**Special Council Meeting**
**October 29, 2001**

A Special Council Meeting of the Elkton Town Council was held Monday, October 29, 2001 at 7:00 P.M., in the Council Chambers with Mayor M. Lee Dearing presiding. The roll call was as follows:

**PRESENT**

J. T. Dean
C. H. Murphy
M. S. O'Neill
T. Pence
W. E. Printz
L. Sigafoose

Attorneys Nathan Miller and Lauri Sigler, Raymond Clary, Town Administrator, and Richard Carey, Administrative Assistant, were also present.

Mayor Dearing stated the purpose of the meeting was to discuss annexation and to present a briefing on the golf course and the bond process to develop it. For several years there has been discussion of golf course development wherein the town would not incur the debt of such development. The town has created an Industrial Development Authority (IDA), empowered to seek and bring new businesses to our locale, and a Parks Authority, whose purpose is to issue bonds which will fund the construction of a golf course on the Mary Elizabeth Kite acreage, if a golf course is determined to be feasible.

The town is now in the process of borrowing two million dollars to purchase 248 acres at a cost of 1.5 million dollars, with the remaining $500,000.00 earmarked for the construction of some type of a recreation or community center. Pending litigation has stalled this process. After closing on the 248 acres, council will appoint members to the IDA and the Parks Authority.

Both authorities will operate separately from the town government in pursuit of the completion of their missions. Attorney N. Miller is writing the bylaws, contracts, and necessary documents to protect the town from liability. One council member will sit on each authority and serve as council's liaison. If the authorities fail, the land will revert to the town with no losses being suffered by the town.

**Nathan Miller**

Attorney Miller was charged with an economic issue of how to get the best dollars out of the purchased land plus the issue of not making the town directly liable in the development of a golf course, which he termed a political issue. The feasibility study for a golf course has not been completed. Mr. Miller has seen preliminary figures and they look very good. Attorney Miller developed several vehicles to allow the town the opportunity to develop this land, whether it be industrial development, a retirement community, or a golf course, and protecting the town from liability, especially on the politically sensitive issue of a golf course. Mr. Miller recommended that the town create two authorities: an Industrial Authority and a Parks Authority.

INDUSTRIAL DEVELOPMENT AUTHORITY (IDA)

Its purpose is industrial development. The town creates an authority under Virginia Code with members appointed by the town council. Generally, there is one member of a council who sits on the committee and serves as liaison between the committee and council. The other members are business people within the community and/or surrounding area. The IDA issues tax exempt bonds, which means the interest rates are lower. The IDA's sole purpose is to say to the business community if you come into town and you want to build a manufacturing facility or a commercial facility, the town will offer the authority to issue the bonds.

PARKS AUTHORITY

This authority has similar obligations and abilities as the IDA. It can buy land, lease land, take a gift of land, issue bonds, raise money, incur debt, develop plans for a golf course, which they can operate or hire someone outside to operate. The town appoints the authority and the members do not have to be town residents. To protect the assets of the town, Attorney Miller recommended this authority be given a single purpose for now, which would be to look at the possibility of creating a golf course on the Kite land and put together a financial pro forma to determine if it will work. The Park Authority owns nothing when it begins.

Reading from Virginia Code, Mr. Miller stated the Park Authority is empowered to adopt bylaws, maintain an office, sue or be sued, accrue, purchase, lease, construct, reconstruct or improve, operate parks or real estate partly in or outside of the town (if it is beneficial to the town), lease land, regulate the facility, issue revenue bonds and other instruments of debt, which means it can raise money to do what it needs to do.

The Park Authority, once constituted, will come back to council with a feasibility study for a golf course on certain acreage of the property at a certain price. The study may indicate an 18-hole golf course could be constructed at a cost of three million dollars, at which time the authority would prepare a prospectus, or financial statement. The authority would next issue bonds to the public. The bonds belong to the authority, not the town. When a bond is purchased, the interest retained from the purchase is tax exempt. This is how the authority would accumulate three million dollars to build and develop the golf course. The land needed to construct the golf course could be leased, sold, or given to the authority by the council.

Councilman O'Neill expressed a conflict of interest concern. He wondered if investors could also be members of the authority. Without additional research on the question, Attorney Miller thought a member could be a minimal investor but could not be a controlling investor.

Responding to a lender question from Councilman Sigafoose which concerned borrowing two million dollars to purchase the 248 acres, Mayor Dearing and Mr. Miller informed Councilman Sigafoose that a Timberville bank and Rockingham Heritage Bank of Elkton would each lend one million dollars. Mr. Miller added that is the bond issue that is still before the Circuit Court of Rockingham County.

Randell Snow introduced Joe Flick, Pete Bonavita, Clyde McDaniel, Herb Baugher, Ishmal Baugher, David Dean, Gerald Monger, and himself as members of a committee which has met with Councilwoman Murphy and whose interest was golf course development. Mr. Snow stated this project cannot do anything but succeed if done correctly. Mr. Snow and his committee foresee the Kite property being developed for an 18-hole golf course, a senior living community, a Holiday Inn Express, the Kite house as a club house as well as an upscale restaurant and possibly a bed and breakfast. In addition, the authority would oversee the development and sale of 75 to 85 building lots. Over the last five months, the committee has met with three design builders. The committee is working on a Request for Proposal (RFP) which will be presented to the design builders after the authority has been established and the members have been appointed.

Pete Bonavita strongly supported a high residential development which would repay a large percentage of the construction of a golf course. A well-designed golf course would entice people to want to live there. The two most expensive real estate residential properties in the United States are golf course and waterfront properties. Some people are willing to pay top dollar for these locations. Between 40 and 50 quality building lots could be available, with a low estimate of $45,000.00 and a high of $60,000.00 per lot. On average of $50,000.00 per lot with 50 lots available, there is a potential of 2.5 million dollars. Additional lots could be available.

A hotel requiring approximately 3 acres could generate another $300,000.00 with a golf course as the drawing card. A senior citizen community requiring six to 8 acres could generate another $75,000.00 per acre. All this revenue would be in addition to the taxes and utilities the town would provide. Mr. Bonavita stated a worst case scenario was two million and the best case

scenario was five to six million dollars in land sales alone, if the area is zoned and developed properly. The average subdivision is moving on average 10 to 15 lots per year. Mr. Bonavita stressed the need for a master plan, a comprehensive plan, to maximize land usage on this property.

Councilman Sigafoose was concerned that the proposed golf course is located in a flood zone. He felt the developers would be knocking on council's door to save them from bankruptcy following a catastrophic event such as a flood. He was reassured that the developers and investors would suffer the loss and not the town. Councilman Sigafoose questioned how the golf course would be irrigated because he understood a million gallons of water a month was common. The reply was that ponds would be utilized as well as water from the spring that was not used. Irrigation will be a concern in the final design.

Joe Flick stated the committee sought a championship golf course and passed out descriptive material to council.

Mayor Dearing stated the gold course is not a course for only Elkton golfers, just as Valley Mall in Harrisonburg was not constructed only for Harrisonburg residents. It is a revenue source for the citizens of Elkton and will be the golden egg that will build, pay for, and finance the running of a community center.

Clyde McDaniel questioned the liability of the authority members. Mr. Miller stated as long as a member's actions were not illegal, immoral, or a member did not personally endorse the debt, the members have the same protection as the members of town council. The assets of the authority have no shelter from liability because the authority issues the bonds. Mr. McDaniel asked for more members to sit on the authority. He also asked who determines the projects of the authority. Mr. Miller stated the authority would have to operate within the context of the charter. After researching the membership question, Mr. Miller informed Mr. McDaniel that a minimum of six members was required and there must be an even number of members on a park authority.

Mr. Bonavita sought seed money. An amount of $100,000.00 was discussed.

As there was no further business, Councilman O'Neill motioned to adjourn.

**MAYOR:** M. Lee O
**M. Lee Dearing, Mayor**

**RECORDER:** Richard D. Carey
**Richard D. Carey, Clerk**