

Vining Road Interchange

Statement of Problem

The Developer of Metro World, working in partnership with the City of Romulus and the State of Michigan Department of Michigan had structured a deal where the federal government would agree to build a new interchange, if the community would provide a match. The state indicated that they would be willing to manage the project but was unwilling to provide a state match. The funding would come from a bond issue to be repaid by tax increment generated by the Romulus Tax Increment Financing Authority. The existing tax increment would not support the \$12+ million bond issue being proposed. The city was not willing to guarantee the bond.

Process

We analyzed the proposed capital costs. The analysis indicated that a good part of the financing was structured around the fact that the cash flow from the tax increment wasn't large enough to finance a bond issue. The parties added a \$2 million reserve, and then added an additional \$2 million to make up for the lack of adequate tax increment cash flow being available until the projected development generated enough taxes to make the bond payment. In addition, the Developer added an additional \$2 million to cover his prepaid expenses. These soft costs were almost equal to the capital contribution required to match the federal interstate highway funding.

Solution

First, we just eliminated all excess costs to reduce the bond issue to just the capital costs required to match the federal contribution. The reserve was eliminated. The repayment of prepaid expenses was eliminated. With that reduction, we eliminated the negative cash flow so we could take out the funds to cover the cash flow shortfall.

The next step was to determine how to guarantee the bond. We determined that the Vining road over I-94 would be a County Road. We approached Wayne County. When the Deputy County Executive saw the potential impact of the interchange to open up this development area, he instructed his staff to figure out how to make it happen. We proposed and the County accepted a bond issue guaranteed by their Act 51 Transportation Fund Revenue Sharing. The deal was made and the interchange built.