



The redevelopment agency of the City of Marietta

Annual Report

FY2013

A comprehensive report of redevelopment activities
and the Marietta Fund for Neighborhood and
Community Revitalization

Fiscal year ending:
June 30, 2013



EXECUTIVE SUMMARY

Over the last decade, the Marietta Redevelopment Corporation(MRC) has served as the redevelopment agency of the City of Marietta. The MRC's board of directors has assisted the City Council to achieve revitalization goals. By facilitating the redevelopment process, focusing on neighborhood transformation, the MRC has helped to strengthen the economic base of the city. The MRC supports attraction of private investment and assembles land for future redevelopment.

Real estate investments through the Marietta Fund for Neighborhood and Community Revitalization have resulted in the MRC's acquisition of 29 contiguous land parcels known as the Hedges site. The board of directors and staff continuously engage in activities to recruit commercial developers to the site and facilitate infrastructure development. Strategic management of the MRC's cash and real estate assets sustained Fund operations through fiscal year end.

As real estate market conditions improved in FY2013, single-family home construction resumed in three project areas and developers considered four additional redevelopment projects initiated before the recession. Rising demand for new single-family homes in the city has resulted in a 69% increase in construction, a 28% decrease in vacant developed lots, a 141% increase in sales and an average floor plan price increase of 19% during fiscal years 2012 and 2013. Real estate activities in FY2013 are positive indications of the city's potential to attract investment to redevelopment areas in years to come.

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November 20, 2013

Dear City Council and Citizens:

On behalf of the Marietta Redevelopment Corporation Board of Directors, I am pleased to submit to you the MRC Annual Report for fiscal year 2013. The annual report provides synopses of MRC activities, local market conditions and progress within redevelopment areas. In addition, the report details the MRC's year-end financial condition and highlights accomplishments related to the Marietta Fund for Neighborhood Community Revitalization.

In FY2013, MRC corporate operations were enhanced through successful lender negotiation, property renovation and aggressive leasing to increase revenue and reduce expenses. The MRC successfully negotiated an interest rate reduction on the corporation's line of credit in 2012. Proceeds from a land sale were used to make a principal payment to reduce debt and further reduce interest expenses. Negotiations with the Bank of North Georgia in 2013 resulted in renewal of the loan into the next fiscal year.

During the year the MRC obtained and utilized Community Development Block Grant funds to demolish structures under the City of Marietta's Slum and Blight Removal program. With the support of the Marietta City Council, the MRC demolished one duplex in 2012 and secured funding to demolish an additional duplex in 2013. Through the Slum and Blight Removal program and the Fund, the MRC demolished 17 buildings in the Hedges/Gramling neighborhood between FY2009 and FY2013.

As market conditions improve, the Board of Directors and staff continue to work towards disposition of MRC land for commercial uses. In FY2013, developers showed serious interest in acquiring multiple redevelopment sites located on the Powder Springs Street Corridor. In response to the turn in the market, the Real Estate Committee worked with city staff to submit an application to the Georgia Department of Transportation for a new traffic signal along the state route. Pending GDOT approval, the installation is anticipated to take place in conjunction with the realignment of Hedges Street and West Dixie Avenue.

The City of Marietta has made an offer on the Allgood Road/N Marietta Parkway piece of property that is owned by the MRC. Sales proceeds will be used to pay down the line of credit.

The recent appointments of James Gantt Fausett, FAIA and Hall Rigdon, MIA have expanded the capabilities of the Board of Directors as a whole. James brings with him experience and expertise in the field of architecture, while Hall is a well-respected real estate appraiser. I welcome both to the Board and look forward to the contributions they will make towards the achievement of MRC goals.

The Board's goal is for the MRC to find an end user for the owned property that will be a catalyst for bringing new energy and additional redevelopment to an area of the City in need of revitalization. Our hope is that it will happen sooner than later, and that an improving economy will bolster our efforts.

Sincerely,

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

Ronald H. Francis, Chairman



WHO WE ARE

ABOUT MRC

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.

CORPORATE 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 AND RESPONSIBILITIES

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.

ORGANIZATIONAL 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.

FY2013 BOARD OF DIRECTORS

Officers

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

Non-Voting Directors

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

Voting Directors

Councilman Griffin Chalfant, City of
Marietta
Randy Weiner, Marietta Board of Education
Peter Bilson
Floyd Northcutt
Brian Strack
Raymond Buday
Hall Rigdon
James Fausett, FAIA

Ex-Officio Members

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

MRC Staff

Beth Sessoms, Acting Executive Director
Teresa Sabree, EDFP, Project Manager

MRC ACTIVITIES AND ACCOMPLISHMENTS

In fiscal year 2013, the MRC Board of Directors' activities focused on promoting the Hedges site and managing real estate holdings. The MRC made progress in the design of the realignment of Hedges Street and West Dixie Avenue and continued to prepare the site for redevelopment by demolishing non-income producing buildings.

FY2013 Fund Program Management Activities

Hedges Redevelopment Site

The MRC continued to market the Hedges site to attract commercial developers. In addition, city officials showed interest in examining a portion of the site for an addition to the City Cemetery. The city purchased four parcels from the MRC to expand the adjacent West Dixie Park, but did not pursue the Cemetery project in FY2013. The MRC owns approximately 8 +/- acres of contiguous land in the Hedges area at the end of the fiscal year.



Slum and Blight Clearance

The MRC used Community Development Block Grant (CDBG) funds to demolish 8 vacant buildings on the Hedges site and obtained an additional allocation for demolition to be completed in FY2014. Since 2008, 17 blighted buildings acquired through the Fund have been demolished with CDBG or MRC operating funds. Demolition initiated by the MRC has enhanced the area's appearance and created new green space.

Infrastructure Planning

MRC staff worked with the city's Public Works Department to submit an application to the Georgia Department of Transportation to install a traffic signal on Powder Springs Street. If approved, the signal will be located at the new intersection created from the realignment of West Dixie Avenue within the Hedges site. Signalized access will support commercial development traffic, improve ingress and egress from the Marietta-Atlanta Hilton Hotel and Conference Center and create a safe pedestrian crosswalk.

FY2013 Summary of Accomplishments

Finance

The MRC negotiated an interest rate reduction on funds borrowed to acquire property in previous fiscal years. The rate reduction lowered monthly interest payments by approximately \$8,000.

Disposition

The MRC supported the city's goal to revitalize the Hedges/Gramling neighborhood by selling 4 lots adjacent to West Dixie Park for future park expansion.

Partnership

Coordination between the MRC Real Estate Committee, utility providers and city staff led to submission of an application to the Georgia DOT to obtain a traffic signal on Powder Springs Street in front of the Hedges Site.

Planning

While marketing to Developers, the MRC obtained valuable input to finalize a road concept plan that maximizes the re-use of the Hedges site.

Demolition

The MRC demolished 8 duplexes, bringing the total number of buildings demolished through operation of the Fund to 17.

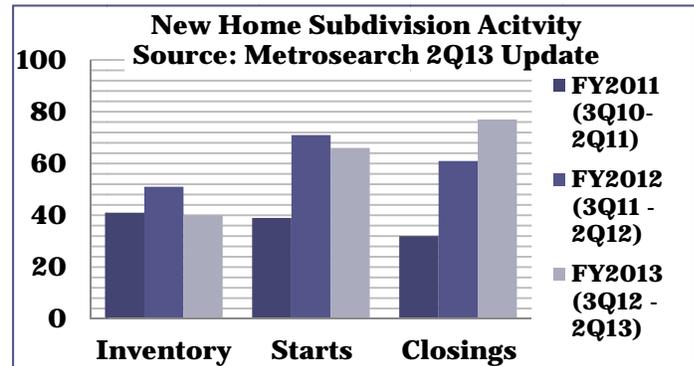
Revenue

The MRC increased monthly revenue by \$2,900 by making modest investments to lease vacant units.

LOCAL MARKET CONDITIONS

Residential Construction and Lot Development

In FY2013, construction activity in new home subdivisions increased and inventories continued to decline. Building permit activity in the city's new home subdivisions remained stable between FY2012 and FY2013, following an 82.1% annual increase in housing starts during FY2012. As a result of increased construction and sales, single-family lot inventories were reduced by 13.1% during FY2012 and 17.6% during FY2013.

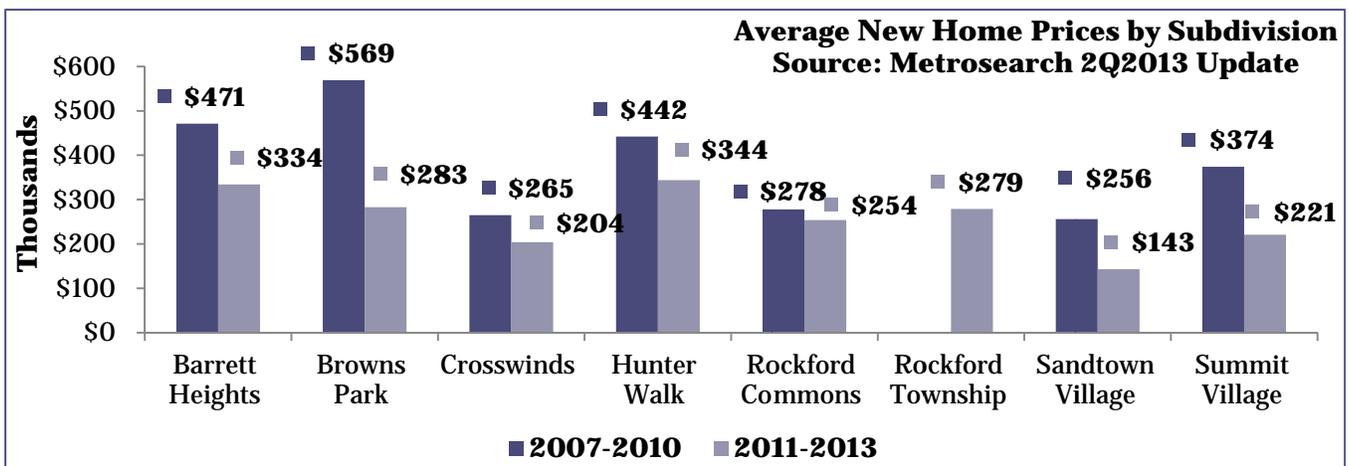


Notable construction activity over the past fiscal year occurred in subdivisions along the Whitlock Avenue corridor. David Weekly Homes built out Rockford Commons and moved forward to construct on lots at Walnut Grove. In addition, following their build out of Rockford Township, Traton Homes purchased a redevelopment site to construct additional single-family homes.

Subdivision activity north of the city center resumed at Summit Village and continued at Barrett Heights, The Tradition at Crosspark, and The Park at Anderson Farm. The pending build-out of Sandtown Village will deplete single-family new home and lot inventories south of the city center. Scarcity of land in Marietta and increased lot absorption rates have benefited the city's efforts to redevelop in-town neighborhoods. Housing inventory declined by 21.6% during FY2013, and developers and builders showed interest in pursuing projects on all of the city's targeted redevelopment sites.

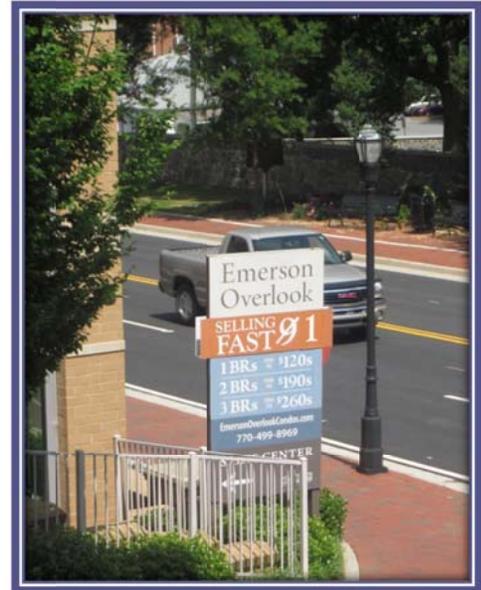
New Home Sales

New home closings in the city have increased year over year since FY2011. Single family home sales increased by 26.2% during FY2013 following a 90.6% annual increase during FY2012. In FY2013, price points in most subdivisions ranged from the high \$100K's to low \$50oK's depending on product and location. With the recovery of the housing market, average floor plan prices increased by 4.2% during FY2012 and by 13.9% during FY2013. Marietta's zoning ordinances help to ensure that the architectural quality of homes in reemerging subdivisions is not impacted by price changes.



REDEVELOPMENT PROJECTS

As local market conditions and sales improved at new home subdivisions throughout the city, activity resumed on redevelopment sites during the fiscal year. Delayed recovery in redevelopment areas, compared to the city as a whole, may be contributed to higher land, infrastructure and development cost rolled into project financing before the recession. Following foreclosures, financial institutions marketed vacant land and developed lots in redevelopment areas at prices that would minimize bank losses. Land prices in redevelopment areas decreased slowly, making it difficult for builders to pursue projects at the bottom of the market. Several bank-owned project sites were acquired by investors and later purchased by developers. Reduced asking prices for investor owned property, along with increased buyer demand and rising new home sales prices, made it economically feasible for developers and builders to continue redevelopment projects in FY2013.



During the fiscal year, developers purchased project sites in the Allgood Road area and Roswell Street Renaissance District. Site plans were approved for single-family lot development at Manget at Historic Marietta by the Pacific Group and for Montgomery Park by Traton Homes by fiscal year end. Pacific Group will reconfigure remaining lots in phase 1 of Manget and submitted plans for 3 additional phases. Both Traton Homes and Brock Built Homes, the sole builder for Manget, began home construction in summer 2013. In addition, developers conducted due diligence for acquisition of Meeting Park, Marietta Walk and the former Wynhaven Apartments redevelopment sites in FY2013. Based on new home purchase prices, sales rate increases, absorption of vacant developed lots and overall improvement of market conditions, it is reasonable to assume additional plans will be submitted for approval in FY2014.



FY2013 Project Activity and Updates

Manget

Brock Built Homes & City Neighborhoods received approval to construct 103 detached and 10 attached homes in 4 phases at Manget. Existing homes in Phase 1 include 8 residential condominiums, 14 townhomes and 14 single-family homes, all of which are now occupied.

Meeting Park

Meeting Park was marketed for sale by owner Walton Communities. The approximately 12-acre site includes commercial frontage on Roswell Street. The perimeter of the property has been enhanced by streetscape improvements complementary to 15 existing townhomes on the site.

Marietta Walk

Several developers considered undertaking projects at Marietta Walk. A portion of the site is developed for construction of 18 single-family homes and 58 townhomes. The site includes approximately 2.2 acres of land fronting Powder Springs Street and is zoned for mixed use development.

Manor Park

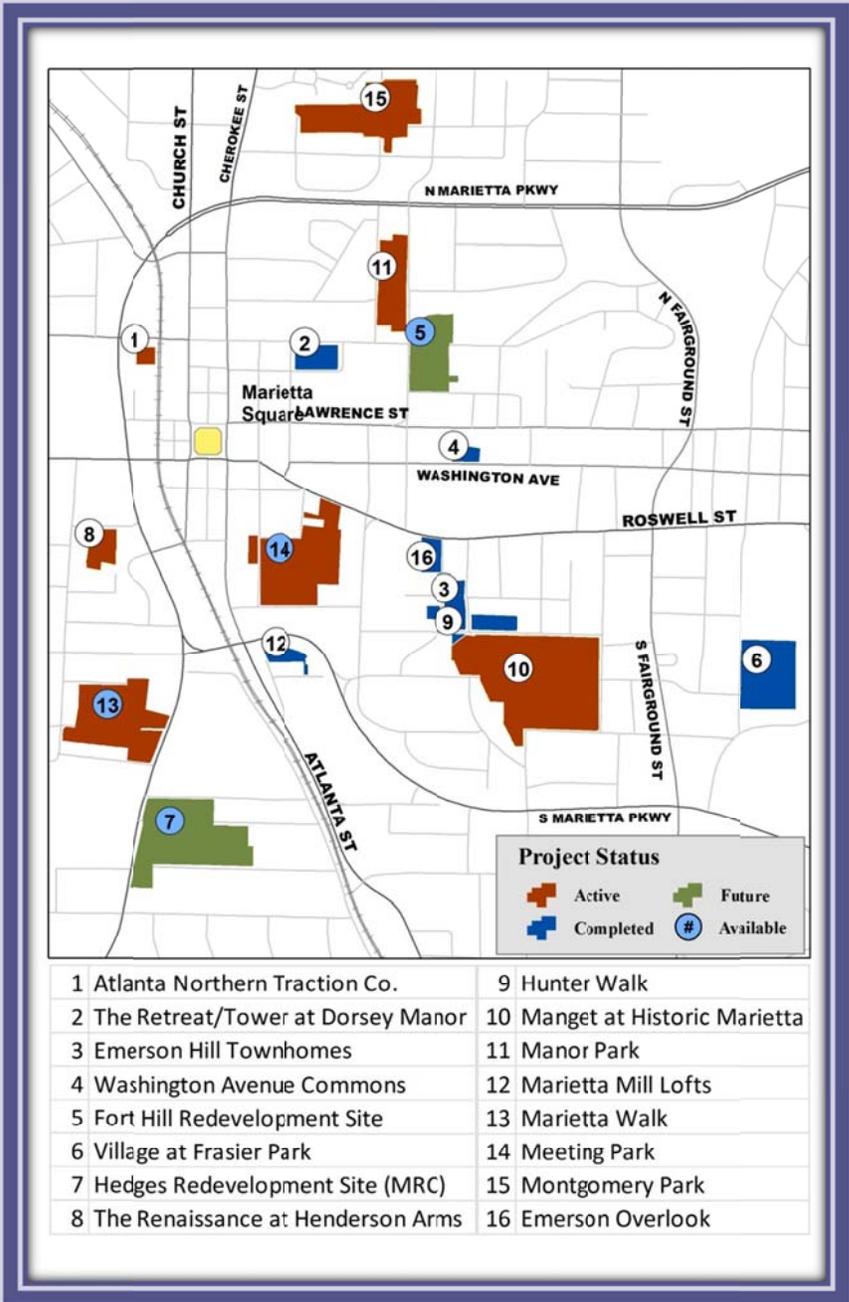
Single-family homes and townhomes began to sell at the 36 lot Manor Park subdivision. Arcadia Homes is expected to begin construction of 5 single-family homes in fall 2013.

Hunter Walk

Eleven homes, collectively known as Hunter Walk, have been constructed on infill lots in the area adjacent to the Manget subdivision. Bercher Homes sold two new single-family homes on Waterman Street in FY2013.

Montgomery Park

The Montgomery Park redevelopment site was purchased by Traton Homes for a 45 lot single-family home subdivision. Construction and closings of presold homes are anticipated to begin in fall 2013



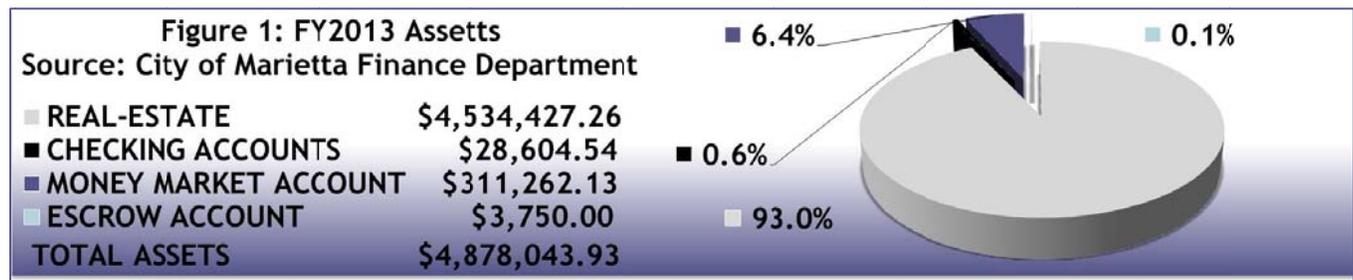
MRC FINANCIAL STANDING

In FY2013, the MRC reduced expenditures and increased revenue to sustain operation of the Marietta Fund for Neighborhood and Community Revitalization. The decrease in total expenditures is primarily attributable to an interest rate reduction on the MRC's line of credit. The MRC increased revenue by investing operating income to renovate two single-family homes on West Dixie Avenue and one duplex on Hedges Street.

The MRC ended the fiscal year with a Fund balance of \$883,637.65. The Fund balance decreased from \$1,486,069.68 during FY2013 primarily due to a reduction in assets from the sale of property. Sales proceeds in the amount of \$100,000 were used for a principal payment on the MRC's line of credit to reduce total liabilities to \$4,093,980.35, including a loan balance of \$3,990,656.28.

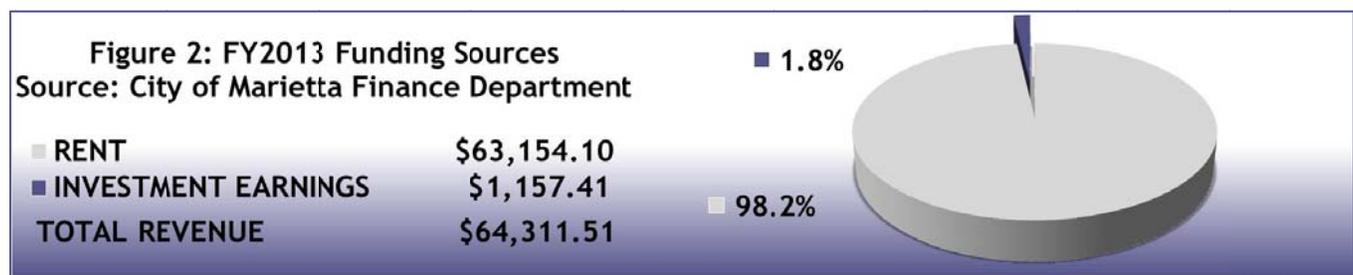
Assets

As of June 30, 2013, the MRC's assets totaled \$4,878,043.93, including real estate valued at \$4,534,427. Cash account balances totaled \$343,616.67, including \$311,262.13 dedicated to future interest payments. Real estate-assets were reduced by the sale of property valued at \$559,456 to the city of Marietta for park space. The city purchased four vacant land lots for \$100,000 combined, immediately following demolition of buildings. The structures, demolished with CDBG grant funds, accounted for the majority of the properties' previous value. Figure 1 below provides a summary of MRC assets at year end.



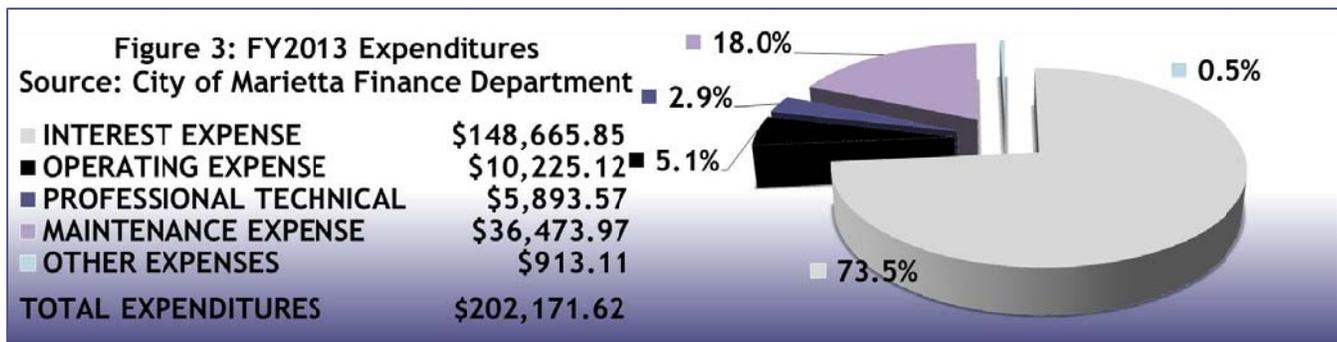
Revenues

As shown in figure 2 below, the MRC generated revenue totaling \$64,312 from rental income and investment earnings in FY2013. Monthly revenue was reduced between FY2012 and FY2013 due to new vacancies. Strategic investment in the renovation of four vacant units during the fiscal year will replace income lost in FY2013 and is anticipated to increase revenue over FY2012. The MRC expects to collect rent from 14 housing units in FY2014, compared to 9 units, which were occupied for 12 months, in FY2013. At fiscal year end, the MRC owned 13 occupied housing units and one unit leased for occupancy in FY2014.



Expenditures

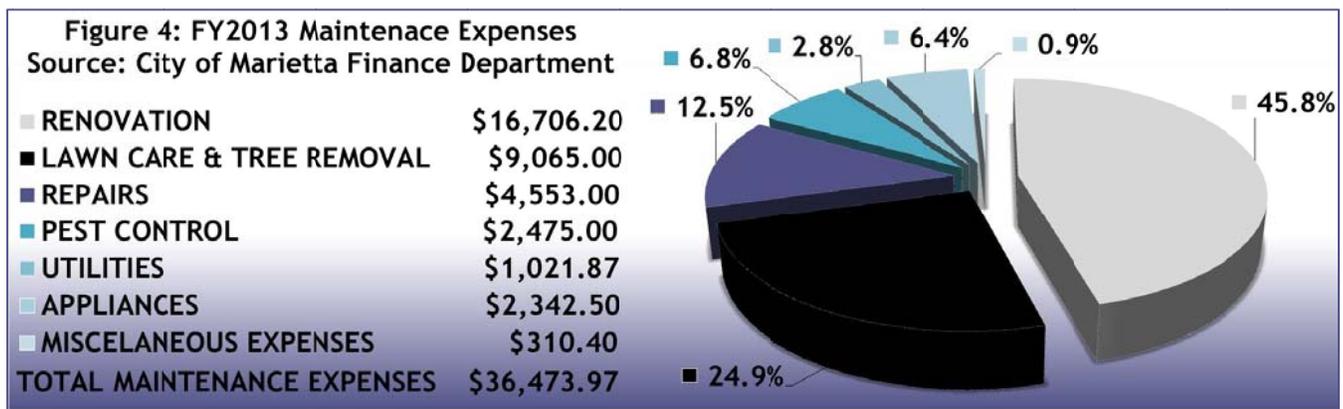
The MRC reduced its total expenditures by approximately 30% in FY2013. Expenditures for the year totaled \$202,172 compared to \$288,732 in FY2012. The reduction is attributable to lower monthly interest payments on the MRC's line of credit. Line of credit payments totaled \$148,665.85, compared to \$244,013.33 in FY2012. Expenditures on MRC property increased slightly compared to FY2011 and FY2012, with maintenance and renovation expenses totaling \$36,474.97. While total maintenance expenses increased, regular repair costs decreased by 23% between FY2012 and FY2013. Property insurance and professional and technical services remained consistent with past fiscal years. Figure 3 below provides a summary of total expenditures.



Maintenance & Renovation Expenses

Redevelopment Department staff continued to provide property management services to the MRC in FY2013 including leasing, procurement and renovation project management. Since FY2011, staff property management has helped to decrease maintenance expenses by up to 55%. In FY2013 the majority of property maintenance expenses (\$16,706.20 or 45.8%) were related to building renovation and largely attributable to plumbing, electrical and HVAC repairs and installations.

Tree removal accounted for 37% of total landscape service cost. Utility expenses were incurred at units identified for renovation in order to inspect systems and complete repairs. Pest control services, prompted by building conditions following tenant move-outs, were performed once for all occupied buildings including vacant units. Appliance expenses included new purchases for renovated units, regular replacement and repair. Figure 4 below provides a summary of MRC property maintenance expenses.



ACKNOWLEDGEMENTS



Marietta Mayor & City Council

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

Marietta Redevelopment Corporation:
The redevelopment agency of the City of Marietta
www.mariettaga.gov/mrc