



**REDEVELOPMENT CORPORATION**  
**Policies and procedures for processing**  
**requests for TAD financing**

**June 2005**

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The City of Marietta has established the City Center South Tax Allocation District (TAD) and is exploring the possibility of creating new TAD's in the future. Authorized under Georgia's Redevelopment Powers Law, TADs offer opportunities for communities to support desired private development by reinvesting the resulting incremental property tax revenues into the projects themselves. TAD increments may be used to reduce the cost of constructing public infrastructure, site assembly, demolition or other costs that may be necessary to make the development feasible. For example, a proposed redevelopment project that creates \$250,000 in incremental property tax revenue over an existing use, could potentially support a \$2.0 to \$2.5 million public investment to write down eligible costs.

The City Council has delegated to the Marietta Redevelopment Corporation (MRC) responsibility for evaluating requests from private developers to receive TAD funding support. This memo discusses the procedure established by the MRC to consider new projects within established and future TADs.

**A. Application Process**

The procedure consists of the following steps:

1. Before making any formal presentation to the MRC, the Applicant must submit initial project/financial information for review by staff.
2. Staff will subject the proposal to a standard financial evaluation, based on incremental tax revenues generated and resulting supportable debt service. The purpose of this evaluation is to set the upper limit of eligible project assistance.
3. If after a preliminary review the developer still wants to proceed, staff will notify the Chairman that the Applicant wishes to present a proposal to the MRC for initial consideration. The Chairman may choose to:
  - a. Place the item on the next available meeting agenda or
  - b. Defer the request to a working group of Directors for an initial review before bringing the request to the full Board.

4. The developer would then be invited to present the details of the project at a Board Meeting. The Board may take one of the following actions at this time:
  - a. Authorize staff and/or a working group of Directors to perform additional analysis; or
  - b. Forward the request to the City Council, either with or without a recommendation; or
  - c. Take no action.
  
5. Assuming the Board authorizes additional study, the proposal is further screened to verify justification for the requested funding. Staff and/or a working group of Directors will meet with the Applicant again. It may also be appropriate to bring in additional City staff at that time. This more detailed screening process will evaluate:
  - a. Additional information needed to make a recommendation
    - i. Additional project details
    - ii. Verification of experience, qualifications and financial capacity to complete the project
  - b. Economic justification/need for public financing and participation
  - c. Anticipated project benefits, such as:
    - i. Removal of slums and blight
    - ii. Revitalization of surrounding neighborhoods
    - iii. Increase in home ownership
    - iv. Economic development/job creation benefits
  - d. Potential project issues
    - i. Adverse neighborhood impacts
    - ii. Project risk
    - iii. Other
  
6. As part of this “second tier” staff/working group review, the Applicant would be expected to submit a more formal financial proposal requesting the use of TAD funds. This proposal would include a specific funding request, a description of the intended uses for the financing, financial justification for the request and evidence that the project can pay back the required investment. If the Applicant is still interested, this proposal will be presented to the MRC Board for action. The Board may take one of the following actions at that time:
  - a. Move to forward the project request to the City Council, either
    - i. Recommended for approval
    - ii. Without a recommendation or
    - iii. With a recommendation to deny
  - b. Request additional information and analysis before rendering a decision or
  - c. Table the request.

The above procedures are designed to produce a relatively quick conclusion, with the goal of obtaining a decision from City Council within a maximum of 120 days from the initial inquiry.

Apart from this procedure, the MRC has developed general policy guidelines to define minimum project qualifications, public objectives and priorities for the investment of TAD funds. These criteria serve as a consistent standard for evaluating project proposals, both within existing TADs and in any new districts that may be created in the future. These guidelines are provided in Attachment A and are an integral part of the procedures outlined above.

## **B. Application/Financing Fees**

The MRC has not established a fee schedule for processing requests for TAD assistance. However, if funds are awarded, the MRC reserves the right to charge Applicants reasonable fees to recover the City's costs of securing tax increment financing. Successful Applicants will be expected to enter into a development agreement with the City of Marietta as a condition of the financing award. Application/financing fees will be negotiated with the Applicant, as part of that development agreement, and will depend upon such factors as the total amount of TAD funding provided, the City's cost of obtaining the financing, and general financial market conditions at the time of the application.

Adopted this 28<sup>th</sup> day of June, 2005.

Marietta Redevelopment Corporation

By:

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Chairman

Attest:

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Administrative Secretary

**ATTACHMENT A:**  
**Marietta Redevelopment Corporation**  
**Policy Guidelines for the Evaluation of Requests for**  
**Tax Allocation District (TAD) Financing**  
**(Adopted June 28, 2005)**

The Marietta Redevelopment Corporation (MRC) welcomes development proposals from the private sector that serve to revitalize redevelopment areas within the City of Marietta. It is the MRC's policy to evaluate all unsolicited, private sector requests for TAD financing and to recommend public sector support of those requests, which are (a) economically justified; (b) well conceived and capable of being implemented with reasonable levels of public support; and (c) serve to advance the City's overall redevelopment goals and objectives.

The MRC will evaluate TAD funding requests based on the following general factors:

- a) The purposes/uses for TAD financing and the consistency of those purposes with the Redevelopment Powers Law and City redevelopment objectives;
- b) The overall amount and timing of tax increment to be generated by the project;
- c) The Applicant's demonstrated financial need for TAD Assistance based on standard pro forma evaluation criteria (i.e. the "but for" test), and
- d) Resulting project benefits & return on the public's investment

Each of these factors is described in more detail below:

**A. Purposes/Uses of TAD Financing**

The MRC will only consider applications for TAD financing for purposes/uses that are consistent with the definition of "redevelopment" as defined in Georgia Redevelopment Powers Law (O.C.G.A 36-44-3(5)). These eligible purposes/uses include:

- New building construction, including commercial buildings and housing construction;
- Building renovation;
- Public works and utilities;
- Telecommunications infrastructure;
- Restoration of historic sites and buildings;
- Parks and open space amenities;
- Transit facilities;
- Pedestrian amenities and safety improvements;
- Property acquisition, assembly and disposition for redevelopment purposes.

**B. Tax Increment Generated by the Project**

It is the MRC's policy to insure that any project, which receives a TAD contribution is "self-financing," that is, the project generates sufficient future property tax increment to pay back the associated debt service obligations incurred as a result of that request. It is also the MRC's policy to favor those projects, which generate sufficient increment to meet debt

coverage ratios that are imposed by lenders or, more importantly, generate “excess revenues” that can be used to retire debt and/or return revenues to the taxing jurisdictions’ respective general funds, ahead of schedule. The MRC will also consider in its evaluation, projects that return substantial long-term incremental property tax revenues after all financing has been fully retired. Although the MRC may consider proposals that are not self-financing as defined above, such proposals must offer other extraordinary benefits to justify such contributions.

In addition to the overall amount of tax increment generated in proportion to cost, the MRC will consider the overall market/financial feasibility and perceived level of risk associated with the proposed development plan, as well as the demonstrated qualifications and experience of the Applicant to execute the project as proposed. For projects that are highly complex or have a high level of development risk, the MRC may request supporting documentation in the form of feasibility studies and/or appraisals to support the application.

### **C. Project Economics**

Applicants for TAD financing assistance must demonstrate financial need for such assistance based on reasonable pro forma projections of costs, revenues and expected profits, i.e. meet the “but for” test as established in the Redevelopment Powers Law.

Potential legitimate needs for TAD contributions to overcome poor development economics may include but not be limited to:

- High site acquisition, assembly, demolition or remediation costs due to the nature of the proposed redevelopment site;
- Inadequate public infrastructure that must be rebuilt or enhanced at the developer’s expense in order to support the proposed use;
- The Applicant’s commitment to provide a percentage of affordable housing within the overall unit mix;
- The inclusion of project amenities/enhancements that offer a public benefit but cannot be supported by the project’s economics; or
- The need to incur above-average construction costs in order to successfully market units, or to satisfy the City’s desire to encourage high quality housing construction in redevelopment areas.

Before approving TAD financing requests, the MRC will require Applicants to submit a sufficiently detailed financial pro forma to enable staff to evaluate the project’s overall development economics and anticipated profit margins, using reasonable and defensible assumptions. It is the MRC’s policy that the maximum TAD financing contribution it will recommend, shall enable the Applicant to achieve no more than a 15% developer’s profit based on total project costs and conservative projections of sales performance. If, in the MRC’s opinion, the project has the potential to exceed pro forma expectations and achieve profits in excess of 15%, the MRC may choose to recommend approval contingent on the Applicant’s agreement to share “excess profits” or return a percentage of contributed TAD financing at the completion of the project if actual performance exceeds pro forma projections.

## **D. Project Benefits and Return on Public Investment**

In addition to purposes/uses that are consistent with State Law, the MRC will give added consideration/support to investments of TAD funds, which achieve redevelopment goals and objectives that have been established by the Marietta City Council and are consistent with established City Policy. These goals/objectives include but are not necessarily limited to:

- Increasing the percentage of owner-occupied housing within the City Limits, particularly in neighborhoods that are (a) located near the City Center; (b) currently have high concentrations of rental housing and (c) exhibit high incidence of vacancy, code violations and substandard housing conditions;
- Encouraging new construction or rehabilitation that corrects code violations and eliminates substandard rental housing;
- Increasing the supply of “affordable<sup>1</sup>” ownership housing within the City limits (See footnote for definitions of affordable housing);
- Increasing the supply and quality of available housing products for the elderly;
- Expanding and complementing the commercial boundaries of “Downtown;”
- Revitalizing the City’s declining commercial corridors; and
- Reducing service cost impacts/burdens on City Schools and other municipal departments.

The MRC recognizes that in some individual cases, project proposals may return exceptional public benefits that merit investments of TAD funds at a higher level than is indicated by the evaluation criteria outlined in this policy. In such extraordinary cases, the MRC may recommend that the City make a larger investment of public funds than would otherwise be justified.

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<sup>1</sup> In this case, “affordable” ownership housing shall be defined to include new or rehabilitated housing units that meet one of more of the following criteria: (a) are priced a minimum of 20% below the median sale price of all new construction offered within the City limits at the time; (b) are within the means of households earning no more than 120% of the median household income in Cobb County, according to accepted industry criteria used to qualify mortgage Applicants; or (c) are supported by some form of housing subsidy that enables the unit to be purchased by individuals who would not otherwise qualify on the basis of income. The MRC shall give added weight to proposals that contain significant numbers and percentages of units meeting definitions b and c above.

## **ATTACHMENT B: TAD Application Form**

### PART I: APPLICANT INFORMATION

1. Name and Location of Proposed Development Project
2. Amount of TAD Funding Requested
3. Developer Contact Information
  - i. Address
  - ii. Designated Contact
  - iii. Title
  - iv. Phone
  - v. FAX
  - vi. E-mail Address
4. Ownership Entity Name
5. Legal Form or Ownership
6. In a separate attachment, provide the names, addresses, phone numbers and e-mail addresses for all major partners, JV or limited partners, or other project participants. Also indicate the ownership interest of each development participant listed under this item.

### PART II: DEVELOPMENT PROFESSIONAL TEAM

1. PROJECT ARCHITECT
  - a. Company
  - b. Primary Contact Name
  - c. Address
  - d. Phone Number
  - e. E-mail Address
2. CIVIL/TRAFFIC ENGINEER
  - a. Company
  - b. Primary Contact Name
  - c. Address
  - d. Phone Number
  - e. E-mail Address
3. CONTRACTOR
  - a. General Contractor Name
  - b. Primary Contact Name
  - c. Address

- d. Phone Number
  - e. E-mail Address
4. PROPERTY MANAGER (If Applicable)
- a. Company
  - b. Primary Contact Name
  - c. Address
  - d. Phone Number
  - e. E-mail Address
5. DEVELOPER'S ATTORNEY
- a. Legal Firm Name
  - b. Primary Contact Name
  - c. Address
  - d. Phone Number
  - e. E-mail Address

**PART III: GENERAL PROJECT INFORMATION**

1. General Project Description
- a. Location of the development site
  - b. Tax parcel ID number(s)
  - c. Acreage
  - d. Existing land use(s)
  - e. Current full value and assessed (40%) value of the development site
  - f. Current annual real property tax bills (City, County and School taxes)
  - g. Estimated existing total population and City public school enrollment currently residing within the development site
  - h. Proposed demolition of existing structures (If applicable, describe the amount of existing building SF and current uses of buildings to be demolished. Include the number of existing total and occupied housing units.)
  - i. Permanent job creation/retention associated with the development (if applicable)
  - j. Estimated annual City/County/School property taxes generated at completion.

2. Project (Use) Mix

	<u># Units</u>	<u>Building Area (SF)</u>	<u>% of Building Area</u>
Residential			
Retail			
Office			
Other _____			
Parking Structures (Spaces)			

TOTALS

a. Construction Type (New Construction, Rehab, Conversion, etc.)

3. Residential detail (if applicable)

a. Ownership Housing Unit Mix:

	<u># Units</u>	<u>Size Range (SF)</u>	<u>Average SF</u>	<u>Average Sale Price</u>
Studio				
1 Bedroom				
2 Bedroom				
3 Bedroom				
4+Bedroom				
TOTAL				

b. Rental Housing Unit Mix:

	<u># Units</u>	<u>Size Range (SF)</u>	<u>Average SF</u>	<u>Average Sale Price</u>
Studio				
1 Bedroom				
2 Bedroom				
3 Bedroom				
4+Bedroom				
TOTALS				

4. Describe planned unit features, finishes and amenities (provide visuals if available).

5. Describe planned project amenities (recreational amenities, open space, etc.)

6. Nonresidential detail (if applicable)

	<u># Units</u>	<u>Size Range (SF)</u>	<u>Average SF</u>	<u>Avg. Sale \$/SF</u>	<u>Avg. Lease\$/SF (NNN)</u>
Office					
Retail					
Other					
TOTALS					

7. Estimated project completion (end) value. (Estimate the total sell out value of the project. Include a value estimate for any buildings retained by the developer.)

8. Describe the proposed uses of TAD funds and itemize the distribution of those costs
9. Supporting documents
  - a. Existing conditions photos
  - b. Location and project boundary maps
  - c. Conceptual Site Plan (If a conceptual site plan is not available, provide an estimated delivery date for a site plan.)
  - d. Project rendering and/or conceptual elevation drawings (if available)

#### PART IV: PROJECT ECONOMICS

Financing assumptions should be clearly reflected in the project pro forma (items 3 through 8 below) and described in explanatory notes.

##### 1. Financing Sources

	<u>Applicable? (Yes/No)</u>	<u>Financing Amount</u>	<u>% of total Cost</u>
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- a. Conventional Debt
- b. Governmental Loans (Describe)
- c. State/Federal Grants (List Sources)
- d. Tax Credits
- e. Other Debt
- f. Contributed Equity
- g. Other sources
- h. TAD Funding Request

TOTAL

2. Equity: Describe the amount and source(s) of developer's equity to be supplied to the development.
3. Estimated Financing Terms: Estimate interest rates/costs of debt financing to be used.
4. Discounted Cash Flow Analysis: Submit a DCFA reflecting the period from start-up through construction, stabilization and total sell out. If a portion of the property is to be retained by the Applicant, provide an estimate of the residual value of the retained property. (The Applicant may submit its own pro forma or use a template supplied by MRC staff.)
5. Construction cost estimates: Include in the development pro forma a detailed estimate of all construction hard and soft costs. Any costs associated with proposed uses of TAD funds as described above should be itemized separately for verification.
6. Income projections from sales and leasing activity: Provide detailed revenue estimates from sales and leasing activity. If space is to be leased and retained in the Applicant's ownership after completion, include stabilized occupancy and lease rate projections. If

space is to be sold, include projected absorption rates, unit price appreciation and related assumptions.

7. Market Evidence: Describe the sources of comparable sales/leases and/or other market evidence relied upon as a basis for the proposed prices and absorption rates indicated above.
8. ROI: Calculate projected returns on equity to be provided by the developer, with and without the requested TAD contribution. If more than one investor is contributing equity to the project, calculate ROI to individual investment entities

#### PART V: SITE CONTROL, ZONING AND SCHEDULE

1. Provide evidence of site control in the form of copies of deed(s), contracts for purchase, land lease agreement, etc.
2. Indicate the requested zoning designation(s) for the project site.
3. Indicate whether the site is currently zoned for its intended use(s). If no, describe the timeline for obtaining zoning approvals.
4. Indicate whether all required site plan approvals and/or variances have been obtained. If no, describe the timeline for obtaining zoning approvals.
5. Provide a copy of findings from the Phase I Environmental Report. If a Phase I Environmental Report has not been prepared, provide a timeline for submitting the report.
6. Include a projected construction schedule that describes the time frames and estimated milestones for acquiring financing, completing plans and specifications, permitting and construction. The construction schedule should identify target dates for the following major milestones:
  - a. Obtain Financing Commitments
  - b. Detailed (Final) Site Plan Approval
  - c. Real Estate Closing Date (if applicable)
  - d. Construction Start Date
  - e. Estimated Completion Date
  - f. Target date for first units sold or leased

#### PART VI: CERTIFICATIONS

The undersigned Applicant hereby certifies to the best of his/her knowledge and belief, that the information in this application is true, correct and complete. The undersigned further represents that he/she has the authority to bind the Applicant and all individuals and entities herein to this warranty of truthfulness and completeness of the application.

The Applicant further acknowledges having read all applicable sections of MRC Policies and Procedures governing the disposition of requests for TAD financing assistance. The Applicant understands and agrees to abide by all provisions of applicable Georgia statutes, as well as all program policies, rules and guidelines established by the MRC and the City of Marietta.

The Applicant acknowledges that a favorable vote by the City Council to support this application, does not constitute a commitment to finance the proposed project, but only an agreement to seek third party investors to purchase tax allocation bonds or offer comparable financing to the City, based upon anticipated future real property tax increment to be generated by the project. The Applicant will be responsible for satisfying underwriting criteria that may be imposed by these financing sources.

**APPLICANT SIGNATURE:**

Name:

Title:

Date

Witness Signature:

Witness Name:

Date