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CITY OF STATESVILLE COUNCIL WORKSHOP MEETING – September 3, 2009

CIVIC CENTER MEDIA ROOM - 10:00 A.M.

STATESVILLE, NORTH CAROLINA

Mayor Kutteh presiding:

Council Present: Eisele, J Johnson, M Johnson, Steele, Stallard, Huggins

Staff Present: Hites, Craddock, Salmon, Gaines, Bullins, Smyth, Pressley, Hutchens, Hudson, Byerly, Ashley

Media Present: D Vieser – Charlotte Observer;

Others Present: Tom Scott, David Guy, Sean Calloway, John Laughlin – GS Carolina; Dale Stewart – Land Design; Gardnyr Michael Capital, Inc. – Pfil Hunt Greenfield Partners – Jim Duszynski; Chris Thomas - Childers Cline

Mayor Kutteh welcomed everyone to the meeting and recognized Tom Scott to lead the group through the power point presentation (Incorporated into minutes by reference)

Tom Scott reviewed the significant changes and challenges that have occurred since the original approval in June 2008. He stated that he is very excited about Larkin. G.S. Carolina has started to see movement in home sales in Charlotte. He advised his company had to regroup based on the national economy and the recession to find alternative ways to adjust to the market.

Mr. Scott advised the acquisition of the Tucker property is now complete. They have moved through the zoning and annexation process.

Mr. Scott advised the revised site plan moves traffic off the interstate directly to the round- about. The revised site plan will be in front of Council September 21, 2009. He explained they felt it was important to have the Larkin branding. There needs to be a strong sense of arrival when someone exits the interstate. Larkin now expands over 1,000 acres. With Greenfield there is now a \$ 48.5 million investment in Larkin.

Dale Stewart advised he has been working with the staff on a major sewer design. He thanked staff for their cooperation. Mr. Stewart explained they needed a 3- mile extension of the water system from the existing major line that is located at the golf course on Amity Hill Road. The extension will go all the way out Amity Hill Road and under the interstate. This design has been through staff review and environmental health and both have approved.

Mr. Stewart advised that the traffic impact analysis was approved in February. In developing the round-about they have been working with Congestion Management in Raleigh. In order to get this approved we had to be able to go to the next step and demonstrate a modified round- about to bring the existing ramp to line up with the round-about. The interchange modification process is very slow, probably 6-9 months. Currently we will leave the ramps in their existing locations. We will switch the ramp to the round- about when the interchange modification process is completed. The next step is the actual execution of the agreement with DOT for the license. We have received the draft of the document and it is currently being reviewed.

Mr. Stewart gave updates for the Third Creek Plant. The original concept was to run a trunk sewer somewhere along the existing sewer at IL Creek. Troutman has a pump station on the police site and they pump over the ridge to the plant. Larry Pressley suggested looking at following along IL Creek and back into the plant. This will allow a

broader potential service area and more future service areas for the city. We are done with the analysis. We have worked with McGill Engineers to complete this plan. The trunk sewer lines have gone through the process of upsizing and staff has been provided the cost to upsize the lines.

Council member Steele asked Mr. Scott how the retail recruitment was going. Tom Scott acknowledged recruitment has been slow. They have talked to a lot of retailers. By switching to this plan we can pick up some of the rooftops and get infrastructure on the ground. If a certain retailer wants to open in 2011, currently we can't serve them. This is due to the economy. It is critical to be able to offer a pad to the retailer such that they could get a building permit.

Council member Steele asked if the plan is still to have high end retail. Mr. Scott confirmed that it was.

II Meet Greenfield Partners

Jim Duszynski advised he has spent 30 years in the business. Most of his development career has been spent in Washington DC with master plan communities, a lot like Larkin. He has known the Greenfield Partners for 15 years.

Greenfield Partners was formed in 1997 to achieve long-term excellence in the real estate investment business. One objective was to build and retain a team of talented individuals with unparalleled dedication to their work and to each other. The second goal was to create a culture to anticipate and adapt to changes in the investment environment.

Greenfield has two investment vehicles. One is the opportunity fund. Opportunity funds are generally fairly short-term. Larkin is funded by the land fund. The land funds are 20-25 year investment vehicles. The land fund is perfectly suited for large master plan communities like Larkin.

These are the types of projects that someone spends an entire career building. He advised that he is comfortable with where Larkin is today. Normally, projects that have been foreclosed have large debt associated. Larkin has a very small amount of debt (\$2 million) relative to capital (\$50 million). This project is perfectly situated. Entitlements will be ready in phased measured steps.

III Discuss Special Assessment District for Larkin w/bond agents

Pfil Hunt explained the Special Assessment District and how it works. The plan is to bring back a proposal to Council which would create such a district for Larkin.

Pfil Hunt stated the Special Assessment District is an entity to finance and construct the public infrastructure. He explained this gives the developer tax exempt bond financing which is used to fund the public infrastructure. It has a long term fixed rate bond issue (30 years). It is backed by assessments on land/lots. The special assessments are paid by owners of property within the district. There is no liability to the City. He explained the process of creation and financing.

Mr. Hunt stated the advantages of Special Assessment District Financing to residents are that growth pays for growth. This protects residents who pay from those that do not and it protects the residents from failure by the developer. This method provides a cost-effective mechanism to provide community and subdivision-level infrastructure. It ensures that residents only pay for the amount of benefit they receive as long as they receive it. He also stated that one step North Carolina has that other states don't is the

LGC (Local Government Commission). The LGC approves all debt issuance in the state of North Carolina.

Mr. Hall reviewed the process of creation and financing to the group. He explained there is no risk to the City. The infrastructure is built sooner and therefore the tax base increases sooner. Tax receipts to the city will increase sooner. The improvements may be delayed 5 years without this financing. Conventional financing is not available today.

Mr. Hall stated a TIF (Tax Increment Financing) is a city or county deal right from the start. It takes ad-valorem taxes out of the city's general fund. In a TIF the ad-valorem base is set for the year. Any increased ad-valorem taxation that comes along over time as a result of the development goes back to pay the debt. TIF's normally have city back-up or guarantee because no one knows exactly when the development will get done or how fast the ad-valorem taxes will increase.

The SAD (Special Assessment District) is developer financing and they are the only ones liable. A non ad-valorem assessment layer is applied on top of the tax.

Someone asked about the potential for selling bonds. Mr. Hall advised they sold a deal some months ago in Alabama with 589 residential lots. It didn't have near the capital stack or experience that this team does. There are 2-3 buyers left in the market that are interested. The chances of selling bonds for this project are very high.

Mayor Kutteh noted this is a very expensive proposition. The project has a great capital investment. He asked why it is better to go through this cumbersome process than to just use investor money. Mr. Hall replied that basically this is a very patient form of financing. What happens is that everyone pays their fair share. Suppose that a lot is valued at \$ 50,000. What we are doing is taking off the layer for infrastructure and handling that with separate financing. This gives the ability to drop the price of lots. Everyone who moves into the community pays the assessment.

Mr. Duszynski added that equity investors are looking for a high return on their investment. When we look at a master plan like this we consider equity, investment, bond financing and commercial financing and when it is available. This is a cumbersome process and has the expense of establishing the district but over the long term added value returns to the equity investors. What we are talking about today is the approval of the Special Assessment District. We have the entitlements in place, everything is ready to go. The pad can be ready in 18 months and we can start talking to builders.

City Manager Hites asked if the SAD district structure is similar to a fire district. Mr. Hall replied yes. Mr. Hites asked if it has a governing body. Mr. Hall replied no. Mr. Hites asked who handles the foreclosures. Mr. Hall noted they keep assessment rolls. This is more like a home owners association than government law. Foreclosures are handled by the property appraiser's office.

Council member M Johnson advised the city has 27,313 investors. We are making commitments based on Larkin. If this is done by conventional means as opposed to issuing bonds there are timing issues that need to be clearly understood. The City is under a tight window for expansion of the sewer plant. The City will have to pull the trigger or the cycle of costs could potentially increase significantly based on additional regulations. How do we both get on the same page?

Tom Scott replied that he is going to file the request for the SAD to the City as quickly as possible. If we sell the bonds or find a bank to take the deal we are ready to go.

Council member M Johnson noted the developer must make interstate improvements. If for whatever reason the bond issue isn't successful you still have to do those basic fundamental things. Are you prepared without the bond issuance to move forward?

Jim Duszynski replied that when the market validates it and the retailers and buyers are there then we are ready to move forward. He noted the bond holders are saying they would like to see some existing residents in the community.

Council member M Johnson advised the developers that there is capacity for you in the sewer plant. There is a small window of opportunity to improve that plant now without additional layers of more regulations.

Tom Scott stated the schedule is still the same. Phase 1 will begin next year.

Mr. Hunt added that if the bond market blows up that we can ask the City to pass a reimbursement resolution and Greenfield puts up the money and gets their money back later.

Mr. Hites noted that when his team studies debt instruments for the sewer plant they are seeing 10-15 years placements as the top they can get. What types of debt instruments are you looking at?

Mr. Hall advised it is strictly a 30 year fixed-rate bond issuance based on the assessments. Mr. Hites confirmed that the burden is to the partnership to sell the bonds. Mr. Hall agreed. Mr. Hites advised that in North Carolina we don't issue the bonds. We authorize the LGC to go out and find a buyer on our behalf and they do a bond sale.

IV Discuss cash-in-lieu contribution for public safety site

Tom Scott discussed the potential government service facility. Dale Steward noted that Land Design was selected to work with DSDC and the redevelopment of downtown. A potential site for the government service facility is anchoring the southern end of the district at the junction of Hwy 115 and Amity Hill Road. One thing is that a catalyst would be an investment by the City in a governmental project or building. One thing needed is another EMS facility. The original plan was for a site to be dedicated inside Larkin for the EMS facility. This would provide the ability to serve as the development is expanded. One thing that came out of the downtown planning is to move the site to where it could serve Larkin. This would also enable Larkin to show their long term interest of the community.

Tom Scott advised they had previously agreed to donate a site. They are now prepared to make a \$500,000 donation to the City for that government services facility. Clearly it is a bigger investment than 2 acres of land as proposed in the original agreement.

Tom Scott asked Council if there were any questions.

Council member M Johnson referred to the discussion about routing sewer down IL Creek. He asked if that allows the city to serve all the area. Larry Pressley replied that anything that lies within the basin can be served. We can serve the entire boundary agreement with Mooresville. Council member M Johnson asked if staff has done calculation on this route as opposed to the original route. Dale Stewart stated the value was virtually the same. Mr. Stewart noted the difference is to upsize the lines. Larry Pressley estimated the upsizing of the lines would cost \$1.6 million which would complete our boundary and take us to the limits of the agreement with Troutman.

Mayor Kutteh commented the most important factor for everyone was what Tom Scott said about the government service facility. People in this room had the wisdom and foresight to negotiate for a better site; they had the wisdom to know that was not the place to locate the EMS station; people in this room had the wisdom to know a cash contribution would be better. It took collective wisdom of all involved to accomplish this. He thanked everyone in the room for their contribution.

Council member M Johnson invited everyone to attend Land Design Downtown plan when it is revealed on September 14th.

There being no other business Council member Steele made a motion, seconded by Council member M Johnson to adjourn.

Mayor

ATTEST:

City Clerk