

COLUMBUS GEORGIA CONSOLIDATED GOVERNMENT: MIDTOWN EAST AND MIDTOWN WEST TAX ALLOCATION DISTRICTS



EXECUTIVE SUMMARY JUNE, 2016

Prepared for the
Columbus, Georgia Consolidated Government and
MidTown Columbus, Inc.



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* Headings followed by a letter in parenthesis [e.g. (A)] denote information required per Georgia Code Chapter 36, Title 44.

EXECUTIVE SUMMARY

OVERVIEW

This plan presents the rationale, boundaries, fiscal data and proposed projects which could result from the formation of the Columbus Consolidated Government, Tax Allocation Districts #5–MidTown West and Tax Allocation District #6– MidTown East. This redevelopment plan was prepared by Bleakly Advisory Group, Inc. (BAG) in conformance with the provisions of Georgia Redevelopment Powers Law (O.C.G.A. Title 36 Chapter 44) which governs the creation of the Tax Allocation Districts (TADs) in the state. This plan was prepared in cooperation with the City of Columbus, on behalf of MidTown, Inc.

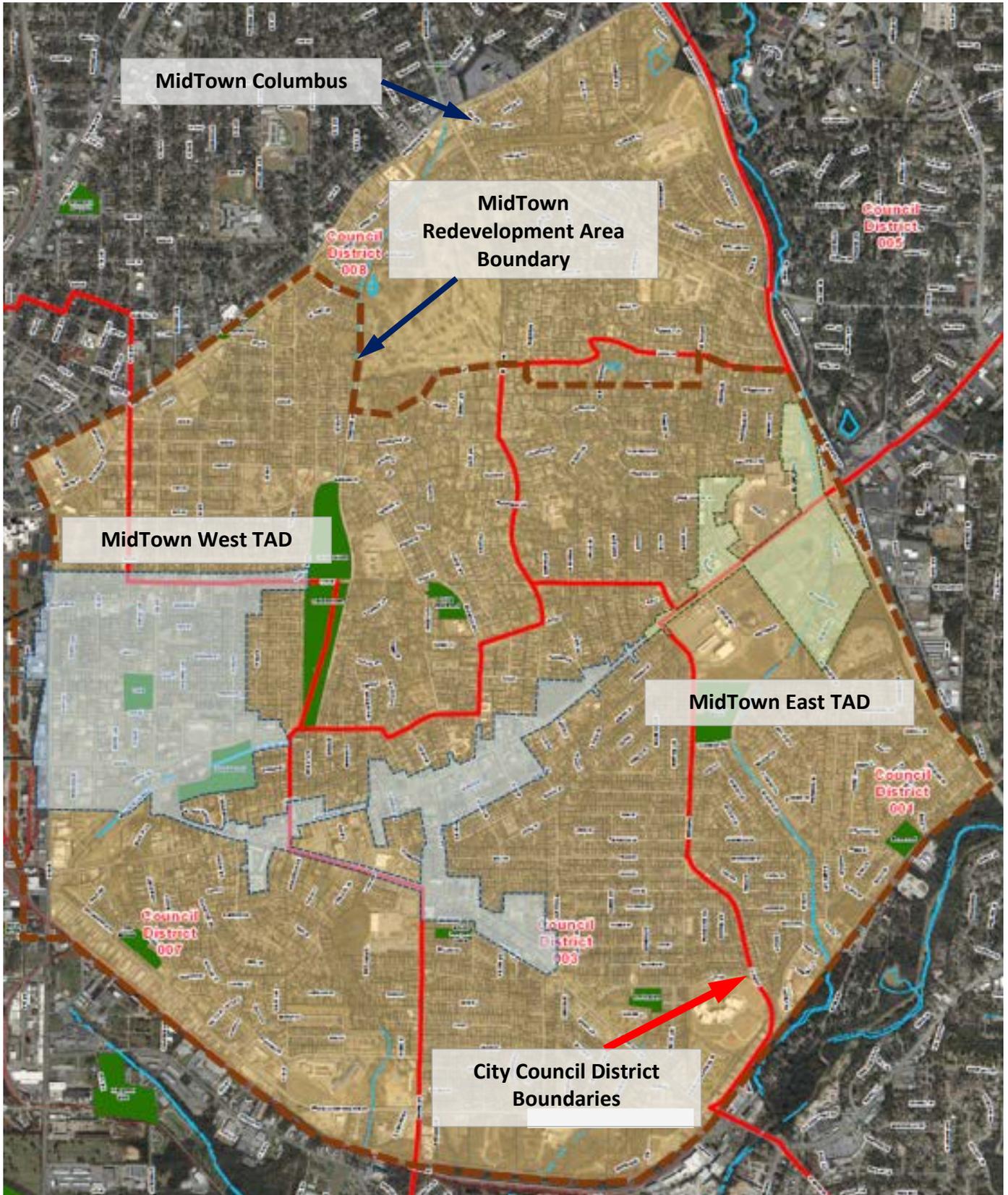
The redevelopment area described in this Plan includes nearly 8,500 properties covering roughly 3,250 acres (within individual tax parcels). The significant factors regarding this area are: (a) it contains more than 19.3 million SF of buildings with a total full market value of more than \$1.25 billion; (b) the area as a whole includes more than 10% of the Consolidated Government’s total tax digest; (c) despite the fact that the redevelopment area is one of the most densely developed parts of Columbus, property values are relatively low, with full market values averaging \$384,000 per developed acre; (d) residentially zoned properties in particular have very low average market values, averaging below \$71,600 per parcel; and (e) general fund property tax collections from real estate within this area averages only \$3,900 per acre. Substantial portions of the redevelopment area clearly exhibit several characteristics of disinvestment and under-utilization, which are prerequisite to the establishment of Tax Allocation Districts.

The purpose of the proposed TADs is to support development in two locations within the proposed redevelopment area.

- The proposed TAD #5 consists of 942 parcels totaling 325.1 acres. The larger “MidTown West” TAD #5 is intended to support the development of higher density mixed-use commercial nodes along Wynnton Road, Buena Vista Road, 10th-13th Avenues, Five Points, 13th Street ,17th Street/Linwood Boulevard, and other suitable locations in MidTown.
- TAD #6 consists of 61 parcels totaling 92.9 acres, and is proposed to support further commercial revitalization along the Macon Road Corridor in the eastern section of MidTown near Exit 6 of I-185. TAD #6 will support future commercial infill development surrounding the Cross Country Plaza and MidTown Shopping Centers.

The boundaries of the Redevelopment area and TADs are shown on the following map.

PROPOSED MIDTOWN COLUMBUS REDEVELOPMENT AREA AND TAX ALLOCATION DISTRICTS
(Proposed TAD boundaries are shown in shaded areas)



WHY THE REDEVELOPMENT AREA QUALIFIES AS A TAD

The City of Columbus has the authority to exercise all redevelopment and other powers authorized or granted municipalities pursuant to the Redevelopment Powers Law (Chapter 44 of Title 36 of the O.C.G.A.), as approved by Columbus voters by referendum in 2014.

The redevelopment area qualifies as a TAD under the following specific sections of the Redevelopment Powers Law:

- A (iii) – This portion of Columbus has demonstrated pervasive poverty and significant unemployment.
- A (v) – The existence of conditions...that substantially impair the sound growth of the community.
- B (i) – The presence of structures or buildings that are 40 years old or older with no historic significance.
- B (iii) – The predominance of structures or buildings of relatively low value.
- C (ii) – Deteriorating and/or inadequate infrastructure either at present or following redevelopment.

More detailed justification under each of these provisions appears in the full report.

PROPOSED REDEVELOPMENT PROJECTS

The primary method of financing development of these TAD projects will be private equity and debt. TAD proceeds would be used to supplement private financing and reduce overall development costs in order to make the projects financially feasible. The proposed Tax Allocation District #5 – MidTown West is intended to support the development of mixed-use, neighborhood scale commercial nodes along Wynnton Road, Buena Vista Road, 10th through 13th Avenues, Five Points, 13th Street, 17th Street/Linwood Boulevard and other suitable locations in MidTown. TAD proceeds may be used to incentivize early investments in mixed use buildings, moderate scale infill developments or “block by block” residential rehabilitation projects as described in the Minimum Grid Plan. If available, TAD proceeds could also be used to supplement public funds needed to improve multi-modal transportation connections between development nodes, to create more/better public spaces in MidTown and to correct utility deficiencies which are preventing residential investment in some areas of the TAD.

The proposed Tax Allocation District #6 – MidTown East—is proposed to support further commercial revitalization along the Macon Road Corridor in the eastern section of MidTown near Exit 6 of I-185. TAD #6 would support future commercial infill development surrounding the Cross Country Plaza and MidTown Shopping Centers, with the overall objective of replacing marginal buildings with higher valued uses and new retail tenants, thereby enhancing the commercial environment which influences the Civic Commons. The certification of TAD #6 at the end of 2016 would enable the owners to consider options to request TAD proceeds to enhance their properties and generate increased sales taxes to the Consolidated Government and School District.

POTENTIAL TAD REVENUES AND BONDING CAPACITY

This plan estimates potential bond revenues from future development projects within the two TADs, assuming that the Columbus Consolidated Government and the Muscogee County School District pledge their respective M&O millage to the redevelopment effort. These tax allocation increments exclude additional general fund real estate taxes associated with the TADs base digest value at the time it is certified, as well as any business personal property digest associated with future commercial development. In addition to nominal dollars, BAG provide estimates of the net present value of these proceeds if discounted at rates of 3% and 6%, respectively. The 3% discounted rate is illustrative of the truer impact of “foregone” tax revenue to the respective taxing jurisdictions’ general funds, recognizing the time value of money and the fact that most of these projected revenues would not materialize until two and three decades into the future. Discounting future TAD proceeds by 6% is more illustrative to the range of revenues which might be realized “up front” if financed. BAG has also provided shorter-term projections to illustrate possible scenarios in which redevelopment costs are repaid early and the TAD is dissolved at the City’s discretion, prior to the end of 30 years. Resulting calculations appear for the initial projects in each proposed TAD are summarized in the following series of exhibits.

BAG estimates that potential redevelopment projects in TAD #5 could generate slightly less than \$11.8 million in total **tax allocation increments** over the full 30-year life of the TAD, accruing to the TAD Special fund. In nominal dollars these values range from roughly \$3.3 million (15 years) to \$11.8 million over 30 years as previously noted. When discounted by 3% these values range from \$2.4 million (15 years) to \$6.7 million (30 years). If discounted by 6%, values range from \$1.8 million (15 years) to \$4.0 million (30 years).

NPV of Increment @ NPV	0%	3%	6%
15 Years	\$3,267,788	\$2,423,238	\$1,831,449
20 Years	\$6,040,198	\$4,023,140	\$2,771,694
25 Years	\$8,349,816	\$5,175,118	\$3,358,475
30 Years	\$11,782,305	\$6,673,489	\$4,029,427

A similar calculation was made for retail infill projects on Macon Road in TAD #6. At this time the redevelopment plan does **not** envision a large scale investment that would radically change the character of either of the two largest shopping centers in the area. Incremental development would therefore consist of the gradual upgrading and infill of existing commercial parcels. As shown in the following exhibit, TAD proceeds from these potential projects total nearly \$6.7 million (in nominal \$) over 30 years. When discounted at 3%, these values range from \$1.5 million (15 years) to \$3.9 million (30 years). If discounted by 6%, values range from \$1.2 million (15 years) to \$2.4 million (30 years).

NPV of Increment @ NPV	0%	3%	6%
15 Years	\$2,106,985	\$1,573,239	\$1,197,008
20 Years	\$3,659,492	\$2,470,037	\$1,724,550
25 Years	\$4,892,855	\$3,085,388	\$2,038,080
30 Years	\$6,669,085	\$3,861,039	\$2,385,529

REDEVELOPMENT COSTS - PROPOSED USES OF TAD PROCEEDS

A representative funding allocation for the potential early TAD funding is itemized below, under the conservative assumption that roughly 50% of total proceeds generated over the life of the TADs could be leveraged as debt service to finance projects. This assumption results in the estimated availability of roughly \$7.0 million in net available funding for projects after deduction of issuance costs and required reserves.

Existing public infrastructure in parts of MidTown Columbus and prevailing market rents for commercial and residential property are generally inadequate to support the City’s vision of creating a high quality commercial, residential and mixed-use development nodes. In essence, prevailing rents tenants are willing to pay make it very difficult to finance the cost of new construction. The use of TAD proceeds could be applied to eligible activities in order to lower development costs to an amount that can be supported by market rents, and to pay for public improvements which cannot be realistically “carried” by private development. TAD proceeds could be used in numerous combinations to address these issues, as specific needs arise. The next table contains an illustrative distribution of fund uses among eligible categories of redevelopment costs. In practice, TAD proceeds will be allocated to specific purposes as agreements are negotiated between developers and the City and with prospective end users.

Potential Expenditures	TAD #5 Estimates		TAD #6 Estimates	
	% Allocation	Funding	% Allocation	Funding
1 Water/Sewer & Other Infrastructure Improvements	25%	\$1,112,500	25%	\$612,500
2 Assistance with Property Assembly, Demolition, Etc.	15%	\$667,500	15%	\$367,500
3 Public Amenities and Multi-Modal Connections	25%	\$1,112,500	0%	\$0
4 General Redevelopment Incentives	25%	\$1,112,500	35%	\$857,500
5 Fit Up Allowances/Tenant Incentives	10%	\$445,000	25%	\$612,500
TOTAL Estimated TAD Funding:	100%	\$4,450,000	100%	\$2,450,000

Note: This is a conceptual illustration of how future TAD proceeds may be allocated. Actual dollar amounts and percentage allocations may change based on future funding availability and needs.

TAX ALLOCATION INCREMENT BASE

On or before December 31, 2016, the City of Columbus, acting as the redevelopment agent, will apply to the State Revenue Commissioner for a determination of the tax allocation increment base of the proposed tax allocation districts. The estimated base digest of the two TADs (combined) totals \$62.1 million, as summarized in the following tables.

Columbus Consolidated Government Redevelopment Plan TAD #5 Summary - MidTown West	
Number of Parcels	942
Total Acres	325.1
2015 Appraised (Full Market) Value - Estimated	\$128,387,506
2015 TAD #5 Taxable Digest @40%	\$44,459,488
2015 Columbus Consolidated Government Net M&O Digest @40%	\$4,408,376,693
TAD #5 % of Total Digest	1.01%

Source: BAG, Muscogee County Tax Assessment Records and the GA Department of Revenue.

Columbus Consolidated Government Redevelopment Plan TAD #6 Summary - MidTown East	
Number of Parcels	61
Total Acres	92.9
2015 Appraised (Full Market) Value - Estimated	\$44,340,013
2015 TAD #5 Taxable Digest @40%	\$17,633,996
2015 Columbus Consolidated Government Net M&O Digest @40%	\$4,408,376,693
TAD #6 % of Total Digest	0.40%

Source: BAG, Muscogee County Tax Assessment Records and the GA Department of Revenue.

Together, the two TADs are estimated to consume 1.4% of the City’s estimated M&O tax digest of more than \$4.4 billion. If adopted and combined with the four previous Tax Allocation Districts approved in 2015 and early 2016, Columbus would have a total of roughly \$170 million or less than 3.9% of its total tax digest within six TADs. Real Property taxes currently collected within the proposed Tax Allocation District #5 and #6 to serve as base are calculated as follows:¹

Property Taxes to Serve as Base:	Taxable Digest x	Millage[1] =	Total Taxes	Tax/Acre
TAD #5	\$44,459,488	40.55	\$1,802,832	\$5,545
TAD #6	\$17,633,996	40.55	\$715,059	\$7,698
Total taxes collected within the TAD to Serve as Base:			\$2,517,891	\$13,244

[1] Combined general fund Millage of Columbus Taxing District #1 and the Muscogee County Public Schools.

Source: BAG, Muscogee County Tax Assessment Records and the Georgia Department of Revenue.

SCHOOL DISTRICT IMPACTS

Georgia’s Redevelopment Powers Law was amended during the 2009 legislative session to include a new provision under section 36-44-3(9)(R) for preparation of a “School System Impact Analysis.” The proposed Tax Allocation Districts will support the development of sites that are either currently undeveloped or occupied by vacant or under-utilized buildings. The fiscal and economic impacts to the Muscogee County School District from participating in the three proposed TADs are estimated as follows:

1. The two TADs will affect future appreciation on 1.4 percent of the School District’s tax digest. The current amount of school district property taxes generated from real estate within the TADs, roughly \$1.45 million per year, will continue to go to the school system—only taxes associated with incremental real estate digest growth above the current base amount are pledged to the TAD.
2. No residential development is currently proposed for #6. TAD #5, however, may add 196 new housing units over time, which would be expected to add more than 400 residents and 60 school aged children. The Muscogee County School District has a current system-wide enrollment of more than 31,600, indicating that these new students represent less than a 0.2% enrollment increase,

¹ At this time the City of Columbus has no plans to include commercial personal property within the base value of the respective TADs or to use tax allocation increments from personal property for redevelopment purposes.

taking several years to materialize. This is in the context of system wide enrollment has actually been declining at a -0.4% annual rate over the past decade.

3. Commercial and office development within the two TADs could house 1,080 jobs when built out. On-site employment may indirectly attract the relocation of new employees, households and school-aged population to the School District. However this added population would be likely to reside in fully taxable housing located outside of the TADs.
4. Several Muscogee County Public School facilities are located inside the boundaries of the MidTown Columbus Redevelopment Area. However, none of these facilities are located inside the proposed boundaries of either TAD #5 or #6.
5. Upon completion of these projects and while the TADs are still in effect, the School District should receive roughly \$1.92 million per year from the two TADs, including \$1.45 million from the certified base real estate taxes, \$124,700 from increased personal property digest and \$342,000 per year from increased sales tax revenues during years in which ESPLOST is in effect.
6. The School District would receive an additional \$573,000 per year from real estate taxes from the two TADs after all redevelopment costs are paid and they are dissolved.

Thus the analysis concludes that the potential gains to the Muscogee County School District from participating in the proposed TADs should be substantially positive due to the future growth in its tax digest and sales tax revenues, with limited resulting impacts on the demand for school services.

SUMMARY – BENEFITS OF IMPLEMENTING THE PROPOSED REDEVELOPMENT PLAN

In conclusion, the creation of the Redevelopment Area and TAD’s #5 and #6 could leverage more than \$79 million in new investment over a multi-year development period. Future development would increase the current taxable digest value of the combined TADs by an additional \$24.5 million. This would result in approximately \$457,700 in new annual property tax receipts to all taxing jurisdictions from real estate and \$216,300 in additional personal property tax receipts if/when projects described in the Plan are completed. The proposed retail, commercial and office components could also support the addition of 1,080 new jobs to Columbus.

Summary of Redevelopment area TAD #5 and TAD #6 Benefits – at Build Out	
Value private capital investment to develop the TADs:	\$79.1 million
Estimated additional ad valorem tax digest (100%) at full build-out (real estate)	\$24.5 million
Estimated additional commercial personal property digest at full build-out	\$5.3 million
Estimated RE tax increments to TAD Special Fund in 2030 (City + County + Schools)	\$457,700
Estimated personal property tax revenues in 2030 (City + County + Schools)	\$216,300
Estimated new jobs created (across all land uses)	1,080

The following report explains the plan’s findings in more detail.