TAD FEASIBILITY

4.1 Principles and Policies

As a result of numerous meetings with the Mayor-appointed Steering Committee of representatives from affected neighborhoods, the business and development community, non-profit organizations, and other public and private stakeholders the following guiding principles were established for the study. These principles provide the framework for the policy decisions that will be required should the City advance the concept of the TAD and BeltLine.

The BeltLine should be continuous. The BeltLine should be developed in its entirety, fully encircling the center of the City; all portions are equally important to develop a continuous 22-mile trail and transit corridor.

Transit, trails, development, and park land are interrelated. Each is critical to the success of the vision. The BeltLine should provide a transit/pedestrian/bicycle corridor that will be surrounded by parks and compatible new development.

Equity will be encouraged by addressing differing physical and market conditions along the entire BeltLine to create balanced development during the 25-year life of the TAD. The City will ensure balanced public investment along the BeltLine.

The Trust for Public Land green space recommendations are included as both short- and long-term actions. The opportunity to develop parks and public green space and transit is central to the redevelopment vision.

Keep existing single family neighborhoods intact, and provide suitable transitions to new development areas. This study identifies more than 2,500 acres of underused property adjacent to the right-of-way, providing significant opportunities for development.

Support historic preservation efforts along the BeltLine. Numerous important historic sites should be protected.

Key activities related to the BeltLine development include:

- Land acquisition
- Cleanup
- Trail development
- Transit development
- Economic development/redevelopment

4.2 Market Analysis

Introduction

Based on site assessments, overall market trends and developer input, residential development represents the most significant development opportunity along the proposed BeltLine. Areas traversed by the BeltLine largely miss major existing office and retail cores and cross major transportation corridors in locations generally less suitable for large-scale commercial development. However, the introduction of the proposed linear park, destination parks, path system and transit, create a strong amenity location for large-scale rental and for-sale residential development. Commercial development, particularly neighborhood-serving retail and office, will follow the residential growth and will likely be developed as part of mixed-use developments in a variety of neighborhood-level "nodes" along the BeltLine. Depending on the determined alignment, the sites the alignment opens up and the introduction of possible new MARTA stations, there may be upside potential for additional retail and office development, particularly as part of any larger-scale, Transit-Oriented Developments (TODs).

As discussed in the existing conditions section of this report, many areas of the BeltLine study area have already experienced significant new development. Other areas are positioned to inherit more established intown growth as the previously developed areas become increasingly expensive to develop and market affordability shrinks. Given its proximity to the core of the City, its availability, and its connection to existing neighborhoods, most areas of the BeltLine study area will eventually be developed to some extent. The BeltLine has a big impact on accelerating the timing of the development opportunity and increasing the potential levels of intensity.

In order to help determine if a tax allocation district (TAD) may be feasible to assist funding the BeltLine as well as potentially facilitating development along the corridor, the study team analyzed potential real estate development opportunity within the defined study area. This analysis estimates the development potential in the study area occurring over the next 25 years under two different scenarios:

1. The BeltLine is developed as paths, linear park and select destination parks with no transit component; or

2. The BeltLine is developed in its entirety with some form of dedicated transit, paths, linear parks and destination parks.

This analysis is discussed by land use in the following sections.

Residential Market Analysis

A direct result of shifting demographics, attitudes and lifestyle, demand for new housing in intown Atlanta neighborhoods is expected to remain strong over the next 25 years. Macro demographic trends will continue to positively influence demand for higher density residential products over the coming 25 years and, varying by the level of investment, the study area is expected to be among the great benefactors of these trends.

One- and two-person and non-family households will comprise the greatest share of household growth in Atlanta metro area. These are households that are typically more "location-flexible" than traditional family households with children who have greater space needs, are typically more dependent on the automobile, and focus on schools. The growth in non-family households is influenced by social and demographic trends including:

- Couples choosing to marry and/or defer having children until later in life;
- Growth in single-person households;
- Baby Boomers becoming empty nesters and simplifying their lifestyles; and
- Gen Y, of whom there are more than their Baby Boomer parents, beginning to graduate from college.

In addition to these demographic trends, other factors are influencing intown housing demand:

- Employment Growth. The Atlanta metro area is projected to remain among the strongest economies in the nation in terms of net new job growth in the coming 10 plus years. These jobs will be located throughout urban and suburban locations.

- Traffic Congestion. Even with major transportation improvements, traffic congestion and drive-times are not expected to improve in the Atlanta region. As such, renters and buyers are increasingly seeking convenient locations proximate to their jobs.

- Shifting Attitudes. Buyers and renters are increasingly seeking a more urban and convenient lifestyle. This is demonstrated not only in the up-tick in demand for housing intown but also in suburban areas trying to emulate urban character.

- Supply Influences Demand. As more residential is developed, the more established intown neighborhoods will further support retail and services, making the neighborhoods even more appealing to a broader cross-section of the market.

- Lack of affordability. This is the major threat to continued increases in intown housing demand. Land values are continuing to escalate throughout the metro area and intown in particular which in turn influences the price at which developers can realistically deliver product. From a purely market affordability perspective, the majority of demand is for product below $250,000. Increasingly less housing product is being offered below $250,000 and particularly below $200,000 creating growing disconnect between supply and demand.

In order to model the impact of these trends and the potential impact on the City of Atlanta and the BeltLine study area housing demand, the team conducted an analysis of two source markets:

1. Existing and expected future residents of the City of Atlanta; and

2. Existing and expected future residents of the metro core counties, which have accounted for a greater share of intown in-migrants, defined as Fulton (outside of the city), Clayton, Cobb, DeKalb and Gwinnett.

Please note that the assumption that the market will be able to continue to serve households with incomes greater than $40,000 and some level of affordability could be maintained either through some form of affordable housing programs, higher densities or a combination of the two. This analysis does not include households earning less than $40,000. Given development patterns and land costs, the team assumed the large majority of this development is condominiums and townhomes as well as some small-lot single-family detached homes.

Atlanta Regional Commission (ARC) 25-year projections for each geographic area was utilized to create a base of residential growth in the intown and core county areas, with households being qualified by household size, tenure, turnover, income and a desire for more urban product or more urban areas. The willingness to make such trade-offs was applied to the households in the five-county area based on previous research conducted by RCLCo of metro Atlanta residents as well as input from SMARTRAQ[1]. For the sake of conservatism, the analysis uses the lower propensities from a collection of these studies:

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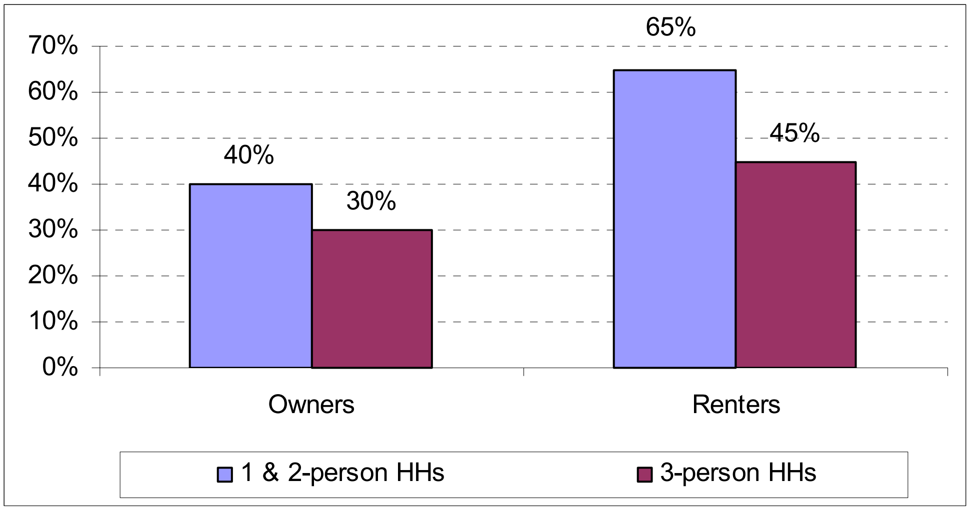
[1] Strategies for Metropolitan Atlanta's Regional Transportation and Air Quality (SMARTRAQ) was a seven-year study sponsored by GDOT, FHA, GRTA, ARC, USEPA, Turner Foundation, CDC, Metro Atlanta Chamber of Commerce and ULI that included a focus on metro Atlanta residents' community preferences and concluded that there is unmet demand for "smart growth" neighborhoods.

Figure 2. Estimated Percent of Households Willing to Make Trade-offs



Finally, the team looked at two levels of captures from this demand pool.

1. The City of Atlanta's ability to capture "location flexible" households and maintain existing households (via replacement households for those moving out of the intown area).

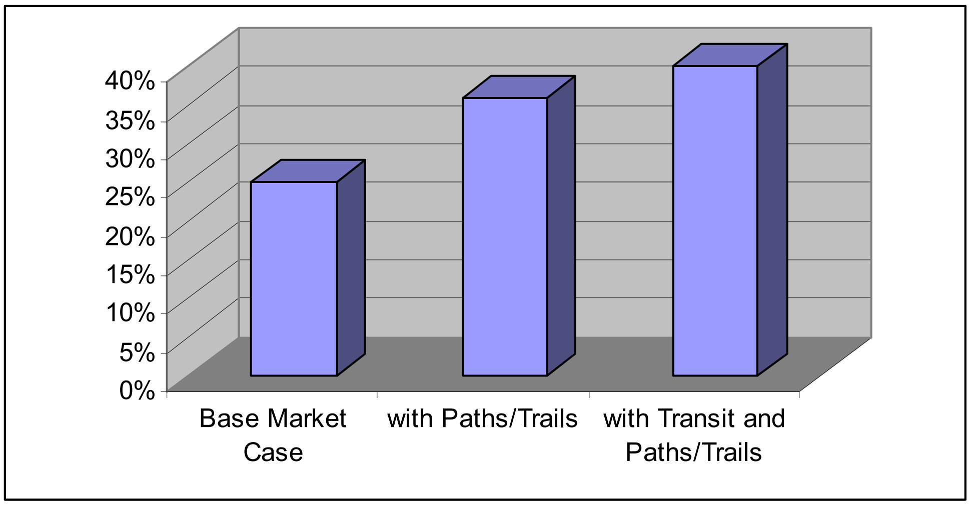
2. Of this group, the BeltLine study area's likelihood of drawing buyers and renters to projects developed in the study area.

At each of these levels, the analysis looked at the base market case capture, the capture with trails/parks and the capture with trails/parks and transit. The impact of parks, trails and transit on development opportunity is difficult to quantify although it is positive. In order to attempt to quantify this impact, the team reviewed case studies of markets where similar investments have been made as well as RCLCo direct consumer research with Atlanta residents, which includes surveys of buyers' and renters' interest in these amenities and their willingness to pay more to be near such amenities. The "premium" for these amenities will likely be experienced in the form of higher supportable pricing and greater overall demand. For the purpose of this analysis, the team looked only at the impact on demand with the assumption that it ranges anywhere from 10% to 50% over time.

In the base case, the analysis assumed that Atlanta would achieve its "fair share" based on employment. That is, approximately 25% of the five-county area jobs are located in the city; therefore 25% of the "location flexible" households would choose to locate in the city. This is higher than the City's current share of one- and two-person households but consistent with the evolution of recent trends already in motion.

Once parks and trails are introduced, the team assumed that this capture rate could increase by 25% in the first five-year period up to 40% higher by 2020 once the major parks are introduced. This would result in the City capturing 36% of the “location flexible” households. Assuming the parks/trails and transit are introduced, the estimated capture rate could be 50%+ higher than the base case, resulting in the City capturing 40% of the location flexible households.

Figure 3. City of Atlanta Capture of Location Flexible Household Growth



The second step in the analysis is to estimate study area demand and allocate by sub-area. Once again, the team began with a base case determined by historic demographic trends (1990 to 2000), estimates for 2000 to 2004 and projections going forward. The assumption is that the BeltLine study area’s capture would increase over time, as more established areas are built out, and that the trails and parks would allow the study area to garner a 20% premium in capture while the transit plus trails/parks would allow the study area to garner a 30% premium in capture. The capture rate for the study area assuming no BeltLine is estimated to be anywhere from 15% (consistent with 1990 to 2000 capture) of the City’s new housing demand in the near term increasing to 33% of new housing demand for a project that includes parks/trails and transit.

For purposes of this analysis, the study examined two hypothetical areas to produce a more comprehensive testing of the range of impact of BeltLine TAD.

Study Area A encompasses the most redevelopment potential, particularly along the eastern, southeastern and western boundaries; and Study Area B is a smaller and more targeted redevelopment area (Maps 20 and 21 – Study Area A and Study Area B).

Study Areas A and B provide test cases for the calculation of potential TAD revenue. If the TAD advances, the boundary will evolve to reflect more detailed information about political and economic feasibility.
In order to look at Study Area B, the team estimated the percent of land that would not be included, took into consideration the location of the land and weighed that against the potential higher density that might be associated with increased amenities (parks, trails and transit) and reduced the overall market demand potential. The result is the following estimated total net new households (or new housing demand) by scenario over the next 25 years. This includes all new market rate housing but excludes any new public or significantly subsidized housing that would likely be appropriate and supportable throughout the study area.

Table 22. Estimated 25-Year Demand for New Housing by Study Area

	TAD Study Area A	TAD Study Area B
With Trails/Parks	27,000	25,500
With Transit, Trails and Parks	30,000	28,000

In order to assess how this demand may be distributed by sub-area, the study team analyzed current and historic growth trends, available land, and overall development patterns and sought input from the development community. The assumption is that the trails and many of the parks could be developed by 2010 and that the transit would be phased in between 2010 and 2020, with the potential that the northwest may not be complete until 2025. The consulting team as a whole came to these conclusions and was deliberately conservative.

Retail Market Analysis

As significant new residential development is introduced into the study area, more retail will be supportable. Retail is generally a follower use, particularly in urban settings and the opportunity for retail will likely lag slightly behind the opportunity for residential development.

Some parts of the study area are currently underserved for retail, particularly the southwest. As major investments are made in these areas and as new housing is developed, retail tenants will become more comfortable with the development opportunity, knowing that the required rooftops and expenditures are already in place.

Retail as a land use has much more stringent location criteria than residential. Retailers and retail developers seek locations that provide excellent visibility, high traffic counts, good local and regional access, easy ingress and egress and proximity to residential bases. There are many sites in the study area that will provide these characteristics but many more that have an interior orientation, suggesting a stronger opportunity for local-serving retail as opposed to retail that serves a larger trade area. As more of these criteria are met, the opportunity for regional-serving retail increases, though it will ultimately be dictated by the selected transit alignment and available development sites.

In order to take a conservative position, the team assumed that retail in the study area would primarily serve nearby residents. The analysis further assumed that the northeastern part of the study area is currently at equilibrium and that new retail would only serve new household growth. In the remaining parts of the study area, the team assumed that retail is currently underserved and that there is an opportunity to provide slightly more retail than that which would be supported by household growth.

The national average is approximately 23 square feet of supportable retail per capita. This includes local, community and regional serving retail, from the local convenience store to the regional mall. This is a dramatic increase from 1980 when the average square feet per capita was 15, indicative of over-supply of retail in general. Therefore, in the northeast the team has assumed 20 square feet of new retail per new resident and the remaining part of the study area 25 square feet of retail per new resident, in order to account for current levels of under-supply. This is to help compensate for current residents being underserved with retail.

The result is total estimated supportable retail over 25 years and by study area as follows:

Table 23. Total Estimated Supportable Retail by Study Area

	TAD Study Area A	TAD Study Area B
With Trails/Parks	1,250,000	1,170,000
With Transit, Trails and Parks	1,400,000	1,300,000

This analysis does not assume additional support for retail from residents from outside of the study area, which would be required to support a major power center. This is an issue that may need to be reassessed in a detailed redevelopment plan and that may represent significant upside potential in the feasibility of the TAD.

Office Market Analysis

As with retail, as more residential development is introduced in the study area, office development that serves that residential base will be increasingly viable. This includes a relatively broad mix of office tenants ranging from smaller scale professional service firms such as attorneys, real estate professional and financial services to more personal services such as medical professionals and day care facilities. A number of these future office users may live in the area and may desire office locations closer to their home. These tenants often seek office condos and/or office lofts, smaller spaces that are appropriate in mixed-use environments. As a base case and assuming appropriate sites are available, there will be support for at least as much office as the new residential development will support. In order to quantify the amount of office space that may be supported, we looked at regional ratios of residents to local-serving office jobs and applied those ratios to the estimated net new residential in the study area. The result, over time, is as follows:

Table 24. Estimated Residential-Serving 25-Year Office Demand

	TAD Study Area A	TAD Study Area B
With Paths/Parks	400,000	375,000
With Transit, Paths and Parks	450,000	425,000

For the purpose of the feasibility model, the team estimated the percent of office space by sub-area. In Study Areas A and B, 40% to 50% of the space is estimated in the northeast.

There is certainly upside potential to these figures as they do not include demand from any institutional users (such as government or educational users) and they do not account for any demand for Class A, multi-story office as may be appropriate and supportable as part of larger scale mixed-use, transit-oriented developments. The location, timing and level of opportunity for this type of space will vary significantly depending on determined alignment and technology of the transit and whether or not new MARTA stations are introduced.

From a purely market perspective, however, significant multi-story office development will not be supportable in the next ten and potentially 15 years. Placing the study area in the larger regional employment context and comparing its characteristics to that of more established office cores reveals that the study area is at a significant disadvantage. Transit and the large investment associated with the BeltLine will, over time, help improve its position, but the underlying market fundamentals must also be supportive.

Negative job growth over the past several years has contributed to an overall soft office market in Atlanta. Intown submarkets (Buckhead, Midtown and Downtown) are currently just under 20% vacant. Projections are for relatively strong job growth over the next three years which will contribute to office demand intown. Using a combination of Georgia State Economic Forecasting figures and ARC's longer term employment forecasts, the analysis converted office-using jobs into demand for office using space. Historically, intown cores (Buckhead, Midtown, Downtown and Airport) have captured just under a quarter of metro office demand. Assuming such historic trends continue, the team estimated demand for 700,000 to 1 million square feet of net new office demand annually in these intown cores.

However, even with strong job growth, supply outpaces demand. The supply and demand estimates suggest that there is three years of existing inventory (vacancies in existing buildings) before reaching 15% vacancy in intown markets overall and 6+ years of inventory to reach 10% vacancy. Including all of the planned and proposed towers, there are approximately six years of inventory before reaching 15% vacancy and 10 to 12 years of supply to reach 10% vacancy.

The study area represents approximately 24% of all employment in the City of Atlanta but with a higher concentration of construction, manufacturing and retail trade jobs, less than 13% of "office using" jobs. With the BeltLine, the make-up of jobs could change. However, office is among the most location-sensitive land uses. It requires visibility, proximity to strong residential bases and established locations and the study area has had minimal new office development to date. Going forward, if the City were to continue capturing 25% of new office demand and the study area just less than its "fair share" of office demand, there would likely be support for 100,000 to 175,000 square feet per year over the next 25 years.

The BeltLine itself may make the City more competitive for office space. As more residents seek to live in the City, more businesses will want to be close to employees and the overall environment for living and working becomes more appealing. If the BeltLine were able to allow the City to increase its capture to 28% (represents a 15% premium which is higher than the overall historic average but lower than several recent years) and if the study area were able to capture more than its "fair share" of this demand, there may be support for 200,000 to 275,000 square feet of new office annually beginning in 2010.

Sites along the BeltLine may increasingly provide the site characteristics appropriate for office but in an overall soft market it makes those opportunities that much more challenging and therefore longer term. As such, the opportunity in the near term will likely be for residential-serving office only and beyond ten years and assuming there are opportunities for well-located TODs, the opportunity will expand to include Class A, multi-story office.

In summary, assuming the BeltLine is developed and that Study Areas A or B is adopted, the office opportunity may look something like the following (total square feet every five years).

Table 25. 25-Year Office Demand by Area

	2005 – 2010	2010 – 2015	2015 – 2020	2020 – 2025	2025 – 2030
Northeast	12,500	25,000	387,500	400,000	275,000
Southeast	10,000	15,000	125,000	150,000	175,000
Southwest	5,000	10,000	100,000	150,000	150,000
Northwest	10,000	20,000	250,000	300,000	250,000

In addition to more conventional office development, there is incremental demand for “flex office” space. These are users who may locate in business parks or industrial space but use the greater share of their space for office as opposed to manufacturing or distribution. Industrial space is a major land use throughout the study area, particularly in the Northwest and will likely continue to be an important part of the economy in the study area. As the type of industrial users change and as some of the space becomes obsolete, some of the industrial space will convert to “flex” or retail space.

The team conducted a similar statistical demand analysis as described for office for the “flex sector,” the results of which are described below.

Table 26. Estimated Net New Flex Space in the BeltLine Study Area

Years	New Flex Space
2005 – 2010	120,000
2010 – 2015	200,000
2015 – 2020	325,000
2020 – 2025	325,000
2005 – 2030	250,000

4.3 Financial Analysis

Introduction

An important aspect of determining the feasibility of a TAD for the BeltLine is the overall size. In other words, the larger the geographic scope, the higher the potential increment that could be generated. It is important to recognize that the eventual TAD boundary cannot - in combination with the existing five TADs already on the books - exceed a total of 10% of the City’s taxable value. This value will not be fixed or fully understood until after the publication of this report. Furthermore, a final TAD boundary will not be determined until a more in depth public process can be undertaken to ascertain fully political and community desires.

For purposes of this analysis, the study examined two hypothetical areas to produce a more comprehensive testing\ of the range of impact of BeltLine TAD.

Study Area A encompasses the most redevelopment potential, particularly along the eastern, southeastern and western boundaries; and Study Area B is a smaller and more targeted redevelopment area.

Study Areas A and B provide test cases for the calculation of potential TAD revenue. If the TAD advances, the boundary will evolve to reflect more detailed information about political and economic feasibility. Local communities will participate in redevelopment planning, and their voices will influence the shaping of the final TAD boundary.

Assuming that the creation date of a BeltLine TAD would be December 31, 2005 (the earliest possible date allowed by State law), the City of Atlanta would be allowed under that same State law to make the TAD large enough to include property worth a maximum of $855,645,000 in assessed taxable value. This amount is generally reflected in Study Area A.

Study Area B would include property worth $530,374,000 in assessed taxable value. Geographically, this smaller Study Area B would still allow development of the 22-mile light rail system, as well as a major portion of the open space, parks and pathways/trails envisioned in the original BeltLine concept.

The larger study area, Study Area A, would use 100% of the remaining TAD capacity; and the more targeted study area, Study Area B, absorbs approximately 62% of the remaining capacity. In other words, Study Area A includes approximately 4.5% of the City's tax base while Study Area B includes approximately 2.8% of the City's tax base.

Where ranges of numbers are presented throughout this section, the lower number represents a BeltLine TAD the size of Study Area B; the higher number represents a BeltLine TAD the size of Study Area A.

Depending upon both the size of the Tax Allocation District (TAD), as well as the basic assumptions described below in this section, the proposed BeltLine TAD has the potential to generate incremental tax revenues sufficient to support a range of approximately $1,341,543,000 - $1,714,852,000 in tax increment financing bonds over the 25-year life of the TAD. This range is based on assumptions regarding the rate of growth in property values – appreciation - within the BeltLine TAD that are considered reasonably conservative. More aggressive assumptions regarding value appreciation (detailed in "Key Assumptions") would produce the following, shown in comparison to the "Conservative" case.

Table 27. Potential TAD Impact under Alternative Growth Assumptions

Growth Assumptions	Low (Study area B) Amount of Bonds	High (Study area A) Amount of Bonds
Conservative	$ 1,341,543,000	$ 1,714,852,000
Moderate	1,635,226,000	2,107,849,000
Aggressive	1,984,012,000	2,575,784,000

Depending upon the TAD size, 28-30,000 new housing units are projected to be built within the TAD, as is approximately 2.4 million square feet of retail, 5.3 million square feet of both neighborhood-serving and commercial node office space, and 1.3 million square feet of light industrial and “flexible” warehouse space. Approximately 37,500 new permanent jobs and 48,000 one-year construction jobs will be created within the TAD.

The tax increment bonds are projected to be issued in accordance with the following schedule and in the following amounts based upon the conservative set of assumptions.

Table 28. Range of Potential Bond Generation, Conservative Growth

Year of Issue	Low Amount of Bonds*	High Amount of Bonds**	Low Amount of Bonds (Cumulative)	High Amount of Bonds (Cumulative)
2006	$ 78,836,395	$ 101,798,981	$ 78,836,395	$ 101,798,981
2010	169,706,372	219,864,757	248,542,767	321,663,738
2014	242,736,847	313,056,082	491,279,614	634,719,820
2018	299,648,495	384,536,088	790,928,109	1,019,255,908
2022	316,690,026	401,575,732	1,107,618,135	1,420,831,640
2026	214,175,083	269,352,764	1,321,793,218	1,690,184,404
2030	19,749,646	24,667,215	1,341,542,864	1,714,851,619
Total	**$ 1,341,542,864**	**$ 1,714,851,619**		

Study Area B
****Study Area A***

Basic Approach

To determine the financial feasibility of establishing a BeltLine TAD, the following analysis addresses three primary questions:

1. **Based on State law, how big can the BeltLine TAD be?** How large is the City of Atlanta’s remaining TAD capacity and how much is needed for a BeltLine TAD?

2. **What amount of TAD bonds can the BeltLine TAD generate?** What is the type and value of development that can be expected to take place within the BeltLine TAD; and how much tax increment and bonding capacity would this development generate?

3. **Is the area eligible for public action?** Will the area slated for designation as the BeltLine TAD meet the legal requirements related to "slum and blight"?

The answer to the first basic question depends upon how much TAD capacity remains available to the City of Atlanta in accordance with the State Redevelopment Powers Law. As described further below, a maximum of $855,645,000 worth of property improvement could be included in the BeltLine TAD if the City so desired. (Note that $855,645,000 has been calculated based on the procedures established by Georgia law and reflects property valuation at 40 percent of full tax value.)

The estimate of TAD funding potential, the answer to the second question, is a function of how much "incremental tax revenue" is projected within the BeltLine TAD during the TAD's lifetime (assumed to be 25 years). Incremental tax revenue is any property tax revenue in excess of that generated at the time of the creation of the TAD. Under the law, the participating taxing entities – the City, the County, and the School System – will continue to collect property taxes from the BeltLine TAD equal to the amount collected at the inception of the TAD. Thus, incremental tax revenue will come from (a) net new taxable development, and (b) the appreciation of existing property within the TAD.

TAD Capacity

A key starting calculation in determining the feasibility of the BeltLine TAD is the amount of the City's taxable base currently included within existing tax allocation districts. State law allows a maximum of 10 percent of the City's tax base to be within all such tax allocation districts. The City currently has five TADs with a total assessed taxable property value of $995,352,610. This amount represents 5.51 percent of the City's 2004 assessed tax base of $18,060,494,648, leaving $810,696,855 in remaining TAD capacity as of December 31, 2004. It is estimated that as of December 31, 2005, when a BeltLine TAD could potentially be created, approximately $855,645,000 in TAD capacity will remain available in the City.

Table 29. Existing City of Atlanta TADs and Value

Existing TAD	2004 Taxable Value
Westside	$ 435,200,440
Eastside	343,698,050
Perry-Bolton	85,567,400
Princeton Lake (Atlanta only)	1,746,000
Atlantic Steel	129,140,720
Total Existing TADs 2004	**$ 995,352,610**

(Note: The 2004 total of $995 million in taxable value for the existing TADs excludes approximately $175 million in tax exempt property that was originally certified as part of the Westside TAD. The City of Atlanta has requested that the State Revenue Commissioner adjust this assessment. If the $175 million adjustment is not approved, the City's projected 2005 remaining TAD capacity would decrease from $855,645,000 to approximately $680,645,000, sufficient to accommodate a TAD similar in size to Study Area B.)

Key Assumptions

Key Assumption Related to Projecting Development

The key assumption made in calculating projected new development for the BeltLine TAD is the following:

Market demand will limit new development. For the majority of the developable sites within Study Area A or Study Area B, the potential development based on available land is greater than the projected demand that can be supported by growth trends. By assuming that development will be limited to projected demand, the study maintains a conservative approach and avoids overstating the final results. In the case of office construction, the model assumes that demand for office exceeds development potential.

Other Key Assumptions

1. Based on recent trends, developer announcements and stated community objectives, the study estimates that 35 percent of all projected multi-family units will be rental apartments. The remaining 65 percent will be for-sale condominiums.

2. The study uses the 2004 millage rates as follows:

   City of Atlanta General& Parks = 8.750
   Fulton County General = 11.581
   <u>Atlanta Schools Operating = 20.870</u>
   Total for TAD Bond Purposes = 41.201

3. Normal annual growth in the tax base within the TAD study area boundaries is projected at 5.0 percent. This growth rate is a "status quo" growth assumption for the study area without the creation of a BeltLine TAD.

4. The three primary features of the BeltLine are (1) a transit loop that circles the central area of Intown Atlanta and connects with several MARTA stations along that loop, supported by (2) a system of parks, connected by (3) a network of multi-use trails. Interviews with developers indicate that

the development of the BeltLine would have a positive impact on property values within the BeltLine TAD area and estimate an increase in the annual growth rate above the status quo rate of 5 percent. The relative impact of this additional growth was estimated from interviews with developers active in the intown market, and reflected as an additional .75 percent annual increase in the base 5 percent growth rate, cumulatively increasing on an annual basis up to a maximum of 10 percent.

5. Industry-standard underwriting criteria used to determine the amount of bonds that incremental tax revenues support are as follows:

    - Taxable values for new development will be based on anticipated income (sales or rental income) from development, and that income will be discounted at 95 percent.

    - Tax revenues from appreciation will be based on status quo base growth of 5 percent and additional growth resulting from the BeltLine impact, described in assumption #4.

    - A Debt Service Coverage (DSC) factor of 1.2 will be applied to the discounted revenues – i.e., underwriters will require that there be enough revenue to service 120 percent of the bonds issued.

    - An interest rate of 7.25 percent is assumed for the first bond issuance, given that TAD bonds, while tax-exempt, are considered relatively high risk during the initial years until a project (or area) establishes a documented history of tax generation.

    - Bond amortization is assumed to be for the remaining life of the TAD — which, in the case of the initial 2006 bonds, will be the full 25-year life of the TAD.

6. Construction costs are primarily derived from interviews with developers, published costs of current projects, and Mean’s Construction Estimates. Soft costs are a generalized industry standard, as are land costs and profit attributions.

7. The monthly rental for apartments is limited to $1.20 per square foot, in line with current average rental rates for new intown construction.

Finally, the financial model and its assumptions were reviewed by developers, the study team, and other professionals in this area. The reviewer consensus was that the assumptions and overall approach were both sound and appropriately conservative, particularly with respect to current market rates for both rental and for-sale properties– residential, commercial and industrial.

Demand

Demand is based on an analysis of regional, local, and study area market trends. Demand for retail and local-serving office is driven primarily by housing demand within each study area, which itself is driven by projected population increases. Three major retail projects are currently either under construction or have been publicly announced: City Hall East retail, Castlegate Wal-mart, and Atlanta Gas Light/Sembler retail. These are anticipated to draw customers extensively from outside the study area and are, therefore, included in buildout projections over and above standard "local" retail demand. Multi-story demand is based on the assumption that certain key locations along the BeltLine could support higher-density concentrations of office development that, as with major retail developments, would draw from the entire region and, therefore, are not based on the demand projected for each study area.

Development Potential

The project team surveyed the entire study area, identifying developable sites and potential types and density of development. It divided potential development within the study area into several basic categories, as follows:

- Announced or under construction projects included in the project team inventory;
- Announced or under construction projects included in inventories other than the project team;
- Projects included in community master plans prepared by the City of Atlanta over the past 10 years;
- Projects that are contemplated in current on-going planning efforts of the City; and
- Projects that potentially could be developed on the remaining developable land in the study area, based on densities assumed by the project team

Planned and Proposed Projects

The projects are those contained in the team inventory, other inventories and news articles, as well as those coming from interviews with developers.

Total Anticipated Project Development

Based on the inputs and assumptions as described above, including the primary assumption that buildout is limited by demand, the BeltLine can be expected to generate new development as follows.

Table 30. Anticipated Project Development

	NE	SE	SW	NW	Total Units
Housing Units	11,572	6,829	4,891	4,981-6,642	28,274-29,934
Retail SF	712,894	881,469	244,548	549,068-632,091	2,387,978-2,471,001
Office SF	3,174,053	575,987	486,871	1,072,491	5,309,403
Light Industrial SF	440,306	314,505	314,505	188,703	1,258,018
Institutional SF	0	45,000	262,500	180,000	487,500

Generally, there is no difference in the anticipated development in either study area. Almost all of the developable property in Study area A is included in Study area B; thus, projected development remains basically the same. The only difference in anticipated development between Study Area A and Study Area B is in the number of housing units and retail square footage (which is generated by new housing units) projected in the northwest part of the BeltLine.

Development Buildout

Annual buildout by category (housing, retail, etc.) is driven primarily by demand, which for the purposes of this analysis is leveled in five-year increments as determined by the team. The buildout, summarized in “Total Anticipated Project Development” above, is a key component of the penultimate calculation of revenue generated by new development.

Development Cost

Applying cost factors contained in the assumptions to the units of the various types of new development calculated in “Development Buildout,” a development cost, product type and year can be calculated.

Development Revenues

Applying rental and for-sale unit assumptions contained in the assumptions to “Development Buildout,” a determination of total income from both rental and for-sale properties within the study area can be made.

Supportable Bonds

The amount of bonds that can be supported by incremental tax revenues generated within the BeltLine TAD is dependant upon tax revenues from two sources: (1) new development and (2) appreciation of existing property.

Underwriting criteria (“Assumptions”) are applied to total new development revenues (“Development Revenues”), producing a calculation of total supportable TAD bonds. Given certain documented assurances of the area’s historical growth, the progress of projects under construction, the credibility of developers with announced projects and the basic market conditions underlying the area in question, underwriters generally will project incremental tax revenues from new development out for four years and will underwrite bonds in Year 1 to be serviced by anticipated revenues in Years 1-4, as well as subsequent four-year increments.

Existing property within the BeltLine TAD, given the anticipated positive impact of the BeltLine itself, is expected to continue to appreciate each year during the life of the TAD. Based on the assumptions regarding the BeltLine impact on growth in excess of a 5.0% annual Base Growth, and applying the same underwriting criteria and bond-issuance timing as applied to new development income, the full BeltLine TAD can expect to generate approximately $15.0 million in bonds in 2006 from appreciation in 2005-2007.

4.4 Proposed Eligible Activities

Introduction

The first challenge in conducting the BeltLine TAD Feasibility Study was determination of development potential, and the resulting tax increment that could be generated in the study area. As detailed on the previous pages, development potential includes several thousand housing units and millions of square feet of commercial/retail, with a potential 25-year increment that exceeds several hundred million dollars. However, the second challenge to the TAD's feasibility is a conceptual analysis of potential "eligible activities" and the costs associated with them. The BeltLine team has defined eight conceptual categories of eligible activities as follows.

Land Acquisition: Right-of-Way and Park Land

The greatest potential cost associated with the BeltLine is controlling the public and private land necessary to create a world-class, continuous ring of green space and transit. Based on a general cross-section of landscape buffer, 15-foot greenway and transit guideways, the BeltLine team established an estimated 75-foot cross-section to ensure flexibility for inner city and regional transit and the open space network. Much of the land is owned by a public entity, the Georgia Department of Transportation. Much is also owned by the CSX Railroad and the northeast part of the study area has successfully been purchased privately by Wayne Mason (Map 23 – Land Ownership along BeltLine)

The feasibility study recommends early actions to control through purchase or easements the entire greenway and transit loop by 2010. Due to the limited tax increment available in this time period and the need to create local matching dollars for federal transit dollars, this activity will necessitate aggressive real estate strategies and the leveraging of significant public and private investment for the land acquisition. Potential partners include the Trust for Public Land, the

PATH Foundation, private foundations, the Atlanta Regional Commission, the City of Atlanta Department of Watershed Management, the Georgia Land Conservation Partnership and private developers.

Greenway Design and Construction

The feasibility study assumes the construction of the entire BeltLine greenway by 2015. To accomplish this ambitious goal, local partners, most notably the PATH Foundation, will be charged with an active role in the effort, including assistance in land acquisition detailed above, conceptual design work and leveraging federal transportation dollars for the greenway's construction.

Park Design and Construction

The Trust for Public Land has outlined the opportunity to add to Atlanta's severely limited park system through acquisition and development of the "jewels" along this "Emerald Necklace." These parks include expansion of existing parks, the transformation of environmentally-sensitive lands, the creation of new parks, and public/private partnerships that leverage open space as part of new mixed-use centers along the BeltLine. The feasibility study has assumed the realization of parks within a phased strategy, concentrating on immediate opportunities in the next five years.

Given the scarcity of public funds for park development, Atlanta's foundations and private sector must actively commit to build this green space network. Major partners include the Trust for Public Land, the Atlanta Department of Parks, Recreation and Cultural Affairs, Park Pride, the Georgia Conservancy, the Conservation Fund, etc.

Transit Design and Construction

The Inner Core Feasibility Study being conducted by MARTA has examined several alternatives for the expansion of transit services connecting Atlanta's major destinations within the central core of the metropolitan region. Alternatives under consideration include the provision of a transit alignment along and/or near to the BeltLine. While the public and private sector developers have expressed a preference for a streetcar system, the Inner Core Feasibility Study is analyzing a wide range of technologies, from Bus Rapid Transit to a streetcar loop. These improvements must be seen in the context of additional transit improvements within central Atlanta that could create a truly transit-supportive pattern that links all major destinations. Preliminary costs have been established by the BeltLine team based on linear foot costs of transit investment. More detailed analysis and engineering will, of course, need to be carried out in subsequent phases.

Transportation Improvements

In addition to transit, the development of several thousand acres will necessitate careful planning of other transportation investment to ensure the capacity, safety and operational efficiency needed to support existing and planned development. Major categories of improvements include major streetscapes and general sidewalks linking surrounding neighborhoods and destinations to the BeltLine, at-grade crossings, intersection improvements and new roads. Conceptual costs have been allocated to these improvements, but the feasibility study recommends that a more refined list of potential projects be created in the next phase and that a strategy of leveraging significant available federal dollars be promoted.

Affordable Housing

The BeltLine Steering Committee and Mayor Franklin have made affordable housing a priority of the BeltLine TAD. As such, the feasibility study recommends a two-pronged strategy to provide incentives for affordable housing− the creation of an Affordable Housing Fund that could help subsidize land acquisition, construction and/or mortgage financing for new affordable units. The Steering Committee has asked that these funds be targeted towards families at the lower 40% of area incomes. In addition, the Development Infrastructure activity described below is also recommended to include an incentive for provision of a minimum percentage of affordable units with any public infrastructure assistance. Major partners in these efforts will likely include foundations, the Atlanta Neighborhood Development Partnership (ANDP), the City of Atlanta, Development and Neighborhood Conservation, local community development corporations (CDCs.) and other housing providers.

School Improvement Projects

A major partner in the creation of a BeltLine Tax Allocation District is the Atlanta Public Schools (APS.) The school district, under Dr. Beverly L. Hall, has made tremendous improvements in instructional and operational performance over the last several years and it is recommended that projects be identified in collaboration with APS that serve the affected study area, including improvements to existing school facilities and grounds and, if appropriate, the purchase of land for future school growth.

Development Infrastructure

The final category of eligible activity is more traditional, project-based infrastructure assistance to private developers within the potential TAD. Project-based funds could be utilized for brownfield study, environmental remediation and infrastructure construction associated with specific development proposals submitted on an annual basis to the Atlanta Development Authority (ADA.)

Recognizing the disparate market conditions existing in the BeltLine study area, the BeltLine team recommends that project-based infrastructure assistance be limited to areas of unusual physical challenge (such as inaccessible and contaminated industrial areas) and market distress, including portions of the southeast, southwest and northwest.

For conceptual analysis, a general table of eligible activities and their associated costs follows. Not surprisingly, the total cost of proposed land acquisition, green space development, transit investment, affordable housing and project-based improvements exceeds the anticipated tax increment. Another challenge will be the timing of proposed bond issues related to anticipated revenues. The BeltLine Steering Committee, the City and other interests will need to establish public policies and priorities related to the expenditure of TAD funds towards these activities. General categories of project funding can be established before the TAD study area is implemented to create an understanding of the policy intent and financial leveraging anticipated.

Table 31. Eligible Activities

	Total Cost	TAD	Private Funds	Other Public Funds	Comments
Land Acquisition: ROW	70	50	6	14	2006, 2007, 2008 TIP funds
Land Acquisition: Parks	200-300	225	75		
Greenway Design & Construction	75-85	17	64	4	2008 & 2010 TIP funds
Park Design & Construction	175-200	100	100		
Transit Construction	600 – 1 billion	300		300	
Transportation Improvements	100-150	30		120	
Workforce Housing	250	250			$60,000/unit average subsidy
Atlanta Public Schools Projects	30-40	40			
Development Infrastructure	328	328			
ESTIMATED TOTAL	**$1.8-2.4 billion**	**$1.34 billion**	**$245**	**$438**	