

FISCAL IMPACT ANALYSIS

**Proposed 2,750-Unit Annexation
Annexation Case: ANX-2026-01
Town of Holly Ridge, North Carolina**

**Independent Financial Modeling Based on
Adopted FY 2025–2026 Budget
and Current Property Tax Policy**

**Prepared for Public Record Submission
Submitted to:
Town of Holly Ridge
Mayor and Members of Town Council
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Executive Summary

This report provides an independent fiscal modeling analysis of **Annexation Case ANX-2026-01** using publicly available documents and the **Town's adopted FY 2025–2026** General Fund budget.

The proposed annexation includes:

- 2,750 residential units
- Approximately 6,500–7,000 new residents
- Minimal early commercial development
- A proposed 50-year Development Agreement

Using the Town's adopted property tax rate of \$0.34 per \$100 and the applicant's published unit counts, this analysis models recurring municipal revenue and recurring service costs at full residential buildout.

Key Findings

Estimated annual property tax revenue at full buildout:

- Residential: **≈ \$3.63 million**
- Minimal commercial modeled: **≈ \$0.12 million**
- Total projected annual property tax: **≈ \$3.75 million**

Estimated recurring annual service cost expansion:

- **≈ \$10.23 million**

Projected structural annual shortfall:

- **≈ \$6.5 million per year**

To offset projected service costs without reducing service levels, the tax rate would need to increase from \$0.34 per \$100 to approximately \$0.93 per \$100 — a 173% increase.

Alternatively, eliminating the projected annual shortfall at the current tax rate would require approximately \$1.9 billion in assessed commercial value.

Given the proposed 50-year Development Agreement, long-term fiscal modeling is advisable prior to final action. This analysis reflects operating impacts only and does not include capital facility expansion or debt service.

Council Summary

Annexation Case: ANX-2026-01

Town of Holly Ridge, North Carolina

The proposed annexation includes 2,750 residential units, approximately 6,500–7,000 residents, minimal early commercial development, and a proposed 50-year Development Agreement.

Current Fiscal Baseline

FY 2025–2026 General Fund: **\$13.63 million**

Current property tax revenue: **\$2.64 million**

Tax rate: **\$0.34 per \$100 of assessed value**

Property taxes currently fund less than 20% of operating expenditures.

Modeled Annual Impact at Full Buildout

Projected annual residential and minimal commercial property tax revenue: **≈ \$3.75 million.**

Projected recurring annual municipal service cost expansion (using a moderate scaling factor): **≈ \$10.23 million.**

Estimated recurring annual shortfall: **≈ \$6.5 million.**

Tax Rate Required to Balance Under Current Structure

Required tax rate: **\$0.93 per \$100.**

Current tax rate: **\$0.34 per \$100.**

Approximate increase required: **173% percent.**

Commercial Value Required to Eliminate the Shortfall at Current Tax Rate

Approximately \$1.9 billion in assessed commercial value would be required to offset a \$6.5 million annual gap.

Minimal commercial currently modeled: \$35 million.

Scale Illustration

The **Surf City Walmart** has an assessed value of approximately **\$4.86 million.**

Offsetting the projected annual gap would **require roughly 393 Walmart-sized commercial properties.**

Consideration: Given the proposed 50-year Development Agreement, Council may wish to consider commissioning a formal cost-of-services study and long-term infrastructure lifecycle modeling prior to final action.

1. Current Fiscal Baseline

Adopted FY 2025–2026 General Fund:

\$13,633,740.67

Current property tax revenue:

\$2,638,400

Current tax rate:

\$0.34 per \$100 of assessed value

Property tax revenue funds less than 20% of total operating expenditures.

2. Projected Property Tax Revenue at Buildout

Assumptions:

- 2,300 homes at \$425,000 average assessed value
- 450 apartments (approximately \$90 million valuation)
- Current tax rate: 0.0034

Estimated annual residential property tax revenue:

≈ \$3.63 million

Minimal commercial scenario (~\$35 million assessed value):

Estimated annual commercial property tax revenue:

≈ \$119,000

Total projected annual property tax revenue:

≈ \$3.75 million

3. Projected Service Cost Expansion

To reflect increased service demand associated with population growth, this model applies a 75% scaling factor to the current General Fund.

$0.75 \times \$13.63\text{M} \approx \mathbf{\$10.23 \text{ million annually}}$

This includes anticipated expansion in:

- Police staffing and equipment
 - Fire and EMS capacity
 - Public works and street maintenance
 - Sanitation services
 - Parks and recreation
 - Administrative staffing
-

4. Structural Annual Deficit

Projected annual property tax revenue: $\approx \mathbf{\$3.75 \text{ million}}$

Projected annual service cost: $\approx \mathbf{\$10.23 \text{ million}}$

Recurring structural annual deficit: $\approx \mathbf{\$6.5 \text{ million}}$

This represents a structural imbalance under current tax policy.

5. Tax Rate Impact Analysis

To generate \$10.23 million annually from the annexed area:

Required tax rate: $\mathbf{\$0.93 \text{ per } \$100}$

Current tax rate: $\mathbf{\$0.34 \text{ per } \$100}$

Increase required: $\mathbf{\text{approximately } 173\%}$

For a \$425,000 home:

Current tax: $\approx \mathbf{\$1,445 \text{ per year}}$

Balanced tax: $\approx \mathbf{\$3,950 \text{ per year}}$

Difference: $\approx \mathbf{\$2,500 \text{ per year}}$

6. Commercial Value Required to Eliminate Gap

To eliminate a \$6.5 million annual shortfall at the current tax rate:

Required commercial assessed value: **≈ \$1.9 billion**

Minimal commercial currently modeled: **\$35 million**

Walmart Comparison

Surf City Walmart assessed value: **≈ \$4.86 million**

Equivalent number of Walmart-sized properties required: **≈ 390-395**

This illustrates the scale of commercial valuation required to offset the projected annual shortfall under current tax policy.

7. Long-Term Fiscal Implications

Assuming approximately 15 years to residential buildout and no tax rate increase:

By Year 15:

Estimated cumulative shortfall **≈ \$55–65 million**

By Year 20:

Estimated cumulative shortfall **≈ \$85–95 million**

By Year 30:

Estimated cumulative shortfall **≈ \$150 million or more**

These projections do not include:

- Major capital expansion
- Infrastructure replacement cycles
- Inflation adjustments

8. Governance Considerations

Prior to execution of a long-term Development Agreement, Council may wish to consider:

- 1. Commissioning a formal cost-of-services study**
- 2. Modeling infrastructure lifecycle replacement costs**
- 3. Evaluating commercial pacing thresholds tied to residential buildout**
- 4. Considering phased vesting benchmarks**
- 5. Evaluating agreement term length relative to buildout timeline**

This annexation represents a generational fiscal commitment.

Disclaimer & Sources

This report is an independent informational analysis prepared using publicly available budget documents, adopted tax rates, and published development materials.

All projections are modeling estimates based on stated assumptions and are not official Town forecasts. This document does not constitute financial, legal, or professional advice.

Readers are encouraged to review original Town documents and consult official municipal materials for authoritative determinations.

Primary data derived from the Town of Holly Ridge Adopted FY 2025–2026 Budget and the Fiscal Impact Brief previously submitted for public record.