

# Redevelopment Plan Amendment and Tax Allocation District for Downtown Duluth/Buford Highway Corridor

**Prepared for**  
the City of Duluth GA  
August 12, 2013



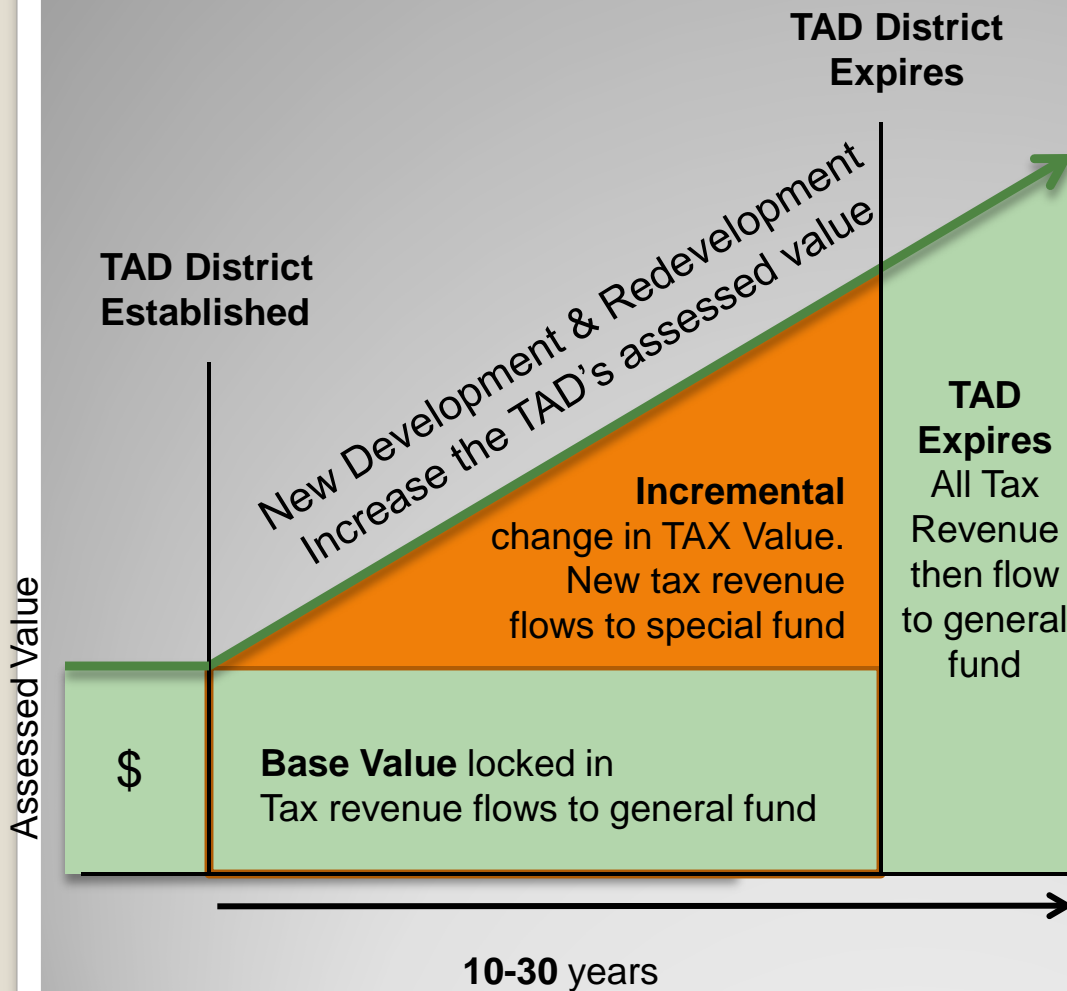
**Bleakly**AdvisoryGroup



## Background: What is a TAD?

- A Tax Allocation District (TAD) is a financing mechanism in Georgia that allows a community to “allocate” future taxes generated by new development within a defined area to pay for capital improvements to that area– rather than for general fund purposes
  - TAD funds can be used for roads, infrastructure and other public improvements to attract/support development or
  - To offer direct financial incentives to help make projects financially feasible
  - Existing property owners within and outside the TAD are unaffected –taxes do NOT increase unless values change
  - General fund taxes from properties within the TAD continue to be collected at the level that existed when the TAD was created





Future property taxes paid by **new development** and future growth within the TAD area are allocated to a special fund to pay for eligible costs—i.e. increased tax revenue generated in the TAD is spent in the TAD.

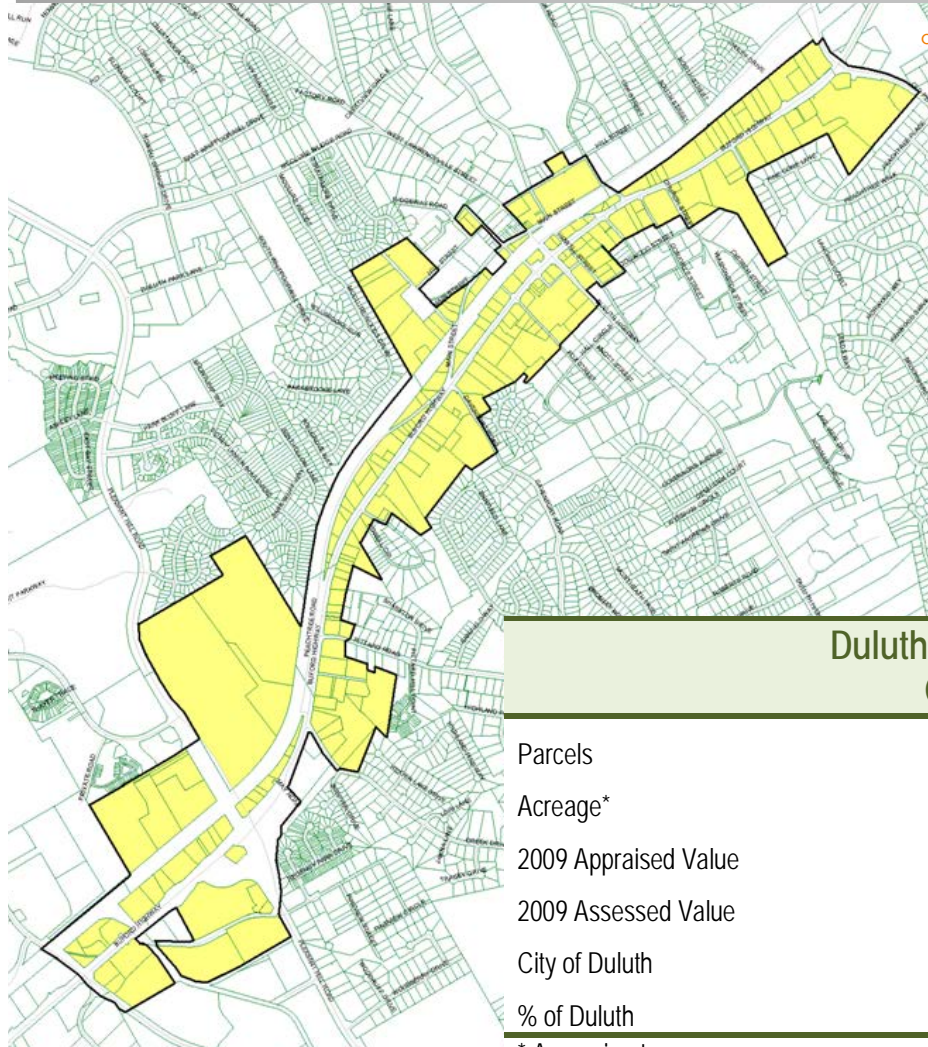
No existing taxpayers are affected – revenue to repay costs comes from new taxes on new investment. Only taxes on real estate are involved.

TAD funds can be used to pay debt service on bonds, match grants or spent on a pay-as-you-go basis.

## How does a TAD work?



## Doesn't Duluth already have a TAD for Buford Highway?



In 2009, the City adopted a redevelopment plan which created a TAD along the Buford Highway Corridor, including Downtown

- Includes 262 parcels covering 444 acres
- The TAD boundaries covered the entire redevelopment area
- Was certified with a digest value of \$60.5 M (\$51.8 M taxable) in 2009
- Represented more than 4% of the City's tax digest at that time

### Duluth TAD #1: Buford Highway Corridor Certified December 31, 2009

Parcels		262
Acreage*		444
2009 Appraised Value	\$	146,941,610
2009 Assessed Value	\$	60,501,720
City of Duluth	\$	1,267,830,988
% of Duluth		4.8%

\* Approximate

Source: BAG, Gwinnett County Tax Commissioner, Georgia Department of Revenue

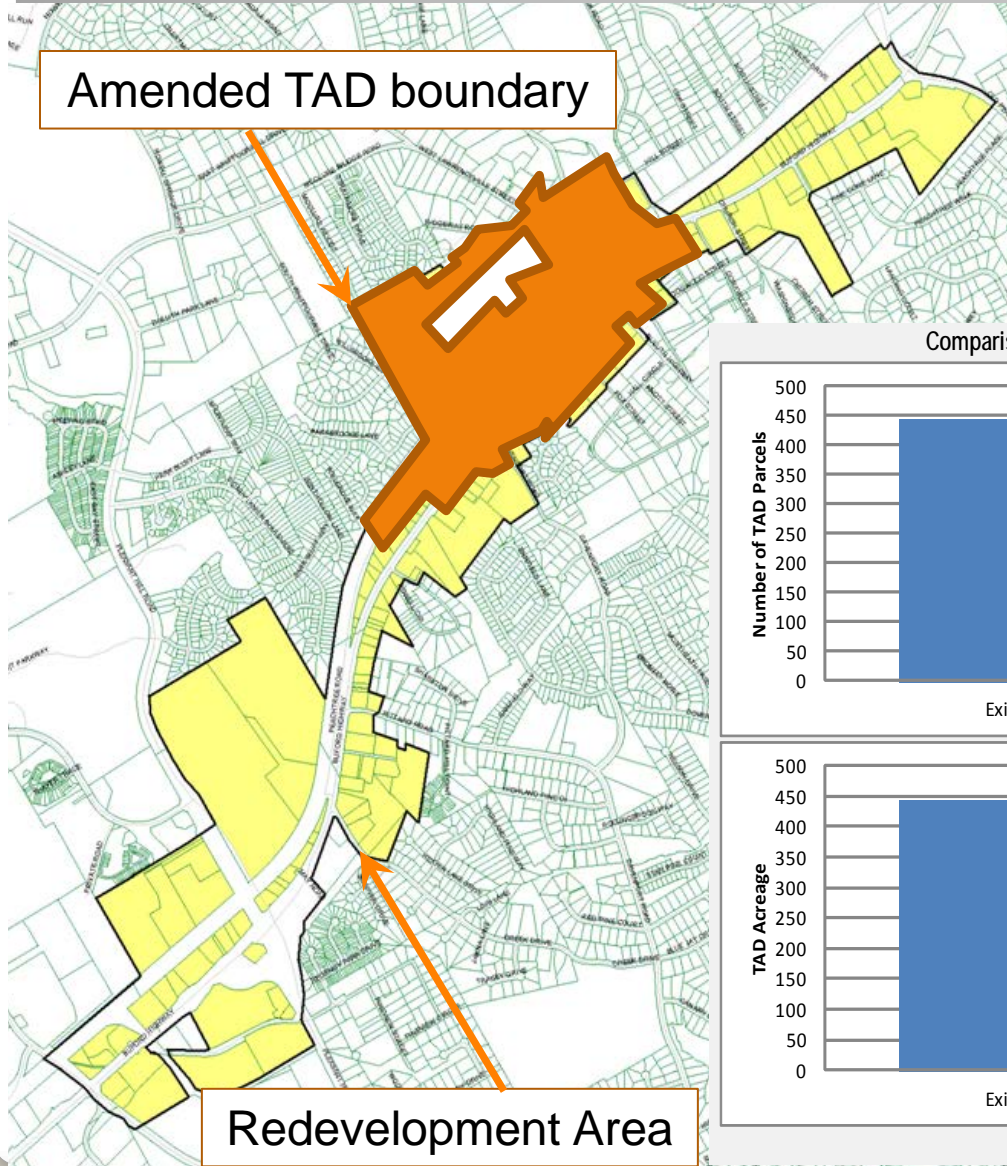


## Why is it necessary to change the existing Buford Highway Corridor TAD?

- The 2009 recession and real estate downturn have rendered the current TAD ineffective as a financing tool
  - The City Council is considering amending the redevelopment plan to dissolve the existing TAD
  - The amendment would establish in its place a new, smaller TAD focused on Downtown Duluth and nearer-term redevelopment opportunities
  - The City retains the option to form future TAD(s) for the balance of the redevelopment area if conditions warrant

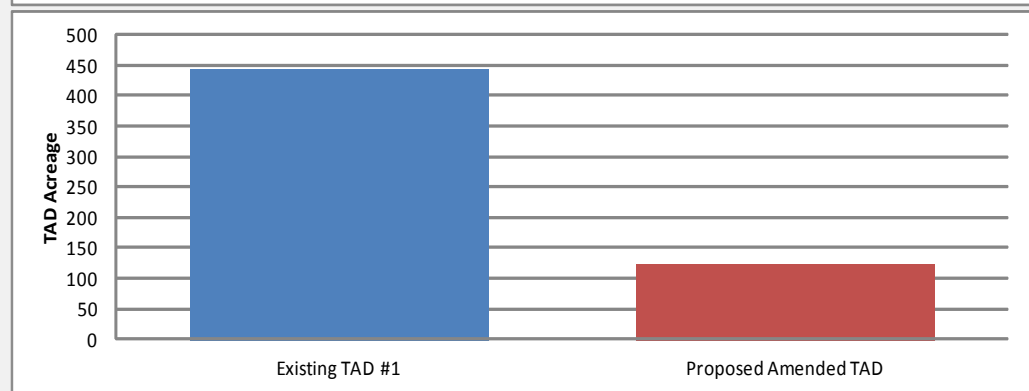
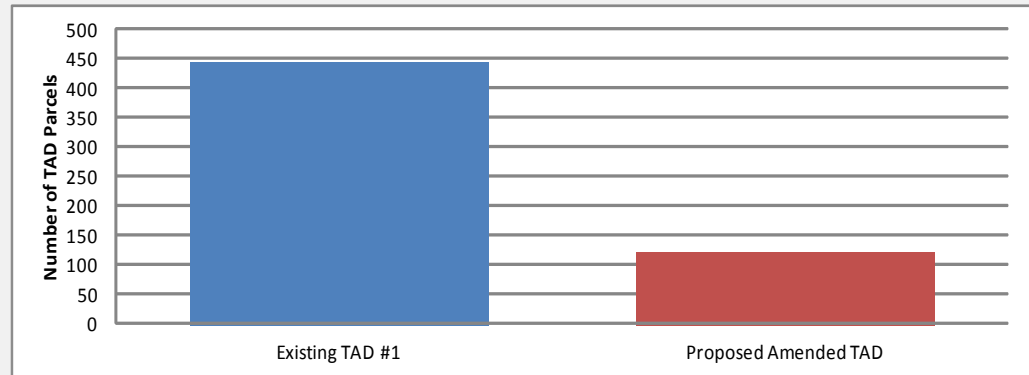


# What is being proposed?



- The amended Redevelopment Plan proposes to dissolve and replace the existing TAD with a much smaller geography

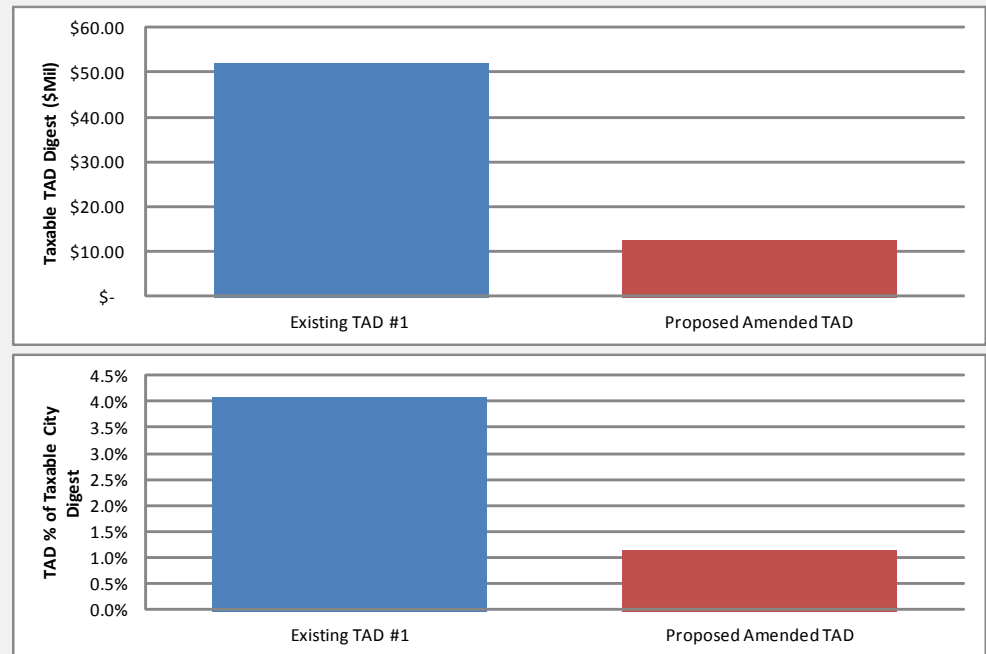
Comparison of Existing Duluth TAD #1 vs. Proposed Amended TAD



# What are the benefits of this proposal?

- Dissolving and replacing the existing TAD re-certifies the Base Digest to current-year levels
  - The City has near term redevelopment opportunities for Downtown, which could benefit from a functioning TAD
  - Re-setting the base enables new investments to create new tax increments rather than offset value losses since 2009
- Concentrating the TAD on Downtown insulates the area from any further value declines along Buford Highway
- The County and School District are more likely to consent to a smaller, financially limited TAD

Comparison of Existing Duluth TAD #1 vs. Proposed Amended TAD



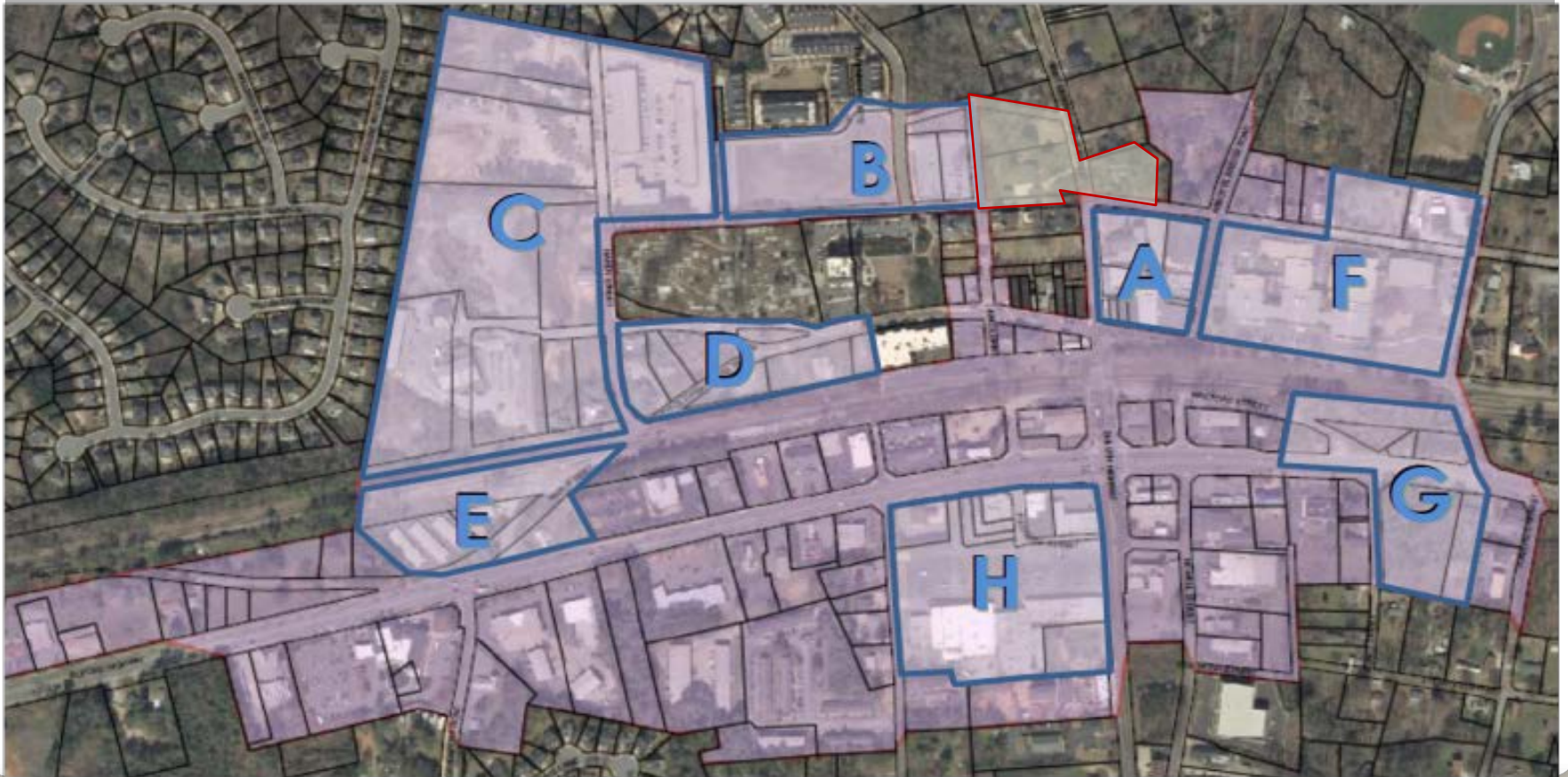
## Do existing conditions justify a TAD?

- Downtown Duluth should be one of the highest valued and strongest revenue generating sections of the City, yet...
  - Only 62% of existing real estate value within the proposed TAD is currently taxable
  - The area within the TAD generates on average only \$3,700 per acre in **combined** City, County and School District RE taxes
  - The average age of existing buildings is more than 42 years
  - The average market value of building improvements is only \$46/SF - well below replacement cost
  - There are relatively few existing housing units and residents living in the immediate area to patronize Downtown businesses
  - The density of development is only 0.15 FAR (Floor to Land Area Ratio), which is well below that of a “healthy” business district and the City’s vision for Downtown Duluth.



## What projects would create tax increments?

- Eight areas have been identified within the TAD, which have short-term and longer-term potential to support new private investment and generate tax increments



# How much investment and new tax revenue could these investments generate?

- Potential redevelopment projects within the TAD could add \$69.2 million (net) to the current value of Downtown Duluth
  - Total annual RE taxes could increase by \$1.1 million/year over current levels within roughly 10 years (City, County and School District)
  - Total annual RE taxes could increase by \$1.1 million/year over current levels within +/- 10 years

Estimated Redevelopment Potential and Value at Build-Out  
Proposed Amended Downtown Duluth/Buford Highway Corridor TAD

Indicators	Existing Conditions	Build-Out Conditions	Change	Percent Change
Building SF	816,255	1,246,532	430,277	52.7%
FMV Land	\$ 16,872,200	\$ 25,020,915	\$ 8,148,715	48.3%
FMV Buildings	\$ 37,777,800	\$ 98,860,800	\$ 61,083,000	161.7%
FMV Total	\$ 54,650,000	\$ 123,881,715	<b>\$ 69,231,715</b>	126.7%
Taxable Digest	\$ 12,298,240	\$ 42,890,753	\$ 30,592,513	248.8%
Taxable Digest/ AC:	\$ 100,328	\$ 349,900	\$ 249,572	248.8%
RE Taxes Collected:	\$ 455,293	\$ 1,587,859	<b>\$ 1,132,565</b>	248.8%
RE Taxes/AC	\$ 3,714	\$ 12,954	\$ 9,239	248.8%
Development Density (FAR)	0.15	0.23	0.08	52.7%

Source: Bleakly Advisory Group, Inc.



# How are these new TAD revenues used – what does that mean in terms of funding?

- TAD funds are typically applied to projects in one or more of the following ways:
  - The City can issue “TAD Bonds” which are repaid from future TAD revenues
  - The City can selectively use TAD funds as supplemental revenue or to match for grants or other public revenue sources like SPLOST
  - The City can spend TAD funds on a “pay-as-you-go” basis as available

If the City chose to issue TAD bonds, it would be possible to raise roughly \$10 million in net financing for projects over time, assuming County and School District consent.

**Estimated Bond Capacity: Real Estate Tax Increments Only  
Proposed Amended Downtown Duluth/Buford Highway Corridor TAD**

Real Estate Increment Only Projected Bond Issue Dates	Bond 1 2016	Bond 2 2020	TOTALS
<b>Total Bonds Amounts Issued</b>	\$ 6,910,000	\$ 6,360,000	\$ 13,270,000
Capitalized Interest & Reserves	\$ 1,487,000	\$ 1,280,500	\$ 2,767,500
Total Bond Issuance Costs	\$ 201,210	\$ 185,265	\$ 386,475
Total Reimbursed Expenses	\$ 50,000	\$ 25,000	\$ 75,000
<b>Net Proceeds Available for Projects</b>	<b>\$ 5,170,000</b>	<b>\$ 4,870,000</b>	<b>\$ 10,040,000</b>
Total Debt Service Payments	(\$14,401,117)	(\$12,652,617)	(\$27,053,734)
Estimated Taxable Digest in the Redevelopment			
Area when Bonds are Issued (\$Millions)	\$ 27.7	\$ 44.6	

Source: Bleakly Advisory Group, Inc.



# How are these new TAD revenues used – what does that mean in terms of funding?

- The Redevelopment Plan prioritizes the following uses for available TAD funding
  - This calculation is based on the assumed issuance of TAD bonds which generate \$10 million in available net funding for specific projects
  - Other methods would obviously produce different \$ amounts

## Anticipated Uses of Estimated Future TAD Proceeds Amended Downtown Duluth/Buford Highway Corridor TAD

Potential TAD Fund Uses	TOTALS	
	Amount	%
1 Site Acquisition, Preparation, Demolition and Clearance	\$ 1,551,000	15.4%
2 Environmental Remediation	\$ 1,217,500	12.1%
3 Utility Improvements (water, sewer, grease traps, gas, fiber, etc.)	\$ 2,251,500	22.4%
4 Transportation/Curb and Sidewalk Improvements/Traffic Control	\$ 2,296,500	22.9%
5 Stormwater Detention Facilities and Infrastructure	\$ 974,000	9.7%
6 Parking (surface and structured parking)	\$ 974,000	9.7%
7 Other Redevelopment Initiatives	\$ 775,500	7.7%
<b>TOTALS</b>	<b>\$ 10,040,000</b>	<b>100.0%</b>

and are subject to revision as the Redevelopment Plan is implemented. This will change over time as priorities are identified or addressed. Specific project amounts, allocations and priorities are subject to change.

Source: City of Duluth and Bleakly Advisory Group, Inc.



## Does adopting this Plan authorize the City to issue bonds without further action?

- **NO** – amending the redevelopment plan and re-constituting the TAD is only a first step
  - The City must first negotiate agreements with the County and School District to pledge their respective tax increments to the TAD
  - The City must attract investors and receive commitments to build facilities so that tax increments are actually collected and can be used repay future bonds
  - If the City decides to issue TAD bonds, it must find an entity to purchase the bonds and satisfy all underwriting criteria at that time
  - The City Council must pass a separate resolution and hold hearings in order to issue bonds



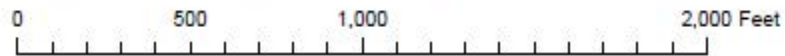
## Once created, will the City, County & School District receive NO new taxes from the TAD until it is dissolved in +/-30 years?

- Other general fund revenues should increase as a result of new development within the TAD, i.e.:
  - Business personal property taxes, SPLOST, hotel/motel taxes and annual business license revenues generated by new commercial development
  - Taxes from future development and value growth from properties located outside of the TAD
  - Surplus tax increments not needed to repay debt service (if debt is issued) could be used to retire bonds early or returned to the general funds as available



**Questions?**

# Proposed Tax Allocation District (TAD)



**Legend**

- Lot Lines
- Proposed TAD