

# **Community Development Authorities**

**Presentation to Joint Subcommittee  
Established Under House Joint Resolution  
178 / Senate Joint Resolution 70  
January 13, 2009**

## History:

- CDA Act was enacted in Virginia in 1993
- Over 35 states have some sort of special tax/assessment district financing
- First CDA in Virginia was formed in 1998 and issued bonds for Dulles Town Center infrastructure in Loudoun County
- Over 19 CDAs have issued bonds since 1998

## What is a CDA?

- A financing tool available to local governments that enables partnering with the private sector to provide infrastructure or services
- A separate authority created by the locality for a specific development
- A voluntary special assessment district created at the request of the landowners
- Authorized by Va. Code Article 6, Chapter 51, Title 15.2 (§§15.2-5152 et seq.) as part of Water and Waste Authorities Act

## Purpose:

- To finance infrastructure or provide services made necessary by development within the CDA district
- To issue bonds to finance CDA improvements
- To generate moneys to pay for improvements or services through special ad valorem taxes or assessments on property within the CDA district

## Procedure to Create a CDA:

- Any City may create a CDA; Counties and Towns may create a CDA only after adopting an ordinance assuming such power
- Petition submitted to local governing body by owners of at least 51% of land area or assessed value in proposed CDA district
- Public hearing required with 3 weeks notice; first publication required at least 30 days before public hearing
- Board of Supervisors, City Council or Town Council holds a public hearing and creates the CDA by ordinance
- CDA's Articles of Incorporation are filed with State Corporation Commission
- CDA Board (5 members) is appointed by Board of Supervisors; City Council or Town Council

## Powers of CDAs:

- Acquire, construct and operate certain infrastructure and other facilities
- Provide certain services (trash removal, street cleaning, security, recreational management, grounds keeping)
- Issue revenue bonds to finance infrastructure and other facilities (typically tax-exempt bonds)
- Request locality to levy and collect a special ad valorem tax
- Request locality to levy and collect a special assessment
- Charge and collect fees and charges for services provided or benefits received

## Facilities:

- Roads
- Bridges
- Curb and Gutter
- Storm Water Management Systems
- Street Lights
- Landscaping and Fencing
- Security Facilities
- Parks and Recreational Facilities
- Fire Prevention Systems, Fire Stations, Rescue Vehicles

## Revenue Bonds:

- Issued by CDA, not the locality
- Payable from pledge of special tax or assessment revenues or user fees
- Sold to sophisticated investors/funds
- Special taxes or assessments are a lien on real estate in CDA
- Bond purchasers may require loan to value ratio about 1 to 3 undeveloped; 1 to 10 developed
- Can be combined with tax increment revenues



## Not Debt of the Locality:

- Ordinance creating CDA must state that CDA bonds are not debt of locality (§15.2-5103)
- Full faith and credit of locality not pledged; CDA bonds payable only from special revenues (§15.2-5125)
- CDA bonds shall not directly or indirectly obligate the locality to make any payments, except from special revenues (§15.2-5131)
- Locality is prohibited from making any payments on CDA bonds unless ordinance creating CDA provides otherwise (§15.2-2-5131)

## Special Tax:

- Levied as an ad valorem real estate tax
- Levied annually by locality (not a one time levy)
- Limited to 25 cents per \$100 of assessed value unless a greater tax is requested by all landowners
- Taxes collected are paid by locality to CDA, subject to annual appropriation
- Required to be levied on all taxable property
- Creates tax lien on property
- Uncertainty as to amount to be generated; depends on value of real estate

## Special Assessment:

- Not an ad valorem tax
- Assessment is a one time, fixed levy that is apportioned among the parcels in the district
- No limit on amount, but cannot exceed the benefit to the property owner
- Creates tax lien on property
- Assessment can be paid over time (40 year maximum) or in a lump sum
- Can be prepaid and property released from lien

- Parcels can be assessed differently based on relationship to benefit
- Levied and collected by locality
- More secure as a financing mechanism because the amount to be generated is established up front

## Tax Increment:

- Does not involve the levy of any new taxes or assessments
- Locality and CDA may enter into an agreement whereby the locality pays to the CDA all or a portion of the incremental increase in tax revenue generated within the CDA district
- Sources of incremental revenues (sales tax, real estate tax, etc.) and percentages to be paid can be negotiated

- In order to pay tax increment revenues to the CDA, the ordinance creating the CDA must allow for payments to be made by the locality; otherwise, the locality is legally precluded from making payments to the CDA except from special taxes or assessments

## Benefits of a CDA:

- Infrastructure can be financed without general fund money
- Infrastructure costs are paid by those who benefit most
- Infrastructure typically can be financed on a tax exempt basis
- CDA financing is “up front” and in a uniform manner rather than in stages as development progresses; increase in tax revenues to locality “ramps up” more quickly
- CDA financing is typically long term; development has more time to stabilize and cover debt service than conventional financing

- CDA financing enhances feasibility of redevelopment projects
- Locality is in no way obligated on the CDA bonds
- Costs of creating the CDA may be financed through the CDA bonds



## Representative CDAs:

- Chesterfield County – Watkins Centre CDA
- Frederick County – Russell 150 CDA
- City of Hampton – H2O CDA; Peninsula Town Center CDA
- Hanover County – Bell Creek CDA; Lewistown CDA
- Henrico County – Short Pump CDA; The Shops at White Oak Village; Reynolds Crossing
- Loudoun County – Dulles Town Center CDA
- City of Manassas Park – Park Center CDA
- New Kent County – Farms of New Kent CDA
- City of Portsmouth – New Port CDA
- Prince William County – Virginia Gateway; Heritage Hunt
- City of Richmond – Broad Street CDA
- Stafford County – Celebrate Virginia North
- York County – The Marquis CDA

## Proposed 2009 Legislative Changes:

- Clarify relationship between specific CDA provisions and general Water and Waste Authorities Act provisions
- Add uniform definition of “system”
- Clarify procedure for creating a CDA
- Provide that a CDA may consist of multiple tracts
- Clarify authority regarding collection of user fees
- Amend description of infrastructure to include facilities that are “desirable” (not just “necessary”)
- Clarify restrictions on mortgaging financed facilities

- Include provisions allowing release of property within CDA district boundaries
- Sponsor: Del. Franklin R. Hall