

## **Attorney Explains Proposed Village at Lake Norman Infrastructure Financing to Cornelius Town Board Monday Night**

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CORNELIUS, NC – Financing plans for widening I-77 and other needed roadway infrastructure benefiting the Town of Cornelius and the Lake Norman Region were explained to Cornelius Town Board members Monday night (March 3) by David Jones, an attorney for the developer of the Village at Lake Norman, Cornelius Bromont, LLC.

Jones, who is experienced in the public financing of real estate infrastructure projects, pointed out that all infrastructure improvements proposed by Cornelius Bromont are to be financed using new property taxes generated by this project alone, over a period ending about 22 years after the proposed buildings are completed.

Jones, a partner with the Charlotte law firm of Kennedy, Covington, Lobdell and Hickman, explained, “The principal benefits of our proposal are:

- “The Town of Cornelius gets much-needed road infrastructure.

- “The entire region gets a widened I-77 corridor between Exits 23 and 28 nearly a decade sooner than otherwise likely.

- “The source of funding is new incremental tax revenue generated solely by the Village.

- “If new incremental taxes are insufficient, the risk is borne by the developer.

- “The Town incurs no debt. The Town will have no legal obligation to make any payment from any source other than new incremental taxes generated solely by the Village.”

Jones noted that the current tax value of the Village property in its undeveloped state is \$5,506,774. At current tax rates, this property generates a combined total of \$61,329 per year in Town and county property taxes.

Cornelius Bromont commissioned Economics Research Associates (ERA), a nationally noted independent research firm, to do an analysis of the economic impact of the Village in its fully developed state. “ERA has done a number of similar studies over the years and has been engaged by Mecklenburg County to do similar analyses for other projects,” Jones said.

Based on the developer’s plans for the buildings on the Village site, ERA projects that, upon completion, the total value for property tax purposes will be \$515,594,575. “This is nearly 100 times the current assessed value,” Jones observed. “The developer expects to achieve this full build-out by 2016.”

He then added, “As the proposed new development results in a nearly 100-fold increase in assessed value, it follows that the taxes generated will increase nearly 100 times as well, to approximately \$5,742,177 annually for the County and Town. The financing we are proposing uses this newly generated property tax revenue to fund the costs of the road improvements the Town and region needs now.”

Jones said, “The developer will borrow the funds needed to pay for the construction and then use the new property tax revenues to repay the loan.” He recommends dividing the roadway improvements into two categories: I-77 widening, a regionally significant benefit; and “local

road improvements” such as Highway 21, the Westmoreland interchange, Westmoreland Road widening and many other locally significant improvements.

“In our view, the County and State need to take responsibility for the I-77 widening,” Jones told the Town Board. “The interstate highway system is a responsibility of the State to fund. In other parts of this zoning case, the point has been made that due to the region’s non-compliance with federal air quality standards, this region will begin to lose federal highway dollars in 2020” unless necessary improvements such as widening I-77 are made by that time.

The widening of I-77 is needed to reduce “car-idling times” and thereby improve local air quality, Jones said. “This project is on the TIP (Transportation Improvement Program) for completion in 2020, but no funds have been appropriated.”

Because of the federal air quality requirements, “the financing of the I-77 widening ought to involve the County and State,” Jones said.

The development team proposes that the County should finance the initial construction costs of the I-77 widening, currently estimated by Whiting-Turner and Kimley-Horn Associates at \$23.7 million, through the issuance of bonds known as Certificates of Participation (COPs) in 2009 or 2010. The County already issues COPs annually to fund a variety of public projects.

“The County would make the proceeds of the bonds available to the developer, as needed to pay for the I-77 widening costs,” Jones said. “All payments... would be monitored and approved by the County to insure that the funds are being properly spent on roadway improvements.”

The development team proposes that “the State fulfill its obligation by agreeing to repay the County’s COPs debt in full in 2020. This amount, approximately \$23.7 million, “allows the State to fulfill its obligations today, in today’s dollars, but not pay for it until 2020, when the costs would likely be double or triple this estimate. This is basically a layaway plan for the State: get the improvements now with no money down and pay for them later at today’s costs.”

Funding of the costs to improve Highway 21, Westmoreland Road, a new Bailey Road flyover bridge and other “local roads”, currently estimated to total \$56.2 million, would be financed by the developer, with money borrowed privately or from other sources obtained by the developer. These costs would be reimbursed to the developer using the new property taxes generated by the Village, he explained.

Those new property taxes would be allocated based on a “waterfall” of uses, with highest priorities first.

-First would be \$61,329 to the County and Town. This is the amount currently being collected in property taxes.

-Second would be payments estimated at \$1,681,573 to Mecklenburg County for the debt service on the COPs bonds.

-Third, 25 percent of the new tax revenue to the County and Town, estimated at \$1,435,544 per year, to cover expenses associated with the new development, such as police, fire service, etc.

-Fourth, the remaining 45 percent of the new tax revenue to reimburse the developer for the costs of local road improvements. This would be about \$2,563,671 a year, thus taking about 22 years to repay the full costs of \$56.2 million for local road improvements.

“It’s important to note that this would be the last 45 percent in the priority list,” Jones said. “So if the development is only slightly more than half as successful as anticipated, all payments to the County and Town are fully funded.”

Jones pointed out that this proposal:

-“Doesn’t use any current tax revenue of the Town or County.

-“Doesn’t seek any of the substantial sales tax or hotel/restaurant taxes to be generated by the Village.

-“Doesn’t create any Town debt.

-“Doesn’t provide for any payment to the developer until after the Town and the County get all payments due to them.”

In conclusion, Jones said, “the financing proposal for the road infrastructure improvements has been designed to keep all financial risks squarely on the developer.”

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