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3

nclm NORTH CAROLINA LEAGUE OF MUNICIPALITIES

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PROMOTING EXCELLENCE IN LOCAL GOVERNMENT

ATTACHMENT 1

July 12, 2004

Dear Fellow Municipal Official:

Join the Amendment One Campaign!
If you could have a financing tool that would help bring jobs to your city or town, you would be interested, wouldn't you? We have just that opportunity here in North Carolina if voters approve Amendment One, the proposal on self-financing bonds that is on the November 2 ballot.

North Carolina has lost more than 180,000 manufacturing jobs in recent years, and the economic recovery has been slower here than elsewhere. Self-financing bonds will give local governments one more important tool to compete for new jobs. North Carolina is one of only two states in the United States without self-financing bonds. Forty-eight other states are using this financing tool to attract jobs and revitalize communities.

Self-financing bonds are an economic development tool that can be used to finance public improvements such as streets, water and sewer service, sidewalks and other public facilities in special development districts. These bonds would be used in public-private partnerships, when private development is planned and public facilities are required. Your municipal governing board, in consultation with the landowners, would designate a development district. You would issue self-financing bonds to pay for the public facilities related to the private development within the district. The increased property tax revenues resulting from that development would be used to pay off bonds. No tax increases would be necessary.

A constitutional amendment is necessary to allow a legally binding pledge of the additional property tax revenues as security for repayment of the bonds. Unlike general obligation bonds, the taxing power of the city or county will not be pledged, so there is no need for a referendum on each proposed bond referendum. The Local Government Commission will oversee the issuance of self-financing bonds in a financially sound manner. There will be numerous other safeguards in place to ensure that these projects will be successful.

The League, in partnership with the N.C. Association of County Commissioners, ElectriCities of N.C., N.C. Citizens for Business and Industry (NCCBI) and many other groups, successfully sought the self-financing bond legislation. The League, the Association, NCCBI, and many other partners have launched a statewide campaign to educate voters on self-financing bonds and to win voter approval for Amendment One on Nov. 2.

Former Governors Jim Holshouser, Jim Martin and Jim Hunt are the honorary co-chairs of the campaign and NCLM First Vice President Joycelyn V. Johnson, a Winston-Salem council

member, is serving as a campaign co-chair. The campaign was kicked off in May, and now we need to enlist you in this campaign. Here's what you can do.

1. Learn more about self-financing bonds. We have enclosed additional information and more is available at the campaign's website, www.amendmentone.org. Pass this information on to other municipal officials and to other leaders in your city or town. Pass along one of the Amendment One sheets we have enclosed. If you have questions about how this type of financing might be used in your city or town, please contact NCLM Executive Director S. Ellis Hankins or NCLM General Counsel Andy Romanet.

2. Pass a resolution in support of Amendment One as soon as possible. A sample resolution is enclosed or you may download an electronic version at www.nclm.org
Please send us a copy.

3. Invite a speaker to talk about Amendment One. A League staff member or someone from the speakers' bureau of the Amendment One campaign is available to speak at a meeting of a local Kiwanis, Rotary, Woman's Club or other local civic group.

4. Join a county team. Local chambers of commerce are taking the lead in organizing county teams to promote Amendment One in many areas of the state. Please call your local chamber to see if they are forming a county team. Join if they are and if they have not started one, help them organize a county team. Identify county leaders, recruit these leaders to be on a county campaign committee and identify those who are willing to speak on this issue. The bigger, broader and more diverse the campaign committee is, the better. Look for alliances with elected leaders in both political parties, business leaders, economic developers, community leaders and others. Margaret Webb of the Amendment One campaign, (919) 828-3212, mwebb@amendmentone.org, can give you additional information about organizing a county campaign committee.

5. Use the Amendment One fact sheet. Pass it out to citizens. Put the information on your municipal website or a bulletin board on cable access television.

6. Help us raise money for the campaign. Fund-raising is going well so far, but we need to raise enough money to put on a strong media campaign, particularly in the last few days of the campaign. Municipalities cannot spend public funds to encourage voters to vote yes (see below). But we need your personal contributions and contributions from your friends, neighbors and local business owners. Please use the enclosed contribution form.

Please remember that, as with local bond issues, municipalities and counties cannot spend public funds to advocate passage of Amendment One. In official printed materials prepared with local funds or distributed by the municipality or county, you cannot ask the voters to pass the

5

referendum, but you can and should inform them. And, remember, your board and individual elected officials can take a position and actively encourage residents to vote for Amendment One.

A successful vote on self-financing bonds offers opportunities to every municipality, small and large, urban and rural. These bonds can be used to redevelop idle factories, build affordable housing and bring much-needed jobs back to our hometowns. The bonds can finance public improvements without requiring property tax rate increases. We need the authority to use self-financing bonds when appropriate. We need to educate citizens about this important financing tool. And we need your help to be successful in getting Amendment One on self-financing bonds passed on Nov. 2.

Sincerely,

L. Stewart Rumley

L. Stewart Rumley
Mayor of Washington
NCLM President

Joycelyn V. Johnson

Joycelyn V. Johnson
Council Member, Winston-Salem
NCLM First Vice President
Co-Chair, North Carolinians for Jobs & Progress

Ellis Hankins

S. Ellis Hankins
Executive Director

Enclosures:
Contribution Form
Questions & Answers
Sample Resolution
Amendment One Flyer

(6)

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Questions and Answers about Self-Financing Bonds

What is a self-financing bond?
It is a bond used by local governments to pay for public improvements associated with private development in specially designated development districts. Examples of public improvements might include streets, water and sewer lines, sidewalks, or public meeting facilities.

What kind of private development is involved?
Development that can be supported by self-financing bonds include new manufacturing plants, re-use of abandoned or vacant facilities, affordable housing, commercial development in inner-city areas, redevelopment of areas damaged by environmental pollution (brownfields) or natural disasters.

How are the bonds "self-financing"?
Bonds are paid off from additional property tax revenues collected within the development district that has experienced higher property values as a result of public and private investment within that district. The new private development generates higher property tax revenues and this revenue pays off the bonds.

Who determines the development district and sets up the project?
The local government – the municipality or the county – following discussions with landowners, designates the development district. A development plan must be drawn up and this plan must be approved by the Local Government Commission.

Will property taxes for the development district go up?
No, the property tax rate for the development district stays the same as for the rest of the city, town or county. It is just that increased taxes collected (since the development occurred) go to pay off the public debt for the public facilities within that district.

How will the Local Government Commission oversee self-financing bonds?
The law establishes seven criteria that a community development plan must meet before self-financing bonds can be issued. One of the most important is that the LGC must be satisfied that the project can not proceed without the public improvements paid for with the self-financing bonds. The Local Government Commission also must conduct a financial feasibility analysis and find that the proposal is financially sound. North Carolina has some of the most rigorous standards in the country for using this type of bond.

What happens if the project fails?
In more than 50 years, no local bond approved by the Local Government Commission has defaulted. In addition, the LGC can require some bonds to be insured, and local governments have

a lien and may foreclose on private development to collect the taxes owed on the project. Local governments can require other safeguards of private businesses as part of the agreement to use the bonds. Also, the amendment specifically prohibits pledging the taxing power of the local government to repay the bonds without a referendum.

Does each bond issuance require a vote?
No. The law requires a vote only if the taxing power of the community is pledged to pay off the bonds. The law clearly states that communities will not be pledging their taxing power to pay off these bonds. Also, the bonds are used to support projects that are ready to start now and can't wait around for months for a referendum. In addition, self-financing bonds can be insured. Also local governments can put a lien or foreclose on private development to collect the taxes owed.

What about the development's impact on the existing neighborhood?
The law specifically requires the development plan to include a description of the benefits to the residents and business owners in the development district and to address what steps will be taken to deal with any possible negative impacts the project will have.

How have the bonds worked in other states?
There are a variety of economic studies about the benefit of self-financing bonds. There is little, if any dispute, among those studies that there are significant increases in jobs, private investment, property values and tax revenues within the development districts. For example, in Iowa the value of land within development districts grew from $650 million to $4 billion – a growth rate 10 times faster than overall municipal property valuation. Property tax revenues collected from development districts there grew from $22 million in 1989 to $118 million in 1999.

If you have additional questions about how your city or town might use self-financing bonds, please call NCLM Executive Director S. Ellis Hankins or NCLM General Counsel Andy Romanet at (919) 715-4000.

8

Amendment One: Self-Financing Bonds
Vote on Nov. 2, 2004

ON NOV. 2, VOTERS WILL CONSIDER AMENDMENT ONE, which authorizes local governments to use self-financing bonds. What is a self-financing bond? It is a bond used by local governments to pay for public improvements associated with private development in designated development districts.

Self-financing bonds will be used to pay for public improvements that spur private development in small communities and inner-city areas. Types of development include:

- Re-use of abandoned textile or furniture factories;
- Affordable housing;
- Commercial development;
- Redevelopment of areas of environmental pollution; and
- Reconstruction following natural disasters.

Public improvements might include streets, water and sewer service, sidewalks or meeting facilities.

How do self-financing bonds work?

A local government, after discussions with landowners, sets up a development district. A development plan for the district must be approved by the Local Government Commission of the State Treasurer's Office. This authority has final authority to approve all bonds issued by local governments.

The self-financing bonds must be used to pay for public improvements related to new private development within the designated district. The private development is built and property values rise accordingly. As property tax revenues increase because of higher property values, the additional property tax revenues are used to pay off the bonds.

Property tax rates within the district are not increased, but remain the same as the rest of the municipality or county.

How will the Local Government Commission decide to approve a project?

The law establishes seven specific criteria that a community's development plan must meet before the bonds can be issued. One is that the commission must be satisfied that the project would not proceed without the public improvements paid for with the self-financing bonds. North Carolina has some of the most rigorous standards in the country for using self-financing bonds.

What happens if the project fails?

In more than 50 years, no local bond approved by the Local Government Commission has defaulted. In addition, the commission can require some bonds to be insured and local governments have a lien and may foreclose on private development to collect the taxes owed on the project. Local governments can require other safeguards of private businesses as part of the agreement to use the bonds. Also, the amendment specifically prohibits pledging the taxing power of the local government to repay the bonds without a referendum.

Does approval of individual self-funding bond projects require a vote?

No. The law requires a vote only if the taxing power of the community is pledged to pay off bonds. The law clearly states that communities will not be pledging their taxing power to pay off these bonds. Also, the bonds are used to support projects that are ready to start now and can't wait around months for a referendum. In addition, self-financing bonds can be insured. Also local governments can put a lien or foreclose on private development to collect the taxes owed.

How have the bonds worked in other states?

There are a variety of economic studies about the benefit of self-financing bonds. There is little, if any dispute, among those studies that there are significant increases in jobs, private investment, property values and tax revenues within the development districts. For example, in Iowa the value of land within development districts grew from $650 million to $4 billion – a growth rate 10 times faster than overall municipal property valuation. Property tax revenues collected from development districts there grew from $22 million in 1989 to $118 million in 1999.

Vote on Nov. 2, 2004

For more information, go to www.amendmentone.org