

Successful Beach Project Financing

Town of Surf City

Funding Workshop Series #1
November 3, 2012

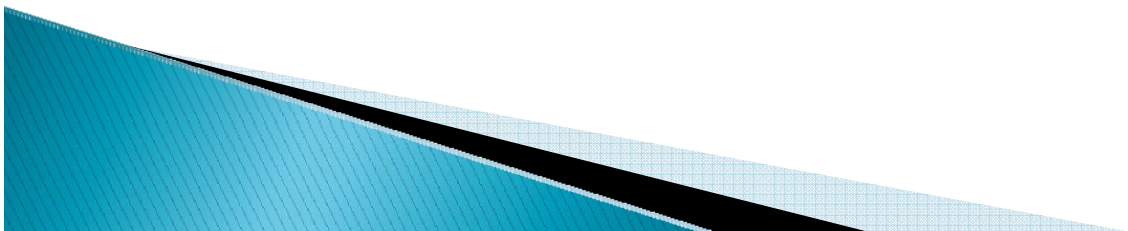
PETER A. RAVELLA, PRINCIPAL
PAR CONSULTING, LLC

Today's Workshop Agenda

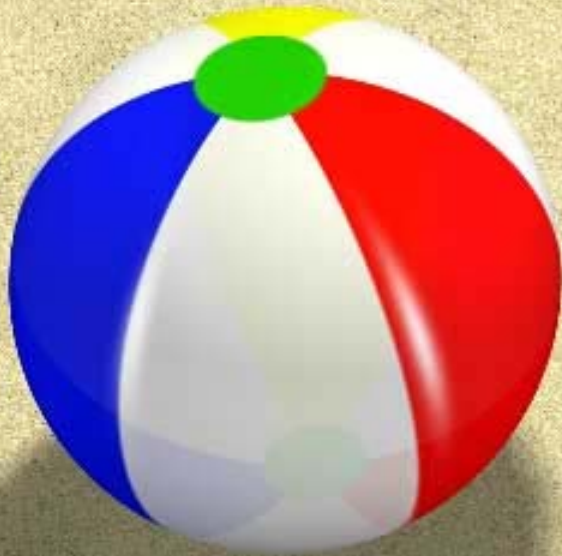
Introduction

- I. Public & Private Benefits of Beaches
- II. Surf City – North Topsail Beach Federal Project
- III. The Topsail Beach Funding Plan
- IV. Secrets to Success

■ Open Discussion



INTRODUCTION



PARC Works with Beach Communities to:

- ▶ Explore and develop funding plans for beach restoration projects
- ▶ Facilitate Discussions
- ▶ Reach out and engage property owners and stakeholders to identify funding approaches
- ▶ Develop Funding Options
- ▶ Recommend one or more Funding Strategies

How we work . . .

- ▶ Ground up process
- ▶ Develop funding strategies through an open community workshop process
- ▶ Expected Timeframe: 6 months
- ▶ Cornerstone of the process: open public dialogue to discover “what is fair and workable” for the community



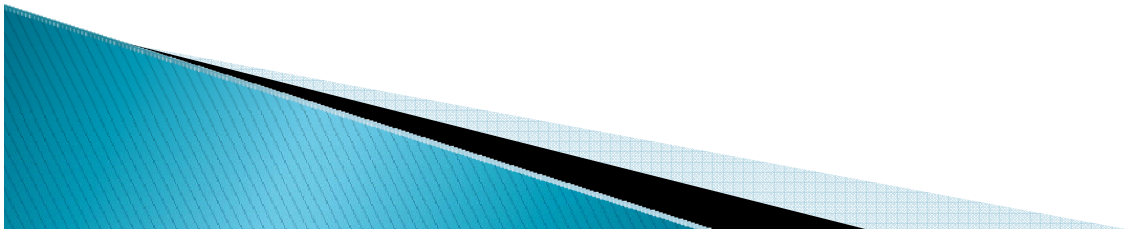
Beach Funding Workshop Schedule

- Nov. 3: Workshop #1, Principles & Secrets
- Dec. 8: Workshop #2, Funding Concept
- Jan. 26: Workshop# 3, First Draft Plan
- March 2: Workshop #4, Second Draft Plan
- April 2: Presentation to City Council
- May 1: Final Report to Council

Note: Each Workshop will be conducted twice on the scheduled day

How You Can Participate

- ▶ Attend and participate in Workshops
- ▶ Review Materials on City's Website
- ▶ Review and Comment on the Draft Plans
- ▶ Call me: 512-784-3565
- ▶ Email me: peter@ravellaconsulting.com



PARC Beach Funding Experience

Successful Funding Plans

- Topsail Beach, North Carolina
- Bald Head Island, North Carolina
- North Carolina Beach & Inlet Management Plan
- Navarre Beach, Florida
- City of Destin, Florida
- Okaloosa Island Florida

Pending Funding Plans

- North Topsail Beach Plan (Completion December 6)

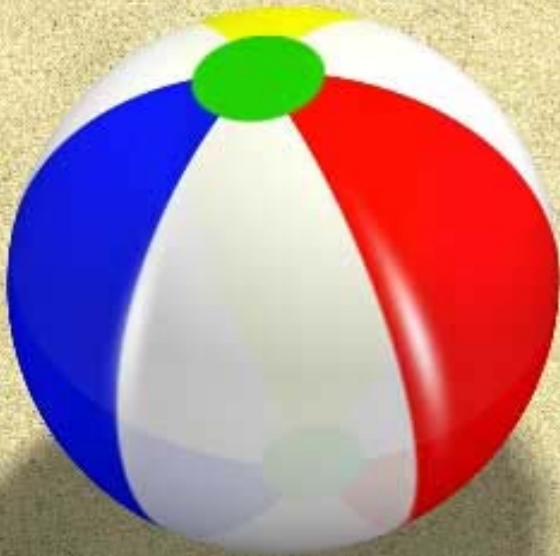
Funding Feasibility Studies

- Charlotte County, Florida
- Sarasota County, Florida



Part I

The Public and Private Benefit of Beaches



There's Nothing Like a Beach

Public Benefits

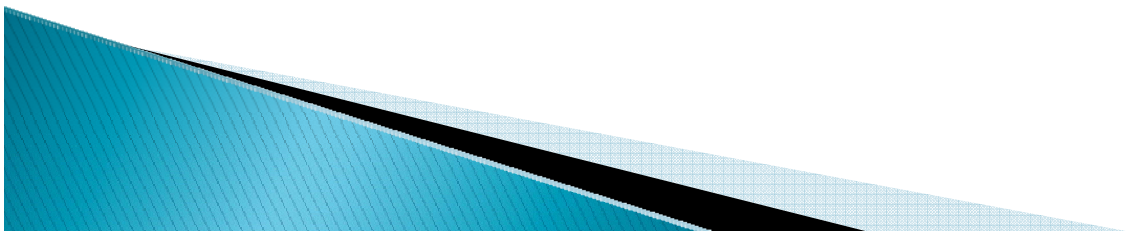
- Community “park”
- Protects Public Infrastructure
- Foundation of the tourism economy
- Drives real estate market
- Expands the tax base
- Increases public revenue

Private Benefits

- Protects Private Homes
- Increases property values
- Increases rental income
- Enhances recreation experience
- Provides “spiritual” benefits
- Great place for young and old to play and enjoy

Dual Benefits of the Beach

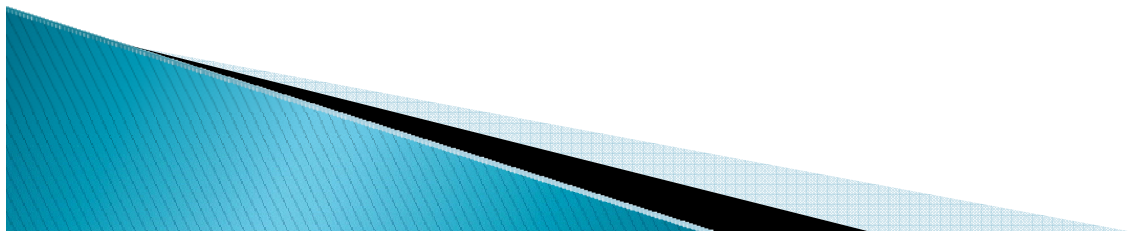
- Successful Funding Strategies must reflect the Public and Private nature of beaches
- Beach Funding Plans Run into Trouble when:
 - “Public benefits” of the beach are emphasized without recognizing the private benefits or
 - “Private benefits” are emphasized without regard to public benefits
- Successful funding plans must recognize and reflect that everyone has a stake in wide, healthy, stable beaches – public and private sector



Build Funding Coalitions

Potential Contributors

- | | |
|---------------------------|---------|
| ▶ State of North Carolina | Public |
| ▶ Pender County | Public |
| ▶ Town of Surf City | Public |
| ▶ Property Owners | Private |
| ▶ Vacation Renters | Private |



Beaches Drive the Economy

Public Economic Asset

- ▶ The beach is main attraction in Surf City
- ▶ Beach brings visitors and drives the economy
- ▶ If maintained, beaches provide a substantial public income stream

Public Benefits

Private Economic Asset

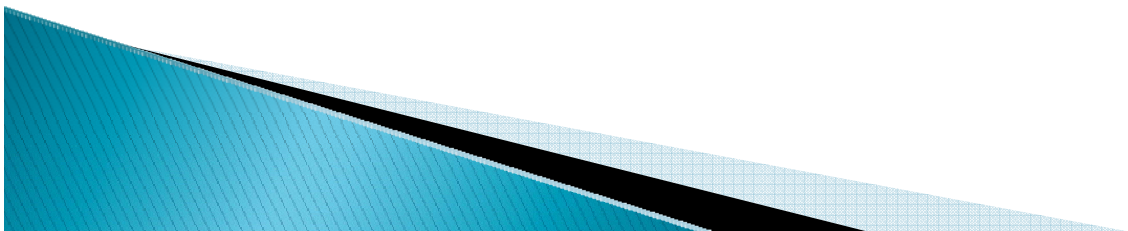
- ▶ Beaches protect property
- ▶ Rental owners are small businesses, generating wealth & income
- ▶ If maintained, beaches protect property values and provide reliable Private Income stream

Private Benefits

PARC

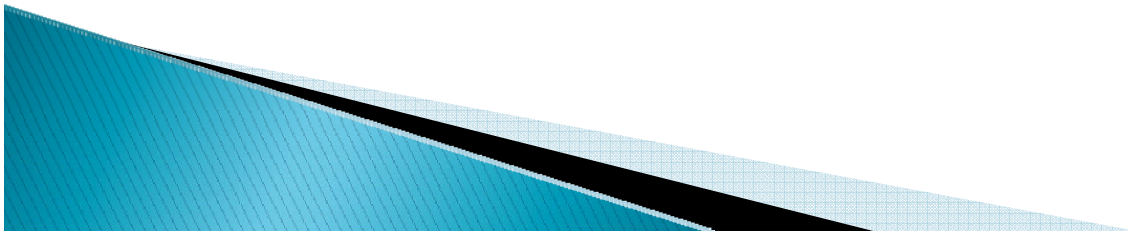
The NC Outer Banks: A World Renowned Destination

- ▶ Cape Hatteras National Seashore 2,193,192
2010 Visitors
- ▶ All Outer Banks Beaches:
 - ▶ Daily Summer visitors 150,000
 - ▶ Total Summer visitors (120 days) 18,000,000
- ▶ Total NFL Attendance 2009: 17,469,552
 - Regular season, 32 teams, 256 games, 68,240 per game
 - Best draw: Redskins – 711,471 folks for 8 home games



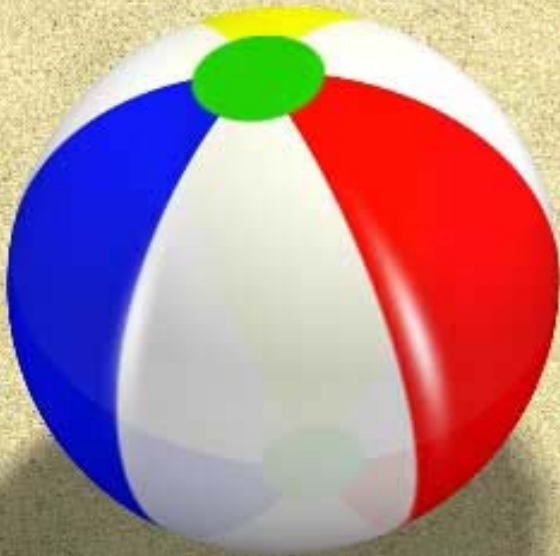
Beach Funding Philosophy

- ▶ The beach is an economic and community asset
- ▶ Erosion is a natural process that can adversely affect public and private property and the economy
- ▶ Beach towns should work together to address erosion as best they can



Part II

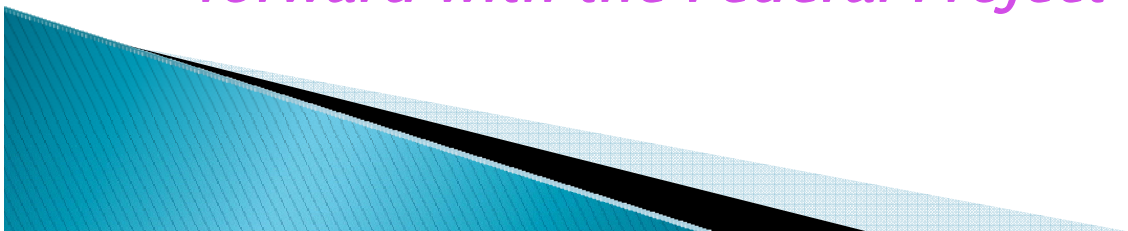
The Surf City – North
Topsail Beach Federal
Beach Project



Federal Projects in North Carolina

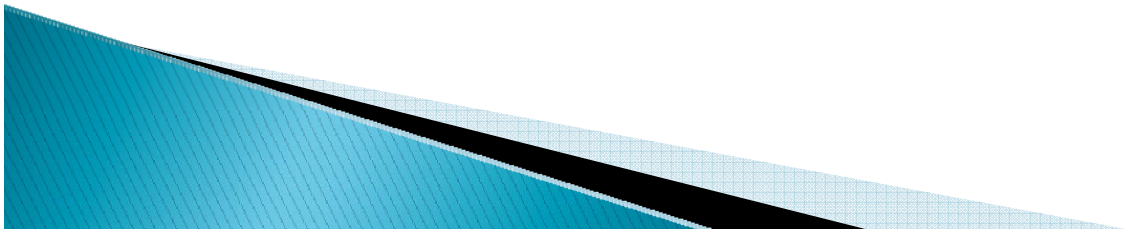
- Wrightsville Beach
- Carolina Beach
- Ocean Isle Beach
- Kure Beach
- Topsail Beach (West Onslow Beach & New River Inlet)
- North Topsail Beach/Surf City (authorized)

Surf City should continue to work with NTB to move forward with the Federal Project



Federal Funding –The Great Chase

- Irregularly authorized through the Water Resources Development Act or WRDA
- Federal Beach Projects Require Congress to Act
 - Reconnaissance Phase Completed
 - Feasibility Study Phase Completed
 - Project Design Authorization Completed
 - Construction Phase Authorization Needed
 - Construction Appropriation Needed



Surf City-NTB Federal Beach Project

- Estimated Cost: \$138 M
- Federal Share: \$ 86 M (up to \$90 M)
- State Share: \$ 26 M
- Surf City Share: \$ 16 M *****
- NTB Share: \$ 10 M

Start Date: 2016 – 2020 (TBD)

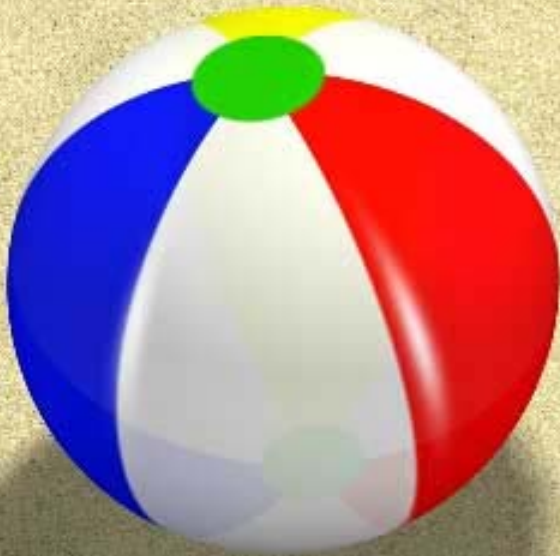
Federal Project: 50 year commitment

Our Task:

- ▶ FULLY EXPLORE THE POTENTIAL LOCAL COSTS OF THE FEDERAL BEACH PROJECT
- ▶ EXAMINE ALTERNATIVE WAYS TO MEET OUR LOCAL MATCH REQUIREMENT
- ▶ RECOMMEND A WORKABLE LOCAL FUNDING PLAN TO THE SURF CITY COUNCIL

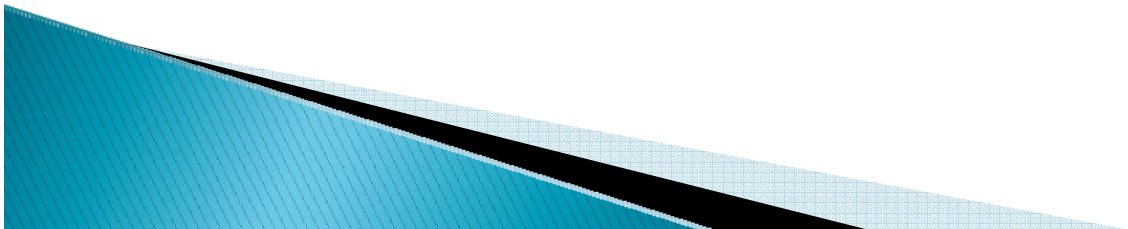
Part III

Topsail Beach,
Funding Plan



Topsail Beach Funding Principles

1. Start Saving Now
2. Maximize State & County Contributions
3. Use *ad valorem* Tax Mechanism
4. Target Cost: \$75/month on a \$500,000 Home
5. Secure “FEMA Beach” Eligibility



Topsail Beach Starting Point

Revenue Source	2010–2011 Projected Amount
Ad Valorem Taxes (4¢ per \$100)	\$169,630
Town Accommodation Taxes	\$167,000
Pender Accommodation Taxes	\$255,000
Pender County Ad Valorem Rebate	\$112,500
Interest Earned	\$ 10,000
Projected Total 2010–2011	\$714,130

Note: NTB starts at about \$780,000 per year

Table 2-3: Funding Sources Other Than Topsail *Ad valorem* Taxes

Other Revenue Source	Annual Amount Expected	Percent of All Revenue Sources	Total Revenue Expected in Saving Period
Annual Fund Interest	\$10,000.00	0.53%	\$50,000.00
State of N.C.	\$567,000.00	30.00%	\$2,835,000.00
Pender County Accommodations Tax	\$255,000.00	13.49%	\$1,275,000.00
Pender County <i>Ad valorem</i> Rebate	\$131,250.00	6.94%	\$656,250.00
Topsail Beach Accommodations Tax	\$167,000.00	8.84%	\$835,000.00
TB Budget Savings	\$ 0.00	0.00%	\$ 0.00
Total	\$1,130,250.00	59.80%	\$5,651,250.00
Needed TB Property Owner Contribution	\$759,750.00	40.20%	\$3,798,750.00
TOTAL	\$1,890,000.00	100%	\$9,450,000.00

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Final Topsail Beach Ad Valorem Tax

Table 2-4: Necessary <i>Ad valorem</i> Contributions From Topsail Beach Property Owners to Support Option 2			
Rate Category	TB Total <i>Ad valorem</i> Value	<i>Ad valorem</i> Tax Rate Per \$100 Value	Annual Revenue Generated
Existing AV Rate	\$639,608,175	\$0.040	\$255,843.27
Additional AV Rate	\$639,608,175	\$0.080	\$511,686.54
Total <i>Ad valorem</i> Tax Rate & Revenue Necessary to Support Option 2		\$0.120	\$767,529.81
Total TB <i>Ad valorem</i> Collections (all saving years)			\$3,837,649.05
Ending Fund Balance (If negative, project is underfunded)			\$38,899.05

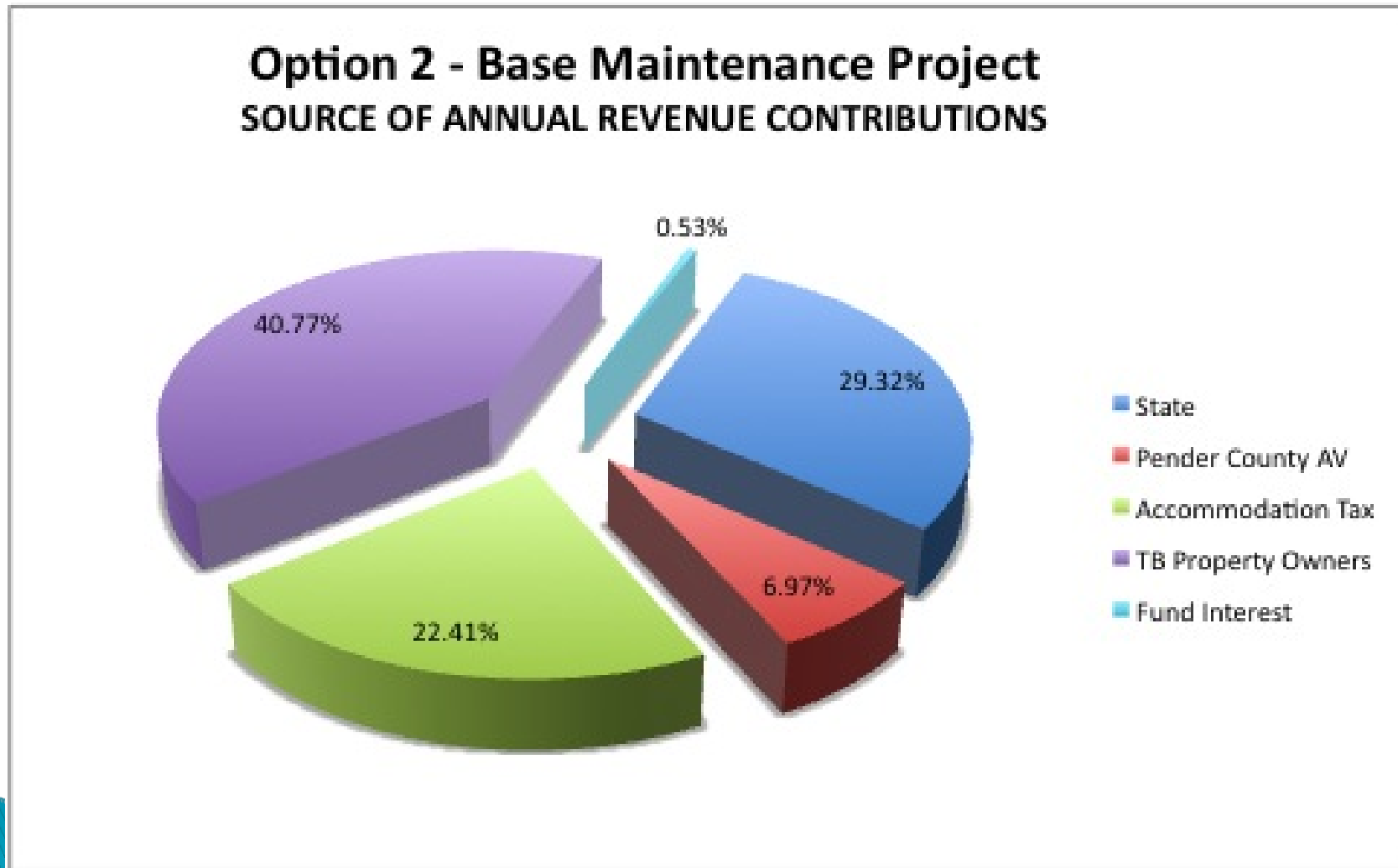
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Final Topsail Beach Property Owner Cost

Table 2-5 Annul and Monthly Cost of Option 2 Property Owners		<i>Ad valorem</i> Tax Rate per \$100 Value	
		\$0.120	
Example	Property Value	Beach Fund Cost	
		Per Year	Per Month
House 1	\$250,000.00	\$300.00	\$25.00
House 2	\$500,000.00	\$600.00	\$50.00
House 3	\$750,000.00	\$900.00	\$75.00
House 4	\$1,000,000.00	\$1,200.00	\$100.00

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Final Topsail Beach Contribution Shares

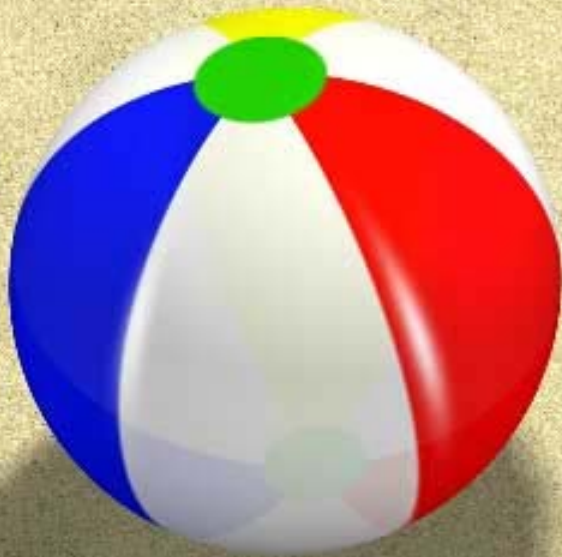


But . . . Every Town is Different

»» What is right for Surf City?

Part VI

Secrets to Successful
Beach Project Funding

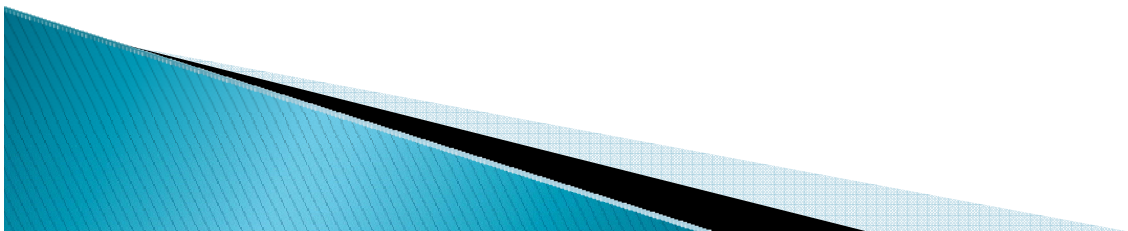


Secret #1: “Discover” What is Fair

Within the Community -- The funding plan must be *“fair and equitable”* in the eyes of most in the community

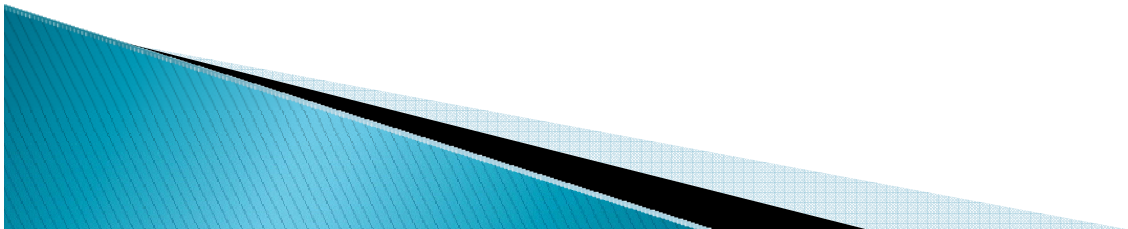
Funding Process -- must be transparent, have wide participation, and discover what is “fair” for the community

At the City Government Level -- Community support must precede local government action



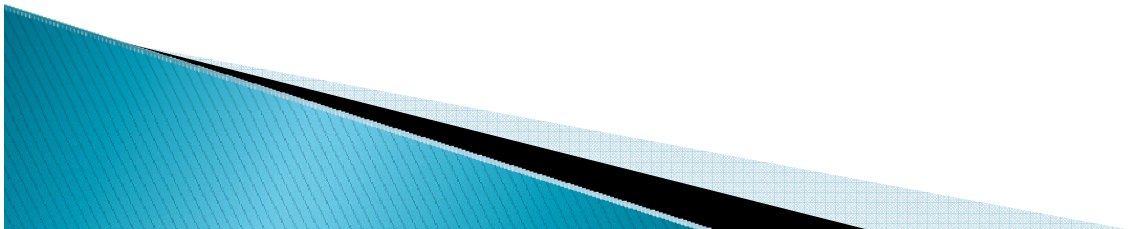
Secret #2: Recognize Each Community is Unique

- **We're all in this together:** Everyone has a stake in the health of the beach
- **Community History Matters:** Surf City currently dedicates 5 cent ad valorem tax to the beach plus occupancy tax revenues
- **Our Work:** Prepare the town financially to build the federal beach project



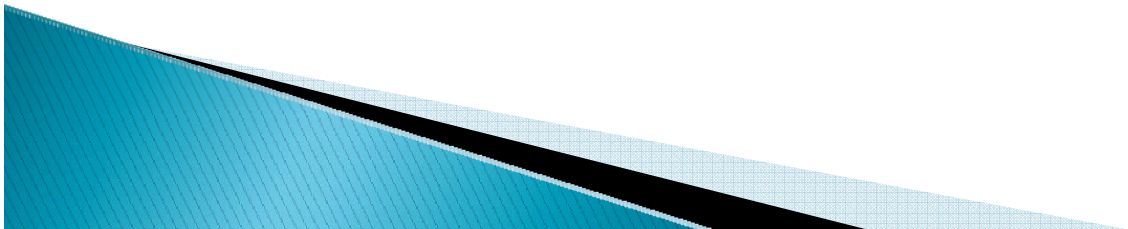
Secret #3: Plan Ahead

- **Time is money**
 - Build Beach Account over time
 - Start saving early
 - Work together to keep the Federal Project Moving
- **The Federal Beach is on-going and savings plan must be too**



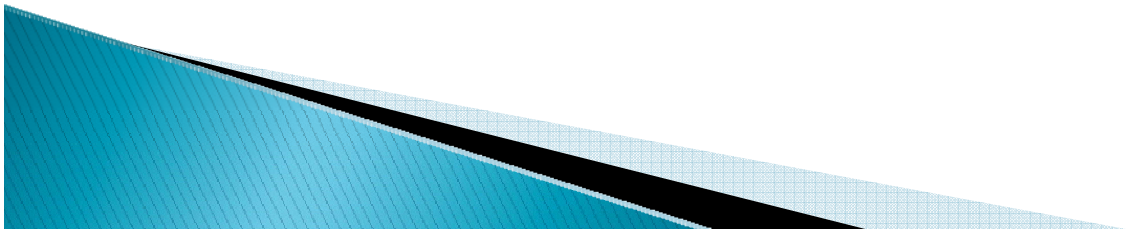
Secret #4: Avoid the Perfection Trap

- Funding Strategies can become complex
- *And the discussions and debate can continue*
- **Best Rule:** Avoid the perfection trap, find a reasonable funding solution that works for you and move forward to implement your federal beach project



Secret #5: Build Funding Coalitions

- | | |
|------------------------------|---------|
| ▶ State of North Carolina | Public |
| ▶ Pender County | Public |
| ▶ Town of Surf City | Public |
| ▶ Beachfront property owners | Private |
| ▶ Off-beach property owners | Private |
| ▶ Vacationers who rent here | Private |



Questions We Need to Answer

- ▶ How much do we need to save?
- ▶ How much time do we have to save it?
- ▶ What is the fair and workable way to raise the money we need?

Open Discussion

(My Turn to Listen)