

# County Financing for Subdivision Roadway Improvements

Growth, Land Use & Environment Committee  
April 9, 2018



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# How We Got Here...

- Developers fail to build roads to NCDOT standards and the state will not accept them
- General Assembly eliminated County's ability to require a bond to ensure completion of roads
- Communities began seeking relief from the County
- County developed a policy to help provide guidelines for communities, approved by board in April 2015

# Orphan Roads in Wake County

- Approximately 150 to 195 miles as this number fluctuates (per NCDOT database)
- The estimated cost to bring a road up to DOT standards can range from \$250K to \$500K per mile
- The range to repair all orphan roads in Wake County is estimated between \$36M and \$85M

# Options for Property Owners

1. The community can fund the repairs themselves by hiring a contractor and working with DOT
2. Turn the roads into legal private roads
  - Maintenance agreement
  - Resurvey and re-record the roads as private
  - Establish a maintenance fund
3. County financing

# Current Process For Owners

- Licensed engineer prepares cost estimate to repair the roads to NCDOT standards (funded by the community)
- County approves petition language for owners of the properties that will have access to the roads and be assessed for the repairs
- If 75% or more of owners vote in favor, communities approach the County for financial assistance
- No funds are currently available for any road projects that are presented to the County

# Issues with the Owners' Process

- County staff does not provide Petitioners with a recommended assessment period to be considered in the petition other than what state law allows
- Property Owners presume the assessment period will be 10 years and vote assuming a 1/10 annual payment
- If County staff were to recommend to the Board a shorter assessment period and the Board approves, property owners must pay the higher assessment
- Had the property owners known the annual payment was not based on a 10-year period, would their vote have changed?

# Current Petition Language

*“1. Estimated Cost: The total project cost is estimated at \$707,000 (\$16,442 estimate per lot; 43 lots; plus interest if financed) and is not a guaranteed maximum price.*

*2. Assessment Period: up to 10 years; to be determined by Board of Commissioners upon their final approval of this project. The finance rate will be (Prime -1%) fixed.”*

# Two Step Process for BOC to Consider Financing Project(s)

1. Public hearing to consider Preliminary Assessment Resolution (recommendation by staff) and appropriate funds
  - If approved, County facilitates design, construction and acceptance of roads by NCDOT
2. Public hearing to consider the Final Assessment Resolution after project is complete and roads accepted by NCDOT
  - Property assessed following this action



# Issues with County Process

- Petitioners expect a project that receives a 75% yes vote to move forward since County “approved” petition language
- A 10-year assessment period for every project limits the ability to create a sufficient revolving fund to support future projects
- As the County takes on responsibility for these orphan roads, little incentive exists to push legislation for restoring the County’s ability to require maintenance bonds from developers

# Process Changes to Consider with Respect to Assessment Period

- Provide owners with a recommended assessment period **PRIOR** to the petition
- Petition language would include a recommended assessment period and the approximate annual assessment amount
- Assessment period would be set such that the annual installment would be approximately equal to the average annual property tax in the community, not to exceed 10 years

# What would the recommended assessment period have been for Banks Pointe under the new approach?

Average Property Tax Value: \$3,641 Low: \$2,698 High: \$5,536	Term / Yrs.	Annual Installment	Total Paid		Interest Rate	Annual Installment	Total Paid (with Interest)
	2	\$4,852.10	\$9,704.20		3.5%	\$5,108.30	\$10,216.59
	3	\$3,234.73	\$9,704.20		3.5%	\$3,463.76	\$10,391.28
	10	\$970.42	\$9,704.20		3.5%	\$1,165.85	\$11,668.48

Assessment period would have been 3 years versus 10, residents would pay \$2,300 more per year **AND** County would have \$800,000 at the end of year 3 available to fund future projects

# Subdivision Analysis of Current Petitioners

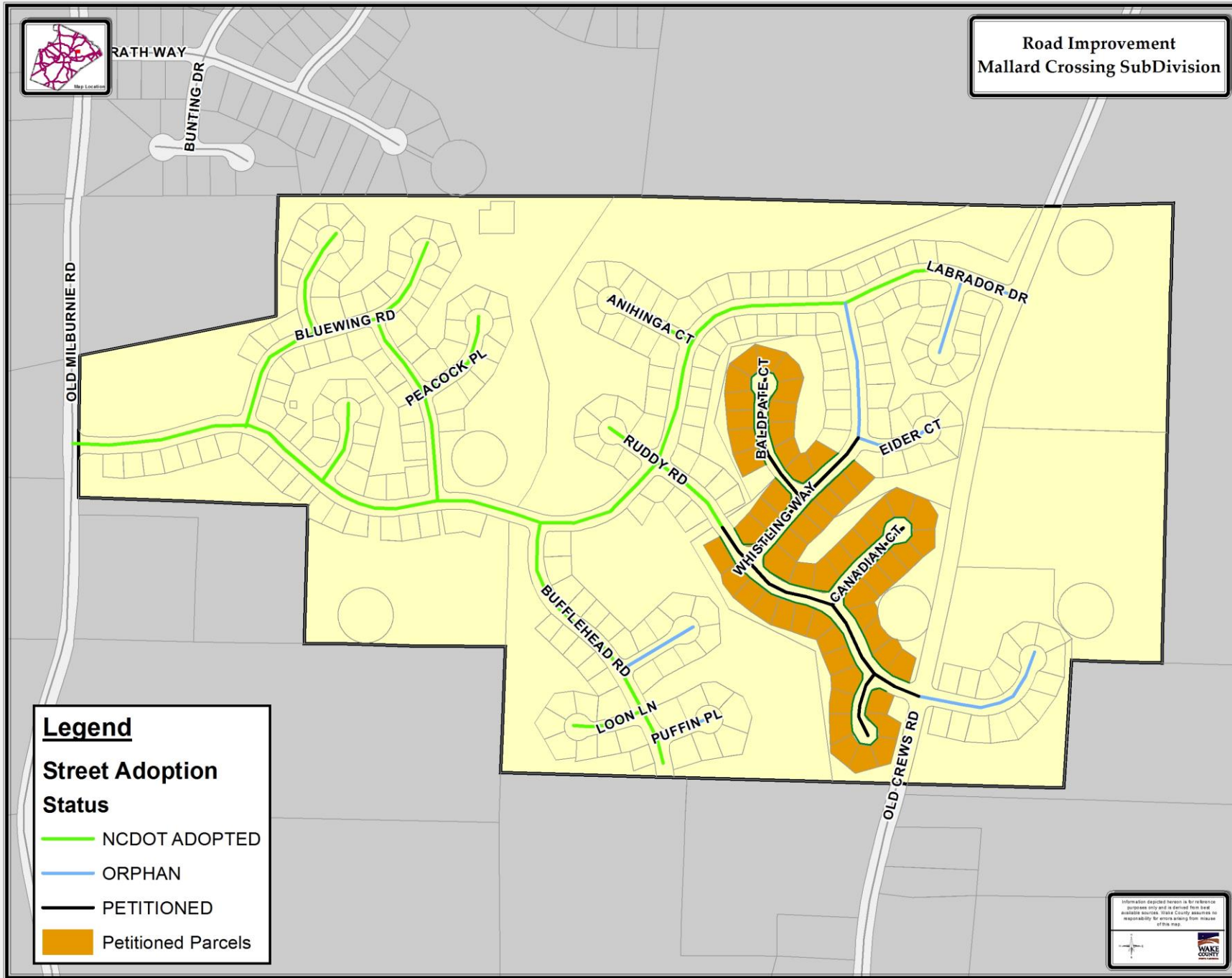
	Mallard Crossing	Rose Hall
Project Estimate	\$420,000	\$707,000
Number of Lots	58	43
Approx. Cost per Lot	\$7,241	\$16,442
Avg. Property Value	\$138,494	\$954,632
Avg. Tax Value	\$1,005	\$6,842
Year Built	1995-1997	2007-2017

A map of Wake County, North Carolina, is shown in a dark blue color. A specific subdivision within the county is highlighted in a lighter shade of blue. The title 'Mallard Crossing Subdivision' is centered over this highlighted area.

# Mallard Crossing Subdivision

# Summary

- The Community has met the 75% petition requirement per NCGS
- Total cost estimate is \$420,000 (not an engineer's estimate)
- Approx. cost per lot = \$7,241 (58 lots)
- State law allows the Board to consider financing up to 10 year term
- Staff conducted a community meeting
- No funding currently identified

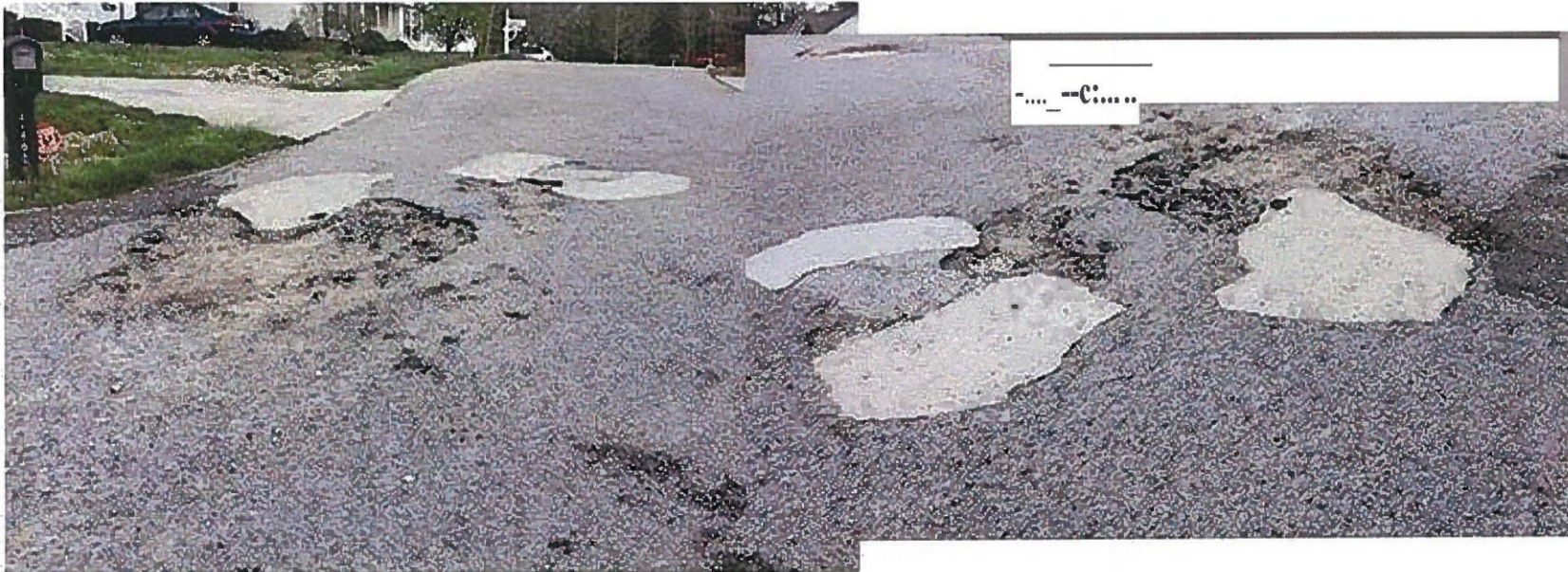




# Mallard Crossing Subdivision



Canadian Ct-Mallard Crossing Subd<sup>n</sup>1v1son





# Mallard Crossing Scenarios

Average Property Tax Value: \$1,005 Low: \$905 High: \$1,282	Term / Yrs.	Annual Installment	Total Paid		Interest Rate	Annual Installment	Total Paid (with Interest)
	8	\$905.12	\$7,241		3.5%	\$1,053.40	\$8,427.20
	9	\$804.55	\$7,241		3.5%	\$951.80	\$8,566.20
	10	\$724.10	\$7,241		3.5%	\$870.67	\$8,706.70

- Recommended assessment period is 8 years
- Residents would pay \$82 more annually than the 10 year assessment period amount of \$871



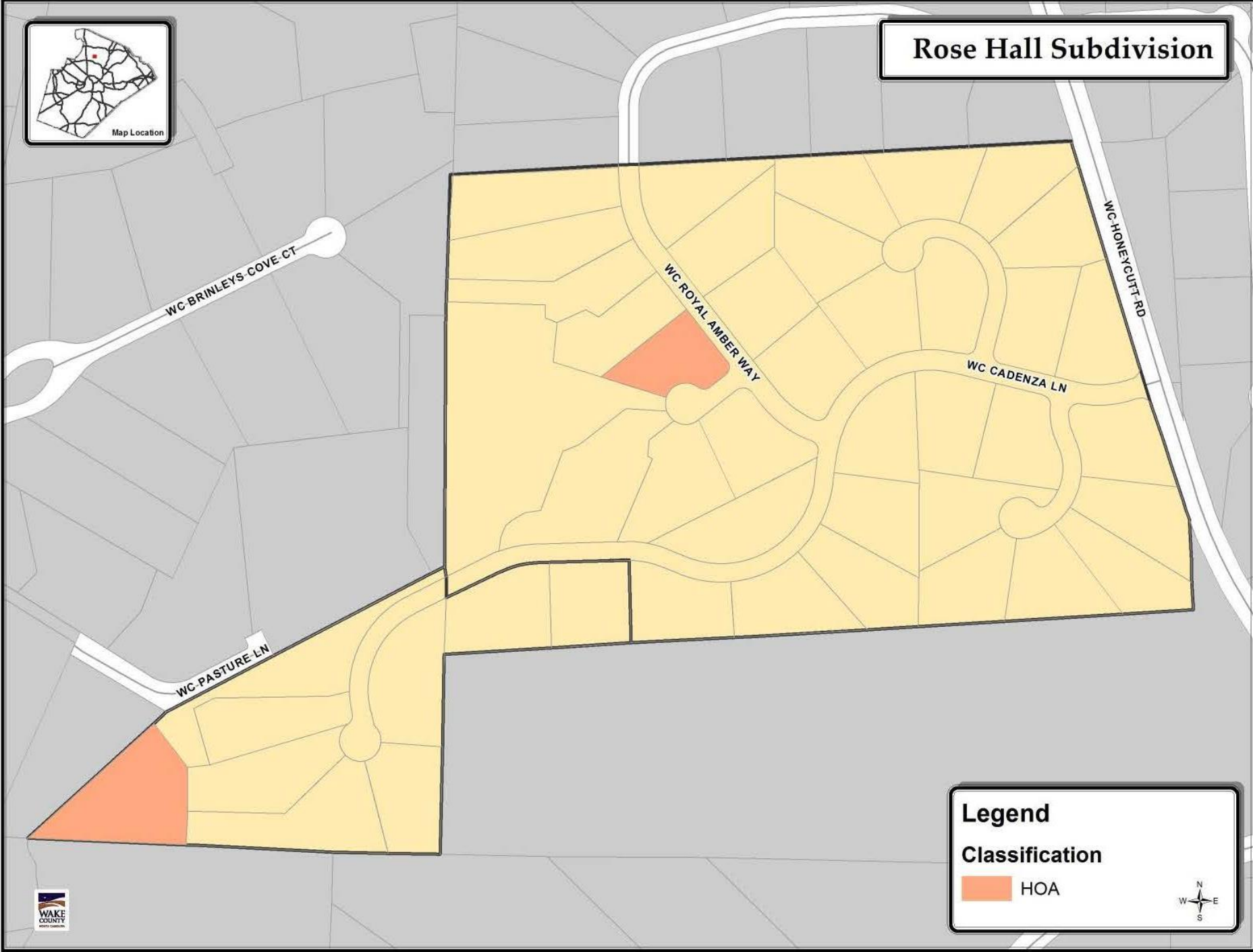
# Rose Hall Subdivision

# Summary

- The Community has met the 75% petition requirement per NCGS
- Total cost estimate is \$707,000 (prepared by an engineer)
- Approx. cost per lot = \$16,442 (43 lots)
- State law allows the Board to consider financing up to 10 year term
- Staff conducted a community meeting
- No funding currently identified



# Rose Hall Subdivision



**Legend**

**Classification**

HOA





# Rose Hall Subdivision



# Rose Hall Scenarios

Average Property Tax Value: <b>\$6,842</b> Low: <b>\$5,629</b> High: <b>\$8,609</b>	Term / Yrs.	Annual Installment	Total Paid		Interest Rate	Annual Installment	Total Paid (with Interest)
	2	\$8,221.00	\$16,442		3.5%	\$8,655.08	\$17,310.15
	3	\$5,480.67	\$16,442		3.5%	\$5,868.71	\$17,606.13
	4	\$4,110.50	\$16,442		3.5%	\$4,476.35	\$17,905.40
	10	\$1,644.20	\$16,442		3.5%	\$1,977.01	\$19,770.10

- Recommended assessment period is 3 years
- Residents would pay \$3,892 more annually than the 10 year assessment period amount of \$1,977

# Considerations for Mallard Crossing and Rose Hall

## Option A

Share with communities recommended assessment period and amounts

1. Allow the community to do a new petition with new terms to determine if 75% threshold is met

**OR**

2. Move forward under existing petition and when / if funding is identified, establish assessments based on recommended periods

## Option B

Move forward under current petitions and when/if funding is identified, establish assessments at the 10-year limit

# For Future Requests, use Recommended Process Change

- Provide owners with a recommended assessment period **PRIOR** to the petition
- Petition language would include a recommended assessment period and the approximate annual assessment amount
- Assessment period would be set such that the annual installment would be approximately equal to the average annual property tax in the community, not to exceed 10 years





# Discussion / Questions

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