

REDEVELOPMENT AND REHABILITATION PARTNERSHIPS

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*Well we are living here in Allentown
And they are closing all the factories down
Out in Bethlehem they are killing time
Filling out forms, standing in line -- Billy Joel*

Alamance County is typical of counties throughout Piedmont North Carolina -- abandoned textile mills and vacant manufacturing facilities dot the landscape along river valleys, highway corridors and the industrial zones of its cities and towns. This is, of course, the legacy of a shrinking tobacco industry and a workforce in the textile and furniture industries that could no longer compete with low foreign wages.

Despite the significant loss of manufacturing jobs, a somewhat diversified Alamance County economy has been able to avoid an economic recession. Construction of new housing is proceeding at a record-breaking pace and commercial development and retail space is being constructed at unprecedented levels within the County. **Therein lies the problem.** While our cities are showing overall population growth, that growth is occurring mostly through (i) annexation of the developing residential subdivisions and malls and/or (ii) new development on the outer fringes of existing city limits.

Meanwhile, the inner cities are continuing to lose retail occupancy, residential population, dining and entertainment, and overall vitality. One has to wonder – why are we extending costly roads, utilities and other new infrastructure to newly developing areas of the County when we already have a significant inventory of abandoned manufacturing facilities,

once proud residential areas and vacant store fronts in historically significant buildings which are currently served by water, sewer, utilities and roads?

In a perfect world, consumer demand and investor dollars should gravitate to urban rehabilitation and adaptive reuse since the fair market values are depressed, and the buildings and the infrastructure are already in place. Obviously, other factors are involved. Rehabilitation of existing buildings is viewed as expensive and time consuming, neighborhood politics and long-standing special interests serve as barriers to development, and the existing infrastructure is usually inadequate and in need of repair. However, with the enactment of Local Option Project Development Financing legislation and voter approval of AMENDMENT ONE, North Carolina has joined forty-eight (48) other states in implementing Tax Increment Financing. This legislation has now added another important financial and management tool to the toolbox of private developers and municipal governments.

Tax Increment Financing is a “win-win” situation designed to pump economic life and vitality back into inner cities and abandoned manufacturing facilities while at the same time mandating that private developers and municipalities work cooperatively to plan, finance and develop these vital projects. At the end of the day, municipalities have the new businesses and residential areas that a vibrant city or county needs to survive and private developers have financially viable projects with sufficient economic incentives. Furthermore, existing buildings and infrastructures are fully utilized, historic buildings are preserved, real property values are elevated and the tax base increased--all this without raising taxes.

Tax Increment Financing has worked for private/public development projects throughout the United States and it will be an important financing component for future rehabilitation and adaptive reuse projects in North Carolina. While opponents of this method of cooperative development and effective tax financing have attempted to portray it as a tax subsidy giveaway program for private developers, that characterization is simply not true. North Carolina was careful to include a number of taxpayer and government controls, including (i) required public hearings, (ii) environmental and economic government oversight, and (iii) required fiscal approval of the entire project financing by the Local Government Commission before any bonds can be approved and sold.

Alamance County and its municipalities have a new tool to use in the planning and development of major rehabilitation and redevelopment projects; may this public/private partnership be used wisely and effectively.