City of Sandy Springs Development Authority Meeting was held at Sandy Springs City Hall, 1 Galambos Way, Sandy Springs, Georgia, 30328, on March 14, 2019, at 8:30 a.m.

I. DA19-007 Call to Order

Chairperson Chip Collins called the meeting to order at 8:40 a.m.

II. DA19-008 Roll Call

Authority Members Present: Chip Collins, Toshia Battle, Jimmy Glenn, Sunny Park, and Dan DiLuzio. Gabriel Sterling and Joe Houseman were absent.

Staff and Representatives Present: City Attorney Dan Lee, Director of Economic Development Andrea Worthy, Economic Development Specialist Caroline Davis, City Clerk Coty Thigpen, Assistant City Clerk Kelly Bogner, and Bond Counsel Jim Woodward.

III. DA19-009 Approval of the Meeting agenda

Motion and Vote: Authority Member DiLuzio moved to approve the March 14, 2019 Meeting agenda. Authority Member Glenn seconded the motion. The motion carried unanimously.

IV. DA19-010 Approval of Minutes from Meeting held January 10, 2019

Motion and Vote: Authority Member Glenn moved to approve the January 10, 2019, Sandy Springs Development Authority meeting minutes. Authority Member DeLuzio seconded the motion. The motion carried unanimously.

V. DA19-011 Welcome New Members: Sunny Park, Toshia Battle

Chairperson Chip Collins welcomed new members Toshia Battle and Sunny Park. The Authority's bond attorney Jim Woodward is in attendance who will later give an overview of the Authority's duties. Another item to be discussed later are the State mandated education requirements.

VI. DA19-012 Election of Secretary/Treasurer

Motion and Vote: Authority Member Glenn nominated Dan DiLuzio as the Secretary/Treasurer for 2019. Authority Member Battle seconded the motion. The motion carried unanimously.

VII. DA19-013 Development Authority Overview

Chairman Chip Collins asked Mr. Woodward to give background on who he is and what he does as well as an overview of what the Authority does and can do.

Bond Counsel Jim Woodward stated he is a bond attorney and his office has a total of five bond lawyers. They work with local counties, cities, and school districts. They assist with financing for governments on tax exempt bonds. His office also works with a lot of Development Authorities. Tax incentive transactions are a good tool the City has when working through their Development Authority. The municipalities are able to offer packages in order to induce companies to move to their jurisdiction. He works with Development Authorities in negotiating all the documents with companies to provide incentives. Sandy Springs has completed projects such as the Gateway project on Roswell Road. One was a residential/commercial project. He assisted the developers in creating a package in order to induce them to build a project and to restructure the street network. The developers and the Authority worked together to redevelop the Windsor Parkway and Roswell Road area. The project worked out well as a public/private partnership. The City Hall building and surrounding was financed with a bond partnering with Carter. The deal also provided a tax incentive in order for Carter to meet their goals. He teaches some of the Carl Vinson Development Authority courses. He will cover what a Development Authority is, what its powers are and the responsibility of the boardmembers. There are two main tools the Authority is used for one of them being conduit financing. The other item is for tax incentive transactions. A Development Authority is a separate governmental entity that has a board that acts independently of the City. The Authority works with the City or county to promote trade, commerce, industry, and reduce unemployment. The Authority can do things that the City cannot do on its own. In 1969, the General Assembly created Development Authorities. In every action the Authority takes it should create trade, commerce, industry, or reduce unemployment. If the Authority does this, it is within their parameters of what they should be doing. Before 1969, the only way to create a Development Authority was to amend the State Constitution. A local jurisdiction would have the General Assembly adopt an amendment to the Constitution creating a Development Authority. Each one was a unique entity and had its own powers. Shortly after the inception of the City, the Development Authority was created. In order to create an Authority, the City adopts a resolution creating the Authority. The boardmembers are appointed when the Authority was created and bylaws were adopted. If you hear the term "Constitutional Authority" there are not many in the Metro area. There are a few left, one in Jackson County as well as one in Paulding County. They have different powers than what this Authority has. This Authority is a statutory Authority. The most common Authority is the Fulton County Development Authority. They have the same powers as the Sandy Springs Development Authority. The Fulton County Authority has the ability to work within the City of Sandy Springs as well. Any tax incentive projects or bond financing could be either the Fulton County Development Authority or the City's, if the company is located in the City limits. They have the power to issue bonds to finance projects. Projects is a defined term that is a capital project that promotes trade, commerce, or industry. There are not many restrictions on what projects can be approved by an Authority. As long as the Authority decides a project promotes trade, commerce, or industry, they have the power to approve those projects. There is a current court appeals case in Cobb County regarding whether Kroger promotes trade, commerce, or industry. The Authority has full discretion on whether to approve a deal. Bonds can be issued to finance economic development projects and to provide economic development incentives. The financing is referred to as conduit financing. It means that the Authority issues a bond for the benefit of another entity. The Authority is a conduit and are not financing their own project. The bond is being issued for the benefit of another company or for the benefit of the City. A bond is a term for where money is borrowed over a term of a specific number of years. The bond can be sold to a bank or the public market while borrowing money to build the project. The entity that borrows the money for the bond will owe the principal and interest over a period of time. A lot of nonprofits, especially a 501 (c) 3, which are schools and charter schools could use the Authority to fund a project. Other nonprofits that may utilize a Development Authority are churches, hospitals, and University of Georgia foundations. These organizations will approach the Authority requesting a tax exempt bond issuance for their benefit. This is where a bond holder does not have to pay income tax on the interest paid. The IRS requires a government entity to issue bonds on their behalf. The Webber School could not have gone to a bank and borrow money and had the benefit of a federal income tax, tax exempt rate. The school had to work with a Development Authority to accomplish this. The IRS wants a government to have oversight over this type of process which includes public hearings. If the Authority decides they want to move forward with a project that was proposed by a 501 (c) 3 you are allowed to charge a fee.

Chairman Collins asked if the bonds are available only to a 501 (c) 3.

Bond Counsel Woodward responded for IRS purposes, yes. Only a nonprofit corporation has the power to do a tax exempt bond.

Chairman Collins asked if the Webber School is the only type the City has done.

Director of Economic Development Andrea Worthy stated that is the last deal this Authority did about six to seven years ago.

Bond Counsel Woodward stated the main 501 (c) 3 that takes advantage of these deals are the private schools. One important thing to remember is there are limited obligations of the Authority. Under Georgia law, the assets are not backed by the City, county, or State. The assets are backed solely by the payments made by the school. If the school does not pay back the loan there is no recourse against the Development Authority. The bond is secured by the revenues of the school. All members of the Authority are not liable for the bond payments. All of this information is included on the bond documents. The members are not making any personnel risks by making a decision. As long as the project promotes trade, commerce, or industry. Development Authorities are also used for tax incentive transactions. All states have some form of tax incentive. It is the decision of the Authority, as the economic development group, to decide if they want to provide an incentive to induce a company. Under Georgia Law, certain entities are exempt from property taxes. One of these entities are governments. Sandy Springs does not pay property taxes on the City Hall building. Nonprofits also do not pay taxes, which includes churches and private schools. Anything the Development Authority owns is exempt from property taxes. If the Authority owns a building they do not pay property taxes on that building. All states rely on that concept. In order to make a tax incentive work, the Development Authority owns the project. The property is then leased back to the company. The Authority owns everything and all rights to a piece of property, which include leasehold interest, riparian rights, mineral rights, and air rights. The Authority then leases the property back to the company. The company only has a leasehold interest. Under Georgia law, the local tax assessor can value that leasehold interest at less than the ownership interest. For example, the commercial facility is leased by Carter and owned by the Development Authority. The Authority has leased the property back to Carter for ten years. The Fulton County Board of Tax Assessors signed an agreement at closing that during the leasehold interest as long as the Authority owns the property the first year leasehold interest is valued at fifty percent of the value of the ownership interest. The taxes on that leasehold interest is fifty percent of what would have been paid if the property was owned outright. This results in a fifty percent in the reduction of property taxes. The leasehold interest is worth less each year, which results in Carter paying five percent more each year in taxes. We are now in year three and they will pay sixty percent of the tax value of the taxes. That is a forty percent in reduction of taxes. At the end of the ten years the company purchases the property from the Development Authority for a nominal fee of $10. Carter then will own the property and will pay full taxes because they have the ownership interest. The Fulton County Development Authority, Alpharetta Development Authority, and City of Atlanta Development Authority, which is called Invest Atlanta, all process deals such as this. If a tax incentive deal is approved, an Authority can offer a company a ten year tax abate/tax incentive where they pay fifty percent of the taxes in year one and then five percent more each additional year. Every county board of tax assessors has a different way of doing things. Cobb County's tax incentive is 100%. The Korean company that moved to Commerce, GA closed their incentive deal in January. They are doing a twenty year tax abatement with Jackson County Development Authority. That was a $1.6 billion deal. They were given a twenty year tax abatement where in year one they pay zero percent and then five percent more each additional year. DeKalb County has various ways they structure their tax abatement deals. The reason why bond lawyers are involved with tax abatement deals in Georgia is that in connection with a deal, the property is transferred to the Authority and leased back. Georgia issues a bond as a taxable revenue bond in connection with the tax abatement deal. The bond can be sold to the public and raise money with it. With these deals, we do not raise money. At closing, the bond is issued by the Development Authority. It then goes to the bank and is sold back to the company. That bond is a limited obligation to the Development Authority and is secured by lease payments by the company. Every six months when a lease payment is due, the company pays it to the Development Authority. That payment is equal to the principal and interest payment of the bond. The

Authority automatically turns around and pays that back to the company in the form of principal and interest of the bond. The company takes those funds, which makes the transaction equal and offsetting. The process is a legal structure and has no financial effect. In the 1970's Georgia wanted to have governmental oversight of the tax abatement deals. When governments issue bonds they have to present everything to a local Superior Court judge for approval. For the financing of this project we had to appear before the Fulton Court Superior Court and present the case of everything that was legally completed to finance this project. He and City Attorney Lee presented the case to the judge. The State of Georgia through the District Attorney Paul Howard stated they believe that the Authority did everything legally correct with the tax abatement deal. The Development Authority is the defendant who responds saying they agree that everything was done legally correct. The company is also the defendant and they respond with an answer to the court that they agree and there is no contest. The case is heard before the court judge and the judge signs the order if no one else challenges the case. The case is then approved by the judge. The validation process is to ensure there is oversight to review the case. Before the validation hearing a notice is placed in the local newspaper. Any resident of Sandy Springs could show up in court and challenge the legal process. Rarely does anyone challenge the cases.

Director of Economic Development Worthy stated in her role she works with the State quite often with companies that are looking to bring projects to the Metro area. A lot of companies that are not used to dealing with Georgia do not understand the bond abatement process.

Bond Counsel Woodward stated the most difficult thing he has to do is explaining the tax abatement deal to the company's counsel, especially a foreign counsel. He assisted with the Mercedes-Benz headquarters deal in partnership with the Fulton County Development Authority. The company had a difficult time understanding why the Fulton County Development Authority will own the building. It took quite some time to explain to their accountants how to account for the deal.

Authority Member Sunny Park asked about the City's bond rate.

Bond Counsel Woodward stated the Authority's tax abatement deals do not affect the City's bonding rate. The City's rating is AAA and one of the few governments that has that rating.

Authority Member Park stated it would be good if the new members could have a copy of the meeting minutes from the last two meetings.

Director of Economic Development Worthy stated she also will also provide a spreadsheet that summarized the actions the authority has taken for the last couple of years.

Chairman Collins stated Mr. Woodward does a great job with all the bond abatement deals the Authority has reviewed and approved. For each deal the Authority approves we receive a fee.

Bond Counsel Woodward stated that fee is 1/8 of 1%.

Chairman Collins stated a couple of years ago the Authority accumulated about $150,000 in the account. We could use that money in our discretion to further incentivize the mandated mission. The Authority used some of those funds to make a contribution to the Sandy Springs Innovation Center. It is a center that was started by the Sandy Springs Perimeter Chamber and is located in the Perimeter area. The center's primary purpose is entrepreneurial education and support. It was a combination of two groups of Sandy Springs organizations doing something that was very positive for job and business creation. Part of the Authority's mission is to support City efforts. The City came to the Authority twice and asked for support of two City events. One event was a concert series this past summer and fall. The other event was the backup support for the Itzhack Perlman concert.

Director of Economic Development Worthy stated she checked yesterday and the Finance staff has not completed the financial portion of the event. When she has that information she will send that out to the members.

Chairman Collins stated the City was expecting a lot of sponsorships. In order to make the commitment for him perform here at the City, the Authority approved a maximum contribution level. The expectation was the contribution would be less than that based on other sponsorships received. He asked how much does the Authority currently have in the account.

Director of Economic Development Worthy stated she is looking for that information. Finance Director Karen Ellis apologized she could not attend the meeting today. She will bring a financial report to the next meeting. The City provides staff services for the Authority.

Chairman Collins stated the Authority receives a financial report at least once a year.

VIII. DA19-014 North End Update

Chairman Chip Collins stated the Authority does not necessarily go out looking for projects or advertising, we wait for projects to come to us usually through the City or otherwise. One area of our City that he believes to expect to get future projects is the north end of the City.

Director of Economic Development Andrea Worthy stated the area is north of Dalrymple.

Chairman Collins stated there has been quite a bit of news on this area. A task force was also formed and he believes they submitted a report to Council.

Director of Economic Development Worthy stated at the retreat in January, Council set the goals and adopted new priorities for each year. Generally speaking the priorities have been the same, but in 2018 Council added a new priority which is North End Redevelopment. The priorities set direction for Council and staff for budget items and resources. The action in 2018 was Mayor and Council appointed a task force. They asked the task force to look at what some of the issues are in the north end and be prepared to give Council a set of recommendations on how to encourage development in that area. The task force met quite often in 2018 and came up with recommendations that were presented to Council at the 2019 retreat. Council has not taken any action on those recommendations, other than to accept the report of the task force. Council has not adopted any of the recommendations. It is likely they will direct staff to take some or maybe all of the recommendations and vet them through the public process. She would like to dispel some rumors in that you should not believe everything you read in the newspaper. If you have any questions regarding the north end please call her office. There is not a conspiracy to displace 10,000 residents. The City does not own property in the North End and does not have a plan to purchase any properties or displace residents. The City will do a better job speaking out about this unless Council is taking an action or looking at something.

Authority Member Dan DiLuzio stated last night at the Chamber Board meeting Council Member Chris Burnett did a good job explaining about the north end.

Director of Economic Development Worthy gave the North End Revitalization Taskforce PowerPoint presentation dated January 22, 2019, which was also presented at the City Council Retreat. The City may or may not use some of the recommendations. In addition to the package provided to the members today, she also included a copy of the Authority's mission statement. The mission statement guides the Authority on what projects they should be reviewing for approval. It is the primary mission to support City sponsored projects. There may be opportunity for the Authority later this year regarding suggested policy to support projects. If Council takes action to adopt a redevelopment area such as the north end, she may come back to the Authority and ask them to consider changing their mission statement. That would be an incentive for this area versus investing in other areas of the City.

Chairman Collins stated from a tax incentive standpoint, incentives are not needed for development in the Perimeter area or inside I-285. The north end is a perfect area for the Authority to focus on. The market is not working in regards to redevelopment for that area.

Director of Economic Development Worthy stated the Development Authority is one tool in the economic development toolbox. The City has an incentive policy where they have the ability to waive fees associated with projects that meet certain criteria. If a business invests $1 million and creates fifteen new jobs in the City there is a City ordinance that allows the business to apply for incentives. The request comes before Council in a public forum and Council is required to vote on it. She promotes the incentive program to businesses. Very few businesses actually qualify for the incentive program and fewer want to apply for the incentives.

Chairman Collins asked what is the biggest impediment that the Authority could solve for a developer coming to the City to redevelop.

Director of Economic Development Worthy stated the biggest impediment is cost. Sandy Springs is an extremely expensive place to do business. About seven years ago the City had an Economic Development Advisory committee and they looked at the large pieces of property such as the shopping centers and apartment complexes. At that time, the apartment complexes were not as occupied as they are now. They reviewed a scenario if a developer purchased property and how much it would cost. Even then, the price was astronomical. Since that time the economy has improved. The apartment complexes are fully occupied and are making very good money. Some of the City's regulations make it more expensive to develop here. The City has impact fees, but for good reason. For an area that is challenging and you add more challenges it can become difficult for redevelopment to occur in that area. The impact fees could increase a project by $2 million or more. Some of our zoning regulations make it expensive as well. How we can influence redevelopment from a City perspective is related to regulation and offering incentives.

Authority Member Jimmy Glenn asked if there is a way to sum up what is going on regarding the north end so the members will understand the situation better.

Director of Economic Development Worthy stated related to the North End redevelopment, she believes that the committee agreed on 90% of what was included in the report. If you read the news reports, there was a disagreement at the end about certain portions of the report. The committee feels like changes are necessary and they all want to encourage mixed use and mixed income housing. The committee has a difference in opinion on how to do it. One group feels the City already has a lot of regulation and we should loosen some regulations. Another group thinks the City should require some things as part of any redevelopment project.

Chairman Collins asked where does the 10,000 person displacement number come from.

Director of Economic Development Worthy stated she does not know.

Chairman Collins stated he has a feeling that someone circled the apartments on map as well as shopping centers and then added up the number of units.

Director of Economic Development Worthy stated there are approximately 10,000 people within the blue circle located on the map.

Chairman Collins stated redevelopment will not happen overnight. The items on the report are potential areas that could be improved. The 10,000 number is based on someone taking a piece of data and using it to serve their own purpose.

Authority Member Glenn stated if there are a lot of multi-family units on the north end and they are now doing well, he asked if the idea is to replace the older apartments.

Director of Economic Development Worthy stated the reason the Task Force was created was because of the retail. The retail in this area is challenged. The question is how to redevelop that corridor. She hopes that within the next thirty days or so there will be news on the City concentrating on development for the shopping centers. She thinks the apartments were mentioned because they are like shopping centers and have large acreage and easy to assemble.

Authority Member Glenn stated for years we have discussed affordable housing for teachers, firefighters, and police officers. He asked if that will be incorporated into this process.

Director of Economic Development Worthy stated that will be incorporated into the report. There were recommendations of actions the City could take. Affordable housing from the City's perspective is a big item to tackle. The City does have an incentive for workforce housing. If new workforce housing is built in the City and 20% is set aside for workforce. This is for people that make 80-120% of average median income. That developer can have impact fees waived.

Authority Member Glenn asked if the City has subsidized affordable housing for police officers, teachers, and firefighters or any area where we are doing this.

Director of Economic Development Worthy stated there are two areas where the City is doing this. There was a zoning case at the Cliftwood apartments that have set aside five units of affordable housing. There is a widening project planned for Hammond Drive. In the interim the City has purchased some of the properties. When the properties are in good condition or can be brought to good condition they are being rented out to the public safety personnel.

Authority Member Glenn stated one of his hot button issues is there should be tangible housing for police officers, firefighters, and teachers.

Bond Counsel Woodward stated many Development Authorities do not have tax incentives for multi-family units. This Authority could add that to their mission if an affordable housing component is added.

Chairman Collins asked if residential is in the Authority's mission. While the Mayor does not control the Authority he has said it is his belief that the Authority should not get involved in residential development.

Bond Counsel Woodward responded no. He agrees with the Mayor as well. The final decision is up to the Authority and the City.

Authority Member Glenn stated unless there is a workforce housing component in a plan he will not be in favor of any plan. Workforce housing is very important to him.

Chairman Collins stated we do not want to incentivize the luxury apartments because there is no shortage of people wanting to build those. The Authority could have an exception to the unwritten rule about residential projects. If there is a significant workforce housing component then it could be considered.

Authority Member Glenn stated he is still upset that subsidies were given to Modera apartment complex. He does not see an economic need why that was justified. He does not want to make that mistake again of bringing in luxury apartments.

Chairman Collins stated most of the apartments had a retail component to it. He believes for the Modera part of the road was funded, which is a road creating the grid in our commercial areas. He understands what Authority Member Glenn stated. All members have a right to vote whichever way they chose. These meetings are held every two months, but if we do not have anything to discuss the meeting may not occur. The next scheduled meeting will be May 9th.

IX. DA19-015 Adjournment

Motion and Vote: Authority Member DiLuzio moved to adjourn the meeting. Authority Member Glenn seconded the motion. The motion carried unanimously. The meeting adjourned at 9:50 a.m.

Date Approved: May 9, 2019

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Chip Collins, Chairman   Coty Thigpen, City Clerk