

annual appropriation of City Council. The City must also use as collateral for the obligation some or all of the property being financed. The lender's (or bond holders') sole recourse upon default would be to foreclose on the property that secures the debt. As a result some projects provide more suitable collateral than others (e.g., vehicles are more attractive to lenders than streets). IFCs are generally provided at a low cost of borrowing.

Proceeds may be used to finance acquisition or improvement of the collateralized property.

IFC/LOBs will generally be the City's main option to the extent there is not another financing option available.

Special Obligation Bonds (SOBs)

NCGS 159I-30 authorizes the City to issue SOBs and permits the City to "pledge for the payment of a special obligation bond or note any available source or sources of revenues of the unit...so long as the pledge of these sources for payments or the covenant to generate revenues does not constitute a pledge of the unit's taxing power." In other words, the City can pledge the revenues of any tax that it receives – but does not levy (e.g., sales tax levied by Buncombe County and remitted to the City), and other fees received by the City (e.g., user fees). In a favorable rate environment SOBs are generally provided at a low cost of borrowing.

Proceeds may be used to finance any permissible (by statute) project within a Municipal Service District (MSD). These stipulations are explored further in the following portions of this report.

SOBs provide the most favorable financing option due to the nature and location of many planned projects.

SPECIAL OBLIGATION BONDS AND MUNICIPAL SERVICE DISTRICTS

Permissible projects to be financed using SOB proceeds must fit within the statutory list of eligible projects:

Downtown revitalization projects	Urban area revitalization projects
Drainage projects	Off-street parking facilities

Downtown revitalization projects are improvements, services, functions, promotions, and developmental activities intended to further the public health, safety, welfare, convenience, and economic well-being of the central city or downtown area. Examples of downtown revitalization projects include by way of illustration, but not limitation, all of the following:

- 1) Improvements to water mains, sanitary sewer mains, storm sewer mains, street lighting, streets, sidewalks, including rights-of-way and easements
- 2) Construction of pedestrian malls, bicycle paths, overhead pedestrian walkways, sidewalk canopies, and parking facilities both on-street and off-street
- 3) Construction of public buildings, restrooms, docks, visitors centers, and tourism facilities
- 4) Improvements to relieve traffic congestion in the central city and improve pedestrian and vehicular access to it
- 5) Improvements to reduce the incidence of crime in the central city
- 6) Providing city services/functions in addition to or to a greater extent than those provided or maintained for the entire city

- 7) Sponsoring festivals and markets in the downtown area, promoting business investment in the downtown area, helping to coordinate public and private actions in the downtown area, and developing and issuing publications on the downtown area

Urban area revitalization projects include the provision within an urban area a service or facility that may be provided in a downtown area as a downtown revitalization project. The term “urban area” means an area that (i) is located within a city and (ii) meets one of more of the following conditions:

- 1) It is the central business district of the city
- 2) It consists primarily of existing or redeveloping concentrations of industrial, retail, wholesale, office, or significant employment-generating uses, or any combination of these uses
- 3) It is located in or along a major transportation corridor
- 4) It has as its center and focus a major concentration of public or institutional uses, such as airports, seaports, colleges and universities, hospitals and health care facilities, or governmental facilities

City staff, DEC, and bond counsel have reviewed the list of proposed projects to determine which projects conform to the statutory categories. Approximately \$24 million in projects costs were identified as candidates for SOB financing. Statutes further require that the projects be located within a MSD.

In FY 2013 City Council established a MSD (Central Business District). City staff recommends that City Council establish three additional Municipal Service Districts in order to finance portions of the CIP using SOBs. The three districts are shown on the attached maps, with the designations of River Arts District, South Slope, and Charlotte Street.

NCGS 160A-537 sets forth the process to establish a new MSD. That process requires a public hearing on the matter and subsequent Council adoption of a resolution. The MSD becomes effective at the beginning of the subsequent fiscal year (July 1).

COUNCIL STRATEGIC GOALS

The Financing Plan and establishment of three MSDs support the goals of Economic Growth and Financial Stability, by helping create mixed use neighborhoods, contributing to downtown vitality, spurring economic development and supporting job growth.

PRO:

- Provides critical step to finance CIP through issuance of Special Obligation Bonds.

CON:

- Misperception of purpose of establishment of MSDs; public education should be a priority.

RECOMMENDATION

Staff requests the following actions:

- Endorsement of a financing plan that includes future issuance of Special Obligation Bonds
- Endorsement to proceed with recommendation to City Council in favor of establishing certain Municipal Service Districts in order to issue Special Obligation Bonds

Attachments:

1. River Arts District map for proposed MSD
2. South Slope map for proposed MSD
3. Charlotte Street map for proposed MSD