



# **The Future is Now!**

## **Economic Development in North Mecklenburg**

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# Statement of Problem

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- Towns have a heavy and increasing dependence on residential tax base
- Research and experience suggest that residential units – on average – do not pay for themselves
- The demand for housing in North Mecklenburg is escalating
- Increasing dependence on residential tax base will lead to increasing the property tax and/or searching for new revenue sources





# Statement of Problem (Cont.)

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- An alternative to increasing exactions from the residential base is to increase the commercial component of the tax base.
- Cost of service studies indicate that providing services to commercial property costs from .35¢ to .60¢ (depending on type of commercial use) for every \$1.00 collected in taxes.
- Return from taxes on commercial property can make up shortfalls from the residential component.



# Statement of problem (cont.)

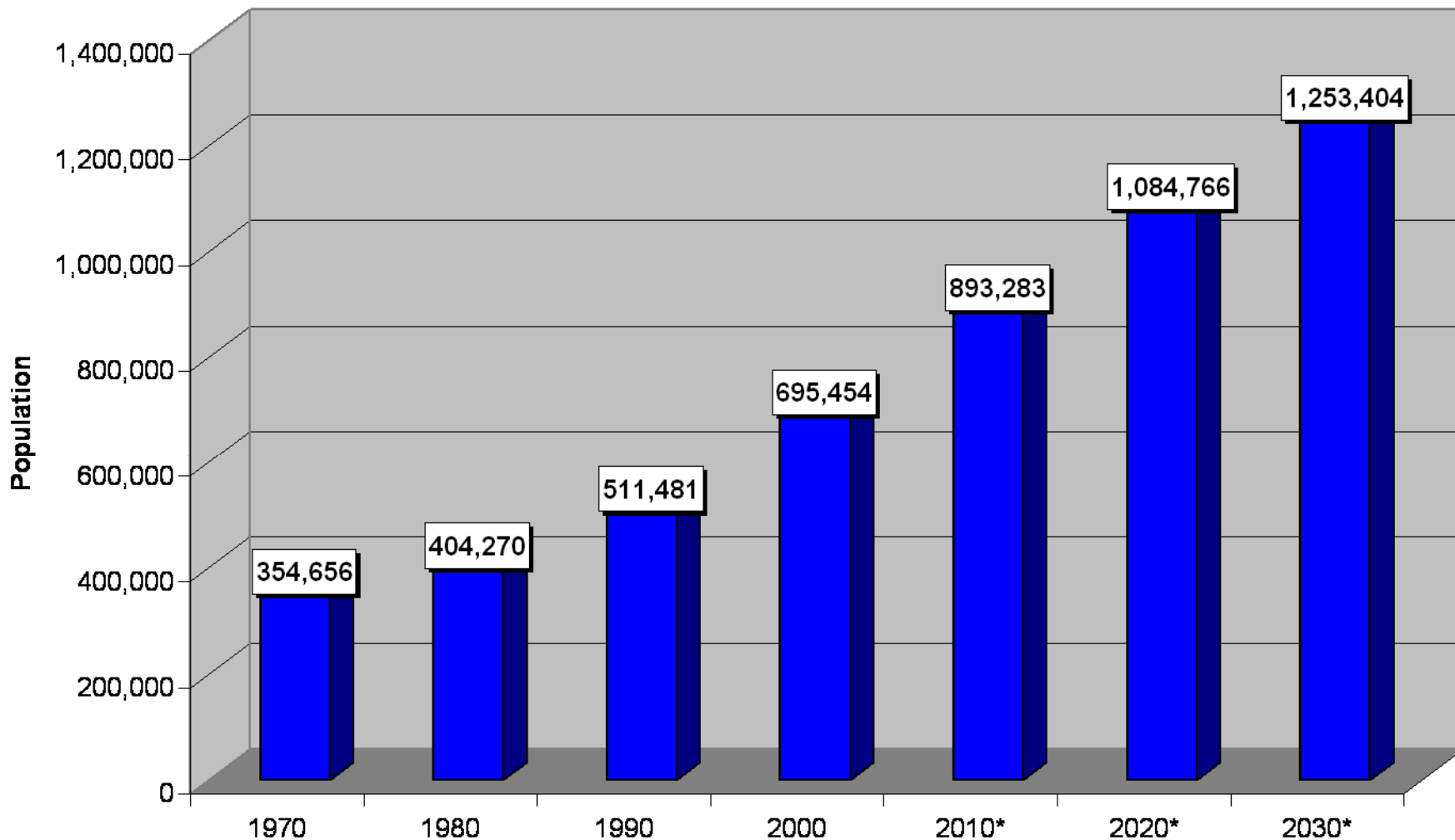
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- **To have the option for continued commercial development over the next twenty-five years, the towns must protect potential sites**

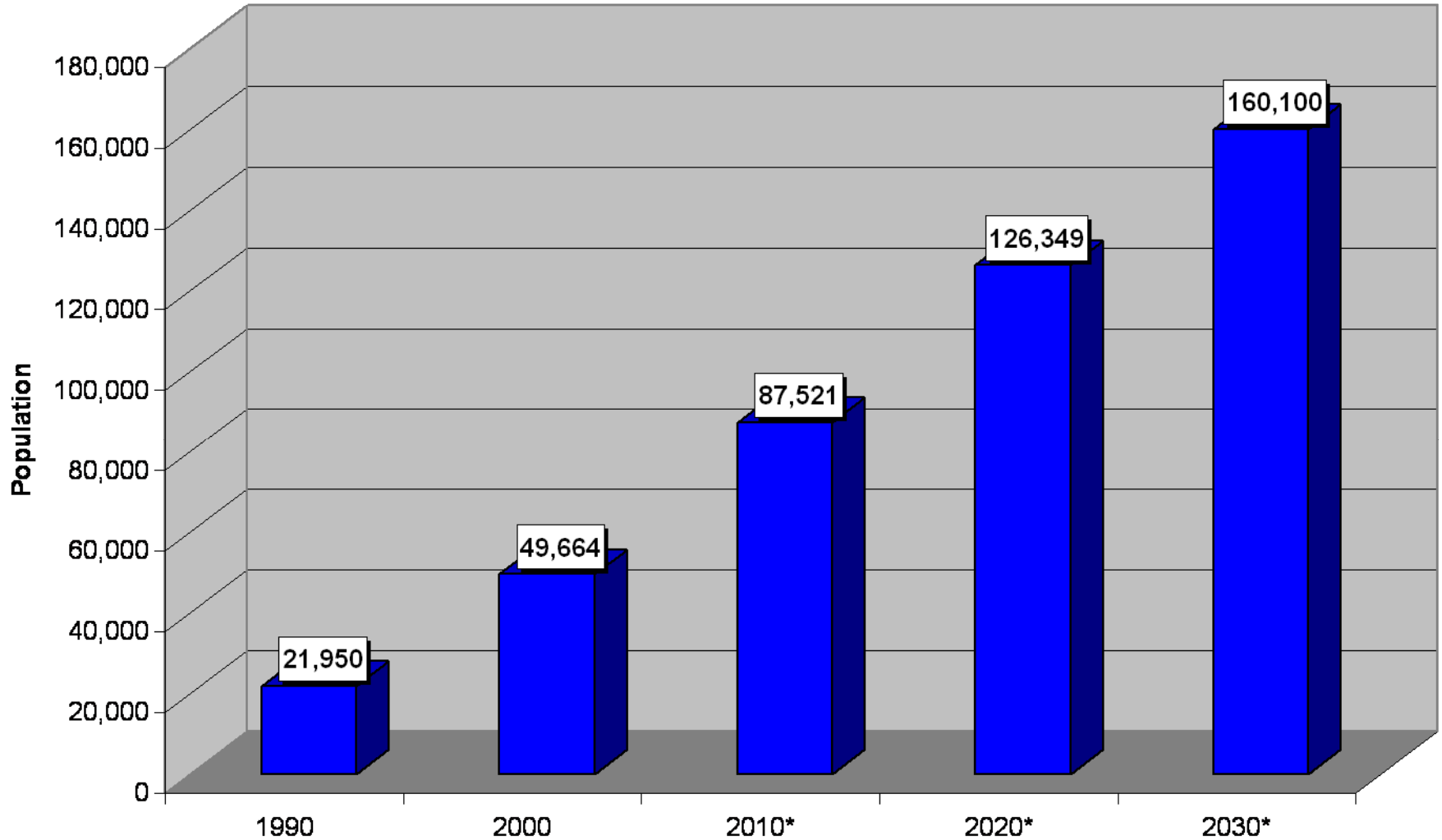
**NOW!!**

# Mecklenburg County Population (1970-2030)



Source: RLUTA, 2005.

# North Mecklenburg County Population (1990-2030)



Source: RLUTA, 2005.



# Actual and Projected North Mecklenburg Town Population (2000-2030)

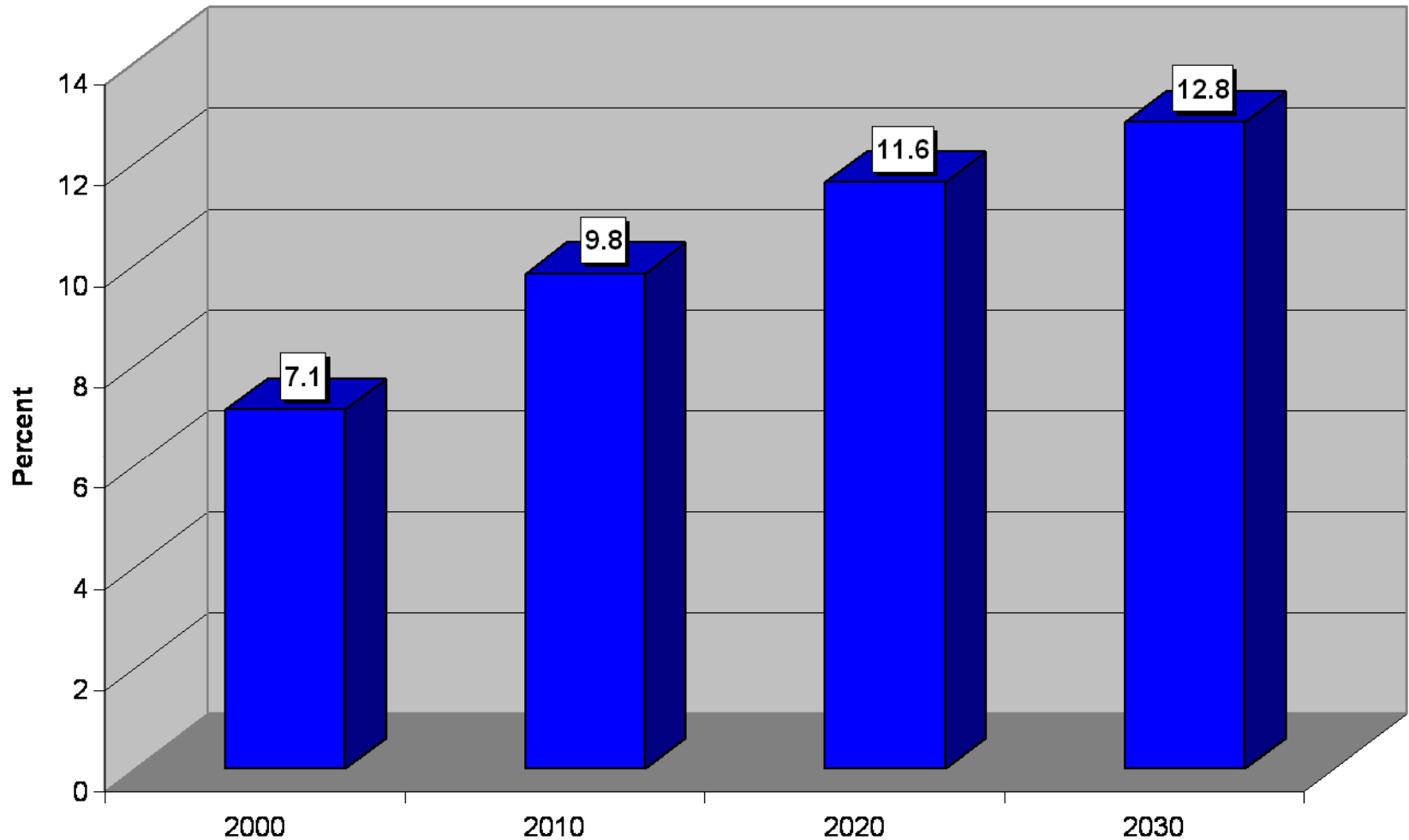
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	<b>2000 (Actual)</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>
<b>Cornelius</b>	<b>14,439</b>	<b>22,990</b>	<b>30,748</b>	<b>37,529</b>
<b>Davidson</b>	<b>7,424</b>	<b>11,775</b>	<b>17,082</b>	<b>21,775</b>
<b>Huntersville</b>	<b>27,801</b>	<b>52,756</b>	<b>78,519</b>	<b>100,796</b>
<b>North Mecklenburg Total</b>	<b>49,664</b>	<b>87,521</b>	<b>126,349</b>	<b>160,100</b>

Source: RLUTA, 2005.

# North Mecklenburg's Share of Mecklenburg County's Population (2000-2030)



Source: RLUTA, 2005.



# Projected Growth Rates for Contiguous Regional Counties

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	<b>2000 (actual)</b>	<b>2010*</b>	<b>2020*</b>	<b>2030*</b>	<b>%Growth 2000-2030</b>
<b>Cabarrus</b>	<b>131,063</b>	<b>177,089</b>	<b>230,262</b>	<b>288,042</b>	<b>120%</b>
<b>Iredell</b>	<b>122,660</b>	<b>159,780</b>	<b>209,064</b>	<b>279,030</b>	<b>127%</b>
<b>Lincoln</b>	<b>63,742</b>	<b>80,209</b>	<b>101,930</b>	<b>129,398</b>	<b>99%</b>

Source: RLUTA, 2005.



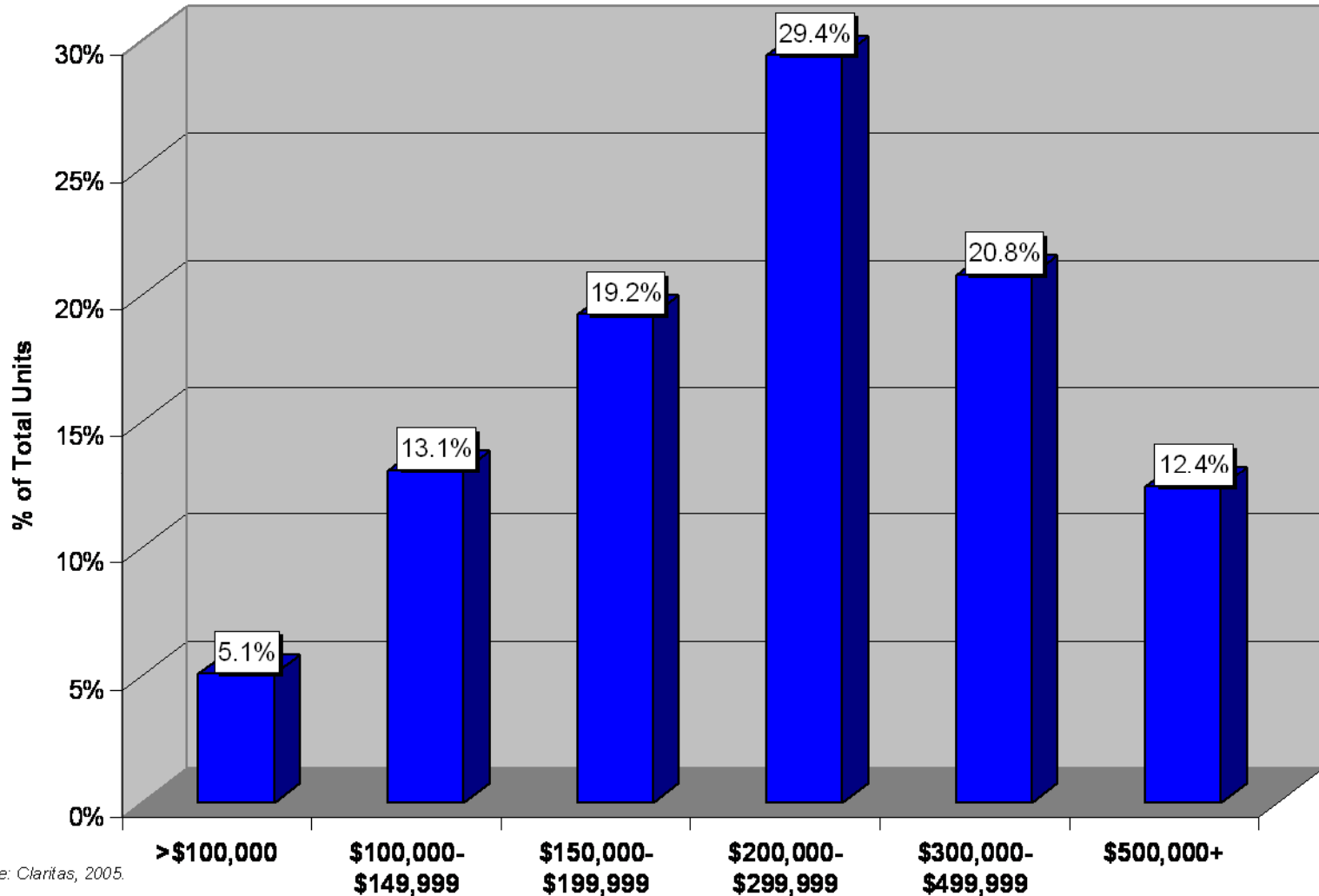
# Average Sale Price of Homes in Selected Locations (2004 and 2005)

	2004	2005	% Change
<b>Lake Norman</b>	<b>\$389,010</b>	<b>\$438,572</b>	<b>12.74%</b>
<b>University City</b>	\$177,341	\$187,729	5.86%
<b>South Mecklenburg</b>	\$376,360	\$408,132	8.44%
<b>Mecklenburg</b>	\$222,998	\$230,471	3.35%

Source: Carolinas Multiple Listing Service, 2006.

These stats are as reported to Carolina Multiple Listing Services, Inc. Not all sales are conducted by members. Not all sales are reported to the MLS. Not all new construction is reported to the MLS.

# Distribution of the Values of Owner-Occupied Housing in North Mecklenburg, 2005



Source: Claritas, 2005.



# Relative Dependence of Mecklenburg County and its Municipalities on Tax Income from Residential Property\*

<b>Jurisdiction</b>	<b>Percent of Tax Revenue from Residential Property</b>
Mint Hill	85%
Cornelius	83%
Davidson	83%
North Mecklenburg	79%
Huntersville	76%
Matthews	66%
Mecklenburg County	66%
Charlotte	64%
Pineville	22%

\*Reflects the split between residential and commercial base for tax revenues derived from real property.  
Source: Mecklenburg Co Tax Office, 2006.



# Comparable Tax Base Information: Central Cities

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Jurisdiction	Tax Revenue Split	
	Residential	Business
Winston-Salem	55%	45%
Asheville	58%	42%
Greensboro	58%	42%
Durham	61%	39%
<b>Charlotte</b>	<b>64%</b>	<b>36%</b>
Raleigh	69%	31%

Source: City and County Tax Offices, 2006.



# Comparable Tax Base Information: Suburban Cities and Towns with **80-89%** Dependence on Residential Tax

Jurisdiction	Tax Revenue Split	
	Residential (%)	Business (%)
Chapel Hill (Orange)	80	20
Stallings (Union)	80	20
Apex (Wake)	81	19
<b>Davidson</b>	<b>82</b>	<b>18</b>
<b>Cornelius</b>	<b>83</b>	<b>17</b>
<b>Mint Hill</b>	<b>83</b>	<b>17</b>
Carrboro (Orange)	85	15
Hendersonville (Henderson)	87	13

Source: City and County Tax Offices, 2006.



# Comparable Tax Base Information: Suburban Cities and Towns with **70-79%** Dependence on Residential Tax

Jurisdiction	Tax Revenue Split	
	Residential (%)	Business (%)
Fort Mill (York, SC)	70	30
Clemmons (Forsyth)	72	28
Belmont (Gaston)	73	27
Black Mountain (Buncombe)	73	27
Cary (Wake/Chatham)	73	27
Indian Trail (Union)	75	25
Harrisburg (Cabarrus)	76	24
<b>Huntersville</b>	<b>76</b>	<b>24</b>
Wake Forest (Wake)	77	23
Mount Holly (Gaston)	79	21

Source: City and County Tax Offices, 2006.

# Comparable Tax Base Information: Suburban Cities and Towns with **50-69%** Dependence on Residential Tax

Jurisdiction	Tax Revenue Split	
	Residential (%)	Business (%)
High Point (Guilford/Davidson/Randolph)	50	50
Statesville (Iredell)	52	48
Kernersville (Forsyth)	54	46
Lincolnton (Lincoln)	55	45
Mooresville (Iredell)	57	43
Morrisville (Wake/Durham)	57	43
Salisbury (Rowan)	57	43
Concord (Cabarrus)	58	42
Rock Hill (York, SC)	60	40
Garner (Wake)	61	39
Monroe (Union)	65	35
Gastonia (Gaston)	66	34
<b>Matthews</b>	<b>66</b>	<b>34</b>

Source: City and County Tax Offices, 2006.



# Comparative Town Budget Information (FY 06)

	Cornelius	Davidson	Huntersville
Total Expenditures	\$19,994,309	\$10,814,218	\$28,558,038
Total General Fund	\$15,829,269	\$7,116,081	\$18,464,787
% of General Fund From Property Taxes	51%	46%	51%
Tax Rate	\$0.26	\$0.345	\$0.28



# What is Driving the Need for Additional Revenues?

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(These items were identified by the Town Managers)

- Need for additional police officers
- Engineering / Public Works
- Transportation
- Economic Development
- Parks and Recreation
- Increased Professionalization of Fire Service

# Revenues Compared to Service Costs on a Dollar to Dollar Basis for Different Land Uses for Various Locations Within the US

Location	Residential Building Cost	Commercial Building Cost	Farmland, Forest and Open Space Cost
Carroll County, MD	1:1.22	1:0.55	1:0.47
Cecil County, MD	1:1.12	1:0.28	1:0.37
Culpeper Co, VA	1:1.25	1:0.19	1:0.19
Connecticut average	1:1.06	1:0.47	1:0.43
Massachusetts average	1:1.12	1:0.41	1:0.33
New York average	1:1.24	1:0.24	1:0.35
Town of Dunn, WI	1:1.06	1:0.29	1:0.18
Minnesota average	1:1.04	1:0.39	1:0.50
Ohio average	1:1.41	1:0.23	1:0.34
<b>Average</b>	1:1.17	1:0.33	1:0.34

Source: Assorted sources such as Vance and Larson, 1988 (Culpeper County, VA); American Farmland Trust, 1992 (Connecticut, Mass, New York Averages); Hulsey, 1996 (Dunn, WI); American Farmland Trust, 1994 (Minnesota and Ohio averages); Carroll County Board of Planning, 1996; Cecil County Office of Economic Development, 1994.



# Revenue and Service Costs Analysis (Continued)

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1. A 2005 study prepared by the Clemson Institute for Economic and Community Development and The Strom Thurmond Institute of Government and Public Affairs found that every new unit of housing in Lancaster County, SC, would cost \$1.23 to service for every \$1.00 it produced in revenue.
2. A 2004 study prepared for Carrboro, NC, by the Office of Economic Development, Kenan Institute of Private Enterprise, University of Private Enterprise, University of North Carolina at Chapel Hill cited the following from a paper published by the University of Illinois  
Extension for local governments: Every \$1.00 a new residential development brings in, the local government has to expend between \$1.15 and \$1.50. Ratios for commercial expansion range from 0.35 to 0.65 and for open land from 0.30 to .50.



# An Illustration: Hypothetical Costs of Servicing New Households Basic Assumptions

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1. Households in North Mecklenburg will basically triple over the 30-year span from 2000 to 2030
2. Based on research, there is a fairly high level of consensus among analysts, other than those with a connection to the development community, that households (houses) on the average cost \$1.15 for service for every \$1.00 that unit produces in taxes
3. Assume that the average property tax (county and town combined) for each household is \$2,000 annually
4. The cost of service, using our \$1.15 or 15¢ above tax income, for this household paying \$2,000 would be \$2,133 per year, an annual shortfall of \$133



# Hypothetical Costs of Servicing New Households - Cornelius Example -

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Based on our data, Cornelius will add approximately 500 new households (houses) annually from 2000 to 2030 and will incur a shortfall of \$66,500 for those 500 households per year, yielding the following hypothetical example (*see next slide*):

# Hypothetical Costs of Servicing New Households - Shortfall Compounded Over 10 Years: *Cornelius* -

	Combined County and Town Shortfall	Cornelius' Share of Shortfall
Year 1	\$66,500	\$17,290
Year 2	\$133,000	\$34,580
Year 3	\$266,000	\$69,160
Year 4	\$532,000	\$138,320
Year 5	\$1,064,000	\$276,640
Year 6	\$2,128,000	\$553,280
Year 7	\$4,256,000	\$1,106,560
Year 8	\$8,512,000	\$2,213,120
Year 9	\$17,024,000	\$4,426,240
Year 10	\$34,048,000	\$8,852,480



# Davidson Budget Facts for FY 06

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General Fund Revenues	\$7,116,018
Total Estimated Property Valuation	\$975,086,082
Property Tax Revenue	\$3,317,650
Portion from residential component (83%)	\$2,753,650
Portion from commercial component (17%)	\$564,000


The analysis in the following tables is based on these statistics.

# An Illustration for Davidson: Tax Split Scenarios

Residential /Commercial Tax Split	Cost of Service For Different Land Uses	Return
<b><u>83/17 (Actual)</u></b> \$ 2,753,650 (residential) \$ 564,000 (commercial)	+ .65¢ (commercial) - .15¢ (residential)	+366,600 <u>- 413,048</u> - \$46,448
	+ .50¢ (commercial) - .10¢ (residential)	+ 282,000 <u>- 275,000</u> \$7,000
	+ .50¢ (commercial) - .25¢ (residential)	+ 282,000 <u>- 688,413</u> - \$406,413
<b><u>80/20 (A Modest Goal)</u></b> \$ 2,654,120 (residential) \$ 663,530 (commercial)	+ .65¢ (commercial) - .15¢ (residential)	+ 431,295 <u>- 398,118</u> \$33,177
	+ .50¢ (commercial) - .10¢ (residential)	+ 331,765 <u>- 265,412</u> \$66,353
	+ .50¢ (commercial) - .25¢ (residential)	+ 331,765 <u>- 663,530</u> - \$331,765

# An Illustration for Davidson: Tax Split Scenarios (cont.)

Residential /Commercial Tax Split	Cost of Service For Different Land Uses	Return
<b><u>75/25 (A Substantial Goal)</u></b> \$ 2,488,238 (residential) \$ 829,413 (commercial)	+ .65¢ (commercial) - .15¢ (residential)	+539,118 <u>- 373,236</u> \$165,882
	+ .50¢ (commercial) - .10¢ (residential)	+ 414,707 <u>- 248,824</u> \$165,883
	+ .50¢ (commercial) - .25¢ (residential)	+ 414,707 <u>- 622,060</u> - \$207,353
<b><u>70/30 (A Stretch Goal)</u></b> \$ 2,322,355 (residential) \$ 995,295 (commercial)	+ .65¢ (commercial) - .15¢ (residential)	+ 646,942 <u>- 348,353</u> \$298,589
	+ .50¢ (commercial) - .10¢ (residential)	+ 497,648 <u>- 232,236</u> \$265,412
	+ .50¢ (commercial) - .25¢ (residential)	+ 497,648 <u>- 580,589</u> - \$82,941



# Summary table using the +.65 (commercial)/ -.15 (residential) numbers

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Tax Split	Return
83/17	-\$46,448
80/20	\$33,177
75/25	\$165,882
70/30	\$298,589

- ❖ A change of + 8 points on the commercial side would provide Davidson approximately \$210,000 additional funds for the budget using FY06 numbers.



# Major Achievements Since the Completion of the Leak-Goforth Study

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- Establishment of Lake Norman Economic Development Commission
- The Partnership Among the Three Towns on the Brookwood Project (Prairie Packaging)
- The Exit 30 Office Park
- Sites identified in that study have not been compromised; Some have been protected.



# Potential Sites for Non-Residential Development - Davidson -

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- Northeast Quadrant of Exit 30 – mixed use development, with an emphasis on office underway
- Southeast Quadrant of Exit 30
- Redevelopment in vicinity of commuter transit stop
- Adjacent land in Iredell County (around 200 acres)
- Continued expansion of Ingersoll-Rand
- Development along Northside of NC 73 from Poplar Tent Rd to Concord-Davidson Rd as provided by the recently completed NC 73 plan
- Some opportunities along Davidson-Concord Rd as well as East Rocky River Rd
- Redevelopment of Sadler Square



# Potential Sites for Non-Residential Development - Cornelius -

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- East Side Vision Area – Properties in the vicinity of NC 115 between Bailey Rd and Mayes Rd
- Bailey Rd West – Potential of redevelopment
- I-77 sites – a few small sites on both sides of I-77 between Exit 28 and Exit 25
- Small site in the vicinity of Curtis Screw
- Downtown – redevelopment possibilities for old mill buildings and vacant grocery store
- I-77 and West Catawba – redevelopment potential
- Transit Oriented Development (TOD) downtown
- Westmoreland and US 21 Intersection Area



# Potential Sites for Non-Residential Development - Huntersville -

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- Brookwood Project Expansion
- Land South of Huntersville Business Park along Huntersville Mount Holly Rd
- Intensification of Development in Huntersville Business Park
- Northcross Expansion to East
- Anchor Mill Site
- Sites at Intersection of NC 115 and Sam Furr Rd
- Bryton-Underway across from North Meck High School
- Rosedale/Hospital Area
- NC 73 and Poplar Tent Road
- Downtown Development
- Development around Planned Transit Stops
- Along I-485 and around Intersections of I-485, I-77, US 29, NC 115 as well as others



# Conclusions

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1. Success depends on the continued collaboration of the three towns.
2. Aggressive action is needed to reserve space for commercial development because of the escalating demand for residential.
3. Many of the potential sites for commercial development are in the N.C. 115 / proposed rail line corridor. The towns should collaborate on a joint development plan for the N.C. 115 / railroad corridor as an adjunct to the CATS generated corridor plan.
4. Each Town Council should review the list of possible sites for its jurisdiction and prioritize them. These priorities should be shared and discussed among the three towns.



# Conclusions (Cont)

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5. Concerted effort to position North Mecklenburg as an alternative office location for the region
6. towns may want to persuade their municipal and County colleagues to undertake a long-term infrastructure needs study using the Wake County model.
7. Each town, individually, and the three towns, collectively, should set goals for an appropriate mix of residential and commercial components of the tax base.
8. Should also have goals as to the mix of commercial uses in that component of their tax base: office, light industry, retail, business park, distribution, flex space, etc.



# Conclusions (Cont)

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**9. Protect land today for economic development tomorrow**

**Or**

**10. Do not protect land today and you will have more residential and retail growth tomorrow**