



Agenda Item Summary Sheet

Item No: **J-1**
Meeting Date: **February 3, 2021**

- Item Title:** Interim Town Manager Greg Sparks - Beach Nourishment Project Funding
- Consideration of initiation of Municipal Service District process
 - Request for formal action to proceed with Beach Nourishment Project

Item Summary:

Consideration of initiation of Municipal Service District process

The Town has recently completed its second beach nourishment project and is preparing for future shoreline management efforts. The Board of Commissioners held a workshop on January 27, 2021 to discuss beach nourishment, including a review of project alternatives to conduct a Hurricane Dorian FEMA restoration project. The board also discussed the merits of placing additional sand to supplement the FEMA project to provide greater project longevity. With both projects the goal is to align the town's projects with the other Dare County towns who are planning combined FEMA/local projects in 2022 and scheduled maintenance in 2027/28.

Two alternatives were considered: Alternative 1 involves a FEMA project supplemented with Coastal Storm Damage Mitigation (CSDM) fund grant revenue. The total sand placement would be 567,000 cu/yds located in reaches 2, 3, and 4. Alternative 2 involves a FEMA+CSDM+Town project placing 1.47 million cu/yds in reaches 1-4 (10 miles). At the upcoming meeting, staff would request that the board finalize its decision regarding the two proposed alternatives (see attached sheet - **Attachment #2** - with required actions).

It was acknowledged by the board that additional revenue may be needed to complete this project. Furthermore, the board discussed future funding strategies for nourishment and noted that additional sources of revenue will be needed for future projects, given rising project costs and the uncertainty of available external revenue sources. The board discussed the merits of creating new municipal service districts to provide additional revenue sources to the town. This would also allow the board to more evenly distribute project costs to portions of the town that realize the greatest benefits. A municipal service district (MSD) is a defined area within a town where additional property tax is levied in order to provide projects or extra services that benefit the properties in that district. The town has demonstrated a number of benefits from beach nourishment and shoreline management activities, including protection of properties on the oceanfront and directly adjacent to the ocean, protection of infrastructure such as roads, waterlines, sewage systems, electrical services, and beach accesses, and maintaining a recreational beach that is attractive and usable by the public, free of structures and debris. These benefits can be assigned to different parts of the community at different levels, with oceanfront properties having the greatest benefit. Properties adjacent to but not directly on the ocean also benefit from reduced flooding and impacts to infrastructure, as well as increased property values due to their proximity to a well-maintained recreational beach. The entire town also receives a series of benefits, but to a lesser extent than these other areas. At its January 27th workshop, the board proposed creating four additional MSDs. These would include the following:

- From Whalebone Junction to Bonnett Street, to include all properties east of US 158
- From Whalebone Junction to the southern town limits, to include all properties in South Nags Head
- From Bonnett Street to Eighth Street, to include all properties east of US 158
- From Bonnett Street to Eighth Street, to include all properties east of NC 12

It is important to note that in order to include a property within an MSD, the project or services delivered must be provided within the MSD boundaries. Therefore, in the future, properties along the oceanfront would be included in two MSDs. It is conceived that the new MSDs could be taxed at a nominal rate to pay for current planning activities as well as to supplement the town's beach nourishment fund balance, which will be utilized to fund a portion of the 2022/23 project.

Attachment #1 is a map showing the current and proposed MSD boundaries. Also included are several slides describing the process for creating MSDs. At the upcoming meeting, staff would request that the board initiate the MSD process by directing the preparation of a report (per State Statute) depicting the boundaries of the proposed MSD, a statement identifying the services to be provided, and plan for providing those services.

Specific Action Requested:

Discuss proposed Municipal Service District(s). Direct staff to prepare the report/map/plan for services.

Respond to request for formal actions to proceed with Beach Nourishment Project - Alternative 1 or Alternative 2 - per **Attachment #2**.

Submitted By: Administration

Date: January 27, 2021

Finance Officer Comment:

Signature: Amy Miller

Date: January 27, 2021

Town Attorney Comment:

I will participate in the discussions as necessary.

Signature: John Leidy

Date: January 27, 2021

Town Manager Comment and/or Recommendation:

Materials provided are in response to the January 27th Beach Nourishment Funding Workshop. I will participate in the discussions as necessary.

Signature: Greg Sparks

Date: January 27, 2021