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Riverwalk gets a boost in deal with Rock Hill council

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The developer of Riverwalk, a planned \$600 million mix of businesses, homes and shops, has a new partner that could help get the stalled project near the Catawba River off the drawing board.

The city of Rock Hill has committed \$50 million in various forms of public financing for the project. That comes with the expectation that its developer, The Greens of Rock Hill, substantially complete the massive project by 2028, according to a draft of a development agreement.

The Greens partnership has spent \$40 million to clean up the 1,008-acre site at Interstate 77 and Cherry Road. It once housed a Celanese synthetic thread manufacturing facility that employed up to 1,600 workers. The developer bought the property and began demolition after Celanese closed the plant in 2005.

Various plans have been discussed for the property. However, Riverwalk has been slowed by the ongoing recession, which has shelved demand as well as financing for real estate projects of any kind.

This week, Rock Hill City Council approved the creation of the Riverwalk tax district. That initial step will result in the sale of nearly \$30 million in bonds to pay for streets, utilities and public amenities on the site.

Next comes an agreement to bring up to \$19.4 million in tax-increment financing that would fund further infrastructure improvements that would be repaid with taxes generated by the project.

Without the public financing, Riverwalk could become another victim of the lousy economy, says Stephen Turner, director of Rock Hill's urban and economic development.

"The developer has a significant investment" at the site, he says. "There is a limit to what he can spend and make a profit."

Andrew Jenkins, managing partner of Karnes Research Co., a real estate consulting firm in Charlotte, says big projects such as Riverwalk are viable if financing can be found.

The banks and big investors need some positive economic news to bring them back to the real estate development market.

"So if (developers) are able to convince investors that their project is a long-term project with modest returns and a less risky investment to, say, the stock market, there should always be opportunity for larger projects in the future," Jenkins says.

Riverwalk developers have revealed a 20-year plan to create a mix of residential, commercial, industrial and public uses for the site.

Much of the property, about 400 or the 1,000 acres, will be devoted to residential uses, including 2,050 homes, apartments and condos.

About 315 acres would comprise an industrial park that would total up to 4.2 million square feet of manufacturing, assembly, office and warehouse facilities.

An additional 286 acres are planned for a commercial district concentrated on the Cherry Road side of property. That area would contain up to 1 million square feet of building space, from retail to civic uses.

A velodrome cycling center, a new YMCA, an elementary school site, miles of hiking trails and a kayak launch area on the Catawba River would also be included.

David Williams, Riverwalk site manager, isn't disclosing other details of the project. "We will notify the press when we have new information," he says.

Rock Hill has already annexed the site and expects to serve it with utilities, including electric power.

If all goes as planned, the first Riverwalk bonds could be sold and some construction could begin by year end, Turner says.

According to a development agreement Rock Hill is expected to approve soon, Riverwalk would be required to follow a strict timetable to meet financing benchmarks. By year five of construction, 20% of the project should be completed. By year 10, it would hit 45%, and year 15 would mark 85% completion.

While the tax-increment financing agreement is in place, the instable bond market is likely to keep the financing effort on the shelf for a while.

High financing costs have stalled other TIF projects in the Charlotte area, including a plan in Kannapolis for \$168 million in tax-increment financing to support the N.C. Research Campus.

"Interest rates for raw-land TIF bonds are very high right now," says Keenan Rice, president of MuniCap Inc. The Greens partnership hired the Columbia, Md., company to advise it on public financing.

Still, Rice says it makes sense for work to continue on Riverwalk in the interim. "There is a lot of work that goes into a project like Riverwalk, and it makes sense to move forward on those things we can at this time."

Rice says TIF bond interest rates, which have reached 12%, could be coming down and Rock Hill should be preparing to act when they do.

The Greens of Rock Hill partnership originally comprised Childress Klein Properties Inc. and LandDesign Inc., both of Charlotte, and Pollution Risk Services of Cincinnati. Childress Klein officials say they are still involved but not as an equity partner.