


MEMORANDUM

Date: February 19, 2008

To: Mayor & City Council Members

From: James M. Palenick, City Manager 

Subject: Strategic Plan for focused re-vitalization of Center-City Gastonia

Introduction:

In order to affect the substantive re-vitalization of Center-City Gastonia, the City Council had requested that City staff produce and recommend a feasible development plan for the focused re-investment in "catalyst" projects or project components designed to best assure the long-term economic viability of our urban core Downtown area. To that end, the City Manager authored and forwarded such a plan, which was detailed and closely examined at the January Strategic Planning Retreat; and, which has since been publicly-presented in not loess-than ten separate forums and venues, including the City's web-site; each time providing for question-and-answer opportunities. As a result, the plan has become further refined and distilled, and is now attached and forwarded herewith in final presentation form for possible action and adoption.

Background:

The Center-City Re-vitalization Plan actually consists of two separate documents titled, "A Strategic Development Plan for the Focused Redevelopment of Center City Gastonia as Catalyzed by a Regional Destination-Quality Hotel/Conference Center and Arts and Entertainment District"; and a, "Project Proposal Outline for the Financing, Design, and Development of a Regional-Destination-Quality Hotel/Conference Center as Public/Private Partnership in Historic Downtown Gastonia, North Carolina, (Attachment A)"; each originally dated December 20, 2007. Attached to this memo, and referenced in the below recommendation, however, are those same two documents in "revised" form, as dated February 19, 2008, and including changes, deletions, and/or additions in order to update them to their final recommended form. In effect, the final "Downtown Plan" presented for your review and approval is the revised documents attached hereto in their entirety as long as they remain consistent with the recommendation below.

With regard to said recommendation, I have attempted to add some additional "safeguards" which heretofore had been intended but remained undocumented. Specifically, with Item #1, we are assuring that independent of the City's plans, no actual obligation for or expenditure of Hotel Occupancy Tax revenue can occur unless the City's Tourism Development Authority first approves specifically such expenditure. With Item #2, we would be clearly stating that no Debt would be incurred, other than the planned 2/3rds Bond issue, until and unless the City had first reached approval on a Master Development Contract with an identified private sector developer for the hotel project. Following, with Item #3, we would then further make clear that the \$1.5M in 2/3rds Bond Debt proceeds be used for

expenditures dedicated to Downtown parking improvements--which could include land acquisition, demolition, and design. Finally, with Item #4, we would be establishing a finite and aggressive time-frame in which to approve a Master Development Agreement--limiting same to no more than 12 months following the conclusion of demolition activities. If we were unable, in this time-frame to approve such a contract, we would then look to make the assembled 2.1-acre parcel available for sale at competitive public bid to the private sector for development as whatever use or uses best fulfilled the desired Re-vitalization of Center-City as would be determined at that time. In attempting to place a reasonable estimate on the likely fair market value of such an assembled and cleared parcel of land, I have found, through discussion with knowledgeable commercial brokers in the area, that a legitimate number would probably be in the \$525,000-\$650,000 range. These proceeds would, per established City policy, go back to the Infrastructure Rehabilitation fund.

Recommendation:

That the City of Gastonia, by the affirmative majority vote of its governing body, hereby adopt and approve the attached plan for the re-vitalization of Center-City, as revised on February 19, 2008, in its entirety and subject further to the following:

1. That, no contractual obligation to expend, or actual expenditure of Hotel Occupancy Tax revenues be entered into or completed unless same has been first duly authorized by action of the Gastonia Tourism Development Authority.
2. That, no actions be taken to actually obligate or bind the City to the issuance and sale of the contemplated \$9M in Revenue Bond Debt financing for the Hotel/Conference Center/Parking Deck project until and unless the City Council shall have first approved a Master Development Contract with a selected and preferred Hotel Developer/Operator for the financing and development of the Select-Service Hotel and support amenities.
3. That, consistent with State statute, any proceeds from the City's issuance of 2/3rds Bond Debt for the project be utilized and earmarked for the acquisition, preparation, design, and development of parking improvements or facilities consistent with the plan and complementary to Center-City Re-vitalization.
4. That, should the City hereafter acquire the properties at 100 W. Franklin Boulevard (former First Union Bank) and 145 S. Marietta Street (Fidelity Bank); and, then subsequently demolish the structures thereon, in conjunction with demolition of structures at 161 and 169-173 Main Avenue (Long Brothers/Woolworth/Theatre Buildings), thereby assembling all into an approximate 2.1-acre development parcel; and the City is unable, within 12 months following the conclusion of demolition activities, to approve a Master Development Contract consistent with #2 above, then City shall make the assembled parcel available for sale by public bid for the purposes of the private development of mixed-use commercial structures consistent with the then applicable plan(s) for Center City Re-vitalization, and all proceeds derived from said sale shall accrue to the Infrastructure, Rehabilitation Fund.

A Strategic Development Plan

for:

The Focused Redevelopment of Center City Gastonia
As Catalyzed by a “Regional Destination-Quality”
Hotel/Conference Center
and
Arts and Entertainment District

A Blueprint for:
Public/Private Partnership Opportunity

Authored by: James M. Palenick
Gastonia City Manager

(As revised on February 19, 2008)

I. BACKGROUND:

The City of Gastonia, North Carolina, like most historic, urban core communities across the country watched its Center City suffer major decline and loss of traditional retailers and economic vitality throughout the decades leading up to the turn of the millennium. The wave of suburbanization; the advent of big-box retailers; the collapse of the North Carolina textile manufacturing industry; and the general lack of entrepreneurial and/or visionary property owners, left Gastonia's traditional downtown area as a largely-vacated, mostly-neglected collection of economically-obsolete, yet-functionally-viable building shells. With the creation of the Gastonia Downtown Development Corporation (GDDC) in 2001, a focused and concerted effort was begun to more aggressively, and with City-sanctioned and provided funding, pursue Downtown revitalization. The GDDC's approach, as modeled on the National Trust for Historic Preservation's "Main Street" program has been one of incrementally trying to entice individual private investors to become "urban pioneers" -- investing limited resources in one building or portion of a building at a time, and aided in what are often undercapitalized efforts, through historic and "new market" tax credits; but hampered significantly by the lack of any critical mass to their collective number or total investment. The results, after nearly six years of operation and effort, is a Center City which, while having experienced some modest and tenuous successes, still stands as a major community concern; void of economic vitality; and a top priority for improvement under City Council-prioritized goals.

II. APPROACH:

There appears very little likelihood for the long-term, sustainable revitalization of Downtown Gastonia unless a more hands-on, activist approach is employed by the City. Specifically, the City can and should re-focus and re-allocate existing resources to target and facilitate the substantive, public/private investment in the creation of a regional-destination lodging/conference facility; built as an integrated structure of select-service lodging, with a flexibly-designed, regionally- and state-focused conference/banquet facility, structured and secure parking, and multiple, support amenities; including an on-premises, quality restaurant and catering presence. This "cornerstone" would then serve as the economic and traffic-generating anchor of a destination arts and entertainment district, which, in turn could then ensure the ongoing spin-off of Center City reinvestment in mixed-use, office, specialty-retail, and residential. The strategy, however, needs to start with the introduction of major elements of sustaining foot-traffic and induced and imported spending, at all hours and days; not merely during standard business hours, and driven by government and government-related office functions.

III. STRATEGIC DEVELOPMENT PLAN:

In order to effectively “catalyze” Center City revitalization and sustainable, long-term economic vitality; a limited and focused series of strategic initiatives are required; they are as follows:

1. (Arts and Entertainment District)

The City shall adopt a Center City revitalization approach which focuses efforts and resources on the creation of successful, regional destination venues for lodging; conferences/business training/banquets; dining; performing arts/nightlife/entertainment; post-secondary education; the production and sale of fine arts, crafts, and antiques; and cultural and heritage-based tourism experiences. In so doing, we will aim to tap into the broader Charlotte-Mecklenburg market, introducing new people and new spending to Gastonia; while, for residents, generating a “sense of place,” and mitigating against some long-standing negative images and stereotypes associated with the Downtown.

2. (Hotel/Conference Center)

The City shall pursue, facilitate, and aggressively develop a major, regional-destination-quality hotel/conference center with integrated support amenities including quality dining and secure, structured parking as a public/private partnership in Center-City Gastonia. The City expects to invest public funds in site acquisition and demolition, as well as a publicly-owned parking structure and conference space, integrally attached to, and incorporated with, a privately-financed hotel and restaurant. The entire facility would then be managed as a singular whole, with a national-brand-affiliated hotel franchise-holder as private-sector, market-driven, for-profit, operator -- subject to property tax. The City’s role will be to finance and own those components of the integrated project which could not otherwise prove economically-feasible (in the Downtown Gastonia market of today) for the private sector to finance and build, and make those project components available to the private facility operator at rates which can prove economically feasible to the long-term success of the project. (This complete project proposal outline is fully developed and detailed in “Attachment A” hereto.)

3. (212 Main Avenue as Dining Destination)

The City shall acquire, through land swap with Gaston County the former Citizen’s National Bank building at 212 Main Avenue in order to make it available for ownership transfer to a private-sector developer capable of developing it as a major, regional dining destination and mixed-use hub. By acquiring the 42,000-gross-square-foot icon building in the heart of the

Main Avenue corridor, via a no-cash swap of surplus "Paysour Mountain" property, the City can direct the development therein of multiple, destination-quality, diversely-themed, yet-complementary dining establishments on the main level; while allowing office or similar uses on the upper levels, and other support operations in the basement. This will be accomplished by the City structuring a sale of the property to the development community which would not seek a maximized, lump-sum cash at closing (approximately \$500,000 as envisioned by Gaston County), but rather an agreement that the developer must invest (within an identified, limited time frame following closing) an additional amount in tenant-improvement "up-fit" exclusively in support of the restaurant tenant(s), at least equal to the appraised property value (\$500,000), which must then be over-and-above the expected tenant up-fit for the office/similar tenant uses (also required). The City would then receive its consideration for property sale from a defined, contractually-obligated percentage of developer-generated restaurant lease revenues, once the establishment(s) were securely ramped-up and operating successfully. This revenue stream would then be redirected back to further Downtown redevelopment opportunities and initiatives. The City should also approach Johnson and Wales University officials, with the assistance of Jim Palermo, to determine if there might be an opportunity for this dining Mecca to serve as a "chef-in-training" or rotating "chef-in-residence" incubator/training center.

4. **(The Webb Theater Reborn)**

The City shall commit to relocate the Community Development department and all its divisions and employees, from the Webb Theater building; the leased Downtown space; and City Hall; to an appropriate and economically feasible alternative location outside of the Center-City core. In so doing, the City would then make the Webb Theater building available for sale and transfer to the private sector for specific use as a performing arts/entertainment venue with possible ancillary dining and/or nightlife components. The proceeds from the sale of the Webb Theater, along with any sub-lease revenues derived from the vacated Downtown leased space, should then be directed to fund a portion of the expected cost of the relocation expenses. The remaining funds necessary could come from 2/3rds Bond proceeds, Fund Balance, or other, to-be-identified sources approved in future budgets.

5. **(Post-Secondary Education Downtown Center)**

The City shall formally approach Gaston College, Belmont Abbey, and/or other appropriate post-secondary educational institutions to begin discussions on the possible location downtown of a new, satellite center to

offer some on-going program or curriculum outreach, geared to mid-career adults, primarily skewed to evening-hour offerings.

6. **(Relocation of Salvation Army and Homelessness Outreach)**

The City shall identify as a prioritized objective, the relocation of the Salvation Army, its shelter, and its program of homelessness outreach and support services, and any similar adjacent activities; from the existing Salvation Army building at 107 S. Broad Street, to a to-be-determined, more-appropriate site outside of the Center-City area where any possible disruption to surrounding uses is minimized. The City should work with The Salvation Army and its Board to enlist the help and support of the Gaston Community Foundation, the Glenn Foundation, Gaston Together, Gaston County, the Gaston Chamber of Commerce, and any other appropriate community stakeholders to assist in this endeavor. Substantial funding will be required to adequately and properly house men's and women's shelter facilities, recreational opportunities, workforce training and preparation programs, and other one-stop homelessness outreach and elimination services at whatever relocation site is agreed upon by The Salvation Army and stakeholders. It will be very difficult to open the doors on a regional-destination-quality, nationally-franchised hotel/conference center at Franklin and Marietta if the homelessness outreach programs of the Salvation Army and adjacent providers continue to be housed at a location anchoring the eastern end of Main Avenue.

7. **(Relocation of Chamber of Commerce to Center City)**

The City will encourage and assist, to the extent possible, the physical relocation of the Gaston Chamber of Commerce to the Center City area from its current location at 601 W. Franklin Boulevard. It would be preferable that the relocated offices be attached to or within walkable proximity to the proposed hotel/conference center.

8. **(Plaza As Terminating Vista to South Street)**

The City shall formally adopt a plan to close the portion of N. South Street from Main Avenue north to the Rotary Pavilion, with the goal of redeveloping this area into an open-air pedestrian plaza as "terminating vista" to South Street and pre-function area for the Rotary Pavilion. This action should occur to coincide with, complement, and support, any adopted redevelopment of the building or buildings immediately adjacent thereto. If said building or buildings are contemplated for dining establishments, the plaza plan should allow for private, sidewalk cafes abutting the public plaza space.

9. **(Pedestrian Connection Spanning Railroad Trench)**

The City shall establish as a priority, the development of a safe, secure, attractive pedestrian connection spanning the downtown railroad trench, and linking the Main Avenue corridor to the County facilities campus area. This may begin as a structural part of the Marietta Street bridge and potentially later be expanded to include a newly-constructed pedestrian fly-over at mid-block.

10. **(Introduction of Outdoor, Public Sculpture/Street Furniture)**

The City shall, through Keep Gastonia Beautiful, or other appropriate sources, develop a catalog of pre-selected pieces of durable, attractive outdoor sculpture (bronze), along with certain attractive and functional street furnishings (benches, bike racks, trash receptacles, information kiosks, tables) and identify and designate, for each identified piece, its specific preferred location within the Downtown, along with the total cost to purchase and permanently install it. The catalog will then be promoted to benefactors for personal and corporate donation or bequest, with permanent bronze plaques installed to identify the donor.

11. **(Transit Support for Downtown)**

- **Trolley:** The City shall **NOT** finance, purchase, or commence operations for any ornamental, period-style trolley bus within the Center City area, until or unless there is first developed and operating a redeveloped Loray Mill project (including both residential and commercial) and at least one destination redevelopment in Center City (hotel/conference center; 212 Main Avenue dining destination; Webb Theater, etc...) for which a transit link is necessary.
- **Old P & N Rail Corridor:** The City shall work to take a leadership position in promoting the former P & N rail line corridor for redevelopment as an active link between Gastonia and Charlotte--creating demand and economic activity first with a re-introduced freight line; and evolving to recreational passenger dinner trains; and ultimately, to legitimate passenger-interurban-rail. The City should work with the State DOT, the MPO, the City of Charlotte, Gaston County, Mecklenburg County, and others in advocating for this long-term vision.

12. **(Northgate/Highland Market (Grocery))**

The City shall continue its long-standing plan to locate and develop a modest-sized grocery or retail market at the Northgate/Highland site along Highway 321 just north of the Center City. If the hotel/conference center; 212 Main dining destination; college downtown center; Webb Theater; or other significant projects can be approved, financed and undertaken; the likelihood for success with the Northgate Market venue will increase. The significant economic incentives the City has available for this site (including effectively free land, infrastructure and financing subsidies, and "new market" tax credits) will serve to enhance its desirability.

13. **(North 321 Corridor as Center City Gateway)**

The City shall maintain a committed, ongoing focus of investment and improvement to the North 321 Corridor, because this route will only grow in profile and importance as an entry to Center City -- meaning its perceived image and economic vitality remains integrally linked to Downtown, and each needs to redevelop on behalf of the other.

- **Sims Park:** Work with Gaston County or others to maintain, enhance and improve this facility. This site's frontage on, and easy access to I-85, along with its relative proximity to the proposed hotel/conference center and Arts and Entertainment District, make it a natural for priority of effort.
- **Rankin Lake Park and Greenway Connections:** As a top priority within its capital improvement plan for parks, the City shall work to enhance access to, and develop, with amenities and walking trails at lake edge, Rankin Lake and Rankin Lake Park. As this is done, we will further make every effort to expand the greenway connection which would link Rankin Lake to the Tech Park and college to the North and the Center City and Lineberger Park to the south -- again, linking the City Center with multiple other amenities and points of interest.
- **Northgate/Highland Market:** See No. 12 above.
- **Urban Progress Zone:** The North 321 Corridor will be fully included in the new, 2008 Tier II County "Urban Progress Zone" as sanctioned by the State and designated by the City for economic investment incentives. This benefit will be taken advantage of to the fullest extent possible wherever applicable.

14. **(Gastonia Downtown Development Corporation Funding)**

The City of Gastonia directly provides nearly all of the financial support necessary to maintain the ongoing operations of the Gastonia Downtown Development Corporation (GDDC). It does so via two sources... the first being, a \$40,000 yearly budgeted contribution from the City's General Fund; the second, through an ongoing contract with the GDDC whereby the City agrees to remit all yearly Municipal Services District (MSD) tax revenues to the GDDC in exchange for the GDDC performing certain program functions designed to result in the economic revitalization of the Downtown City Center. Yearly MSD revenues amount to approximately \$123,000.

As part of the hotel/conference center project proposal, the \$40,000 yearly General Fund budget contribution is to be reallocated to support a portion of the yearly debt service requirement associated therewith. This will occur beginning with the FY 09 budget, commencing July 1, 2008.

Further, the City shall, in cooperation with the GDDC Board, take a focused and comprehensive look at the contract it maintains with the GDDC for the provision of Downtown revitalization services and programs in exchange for 100 percent of Municipal Service District tax revenues in order to assure that the appropriate resources be provided to the GDDC, under the appropriate organizational structure and program of outreach, to ensure the long-term viability and success of the GDDC in support of the City's adopted re-vitalization plan. No changes can be made to the contract between the City and the GDDC without a minimum six-month advanced written notice (from City to GDDC) of its intent to alter same.

PROJECT PROPOSAL OUTLINE

For

The Financing, Design, and Development
Of a Regional-Destination-Quality
Hotel/Conference Center

As

Public/Private Partnership

In

Historic Downtown Gastonia, North Carolina

(Attachment A)

(Revised February 19, 2008).

Project Description:

The Project: would contemplate the aggressive development of a regional-destination-quality hotel/conference center in Center City Gastonia. Specifically, the City of Gastonia would create and enter into a long-term, Public/Private Partnership which would finance, design, develop, construct, and operate a select-service Hotel integrated with a parking deck, restaurant, and Conference Center on 2.1 acres of assembled land with access to Franklin Boulevard, Marietta Street, and Main Avenue.

The Hotel would include approximately 120 individual lodging rooms with substantive amenities including a quality dining restaurant with catering capabilities; lounge/bar; fitness center; pool; expansive lobby; gift shop; quality fit and finish; wireless broadband; multiple suites for hospitality use at conferences; and a recognized National franchise affiliation and reservation system (i.e. Hilton, Garden Inn, Hyatt Place, Starwood aloft branded).

The Hotel and Restaurant: shall be privately owned, operated, and financed. Public support shall come in the form of Federal "New Market Tax Credits," to the extent eligible; Gastonia Downtown Investment Grants (property tax rebates) and Electric Economic Development rate rider incentives, if necessary; and the opportunity for the operator to enter into a long-term lease with the City of Gastonia for the management and use of the assembled and publicly-owned-and-financed conference center and parking deck, under the terms described herein:

The Conference Center/Parking Deck: shall be financed, owned, and jointly developed (in conjunction with the selected hotel developer) by the City of Gastonia. Specifically, the City shall develop a secure, approximately 300-space, multi-level, concrete parking structure and approximately 10,000-12,000 net-square-foot conference center, integrally designed with and seamlessly-attached to the hotel, which shall then be leased to the hotel operator for a term not-less-than the total term of indebtedness for either the privately-financed hotel or publicly-financed conference center/parking deck; whichever is longer. The City shall further provide for an option to renew said term at pre-established terms and conditions, if same shall positively assist either the public or private financing.

By the City financing and owning the conference center/parking deck and then leasing it back to the hotel/restaurant developer/operator, it can be efficiently managed and operated as an integrated, singular whole by the private sector with a for-profit, market-driven focus. The City will make the conference space and parking facilities available at lease rates subsidized well below its basic debt service costs -- since same will largely be covered by Hotel Occupancy tax revenues. In turn, however, the City, will have no obligation for any operational expenses associated with the conference or parking facilities.

Project Location:

The assembled parcels of real property currently housing the former First Union Bank, Fidelity Bank, and Long Brothers/Woolworth/Theater Buildings in Downtown. The City will be required to purchase and acquire the .72-acre, former First Union property at 100 W. Franklin Boulevard and then demolish the 19,655 square foot, obsolete bank building thereon. Further the City will have to acquire the .97-acre parcel of real property at 145 S. Marietta Street from the Fidelity Bank Corporation, and demolish the 5,811 square-foot obsolete bank building there as well. Finally, the City already owns the approximately 19,000 square-foot former Long Brothers/Woolworth/Theater buildings at 169-173 and 161 Main Avenue, but would now need to fully demolish the badly-deteriorated buildings located thereon also. The resultant assembled parcel would total approximately 2.1 acres and have access to, and frontage on, West Franklin, Marietta, and Main Avenue -- arguably the most-strategic, most-interconnected, highest-profile 2-acre parcel that could ever be cost-effectively assembled in Downtown. On top of that, it is just far enough from the railroad trench so as to sufficiently minimize noise and vibration to allow for a National-Franchise Hotel to "sign-off" on the location.

Estimated Private Sector Commitment:

- Complete financing for, and development of, the 120± lodging-room hotel, with associated amenities, including quality dining/catering restaurant. Private financing and investment will come via: Equity; conventional financing; sale of New Market Tax Credits; and possible pre-sale or pre-lease of any added (not required, but desirable) condos or commercial space designed for concurrent construction.

- Investment (Private)
(By example)

* 120 Rooms @ \$100,000 room =	\$12,000,000.00
Restaurant/lounge 4,200 sq. ft. @ \$260.00/sq. ft. =	<u>1,092,000.00</u>
	\$13,092,000.00

* A possible scenario of a 7-story property, with 1st floor as lobby, conference, restaurant, etc. with a 6-level room tower above, using floor plates of 20 rooms on levels 2 through 6, and 18 rooms and 2 hospitality suites on level 7. Total cost excludes land acquisition and demolition, which City will provide for.

Expected City (Publicly-Financed) Commitment:

- Financing for, and development of (to the limits specifically detailed herein) an approximately-300-space, multi-level concrete parking structure; approximately 10,000-12,000 square-feet of flex-designed conference space; the reconstruction of immediately-adjacent public infrastructure, sidewalk, plaza, etc.; integrally attached

to and seamlessly designed with the private hotel/restaurant. The City will further provide for all land acquisition, demolition, and remediation costs.

- **Project Budget:**

EXPENDITURES:

Land Acquisition:

— 100 W. Franklin (First Union)	\$ 400,000.00
— 145 S. Marietta (Fidelity)	\$ 400,000.00

Demolition:

— 100 W. Franklin (First Union)	\$ 55,000.00
— 145 S. Marietta (Fidelity)	\$ 35,000.00
— 169-173 & 161 Main Avenue (Long/Woolworth/Theater)	\$ 55,000.00

Environmental Remediation:

— 100 W. Franklin (First Union)	\$ 20,000.00
— 145 S. Marietta (Fidelity)	\$ 10,000.00
— 169-173 & 161 Main Avenue (Long/Woolworth/Theater)	\$ 25,000.00

Construction:

— Parking Garage/Deck (300 spaces) construction estimate @ \$18,000 per space	\$ 5,400,000.00
— Conference Center Space with site improvements integrated w/deck & hotel/restaurant	
• 15,000 gr. Sq. ft. @ \$220/sq. ft.	\$ 3,300,000.00
• furniture, fixtures, equipment (FFE) 12,000 net sq. ft. @ \$55/sq. ft.	\$ 660,000.00
— Integrated Streetscape street furniture, hardscape, landscape, etc. lump sum allowance	\$ 300,000.00

Design & Construction Engineering:

— 15% of hard construction costs	\$ 1,350,000.00
----------------------------------	-----------------

Soft Costs:

— Issuance costs, bond attorney, appraisals, study	\$ 80,000.00
— Contingency: (3.5% of Design & Construction)	\$ 404,745.00

— Debt Service Reserve	
12 mos. Max yearly Debt Service on	
20-year Issue, \$9M @5.53% (TIC)	\$ 739,127.00
TOTAL (CITY) PROJECT EXPENDITURES:	\$13,233,872.00

REVENUES:

Revenue Bond Debt:

Combination taxable and tax-exempt (non-bank-qualified)
 Installment financing, Certificate of Participation (COPS)
 Delivery date of 12/01/08; Construction commencement of
07/01/09; completion of 12/31/10

— Bond Proceeds	
• Taxable portion	\$ 5,210,000.00
• <u>Tax-exempt portion</u>	<u>\$ 3,805,000.00</u>
• SUBTOTAL	\$ 9,015,000.00

Equity and 2/3rds Bond Proceeds:

— Hotel Occupancy Tax (H.O.T.)	
• Unreserved Fund Balance (as of 6/30/07)	\$ 1,668,597.00
• Interest Earnings on Occupancy Tax Balance (thru 06/30/08)	\$ 66,875.00
• Interest Earnings on Occupancy Tax Balance (thru 06/30/09)	\$ 76,600.00
• Occupancy Tax Receipts FY/08 (un-obligated)	\$ 295,000.00
• Occupancy Tax Receipts FY/09 (less \$140,000/Mktg.)	\$ 375,000.00
— 2/3rds Bond Issue (June 30, 2008)	
• Proceeds for Downtown Project	\$ 1,500,000.00
• Interest Earnings (4 mos.)	\$ 25,000.00
— FY '09 General Fund Budget	
• Redirect: Palermo Contract	\$ 36,000.00
• Redirect: G.D.D.C. Contribution	\$ 40,000.00
— FY '09 Infrastructure Rehab. Budget (Fund #87)	
• <u>Transfer to Project Fund (streetscape)</u>	<u>\$ 140,000.00</u>
<u>SUBTOTAL</u>	<u>\$ 4,223,072.00</u>
TOTAL: ALL SOURCES	\$13,238,072.00

REVENUE STREAM TO SUPPORT DEBT SERVICE:

(Primary Revenues)

- Hotel Occupancy Tax (3%)
 - Yearly, beginning 7/1/10 \$ 490,450.00 yr.
 - Yearly, beginning 7/1/11; (new 120 room Property; 62% occupancy; Avg. rate of \$93.00; 27,161 room nights @ .03 HOT = \$75,799.00 \$ 566,229.00 yr.
 - This contemplates expected total receipts of \$530.450.00 (for FY '10) with only \$40,000.00 budgeted for marketing of actual conference/tourism/advertising & support; no funding for dedicated City staff.
- General Fund Appropriation
 - Yearly, beginning 7/1/09
 - Redirect Palermo Contract \$ 36,000.00 yr.
 - Redirect G.D.D.C. Contribution \$ 40,000.00 yr.
- Operating Lease for Conference Center
 - 12,000 sq. ft. @ \$3.00/sq. ft. (first 3 years) = \$ 36,000.00 yr.
 - @ \$5.00/sq. ft. (after "ramp-up") = \$ 60,000.00 yr.
- Parking Deck Lease
 - ** contemplates that integrated-facility operator manages parking: receiving all revenues; paying all expenses; and returning % of gross revenues back to City in form of Deck lease. (360 days @ 300 spaces = 108,000 space days)
 - 108,000 space days @ 58% avg. occupancy = 62,640 occupied days @ \$5 day = \$313,200 yr.
 - 70% to operator = \$219,240.00
 - 30% to City = \$93,960.00 \$ 93,960.00 yr.

SUBTOTAL:

\$696,410.00 - \$796,189.00
(yearly and growing)

(Secondary Revenues:)

- Project Development Financing (TIF) Appropriation: (Yearly)

- City establishes either a formal project Development Financing District roughly equal to the geographic boundaries of Central Downtown Municipal Services District (MSD), or creates a “Synthetic Tax Increment Financing District,” depending upon Bond Counsel recommendation and financing requirements.

The “Project Development Plan” then specifies that the (new) Incremental City property tax revenues generated in the district after the baseline year (2008), shall be collected for a term equal to the debt-financing term, and dedicated to a “Revenue Increment Fund,” to be utilized exclusively (by priority) as follows:

1. To pay any shortfall of yearly debt service requirements if Debt Service Reserve Fund is exhausted.
2. To replenish the Debt Service Reserve Fund up to its original, pre-determined total (12 mos. maximum debt service). The Debt Service Reserve Fund, to the extent intended, shall be utilized to pay the final payment(s) of term.
3. To fund a “Conference Center Capital Replacement Fund,” which shall be a Sinking Fund held in trust for the exclusive purpose of funding needed capital replacement; capital maintenance; or furniture, fixtures or equipment replacement. Fund total (including interest earnings) shall be capped at \$660,000; no expenditures shall be allowed from the fund for the first 72 months following conference center opening.
4. To be dedicated to the City’s “Infrastructure Rehabilitation Fund” to the maximum of \$250,000 in any one Fiscal Year.
5. To be returned to the City’s General Fund.

Action Items:

- Based upon Bond Counsel/Financial Advisor recommendation, the City will set up either, a Development Project Financing Plan and District (TIF) which will require both Local Government Commission and County approval; or, we will establish a “Synthetic” or “Pseudo” Tax Increment Finance District, by local ordinance and/or Bond Covenant to effectively accomplish the same purpose without requiring State or County approval.... Since the clear intent is to only capture City property tax receipts anyway. (Summer/Fall 2008)
- City Council will need to approve:
 - Overall project concept plan (Winter, 2008)
 - Agreement for purchase of former First Union property (Winter, 2008)
 - Agreement for purchase of former Fidelity property (Winter, 2008)
 - Bid award to demolish former Harrill Jones properties (Winter, 2008)

- Bid award to demolish both bank buildings (Spring, 2008)
- Issue 2/3rds Bond with \$1.5M earmarked for project (March-June, 2008)
- Selection of preferred developer/operator (Spring/Summer, 2008)
- Approve Master Development Contract with developer/operator (Fall, 2008)
- \$9M COPS Bond Debt Financing (Winter, 2008/2009)
- Contract for architectural design (Fall, 2008)
- Contract for construction and construction engineering (Spring, 2009)
- *Construction (Summer, 2009 – Fall, 2010)

Actions Not Necessary:

- No tax increase required: only the redirection of existing resources
- No public referendum for Bond financing required: only City Council approval
- No new State Legislation required: only Local Ordinance and Resolutions
- No dependence on other levels of government for financing or grants