

Resolution Making Application to the Local Government Commission

The City Council for the City of Roanoke Rapids, North Carolina met in a regular meeting in the Lloyd Andrews City Meeting Hall in Roanoke Rapids, North Carolina, the regular place of meeting, at 7:00 p.m. on February 28, 2006.

Present: Mayor Drewery N. Beale, presiding, and Council Members Reggie Baird, Jon Baker, Carl Ferebee, Ernest C. Bobbitt and Ed W. Deese.

Absent: None.

Also present: Rick Benton, City Manager; Phyllis Lee, Deputy City Manager; Glynn Rollins, City Attorney; Lisa B. Vincent, City Clerk; and McLinda Hite, Finance Director.

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RESOLUTION REQUESTING THE LOCAL GOVERNMENT COMMISSION TO APPROVE THE ISSUANCE BY THE CITY OF ROANOKE RAPIDS OF PROJECT DEVELOPMENT FINANCING DEBT INSTRUMENTS IN AN AMOUNT OF APPROXIMATELY \$21,500,000 TO FINANCE IMPROVEMENTS TO BE LOCATED AT THE CAROLINA CROSSROADS MUSIC AND ENTERTAINMENT DISTRICT AND TO SELL AT PRIVATE SALE BOND ANTICIPATION NOTES IN AN AMOUNT NOT TO EXCEED \$4,000,000 IN ANTICIPATION OF THE ISSUANCE THEREOF, ALL PURSUANT TO THE TERMS OF A BOND ORDER ADOPTED CONCURRENTLY HEREWITH

WHEREAS, the City of Roanoke Rapids (the "City") has concurrently herewith adopted a resolution creating the Carolina Crossroads Music and Entertainment District, as a development financing district created under the provisions of G.S. 158-7.3 of the North Carolina General Statutes, as amended (the "District Act"), and approving the development financing plan (the "Plan") for the District pursuant to the District Act; and

13854

WHEREAS, pursuant to the Plan the City intends to issue project development financing debt instruments in an amount of approximately \$21,500,000 pursuant to Article V, Section 14 of the North Carolina Constitution and Article 6 of Chapter 159 of the North Carolina General Statutes, as amended (the "Financing Act") to finance certain of the public improvements associated with the private development projects to be located within the District, such improvements consisting of a new 45,000 square foot, 1,500 seat theater to be located in the District and to be known as the "Randy Parton Theater" (the "Theater Project") said theater to be leased to a private party for operation; and

WHEREAS, pursuant to the Plan the City intends to issue not to exceed \$4,000,000 of Bond Anticipation Notes; in anticipation of the issuance of the project development financing debt instruments; and

WHEREAS, the City has concurrently herewith adopted a bond order authorizing the issuance of the project development financing debt instruments and the Bond Anticipation Notes; and

WHEREAS, pursuant to G.S. 158-7.3(g), the action by the City to create the District does not become effective until the City's application to issue project development financing debt instruments has been approved by the Local Government Commission of North Carolina (the "Commission") pursuant to the Financing Act and the City desires that the Commission so approve such creation and issuance of project development financing debt instruments and bond anticipation notes in anticipation thereof; and

WHEREAS, the City has determined it is in the best interest of the City to sell the bond anticipation notes at a private sale without advertisement to Bank of America, N.A. at an interest rate to be approved by the Commission in connection with the sale of the bond anticipation notes.

NOW, THEREFORE, BE IT RESOLVED by the City Council for the City of Roanoke Rapids as follows:

1. The City Council hereby requests the approval of the Commission of the City's application to issue project development financing debt instruments pursuant to the Financing Act and the Order. In connection therewith, the City Council makes the following findings and determinations in support of the application and hereby states the grounds for such findings and determinations:

(a) The proposed project development financing debt instrument issue is necessary to secure significant new economic development for the District.

The Theater Project will be the major entertainment anchor and centerpiece of the Carolina Crossroads Music and Entertainment District. A

13855

market feasibility study conducted by Economics Research Associates in April 2005 concluded that the Theater Project is a market-viable attraction concept given certain assumptions were made. Those assumptions have been effectively addressed throughout the development of the District concept. Economics Research Associates also prepared the Carolina Crossroads Music and Entertainment District: Financial Plan and Economic Impacts as of December 13, 2005. The plan outlined the following economic impacts of the District, of which the theater facility is the anchor:

- \$257 million total investment
- 2433 FTE jobs
- \$50.7 million annual payroll
- 2300 direct construction jobs
- \$76.4 million payroll
- 3300 direct and indirect construction jobs
- \$102.7 million payroll

A regional impact study has also been conducted by the Center for Competitive Economies at UNC-Chapel Hill. This study cited the following impacts, based on \$129 million in investment:

- \$533.6 million in increased industry output
- 12,250 increased employment
- \$204.7 million in increased labor income

The study is being updated to reflect the most recent investment estimates.

Development of the entertainment district has been a collaborative effort between the City, Halifax County Tourism Development Authority, Roanoke Valley Chamber of Commerce, Roanoke Rapids Sanitary District, and the private developers. Of the \$257 million estimated level of investment in Phase I, about 6% is public and 94% is private. The theater facility represents only 5% of the total investment. The \$257 million total investment represents about 28% of the City's current tax base.

(b) The amount of the proposed project development financing debt is adequate and not excessive for the proposed purpose of the issue.

The amount of the debt is adequate and sufficient to cover the cost of construction of a 45,000 square foot, 1500 seat theater, certain start-up costs, and the cost of issuance. The cost of the Theater Project is estimated not to exceed \$15,885,000 which includes \$3,000,000 for start-up costs. Reimbursements for

13856

expenses to the City are \$700,000, and the remainder of the costs (\$4,915,000) being costs of issuance, debt reserve requirements, and capitalized interest.

(c) The proposed projects are feasible.

The market feasibility study conducted by Economics Research Associates in April 2005 cited the Theater Project as a market-viable attraction concept given certain assumptions were made. Those assumptions have been effectively addressed throughout the development of the District concept. The concept has

been further strengthened by the commitments of associated private development, representing an estimated \$257,000,000 in investment.

(d) The City's debt management procedures and policies are good.

The City of Roanoke Rapids follows all guidelines for a uniform system of budget adoption, budget administration, reporting and fiscal control as required by the *Local Government Budget and Fiscal Control Act*. The City's accounting records and internal control practices are audited annually by an independent certified public accountant. This audit is done in conformance with generally accepted auditing standards. The City consistently receives an unqualified opinion, and has had no findings or questioned costs.

The City of Roanoke Rapids' annual budget includes an appropriation equal to the City's annual debt service requirements. The City consistently makes timely payments on its debt and has never defaulted on any debt obligation. As of February 28, the City's net outstanding debt totaled \$1,953,488 or .2 percent of the June 30, 2005 assessed value of all property subject to taxation. After the issuance of approximately \$21,500,000 in project development financing debt instruments, the City's outstanding debt will total 2.6 percent of the June 30, 2005 assessed property value.

(e) The private development forecast in the development financing plan would not be likely to occur without the Theater Project to be financed by the project development financing instruments.

One of the assumptions of the market study by Economics Research Associates pertained to the critical need for private development to sustain the theater operations. The theater was the initial concept for the centerpiece for the music and entertainment district, and the private development and investment surrounding the theater has come after the announcements of the theater facility. The theater will be leased and operated by Randy and Deb Parton, a well-known and respected family in the country music industry. Support for the theater has been nationwide, and includes friends and associates of the Parton family. The

13857

theater investment represents only about 4% of the total development of the District. The theater (45,000 square feet) represents only 2.7% of the total square footage of the proposed development within the District.

(f) The proposed project development financing debt instruments can be marketed at reasonable interest cost to the issuing unit.

The City and its bond counsel have been negotiating with Bank of America, N.A. for the issuance by the City and purchase by Bank of America, N.A. of bond anticipation notes to finance certain start-up and development costs

to date. Such notes will bear interest at short-term interest rates, which are near historic lows. In addition, the City and its bond counsel are negotiating with Bank of America, N.A. to create a financing package for the bonds to be issued in 2007 at the best obtainable rates to the City. The City is reviewing the possibility of entering into an interest rate hedging arrangement with Bank of America, N.A. in the next few months under which the City would be able to establish the effective interest rate on the Bonds in the current interest rate environment.

(g) The issuing unit has, pursuant to GS 158-7.3, adopted a development financing plan for the development financing district for which the instruments are to be issued.

The City has adopted the Plan, prepared by Economics Research Associates on December 13, 2005 with amendments dated February 28, 2006 pertaining to the debt service schedule, at the meeting in which this resolution is adopted.

2. The City Council further requests the Commission to sell the bond anticipation notes at a private sale without advertisement to Bank of America, N.A. at an interest rate to be determined by the Local Government Commission at the time of the sale of the notes.

3. This resolution shall take effect immediately upon its adoption.

Upon motion of Council Member Deese, seconded by Council Member Baker, the foregoing resolution was adopted by the following vote:

Ayes: Council Member Baird, Council Member Baker, Council Member Ferebee, Council Member Bobbitt and Council Member Deese.

Noes: None.