

# **City of Rocky Mount Administrative Policy**

## **Policy: Downtown Rocky Mount Development Incentive Grant**

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<b>Section:</b>	<b>Administrative</b>	<b>Policy No. II.31</b>
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<b>Approved By:</b>	<b>City Council</b>	
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<b>Supersedes:</b>	<b>July 1, 2015</b>	<b>Page: 1 of 12</b>

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### **SECTION 1. Purpose**

In 1980, over 200 of the commercial buildings in central city area of the City of Rocky Mount were placed on the National Register of Historic Places. This was done in recognition of the unique character of the downtown area where most of the buildings were constructed in the early 1900's.

Yet, during the 1980's, the downtown area changed when the three major retail stores (Belk-Tyler, J.C. Penney, and Sears) relocated to Wesleyan Boulevard. This resulted in reduced shopping traffic, increasing vacancies, reduced tax valuation for downtown, and a growing perception of a deteriorating downtown.

The City Council established the Central City Revitalization Panel (CCRP) in 200 for the purpose of initiating plans and programs that would encourage business development downtown and preserve the buildings in the downtown area. Upon the recommendation of the CCRP, the City Council adopted the subject policy, and others, as community development programs of assistance and financing intended to create an incentive for owners to invest in and preserve and restore the existing buildings downtown in order to maintain the unique historic character of the central city and create a vibrant and economically sustainable downtown Rocky Mount.

## **SECTION 2. Roles and Responsibilities**

2.1 The program will be administered by the following City staff members:

- a. The Downtown Development Manager will serve as primary contact for questions, concerns, application intake and program promotion; and
- b. The Downtown Development Manager will review and prepare recommendations for approval by the Community and Business Development Director; and
- c. An Assistant City Manager will review the recommendation and provide formal approval or disapproval of the application
- d. The Downtown Development Manager will facilitate grant compliance with awarded recipients, including review of documentation for projects completed and preparation of reimbursement requests. and
- e. Development Services shall inspect permitted work for satisfactory completion, ensure compliance with Building Code and provide Certificate of Completion or Occupancy; and if applicable ensure compliance with Historic Preservation guidelines.

## **SECTION 3. Grant Incentive**

### Nash County

The grant is available over five years, representing a percentage of the difference of the parcel(s) improved assessed value and previous, unimproved assessed value. The Development Incentive Grant (DIG) amount per year will be a percentage of the taxes paid on the increased assessed value based on the following formula: Year 1: 100%, Year 2: 80%, Year 3: 60%, Year 4: 40% and Year 5: 20%. Where applicable, the percentage increase paid for the Municipal Services District (MSD) of \$.20 per \$100 in property valuation is also included in the DIG. Since the tax rate and/or property valuation may change during the five-year grant period, the base grant amount will be recalculated each year. The percentage of the base grant amount, which steps down from 100% to 20%, is fixed.

For the 2020-21 Fiscal Year, the tax rate established by Nash County is \$0.67 per \$100 property valuation, by the City of Rocky Mount it is \$0.685 per \$100 property valuation, and \$0.20 per \$100 property valuation for the Municipal Service District (MSD,) where applicable.

### Edgecombe County

The grant is available over five years, representing a percentage of the difference of the parcel(s) improved assessed value and previous, unimproved assessed value. The Development Incentive Grant (DIG) amount per year will be a percentage of this formula as follows: Year 1: 100%, Year 2: 80%, Year 3: 60%, Year 4: 40% and Year 5: 20%. Since the tax rate and/or property valuation may change during the five-year grant period, the base grant amount will be recalculated each year. The percentage of the base grant amount, which steps down from 100% to 20%, is fixed.

For the 2020-21 Fiscal Year, the tax rate established by Edgecombe County is \$0.95 per \$100 property valuation and by the City of Rocky Mount is \$0.685 per \$100 property valuation.

### **SECTION 4. Development Incentive Grant (DIG)**

1. Proposed development/rehabilitation plans and a program pre-application are required to be submitted to the City of Rocky Mount Downtown Development Manager. The Downtown Development Manager will circulate the plans and pre-application to other City departments, including the Planning Department and the City Manager's Office, for an initial review. Once the pre-application is conditionally approved, architectural and/or site plans and/or Historic Preservation Commission (HPC) Certificate of Appropriateness (COA) application must be submitted with all costs paid.
2. The appraised tax value of the site(s) or building(s) will be certified by the corresponding County's tax office. This is referred to as the "unimproved assessed value".
3. On or about the date the building permit is issued by the City of Rocky Mount Inspections Division, the DIG application will be formally approved by a letter of acceptance into the program transmitted by the Downtown Development Manager to the City and the respective County tax offices.

4. Construction must be completed and a Certificate of Occupancy (CO) received within 24 months of the date of the building permit/program acceptance letter. Failure to receive the CO by this date will terminate program participation.
5. The appraised tax value of site or building is determined by the respective County's tax office after renovations/construction is completed. This is also referred to as the "improved assessed value".
6. Annually the developer/owner pays the full amount of the newly appraised tax value on the property/development. Payment must be received no later than the tax due date of each year. Failure to pay by the due date will terminate program participation.
7. The corresponding County and the City will make Incentive Grant payments to the property owner for the tax amount paid, minus the original, pre-development tax paid. Development Incentive Grant checks will be issued within ninety (90) days of receipt of the full tax payment by the City and the corresponding County. One check will be made by the City and the other by the corresponding County.
8. In the event that there is a County property revaluation, as usually occurs every eight years, during a property's five year DIG period, the subsequent payments under the grant program will be increased or decreased according to the new tax value. The constant will continue to be the pre-development tax value.
9. On the sixth year, the owner will pay the full amount of the newly appraised tax value of the property without the benefit of the grant.
10. Program parameters will be revisited yearly and are subject to change for new participants in the program.

## **SECTION 5. DIG Program Requirements**

The following requirements apply to the program:

1. The property must be within the DIG Area as defined on the attached map.
2. Any residential, commercial or mixed-use property within the project area is eligible to apply.
3. The applicant must be the property owner and taxpayer for the property.
4. Rehabilitation projects must undergo a substantial rehabilitation, as defined on the bottom of page one, to qualify for the program.
5. The grant is also available for new construction deemed to be in character and consistent with requirements in the City of Rocky Mount Land Development Code (LDC) and with the approval of the HPC if located within the Central City Local Historic District.
6. Any project that has not already received a building permit will be eligible to make application to the City of Rocky Mount to participate in the DIG program once adopted.
7. Structures must meet North Carolina and local building codes as approved by the local building inspector and obtain all required permits from the City of Rocky Mount Inspections Division.
8. To receive the DIG, the property must be current on both City and County taxes from the time that the pre-application is made until all grant funds are paid. If any tax payments are missed or received late (after the due date, when interest begins) for the property, program participation will be terminated.
9. Applications will be administered by the City of Rocky Mount and must be in full compliance with the requirements of the DIG.
10. The project must be completed and receive a Certificate of Occupancy (CO) within 24 months of approval/acceptance into the program. If it is not completed within this timeframe, program participation will be terminated.

11. If the property is sold, in order to receive the remaining years of incentive grants in the program, per the original agreement, the new owner must submit a written request to the Downtown Development Manager requesting the remaining grant payments. The new owner must also include the following with the request: a current list of owners/partners; a copy of the deed of sale and the settlement statement (HUD 1) from the closing.
12. Note: the term of the grant will not restart. The new owner is entitled to grant payments for the balance of years as approved for the property in the original application.
13. The DIG amount will be recalculated yearly and will 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.

## **SECTION 6. DIG Examples**

**Note:** Below tax rates and amounts represent 2020-21 figures. The tax rate, and consequently the yearly tax amount, may change in future years. The constant will be the pre-development tax value. After Year 1, regardless of the change in valuation, the DIG amount will be a percentage (80%, 60%, 40% and 20%) of the current tax payment less the pre-development tax amount.

**Example 1:** Located in Nash County and in the Municipal Services District (MSD), an unrenovated two story building with a \$50,000 tax value:

\$0.670 =\$335.00 annual county tax

\$0.685 =\$342.50 annual city tax

\$0.200 =\$100.00 annual MSD tax

**\$777.50 Total Annual Tax (Before Development)**

Proposed development – Construction/Development – \$350,000 tax value

\$0.670 =\$2,345.00 annual county tax

\$0.685 =\$2,397.50 annual city tax

\$0.200 =\$ 700.00 annual MSD tax

**\$5,442.50 Total Annual Tax (After Development)**

Grant Formula, Example 1

Under above example, owner pays \$5,442.50 annually in City and County Taxes and owner is given a Year One grant of \$4,665.00.

\$5,442.50 new tax amount

- \$777.50 pre-development tax amount

**\$4,665.00 Year One Incentive Grant Amount**

The grant is available over five years, representing a percentage of the difference of the property's improved assessed value and previous, unimproved assessed value. The property tax incentive grant amount would be as follows: Year 1: 100% or \$4,665.00; Year 2: 80% or \$3,732.00; Year 3: 60% or \$2,799.00; Year 4: 40% or \$1,866.00 and Year 5: 20% or \$933.00.

**Example 2:** Located in Edgecombe County, an unrenovated two story building with a \$50,000 tax value:

\$0.950 = \$475.00 annual county tax

\$0.685 = \$342.50 annual city tax

**\$817.50 Total Annual Tax (Before Development)**

Proposed development – Construction/Development – \$350,000 tax value

\$0.950 =\$3,325.00 annual county tax

\$0.685 =\$2,397.50 annual city tax

**\$5,722.50 Total Annual Tax (After Development)**

Grant Formula, Example 2

Under above example, owner pays \$5,722.50 annually in City and County Taxes and owner is given a Year One grant of \$4,945.00

\$5,722.50 new tax amount

-\$ 817.50 pre-development tax amount

**\$4,905.00 Year One Incentive Grant Amount**

The grant would be over five years, representing a percentage of the difference of property's improved assessed value and previous, unimproved assessed value. The property tax incentive grant amount would be as follows: Year 1: 100% or \$4,905.00; Year 2: 80% or \$3,924.00; Year 3: 60% or \$2,943.00; Year 4: 40% or \$1,962.00 and Year 5: 20% or \$981.00.

**Example 3:** Located in Edgecombe County, an empty ½ acre of land with a \$50,000 tax value:

\$0.950 = \$475.00 annual county tax

\$0.685 = \$342.50 annual city tax

**\$817.50 Total Annual Tax (Before Development)**

Proposed development – Construction/Development – \$750,000 tax value

\$0.950 = \$7,125.00 annual county tax

\$0.685 = \$5,137.50 annual city tax

**\$12,262.50 Total Annual Tax (After Development)**

#### Grant Formula, Example 3

Under above example, owner pays \$12,626.50 annually in City and County Taxes and owner is given a Year One grant of \$11,445.00

\$12,262.50 new tax amount

-\$817.50 previous tax amount

**\$11,445.00 Year One Incentive Grant Amount**

The Incentive Grant would be over five years, representing a percentage of the difference of property's improved assessed value and previous, unimproved assessed value. The property tax incentive grant amount would be as follows: Year 1: 100% or \$11,445.00; Year 2: 80% or \$9,156.00; Year 3: 60% or \$6,867.00; Year 4: 40% or \$4,578.00 and Year 5: 20% or \$2,289.00.

#### **SECTION 7. Program Benefits to the City of Rocky Mount and Twin Counties and Facts:**

- Immediate Water/Sewer/Electric/Gas sales
- Reduction in "White Elephant" buildings or blight
- Support for locally owned businesses/citizens
- Support for "Smart Growth" and help with controlling urban sprawl
- Utilizes Infrastructure that is already in place
- Increases property values of neighboring buildings already in use or redeveloped
- Counties and City are currently doing this for industrial development
- Government has always been involved in the development business – The taxpayers fund the following loan and grant programs: USDA, NC Rural Center, NCDOT building roads, County/Cities running water and sewer lines, etc.
- One particular positive about this program is that the owner is getting a grant measured by the tax dollars actually paid by the owner.



## **SECTION 8. Development Incentive Grant Pre-Application**

### **Eligibility Documentation:**

The information listed below is required for the pre-application:

- A current list of owners/partners, officers/directors, and staff'
- Copy of deed
- Project pro forma (and lease, if applicable);
- Sealed building plans for renovation or new construction (To be submitted for comments to the City of Rocky Mount Inspections Division). The standard fees will be due on formal acceptance into the program.

**Please Note: Incomplete applications will be rejected. Do not mail original documents.**

### **Submissions are to be made to:**

City of Rocky Mount

Downtown Development

331 S. Franklin Street

Rocky mount NC 27804

Tel (252) 972-1641

### **Applicant and Property Information**

Applicant: \_\_\_\_\_

Property Address: \_\_\_\_\_

Mailing Address:

\_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

**Property Information**

Address of property where improvements will be made:

\_\_\_\_\_

Current use of building: \_\_\_\_\_

\_\_\_\_\_

Amount of street frontage: \_\_\_\_\_ Building length: \_\_\_\_\_

Number of Floors: \_\_\_\_\_

Number of floors to be occupied after development: \_\_\_\_\_

Does the building have any outstanding building code violations: \_\_\_\_\_

What is the tax valuation of the property: \$ \_\_\_\_\_

Most recent appraised value and date: \$ \_\_\_\_\_

Describe the planned renovations as specifically as possible. *(Attach additional sheets as necessary)*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I understand that it is unlawful to willfully withhold information or make false statements and that I will be subject to prosecution if I do so. I certify the information I have provided is true and correct according to the best of my knowledge and belief.

I/we agree to allow the City of Rocky Mount to use illustrations, photographs, and/or other images of this project for reports, publications and advertisements both print and electronic.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

# DEVELOPMENT INCENTIVE GRANT (DIG)

