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Analysis of Proposed College Park Redevelopment Plan: Tax Allocation District #1, Downtown and Airport Gateways



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Publication note: The original version of this report included statements that the City of East Point had not honored its agreement with the Fulton County School Board regarding repayment of funds. Those statements were made based on what we understood to be the case at the time the report was written. We have subsequently learned that the City of East Point did make the required payments to the Fulton County School Board. Thus, we have removed the statements on pages 5, 12, and 13 of the report as of March 2, 2016. We apologize for any misunderstanding that the statements may have caused.

Introduction

The city of College Park, Georgia proposed the creation of Tax Allocation District #1—Downtown and Airport Gateways (TAD #1) in June 2015. The Fulton County School District asked the Center for State and Local Finance to conduct an analysis of the proposed TAD vis-à-vis the district's TAD policies.

In conducting the analysis of the proposed TAD, the following reports were reviewed: *College Park Activity Center Livable Centers Initiative Plan*, *College Park Transit-Oriented Development Plan and Market Feasibility Study*, *College Park's 2010 Economic Development Strategic Plan*, *College Park Comprehensive Plan: 2011-2031*, and *City of College Park Downtown Design Guidelines*. In addition, a meeting was held with Gary Mongeon of the Bleakly Advisory Group and Artie Jones III, the director of economic development for College Park; notes from the meeting can be found in an appendix to this report.

TAD #1 represents an area TAD, or a TAD to promote economic growth of an entire area rather than to fund a specific project. College Park desires TAD funding for several projects to elevate the property tax base of the entire area. The proposal for TAD #1 contains six different geographical areas for redevelopment purposes. The six areas are the College Park MARTA station TOD, the Downtown College Park redevelopment, Main Street and Virginia Avenue, Wally Park and the area immediately around that on Camp Creek Parkway, mixed commercial/office/retail at the corner of State Route 279 (Herschel Road) and Roosevelt Highway, and mixed use on the north side of Camp Creek Parkway.

Analysis of residential and commercial permit activity for the past few years in the City of College Park suggest two items. First, there is not a lot of recent development in the TAD. Second, there is development near the TAD, so development in the TAD seems possible.

Should the Fulton County School Board pledge its portion of the Maintenance and Operations (M&O) toward TAD #1 and no development occurs, the school board will be forgoing \$4,569,149 (present value) in revenue over the next 30 years. If the Fulton County School Board elects to submit its portion of the M&O toward TAD #1 and all of the proposed redevelopment occurs, or if the Fulton County School Board decides to not participate in TAD #1 and no development occurs, the Fulton County School Board will be in the same financial situation with \$13,771,685 (present value) in revenue over the next 30 years. The same outcome is due to the fact that by agreeing to participate in TAD #1, the Fulton County School Board is agreeing to pledge the proceeds from growth in the property tax base through TAD redevelopment directly to TAD financing for the duration of the TAD.

The main, direct financial risk to the Fulton County School District comes from the estimated increase in 330 school aged children that will be relocating or born within the boundaries of TAD #1 through the proposed residential housing projects. With this estimated growth in population,

the Fulton County School District would have maximum additional expenditures of \$1,693,406 annually, which represents approximately a 0.19 percent of the total annual expenditures by the Fulton County School District in FY 2014.

The first section of this report contains a summary of the key details of the City of College Park TAD #1 proposal. Next, the analysis is outlined, which includes sections on redevelopment, financial impact, risks to the school district, and additional criteria to consider. The third section contains summaries of other TADs to provide some context to the TAD #1 proposal. All tables and figures (except Table 12) can be found in the appendix.

Summary of Tax Allocation District Proposal

The following is a summary of the TAD proposal as described in the Bleakly Advisory Group's report, *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways*.

The city of College Park, Georgia proposed the creation of Tax Allocation District #1—Downtown and Airport Gateways (TAD #1) in June 2015. The proposed TAD #1 is scheduled to take effect December 31, 2015, and will be in existence until all redevelopment costs including debt service are repaid in full. According to the TAD proposal, TAD #1 contains 837 tax parcels covering 656.3 acres, of which 534 parcels and 413.6 acres are owned by either the City of College Park or its Business and Industrial Development Authority, the City of Atlanta, Fulton County, or other private property tax exempt entities (Bleakly Advisory Group 2015). Therefore, approximately 63 percent of the total acreage within the proposed TAD #1 is currently exempt from property taxes. Of the remaining 242.7 acres of land, 123.9 acres or 51.05 percent is privately-held vacant land; the 123.9 acres contains a taxable digest of \$2,511,920. Residential and apartment land make up 36 acres of the proposed tax district, with a taxable digest of \$4,829,490. Commercial use represents 82.7 acres with a taxable digest of \$18,034,580.

The proposal for TAD #1 contains six different geographical areas for redevelopment purposes. The six areas are the College Park MARTA station transit-oriented development (TOD), the Downtown College Park Redevelopment, Main Street and Virginia Avenue, Wally Park and the area immediately around that on Camp Creek Parkway, mixed commercial/office/retail at the corner of State Route 279 (Herschel Road) and Roosevelt Highway, and mixed use on the north side of Camp Creek Parkway.

However, all planned redevelopment does not sit within the boundaries of TAD #1. The larger redevelopment district contains 1,166 tax parcels, almost 1,200 acres. Therefore, portions of proposed redevelopment will not fall within the boundaries of future tax increments to support repayment of TAD debt.

TAD #1 represents an area TAD or a TAD to promote economic growth of an entire area rather than to fund a specific project. College Park desires TAD funding for several projects to elevate the property tax base of the entire area. The proposal for TAD #1 represents the conclusion of the findings of several previous studies including the *College Park Activity Center Livable Centers Initiative Plan*, the *College Park Transit-Oriented Development Plan and Market Feasibility Study*, College Park's *2010 Economic Development Strategic Plan*, the *College Park Comprehensive Plan: 2011-2031*, and the *City of College Park Downtown Design Guidelines*.

As TAD #1 is an area TAD, the proposal outlines potential uses for TAD funds. According to the proposal, approximately half of the funds from the TAD will be used to compensate infrastructure development costs associated with parcels owned by the College Park Business and Industrial Development Authority. Subsequent to infrastructure development, these parcels will be offered for mixed use development in the downtown area and along the north side of Camp Creek Parkway. A majority of these parcels are currently lacking any development or contain empty storefronts. Additional funds are expected to be set aside for public infrastructure and streetscape improvements to downtown streets (Main Street and Virginia Avenue). The remainder of the funds will be allocated for smaller programs and redevelopment opportunities to downtown buildings as they arise. While the TAD proposal indicates proposed projects in six different geographic areas, the vast majority of the funds are directly allocated to the downtown area (Main Street and Virginia Avenue) and the north side of Camp Creek Parkway. Funding for Wally Park and the area immediately around that on Camp Creek Parkway, mixed use at the corner of State Route 279 (Herschel Road) and Roosevelt Highway, as well as for the creation of the College Park MARTA TOD (parking garages, restaurants, conversion of current parking lots) are not clearly defined in the proposal.

Assuming the allocation of Fulton County School District's M&O to the TAD, the proposal indicates TAD #1 could support potential bond revenues of \$31.3 million for investment in redevelopment. If Fulton County School District declines to allocate its M&O, the estimated future proceeds drop to approximately \$17.8 million. Assuming all of the projects that are outlined in the proposal for TAD #1 are completed, the proposal highlights a net gain in the taxable digest of the TAD district of \$113.5 million after 30 years (Bleakly Advisory Group 2015).

According to the proposal for TAD #1, College Park plans to issue tax allocation bonds or other financing instruments to cover one or more of the projects highlighted in the proposal. The proposal for TAD #1 identifies two potential bonds, one issued in early 2017 (\$14.16 million) and the other in either 2019 or 2020 (\$32.19 million). The proposal suggests financing terms of 20 to 25 years for fixed-rate tax exempt bonds. The debt service coverage ratio for both bonds will be 1.2, with estimated fixed rates of 4.75 and 5.5 percent, respectively. However, the proposal for TAD #1 is clear that the City of College Park does not plan on pledging tax allocation increments from either local sales tax or commercial personal property toward debt service. Therefore, the

debt service will be directly drawn from the eligible ad valorem taxes on real estate within the TAD as levied by the City of College Park, Fulton County, and the Fulton County School District.

The direct effect upon the Fulton County School District, as defined in the proposal for TAD #1, will include several items.

- The Fulton County School District's current taxable digest in the TAD is 0.091 percent of the district's total taxable digest.
- If all of the proposed redevelopment projects come to fruition, a potential 2,400 new residents and 330 school-aged children will be relocating to the College Park TAD area.
- Assuming all redevelopment occurs, additional ESPLOST could raise \$2.25 million annually in the years that the ESPLOST is in effect, assuming an ESPLOST is proposed, considered, and passed.
- The Fulton County School District could receive \$629,500 per year in incremental revenue from increased business personal property taxes.
- The proposal suggests that the TAD could assist the Fulton County School District in the re-use of the 28 acres on which Harriet Tubman Elementary is located, assuming closure happens.

Analysis

REDEVELOPMENT

The Fulton County School Board's policy on TADs states that the TAD proposal's supporting evidence "is clear and convincing that:

- a) The redevelopment activities described in the redevelopment plan will occur, and
- b) but for use of the TAD financing, the redevelopment activity and tax increment would not occur."

Considering the first criteria, i.e., the creation of projects described in the redevelopment plan will occur, it is impossible to know if the proposed items will occur. However, evidence drawn from analysis of TADs in the state of Georgia may shed light on characteristics or criteria that lead to higher probability of completion of projects outlined in TAD proposals. A report by Bourdeaux and Matthews (2004) highlights six recommendations for successful TAD funding.

1. TADs should be part of a larger overall planning and economic development strategy. Specifically, "A locality should identify the areas that should be targeted for redevelopment, the critical public purposes that will be served by the TAD, and the types of projects that are appropriate for TAD backing."
2. The localities should engage in a feasibility, fiscal impact, and cost-benefit analysis for the TAD projects.
3. Municipalities should target TAD funds for projects where private investment is unlikely, such as areas with urban blight, brownfield redevelopment, or reuse of previous industrial facilities.

4. Direct government subsidy should be minimized as much as possible, opting for methods where the private sector shares some of the risk.
5. Annual performance audits or evaluations should be established to determine private sector progress and transparency of use of public funds.
6. There should be a clear identification of benefits to be produced by the private sector receiving TAD benefits and sanctions if it fails to reach its goals.

The proposed TAD #1 for the City of College Park meets many of the criteria identified by Bourdeaux and Matthews. TAD #1 represents a larger overall planning and economic strategy by the City of College Park, highlighted by the numerous previous studies of the downtown area, coupled with the investment in the Gateway area by the airport. TAD #1 will be addressing an area of significant urban blight; the land purchased by the City of College Park from the City of Atlanta has not had significant new development in over 20 years, despite its proximity to Hartsfield Jackson International Airport. Additionally, the City of College Park has contracted Bleakly Advisory for the creation of a proposal including potential fiscal impact of the creation of TAD #1.

However, the proposal for TAD #1 does not mention annual performance audits or evaluations, how risk will be shared with the private sector, or sanctions for the private sector not meeting targets. The lack of this information may be due to the lack of identification of developers and how TAD funds will be used directly for projects. Clear identification of how developers will be identified and potential incentives that are going to be provided to them is not defined within the proposal.

Forthcoming research by the Center for State and Local Finance highlights the lack of creation of TADs in metro Atlanta since the Great Recession; only two TADs have been established in the state of Georgia since 2010. Additionally, the author cites that property values are not growing at pre-recession rates in TADs, which is coupled with increased difficulty in private firms obtaining financing since the recession. Therefore, default by some of the TADs seems to be a stronger possibility, such as the possible default of Atlantic Station in 2024.

Turning to the second criteria, “but for use of the TAD financing, the redevelopment activity and tax increment would not occur,” an analysis of permits issued by the City of College Park over four years (2010, 2011, 2013 and 2014) was done.¹ Given the proposed mixed use of the land within TAD #1, both commercial and residential permits were considered. Tables 1 and 2 (found in the appendix) show that permits for new commercial development represent 9 percent of total commercial permits and new residential permits represent 40 percent of total residential permits. The largest percentage of permits for both residential and commercial properties within the City of College Park were for renovations to preexisting property. Commercial renovation

¹ Data on permits from 2012 was not available from the Atlanta Regional Commission.

permits represent 75 percent of total commercial permit activity over the past few years; residential renovation permits represent 47 percent of total residential permit activity.

Figures 1 and 2 suggest two things. First, there is not a lot of recent development in the TAD. Second, there is development near the TAD, so development in the TAD seems possible. Figures 1 and 2 show that a vast majority of both the residential and commercial permits are happening outside the boundaries of the proposed TAD #1. Figure 1 highlights the presence of some commercial property permit activity within the boundaries of the proposed TAD #1. Figure 2 indicates that all of the residential permit activity within the past couple of years has been outside the boundaries of the proposed TAD #1. Turning to the values of these properties, found in figures 3 and 4, one can see that a vast majority of these permits have been for low cost projects. All commercial property permits for commercial property valued at more than 1 million dollars (Figure 3), and all residential permits for residential property valued at more than \$250,000 (Figure 4) have been outside the proposed boundaries for TAD #1. These findings suggest that but for the TAD financing, redevelopment activity in the boundaries of proposed TAD #1 is not expected. Tables 3 and 4 provide a further breakdown of permit activity by type by year. Overall, permit activity for both commercial and residential have increased slowly over the past several years.

Turning specifically to residential property, the permits on residential property in the City of College Park have been for properties valued at less than \$150,000. Table 5 highlights that 77.14 percent of residential permit activity has been on properties valued under \$150,000. Around 70 percent of residential property within the City of College Park is currently occupied (Table 6). Of the occupied property, more than 50 percent has been occupied by renters in the years 2011, 2012, and 2013. Comparing these trends to the neighboring cities of Hapeville, East Point, Riverdale, Forest Park and Union City found in Tables 7-11, respectively, two key facts emerge. First, the City of College Park has the highest vacancy rate among all of the surrounding communities. Second, the City of College Park has the highest percentage renter population among the surrounding communities. For example, the percentage of renters in the City of College Park in 2013 was 50.69 percent compared to East Point's 39.09 percent. Therefore, the City of College Park appears to have a surplus of housing stock within its jurisdiction and higher rates of renter occupied housing than neighboring communities.

FINANCIAL ANALYSIS

The Fulton County School Board currently receives property tax revenue from an M&O millage rate of 18.502 mills on the property contained within the proposed TAD #1 boundaries. With the current tax digest of the area, that tax rate generates current (annual) property taxes on real estate of \$469,507 for the Fulton County School District. Should the Fulton County School Board agree to participation in TAD #1, any increase above the current amount will be pledged directly to the TAD. Table 12 presents the financial analysis under alternative assumptions regarding the TAD #1. We consider both the total revenue over the 30 year life of the TAD and the revenue in

the last year of the TAD (Year 30). Looking at the final year of the TAD allows for an estimate of potential revenue to the Fulton County School Board in the following year after TAD debt obligations are satisfied. This assumes all debts are paid off in full within 30 years.

Scenario 1 – Reject TAD proposal:

Looking at randomly selected parcels within the proposed TAD #1 between taxable years 2009-2014, the compound average growth rate for those parcels was 2.85 percent. Assuming TAD #1 does not occur, it can be assumed that the growth of the value of the parcels located within the boundaries of the TAD will continue at the previous rate of growth. Assuming the M&O millage rate of 18.502 mills does not change over the next 30 years, and growth in the taxable digest of the land within proposed TAD #1 remains at 2.85 percent annually, the Fulton County School District would collect \$13,771,685 in present value terms² in M&O property tax revenue over the next 30 years from the geographical boundary of the proposed TAD. Tax revenue in the TAD district in year 30 would be \$449,421 in present value terms.

Scenario 2 – Approve TAD proposal, no growth:

Assuming that the Fulton County School Board pledges its portion of the M&O to the proposed TAD #1, that none of the proposed projects come to fruition, and that the value of the parcels continue to grow over the next 30 years at an annual rate of 2.85 percent, the Fulton County School Board will be forgoing roughly \$4,569,149 in potential property tax revenue in present value terms. This is the growth in property tax revenue due to the 2.85 percent growth, i.e., it is the increment that goes to fund the TAD. This calculation assumes that the millage rate does not change. The district would forgo revenue in year 30 of \$193,430 in present value terms, which assumes annual growth of 2.85 percent over the next 30 years.

Scenario 3 – Approve TAD proposal, full growth:

Assuming all of the projects outlined within TAD #1 occur, and all growth happens as predicted in *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways*, the total taxable digest within the TAD #1 boundaries is expected to grow to \$77,958,196 in 30 years. Given this growth in value, and that the M&O millage rate of 18.502 does not change over the next 30 years, total property tax revenue in the TAD district in present value terms over the 30 years would be \$42,622,996. The Fulton County School Board would receive property tax revenue of \$9,202,536. The Fulton County School district would forego \$1,420,732 in property tax revenue in year 30 in present value terms, from participation in the TAD.

² Assuming a discount rate of 3 percent.

Table 12 summarizes the findings of these three scenarios for both total revenue gain or loss for the district over 30 years as well as the tax revenue gains or loss to the Fulton County School District for year 30.

Table 12: Financial Analysis Scenarios

SCENARIO		REJECT TAD PROPOSAL	APPROVE TAD PROPOSAL, NO ADDITIONAL GROWTH	APPROVE TAD PROPOSAL, FULL GROWTH
Revenue over 30 Years	Total	\$13,771,685 ^a	\$13,771,685	\$42,622,996 ^d
	To Fulton County School District	\$13,771,685	\$9,202,536 ^b	\$9,202,536
	Foregone from participating in TAD	N/A	\$4,569,149 ^c	\$4,569,149 ^e
Revenue in Year 30	Total	\$449,421	\$449,421	\$1,420,732 ^d
	To Fulton County School District	\$449,421	\$255,991 ^b	\$255,991
	Foregone from participating in TAD	N/A	\$193,430 ^c	\$193,430 ^e

Note: All values are in present value terms and revenue refers to property tax revenue. N/A: not applicable.

- a) This is the total revenue generated within the TAD assuming an annual growth of 2.85 percent.
- b) This is the revenue from the TAD that would go to FCS.
- c) This is the revenue FCS gives up for participating in the TAD, and is the total revenue within the TAD used to pay for the bonds and other expenses.
- d) This is the total revenue from the TAD, including the current revenue, the 2.85% growth, and the increase due to new investments.
- e) This is the revenue FCS gives up for participating in the TAD, assuming that the new investments would not have occurred without FCS's participation. If the TAD investment would occur without the participation of FCS, then FCS would forego \$33,420,460 over 30 years (\$1,164,741 in year 30) in revenue by participating.

The *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* mentions the potential for ESPLOST revenue for the Fulton County School District within the City of College Park. Assuming all of the projects outlined within TAD #1 occur, and all growth happens at the predicted rates, the Fulton County School District could collect on average \$2,245,499 annually in ESPLOST revenues. However, this estimate is based on an assumption of sales per square foot annually of \$250. Given the uncertainty of the type of business that would be entering the proposed TAD #1 district, as well as the potential revenue generation of these businesses, the annual estimate for ESPLOST dollars is uncertain. For example, an Apple store makes \$4,791 per square foot annually where a Macy's department store averages \$200 per square foot (Fortune 2015). The huge variation in potential annual sales per square foot, coupled with the lack of precise information about what types of retailers will be locating within proposed TAD #1 leads to a lack of certainty about potential ESPLOST revenues. Additionally, an ESPLOST would need to be approved by a majority of the voters.

RISK TO DISTRICT

The main, direct financial risk to the Fulton County School District comes from the estimated increase in 330 school aged children that will be relocating or born within the boundaries of TAD #1 through the residential housing projects proposed in the document. The number of 330 students was provided in the *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* by the Bleakly Advisory Group and represents an estimate of potential population growth. Of these 330 school aged children, one cannot know the exact percentage of students that will be relocating into the Fulton County School District from other school districts, born to families relocating to the College Park TAD #1 area, or simply relocating from one school within the Fulton County School District to schools directly adjacent to the proposed boundaries of TAD #1. Furthermore, it is not known what percentage of these children will enroll in a public school; some could go to a private school or some may be too young to go to school. Therefore, the exact cost to the Fulton County School District cannot be determined with complete certainty.

Making the assumption that all 330 school aged children are new to the Fulton County School District, Table 13 identifies that the per pupil total expenditure net of gained revenues will be \$5,132 per year. Therefore, in total, the Fulton County School District would have maximum additional expenditures of \$1,693,406 annually.³ The total annual expenditure figure represents approximately a 0.19 percent of the total expenditures by the Fulton County School District in FY 2014. These calculations do not take into consideration infrastructure changes that might be needed to be made to College Park Elementary, Woodland Middle School, or McClarins High School to accommodate the 330 additional school aged children.

However, since the proposal was drafted, the Fulton County School Board has elected to make the land of Harriet Tubman Elementary available for a charter school. Therefore, the estimate of 1,200 residents (330 school aged children) within the proposal is incorrect. During a meeting with Gary Mongeon of the Bleakly Advisory Group and Artie Jones III, Director of Economic Development for the City of College Park, Gary suggested a more accurate number of individuals relocating to live within the TAD might be 550. Therefore, the 330 additional school aged children entering Fulton County School District would be a high estimate.

The other risk is that the TAD will be a financial failure. However, the projected taxable digest is 162 percent larger than the expected total bond payments; this is a substantial cushion and suggests that the likelihood of the TAD being a financial failure is small.

³ The annual expenditure amount is not inclusive of changes due to inflation.

ADDITIONAL POLICY CRITERIA

As the application for College Park TAD #1 is an area TAD, several other characteristics must be considered by the Fulton County School Board in considering potential approval. Each of these will be addressed in turn.

- “The characteristics of the proposed TAD are such that the proposed described redevelopment offers unique opportunities for assured substantial increases in the assessed value of the proposed TAD;”

Assuming all of the redevelopment activities outlined in the *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* occur, the assessed value of the property housed within TAD #1 is predicted to increase by \$113.5 million. This would be a substantial increase in the taxable digest of property within the boundaries of proposed TAD #1. However, given the fact that developers have not been secured for the developments outlined within the TAD #1, it is impossible to suggest that these are assured increases in assessed value.

- “Financial projections are detailed and supported by documented information, reliable models, and analysis from sources with recognized expertise; and”

The *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* report was prepared by the Bleakly Advisory Group, an advisory group with expertise in TAD creation. For example, the Bleakly Advisory Group produced “Survey and Analysis of Tax Allocation Districts in Georgia: A Look at the First Eight Years,” an analysis of operational impact of tax allocation districts in Georgia. In addition, its report relied on several prior studies of and plans for the area.

- “There are identified special benefits, direct or indirect, for the school district beyond those projected solely from the increase in assessed value of the property in the TAD; and”

The *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* mentions the potential for ESPLOST revenue for the Fulton County School District. Assuming all of the projects outlined within TAD #1 occur, all growth happens at predicted rates, and an ESPLOST is proposed and approved, the Fulton County School District could collect on average annually \$2,245,499 in ESPLOST revenues. However, as previously stated, due to the lack of information regarding the types of retailers that would be locating within the TAD #1, revenue estimates are uncertain.

- “There are sound reasons why designation of a TAD and Board consent cannot await the creation of specific projects; and”

Two of the projects detailed within *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* will be proceeding without TAD funding, the Wally Park area and the housing development project. The Wally Park area is currently being run by a

private developer. The Wally Park area may be a leasehold deal for additional hotels, wherein the land is owned by one entity and the buildings on the land are owed by a different entity. So, potentially, other hotel corporations could build properties on land that is not owned by the hotel. The housing development should be 109 units with a \$15 million market value, with the potential for additional commercial property. The residential development exists within an enterprise zone, and the developer received a five-year, \$300,000 tax abatement on local taxes, which does not affect the millage collected by the Fulton County School Board. The residential development is being privately funded by the developer. These projects were included in the TAD because the City of College Park needs upfront TAD incremental revenue to fund some of the infrastructure projects.

- “The projected time frames for milestones for the redevelopment are of such length and sufficiently credible as to minimize risks to school district interests; and”

The City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways outlines a 30-year term for the TAD #1. While specific milestones are not directly set within the proposal, the proposal suggests that two bonds will be taken out, one in early 2017 and one in either 2019 or 2020.

- “There are safeguards in place to assure the opportunity for Board scrutiny and involvement in decisions as the redevelopment occurs, including, at a minimum, the opportunity to approve specific projects; and”

No such safeguards are present within *the City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* report. However, there are reasonable approaches to effectively mitigate legitimate concerns without jeopardizing the TAD #1’s capacity to function. For example, the Fulton County School Board could require annual performance audits or evaluations to be completed on TAD #1 or request a seat or seats on the board that would review all potential redevelopment projects.

- “There are safeguards to protect the use of the Board share of accumulated tax increments pending use for redevelopment costs.”

No specific safeguards are present within the *City of College Park Redevelopment Plan: Tax Allocation District #1 Downtown and Airport Gateways* report with regard to protection of the use of the board’s share of accumulated tax increment. However, there are reasonable approaches to effectively mitigate legitimate concerns without jeopardizing the TAD #1’s capacity to function. For example, the Fulton County School Board could withhold its portion of the M&O until developers are identified and project planning is clearly completed.

Experience of Selected Other TADs

CAMP CREEK TAD

The nearest TAD to the proposed site of TAD #1 is the Camp Creek TAD, established by City of East Point in 2001. The Camp Creek TAD can be thought of as an area TAD. Camp Creek TAD is the only TAD with which the Fulton County School Board has entered into an increment funding agreement. The agreement between the Fulton County School Board and the City of East Point required the city to rebate certain amount of funds back to the board after the payment of debt service.

The Camp Creek TAD partnered with developer Duke Realty to create two office, retail, and distribution centers on the north and south sides of Camp Creek Parkway. North American Properties proposed the creation of a Camp Creek Marketplace as a retail and restaurant center, and Barton & Pools Properties proposed the creation of a convention hotel and meeting space near the airport. Duke Realty's Camp Creek Business Center and North American Properties' Camp Creek Marketplace have both been successfully completed. Barton & Pools Properties' proposal has yet to be completed. According to the City of East Point Strategic Economic Development Plan from 2012, approximately 90 percent of the tax base growth in the City of East Point can be accredited to the Camp Creek TAD.

ELLENWOOD TAD

The Ellenwood TAD was created by Clayton County in 2008 to support the Ellenwood Project, a residential and retail development in northwest Clayton County. The Ellenwood TAD can be thought of as an area TAD. TAD revenues were to be used to fund the construction of infrastructure that would support the proposed plan, which included residential, commercial, public space, and green space development. The TAD would support two separate developments: Ellenwood Town Center and Villages of Ellenwood. As of now, the only completed project within the TAD is the Walmart Super Center and shadow retail centers. The residential portion of the TAD has not been completed due to lack of funds for both developers and mortgages for potential homeowners. The Ellenwood TAD collects increments from both the local option sales tax as well as from the property tax. As of now, a vast majority of TAD funds can be attributed to increment from sales at the Walmart Super Center. The Clayton County Board of Education did not participate by contributing increment toward the Ellenwood TAD.

BELTLINE TAD

The Beltline TAD was created by the City of Atlanta in 2005 in order to support the design and construction of the Atlanta Beltline Project. The Beltline TAD can be thought of as an area TAD. This project consists of 22 miles of multi-use trail along a previous rail corridor. Along with the creation of the trail, new parks and housing units are also identified. The Atlanta Board of Education agreed to participate in the Beltline TAD in exchange for a set of scheduled payments to the Atlanta Public Schools, starting in 2011, which was later renegotiated to 2013. The City of

Atlanta made the first payment to the Atlanta Public Schools in December 2013, and has not paid since the initial payment. As of December 2014, the City of Atlanta and Atlanta Public Schools were in negotiations regarding the payment agreements.

The Beltline TAD has created some of the proposed projects, including the Eastside trail and the Historic Fourth Ward Park. However, some of the other projects have not materialized thus far, such as acquisition of certain portions of the rail corridor.

OVERALL EXPERIENCE

As these three examples indicate, TAD redevelopment activities appear to be not fully implemented in the time table identified in the initial proposals. In part, this might be attributed to the Great Recession. As of September 1, 2015, the Beltline TAD (City of Atlanta) has failed to honor its agreements with the school board with regard to repayment of funds, suggesting that these types of agreements may not always be honored. The Ellenwood TAD provides a unique example of the potential downfalls of residential development within a TAD, the inability of developers to garner funds, and the inability of individuals to gain mortgages since the recession. The use of developers within the Camp Creek TAD suggests a higher probability of completion of proposed redevelopment activity with the partnership with developers upfront, in comparison to the Ellenwood TAD that was overseen by an LLC created specifically for the TAD.

Conclusion

When considering the success or failure of a TAD, there are several factors that all need to be considered simultaneously. For example, redevelopment and potential future growth need to be considered against forgone property tax revenue; risks to the school district through increased enrollment must be considered against potential ESPLOST revenue opportunities. All of these factors must also be weighed against future growth or recession trends in the market and the ability of developers to garner necessary funds for redevelopment to occur.

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Appendix

TABLES AND FIGURES

Table 1: Commercial Permits for the City of College Park, 2010-2011 and 2013-2014

PERMIT TYPE	FREQUENCY	PERCENT
Commercial Alterations	15	12.50%
Commercial Renovations	90	75.00%
Commercial Additions	4	3.33%
New Commercial	11	9.17%

Table 2: Residential Permits for the City of College Park, 2010-2011 and 2013-2014

PERMIT TYPE	FREQUENCY	PERCENT
Residential Alterations	4	5.71%
Residential Renovations	33	47.14%
Residential Additions	5	7.14%
New Residential	28	40.00%

Table 3: Commercial Permits for the City of College Park, 2010-2011 and 2013-2014

PERMIT TYPE	YEAR	FREQUENCY	MEAN VALUE	TOTAL VALUE
Commercial Alterations	2010	3	\$202,650	\$607,949
	2011	2	\$150,958	\$301,915
	2013	5	\$157,317	\$786,586
	2014	5	\$133,820	\$669,100
Commercial Renovations	2010	12	\$237,636	\$2,851,637
	2011	33	\$213,884	\$7,058,170
	2013	16	\$417,613	\$6,681,811
	2014	29	\$736,837	\$21,368,287
Commercial Additions	2010	0	\$0	\$0
	2011	2	\$47,500	\$95,000
	2013	1	\$6,500,000	\$6,500,000
	2014	1	\$80,000	\$80,000
New Commercial	2010	1	\$100,000	\$100,000
	2011	1	\$216,070	\$216,070
	2013	4	\$4,312,616	\$17,250,462
	2014	5	\$295,425	\$1,477,125

Table 4: Residential Permits for the City of College Park, 2010-2011 and 2013-2014

PERMIT TYPE	YEAR	FREQUENCY	MEAN VALUE	TOTAL VALUE
Residential Alterations	2010	0	\$0	\$0
	2011	1	\$25,000	\$25,000
	2013	2	\$57,063	\$114,125
	2014	1	\$78,140	\$78,140
Residential Renovations	2010	5	\$106,500	\$532,500
	2011	12	\$54,305	\$651,654
	2013	4	\$50,830	\$203,320
	2014	12	\$83,458	\$1,001,493
Residential Additions	2010	0	\$0	\$0
	2011	0	\$0	\$0
	2013	2	\$145,444	\$290,888
	2014	3	\$96,250	\$288,750
New Residential	2010	5	\$106,500	\$532,500
	2011	12	\$54,305	\$651,654
	2013	4	\$50,830	\$203,320
	2014	12	\$83,458	\$1,001,493

Table 5: Property Values of Residential Permits for the City of College Park, 2010-2011 and 2013-2014

VALUE	RESIDENTIAL UNITS	AVERAGE VALUE
Less than \$150,000	54	\$74,734
\$150,000 to \$249,999.99	13	\$189,772
Greater than or equal to \$250,000	3	\$320,296

Table 6: Residential Property by Usage for the City of College Park, 2011-2013

DESCRIPTION	UNITS 2011	RATE 2011	UNITS 2012	RATE 2012	UNITS 2013	RATE 2013
Total	8,020		7,734		7,420	
Occupied	5,682	70.85%	5,325	68.85%	5,124	69.06%
Owner	1,534	19.13%	1,355	17.52%	1,363	18.37%
Renter	4,148	51.72%	3,970	51.33%	3,761	50.69%
Vacant	2,338	29.15%	2,409	31.15%	2,296	30.94%
For rent	1,313	16.37%	1,405	18.17%	1,205	16.24%
Rented, not occupied	133	1.66%	124	1.60%	104	1.40%
For sale only	88	1.10%	110	1.42%	76	1.02%
Sold, not occupied	0	0.00%	0	0.00%	0	0.00%
For seasonal, recreational, or occasional use	59	0.74%	51	0.66%	66	0.89%
For migrant workers	0	0.00%	0	0.00%	0	0.00%
Other vacant	745	9.29%	719	9.30%	845	11.39%

Table 7: Residential Property by Usage for City of Hapeville, 2011-2013

DESCRIPTION	UNITS 2011	RATE 2011	UNITS 2012	RATE 2012	UNITS 2013	RATE 2013
Total	2,970		3,008		3,107	
Occupied	2,397	80.71%	2,412	80.19%	2,394	77.05%
Owner	918	30.91%	1,029	34.21%	906	29.16%
Renter	1,479	49.80%	1,383	45.98%	1,488	47.89%
Vacant	573	19.29%	596	19.81%	713	22.95%
For rent	189	6.36%	131	4.36%	99	3.19%
Rented, not occupied	41	1.38%	28	0.93%	0	0.00%
For sale only	78	2.63%	48	1.60%	27	0.87%
Sold, not occupied	0	0.00%	0	0.00%	0	0.00%
For seasonal, recreational	42	1.41%	39	1.30%	38	1.22%
For migrant workers	0	0.00%	0	0.00%	0	0.00%
Other vacant	223	7.51%	350	11.64%	549	17.67%

Table 8: Residential Property by Usage for City of East Point, 2011-2013

DESCRIPTION	UNITS 2011	RATE 2011	UNITS 2012	RATE 2012	UNITS 2013	RATE 2013
Total	17,834		17,573		17,131	
Occupied	13,317	74.67%	13,091	74.49%	12,631	73.73%
Owner	6,345	35.58%	6,059	34.48%	5,816	33.95%
Renter	6,972	39.09%	7,032	40.02%	6,815	39.78%
Vacant	4,517	25.33%	4,482	25.51%	4,500	26.27%
For rent	1,892	10.61%	1,748	9.95%	1,511	8.82%
Rented, not occupied	203	1.14%	176	1.00%	252	1.47%
For sale only	605	3.39%	554	3.15%	341	1.99%
Sold, not occupied	63	0.35%	85	0.48%	75	0.44%
For seasonal, recreational	60	0.34%	58	0.33%	104	0.61%
For migrant workers	0	0.00%	0	0.00%	0	0.00%
Other vacant	1,694	9.50%	1,861	10.59%	2,217	12.94%

Table 9: Residential Property by Usage for City of Riverdale, 2011-2013

DESCRIPTION	UNITS 2011	RATE 2011	UNITS 2012	RATE 2012	UNITS 2013	RATE 2013
Total	6,089		6,224		6,417	
Occupied	5,176	85.01%	5,178	83.19%	5,267	82.08%
Owner	2,910	47.79%	3,078	49.45%	2,882	44.91%
Renter	2,266	37.21%	2,100	33.74%	2,385	37.17%
Vacant	913	14.99%	1,046	16.81%	1,150	17.92%
For rent	485	7.97%	542	8.71%	609	9.49%
Rented, not occupied	25	0.41%	47	0.76%	46	0.72%
For sale only	206	3.38%	208	3.34%	144	2.24%
Sold, not occupied	54	0.89%	53	0.85%	73	1.14%
For seasonal, recreational	0	0.00%	22	0.35%	22	0.34%
For migrant workers	0	0.00%	0	0.00%	0	0.00%
Other vacant	143	2.35%	174	2.80%	256	3.99%

Table 10: Residential Property by Usage for City of Forest Park, 2011-2013

DESCRIPTION	UNITS 2011	RATE 2011	UNITS 2012	RATE 2012	UNITS 2013	RATE 2013
Total	7,094		6,923		7,128	
Occupied	5,694	80.27%	5,590	80.75%	5,616	78.79%
Owner	2,811	39.63%	2,497	36.07%	2,641	37.05%
Renter	2,883	40.64%	3,093	44.68%	2,975	41.74%
Vacant	1,400	19.73%	1,333	19.25%	1,512	21.21%
For rent	553	7.80%	487	7.03%	553	7.76%
Rented, not occupied	33	0.47%	79	1.14%	114	1.60%
For sale only	206	2.90%	148	2.14%	158	2.22%
Sold, not occupied	0	0.00%	29	0.42%	36	0.51%
For seasonal, recreational	16	0.23%	19	0.27%	20	0.28%
For migrant workers	0	0.00%	0	0.00%	0	0.00%
Other vacant	592	8.35%	571	8.25	631	8.85%

Table 11: Residential Property by Usage for Union City, 2011-2013

DESCRIPTION	UNITS 2011	RATE 2011	UNITS 2012	RATE 2012	UNITS 2013	RATE 2013
Total	8,801		8,946		9,496	
Occupied	7,342	83.42%	7,568	84.60%	7,937	83.58%
Owner	3,265	37.10%	3,326	37.18%	3,478	36.63%
Renter	4,077	46.32%	4,242	47.42%	4,459	46.96%
Vacant	1,459	16.58%	1,378	15.40%	1,559	16.42%
For rent	852	9.68%	570	6.37%	700	7.37%
Rented, not occupied	0	0.00%	0	0.00%	0	0.00%
For sale only	158	1.80%	166	1.86%	207	2.18%
Sold, not occupied	0	0.00%	0	0.00%	124	1.31%
For seasonal, recreational	0	0.00%	20	0.22%	21	0.22%
For migrant workers	0	0.00%	0	0.00%	0	0.00%
Other vacant	449	5.10%	622	6.95%	507	5.34%

Table 13: Direct Educational Costs to the Fulton County School Board for Additional 330 Students

DIRECT INSTRUCTIONAL QBE REVENUES	WEIGHTED PER FTE AVERAGE
Weighted average across elementary student types	\$2,915.92
Weighted average across student types	\$3,065.73
Indirect QBE revenues	
Weighted average across student types	\$431.26
Austerity	-\$213.46
If elementary school student	\$3,133.72
Across all students (includes special education)	\$3,283.53
QBE/FTE (non per student grants included)	\$3,525.26
State per pupil FY 2014 (some money recorded as non-operating)	\$3,381.23
Increase in expenditures per pupil predicted by a one student increase	\$8,893.90
Gain in state revenue per pupil	\$3,283.53
Gain in federal revenue per pupil ⁽ⁱ⁾	\$478.84
Per pupil total expenditures net of gained revenues ⁽ⁱⁱ⁾	\$5,132
Aggregate across 330 students	\$1,693,405.67
As a percent of Fulton County school expenditures in 2014	0.188%

(i) Federal funding is a mix of grant programs that are funded through various, complex systems.

(ii) Fulton County is a highly locally-financed school district. A large chunk of its state earnings are lost due to the relative size of its five mill share. It also spends more per student than do many school districts. These two factors drive this \$5,132 net per student local expenditure gain.

Figure 1: Commercial Permits by Type in College Park for 2010, 2011, 2013, and 2014

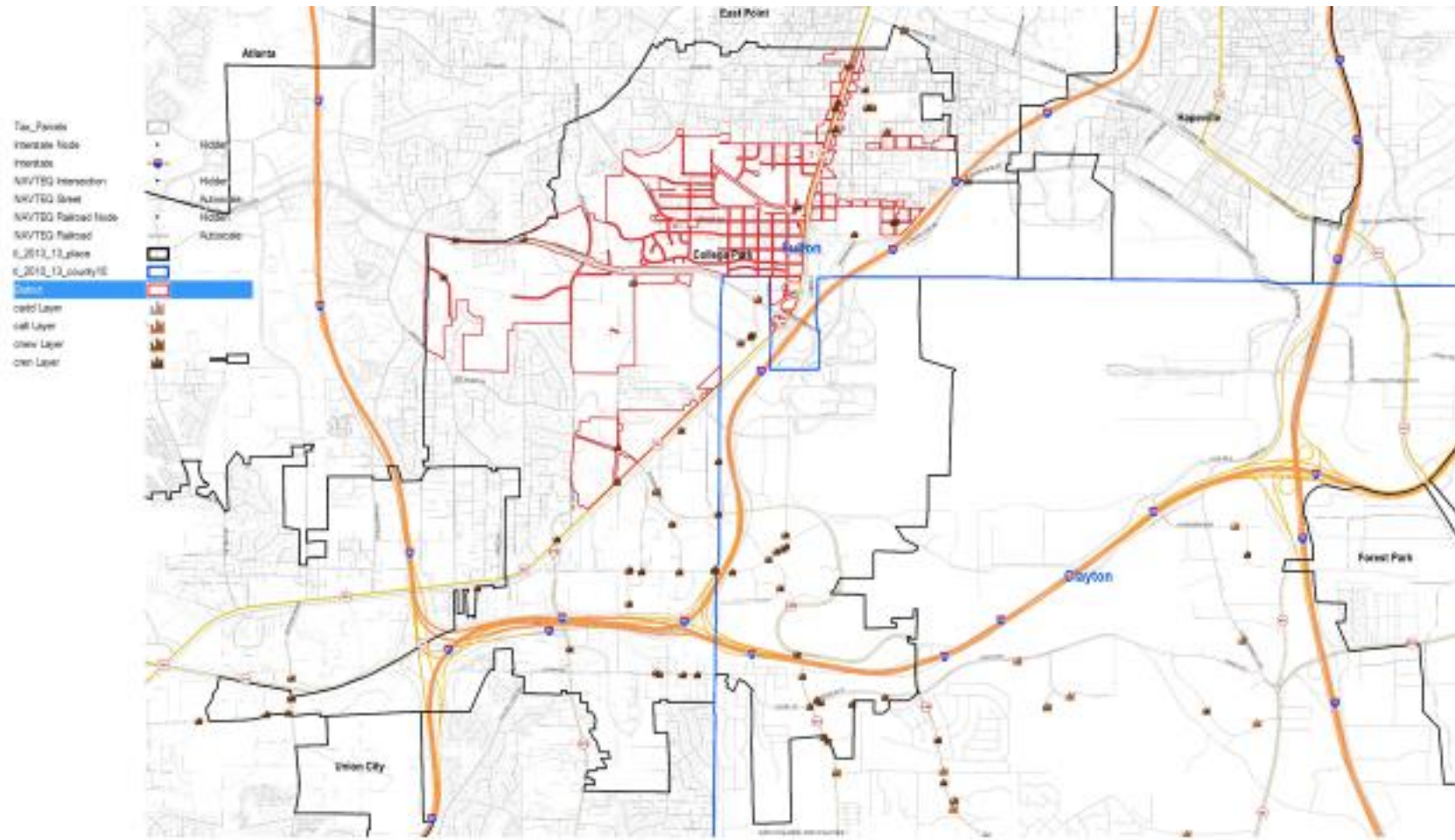


Figure 2: Residential Permits by Type in College Park for 2010, 2011, 2013, and 2014

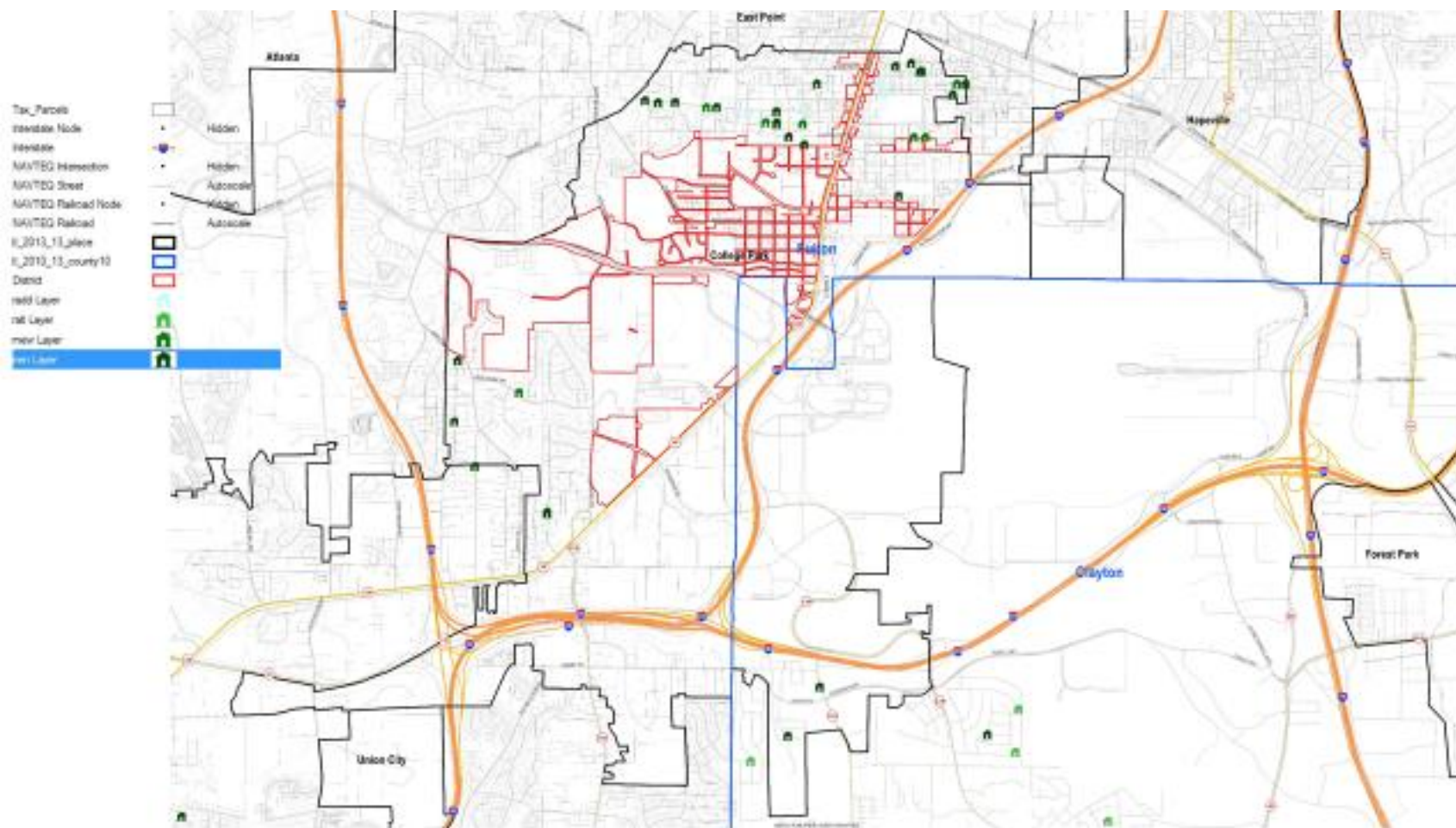


Figure 3: Commercial Permits by Value in College Park for 2010, 2011, 2013, and 2014

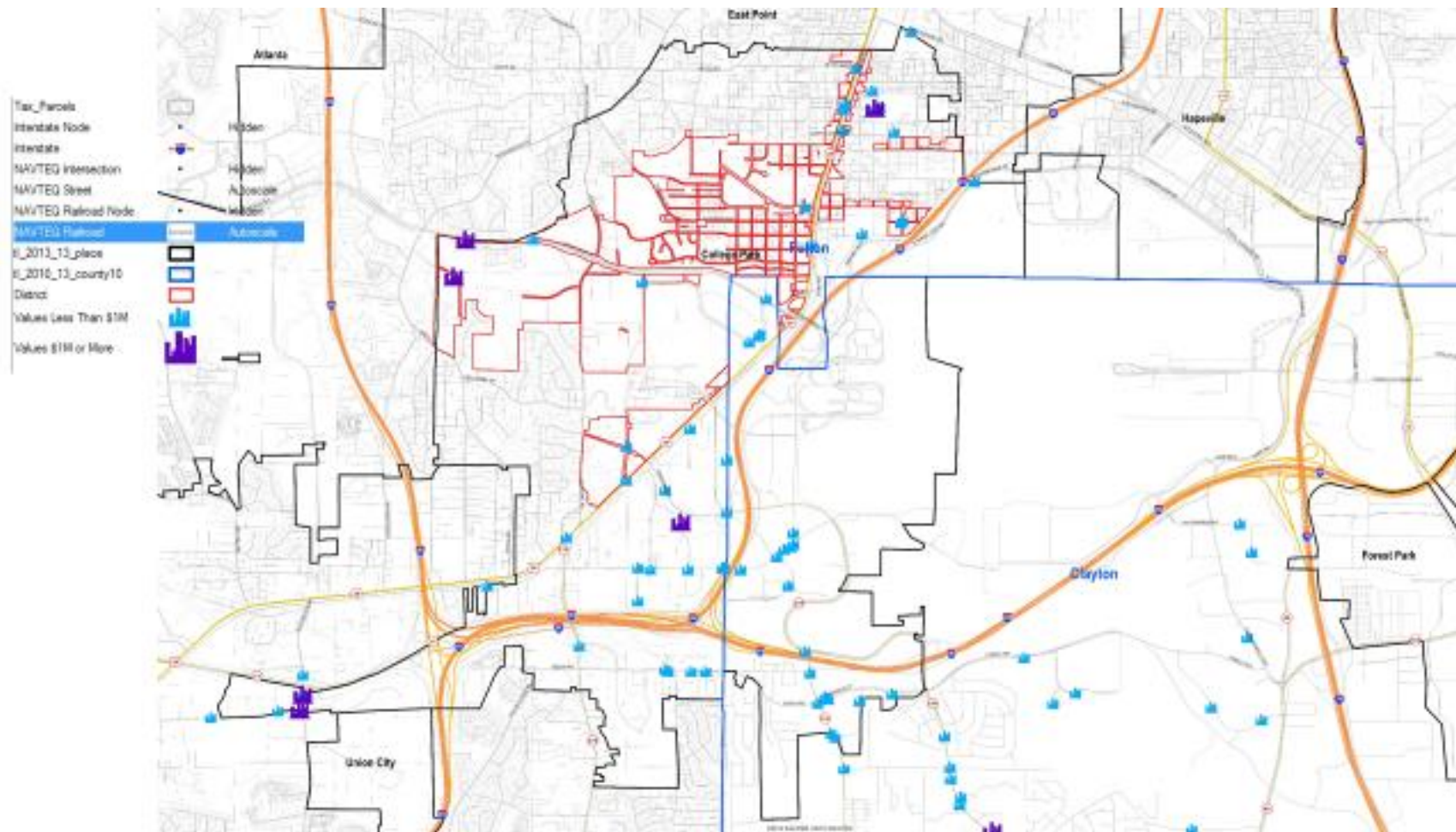
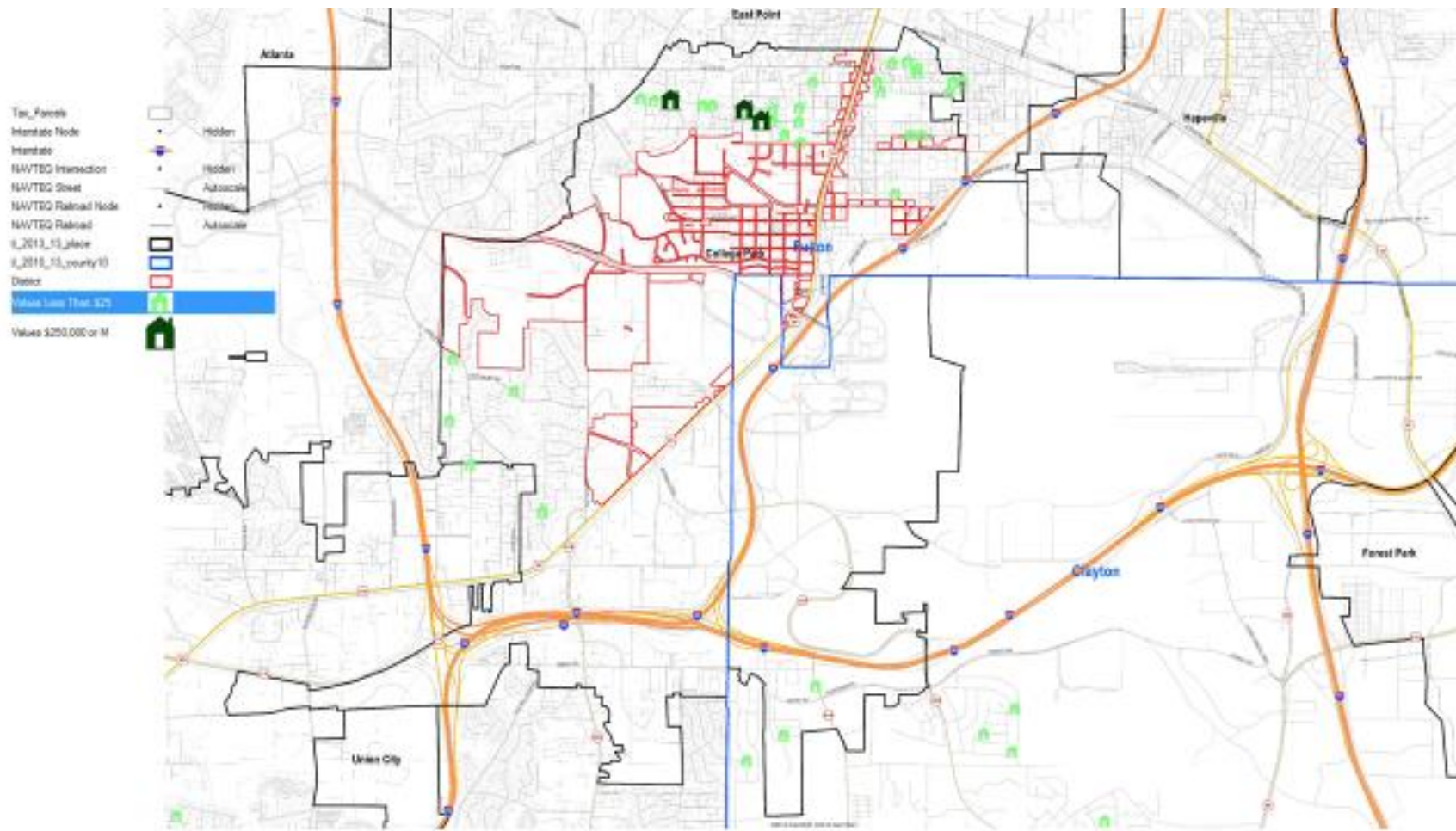


Figure 4: Residential Permits by Value in College Park for 2010, 2011, 2013, and 2014



NOTES FROM MEETING WITH GARY MONGEON AND ARTIE JONES III, AUGUST 26, 2015

Sarah Larson, Senior Research Associate and David Sjoquist, Professor, both from the Center for State and Local Finance met with Gary Mongeon of the Bleakly Advisory Group and Artie Jones, III, Director of Economic Development for the City of College Park. The meeting started at 2:00 PM on August 26, 2015, at the College Park City Hall and lasted approximately one hour. During the meeting, Artie and Gary responded to pre-identified questions from Sarah and David. Meeting notes were compiled after the meeting with subsequent edits by both Gary and Artie. The questions and responses can be found below.

1. Is part of the TAD in the flight path? If yes, what is the expected land use? What is the nature of the TAD investment in that area, and in particular, is it expected that the TAD will have to fund incentives to get any development?

Yes, part of the land is in the flight path. Many of the parcels of land were initially purchased by the City of Atlanta using FAA funds, which means that the land has both easements on the property as well as deed restrictions. The City of College Park and its Business and Industrial Development Authority (BIDA) subsequently purchased large chunks of the land from the City of Atlanta through cash payments. Therefore, the potential uses of the land are limited to commercial because residential developments are forbidden due to the noise levels.

A general consensus was reached between Artie and Gary that TAD money would have to be used to fund incentives to obtain development, particularly to get development going. Prior to purchase by the City of Atlanta, the land held apartment complexes and low-income housing. Artie likened the area to a blank canvas that would need infrastructure to attract new development. Artie mentioned that with the direct proximity to the Gateway Center, and the proven record of growth with hotels and developments in the area, that he did not expect the same level of incentives would need to be provided as when the Georgia International Convention Center was initially developed.

(Gary Mongeon Note: The Redevelopment Plan is consistent with previous studies that considered airport noise restrictions when allocating potential land uses. Development within/around Airport Noise Reduction (ANR) zones both increases construction costs and requires higher density where development is feasible. Market conditions in College Park do not currently support the cost and density of developing in ANR zones. The TAD will hopefully compensate for the added risk and cost to get redevelopment started.)

A deviation from the questions was taken at this point.

Gary mentioned that the number of potential residential properties within the TAD had changed, given the lack of ability of buyout of the 28 acres on which Harriet Tubman elementary had been previously located. When the plan was drafted, the assumption was

that the land on which the elementary school resided would be put up for sale. However, since draft of the proposal, the Fulton County School Board has elected to make the area available for a charter school. Therefore, the estimate of 1,200 residents within the proposal is incorrect. Gary suggested an accurate number would be around 550.

(Gary Mongeon Note: The Tubman school plus the large vacant parcel to the north of it are probably the only areas within the TAD that are both outside the ANR zone and where for-sale housing could be marketable. The plan had allocated all of the for-sale housing (roughly 350 single family and townhouse units), plus some multi-family to this area. Roughly 830 units in the TAD are projected to be multi-family, of which about 550 are programmed for downtown. With the Tubman school site unavailable, the likelihood of residential development is probably confined to the downtown area for the foreseeable future.)

Returning to the question,

The plan as identified by the City of College Park is for the BIDA to accept RFPs and RFQs from developers on the site. David raised a question about if the property would be sold below or at market price (if there were restrictions requiring one or the other) and what would happen with the proceeds from the sale (if they would go into the general fund for the City of College Park)? Gary answered that a model of flexible pricing and TAD incentives will most likely be employed, but that the large area may be sold off in multiple pieces, with prices and incentives changing based on location (how close to Camp Creek). Artie included that some of the land was bought with debt, so that the proceeds of the sale would most likely go toward debt service, but that the mayor and city council had the authority to divert funds to other projects if they so desire.

(Gary Mongeon Note: It is the city's intent to begin marketing the Camp Creek site in 2016. The market's response will determine the amount of public incentives that are necessary to attract the type of development the city desires for the area. It is up to the city to weigh the balance compensation terms, short-term public costs and long-term fiscal impacts to achieve an optimal redevelopment for the site. Absent of the ability to offer TAD incentives, redevelopment is likely to occur at a lower density, lower taxable value and take longer to absorb.)

2. Has any consideration been given to the possibility that flight paths will change in the future, or that the City of Atlanta will attempt to buy additional land for airport purposes?

The discussion of the addition of the potential extra runway added to the airport would not directly affect the TAD land, as the runway will be placed between two already created runways. The only changes that may occur would be changes in the noise patterns, but that location is south of the main development area highlighted in the TAD.

3. A substantial number of parcels are owned by the City of Atlanta. How sure are you that the City of Atlanta will permit development on that land?

The parcels within the TAD that are owned by the City of Atlanta are mostly small, previously residential properties that are not connected to neighboring parcels also owned by Atlanta. Therefore, the belief was that the City of Atlanta would not be pursuing other forms of development on that land. The City of Atlanta has been willing in the past to sell tracts to College Park, and they had no reason to believe the Atlanta would not do so in the future.

4. Beyond the housing project and Wally Park development, are there any other developments that have been discussed? If so, what stage are they at and how likely are they to materialize?

No specific projects have been discussed - see response to question 7.

5. The project on the Wally Park seems like it will be built even in the absence of the TAD. Is that true? If so, what is the reason for including the park in the TAD?

Gary and Artie identified two projects that will be proceeding without TAD funding, the Wally Park area and the housing development project. The Wally Park area may be a lease hold deal for additional hotels. The housing development should be 109 units with a \$15 million market value, with potential additional commercial property. The residential development is within an enterprise zone, and the developer received a five-year, \$300,000 tax abatement on local taxes, which does not affect the millage collected by the Fulton County School Board.

These projects were included in the TAD because the City of College Park needs upfront TAD incremental revenue to fund some of the infrastructure projects.

6. What TAD investments need to be made before any specific development projects are identified, and why?

Artie noted that in some of TAD area, the streets and utilities would have to be upgraded to accommodate new development.

7. Have any efforts been made to secure developers for the developments identified in the TAD proposal?

Artie mentioned that there appears to be interest from developers, but that many appear to be waiting for the securing of the TAD and the RFP by the City of College Park. In addition, Artie mentioned that he was trying to take a very methodical approach to development in the area by first securing the TAD and then marketing the land. Gary added that the type of development that might be received now would not be of the caliber that the City of College Park wants to see in the area or available to them after the securing of the TAD.

A deviation from the questions was taken at this point.

Gary mentioned that the school district has potential to either gain a seat on an advisory committee or even a phase in of the school district portion of TAD funds until development actually begins. Overall, the city is somewhat flexible in its terms and is looking to be a model that will work in future TAD creation.

8. How do you see TAD development working with or against the recently created Airport South community improvement district (CID), to which the City of College Park has allocated funds?

Artie suggested that the relationship with the CID should be seen as a symbiotic, as the CID will be potentially providing additional services, such as extra security that is not currently provided by the City of College Park. Gary mentioned that the proposal was not drafted with any assumption that the TAD would have access to any CID funds.

9. What level of infrastructure development needs to be done to turn the abandoned lots and parking lots into suitable sites for office buildings and restaurants around the College Park MARTA station? Is that infrastructure cost going to be taken on by the businesses coming into the area or by the City of College Park?

Gary said the inclusion of the MARTA area in the TAD could be seen as a potential incentive to get the City of College Park higher in the list of locations for a MARTA TOD around its station. However, the density requirement for a TOD may be an issue around the MARTA station, given the height restrictions from being in the flight path.

(Gary Mongeon Note: In other words, there is no downside risk to any of the taxing jurisdictions from including the MARTA station inside the TAD boundaries. In the best case, the existence of the TAD might help to marginally increase developer interest in a TOD project or encourage MARTA consider marketing the College Park station sooner than it might otherwise. But, there are clearly physical constraints to the site that the TAD will not overcome.)

About the Authors

Sarah E. Larson is a Senior Research Associate at the Center for State and Local Finance at Georgia State University. She received her joint Ph.D. in public policy from the School of Public and Environmental Affairs and the Department of Political Science at Indiana University. Previously, Dr. Larson worked as a Political Economy and Environmental Research Fellow as well as a Visiting Assistant Professor at Indiana University Purdue University Indianapolis (IUPUI). Her other research interests include state and local taxation, revenue tax policy, and nonprofit tax policy.

David L. Sjoquist is a faculty member in the Andrew Young School of Policy Studies at Georgia State University. A specialist in the field of public finance, Sjoquist has an extensive interest in urban economics, especially local economic development, central city poverty, and education policy. He has published extensively on topics such as analysis of public policies, tax allocation districts, teenage employment, local government fiscal conditions, and the urban underclass. His current research interests include property taxation, school financing, local sales and income taxes. His work has been published in such journals as *American Economic Review*, *Journal of Public Economics*, *National Tax Journal*, and *Review of Economics and Statistics*. He has his Ph.D. from the University of Minnesota.

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