing of up to 50% of incremental property taxes assessed on the project each year for up to 15 years beginning with the first fiscal year after the project has been issued a certificate of occupancy or substantial completion. The City shall not provide a tax increment grant or reimbursement to a project owner prior to the date when the project, or phase of such project, is issued a certificate of occupancy or has achieved substantial completion and has actually paid the total property taxes due to the City on the project or phase of the project.

## **VII. Public Hearing**

Prior to entering into a binding TIG Agreement with the developer and/or its affiliated project owner, the City shall conduct a public hearing to consider the proposed TIG Agreement. Public notice of the City's hearing on a proposed TIG Agreement shall specify the parties seeking TIG financing, the nature of the public benefits justifying the funding, the project location, and a place where the proposed TIG Agreement can be obtained. If the TIG Agreement is incorporated into a development agreement, the notice provisions of N.C.G.S. 160D-602 applicable to zoning map amendments shall be followed for the public hearing. See N.C.G.S. 160D-1005.

## **VIII. TIG Agreement**

Developers and their affiliated project owners will enter a TIG Agreement with the City or, where appropriate, a development agreement in accordance with the requirements of N.C.G.S 160D-1001 through 1012. At a minimum, the TIG Agreement shall include the following:

- A description of the property subject to the agreement and the names of its legal and equitable property owners;

- A description of the public benefits to be included in the project which justify TIG financing;
- The duration of the agreement;
- Completion dates and other performance standards related to the project;
- A description where appropriate, of any conditions, terms, restrictions, or other requirements for the protection of public health, safety, or welfare;
- A provision making any payment or other financial commitments of the City contingent upon the developer's fulfillment of its obligations under the performance standards detailed in the Agreement; and
- A description of the monitoring to be conducted by the City to ensure compliance as well as any fees to be charged to the developer for the City's monitoring activities.

Consideration of any proposed major modifications of the TIG Agreement shall follow the same procedures as required for initial approval of the TIG Agreement.

Where appropriate, the TIG Agreement may require other ancillary agreements or documents necessary to carry out the purposes of the TIG Agreement, such as use restrictions for affordable housing where the term of the use restrictions exceed the duration of the TIG Agreement.

**IX. Fees**

The City shall assess reasonable fees to the developer for the negotiation and drafting of the TIG Agreement, as well as for any costs to be incurred by the City in monitoring compliance with provisions of the development agreement.

**X. Tax Increment Grants (Reimbursements)**

Provided the project owner has paid the total amount of real property tax lawfully assessed and due against its project, the City shall reimburse the project owner the agreed upon percentage of incremental property taxes assessed against the project each year for the agreed upon number of years beginning with the first fiscal year after the project has been issued a certificate of occupancy or substantial completion. Assuming the project owner has paid the total taxes due on or before January 1 of each year, and has timely paid other fees due the City, the City shall provide the tax increment grant no later than March 31 of the same year in which the tax payment was made. The City shall make the tax reimbursement out of the general tax levy against the project.

**XI. Program limitations**

The City's commitments to TIG financing throughout the City and in any given year shall not

exceed 2% of the annual property tax levy of any given year (the “TIG Aggregate Cap”). For each new project proposal seeking TIG financing, City staff must assess whether TIG financing for a qualifying project will cause the City’s TIG financing in aggregate to exceed the TIG Aggregate Cap. The City shall review this program limitation annually to determine if an increase or a reduction to the TIG Aggregate Cap is warranted.

## **XII. Reporting**

The City Manager shall report to the City Council regarding the progress of TIG projects twice annually or at such times and frequency as the City Council or City Manager deems appropriate.

# Attachments – Maps

Exhibit 1 – Murchison Choice Neighborhood Redevelopment Area

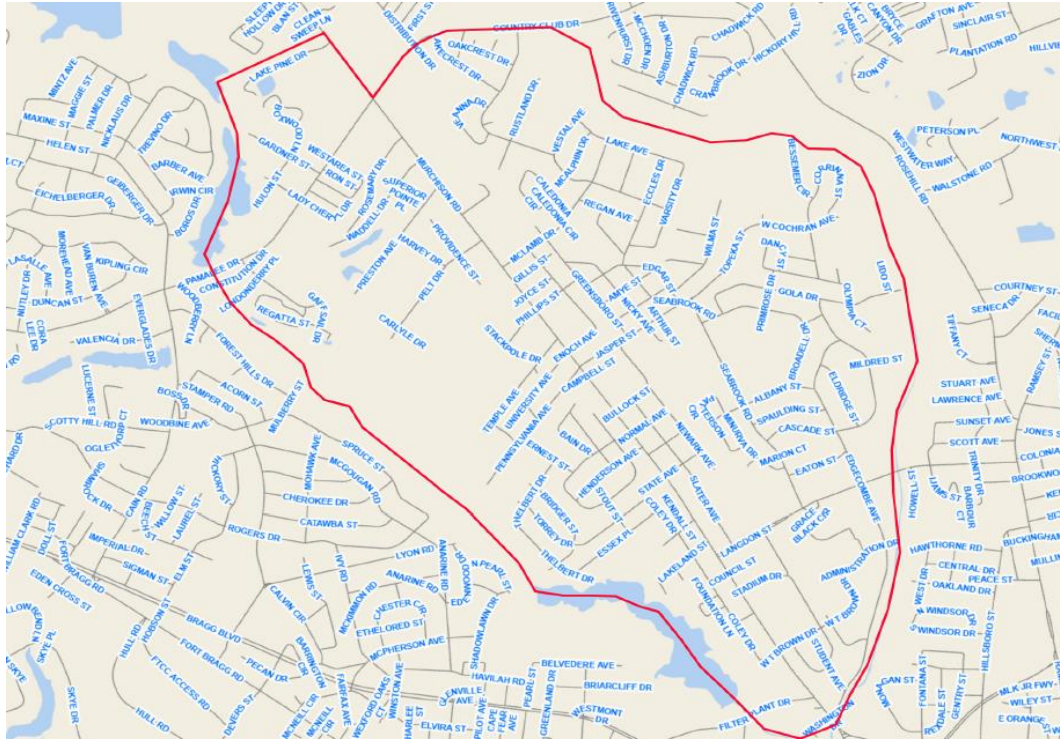


Exhibit 2 – Downtown Fayetteville

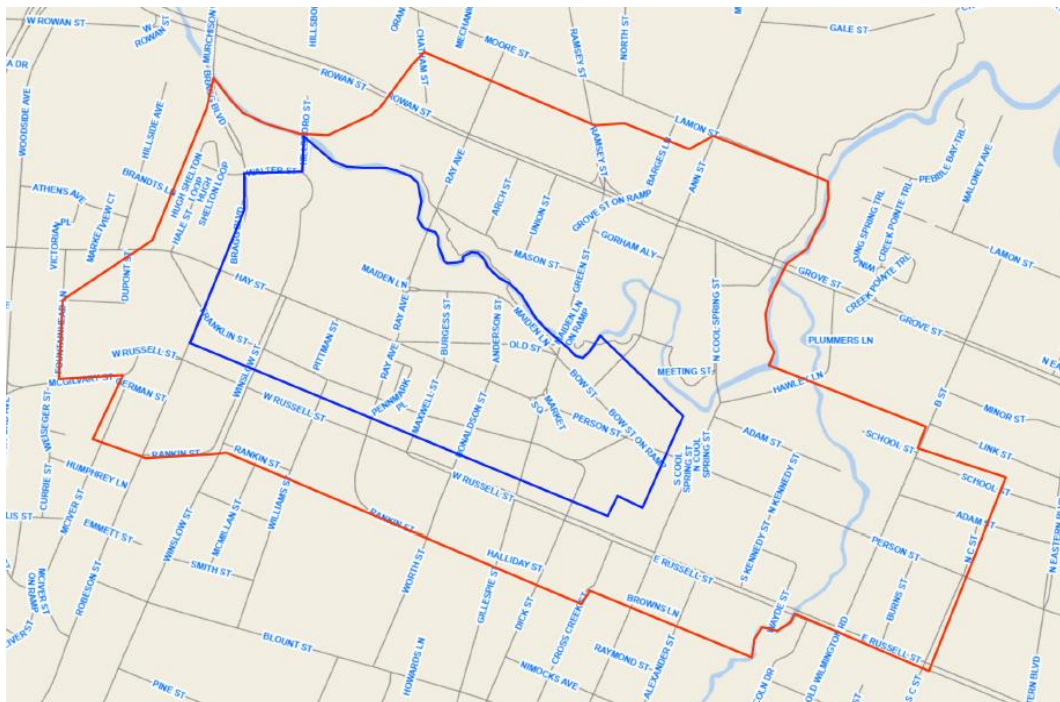






Exhibit 5 – Central Campbellton Redevelopment Area

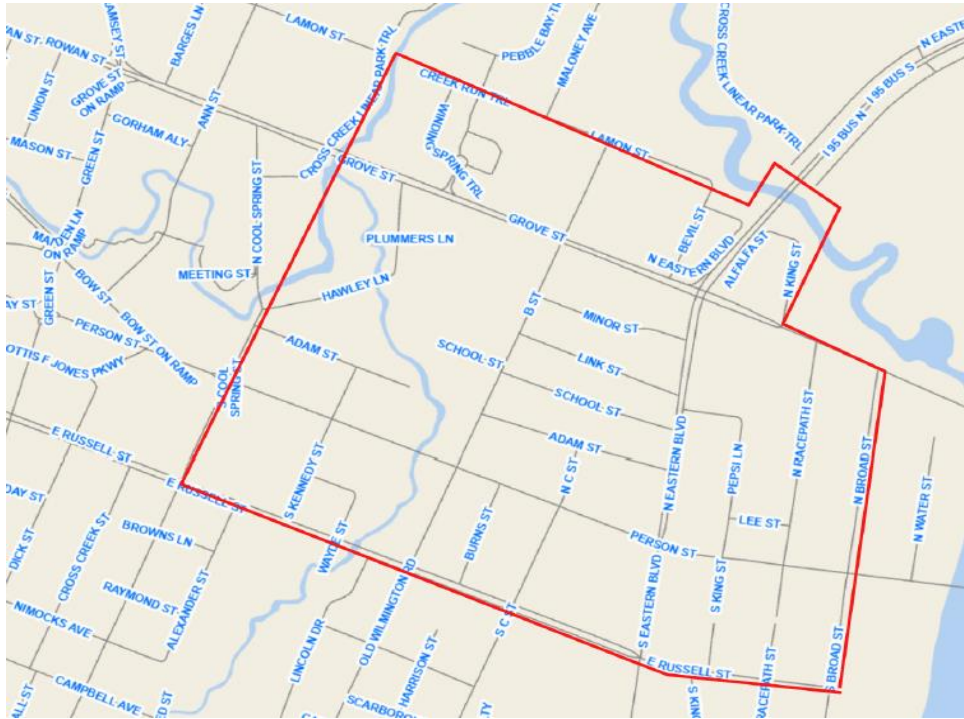


Exhibit 6 – Deep Creek Redevelopment Area

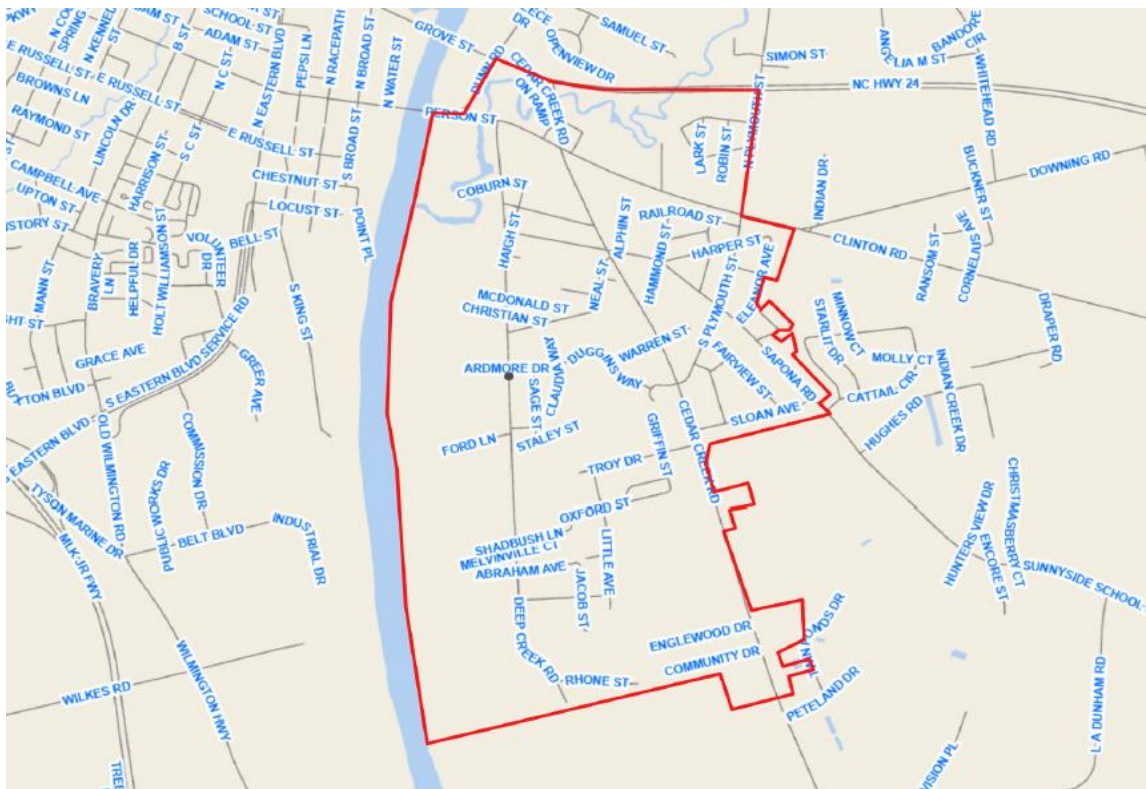


Exhibit 7 – Massey Hill Redevelopment Area

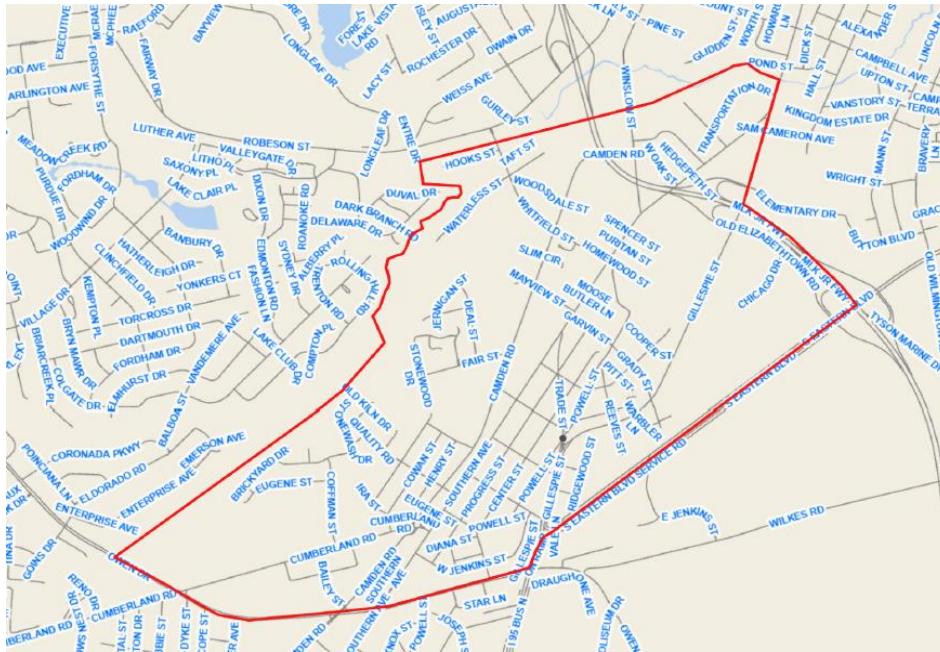
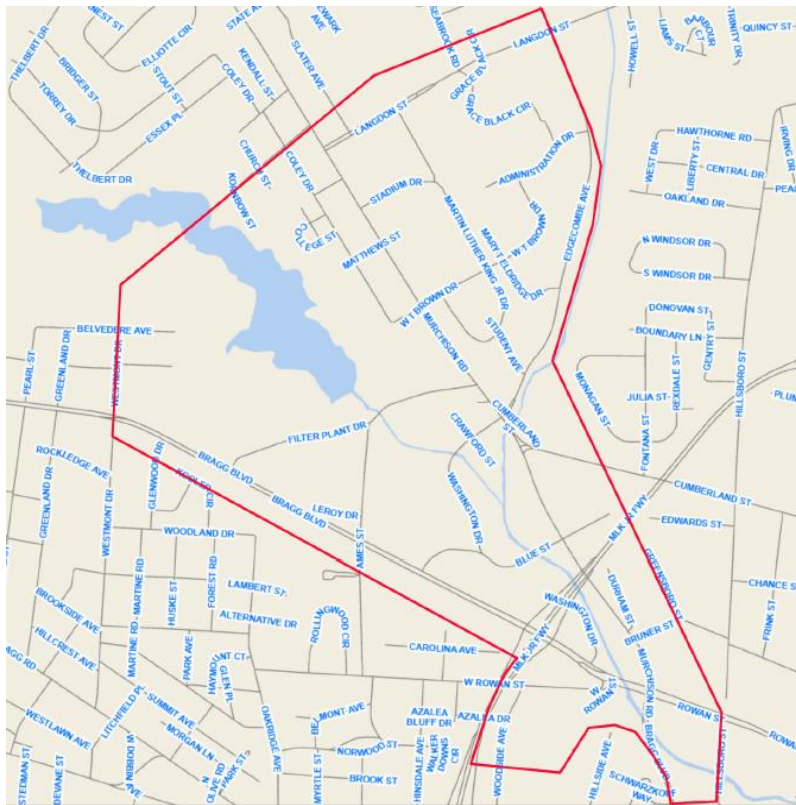


Exhibit 8 – Murchison Road/Bragg Boulevard Redevelopment Area





# Application for Tax Increment Grant Financing

**Economic & Community Development  
City of Fayetteville, North Carolina**

Telephone: (910) 433-1590

Email: [EconCommDev@fayettevillenc.gov](mailto:EconCommDev@fayettevillenc.gov)

Last Updated: October 9, 2023

**CITY OF FAYETTEVILLE**  
**ECONOMIC & COMMUNITY DEVELOPMENT**  
**2023 APPLICATION FOR TAX INCREMENT GRANT FINANCING**

**Project Name:** \_\_\_\_\_

**Please submit one signed original and one copy of this application, together with the application fee of \$0 and any attachments to:**

**For questions, contact:**

City of Fayetteville  
Economic & Community Development Dept.  
433 Hay Street  
Fayetteville, NC 2830  
Attention: Director of Economic & Community  
Development Department

Christopher Cauley, Director  
(910) 433-1590  
ChristopherCauley@FayettevilleNC.gov

**I. General Information and Application Process**

The City invites qualified developers to submit information regarding projects eligible to receive tax increment grant (TIG) financing. The City's TIG Policy enables the City to reimburse certain project owners an agreed upon percentage of incremental property taxes assessed against qualified projects each year for an agreed upon number of years beginning with the first fiscal year after the project has been issued a certificate of occupancy or substantial completion. The purpose of the City's TIG financing is to encourage public and private cooperation as well as to fund the development of public infrastructure or other public goods that increase the value of the overall project and benefit the City.

The City shall determine projects eligible for TIG financing in accordance with the City's TIG Policy. Applications for TIG financing will be considered on a case-by-case basis. Not all projects are eligible to receive TIG financing and not all projects eligible to receive TIG financing will receive such funding. Qualified projects must, at a minimum, include public benefits to the City such as increased employment opportunities, economic diversity, affordable housing, public infrastructure, public facilities, and/or environmental improvements in areas identified by the

City as needing additional public and private investment and development. The City will only consider projects for TIG financing that may not be financially feasible without TIG financing.

After a developer submits the application materials requested below, City staff will review the materials and make an initial determination regarding whether the proposed project satisfies the requirements of the TIG policy. If the project proposal meets the basic requirements, City staff may then schedule a meeting with the developer to discuss specific issues in the project proposal. If City staff then determine that the proposed project includes public benefits that serve the City's needs and contribute value commensurate with the value of the TIG, then staff will make a recommendation to the City Manager about moving forward into the negotiation of a TIG agreement.

For all projects accepted for TIG financing, the City and the developer/project owner will enter a TIG agreement as outlined in the TIG Policy. Prior to entering into a TIG agreement involving TIG financing, the City will conduct a public hearing to afford City residents an opportunity to comment on the proposed agreement.

## **II. Application Requirements**

### **1. Statement of Interest**

The Developer's statement of interest should provide a brief account of how the proposed project will satisfy the three (3) threshold requirements identified in the City's TIG Policy. Specifically, the statement should explain how the project will include public benefits, will increase the tax value of existing property, and will only be able to move forward with the public benefits if the City provides TIG financing.

### **2. General Description of the Project**

This general description of the project should include the location of the proposed development (noting, in particular, whether it is located in one of the development priority areas identified in the TIG policy), any preliminary drawings or plans, and identify the public benefits to be included in the proposed project. Where a proposed development includes affordable housing, the description should include a breakdown of unit types, the percentage of area median income attached to different unit types, and the number of each unit type in the proposed project.

This general description should specifically include:

- an estimate of the increase in tax value that will be caused by the proposed project;
- an estimate of the cost of the public benefits to be included in the project.

### **3. Financial Assistance Being Sought from the City.**

The applicant shall describe the total financial assistance being sought from the City, including the use of a preliminary development budget for the Project. The City may, in its discretion, provide non-TIG financial assistance to qualifying projects in addition to TIG financing.

4. Developer Qualifications

The applicant should provide a list of relevant experiences, a development portfolio, and an ownership chart of the developer. The applicant should note:

- prior experience in completing and managing development projects of similar scope and complexity to the proposed project;
- experience in partnering with the City of Fayetteville or other municipalities on development projects; and
- experience working with the local community to garner support for development projects.

In addition, the applicant should specifically answer the following questions:

- Have you or a project for which you are a Principal been involved within the past ten (10) years in a bankruptcy, adverse fair housing settlement, adverse civil rights settlement, or adverse federal or state government proceeding and settlement? If yes, please explain.
- Have you or a publicly subsidized project for which you are a Principal been in a mortgage default or arrearage of three months or more within the last five (5) years?
- Have you, within the last ten (10) years, been debarred or received a limited denial of participation or other form of censure by any federal or state agency from participating in a development program?

5. Ownership Structure of the Project

The applicant must provide a description of the ownership structure of the proposed project and a corresponding ownership chart, including the name of the participating entities, types of entities, states of formation of entities, and ownership percentages.

6. Financing Structure of the Project

The applicant must provide an overview of how the project will be financed.

7. Preliminary Development Budget

The applicant must provide a preliminary budget, including a sources and uses chart. This budget should support the applicant's estimate of the cost of the public benefits to be included

in the project.

8. Preliminary Development Schedule

The applicant must provide a development schedule, including dates by which the developer expects to secure necessary financing, close on equity and debt financing, and begin and conclude construction. If the proposed project will proceed in phases, please provide a preliminary schedule of those phases.

9. Developer's Readiness to Proceed

The applicant must provide a detailed description of the developer's readiness to proceed as of the date of this application. This description should address the status of site control and any other entitlements necessary to close on the acquisition and commencement of construction.

10. City of Fayetteville Commitments

The applicant should address specific plans for how the construction and management of the proposed project will serve the purposes of the City's Small Local Business Enterprises' initiative and the City's Small Disadvantaged Business Enterprise Program for Construction, Procurement, and Professional Services. Please include a description of steps the applicant has already taken to include local business enterprises in project development.

**III. Fees**

Under the City's TIG Policy, the City may assess reasonable fees, including attorney's fees, for the negotiation and drafting of a TIG agreement pursuant to a successful TIG application, as well as for the City's costs in monitoring compliance with the requirements of the TIG agreement during construction and the operation of the project.