



Annual Report

Fiscal Year

2012

A comprehensive report of Marietta Redevelopment Corporation activities in support of redevelopment areas within city of Marietta Tax Allocation Districts and the Marietta Fund for Neighborhood and Community Revitalization for the fiscal year ending: June 30, 2012



ABOUT MRC

BACKGROUND

The Marietta Redevelopment Corporation (MRC) is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The MRC serves as the redevelopment agency of the city of Marietta, at the pleasure of the City Council who appoints the officers and directors of the Corporation. All responsibilities, functions and powers of the Corporation have been delegated to it by the City Council for the benefit of the community and its residents.

MISSION

The principal mission of the Marietta Redevelopment Corporation is to strengthen the economic and residential base of the city by revitalizing neighborhoods, commercial areas and distressed properties.

ROLE

The MRC's primary roles are to advise the City Council on redevelopment matters, to facilitate efforts by the private sector to invest in the community, to make strategic real estate investments in blighted areas and to assemble properties for redevelopment where needed.

STRUCTURE

The MRC was authorized by City Council vote and later officially incorporated in February of 2003. The Corporation subsequently applied for federal tax-exempt status and was officially recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code in December 2004.

FISCAL YEAR 2012

BOARD OF DIRECTORS

The MRC board of directors is appointed by the City Council for two-year terms. The chairman and vice chairman are selected by the voting members of the board of directors and approved by the Marietta City Council.

OFFICERS OF THE CORPORATION

Ron Francis, Chairman
Terry G. Lee, J.D., Vice Chairman
Mark Gibbs, Treasurer
Diane Lidz, Corporate Secretary

VOTING DIRECTORS

Councilman Griffin Chalfant, City of Marietta
Randy Weiner, Marietta Board of Education
Peter Bilson
Floyd Northcutt
George Bentley
Brian Strack
Raymond Buday
John Schupp

NON-VOTING DIRECTORS

Mayor R. Steve Tumlin, Jr.
City of Marietta
Chairman Tim Lee,
Cobb County Board of Commissioners

EX-OFFICIO MEMBERS

Dr. Emily Lembeck, Superintendent
David Hankerson, County Manager
William F. Bruton, City Manager
Brian Binzer, AICP

MRC STAFF

Reggie A. Taylor, MSM, EDFP, Executive Director
Teresa R. Sabree, EDFP, Project Manager





MARIETTA REDEVELOPMENT CORPORATION

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Fax (770) 794-5655

January 23, 2013

Dear City Council and Citizens:

It is my pleasure to submit to you the 2012 Marietta Redevelopment Corporation annual report. The report highlights the accomplishments and details the financial condition of the Marietta Redevelopment Corporation (MRC).

In 2012 the MRC purchased the property located at 73 W. Dixie and signed a three-year option to purchase 63 W. Dixie. This gave us ownership of nine adjacent parcels of land that begin at Powder Springs Street and end at West Dixie Park.

During the year we were able to renew the MRC line of credit with Bank of North Georgia for another twelve months. Also the MRC negotiated with the city of Marietta for the sale of four parcels adjacent to West Dixie Park. This sale was completed in December 2012.

The MRC worked in conjunction with the City of Marietta and Cobb County to receive approval from the state historical society to allow us to demolish eight structures that had been considered historic since they were built over 50 years ago. Permission was finally granted to move ahead with the demolitions in May 2012. Building demolition was completed in August 2012.

The MRC Board of Directors and I are excited about recent potential development activity on the Hedges site as well as other sites nearby. We will continue to work toward exceeding the Council's vision of improving the city of Marietta and enhancing the quality of life in the community.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ronald H. Francis".

Ronald H. Francis
Chairman

INTRODUCTION

The Marietta Redevelopment Corporation (MRC) works to facilitate viable and sustainable investment within Marietta's redevelopment areas and to ensure the financial success of the Marietta Fund for Neighborhood and Community Revitalization. This document is the annual report of the MRC for the fiscal year ending June 30, 2012. The annual report includes progress reports on MRC and City initiatives as well as a financial review of the Marietta Fund for Neighborhood and Community Revitalization (The Fund) including assets, expenditures and revenues.

YEAR IN REVIEW

The MRC characterized fiscal year 2012 as a year of creative successes. The MRC continued to leverage its investments in the Hedges area by utilizing community and infrastructure development programs. By increasing local partnerships and interdepartmental collaboration the MRC has made continual progress towards delivery of a shovel-ready redevelopment site. The MRC secured federal and locally supported funding to accelerate site preparation activities. In addition, improved acquisition and holding strategies have allowed the MRC to overcome some of the challenges of the current economy. The MRC board of directors and/or staff engaged in the following activities in FY2012.



Photo: Property Demolition on West Dixie Avenue.

The single-family home is the first of eight MRC owned properties in the Hedges Redevelopment Area to be demolished using Community Development Block Grant Funds allocated to the MRC through the City of Marietta's Slum and Blight Removal Program established by the Marietta City Council in 2010.

✓ *Slum and blight removal*

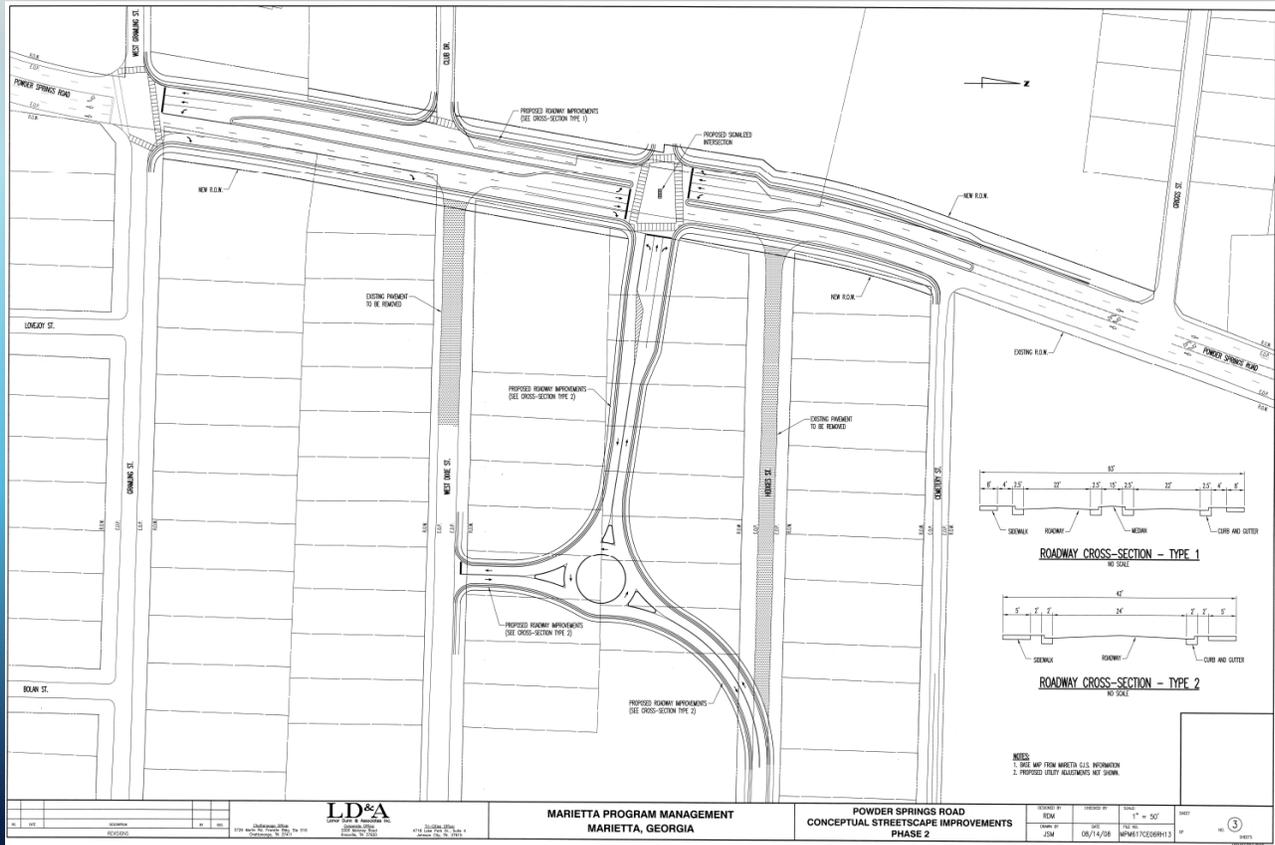
Demolished one of eight blighted structures on the Hedges redevelopment site under the federally funded Community Development Block program. Coordinated with the Cobb County CDBG office to obtain state Historic Preservation Office approval to demolish remaining buildings in the redevelopment area. CDBG funds were granted by the Marietta City Council through the city's Slum and Blight Removal program.

✓ *Strategic acquisitions*

Acquired and secured purchase rights to key properties within the boundaries of the Hedges redevelopment site through negotiations with owners and foreclosure sale.

✓ *Strategic financial management*

Made strategic financial and property management decisions in an effort to reduce certain costs and increase revenue associated with the Hedges site. Strategies resulted in successful negotiation for renewal of the MRC's line of credit, acquisition of bank and privately owned property and increased leasing activity.



**Preliminary conceptual design option for Hedges Street/West Dixie Avenue
Re-alignment and Signalization SPLOST Project**

✓ *Road concept design and engineering*

Coordinated with the city and BLW to refine design concepts for Hedges Street and West Dixie Avenue road re-alignment and signalization. Voter-approved SPLOST funds will be utilized for the safety and operational improvement project. The re-alignment, identified in 2002, will improve travel conditions on Powder Springs Street. Indirect project benefits include neighborhood traffic calming and improved access to MRC and city commercial investments.

✓ *Creation of historic archives*

Facilitated historic documentation of Marietta's Bell Bomber-era housing located on Hedges Street and West Dixie Avenue. Documentation was a prerequisite for the use of CDBG funds for demolition of blight buildings over 50 years old in federally designated historic districts.

✓ *MRC Workplan FY2013 - 2014*

Received approval from the City Council to implement the MRC's FY2013 - FY2014 Marietta Fund for Neighborhood and Community Revitalization work plan.

✓ *Community outreach*

Engaged in open dialogues with citizen stakeholders to gather feedback on initiatives and access expectations for future MRC activities. Collective stakeholder visions have been influenced by the real estate market and by economic and neighborhood population changes over the last several years. Maintaining relationships with citizen stakeholders enables the MRC to continue effective facilitation of neighborhood redevelopment.

FUTURE PROGRESS

In FY2012 the MRC focused on planning for redevelopment of the Hedges Street area site. Activities included road realignment design, building demolition and discussions with utility companies for relocations. In FY2012 directors and staff continued to monitor the market and look for opportunities to increase investment in redevelopment areas. The Corporation is heavily invested in site assemblage activities, limiting funds for pursuit of other initiatives. The MRC will rely on Board member and staff knowledge, skills and experience to expand revitalization efforts. MRC staff also laid groundwork for new initiatives to be pursued in FY2013. The following activities were initiated during the prior fiscal year for implementation over the next five years.

✓ *Powder Springs Street corridor initiative*

In FY2012, MRC staff conducted observations, research and data analysis to assess the current market conditions within tax allocation districts. Based on findings, the Powder Springs Street Corridor was identified as a key target area to introduce business led strategies for area revitalization. The initiative's strategic plan includes building relationships with property owners and managers, and outreach to business owners. Community-based outreach and inclusive revitalization strategies will seek to maximize the City's investment in redevelopment areas.

✓ *Slum and blight removal*

With funds remaining from the City's allocation of slum and blight removal program funds, the MRC can accelerate demolition activities. Contract savings from CDBG funded blight clearance may be utilized in FY2013. The MRC will continue to pursue grant funding for strategies that meet the goals of local and federal programs. The MRC will look for new opportunities to use Community Development Block Grant program funds to achieve the city's redevelopment goals.

✓ *Hedges Street realignment engineering and construction*

Based on road concepts refined in FY2012, the MRC will coordinate with public utility companies to fund and complete relocation of existing facilities and lines located on and/or serving the Hedges site.

✓ *Completion of site assemblage*

By securing purchase rights for key property in the Hedges area, the MRC reasonably anticipates completing site assemblage in 2013. The MRC is poised to complete planning and contracting necessary for road construction and future redevelopment.



LOCAL ECONOMIC INDICATORS

The MRC monitors real estate development and economic indicators for Marietta, Cobb County and Metro Atlanta as a whole. Along with examining employment and industry growth in the northwest region of the Metro area, the MRC considers local investments in the City to gauge the local market. Monitoring housing market and commercial development trends enables the MRC to facilitate growth in redevelopment areas.

In FY2012, positive change in the local real estate market was reflected by activity in redevelopment areas and in other areas of the City. During the fiscal year, developers continued efforts to reposition previously bank-owned sites. Ownership changes, current market research and adjusted pricing have enabled developers to move towards completion of residential projects. Increased construction and strong sales occurred in several market areas that encompass portions of the City.

RESIDENTIAL CONSTRUCTION

In FY2012, eleven new home subdivisions had active construction. In the Roswell Street Renaissance District, Bercher Homes constructed two homes for sale in the low \$300,000s, continuing infill development at what is known as Hunter Walk. Condominiums were finished for sale at Emerson Overlook by Novare Group, and Piedmont Residential started two homes at Manget. Project repositioning may lead to increased redevelopment area construction in FY2013.

Building permit records through fiscal year end confirm that residential construction in the City has increased over the previous year. Fifty-seven certificates of occupancy were issued in FY2012 compared to 37 in FY2011. The majority of homes approved for occupancy were in three subdivisions outside redevelopment areas; Crosswinds, Rockford Township and Caswell Overlook.

Several communities were built out or nearing build-out at the end of FY2012; including the 227 townhome development Caswell Overlook. While platted subdivisions may be reconfigured during repositioning, the majority of developed townhome lots within the City are located in redevelopment areas, with 15 at Manget and 58 at Marietta Walk. Based on sustained sales levels, Crosswinds and Rockford Township will be built-out in FY2013.

REDEVELOPMENT AREA ACTIVITY

In FY2012, developer interest in redevelopment sites including, Meeting Park and Marietta Walk, increased. While no formal proposals were presented to the City, several developers evaluated sites during due diligence periods. Public investment in streetscape enhancements on Roswell, Fairground and Powder Springs streets have improved traffic conditions while enhancing the appearance of corridors leading into redevelopment areas. The MRC coordinated with the City to complete plans for voter-approved road and streetscape projects, including realignment and signalization of roads intersecting Powder Springs Street. The most celebrated improvement within a redevelopment area in FY2012 was the completion of renovations to Steve and Virginia Tumlin Park at Hickory Hills.

Steve and Virginia Tumlin Park at Hickory Hills



Manget at Historic Marietta



NEW HOMES SALES

Finished inventory in redevelopment projects was limited to single-family homes and condominiums in FY2012. Buyers purchased available single family inventory at Hunter Walk and condominiums at Emerson Overlook, depleting new home supply in redevelopment areas. Bank foreclosures and resale of vacant lots have resulted in market-driven price corrections and increased new home sales. While sales activity increased in the City as a whole, absorption rates varied by subdivision and by market area, with three developments leading sales.



New single family homes at Hunter Walk and a view of Emerson Overlook condominium and office building. Both projects closed sales in 2012 in the Roswell Street Renaissance District

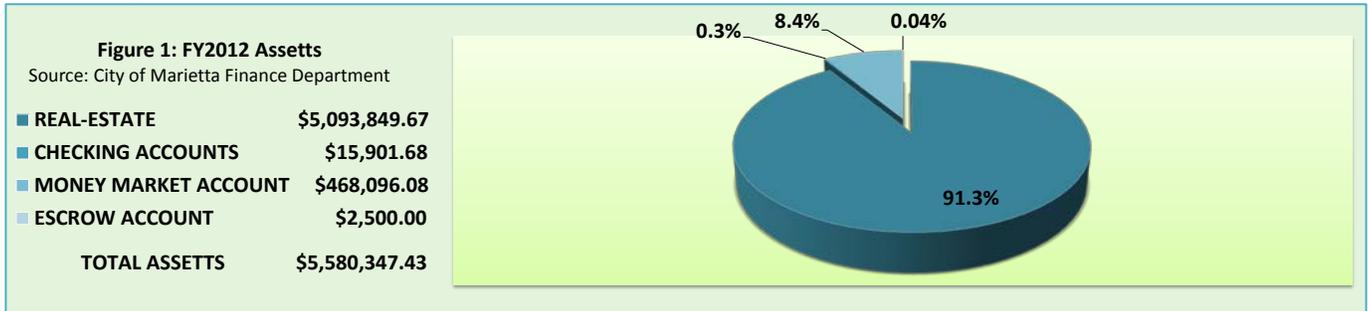
- ✓ Caswell Overlook ranked #1 in Cobb County and #34 in metro Atlanta in 2011 based on sales of townhomes at the southeast end of the city. Sales volume increased when homes were offered by Lenar Homes in the mid to high \$100,000s. Construction was completed and all remaining inventory was sold in FY2012.
- ✓ Crosswinds ranked #1 in detached new home sales and construction in Marietta entering FY2012. Located on the southwest end of the City, the subdivision attracted single-family home buyers at price points in the high \$100,000s and low \$200,000s. The completion of the subdivision by D.R. Horton will significantly reduce the supply of new homes in this market area.
- ✓ At Rockford Township, Traton Homes offered homes for sale at nearly half the subdivision's pre-foreclosure asking price. The subdivision neared build-out at the end of FY2012. Homes in the high \$200,000s to low \$300,000s, based on a nine months sales period in 2011, were absorbed at a monthly average comparable to Crosswinds over 12 months. The subdivision located at the western end of the City offers families' access to the City's most sought after elementary schools.
- ✓ According to Smartnumbers, Inc. months of supply of new homes in Metro Atlanta began falling toward new lows in FY2012. Resale average price points in Atlanta, which relate to new home prices, continued to trend up year over year at the end of FY2012. Smartnumbers reports new home supply at less than five months for Marietta's predominant zip codes; 30008, 30060 and 30064. Months of supply vary by zip code while ranging well below historic supply levels. Historically seven to eight months of supply has been considered normal in Metro Atlanta,

MARIETTA FUND FOR NEIGHBORHOOD AND COMMUNITY REVITALIZATION

In FY2012, the MRC used the Marietta Fund for Neighborhood and Community Revitalization to purchase and manage property located within the boundaries of the Hedges Street site. The following is a summary of fund assets, revenues and expenditures in FY2012.

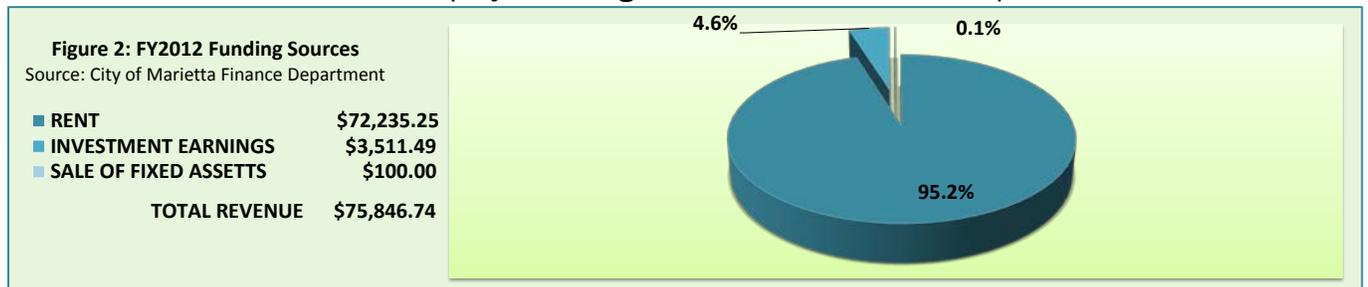
FUND ASSETTS

In FY2012, the MRC held its assets in real estate and cash accounts. Assets as of June 30, 2012, totaled \$5,580,347, with \$5,093,850 or 91 percent held in real estate assets. Real estate assets increased and cash assets decreased because of the purchase of two properties, including one foreclosure, totaling \$103,296. Cash Assets were primarily reduced from FY2011 by line of credit interest payments as well as principal payments to reduce the balance of the loan.



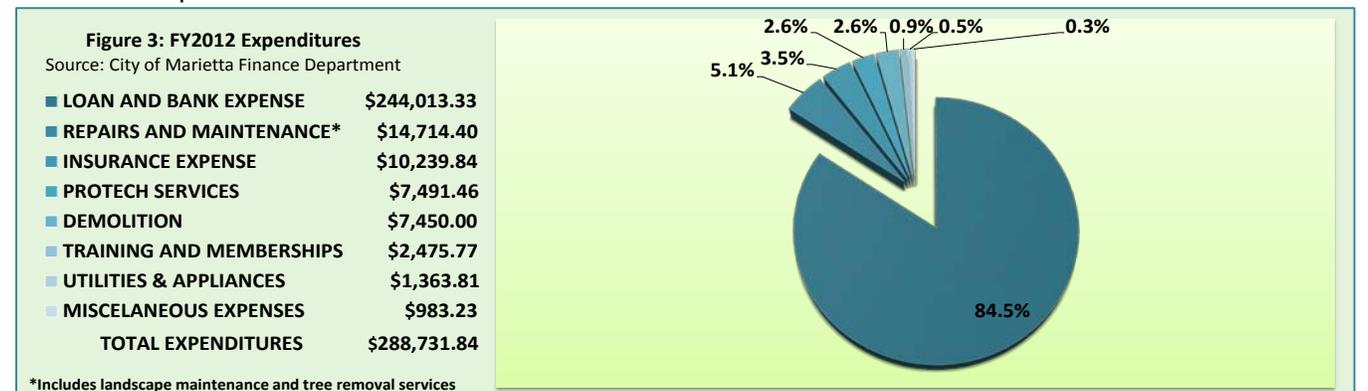
FUND REVENUES

In FY2012, the MRC earned revenue totaling \$75,846, including \$72,125 in rental income and \$3,511 in investment earnings. Investment earnings decreased compared to the prior fiscal year resulting in an eight percent decrease in total revenue. Rent collections increased by eight percent; a duplex renovated in FY2011 and leased in FY2012 was projected to generate an additional nine percent in revenue.



FUND EXPENDITURES

The MRC maintained its prior fiscal year expenditure levels in FY2012. Interest payments decreased while loan and bank fees increased year over year because of a line of credit refinancing. A 40 percent decrease in maintenance and repair expenses, for income producing properties allowed the MRC to allocate funds to site preparation activities. Savings from strategic investment decisions were utilized for property demolition and professional technical services.



SUMMARY

COMMUNITY OUTLOOK

This fiscal year, the MRC has witnessed an increase in new housing construction activity throughout the city. Several areas have been repositioned to meet the current real estate climate. We are pleased to see Caswell Overlook recognized as one of the top selling townhome communities in Metro Atlanta. The start of new home construction in the Manget project area is also a welcome indicator that some of our key redevelopment sites have rebounded. This increase in building activity is on pace with new home sales data provided to the board of directors during the FY2012 annual meeting by consultants, Smart Numbers, Inc. Both are strong indicators that Marietta's housing market has improved over the 24-month period prior to fiscal year end.

MRC BOARD AND STAFF ACTIVITIES

A few months ago, the MRC accelerated removal of blighted properties from the Hedges neighborhood. We are very pleased with this effort; which was funded by a Council approved CDBG grant. The outcome of demolition undertaken over these past months has had a positive impact on quality of life in this neighborhood. We will continue to work closely with Marietta's Community Development department in continue our efforts to remove additional properties over the next fiscal year.

The board of directors has worked to develop a shared concept for the future of the Powder Springs Street corridor. The board has introduced the conceptual road realignment of Hedges Street: a) to address the traffic safety concerns of visitors to/from the Marietta Conference Center; b) to provide congestion relief to residents who live in the surrounding homes and the businesses adjacent to the heavily traveled roadway; c) to project a new sense of arrival as an entry way into the Marietta square.

This year the MRC board and staff successfully submitted the two-year MRC Work Plan, which guides the direction and actions of the Corporation. The Work Plan calls for increased redevelopment coordination within college and university areas. Staff participated in campus master planning activities at Southern Polytechnic State University to share redevelopment visioning and expansion opportunities. MRC staff activities during the past fiscal year also included monitoring and tracking new home construction, TAD project management, and collecting foreclosure data to help the Marietta City Schools analyze student enrollment trends. In addition, MRC staff developed a catalog of potential redevelopment properties within the commercial and retail corridors throughout the City.

The past fiscal cycle included a renewal of the line of credit (LOC) with our private equity partner, Bank of North Georgia. The board unanimously supported the opportunity to refinance the LOC for an additional year. The refinance will positively impact the financial health of the organization by reducing monthly debt service payments.

The board approved funding for the purchase of key parcels within the Hedges redevelopment site, ensuring that future development will move forward. Other mixed-use locations, such as Johnny Walker and Meeting Park, are under review for possible retail and housing development.

In addition, MRC staff obtained the Economic Development Finance Professional (EDFP) certification after completing a two year training program with the National Development Council.

In review, this fiscal year has been very productive for the MRC. We are well on our way to creating the types of catalytic change the Council envisioned at the onset of our formation. The board has set a fiscal plan to maintain a solid financial future, and we look forward to another year of activity.

Regards,

Reggie A. Taylor, EDFP
Executive Director

ACKNOWLEDGEMENTS



MARIETTA MAYOR AND CITY COUNCIL

Honorable R. Steve Tumlin, Jr.	Mayor
Annette Paige Lewis	Ward 1
Griffin Lee Chalfant Jr.	Ward 2
Johnny Sinclair	Ward 3
Irvan A. "Van" Pearlberg	Ward 4
Andy Morris	Ward 4
Rev. Anthony C. Coleman	Ward 5
James William King	Ward 6
Philip M. Goldstein	Ward 7

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