

**Financing Plan for Cycling and Outdoor Center Facilities**  
**October 11, 2010**

- 1. Use of Funds:** The proposed financing will fund construction of the Velodrome, BMX, Cyclocross and Mountain Biking Trails at Riverwalk.
- 2. Financing Amount:** Approximately \$5 million
- 3. Financing Structure**
  - a. Issuance of a Recovery Zone Facility Bond – The City will issue this financing as a Recovery Zone Facility Bond. These special bonds, provided on a one-time basis as part of the federal economic stimulus program, must be issued by December 31, 2010. The federal government will reimburse 45% of interest costs, providing a significant cost savings to the City.
  - b. New Markets Tax Credit Financing – The Recovery Zone Facility Bond will be purchased by Carolina First Bank (now TD Bank) through the bank’s New Markets Tax Credit financing program. Under this program, approximately \$1.2 million of the original \$5 million debt will be forgiven after 7 years.
  - c. Term and Repayment – The financing will require interest-only payments for the first 7 years. Thereafter, the financing will convert to amortize principal and interest over a 10 to 15 year period.
  - d. Source of Repayment – The City will budget \$375,000 annually from hospitality taxes to fund debt service
  - e. Escrow for Principal Reduction – Because this financing will be interest-only for 7 years, and because the federal government will be reimbursing 45% of the interest costs, a portion of the \$375,000 that is budgeted for repayment will not be required for debt service on an annual basis. The City will set aside the excess funds into a special account that will be used to pay down principal at the end of 7 years. The estimated principal reduction amount is approximately \$1.8 million.
  - f. The City and its private partners in this project will continue to seek grants and sponsorships to help fund the Cycling and Outdoor Center facilities. This additional funding may be used to further reduce the City’s costs for the planned facilities.
- 4. Financing and Construction Schedule:** The issuance of the financing must be completed by December 31, 2010 and the construction of the facilities must be substantially complete by December 31, 2011. These are challenging time schedules that will require the City to begin incurring design and engineering costs prior to closing on the financing. These costs will be reimbursed to the City from the financing.
- 5. Benefits of Financing Plan**
  - a. This financing plan will save the City an estimated \$3,400,000 in financing costs over a projected 20 year financing period as compared to the best alternative financing plan (tax exempt issuance of bonds supported by pledge of hospitality tax revenues).

- b. This financing plan will allow the City to construct the Cycling and Outdoor Center improvements at a time of historically low construction costs. If these projects were delayed by 24 months, construction costs could be significantly higher.
- c. This financing plan will allow these facilities to be completed at least a year ahead of schedule, providing benefits to the community, allowing an acceleration of tourism and hospitality income, and providing a catalyst for private investments at Riverwalk.