

Roanoke Rapids TIF – Summary

The city of Roanoke Rapids was the first North Carolina local government to use project development financing. The city borrowed \$ 21.5 million to purchase a newly-constructed, 1500-seat theater that is intended to serve as the anchor to a new entertainment complex located along Interstate-95.

The project development district, which the city calls the Carolina Crossroads Music and Entertainment District, comprises 123 acres at the intersection of I-95 and North Carolina highway 125. Before designation of the district, the area was an undeveloped greenfield. The district plan foresees a complex of theaters, hotels, restaurants, shops, and a sports complex, with the public investment being the initial theater, which is expected to serve as the anchor and initial attraction of the district. According to the plan, the base value of the district was \$292,690, and the plan forecasts \$257 million of additional private investment over a five-year period.

The city council approved creation of the district and the district plan in February 2006. The Local Government Commission (LGC) gave tentative approval to the city's plans in March 2006, after which the city issued \$3.875 million of bond anticipation notes to pay start-up costs for the project. Thereafter, on February 6, 2007, the LGC gave final approval of the project, and on March 7, 2007 the city issued \$21.5 million of TIF bonds. The proceeds of the bond issue were to be used as follows:

- Acquisition of the theater	\$ 13,685,771
- Retirement of 2006 notes	3,967,775
- Capitalized interest	1,543,141
- Issuance expenses	325,000
- Debt service reserve	1,978,313

The city's security for the bonds is complex. The first source of moneys for repayment of the debt is the lease payments from the company with which the city contracted to manage the theater. Under the lease the amount of these periodic lease payments was to match the amount of the city's debt service on the bonds. The second source, should the first be insufficient, was the city's property taxes on the incremental value within the project development district. (The county's taxes on the increment were not pledged to repayment of the debt.) The third source, should the first two be insufficient, is the city's share of local government sales and use taxes levied by the county and collected and distributed by the state. In addition to these city revenue sources, the city obtained a letter of credit from Bank of America, under which the bank agrees to pay the debt service on the debt. This initial letter of credit, which extends until 15 March 2010, is secured by a deed on trust on the theater.

The bonds were issued for a term of 20 years. As noted, bond proceeds were intended to pay interest on the debt for the first year.

In order to develop and operate the theater, the city initially entered into a series of agreements with a company known as Moonlight Bandit Productions, run by Randy Parton, a country music performer. Parton's company was to operate the theater, and his band (known as the Moonlight Bandits) was to be one of the performers. The agreements provided for an annual payment to Parton, as an artist's fee, of \$1.5 million, with half to be paid from theater revenues before those revenues were available for operating costs.

As noted above, the company's lease payments on the theater to the city (a major operating cost) were the first source of funds for paying debt service on the bonds. Moonlight Bandit Productions also held an option to eventually purchase the theater from the city. The city was disappointed with the operation of the theater over the first several months after Moonlight Bandit Productions began managing it, and on 20 November 2007, the company and the city entered into a new agreement that superseded the original set of agreements. Under the new agreement, Parton's artist's fee was reduced to \$250,000 annually, and the city assumed operation of the theater. The city subsequently entered into an interim management contract with another company, which was cancelled in February, 2008. At that time the city assumed full responsibility for operating the theater. Concurrently, the city renamed the theater, which was initially called the Randy Parton Theater, as the Roanoke Rapids Theater. At the end of February, the city reached a settlement with Parton that terminated the agreement entered into in November, 2007, as well as all involvement in the theater by Parton.

On March 2, 2009, the city entered into a set of agreements with L&M Hospitality (L&M), LLC, under which the latter would eventually purchase the theater. The parties entered into a Real Estate Purchase Contract, which provided that L&M would assume ownership of the theater in May 2023, for a purchase price of \$12.5 million plus interest. (This amount can be reduced by up to \$1 million if L&M fulfills its payment obligations under the Purchase Contract and Lease.) Until that time, and under a separate Lease agreement, L&M will lease and operate the theater, with rent payments that amortize its purchase price obligations under the Real Estate Purchase Contract. Those rent payments will be made directly to the trustee under the bond issue and used to help meet the city's debt service obligations for the theater project.

As of March 2008, the completed private investment within the district consisted of a hotel and an RV park; in addition, a second hotel and some retail facilities were scheduled to open later that spring.