



APPLICATION FORM

All applications must include the following information. Separate applications must be submitted for each eligible program. **Deadline: June 1, 2016.** Please include this application form with electronic entry.

PROGRAM INFORMATION

County: Hanover

Program Title: Strategic Zoning Initiative

Program Category: Community and Economic Development

CONTACT INFORMATION

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SIGNATURE OF COUNTY ADMINISTRATOR OR CHIEF ADMINISTRATIVE OFFICER

Name: Cecil R. Harris Jr.

Title: County Administrator

Signature: *Cecil R. Harris Jr.*

MAY 2016



STRATEGIC ZONING INITIATIVE

VACo 2016 Achievement Awards

PRESENTED BY: HANOVER COUNTY, VIRGINIA

P.O. BOX 470

HANOVER, VA 23269

STRATEGIC ZONING INITIATIVE

PROJECT ABSTRACT

This application is being submitted to recognize Hanover County's *Strategic Zoning Initiative*.

Economic development remains a top priority for Hanover's Board of Supervisors. The County continually investigates unique strategies to further enhance economic development retention and recruitment efforts. The Strategic Zoning Initiative was developed in response to favorable changes in the Commonwealth of Virginia's real estate taxation enabling statutes related to agriculturally zoned properties.

The Strategic Zoning Initiative incentivizes property owners with land holdings in areas designated for commercial and industrial development to rezone for speculative commercial or industrial purposes, while deferring many of the costs normally associated with rezoning to later in the land development process. The modified rezoning process is streamlined compared with conventional rezoning processes, and yet ensures that 1) the citizens of the County are adequately protected from potential adverse impacts resulting from the rezoning, and 2) defers increased tax assessments until such time as the use, and not just the zoning, changes. Once rezoned, the property is eligible for entry into state, regional, and local economic development marketing data bases. Implementation of this process change has resulted in rezoning approximately 213 acres of land located in prime economic development corridors. The program was first implemented in January 2015.

PROBLEM STATEMENT

Hanover County has a long standing real estate tax policy consistent with state enabling authority that establishes a low property value assessment for land that is designated for agricultural, forestry, and open space purposes. Under the program, properties that undergo a zoning change or change of use that is incompatible with the program are subject to roll back taxes plus interest in deferred real estate taxes. This program is available to property owners meeting certain minimum acreage requirements regardless of where the property is located within the County.

Hanover County, through its comprehensive plan, has identified several areas that are particularly well suited for economic development purposes. Many of these areas contain large tracts of land that participate in the land use assessment taxation program. Historically, there was virtually no incentive for the owners of these properties to seek a zoning change which would enable the properties to be marketed for economic development/investment purposes. Such a zoning change would subject the property owner to the roll back tax plus interest, and a higher annual tax liability in the future, without assurance that the actual use of the property would change from agricultural or forestall use to higher tax and income generating uses. Furthermore, as part of the rezoning process, the property owner is generally required to submit a detailed traffic impact analysis, as well as other studies as circumstances require, that demonstrate the expected impacts arising from the zoning proposal. The cost of these studies is often in the tens of thousands of dollars, further dis-incentivizing the property owner to speculatively rezone the property.

One additional dis-incentive was the cost of submitting a rezoning application. The County's zoning fees included a base fee of \$1,500 plus an additional \$75 per acre. The cost to rezone a 100 acre parcel was \$9,000. This represented a substantial sum in addition to the roll back taxes and interest, and the cost of the requisite studies.

Without the proper zoning in place, properties located in prime economic investment areas of the county were precluded from being actively marketed by state, regional, and local economic development agencies. The county had unintentionally created a significant barrier to rezoning well-positioned properties which in turn significantly hindered the County's economic development efforts.

In 2013 the Virginia General Assembly modified state laws pertaining to land use value taxation which would allow property owners to seek a change in zoning for more intensive uses and not be subject to roll back taxes and interest until an actual change of use occurs. This change in tax law defers the time in which the roll back taxes and interest must be paid to the locality.

Hanover County followed by amending its ordinance to allow for rezoning to more intensive uses, but such uses are limited to the following:

- Manufacturing;
- Transportation and warehousing;
- Professional, scientific, and technical services;
- Hotels and motels; and,
- Professional offices

To further decrease the short-term financial burden of rezoning to promote economic investment, the County reduced its zoning fees from the \$1,500 base fee and \$75 per acre fee to a flat \$1,100.

This changes in tax and fee policies provided the owners some relief, but the cost burdens placed upon the property owner to undergo the necessary studies remained. The County typically requires the applicant to provide a Traffic Impact Assessment (TIA) and a relatively detailed schematic plan of development with the zoning application. Because of the many unknowns associated with speculative zoning, often the traffic study incorrectly estimated the anticipated traffic generation rates, and the conclusions of the study did not reflect the actual scope of development. Further, the schematic plans considered as part of the zoning often differed greatly from the actual plan of development.

As a result of the changes in tax law, the reduced zoning fees, and the ongoing challenge of performing the requisite traffic study prior to an actual plan of development being submitted, the Planning Department, in conjunction with the County Administrator and Economic Development Department formulated the *Strategic Zoning Initiative*.

PROGRAM DESCRIPTION

The *Strategic Zoning Initiative* is a simple and innovative concept. Apart from the aforementioned obstacles, the program is intended to defer the costs associated with performing the various studies from the rezoning stage to the site development stage, which is typically the point in which a use is identified, and the time at which all financial costs associated with development are identified.

The *Strategic Zoning Initiative* addresses these shortcomings in several ways, thus minimizing or eliminating many of the objections from property owners to enter the rezoning process.

Through this initiative, the applicant agrees to:

1. Limit use and development of the property to the uses reflected above;
2. Develop the property to defined architectural and site standards with regard to building materials, buffers, and landscaping. These standards are negotiated on a case by case basis to address community concerns; and,
3. Undertake a TIA prior to site plan approval and construct recommended traffic improvements

To further incentivize a property owner to rezone their property, the County strives to complete the rezoning process within approximately four months of application submittal.

COST OF PROGRAM

There is no additional operating cost associated with this program. Although zoning application fees have been reduced, the marginal decrease in total county revenues will be offset by future tax revenues generated by the projects. There is no capital risk to the county.

PROGRAM SUCCESS

To-date two property owners have successfully completed the zoning process using the **Strategic Zoning Initiative**. The first parcel identified as the “Baldwin Tract” contains 95.93 acres, and is located adjacent to Interstate I-95. The site has access from U.S. Route 1, with a potential future interconnection through an adjacent master planned light industrial/retail destination project. The property owners applied for zoning on January 5, 2015, and the case was approved by the Hanover County Board of Supervisors on April 22, 2015 for a total of 107 days in process. The zoning was changed from A-1, Agriculture to M-2, Light Industrial.

The second property identified as the “Holland Tract” contains 118 acres. The property owner submitted the zoning application on May 4, 2015, and the Board of Supervisors approved the rezoning request on July 22, 2015 for a total of 79 days in process. Based on the two cases, the average days under review is 93. Both the actual time to process and the average days to process are significantly below the four month approval goal. In addition, the process included citizen involvement.

The parcels that were the subject of both zoning actions were adjacent to existing residential subdivisions. The applicants facilitated community meetings to listen to citizen concerns, and they were agreeable to zoning conditions which included increased building setbacks, buffering, landscaping, limits on the height of parking lighting, and limitations on the hours in which trucks can be loaded, all of which will minimize any adverse impacts to those neighborhoods. Both properties are being actively marketed.

In addition, the County is undertaking preliminary discussions with the owners of several properties totaling approximately 1,700 acres under a common assemblage. Should this project be rezoned through the **Strategic Zoning Initiative**, it will contain the single largest assemblage of zoned industrial property within the Greater Richmond Metropolitan Region. In addition to the mentioned projects,

Hanover County Economic Development is actively engaged with several other owners of strategically located property.

WORTHINESS OF AWARD

Hanover County's *Strategic Zoning Initiative* is worthy of an award for several reasons. The program provides incentives to property owners with strategically located property to enter the zoning process. Although significant reduction in front end soft costs save the owner tens of thousands of dollars pre-development, there is no additional cost to County taxpayers. To the contrary, the properties that are zoned under this process will actually create long term tax benefits to county residents through increased employment opportunities, increased real estate assessments, sales tax, personal property tax, machinery and tools tax, and merchants' capital tax.

The process also protects the public health, safety, and general welfare through active citizen involvement. Infrastructure burdens, particularly those related to the county's road system, will be protected through the conditions of zoning. Furthermore, the citizen engagement process ensures neighborhoods are protected from expected impacts through the negotiated conditions of zoning.