



Public Private Partnerships

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# INTRODUCTION

- Public private partnerships (“P3’s) can take many forms
- Privatization of existing services (e.g., Chicago’s privatization of parking meters)
- Management of existing facilities (e.g., water or sewerage plants)
- New projects that are too expensive or risky (e.g., toll roads)

## INTRODUCTION CONT.

- This group is not interested in those types of P3's
- This group is interested in P3's that either:
  - (1) Revitalize areas and result in development and sales or
  - (2) Act as catalysts to get projects developed
- Fortunately, we have plenty of examples of those P3's in GA

## EXPRESS LEGAL AUTHORITY

- Governments don't have legal authority to enter into any type of activity/P3
- Governments can only exercise powers expressly granted to them
- Therefore, each P3 is carefully crafted using GA laws
- The presentation highlights and is centered around those laws

# URBAN REDEVELOPMENT LAW (“URL”)

- URL gives cities and counties broad powers to redevelop areas that are determined to be “blighted”
- These powers include the ability to enter contracts with private entities for redevelopment projects
- In order to excise these redevelopment powers, a city or county must:
  - (1) designate an area as blighted,
  - (2) create a redevelopment plan and
  - (3) hold a public hearing with respect to that redevelopment plan

## URL CONT.

- Two examples of P3's that utilized the URL are:
  - (1) the Franklin Gateway Project in Marietta and
  - (2) the Town Center Project in Suwanee

## URL CONT./FRANKLIN GATEWAY PROJECT

- Marietta determined that the Franklin Gateway area was blighted
- The City developed a plan of finance: issue voter-approved general obligation bonds and use the proceeds to buy certain blighted properties
- The City formulated a redevelopment plan: redevelop the blighted properties into a City park/sports complex, a training and administrative facility for Atlanta United (the “AU Complex”) and various commercial properties

## URL CONT./FRANKLIN GATEWAY PROJECT

- The Project has been extremely successful
- The following materials were prepared by Daniel Cummings, the Economic Development Manager



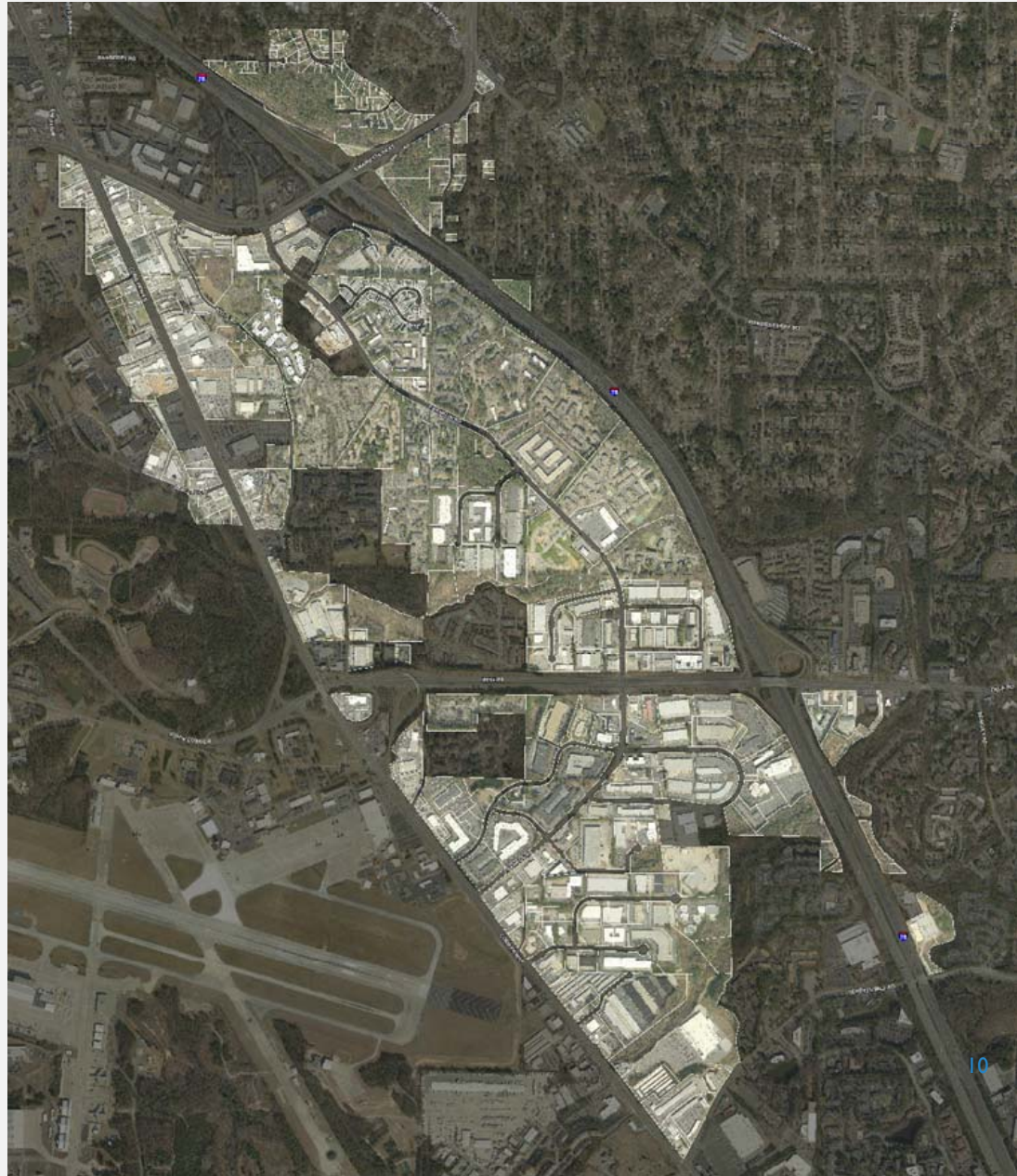
# FRANKLIN GATEWAY REDEVELOPMENT

- History of Franklin Road
- Previous Efforts
- 2013 Redevelopment Bond
- Franklin Gateway's Success





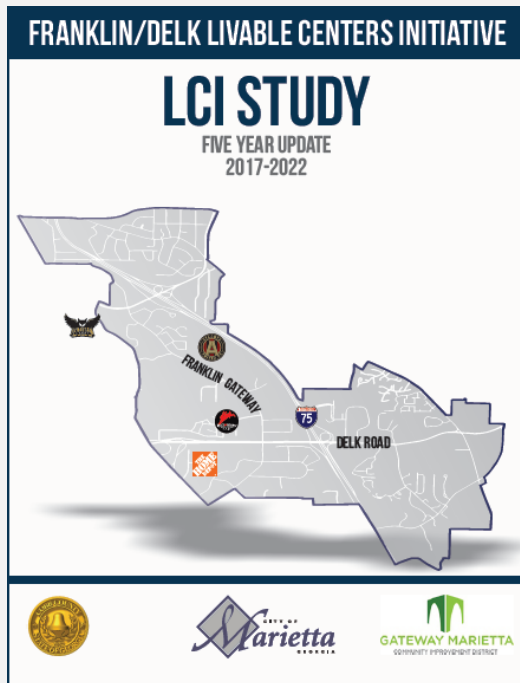
# Franklin Gateway Area



## FRANKLIN ROAD BEFORE

- Blight and Distress
- High Volume of Low Quality Multi-Family
- Low Quality Commercial Development
- High Commercial and Residential Vacancy
- High Volume of Police Calls
- Damaged Reputation
- **Great Interstate Access**
- **Strategic Location**

# EARLY EFFORTS



- Weed and Seed Program (2003)
- Increased Community Policing/Code Enforcement
- Franklin Delk LCI Study (2007)
- Urban Redevelopment Plan
  - Tax Allocation District
  - Opportunity Zone (2009)
- GreenTech Corridor Master Plan





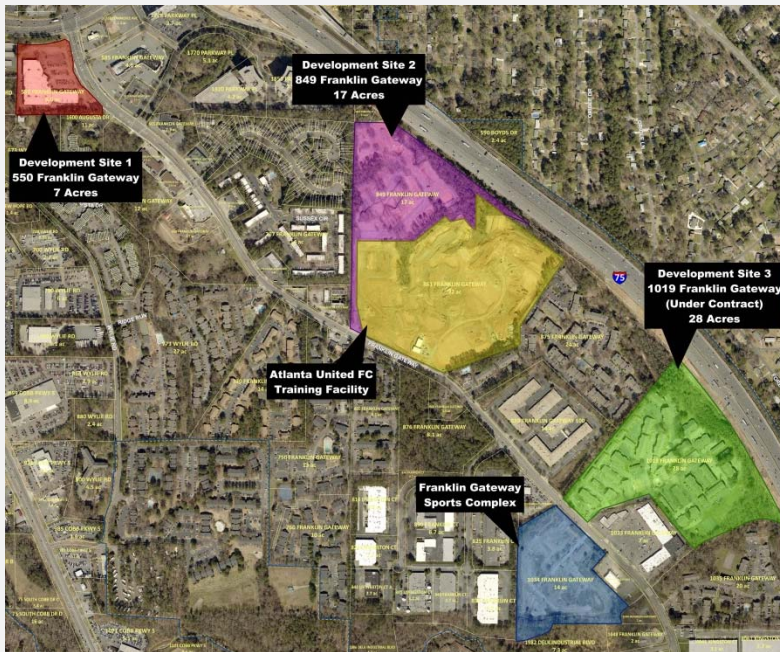
# COMMERCIAL STOCK



# MULTI-FAMILY HOUSING STOCK



# FRANKLIN GATEWAY REDEVELOPMENT



- Bond approved by voter referendum (2013)
- Raised \$68 million
  - Acquisition and Demolition
  - East-West Connectivity
- 5 Properties Purchased
  - 4 Multi-Family
  - 1 Commercial
- 98 Acres



Atlanta United Training Facility



## URL CONT./FRANKLIN GATEWAY PROJECT

- Material terms of the lease with Atlanta United:
  - (1) AU agreed to construct, operate, insure and maintain
  - (2) AU agreed to pay rent and payments in lieu of taxes on improvements
  - (3) The City gave AU limited access to three City multi-purpose athletic fields
  - (4) The City will own the AU Complex at the end of the lease



# Franklin Gateway Sports Complex





IKEA

# FRANKLIN GATEWAY TODAY

- More than 2,600 created jobs
- More than \$196 million in planned and realized direct investment
- Police incidents decreased by 45% since 2011
- Improved Multi-Family Market
  - 4.7 % Vacancy Rate (22% in 2008)
  - 2 Bedroom Rent: \$961 (\$649 in 2008)
- Improved Units/Higher Value
- Improved Office and Commercial Market
  - 10.4% Office Vacancy Rate (32.2% in 2009)
- Increased Private Investment and Market Interest



Red Hare Brewery (2011)

Home Depot MTC (2015)

Well Star (2016)

Atlanta United FC (2017)

Hampton Inn (2018)

IKEA (Announced)

Hilton Home 2 Suites (2019)

More Coming!

## PRIVATE INVESTMENT ON FRANKLIN GATEWAY

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# QUESTIONS?

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## URL CONT./TOWN CENTER PROJECT

- Suwanee also used the URL to completely revitalize its Town Center
- The City developed a redevelopment plan: purchase certain tracts of land, demolish the old structures on the land, standardize the architecture and construct new City facilities (including a City hall and parks) surrounded by mixed used developments
- The project was financed with a variety of funds including general obligation bonds and revenue bonds issued by the City's Urban Redevelopment Agency
- The project was successful and resulted in the type of "live work play community" that is popular today

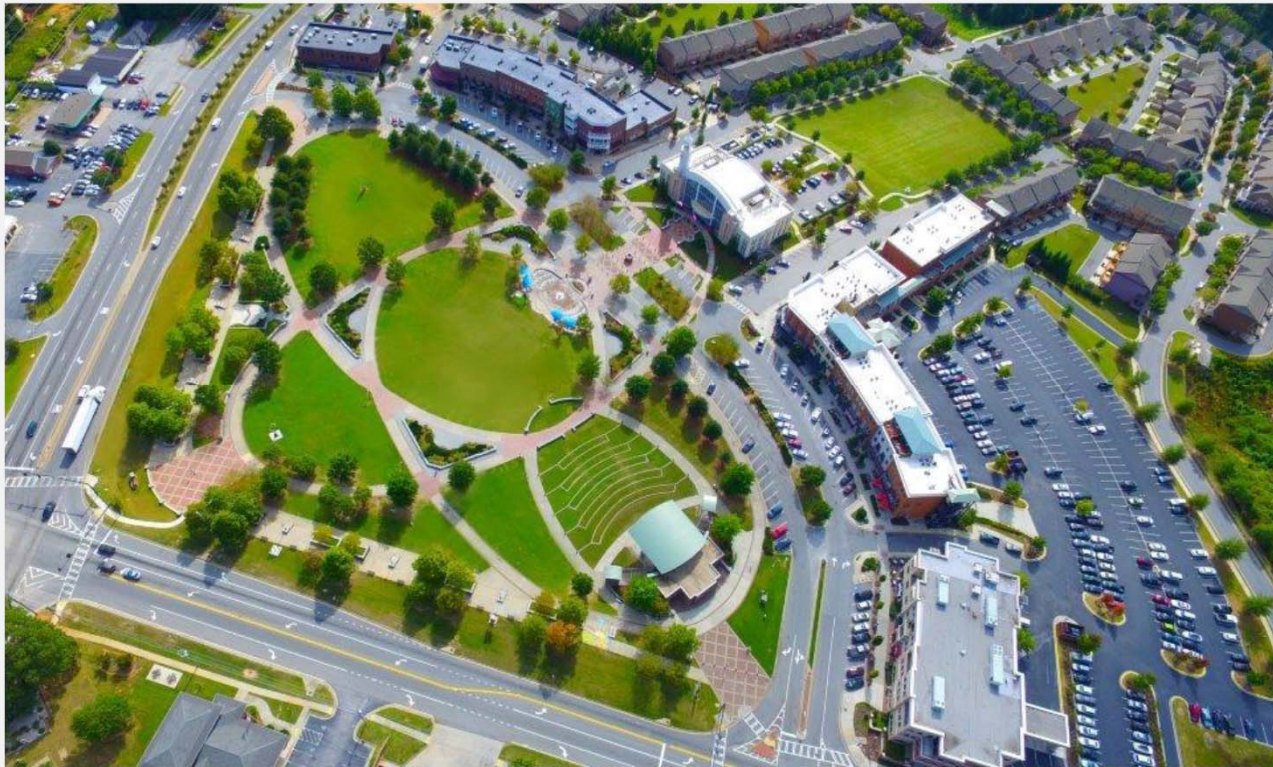


# URL CONT./TOWN CENTER PROJECT





# URL CONT./TOWN CENTER PROJECT



## INTERGOVERNMENTAL CONTACTS

- The Georgia Constitution allows two governmental entities to enter into contracts for facilities or services that both entities are entitled to provide (the “Intergovernmental Contracts Clause”)
- The Intergovernmental Contracts clause is the vehicle by which cities and counties provide financial support for bonds and other obligations of an authority
- In many instances, the project is not viable without the financial support

# INTERGOVERNMENTAL CONTRACTS CONT./SHOPPING CENTER

- John Gornall was involved in a shopping center project in Douglasville that relied on the Intergovernmental Contracts Clause
- The Developer purchased the Douglas Town Center Shopping Center with the proceeds of a loan from NA Bank
- There were two anchor tenants: Cub Foods and Wal-Mart
- Georgia Highlands College wanted to rent 44,000 square feet for 10 years
- Under the Georgia constitution, the Board of Regents can only sign a one-year, annually-renewable lease

## INTERGOVERNMENTAL CONTRACTS CONT./SHOPPING CENTER

- The College required \$1m of tenant improvements
- NA Bank was not willing to loan the \$1m needed for tenant improvements to the Developer unless someone “guaranteed” the debt
- A City can not directly guaranty debt
- In order to be able to provide financial support, the transaction had to be structured in accordance with the Intergovernmental Contracts Clause

## INTERGOVERNMENTAL CONTRACTS CONT./SHOPPING CENTER

- Therefore, the Developer leased the College Space to the City's Development Authority, and the Authority subleased the College space to the BOR
- The Authority then entered into an intergovernmental contract with the City pursuant to which the City agreed to pay amounts owing to the Developer under the lease if the Authority was not able to make the lease payments from the sublease payments from the BOR (or another tenant)

# INTERGOVERNMENTAL CONTRACTS/CONT. SHOPPING CENTER

- Questions regarding the shopping center project may be directed to:

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# INTERGOVERNMENTAL CONTRACTS CONT./OTHER EXAMPLES

- Industrial Parks
- Spec Buildings

## REDEVELOPMENT POWERS LAW (“RPL”)

- The RPL gives cities and counties the power to create tax allocation districts and to use the “tax increment” in those districts to pay redevelopment costs
- The tax increment is the amount ad valorem taxes (and in some cases sales taxes) generated in the district over and above the amount generated prior to the redevelopment



## RDL CONT.

- In order to excise these redevelopment powers:
  - (1) the general assembly must adopt a law granting these powers to a city or county
  - (2) the voters in that city or county must approve the exercise of these powers
  - (3) the city or county must create a redevelopment plan and tax allocation district and
  - (4) the city or county must hold a public hearing with respect to that plan

## RPL CONT.

- Depending on how narrowly a district is drawn, the RPL can be used to benefit a large number of projects/developers or a single developer
- Most of us are familiar with the Belt Line Project
- Therefore, I will provide an example of a project that benefited a single developer

## RPL CONT./CITY X PROJECT

- A dilapidated strip mall exists in the City
- In order to induce the developer to tear down the existing structures and build a new strip mall, the City created a tax allocation district that is essentially coterminous with the strip mall
- The City and the other taxing entities agreed to use the tax increment to pay for the infrastructure costs, including site prep, roads, utilities, etc.
- These costs account for a significant portion (at least 25%) of the total estimated project costs
- The City anticipates issuing tax allocation bonds in order to finance these improvements

# TAX ABATEMENT

- Cities and counties do not have the power to give tax abatements directly to companies
- Accordingly, ad valorem property tax abatements are given to companies indirectly through development authorities
- The underlying concept requires that the company transfer legal title of the property to the development authority and enter into a lease agreement with the authority
- Because the law creating the development authority exempts property owned by the authority from ad valorem property taxes, the company is only taxed on the value of its leasehold interest if at all

# CONCLUSION

- P3's are valuable tools to revitalize areas and get projects done
- Don't hesitate to contact me if you have any questions

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