City of Sandy Springs Development Authority Meeting was held at Sandy Springs City Hall, 7840 Roswell Road, Building 500, Sandy Springs, Georgia, 30350, on July 8, 2014, at 2:00 p.m.

Call to Order

Chairman Chip Collins called the meeting to order at 2:05 p.m.

Board Members Present: Chip Collins, Gabriel Sterling, Jennifer Steele, Carla Sweetwood, Jimmy Glenn, Dave Nickles, and Craig Johns

Staff and Representatives Present: Staff Attorney Kathy Williams, Director of Economic Development Andrea Hall, City Clerk Michael Casey, and Assistant City Clerk Kelly Bogner

Assistant City Clerk Kelly Bogner asked the Boardmembers to state their name whenever they speak to facilitate creation of the minutes.

I. Approval of Minutes from meeting held May 1, 2014

Motion and Vote: Dave Nickles moved to approve the May 1, 2014, Sandy Springs Development Authority minutes. Carla Sweetwood seconded the motion. The motion carried unanimously.

II. Consideration of fees to be received by the Authority in connection with the bond issues referenced in paragraph IV below

Staff Attorney Kathy Williams stated it is her understanding that the fee to the Authority is 1/8 of 1%.

Attorney Jim Woodward stated the Authority will charge 1/8 of 1% of the bond amount. That is what the Fulton County Development Authority would have charged if the developers went to that board instead. This fee will be paid at closing in September or October. The amount will be 1/8 of 1% of $169,000,000. The Fulton County Development Authority does not have a fee cap.

Gabriel Sterling stated he is not familiar with a cap in any jurisdiction in the State for any development authority. The 1/8 of 1% is the usual rate that is charged.

Dave Nickles stated that fee amount calculates to $211,250. One of the items the Development Authority asked for with the Davis Academy deal was a survey of municipalities in metro counties.

Attorney Woodward stated that is the market rate. Sandy Springs Development Authority and the City of Atlanta are the only Authorities that have dealt with a similar project. DeKalb County and Cobb County have done a similar project as well.

Gabriel Sterling stated the City of Dunwoody has done four similar deals and received $360,000.

Attorney Woodward stated rates have been negotiated down, especially for larger deals such as the Kia and Caterpiller plant in Georgia. When it is for another government entity, the fees are not charged. In this case, fees are not charged because the City of Sandy Springs helps fund the Development Authority already. That is referred to as a conduit issuer. He assisted with the development in Dunwoody two years ago and in that case Dunwoody did not charge a fee. On the Paulding County Authority Airport Bond they are not charging a fee to Paulding County for the bond. Governments generally do not charge a fee, unless it is a third party company.

Chairman Chip Collins asked what the fees can be used for.

Attorney Woodward stated the fee will go to the Authority's account. Every year an annual report is completed with the Department of Community Affairs. The Development Authority funds cannot be used for governmental projects.

Gabriel Sterling stated the funds can be used to help fund half of a full time employee for economic development to work on business retention for the City. Currently, the City of Dunwoody has a person that is specifically tasked to visit and talk to existing businesses. That person held 530 retention meetings last year.

Attorney Jim Woodward stated he will discuss the bond resolutions, documents, and the tax abatements. When this deal is closed there will be a separate agreement between each of the three developers and the City. The developers will agree to make contract payments to the City to help pay for the road infrastructure. The amount will be about $4.5 million. A few months ago the Authority voted to authorize him to move forward with discussions creating a deal with the other parties. At this point, the deal is ready to move forward. He spoke with the two developers: Hudson Hooks with JLB for the multifamily portion; and John Graham, who is the Principal of the Sandy Springs Gateway, which is the retail portion. He will be meeting with the Tax Assessors of Fulton County to present what the Authority has approved as terms of the transaction to approve the tax abatement portion. He received approval from the Fulton County legal counsel of the Development Authority to proceed with the deal and the agreement. Today the Authority will make three motions to approve the bond resolutions for each of the three projects. There is a retail phase, which is Core Properties, for $39,000,000 in bonds. There will be multifamily housing phase I and II. The multifamily and retail Phase I have already began construction.

Gabriel Sterling stated the northern section is Phase I and the southern section is Phase II.

Attorney Woodward stated the reason the authority is being asked to approve Phase II now is because the road project cost is about $4.5 million.

Director of Economic Development Andrea Hall stated initially the amount was $3.7 million.

Attorney Woodward stated in order to have enough tax savings, all three developments need to be approved at the same time. This will provide $6.5 million of tax savings. These savings will be used to pay for the road project.

Chairman Collins asked if the $6.5 million is just the City portion.

Attorney Woodward responded yes. After the deal is approved, the developer will be paying the City the payments over the next several years. The agreement will be in the form of a contract. This agreement will be between the City and the developers.

Chairman Collins stated the developer making the payments for the new road is a condition of zoning.

Attorney Woodward stated each of the developer entities has investors, which are the banks as well as individual investors. John Graham and Hudson Hooks have already started the process of negotiating with the investors. This deal will not be closed on until the deals with the developers and the banks are signed. The tax abatement will not be received until that is signed. The bond resolution authorizes the issuance of bonds. The first bond is $39 million for the retail phase, the second bond is $55 million for the multifamily housing, and the third one is for $65 million for the second phase of the multifamily housing.

Craig Johns stated at the last Development Authority meeting the number was at $100 million and now the number is $169 million.

Attorney Woodward stated at that meeting Phase I was included and Mr. Hooks mentioned there may be a Phase II. The $100 million figure was for the rest of Phase I and the retail portion.

Gabriel Sterling stated the Phase II cost increased because that portion of the project will be completed at a later date and the construction costs will have increased by then.

Director of Economic Development Hall stated the Fulton County Tax Authority will have to agree to the value of the project. Once the properties are built, they will probably appreciate at a higher rate. Both of the entities intend to sell the properties to another entity at a much higher rate within three to four years. When the property is sold, it is anticipated the value will increase even more. This means the tax abatement will be higher, because the property will be assessed at a higher value. This also means there will be more money coming in to pay for the road project.

Craig Johns asked if the abatement will continue for the full ten years.

Attorney Woodward responded yes.

Chairman Collins asked Attorney Woodward to draw a flow chart of how the bond resolution and tax abatement process occurs.

Jimmy Glenn asked if the estimated tax loss in Sandy Springs was based on the appreciated value for ten years or on the current value of the property.

Attorney Woodward responded the appreciated value. The tax abatement will be about $879,000. There will be a contract for the developers to pay for the road project.

Chairman Collins stated the representation is about job creation. He asked if those are permanent jobs or construction jobs, and does it matter under the law.

Attorney Woodward stated he believes they will be construction jobs and that should be fine under State law.

Craig Johns stated the Authority is discussing the amount of funds the City will be giving up, but there is the plus side on how much the City will be receiving for this project after the tax abatement.

Gabriel Sterling stated the amount of taxes valued before this project was $11 million.

Attorney Woodward stated in the first year the City will receive 50% of what the City would receive on a $170 million project. How a tax abatement works is that for a private individual or corporation taxes are paid on a fair market value of the property. Government organizations and nonprofits own property, but do not pay property taxes. A tax abatement is used to promote jobs and economic development. Currently, the developers own the land. At the closing, the title will be transferred to the Development Authority. In order for the Development Authority to purchase this project, they are required to issue a bond. The bond is sold to the developers and the Development Authority holds ownership of the property.

Chairman Collins asked where the lender plays a part in the process.

Attorney Woodward stated the developer would hold title to the $169 million project. The bank will do the loan underwriting. In order to issue a bond under Georgia law, it has to be presented to a local Superior Court. The court then approves issuance of the bond to buy the project for the Development Authority and also approves all the bond records and trust. Once the Development Authority owns the project, they will lease it back to the developer. The bond for the developer is secured fully by the lease payments from the lease agreements. The agreement controls the lease between the Development Authority and the developer. The Development Authority does not have much to do with the project, it is operated and maintained by the developer. The Authority has a limited liability obligation. The bank can only look to the lease payment for security of the bonds.

Craig Johns asked if anyone actually purchases the bonds.

Attorney Woodward stated the developer buys the bonds back. Every six months the developer will make a lease payment to the Authority, the authority will turn around and make that same payment back to the developer in the form of a personal interest payment. The payments will be identical matching payments. The Authority will be approving a home office agreement payment.

Chairman Collins asked if the Authority will take title subject to the bank loan.

Attorney Woodward stated that can be done one of two ways. Many times the tax abatement can be done first, and then the Development Authority will own the property free and clear. At that time the Authority will transfer the title.

Jimmy Glen stated there was mention of a limited liability document which infers there is some liability.

Attorney Woodward stated the Authority has the right to the revenue stream from the lease payments. Within the lease agreement is the only liability the Authority has. The Authority can give up the lease payments from the lease agreement and cannot be sued. The Authority's liability is limited to one stream of revenue.

Chairman Collins asked about environmental liabilities and being an owner of the property.

Attorney Woodward stated in the lease agreement there are environmental indicators, insurance requirements, and indemnification for all of those items.

Chairman Collins asked if Attorney Woodward is the Development Authority's lawyer.

Attorney Woodward responded yes.

Jimmy Glen asked if the company did not have insurance, what would happen to the Development Authority.

Attorney Woodward stated the Authority has sovereign immunity.

Jimmy Glen asked about municipal liabilities in California.

Gabriel Sterling stated in that situation the State went into derivatives with the money they had and had no rules on where they placed the money.

Dave Nickles asked if halfway through the project JLB goes bankrupt, what will the relationship be between the bank and the Authority?

Attorney Woodward stated the bank can take the whole project from the Development Authority and full taxes will be paid on the remainder of the lease term. The funds for the road will have to be billed into the lease agreement.

Director of Economic Development Hall stated that will be a contract between the City and the developer and not the developer and the Authority.

III. Consideration and adoption of bond resolutions authorizing, Inter Alia

A. The issuance of not to exceed $39,000,000 in aggregate principal amount of the City of Sandy Springs Development Authority Taxable Revenue Bonds (Sandy Springs Gateway Owner, LLC Project,) Series 2014
(Presentation led by Jim Woodward, Bond Counsel)

Motion and Vote: Craig Johns moved to approve the adoption of the bond resolution authorizing Inter Alia, the issuance of not to exceed $39,000,000 in aggregate principal amount of the City of Sandy Springs Development Authority Taxable Revenue Bonds, for the retail portion of the Gateway project. Dave Nickels seconded the motion. The motion carried unanimously.

B. The issuance of not to exceed $65,000,000 in aggregate principal amount of the City of Sandy Springs Development Authority Taxable Revenue Bonds (JLB Chastain, LLC Project), Series 2014
(Presentation led by Jim Woodward, Bond Counsel)

Motion and Vote: Dave Nickles moved to approve the adoption of the bond resolution authorizing Inter Alia, the issuance of not to exceed $65,000,000 in aggregate principal amount of the City of Sandy Springs Development Authority Taxable Revenue Bonds for the multifamily housing Phase I. Craig Johns seconded the motion. The motion carried unanimously.

C. The issuance of not to exceed $65,000,000 in aggregate principal mount of the City of Sandy Springs Development Authority Taxable Revenue Bonds (JLB Chastain Phase II, LLC Project), Series 2014
(Presentation led by Jim Woodward, Bond Counsel)

Motion and Vote: Carla Sweetwood moved to approve the adoption of the bond resolution authorizing Inter Alia, the issuance not to exceed $65,000,000 in aggregate principal amount of the City of Sandy Springs Development Authority Taxable Revenue Bonds, for the multifamily housing Phase II. Gabriel Sterling seconded the motion. The motion carried unanimously

IV. Other Business

Jennifer Steele arrived at this time.

Chairman Collins asked what the Authority thinks about the need for a press release by the end of the week to explain to the public that the Authority is not obligating the taxpayers to $169 million.

There was a consensus of the Authority to have City staff prepare a press release.

Gabriel Sterling asked when these items will be on the Fulton County Board of Tax Assessors agenda.

Attorney Jim Woodward responded at 12:30 p.m. on Thursday, July 10, 2014. After the approval from Fulton County he will file the documents with the court and it will be about four weeks before there is final approval. Anyone has the option to intervene on a bond hearing in court. If that were to occur, the Authority can discuss what options there are in moving forward.

Chairman Collins stated he would like the press release to include the increase in tax revenue to the City even with the tax abatement.

Gabriel Sterling stated there was an announcement that Drax Biomass is moving its headquarters from Massachusetts to Sandy Springs.

Director of Economic Development Andrea Hall stated Council approved the inducement for the company about two months ago.

V. Adjourn

Motion and Vote: Carla Sweetwood moved to adjourn the meeting. Gabriel Sterling seconded the motion. The motion carried unanimously. The meeting adjourned at 2:53 p.m.

Date Approved: December 18, 2014

Chip Collins, Chairman

Michael Casey, City Clerk