

Feb 27, 2008 issue

City pushes reservoir financing

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KING WILLIAM — Having the floodgates closed on its land acquisition process late last year has not halted Newport News' plans.

The city seemed to be taken off guard in November of 2007 after the Board of Supervisors voted against using revenue bonds to fund the land acquisition process, threatening legal action and claiming that the county did not fulfill its "essential obligations."

Now, a new proposed financing agreement has some skeptics saying the city is simply trying to float around the issues, again.

"This proposal looks like it's been enacted in good faith," King William resident Garrie Rouse said. "On the surface it looks good but really it's just changing who we owe money to – \$20 million to VRA or \$20 million to Newport News."

The board reviewed the proposed Interim Project Financing Agreement Monday night in closed session. Randy Hildebrandt, Newport News City Manager, had planned to present the agreement to Newport News City Council last night but after receiving several changes to the agreement from the county Tuesday morning, he said the council would take no action at this time.

"It's modeled after a similar agreement in 1999 after the city had to suspend the land acquisition process because of the federal permitting process," Hildebrandt.

The Board of Supervisors chose last year not to use \$20 million worth of revenue bonds to purchase land for the reservoir because it believed the project still had too many uncertainties. Board members stated they didn't want to be left with the property and then no way to pay back the loan if the project fell through.

The city claimed in a letter to the county threatening legal action dated December 4, 2007 that any delay would have serious financial impacts.

The city claims in the proposed financing agreement that based on discussions with the county both parties agree that an interim agreement is the best way to keep the land acquisition process on schedule.

The original agreement states that the county will purchase the 3,000 acres in over 100 parcels needed for the reservoir pool and be reimbursed immediately by the

city. The properties will remain in the county's name and lease payments on the land will be suspended during this time.

"This allows the county to have more time to decide how to fund the land acquisitions," Hildebrandt said. "We are asking them to do that by the time the project's state permit is renewed because by that time we will be moving towards construction."

Which means, the county must reimburse the city for the land before 2012 when the State Water Control Board is set to review the project and decide whether or not to renew its Virginia Water Protection permit. The county will then have to decide which financing method, such as the one denied late last year, to use.

"We're in a sense, kind of their banker for the time being," Hildebrandt said.

The county did not want to comment on the proposed agreement at this time. "The county and the city have been talking," County Administrator Frank Pleva said. "The board hasn't approved anything yet. Any comment at this time would be premature."

The county was asked to fund the purchase of the property based on the PDA signed on November 13, 1990. The previous Board of Supervisors that signed the contract 17 years ago obligated future boards to live up to the terms of the agreement.

Opponents of the reservoir applauded the county's decision in November, seeing no reason to move forward with the funding at this time.

Newport News has spent millions of dollars battling opponents of the reservoir, which it believes will satisfy the future water needs of the Peninsula. The city received its state permit in August 2004 and its federal permit in July 2005 after previous denials from both agencies.

The site for the reservoir pool is located near Cohoke Creek, between Routes 30, 626, and 633. A dam will run along West Rose Garden Road, parts of which will be rerouted.

Construction on the project was expected to begin in 2012