

## Ave Maria: Recipient of \$128 million in tax-free bonds, so far

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Saturday, August 2, 2008

Think the Ave Maria project is financed entirely by private loans? Think again.

In the past four years, Ave Maria has received nearly \$128 million in tax-free municipal bonds. The money has built a water and sewer plant, university student and faculty housing, and provided general town infrastructure.

Three separate governmental bodies — the Collier County Industrial Development Authority, the Collier County Educational Facilities Authority and the state-approved Ave Maria Stewardship Community District — have authorized five bond issues that benefit town developers and future residents.

Bonds issued by these entities are tax-free, making them equivalent to those from any government in the state.

Municipal bonding's attractiveness to developers is simple: It's cheaper. Interest earned from municipal bonds is exempt from federal income taxes, meaning it costs developers significantly less money to offer more favorable returns to investors.

"It substantially decreases the cost of borrowing," said Stephen E. Cohen, an accountant who runs a private firm in Naples.

The governmental bodies used by Ave Maria's developers act as conduits to the municipal bond market.

The Collier County Educational Facilities Authority, which recently approved a \$17 million bond for Ave Maria University, was established in 1999 to provide tax-free financing for private higher education construction under the rationale that higher education facilities benefit the county where they are located.

Bonds issued in this way are the university's obligations alone, not responsibilities of a county or city tax base. In many projects, including others at Ave Maria, assessments and user fees from town residents also pay off debts.

Still, the general public does have a stake in the matter. Since the federal government doesn't collect income taxes from municipal bond deals, these projects receive a public benefit that privately financed ventures don't.

For private organizations to access this tax-free pool of money, there are rules designed to keep them in the public eye. For one, governmental bodies are required to approve financing for these projects at publicly noticed meetings.

But, in reality, the public hardly notices.

Donald Pickworth, the attorney for the two Collier County agencies, said members of the public attend meetings "very rarely." Usually, only engineers, lawyers and district managers come to monthly meetings of the Ave Maria district, held on the university campus.

This lack of interest and oversight is common even though these agencies are gatekeepers to millions in public dollars, according to Susan MacManus, a political science professor at University of South Florida.

Authorities and special districts often have complicated functions and many boards are appointed, rather than elected, further removing them from public scrutiny, MacManus said.

"It's the least understood type of government in America," MacManus said.

As Ave Maria town and university develop, expect them to continue using municipal bond financing.

Similar to community development districts operating all over Southwest Florida, the Ave Maria Stewardship Community District, which at this point is run entirely by the town's developer, has jurisdiction over nearly 11,000 acres in and around the town.

In 2006, the district approved and Collier circuit court validated more than \$820 million in tax-free bonds for town infrastructure. So far, the district has issued just \$52 million of that amount.

