AGENDA FOR MEETING OF THE
CITY OF SANDY SPRINGS DEVELOPMENT AUTHORITY

JANUARY 28, 2016
8:30 A.M.

CITY MANAGER'S BOARDROOM

I. **ROLL CALL**

II. **READING AND APPROVAL OF MINUTES FROM MEETING HELD DECEMBER 18, 2014**

III. **DISCUSSION REGARDING PROPOSED ISSUANCE BY CITY OF SANDY SPRINGS DEVELOPMENT AUTHORITY OF TAXABLE REVENUE BONDS IN AN AMOUNT NOT TO EXCEED $80,000,000 IN CONNECTION WITH THE MILL CREEK LLC (6125 ROSWELL ROAD) MIXED-USE DEVELOPMENT PROJECT** (Presentation by Jim Woodward, Bond Counsel)

IV. **OTHER BUSINESS**

V. **ADJOURN**

SANDY SPRINGS GEORGIA

To: Sandy Springs Development Authority

From: Andrea Hall, Economic Development Director

Date: January 20, 2016 for Submission onto the January 28, 2016 Meeting Agenda

Subject: Proposed Development Authority financing related to Mill Creek LLC

Background:

At the April 21, 2015 meeting, City Council approved an application to rezone property on the west side of Roswell Road at Hildebrand Drive (6125 and 6135 Roswell Road) for a mixed-use development with up to 340 multi-family units and 50,000 square feet of commercial space.

After the zoning was approved, the developer, Mill Creek LLC, indicated they intended to pursue taxable revenue bond financing for the project through the Development Authority of Fulton County (DAFC). As an alternative, City staff approached Mill Creek LLC to discuss the possibility of participating with the Sandy Springs Development Authority and the City of Sandy Springs in a taxable revenue bond financing for the project that would result in a portion of the tax savings being returned to the City for the purposes of offsetting construction costs for the Boylston Road Connector project. This road project is located on the southern boundary of the Mill Creek property. Mill Creek LLC agreed to participate with the Sandy Springs Development Authority and set aside 25 percent of the tax savings ($675,000) to fund the Boylston Road connector project.

The City estimates the Boylston Road connector project will cost $4.7 million The budget sources necessary to fund the project, and by the amounts necessary to fund the Project: (1) impact fees; (2) issuance of bonds for the Mill Creek project (contingent on their approval by the City of Sandy Springs Development Authority); and (3) Capital Project Fund.

Estimated Boylston Road Connector costs	$4.7M
Funding sources (in priority order):	
Impact fees (Mill Creek)	$650,000
Georgia TIB grant	$750,000
SSDA Financing (if approved)	$675,000
City Capital Funds	Remaining

Discussion:

Staff's proposal is for the Sandy Springs Development Authority to approve taxable revenue bond financing for the Mill Creek project of up to $80,000,000. This will result in a tax savings of approximately $2,700,000 over the 10 years of the agreement.

An additional agreement is needed between the City of Sandy Springs, the Sandy Springs Development Authority and the Company to outline how the tax savings for this project will be allocated between the Company and the City's Boylston Road Connector project. This agreement will result in an allocation of approximately $675,000 for the Boylston Road connector project.

Staff would also like to propose similar terms to the development just to the south of the Boylston Road connector, resulting in an additional $600,000 for the Boylston Road connector project, should it be approved by the Sandy Springs Development Authority at a future date.

Fiscal Impact

The following table outlines the impact of this redevelopment on tax revenues and the proposed allocation of abatement funds.

		Prior to Redevelopment	As Redeveloped	Difference
Appraised Value		$7,790,100	$80,000,000	$72,209,900
Estimated Tax Revenue (over 10 Years)				
Fulton County (31%)				
	Total Tax Revenue	$257,296	$2,920,304	
	- Value of Abatement	$0	($838,110)	
	= Total 10 year Tax Revenue, Net of Abatement	$257,296	$2,082,193	$1,824,898
Fulton County School Board (55%)				
	Total Tax Revenue	$447,793	$5,181,184	
	- Value of Abatement	$0	($1,486,970)	
	= Total 10 year Tax Revenue, Net of Abatement	$447,793	$3,694,214	$3,246,421
City of Sandy Springs (14%)				
	Total Tax Revenue	$114,502	$1,318,847	
	- Value of Abatement	$0	($378,501)	
	= Total 10 year Tax Revenue, Net of Abatement	$114,502	$940,345	$825,844
TOTAL (100%)				
	Total Tax Revenue	$819,590	$9,420,334	
	- Value of Abatement	$0	($2,703,582)	
	= Total 10 year Tax Revenue, Net of Abatement	$819,590	$6,716,753	$5,897,163
Application of Abatement Funds (1)				
	Infrastructure Construction (25%)		*$675,895*	
	Developer Incentive (75%)		*$2,027,686*	
	TOTAL		*$2,703,582*	
Available Funds for Infrastructure (1)				
	Abatement Funds			
	County (31%)		*$209,528*	
	School Board (55%)		*$371,742*	
	City (14%)		*$94,625*	
			$675,895	

Recommendation:

Staff recommends approval.

Alternatives:

The Sandy Springs Development Authority could deny the request by Mill Creek LLC.

Mill Creek LLC, if they they choose, may still request revenue bond financing from the Development Authority of Fulton County (DAFC) under the same financial terms proposed to the Sandy Springs Development Authority. However, should DAFC approve this financing, no

TAX INCENTIVE STRUCTURE (GEORGIA)

Title to Project

Development Authority
(“Authority”)

- Project acquired, constructed and installed and owned by Authority.

<u>Lease Agreement</u>

- Project leased by Authority, as lessor, to Company, as lessee, for the term of the tax incentive (construction period plus 10 years).
- Pursuant to Lease Agreement, Company has option to purchase the Project at any time for $10 and unpaid payments in lieu of taxes.
- Title to Project transfers automatically to Company at the end of the term of the Lease Agreement.
- Company has full operation and control of the Project during the term of the Lease Agreement.

Project Company
(“Company”)

TAX INCENTIVE STRUCTURE (GEORGIA)

Tax Incentive Bonds

In Georgia, tax incentives involve the issuance by the Authority of taxable industrial development bonds for State law purposes. Such bonds are secured by the rent payments to be made by the Company to the Authority pursuant to the Lease Agreement. The bonds are typically sold to the Company, as bond purchaser.

Development Authority
(“Authority”)

Bonds

- Authority issues taxable revenue Bonds and sells bonds to Company.
- Each year, Authority makes principal and interest payments to Company, as bondholder.
- Bonds are limited obligations of the Authority and are secured and paid for from rent payments made by the Company pursuant to Lease Agreement.

Project Company
(“Company”)

Rent Payments

- Pursuant to the Lease Agreement, the Company, as lessee, makes annual rents payments to the Authority.

- Rent payments are equal to the annual installments of principal and interest due on the Bonds.

NOTE: Home Office Payment Agreement

- If the Company is both the lessee under the Lease Agreement and the holder of the Bonds, all rent payments and principal and interest payments are made as internal credit and debits of the Company (no funds are transferred to the Authority).

TAX INCENTIVE STRUCTURE (GEORGIA)

Tax Payments on Leasehold Interest

The Company holds a leasehold interest in the Project throughout the term of the Lease Agreement. The leasehold interest is valued at a lower amount than the fee ownership interest in the Project. The Company throughout the term of the Lease Agreement will make property tax payments to the Tax Commissioner based on the following schedules:

Project Company
(“Company”)

<u>Construction Period</u>

- During the construction period, the Company pays 100% of the property taxes for the existing value of the underlying property, but pays no property taxes on new capital improvements or equipment.

<u>Completed Project</u>

- After the Project is completed, the Company will pay property taxes over the following 10 years equal to the property taxes that would have been paid if the Company owned the Project multiplied by the percentages listed below:

Year	Percentage
One	50%
Two	55%
Three	60%
Four	65%
Five	70%
Six	75%
Seven	80%
Eight	85%
Nine	90%
Ten	95%

County Tax
Commissioner

TAX INCENTIVE STRUCTURE (GEORGIA)

PILOT Payments

After the Project is completed, the Company will make payments in lieu of taxes each year of the 10 year property tax incentive. The payments in lieu of taxes paid in each year will equal 25% of the value of the tax savings received by the Company in such year from the property tax incentive transaction.

Construction Period

- The Company makes no payments in lieu of taxes.

Project Company
("Company")

Completed Project

- The Company makes annual payments in lieu of taxes equal to 25% of the tax savings received in each year of the property tax incentive transaction.

Development
Authority/ City

funds would be made available for the Boylston Road connector project. 100% of the bond proceeds would benefit Mill Creek LLC.

As it is an important regional transportation project, the City will construct the Boylston Road connector project regardless of any financing from the Sandy Springs Development Authority. Funds for the project would be allocated from impact fees and other general fund revenues.

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