

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 183 (First Edition)

SHORT TITLE: Repeal Map Act.

SPONSOR(S): Representatives R. Brown, Conrad, Lambeth, and Watford

FISCAL IMPACT					
(\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:					
General Fund Expenditures:					
HF/HTF Revenues:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
HF/HTF Expenditures:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Positions:	0.0	0.0	0.0	0.0	0.0
NET STATE IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local Impact					
Revenues:					
Expenditures:					
	Additional property tax revenues of \$2.7 million annually.				
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation					
EFFECTIVE DATE: Various					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

Section 1 of this bill repeals Article 2E of Chapter 36, which established the Corridor Protection Act, in its entirety. Section 2 makes a conforming change. Sections 3 and 4 repeal provisions that lower the property tax rate on property affected by a corridor map. Sections 5, 6, and 7 make conforming changes.

ASSUMPTIONS AND METHODOLOGY:

A corridor map prevents the property owner from making any changes to property that is located within the map without DOT approval. Currently, the property owner sends DOT a request for a

variance to the property. If DOT does not allow for the variance, then DOT has 3 years to buy the right-of-way.

Corridor Maps

Over time, the Department of Transportation has filed a total of 24 maps, including maps for 15 projects with completed right-of-way acquisitions, 5 proposed projects, and 4 projects under various phases of construction. In addition, the Wilmington Metropolitan Planning Organization (MPO) has filed a map for the Hampstead Bypass and the City of Wilmington has filed a map for Military Cutoff Extension. As shown in Table 1, 4,530 parcels are included in existing corridor maps filed on the remaining 11 highway projects for which right-of-way is not completed, including the Hampstead Bypass and Military Cutoff Extension. Right-of-way costs on these parcels total \$643 million.

TIP PROJECT NO.	COUNTY	DESCRIPTION	RECORD REGISTER OF DEEDS	NUMBER OF PARCELS	ROW UTILITIES COST ESTIMATE	DOT PURCHASES 2015-2020
R-2576	CURRITUCK	MID CURRITUCK BRIDGE (SOUTH OF COROLLA ON NC 12)	07/15/1992	2	\$27,539,000	\$27,539,000
R-2721	WAKE	SOUTHERN WAKE EXPRESSWAY (NC 55 SOUTH TO US 401 SOUTH)	08/06/1996	151	\$56,750,000	\$56,750,000
R-2828	JOHNSTON WAKE	SOUTHERN WAKE EXPRESSWAY (US 401 SOUTH TO I-40)	03/10/1997	161	\$39,900,000	\$0 ****
R-2247	FORSYTH	WINSTON-SALEM WESTERN LOOP (US 158 TO US 52)	10/06/1997	576	\$54,653,000	\$5,359,000 ****
R-2250	PITT	GREENVILLE SOUTHWEST BYPASS (SR 1125 FORLINES ROAD TO US 264)	04/16/2009	258	\$58,760,000	\$58,760,000
U-4751*	NEW HANOVER	MILITARY CUTOFF EXTENSION		120	\$47,650,000	\$47,650,000
R-3300*	PENDER NEW HANOVER	US 17 HAMPSTEAD BYPASS (US 17 O US 17 NORTH OF HAMPSTEAD)		200	\$62,490,000	\$0 ****
U-2519**	CUMBERLAND ROBESON	FAYETTEVILLE OUTER LOOP (SOUTH OF CUMBERLAND COUNTY LINE TO NORTH OF SR 1400)	10/21/1992	406	\$56,400,000	\$56,400,000
		AMENDED	09/11/2001			
		AMENDED	06/06/2006			
U-2525	GUILFORD	GREENSBORO EASTERN AND NORTHERN LOOP (LAWNDALE DRIVE TO NORTH OF I-40/85)	10/07/1996	354	\$14,245,000	\$14,245,000
		AMENDED	03/05/2012			
R-2707	CLEVELAND	SHELBY BYPASS (WEST OF SR 1162 PEACH TREE ROAD TO WEST OF SR 1001 STONEY POINT ROAD)	05/25/2010	417	\$15,450,000	\$0****
U-2579***	FORSYTH	WINSTON-SALEM NORTHERN BELTWAY EASTERN SECTION (US 52 TO US 311)	11/26/2008	1885	\$209,795,000	\$50,595,000 ****
TOTAL				4,530	\$643,632,000	\$317,298,000
* Map filed by MPO, not DOT						
** Number for ROW Estimate was taken from SPOT 3.0 Data						
*** Included R-2247 EB, since that is the interchange w/ US 52 needed to complete U-2579						
**** Plus an unknown amount of advance acquisitions						

Fiscal Impact to the Department of Transportation:

Repealing the Map Act has a minimal fiscal impact during the next five years, but may create significant fiscal impacts beyond FY 2020-21.

From FY 2014-15 to FY2019-20, DOT will partly or completely purchase right-of-way on 8 of the 11 existing corridor maps. As shown in Table 1, DOT estimates buying \$317 million in right-of-way during this time frame. DOT is currently purchasing right-of-way for the Greenville

Southwest Bypass (R-2250) and will begin purchasing right-of-way on the Military Cutoff Extension (U-4751) in April 2015. The draft FY2016-2020 State Transportation Improvement Program (STIP) includes right-of-way purchases on 6 projects with corridor maps, including the Mid-Currituck Bridge (R-2576), the western section of the Southern Wake Expressway (R-2721), a minor section of the Winston-Salem Western Loop (R-2247), the Fayetteville Outer Loop (U-2519), the Greensboro Eastern and Northern Loops (U-2525), and a minor portion of the Winston-Salem Northern Beltway (U-2579). This fiscal analysis assumes that the \$317 million in right-of-way purchases through FY 2019-20 will not be impacted by this bill.

This bill will increase the cost to purchase right-of-way on the remaining projects and on future projects on which maps can no longer be filed if this bill becomes law, but the extent to which the cost will be impacted is not known. Any improvement to a property or subdivision of the property may increase the property value, thereby increasing the cost to DOT to purchase the property in the future. To measure the potential fiscal impact, DOT compared right-of-way costs between the Winston-Salem Northern Beltway (Eastern Section) and the Southern Wake Expressway. Due to the existing corridor map, right-of-way cost on the Southern Wake Expressway is less expensive since the corridor is relatively free of development whereas the Winston-Salem section was developed extensively before the corridor map was filed. The Southern Wake Expressway costs \$5 million per mile. The 17.5 mile long Winston-Salem project is estimated to cost \$12.5 million per mile, 150% more per mile than the Southern Wake Expressway.

Prior to the Strategic Transportation Investments (STI) Act, DOT could easily purchase right-of-way earlier than planned on projects that were not yet scheduled for construction but identified in the Trust Fund legislation. For example, if a property owner wanted to subdivide property to create a housing development, DOT used to have more flexibility to be able to purchase the property to avoid the increase in property value that would be incurred. While legally DOT still has the authority to do advance ROW purchases, STI does not provide a funding mechanism to purchase right-of-way on projects that are not selected for funding in the 10-year STIP. If areas within an existing corridor on projects not scheduled in the STIP become heavily developed, it will either require DOT to pay more in right-of-way costs or require DOT to redesign and/or relocate the project's route.

Table 2 indicates five projects with existing corridor maps will not have right-of-way completed by FY 2019-20. Minimum right-of-way costs on these five projects total \$326 million. Future iterations of the STIP will determine when these projects will be scheduled for construction. While it is assumed the right-of-way estimates will increase to account for minor changes in property valuations, it is not known how much development will incur on these properties as a result of the elimination of the corridor protections. The longer it takes to program these projects into a future STIP, it is assumed the more development will occur and the higher the cost will be to purchase the right-of-way.

TIP	DESCRIPTION	ROW UTILITIES COST ESTIMATE	DOT PURCHASES 2016-2020	REMAINING TO PURCHASE	REMAINING LENGTH (in miles)
R-2828	SOUTHERN WAKE EXPRESSWAY (US 401 SOUTH TO I-40)	\$39,900,000	\$0 ***	\$39,900,000	8.7
R-2247	WINSTON-SALEM WESTERN LOOP (US 158 TO US 52)	\$54,653,000	\$5,359,000 ***	\$49,294,000	14.8
R-3300*	US 17 HAMPSTEAD BYPASS (US 17 O US 17 NORTH OF HAMPSTEAD)	\$62,490,000	\$0 ***	\$62,490,000	14
R-2707	SHELBY BYPASS (WEST OF SR 1162 PEACH TREE ROAD TO WEST OF SR 1001 STONEY POINT ROAD)	\$15,450,000	\$0***	\$15,450,000	12
U-2579**	WINSTON-SALEM NORTHERN BELTWAY EASTERN SECTION (US 52 TO US 311)	\$209,795,000	\$50,595,000 ***	\$159,200,000	16.7
TOTAL		\$382,288,000	\$55,954,000	\$326,334,000	66

* Map filed by MPO, not DOT
** Included R-2247 EB, since that is the interchange w/ US 52 needed to complete U-2579
*** Plus an unknown amount of advance acquisitions

Table 3 seeks to provide a range to estimate the potential fiscal impact to purchase right-of-way on projects that are not currently scheduled for construction if the corridor protection maps are eliminated. Based on DOT’s analysis of the difference in right-of-way cost between the Winston-Salem and the Southern Wake Expressway project, an upper limit of 150% increase in costs is used. Additionally, DOT is considering whether to seek corridor protection on the US 1 Rockingham Bypass, but this analysis assumes no map will be filed. This analysis assumes the future cost to DOT to purchase right-of-way on projects with unknown construction dates will range from an additional \$32 million to an additional \$490 million. As DOT budgets on a cash flow basis, paying increased right-of-way costs will result in projects being delayed in the future.

DESCRIPTION	REMAINING TO PURCHASE	AVERAGE COST PER MILE	10% INCREASE	25% INCREASE	50% INCREASE	100% INCREASE	150% INCREASE
SOUTHERN WAKE EXPRESSWAY (US 401 SOUTH TO I-40)	\$39,900,000	\$4,586,207	\$3,990,000	\$9,975,000	\$19,950,000	\$39,900,000	\$59,850,000
WINSTON-SALEM WESTERN LOOP (US 158 TO US 52)	\$49,294,000	\$3,330,676	\$4,929,400	\$12,323,500	\$24,647,000	\$49,294,000	\$73,941,000
US 17 HAMPSTEAD BYPASS (US 17 O US 17 NORTH OF HAMPSTEAD)	\$62,490,000	\$4,463,571	\$6,249,000	\$15,622,500	\$31,245,000	\$62,490,000	\$93,735,000
SHELBY BYPASS (WEST OF SR 1162 PEACH TREE ROAD TO WEST OF SR 1001 STONEY POINT ROAD)	\$15,450,000	\$1,287,500	\$1,545,000	\$3,862,500	\$7,725,000	\$15,450,000	\$23,175,000
WINSTON-SALEM NORTHERN BELTWAY EASTERN SECTION (US 52 TO US 311)	\$159,200,000	\$9,532,934	\$15,920,000	\$39,800,000	\$79,600,000	\$159,200,000	\$238,800,000
TOTAL	\$326,334,000	\$23,200,888	\$32,633,400	\$81,583,500	\$163,167,000	\$326,334,000	\$489,501,000

Property Tax Impacts

Under current law, vacant property within a roadway corridor is taxable at 20 percent of its appraised value. Improved property is taxable at 50 percent of its appraised value. The fiscal impact of elimination of the preferential property tax treatment is estimated by first calculating the tax levy for roadway corridor property if taxed at 100% of valuation. As shown in Table 1, the right-of-way estimate for the value of all properties is \$633 million. The property tax levy for these properties is calculated by applying the appropriate tax rate for each county to the corresponding cost estimate. If taxed at 100% valuation, this results in a tax levy of \$3.8 million.

The next step in determining the impact of the legislation is to estimate the amount of the tax levy that is due to vacant property and improved property. Based on a survey of tax assessors, the tax levy on improved property is estimated to be \$600,000. Because this property currently is assessed at 50% of its value, elimination of the preferential valuation will result in twice this amount, or \$1.2 million (an increase of \$600,000).

Vacant properties represent the remaining tax value. Subtracting the total tax levy for improved properties (\$1.2 million) from the total tax levy (\$3.8 million) results in a tax levy of \$2.6 million for vacant properties taxed at 100% valuation. Given that these properties are currently taxed at 20 percent valuation, the legislation will result in an increase of 80 percent of the tax levy for vacant properties, or \$2.1 million. Adding the impact for improved and vacant properties results in additional property tax revenues of \$2.7 million.

SOURCES OF DATA: Department of Transportation; NC Association of Assessing Officers

TECHNICAL CONSIDERATIONS: None

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