Raleigh

MEMO

TO: Mayor and Members of City Council

FROM: Ruffin L. Hall, City Manager

DATE: October 29, 2020

SUBJECT: Downtown South Project Update and Public-Private Partnership Proposal/Timeline

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Introduction

At the October 20, 2020 City Council meeting, Bonner Gaylord, Managing Director of Kane Realty Corporation, presented to Council during public comments and asked Council to consider a public-private partnership with the City and Kane Realty for Kane's Downtown South project. Specifically, Mr. Gaylord requested a Tax Increment Grant (TIG) from the City to assist with the cost of community benefits associated with the project like transportation infrastructure, affordable housing, a sporting venue and green stormwater infrastructure. City staff has met several times with the Kane Realty team over the past year to discuss the project, TIG and partnership opportunities.

At the Council meeting, Mayor Baldwin requested staff bring back to the meeting on November 4th, a response and overview to the request from Mr. Gaylord, to include an update on the project and rezoning timeline, strategy for a public-private partnership for a TIG, a timeline for Council to evaluate the proposal and a community engagement approach including the appointment of a community engagement committee for the project.

This memorandum and attachments respond to the Mayor's request. Additionally, Council Member Cox requested information on Opportunity Zones and their impact on low income and people of color. Since the Downtown South project is located in an Opportunity Zone, the Mayor asked for staff to address this topic, which is included in the memorandum. This memorandum focuses primarily on an overview of the Downtown South project, rezoning request, status and timing, TIG policy and mechanics and Opportunity Zones. Several attachments are also provided to give Council additional information. The attachments include:

Attachment 1- Memo from the City Attorney's Office to clarify and provide definitions on several economic development tools that were mentioned at the City Council meeting.

Attachment 2- Memo from Pat Young, Planning and Development Director, that summarizes types of engagement the City has used on various plans and projects and issues for Council to consider with public engagement and development of a project community engagement committee.

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Attachment 3- A Proposed Next Steps Timeline for Downtown South for Council to consider and approve a TIG policy, TIG agreement and a community engagement committee, if desired.

Attachment 4- The TIG policy guidelines from the City of Charlotte for Council's information.

Attachment 5- Draft Memorandum of Understanding (MOU) from Kane Realty and shared with City.

This MOU has not been agreed to in any way by the City.

Downtown South Project

The development concept for Downtown South was announced by the Kane Realty team in June 2019. The project is located south of Raleigh's Downtown comprising more than 145 acres of property located within three of the four quadrants created by the South Saunders Street and Interstate – 40 interchange. The Kane Realty team has publicly described Downtown South as a mixed-use, high intensity urban development project, including a sports stadium, with a multi-phased construction timeline of 15 to 20 years. The project is anticipated to entail an estimated $2 billion of private investment. Since their public release of the development concept, staff and City Council have been in consistent contact with Kane Realty, including a site visit in February during the annual City Council Retreat. In March 2020, a rezoning petition was filed with the city to align the zoning map with regulatory needs to facilitate the broad vision of Downtown South. Since that time, city staff from several departments have met with the Kane team to discuss the project and opportunities for partnerships.

Rezoning

When a rezoning petition is filed with the city, a standardized process is administered by Planning and Development staff. This process includes public meetings with nearby residents and review of the rezoning request by the Planning Commission. Table 1 details events and milestones associated with the rezoning process to date and upcoming events. Staff conducts a review based on the adopted policies contained in the 2030 Comprehensive Plan and presents a report to the Planning Commission, who is tasked with making a recommendation to the City Council for approval or denial. Ultimately, City Council will decide whether to approve or deny a change to the zoning map.

The rezoning request associated with the Downtown South project is catalogued as rezoning Z-13-20 Downtown South. A full staff report is available online. The request is to rezone approximately 145 acres in accordance with the following:

Current Zoning: R-6, NX-3-PL, IX-3 w SHOD-2, IX-3-PL w/ SHOD-2, IX-4-PL w/ SHOD-1, and IH w/ SHOD-2

Requested Zoning: CX-40-CU w/ SHOD-2, CX-40-UL-CU w/ SHOD-2, and CX-20-UL-CU

Staff has analyzed existing and requested entitlement to estimate order of magnitude development potential:

	EXISTING ZONING	PROPOSED ZONING
Zoning	R-6 NX-3-PL IX-3 w/ SHOD-2 IX-3-PL w/ SHOD-2 IX-4-PL w/ SHOD-1 IH w/ SHOD-2	CX-40-CU w/ SHOD-2 CX-40-UL-CU w/ SHOD-2 CX-20-U-CU
Total Acreage	145.2	145.2
Residential Density:	17 units per acre on average	225 units per acre on average
Max. # of Residential Units	2,402	32,784
Max. Gross Building SF	9,526,817	38,569,422
Max. Gross Office SF	2,798,130	24,263,275
Max. Gross Retail SF	1,420,469	1,915,366
Max. Gross Industrial SF	9,502,585	-
Potential F.A.R	1.51	6.10

The greatest anticipated impact of the rezoning request is the additional demand on existing transportation infrastructure and increased demand on parks and recreation infrastructure. There are no structural downstream impacts anticipated to Walnut Creek.

A rezoning applicant may voluntarily offer conditions that result in more stringent regulation than the requirements of the base zoning district within the Unified Development Ordinance. Conditions that require cooperation among multiple parties are difficult for the city to enforce and challenging for applicants to accomplish, therefore some of the developer obligations that may be established under a Tax Increment Grant are impractical to achieve via the rezoning process. For Downtown South, the applicant has offered the following conditions:

1. The following uses are prohibited: cemetery, adult establishment, detention center, jail, prison and vehicle repair (major). Vehicle gasoline sales shall be prohibited on the subject site.
2. For that portion of the subject site located on the block bounded by South Saunders Street on the west, Penmarc Drive on the south, Greene Street on the east, and Gilbert Avenue on the north, the following use restrictions shall apply: (i) retail uses shall not be the sole

principal use within any building except during any period of time in which non-retail space within such building shall be vacant, (ii) total retail area within a single building shall not exceed the greater of (a) 25% of the gross floor area of the building; and (b) 4,000 square feet, and (iii) drive-thru and drive-in facilities shall be prohibited as part of any single-story building.

3. Maximum building heights and step backs on the subject properties shall be in accordance with a map exhibit.
4. No certificate of occupancy shall be issued for any structure that would result in occupancy of more than 999 new dwelling units on the subject site after the effective date of these conditions, except where the following amenities have been provided for on one or more approved site plans for any portion of the subject site:
    a. Two access points from the subject property to the public greenway system located on or adjacent to the subject property.
    b. Two public art installations within or visible from any portion of the public greenway system or the access points thereto.
    c. One or more outdoor areas (the "Initial Outdoor Area") with a minimum aggregate area of 1.5 acres and including no fewer than three of the following facilities and improvements: dog park, playground, play field, play court, public art, seating area, walking trail, community garden, entertainment venue, and pedestrian promenade. This outdoor area or areas shall be open to the public during daylight hours.
5. No certificate of occupancy shall be issued for any structure that would result in occupancy of more than 1699 new dwelling units on the subject site after the effective date of these conditions, except where one or more outdoor areas in excess of the Initial Outdoor Area (the "Additional Outdoor Area") shall have been provided for on one or more approved site plans for any portion of the subject site. Such outdoor area shall have a minimum aggregate area of one acre and include no fewer than three of the following facilities and improvements: dog park, playground, play field, play court, public art, seating area, walking trail, community garden, entertainment venue, and pedestrian promenade. This outdoor area or areas shall be open to the public during daylight hours. Nothing in these conditions shall prevent either the Initial Outdoor Area nor the Additional Outdoor Area (the "Outdoor Areas") from comprising all or a portion of any required outdoor amenity area to the extent such Outdoor Areas otherwise meet the requirements applicable to outdoor amenity areas and are so designated on any development plan.

Table 1 Timeline of Rezoning related milestones

Date	Event	Notes
December 20, 2019	Pre-application Conference	
February 19, 2020	1st Neighborhood Meeting	58 attendees
March 13, 2020	Rezoning Petition Filed	Staff review commenced
August 19, 2020	Zoning Conditions Revised	Conditions 3-5 added

September 8, 2020	Rezoning Petition Amended	Properties added
September 21, 2020	Staff Review Concluded	Concurrent with TIA review
October 5, 2020	2nd Neighborhood Meeting	76 attendees
October 12, 2020	Zoning Conditions Revised	Conditions 6-8 added
October 13, 2020	Planning Commission 1st Review	Committee of the Whole scheduled; no discussion
October 22, 2020	Planning Commission Committee of the Whole 1st Review	No discussion
October 23, 2020	Special Meeting of Planning Commission Committee of the Whole 2nd Review	Staff presentation, applicant presentation, 7 attendees made public comment
October 29, 2020	Special Meeting of Planning Commission Committee of the Whole 3rd Review	

In addition to the events detailed in Table 1, the Planning Commission has agreed to schedule another special meeting to discuss Downtown South. For the additional meeting, similar to the October 23 and October 29 special meetings, the only item on the agenda will Z-13-20 Downtown South.

The applicant has requested early action by the Planning Commission (ie: at their November 10th regular meeting), but the Planning Commission deadline for action is January 11, 2021. The Planning Commission could also schedule additional special call meetings to consider this case if they believe it is warranted, before January 11, 2021.

To meet this deadline, both regular November meetings and the regular December meeting of the Planning Commission are also available for discussion of Z-13-20 Downtown South.

Tax Increment Grant

Tax Increment Grant (TIG) is a public-private partnership tool used to advance economic growth and land use planning goals to fund public infrastructure projects. A private developer assumes all up-front development costs and is reimbursed via a cash grant to cover certain costs that are usually related to infrastructure. The costs of the project associated with the grant must demonstrate its benefit to the general public. The amount of the grant is based on the amount of incremental property tax revenue generated by the project and typically includes limits and time frames. A copy of Charlotte's Tax Increment Grant policy guidelines is attached as a reference. (Attachment 4)

The calculation for a TIG is rather straight forward. First a TIG establishes the incremental tax value of the project, which is the difference in the assessed tax value at the start of the project and the assessed tax value at the end of the project. By applying the tax rate, the incremental property tax revenue for the City is then calculated using the incremental tax value established in the first step. Finally, the financial aspects (referenced later in the section) are applied to the incremental property tax calculation and an annual amount and term of the grant is established. An illustrative TIG Methodology is provided within this section of the memorandum.

TIG is different than a Tax Increment Financing (TIF) tool because Projects utilizing the tax increment revenue model are traditionally on blighted properties, which for the infusion of cash the development would not take place.

With a TIG, the City does not issue or take on the debt associated with the project.

In contrast, with a TIF the City borrows the money to pay for the public improvements of the development project and pledges incremental tax revenues to repay the debt. There are requirements for a financing plan which includes the establishment of a defined district, public input, county approval and approval by the LGC.

The City of Raleigh currently does not have a policy to guide the development of a TIG agreement. If Council wishes to proceed with a TIG policy and grant, City staff would need to involve Wake County to determine their interest. There are many elements to a TIG including policy guidelines presented below:

- **City Policy Goals and Priorities (which may include):**
  - Priority areas for economic development in Raleigh
  - MWBE goals and measures shall be advanced and adhered to during procurement process
  - Affordable Housing required component specifying:
    - number of affordable units, certification of tenants, affordability control period *(number of decades or no sunset)*
  - Workforce Development required component specifying
    - number and types of jobs (salary levels), growth over time thresholds and benchmarks, local recruitment levels
- **Financial:**
  - Reimbursement basis only, all property taxes are paid by private sector first
  - Establish a maximum % of incremental taxes to set the reimbursement amount
    - This may be applied based on priority areas and may differ across the City depending on priority of development goals across the City
  - Establish a maximum length of time for the grant
    - This maximum is establishing the length of a time a grant is awarded
  - Establish a maximum City-wide capacity level for all TIG funded projects
    - This element will help balance the amount of grant approved projects as compared to the City's total property tax revenue over time
- **Operational:**
  - A "But For" test will be applied
    - The development, as proposed, would not happen solely through private investment in the "reasonably foreseeable future."
    - The proposed project will yield a net increase in assessed value for the site compared to the likely proposed project that would occur without TIG

- City's financial support allows reservation of the right to influence type and form of project in partnership with private developer
- Private sector guarantees are pledged in the form of a contract with strict outcome thresholds and defined consequences for underperformance.

- **Grant:**
  - Infrastructure Investment -The building or financing of new public infrastructure such as roads, streetscapes and parking decks as well as utilities (water, sewer and stormwater) that induces development that would not otherwise occur.

City of Raleigh- TIG Methodology
Below is a general illustration of how a TIG is calculated:

Step 1: Establish the incremental tax value of the project

	After Completion		Current		Incremental Tax Value
Parcel(s) Tax Value	A	-	B	=	C

Step 2: Establish the incremental project tax generated from the project

Incremental Tax Value		Property Tax Rate		Incremental Property Tax Generated
C	x	D	=	E

Step 3: Apply the financial policy elements

Incremental Property Tax Generated		% of incremental taxes for the grant		Annual Value of the TIG		Term length of the grant		Total Value of the TIG
E	x	F	=	G	x	H	=	I

Definitions for Chart Above:

- Total Incremental Taxes: the difference between the tax value of the parcel(s) today and the tax value of the parcel(s) after project completion.
- Assessed Tax Value: the value of the subject parcels / property(s).
- Incremental Tax Value: the marginal property value created as a result of project.
- Property Tax Rate: the City property tax rate that the City Council establishes annually.

Below is a chart that provides tax increment values for the City and County based on incremental assessed value. For example, at the current tax rate for both the City and County, $500 million incremental assessed value from a development project would yield a total annual incremental tax of about $4.78 million. With an approved TIG agreement, a percentage of this annual total incremental tax would be granted to the developer for agreed to improvements over a defined term. So, for illustration purposes, a $500 million investment by the developer that would add $500 million in incremental assessed tax value, with a TIG term of 10 years and a grant dedication of 50% would generate a total of about $23.9 million in public investment value/grant award (50% of the total City/County incremental tax of $47.8 million for the 10 year term.)

General Illustration - Total Incremental Tax (at current tax rates):

Incremental Assessed Value	Total Incremental Tax		
	City	County	Total
$ 1,000,000	$ 3,552	$ 6,000	$ 9,552
$ 5,000,000	$ 17,760	$ 30,000	$ 47,760
$ 10,000,000	$ 35,520	$ 60,000	$ 95,520
$ 20,000,000	$ 71,040	$ 120,000	$ 191,040
$ 50,000,000	$ 177,600	$ 300,000	$ 477,600
$ 250,000,000	$ 888,000	$ 1,500,000	$ 2,388,000
$ 500,000,000	$ 1,776,000	$ 3,000,000	$ 4,776,000
$ 750,000,000	$ 2,664,000	$ 4,500,000	$ 7,164,000
$ 1,000,000,000	$ 3,552,000	$ 6,000,000	$ 9,552,000

FY21 Tax Rate – City of Raleigh 35.52 per $100 of assessed value and Wake County 60.00 per $100 of assessed value.

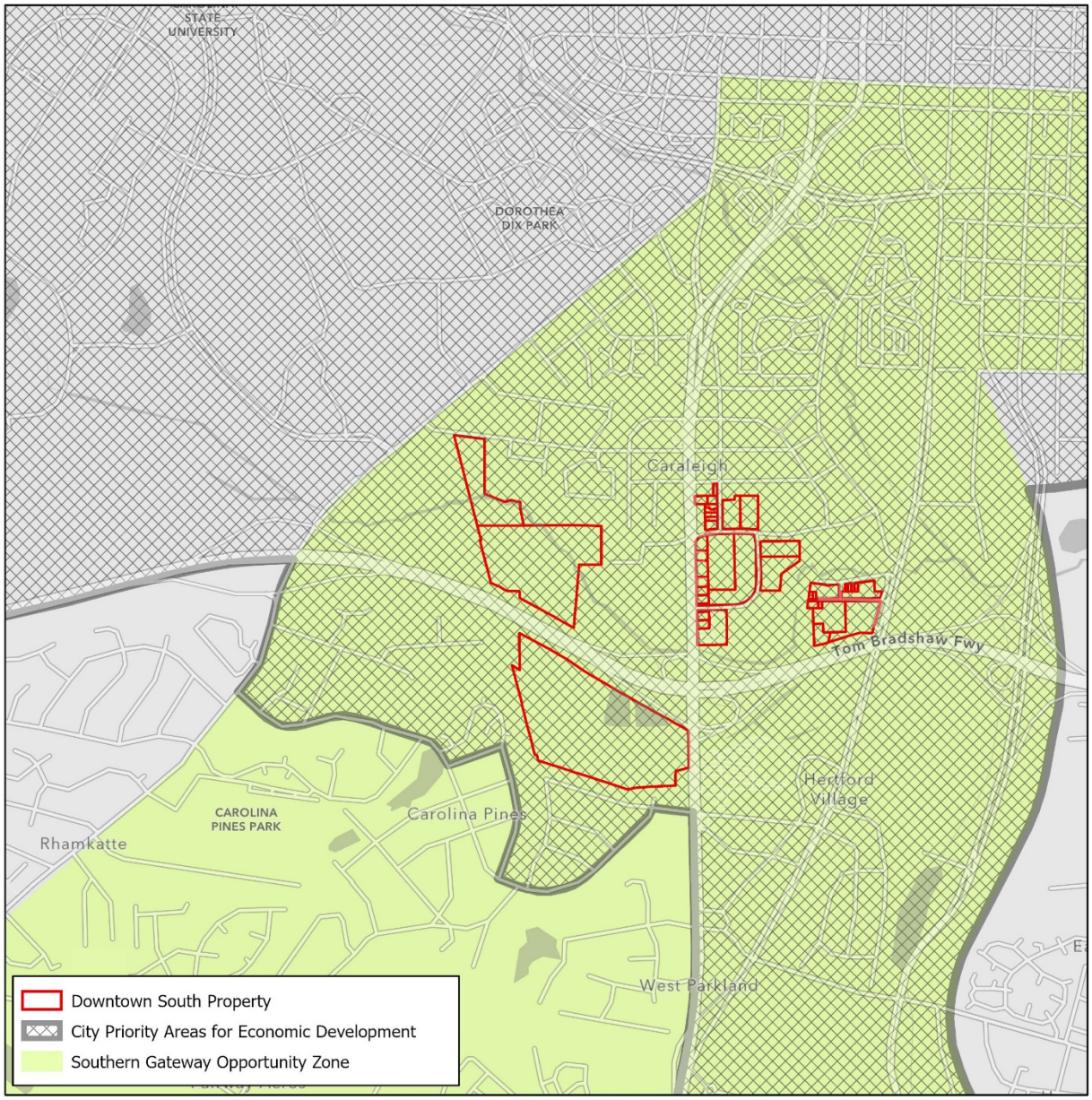
Please note any TIG-based economic incentive paid out from the grant represents a reduction in overall revenue to the City's General Fund, unless the additional developer investment would not have occurred without the grant. The City's General Fund supports general city services such as Police, Fire, Transportation, Housing, etc.

Opportunity Zones

Opportunity Zones were established through a federal program passed by Congress in the Tax Cuts and Jobs Act of 2017 and signed into law on December 22, 2017. An Opportunity Zone is an economically distressed community where private investments, under certain conditions, may be eligible for capital gain tax incentives. This is a federal program, so the City has no authority to change requirements or program incentives.

The federal law allowed each state to designate up to 25 percent of its total low-income census tracts as zone candidates. Currently, there are 8,760 designated qualified Opportunity Zones located across all 50 States, the District of Columbia, and five United States territories. North Carolina has just over 1,000 eligible census tracts with 252 Opportunity Zones certified by the US Treasury on May 18, 2018, including 10 zones within the City of Raleigh. The entire proposed Downtown South project is located

inside of an Opportunity Zone (see attached map below). Therefore, the project investors (many times the developer/property owner) are eligible for deferment of capital gains on their investment.



In addition to following federal guidelines for designating Opportunity Zones, the City considered factors beyond household income to determine which eligible areas were most likely to successfully receive new investment facilitated by being an Opportunity Zone, in terms of both the potential community benefits and the viability of investment. Such criteria included:

- the amount of land zoned for commercial uses
- the amount of vacant land
- alignment with the Wake Transit Plan

- adopted area plans
- the existence of large sites poised for reinvestment and redevelopment
- tracts that were contiguous
- proximity to eligible neighboring municipal tracts
- other ongoing and future public projects and planning efforts in the area

Community benefits of Opportunity Zones include stimulating economic development and job creation by incentivizing long- term investments in low-income neighborhoods. The economic stimulation can include strengthening infrastructure (roads, parks, greenways); creating or expanding affordable/workforce housing; and developing amenities often missing in underinvested area. It is not clear at this time direct benefits to homeowners inside or outside of designated Opportunity Zones. Various analysts have cited gentrification as a possible unintended outcome while others see homeownership in an Opportunity Zone as a benefit to helping inform the growth and development within these areas.

Investor benefits include a deferment of capital gains for funds invested in an Opportunity Zone via an Opportunity Fund. For example, a ten-year investment in an Opportunity Fund, yields the investor a full forgiveness of tax liability on the proceeds earned. There are tax benefits at the five- and seven-year investment marks as well. Additionally, benefits to developers include expanding financing tools in the form of the Opportunity Funds.

Given Opportunity Zones are a federal program, this designation does not impact any rezoning processes nor does this designation leverage or impact other economic development tools like Development Agreements, Tax Increment Grants or tools a local municipality may choose to exercise. The tax policy that created Opportunity Zones had behind it an intent to transform the economic potential of the communities that lie within them while creating new jobs and opportunities coupled with tax incentives for those who invest within these designated areas.

Next Steps

If the Council would like to proceed with developing a public private partnership agreement at Downtown South, the staff recommends the following next steps:

Authorize City staff to develop a public private partnership framework, as outlined in the agenda backup materials, which will support the Downtown South project. Upon completion staff will return to Council with the following information, for consideration and approval:

- A Citywide Tax Increment Grant (TIG) policy;
- A community engagement process, including Council appointment of a community engagement committee; and
- An outline of key business terms that would comprise a Tax Increment Grant (TIG) agreement.

Attachment 1

MEMORANDUM

To: Ruffin Hall, City Manager

From: Robin Tatum, City Attorney
Brandon Poole, Sr. Deputy City Attorney
Janie Richardson, Assoc. City Attorney

Date: October 29, 2020

Re: Downtown South Development
Summary of Potential Legal Instruments

A variety of legal instruments have been discussed before Council that could potentially be utilized to document the obligations of the City and the Downtown South development team with regard to the scope of the full project, benefits from the project to the general public, and any financial contribution to the project by the City. This Memorandum is intended to explain and clarify the tools that have been mentioned to date by various stakeholders.

1. Tax Increment Grant.

A Tax Increment Grant ("TIG") is an economic development tool where the City enters into a contractual obligation with a developer to provide financial assistance to a project in exchange for the project providing public benefits, improvements, or infrastructure that the City is otherwise authorized under North Carolina law to provide directly on its own. The amount of financial assistance is determined by a formula based on a percentage of the increase in ad valorem

property taxes paid by the project, measured between the condition as of contract execution and as of full buildout. As discussed within the context of the Downtown South project, such assistance would be provided as reimbursement over an extended period of time for qualifying costs incurred by the developer during project buildout.

2. <u>Development Agreement</u>.

Article 10 of N.C. Gen. Stat. § 160D governs "Development Agreements." That statute provides that "[d]evelopment projects often occur in multiple phases over several years, requiring a long-term commitment of both public and private resources," and that these developments "often create community impacts and opportunities that are difficult to accommodate with traditional zoning processes." Article 10 authorizes local governments to enter into development agreements, where the local government and the developer both make commitments.

Development agreements can result in significant benefits to the local government, the developer and the community that could not be obtained using conventional zoning procedures. These agreements are typically used for larger projects and can allow the development process to be more effectively structured and managed over a period of time. There is a great deal of flexibility as to what terms may be included, so long as the local government does not agree to act in excess of what it is authorized to do under other general or local laws. A development agreement can be incorporated into any other development regulation, including a conditional use rezoning and the two can be considered concurrently. In order to for the local government to approve a development agreement, it must provide the same notice that is required for a zoning map amendment, and there must be a public hearing.

3. <u>Community Benefits Agreement</u>.

A Community Benefits Agreement ("CBA") is a private contract between a developer and one or more local community groups, wherein the developer agrees to incorporate certain amenities and programs into the developer's project that benefit the local community and mitigate undesirable effects that the local community groups believe the project would otherwise create. Examples of the

amenities and programs often incorporated into a CBA include, but are not limited to, affordable housing quotas, local hiring goals, green infrastructure requirements, and MWBE contracting requirements. In exchange for incorporating the local community groups' desired amenities and programs, the groups agree to either publicly support or not speak out in opposition against the developer's project. Following the creation of the CBA, the local community groups must remain active during the project's development to monitor and enforce the provisions of the CBA because in North Carolina, a local government cannot be a party to a CBA and, therefore, cannot assume those responsibilities. A CBA benefit is that it allows a developer to bind itself to obligations in favor of the community groups that would be unauthorized within an agreement with a unit of local government.

Raleigh

MEMO

Attachement 2

TO: Ruffin L. Hall, City Manager

FROM: Patrick O. Young, AICP, Planning and Development Director

DEPARTMENT: Planning and Development

DATE: October 28, 2020

SUBJECT: Downtown South: Community Engagement Options

At the October 20, 2020 City Council meeting, Mayor Baldwin inquired about developing a community-based engagement of some form to provide input into the decision-making process around community benefits.

Since the tax-increment grant (TIG) process, if pursued, will be a new process for the City, there is no process established for community engagement. This memorandum is intended to identify and define the available options to seek this community input. Implementation of any of the community engagement options provided below should involve the Housing and Neighborhoods Department, the Office of Equity and Inclusion and other Departments and community stakeholders appropriate to the selected method of obtaining community input.

Over the years, planning efforts in Raleigh have seen four (4) models of committees or groups providing input and/or oversight of community processes, as follows:

1) Confirmation Group

A "confirmation" group's role is a Council-appointed group established to monitor the planning process, attend public meetings, review interim and final documents, and "confirm" that the results of the public process are reflected in the documents. They may make a formal report back to City Council on this question. However, they have no special role in determining the content of the plan, and their editorial control is limited to ensuring that issues raised in the public process do not go unaddressed. Falls of Neuse and Midtown/St. Albans are examples of two recent planning efforts that featured confirmation groups.

2) Advisory Group:

Advisory Groups have a stronger policy and editorial role than confirmation groups. They are a Council-appointed group designed to advise staff and the City Council on what content should be in the plan. They may ask for plan documents to be modified as a result of the input provided by members of the advisory group specifically. However, their role is still advisory.

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While it is generally a goal to make the advisory group satisfied with the plan outcomes, they often do not produce a unified recommendation, and their
recommendations may or may not be reflected in the final document. The Cameron Village-Hillsborough Street area plan is an example of a plan with an appointed advisory group

3) *Steering Committee*

A steering committee is a Council-appointed body which must be satisfied in order for the planning effort to proceed to final action. The plan is not considered done until the Steering Committee endorses it, and the goal is to bring the committee together around either a consensus recommendation (the ideal) or at least a strong majority vote of endorsement. Steering committees are expected to actively shape the policy content of the plan, and therefore have a role that is elevated above the average citizen participating in the process. Two examples of planning efforts with steering committees include the Downtown Raleigh Plan (2012) and the Wake Transit Plan.

4) *Participatory Process (without appointed committee)*

A final alternative is a participatory process without a Council-appointed committee or group. This model allows self-selection of participants in a process and avoids concerns about the composition of Council-appointed committees.
Although there are challenges with running a participatory process during a pandemic, we have been having success with mainly online participation tools including surveys, input portals, listening sessions, story maps, and remote meetings.
An approach of this nature would require a staff or (preferably) third-party facilitator to ensure clear expectations and delivery of intended recommendations.

Under any of the above-referenced public engagement models, there are a number of key issues that will have to be determined and decided, including:

1) *Role of public participation in determining outcomes*

As depicted in the graphic below, there is a range of community engagement levels based on Council's intended goal with the public participation. Typically, higher levels of engagement result in higher-levels of community acceptance.

2) *Composition of participating public*

Regardless of the community engagement model selected, it is critical that that the engagement process include and fairly represent all stakeholders. This means that the participants should reflect the demographic and income mix of the affected area, housing tenure (i.e.: renters and owners), and community rooted organizations and businesses in the affected area. The size of committee groups and the appointment process has varied significantly, and staff can provide additional recommendation(s) following Council direction regarding the proposed community engagement process expectations.

3) *Ground-rules and expectations for participation*

Finally, and most importantly, clear expectations for process and outcomes for all participants should be established early in any public engagement process.

IAP2 SPECTRUM OF PUBLIC PARTICIPATION

INCREASING LEVEL OF PUBLIC IMPACT

	INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
GOAL	To provide balanced and objective information in a timely manner.	To obtain feedback on analysis, issues, alternatives and decisions.	To work with the public to make sure that concerns and aspirations are considered and understood.	To partner with the public in each aspect of the decision-making.	To place final decision-making in the hands of the public.
PROMISE	"We will keep you informed"	"We will listen to and acknowledge your concerns."	"We will work with you to ensure your concerns and aspirations are directly reflected in the decisions made."	"We will look to you for advice and innovation and incorporate this in decisions as much as possible."	"We will implement what you decide."

Thank you and please don't hesitate to advise with any further questions, comments or concerns regarding this topic.

Attachment 3

Proposed Next Steps Timeline for Downtown South

As part of this timeline, City staff will work with Wake County staff to discuss the project and the County's interest in Tax Increment Grant (TIG) policy development and a TIG project grant. The details and timing below would need agreement from Wake County.

November 2020

- City Council directs staff to:
  - Develop a Citywide Tax Increment Grant (TIG) policy;
  - Develop a community engagement process, including Council appointment of a community engagement committee; and
  - Develop an outline of key business terms that would comprise a Tax Increment Grant (TIG) agreement.

December 2020

- Council consideration of rezoning for Downtown South project.

January 2021

- Staff provides draft Citywide TIG Policy for Council's consideration and receives direction on process next steps (i.e. assign to future work session, refer to committee, receive feedback, etc.).
- Council approves community engagement committee framework and charge (or equivalent community engagement approach).
- Staff begins discussion with Wake County about participation in a TIG agreement.

February/March 2021

- Council approves the Citywide TIG policy.
- Council appoints membership of community engagement committee (or equivalent).
- Staff begins discussions with developer on potential TIG agreement business terms.

March/April 2021

- Staff convenes Downtown South community engagement committee (or equivalent) with orientation to clarify role, set priorities, and gather information on potential TIG project.

- Staff works with Wake County staff and Wake County Commissioners on proposed business terms for TIG agreement.
- Staff evaluates funding scenarios for the TIG grant and presents to City Council for consideration. City Council may approve business terms for the grant or assign this to a Council Committee for further review.

May 2021

- Staff finalizes TIG agreement terms with Raleigh City Council, Wake County Board of Commissioners and project development team. Council may hold work sessions, refer to Committee or request additional feedback.
- Staff presents final TIG agreement terms to the community engagement committee (or equivalent).
- Set public hearing (if required by General Statutes)

June 2021

- Following public hearing (if required), City Council approves TIG agreement.
- Wake County Board of Commissioners approves TIG agreement.

Attachment 4

Tax Increment Grant Guidelines

In accordance with the City's strategic business objectives, multiple financing tools are utilized to encourage economic development projects. One such tool is tax increment financing in the form of the City's Tax Increment Grant Program [TIG]. The City Council adopted guidelines below set forth the uses and parameters of the program that are utilized when assessing potential TIG investments.

I. Financing Parameters:

A. Reimbursement basis only (City / County payments are not made until l property taxes are paid by private sector)
B. Private sector guarantees are pledged in the form of a Development Agreement
C. A "But For" test will be applied
D. City's financial participation allows reservation of right to influence type and form of project in partnership with private developer
E. City priorities and policy goals must be satisfied

II. Financing Categories

A. Infrastructure Investment – the building or financing of new public infrastructure such as roads, streetscapes and parking decks that induces development that would not otherwise occur. Incremental taxes generated as a result of the new infrastructure can be used to reimburse private sector for right of way acquisition, design, engineering and construction of the infrastructure.

1. *The Highest Priority Infrastructure projects in Highest Priority Business Areas may be eligible for a STIF amounting up to 90% of incremental taxes for up to ten years.*

2. *High Priority Infrastructure projects in High Priority Areas of the City may be eligible for a STIF amounting up to 45% of incremental taxes for up to ten years*.

B. Public Asset Purchase – the building or financing of new public buildings or feature that become a specific asset to the City. These projects bypass the normal Capital Improvement Plan (CIP) process and are often a unique

opportunity to obtain a desired public facility. In analyzing the viability of a project, attention will focus on how the project compares to items included in the CIP. These projects may have multiple City and private sector revenue sources with the resulting asset owned by the City. As a result of the nature of the project, less emphasis is placed on the "But For" test and terms may be longer due to the life expectancy of the asset.

Total incremental taxes generated as a result of the development can be dedicated up to 90% and for up to 25 years.

C. Economic Development Grants – the provision of gap funding for economic development projects in Business Corridor and strategic plan geographies that add value to the city and generate growth that would not otherwise occur.

Total incremental taxes generated as a result of the development can be dedicated up to 90% and for up to 10 years

III. Capacity Policy

The amount of the total city wide TIG assistance should be limited to no more than 3.0% of the annual property tax levy of any given year. Before a new project can be approved, an analysis must be completed to ensure that future commitments will not exceed the TIG maximum capacity threshold. The model will be updated annually to determine of new capacity is available.

Adopted by City Council – November 2007

Draft MOU developed and sent by Kane Realty. **Attachment 5**

This MOU has not been agreed to in any way by the City.

DRAFT

Memorandum of Understanding

City of Raleigh and Kane Realty Corporation

Public Benefits Related to Downtown South Development

The Downtown South Project

Downtown South is a transformational development which sits on the southern edge of Downtown Raleigh on approximately 160 acres at the intersection of South Saunders Street, South Wilmington Street, and Interstate 40. The development will include office space, housing, hotels, shops, bars/restaurants, and parks/open space, creating a development that reflects the vibrant, growing city of Raleigh.

Potential for Added Public Value

The scale of the Downtown South project allows for a public-private partnership to deliver the greatest possible public benefit and to mitigate any impacts on project neighbors. While some public benefits may be realized through zoning conditions associated with the proposed rezoning of the site, others can be realized or expanded through cooperation between the developer and the city to use incentives toward maximizing the project's benefit to the City.

Community Development

The City of Raleigh may use its authority under N.C.G.S. §160D-1311 to maximize delivery of affordable housing, educational and workforce development programs, targeted economic development including M/WBE protocols, health services, and other needs for its low-income residents.

Economic Development

The City of Raleigh may use its authority under N.C.G.S. §158-7.1 to maximize the project's impact on the city's economic development, including by supporting infrastructure investment that in turn will attract tourism and other economic activity, leading to significant job growth.

Tax Increment Grant

Increased investment in housing, employment, and services is possible by capturing the growth in property taxes resulting from the development and redirecting those funds to mitigate project impacts and ensure equitable growth. This mechanism provides a direct incentive for the private market to bake into the project the maximum possible public benefit from the very beginning of its project planning.

Use of Funding

The incremental increase in city property taxes on the parcels within the Downtown South project, as a result of development, shall be used to fund added public benefits including but not limited to:

- Affordable housing
- Green stormwater infrastructure
- Parks and greenways
- Transportation and infrastructure improvements, including but not limited to:
    - Transit amenities
    - Bicycle and pedestrian facilities
- Workforce development programming
- Public art/ Cultural attractions
- Educational partnerships
- Health facilities
- A sports and entertainment venue

All use of funds will be in accordance with local, state and federal laws, and public support/tax grants will commence only once the project has generated new property taxes within the district.

Reporting

The developer shall provide annual reporting in connection with ongoing services and housing to be provided.

Formal Agreement

The parties will work together expeditiously and in good faith to enter a formal Agreement. Robust citizen engagement will be a hallmark of the process of developing the Agreement.

Non-Binding Memorandum of Understanding

Nothing in this Memorandum of Understanding shall be binding on the parties aside from the obligation to negotiate in good faith toward a final Agreement generally in accordance with the goals outlined herein unless and until either party or both parties shall provide notice of its withdrawal from that process.

CITY OF RALEIGH:

_____

Name:_____

Title:_____

Date:_____

KANE REALTY CORPORATION:

_____

Name:_____

Title:_____

Date:_____