# 05-21-2025 Town Council Meeting
## Responses to Council Questions

## ITEM #8: Open the Public Hearing: Recommended Budget for FY 2025-2026.

**Council Question:**
I understand that it takes significant new development to equal a penny. But I'm not understanding the math when it comes to revenue the Town realizes or how that growth factors into budget and tax rate decisions. On the tax bill for The Berkshire apartments there are 2 line items for the Town:

- One lists the .592 tax rate and shows $474,338.22.
- The other is the Chapel Hill Stormwater fee, listed as $4,126.46.
- The total valuation on the property is listed as $80,124,700.

And yet, if I understood Amy and staff correctly, it takes about $151million to generate around $450k (or thereabouts). Does the Town not receive the full $474,382? If not, how much do we see and where does the rest go?

***Staff Response**:*
*Since the last revaluation in 2021, the average growth that the Town has had in property valuation is 1.14%. This average growth ($111 million) translates to $620,000 in overall property tax growth, which equates to $420,000 for the General Fund. These numbers are a calculation of growth on the current valuation.*

*As the tax base grows, so too does the development needed to achieve the 1.14% average growth. With the new valuation of $13,250,450,000, to achieve 1.14% growth moving forward, the Town would need $151 million in new development annually.*

*The Berkshire's tax bill of $474,338.22 does go entirely to the Town. It is important to consider that the $474K is the total tax bill that spreads across the General Fund, Debt Fund, and Transit Fund.*

*At the Town's current tax rate of 0.592, the amount that the General Fund would receive from the Berkshire is $350,145.*

*The Berkshire is the 3rd highest taxpayer in the Town and for further reference, the top 10 taxpayers can be found on pages 174-175 of the FY24 ACFR. As you can see from the information provided in the ACFR, properties with valuations at the level of the Berkshire are rare. Large developments at this level do not typically get added to the tax base annually.*

## <u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question:**
Based on this information, can we please have a table with conservative amounts for the list of projects (plus the large project at the corner of Ephesus/15-501 if it is due for completion) and an explanation about how future growth is factored into the budget and scenarios you have put forward.

***Staff Response**:*
*In the table on the next page, Planning along with Economic Development staff have provided a listing of projects along with an estimated valuation of projects that are anticipated to come on line in the next 2 years.* ***It is important to note that these are estimated valuations and there is also no guarantee that these projects will be complete and hit our tax base within the next 2 years, given current economic conditions.*** *This is simply the plan as of right now. It is also important to note, that the valuation estimates are based on construction costs for permitted developments or value per square footage for comparable properties for those developments not yet permitted. We will not have a complete picture of the impact of these developments until certificates of occupancy have been issued and the County's official assessed valuation.*

*Based on the information provided, the projects anticipated to be completed in the next 2 years total around $600 million. This would represent roughly a 2.32% increase in the overall valuation of the Town for the next 2 fiscal years. At a 2.32% increase for the next 2 fiscal years, property tax revenues would increase by $1,322,100 for all funds and $980,000 for the General Fund.*

*Any property tax increases that outpace the Town's average growth will afford the Town the opportunity to make strides towards 5-year outlook goals and keep up with the operating and personnel increases in future years. Given the current economic environment and stagnant sales tax growth, this potential property tax increase could offset the lack of revenue growth in other areas.*

## ITEM #8: Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

| Project | Address | Description | Building Sq Ft | Estimate Method | Estimated Valuation |
|---|---|---|---|---|---|
| Aura Booth Park | 1000 MLK Jr Blvd | 419 multifamily and townhome units (37 affordable); 15,857 sf commercial | 396,166 multifamily + commercial + townhomes | Project Cost - Commercial and Residential Permits | $ 111,448,615 |
| 710 N Estes | 710 N Estes Dr | 40 townhomes | 80,000 | Project Cost - Residential Permits | $ 9,600,000 |
| | | 67 multifamily units (14 affordable) | 149,480 | Cost per sq ft - Multifamily | $ 25,780,300 |
| Stanat's Place | 2516 Homestead Rd | 47 townhomes (4 affordable) | 118,600 | Project Cost - Residential Permits | $ 7,711,732 |
| Homestead Rd Tri-Point | 2217 Homestead Rd | 119 townhomes (17 affordable) | 226,500 | Project Cost - Residential Permits | $ 20,778,689 |
| Hillmont | 146 Stancell Dr | 466 multifamily units (47 affordable) | 645,083 | Cost per sq ft - Multifamily | $ 111,255,500 |
| South Creek Phases 1 and 2 | 4511 S Columbia St | 337 multifamily units and 24 townhomes (49 affordable) | 441,340 | Cost per sq ft - Multifamily/Townhome | $ 76,116,600 |
| | | Ground floor commercial space | 9,991 | Cost per sq ft - Commercial | $ 4,038,900 |
| Starpoint Refuel | 1950 US 15-501 | 3,270 sf gas station (redevelopment) | 3,270 | Project Cost - Commercial Permits | $ 1,040,000 |
| 1200 & 1204 MLK | 1200 MLK Jr Blvd | Self-storage & gas station | 168,000 | Project Cost - Commercial Permits | $ 11,344,688 |
| Trinity Court (affordable) | 751 Trinity Ct | 54 multifamily units | | Project Cost - Commercial Permits | $ 9,804,566 |
| Gimghoul Castle expansion | 742 Gimghoul Rd | 1,200 sf addition to club | 1,200 | Project Cost - Commercial Permits | $ 2,602,700 |
| Columbia St Annex | 1150 S Columbia St | 59 multifamily units (8 affordable) | | Project Cost - Commercial Permits | $ 24,060,140 |
| PEACH Apt (affordable) | 107 Johnson St | 10 multifamily units | 7,697 | Project Cost - Commercial Permits | $ 4,004,356 |
| Carraway Chase Bank | 201 Village Center Dr | Bank | 3,333 | Project Cost - Commercial Permits | $ 4,175,900 |
| Meridian Lakeview | 19 E Lakeview Dr | 316 multifamily units | 344,749 | Cost per sq ft - Multifamily | $ 59,457,800 |
| Carraway Wendy's | 200 Village Center Dr | Restaurant with drive-thru | 2,189 | Project Cost - Commercial Permits | $ 2,044,044 |
| Atlas Blue Hill / University Inn | 1301 Fordham Blvd | 274 multifamily units plus hotel on portion of lower floors | 282,245 multifamily + 37,153 commercial | Project Cost - Commercial Permits | $ 59,100,002 |
| Overlook at the Cedars | 247 Meadowmont Ln | 10 multifamily units | 28,500 | Cost per sq ft - Multifamily | $ 4,915,300 |
| U Place Phase 1E | 225 & 233 S Estes Dr | Two multitenant retail buildings | 36,226 | Project Cost - Commercial Permits | $ 6,693,314 |
| Weaver's Grove | 7516 Sunrise Rd | 40 single-family, 99 townhome/duplex (all affordable), 92 multifamily units | | Project Cost - Commercial and Residential Permits | $ 50,766,657 |
| | | | | | $ 606,739,803 |

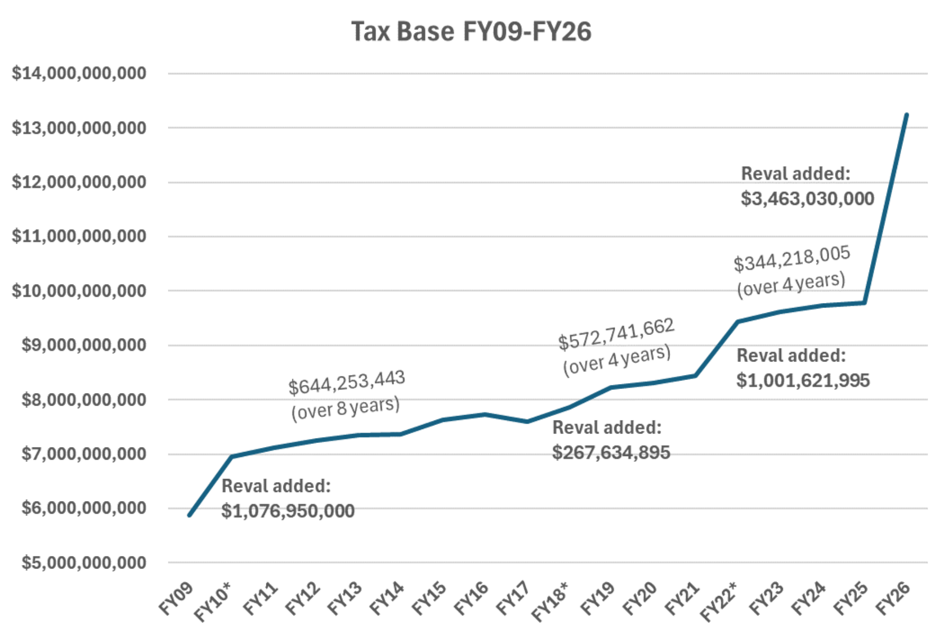
# 05-21-2025 Town Council Meeting
## Responses to Council Questions

## <u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question:**
Could I get data on Chapel Hill's natural tax base growth by year since 2009 (accounting for reval years)?

***Staff Response:***

| Year | Tax Base | $ Change in Tax Base | % Change in Tax Base |
|---|---|---|---|
| FY09 | $ 5,880,000,000 | | |
| FY10* | $ 6,956,950,000 | $ 1,076,950,000 | 18.32% |
| FY11 | $ 7,110,000,000 | $ 153,050,000 | 2.20% |
| FY12 | $ 7,245,483,000 | $ 135,483,000 | 1.91% |
| FY13 | $ 7,353,675,000 | $ 108,192,000 | 1.49% |
| FY14 | $ 7,368,520,000 | $ 14,845,000 | 0.20% |
| FY15 | $ 7,627,590,000 | $ 259,070,000 | 3.52% |
| FY16 | $ 7,725,370,000 | $ 97,780,000 | 1.28% |
| FY17 | $ 7,601,203,443 | $ (124,166,557) | -1.61% |
| FY18* | $ 7,868,838,338 | $ 267,634,895 | 3.52% |
| FY19 | $ 8,225,444,551 | $ 356,606,213 | 4.53% |
| FY20 | $ 8,307,698,997 | $ 82,254,446 | 1.00% |
| FY21 | $ 8,441,580,000 | $ 133,881,003 | 1.61% |
| FY22* | $ 9,443,201,995 | $ 1,001,621,995 | 11.87% |
| FY23 | $ 9,620,619,000 | $ 177,417,005 | 1.88% |
| FY24 | $ 9,734,070,000 | $ 113,451,000 | 1.18% |
| FY25 | $ 9,787,420,000 | $ 53,350,000 | 0.55% |
| FY26* | $ 13,250,450,000 | $ 3,463,030,000 | 35.38% |




*Prepared by the Town of Chapel Hill*
*05/20/2025*

# 05-21-2025 Town Council Meeting
## Responses to Council Questions

**<u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)**

**Council Question:**
As I reviewed the "summary" pages from each fiscal year available on our website, I assumed that the "tax levy" referred entirely to property taxes. I note, however, that while our budget snapshot webpage breaks out sales tax, the summary page does not. Is that included in the "shared revenues" portion of the pie chart?

Separately, does that mean that the "tax levy" includes sales tax as well as property tax, and that if I want to track change in revenue due to tax base growth and tax rate adjustments, I need to look someplace else?

I'm asking partly because in my calculations, if the assessed value in FY 25 was $9,787,420,000 and we applied a rate of 59.2, I would expect that to generate a levy of $57,941,526.

However, our revenue neutral rate is 44.2 and the assessors documents set our new tax base at $12,139,390,427. That would generate a new levy of only $53,656,105. So I must be doing something wrong.

***Staff Response**:*
*The property taxes category on both the All Funds Summary page in the adopted budget and the Budget Snapshot on the town website only includes property tax revenues collected.*

*While sales tax revenues are broken out separately in the budget snapshot, they are included in the state shared revenues category on the All Funds Summary page in the adopted budget.*

*The FY 2025 tax base (assessed valuation) was budgeted at $9,787,420,000. At the FY 2025 tax rate of 59.2 cents, the tax levy is $57,941,526.*

*The FY 2026 tax base (assessed valuation) is estimated to be $13,250,450,000. At the FY 2026 revenue neutral rate of 44.2 cents, the tax levy would be $58,566,989. The $12,139,390,427 only represents the total that Orange County shared was the real property valuation for FY 2026. That number does not account for the estimated successful appeals.*

# 05-21-2025 Town Council Meeting
## Responses to Council Questions

## <u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question:**
Can you provide some additional information about the Town's Insurance Services Office (ISO) or Public Protection Classification (PPC) grade and the reasoning for the Town's grade?

***Staff Response**:*
*As staff shared on Wednesday, May 7th, the Town currently has a PPC Grade of 2. We are graded in three categories, with those being Emergency Communications, Fire Department, and Water Supply.*

1. *Emergency Communications - We have no control in this matter. This is handled by Orange County Communications (OCC). We are in frequent discussions with OCC regarding improvements, flaws, and what is going well.*
   - *Overall - We scored very well in this area. We acquired 8.99 out of 10 points. The room for growth has been shared with OCC.*
2. *Fire Department*
   - *We received credit in a few areas that we will not receive credit for at the next evaluation. Engines and Reserve Pumpers will take a hit due to the age and the likelihood of us retiring these units.*
   - *Our Deployment Analysis (responding to incidents), Company Personnel, and Training severely hurt our final score.*
     - *Deployment Analysis - Simply put, this is how quickly we arrive on the scene of an emergency with the appropriate number of personnel as guided by NFPA 1710.*
3. *NFPA 1710 - States we must put 16/17 firefighters on scene of a residential structure fire no greater than 2,000 sq ft and no exposures or basement.*
   - *101 Madera Ln was nearly 4,000 sq ft. The uniqueness of Chapel Hill due to terrain, home sizes, layouts, are challenges we face and demands additional firefighters beyond our capabilities.*
     - *Company Personnel - This ties into the number of firefighters available to respond to structure fires. We have a minimum staffing level of 22 firefighters on duty daily. We are able to deploy 15 firefighters while leaving 3 remaining units available for calls. Those units consist of a battalion chief and two emergency response apparatus. The obvious is that this is less than the NFPA 1710 requirement, and we receive deductions for this. We are able to receive partial credit for the administration and fire prevention personnel.*
     - *Training - We failed to either document or acquire training for HazMat, Company Officer, and other areas. We also received a significant deduction for Facility Training. Facility Training is specific to training at our training center. Each firefighter must acquire 18 hours of training at our Training Center to receive credit. When we are void of a training center, we will face some impact here as well.*
   - *Water Supply - We also have no control here, but OWASA had a perfect score.*

*It is worth noting that we received credit for our fire prevention bureau. The addition of this score allowed us to sit comfortably at Grade 2.* *(Continued on next page.)*

## <u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question (Cont'd from previous page):**
Can you provide some additional information about the Town's Insurance Services Office (ISO) or Public Protection Classification (PPC) grade and the reasoning for the Town's grade?

***Staff Response (Cont'd from previous page)**:*
*The FY 2026 tax base (assessed valuation) is estimated to be $13,250,450,000. At the FY 2026 revenue neutral rate of 44.2 cents, the tax levy would be $58,566,989. The $12,139,390,427 only represents the total that Orange County shared was the real property valuation for FY 2026. That number does not account for the estimated successful appeals.*

**Council Question:**
Can you provide details about the # of people who applied for the taxpayer assistance program, the # of people who were served, and the # of people who were turned away in 2025?

***Staff Response**:*
*Both the Jackson Center and Orange County confirmed that they awarded at least some amount to all applicants that were eligible for assistance. Therefore, no one was turned away.*
*Here are some stats based on the data that get at that:*

- *132: # of low-income homeowners were served in FY 2025 by the Town's property tax assistance program funding*
- *$1,443: Average amount of Chapel Hill portion of tax bill*
- *$675: Average assistance from Town's property tax assistance program funding*
- *46%: average amount of Chapel Hill portion of Chapel Hill households tax bill that was funded by the Town's property tax assistance program.*
- *$768: average difference between what Chapel Hill households owed for Chapel Hill portion and the assistance they received from the Town's property tax assistance program.*

**Council Question:**
Can you share details about what happens once we reach our sustainable funding levels?

***Staff Response**:*
*A sustainable funding level means you are no longer adding to your backlog. It means you're doing preventive maintenance or replacing facilities and vehicles at a regular replacement schedule (based on the life of the asset). When we don't have a sustainable funding level, we end up deferring maintenance and replacements, and they cost more to address later. This adds to the backlog. For example, because we haven't built up a sustainable level of facility maintenance funds, the only project we can do this year, if the additional funds are allocated, is to replace the public works facility roof. That is not the only project we need to do. Once we arrive at the "sustainable" funding levels, we would want to continue to monitor our backlogs, and make sure that they are being addressed and that our funding is keeping pace with then-current costs. The metrics below are all based on third-party evaluations of our Town's needs.* *(Continued on next page.)*

## <u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question (cont'd from previous page):**
Can you provide some additional information about the Town's Insurance Services Office (ISO) or Public Protection Classification (PPC) grade and the reasoning for the Town's grade?

***Staff Response (cont'd from previous page)**:*
*<u>Fleet Replacement Sustainable Funding Level</u>*

*Our current estimated backlog of needs is $13M. The backlog will continue to increase until a sustainable level of funding is reached. FY25 funding level is $1.605M and the sustainable level to replace vehicles on the recommended schedule is $2.8M. Once the sustainable funding level is achieved, it will take 5-7 years for the older light to medium duty vehicles and up to 10 years for the older heavy-duty vehicles to rotate out and attain the desirable replacement cycles and life cycle cost return. Achieving this goal will result in less downtime/operational impacts, improve employee morale, reduce major repair costs, and result in greater return for the sale of the vehicles.*

*<u>Facilities Maintenance Sustainable Funding Level</u>*

*Facilities Management maintains 22 major facilities, 23 supporting facilities, and the Town Hall Parking Deck. Public Works Facilities Management Division contracts with a consulting firm about every 7 years to conduct a thorough Facility Condition Assessment (FCA). The most recent FCA was completed in FY24 by Alpha Facilities Solutions. The reports (one for each facility) identified current needs after being vetted by staff totaling $14M. The report also identified additional needs over the next five years. The review excluded capital needs related to Fire Station 4, CHPD facility on MLK Jr. Blvd, and Historic Town Hall. Based on a longer term master plan to address the needs, priorities and staff capacity an annual funding level at current value is recommended at $1.65M. Additional consideration will be needed to add staff to this program as we approach the sustainable funding level. The current funding level is $840,000.*

*<u>Street Resurfacing Sustainable Funding Level</u>*

*The current backlog of needs based on the 2024 Pavement Condition Report was $14.67M. It's anticipated that the backlog will continue to increase until a sustainable level of funding of ~$4.8M is reached and which time the condition of the streets will stabilize, and the street ratings will start improving over the following fifteen years to achieve a desirable resurfacing schedule and life cycle cost return. The current backlog and resulting increase in cost to repair and resurface streets is partly related to previous budget cuts during periods of economic downturn or concerns about the state of the economy. The FY25 annual funding level of $818,515 represents 5.6% of the $14.67M backlog, based on the 2024 Pavement Condition Report.*

# 05-21-2025 Town Council Meeting
## Responses to Council Questions

## <u>ITEM #8:</u> Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question:**
In the budget 5/21 presentation "Impact slide", to tell the whole story to the public, please add a column for increase to residential at the revenue neutral rate and a column that shows the total increase.

***Staff Response:***
*Staff have added two columns to represent the revaluation tax bill impact and the total impact with the proposed 5.8 cent over revenue neutral. It is important to note that we have used the average growth increase of 53.4% for residential and 30.2% for commercial properties. However, we can't assume that each property grew by that average amount. Therefore, showing those totals is not fully representative of the taxpayer's tax bill impact.*

**Council Question:**
Can you provide more information on why the upper levels of the parking deck had not been opened and this current status?

***Staff Response:***
*The Elevators at the new deck are not fully functional at this time. We hope to have them repaired by August. Because the deck is not filling up to the top levels there is no reason to open them at this time when the elevators are not fully functioning. In the event the deck begins to fulfill up, we will open those levels.*

**Council Question:**
For the Stormwater Enterprise fund: What is an ERU? What is the current rate? Can you give some data on who will be impacted and how much in terms of dollars annually?

***Staff Response:***
*An ERU is an equivalent rate unit. This relates to the amount of impervious surface on each parcel of land. See chart below:*

| *Impervious Surface Area (square feet)* | *Fee* |
|---|---|
| *0 – 199* | *$0.00* |
| *200 – 1,000* | *$34.97* |
| *1,001 – 2,000* | *$69.94* |
| *2,001 – 3,000* | *$104.91* |
| *3,001 – 4,000* | *$139.88* |
| *4,001 – 5,000* | *$174.85* |
| *5,001 – 6,000* | *$209.82* |

*The current stormwater fee is $34.97 per ERU.*

*All property owners with impervious surface will be impacted by the proposed rate increase. The average number of ERU's for residential properties is 3, therefore the average residential property owner would pay an additional $15.90 annually. The overall impact to the Stormwater budget is an increase of $418,000 which will allow them to pay the annual debt service on the new $3.2 million in G.O. bonds and to add an Analyst position to help with the implementation of the NPDES permit requirements.*

# 05-21-2025 Town Council Meeting
## Responses to Council Questions

## ITEM #8: Open the Public Hearing: Recommended Budget for FY 2025-2026 (Cont'd)

**Council Question:**
In the 5/21 budget presentation "Budget Priorities slide", can you be more specific about how we are 'responding to the current environment' and whether our thinking extends beyond just this next fiscal year?

***Staff Response****:*
*We have considered various scenarios and evaluated the impact of federal funding, decline in sales tax growth, and the reliance on fund balance. Built into this plan is some resilience to get us through the uncertainty ahead. While we hope for financial upturns, we are poised with the changes built into the FY 2026 budget to handle less positive scenarios.*

*Decreasing the Town's reliance on fund balance sets us up for greater budget flexibility in future years. Being conservative now related to future tax growth (with property taxes & sales taxes) will allow the Town to yield the benefit later to address the priorities identified in the five-year budget outlook.*

**Council Question:**
In the 5/21 budget presentation, "5-year Outlook slide", does 'staffing' represent cola or new positions?

***Staff Response****:*
*The staffing priority represents new positions. Pay increases are not addressed in the 5-year outlook as they are evaluated each year as part of the budget process based on what is happening in the market.*

**Council Question:**
In the 5/21 budget presentation, "Proposed budget schedule slide", would you please add the June 4th Budget work session?

***Staff Response****:*
*The June 4th budget work session has been added to the proposed budget schedule slide.*