



PRELIMINARY FINDINGS: REDEVELOPMENT POTENTIAL OF TWO PROPOSED TAX ALLOCATION DISTRICTS

City of Dalton, Georgia

Prepared for:



Presentation to the Dalton City Council
October 19, 2020

Prepared by:



BACKGROUND

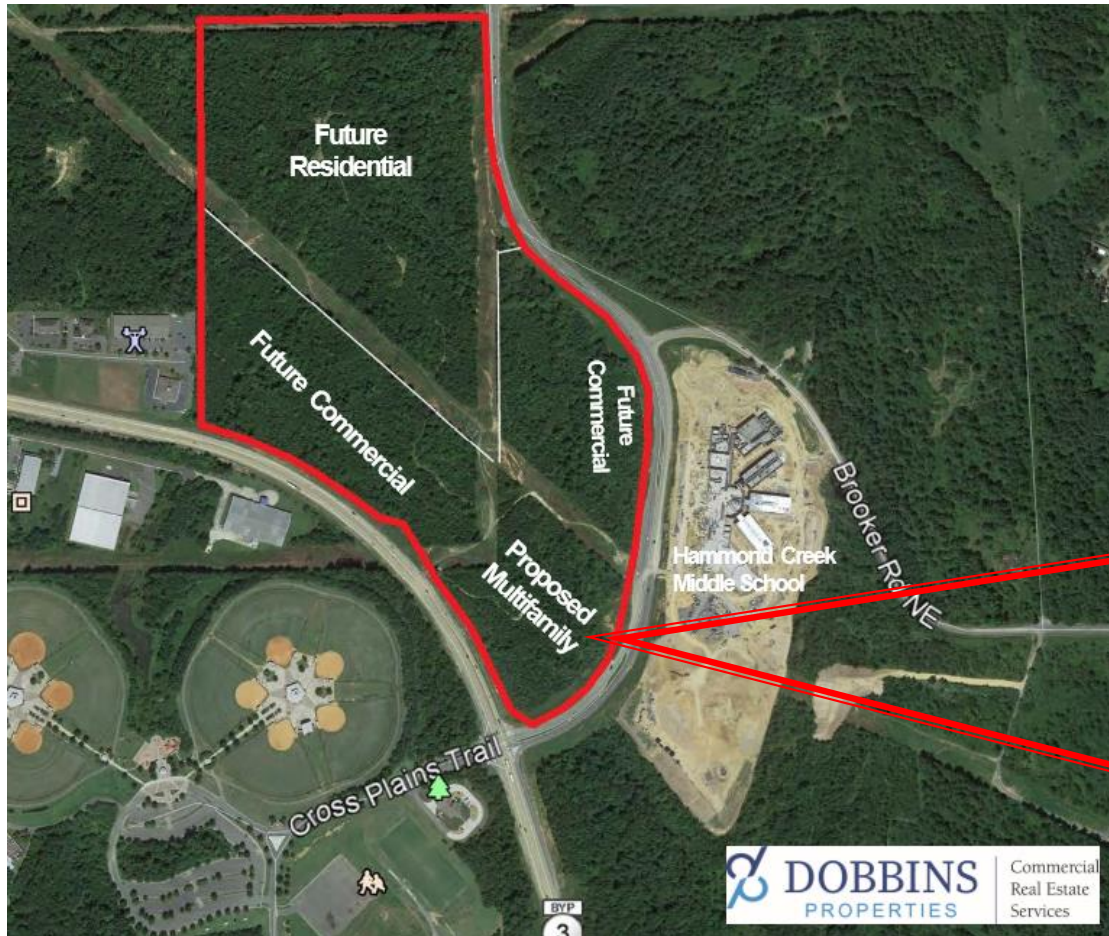
Presentation Contents

- The City of Dalton, working with the Dalton-Whitfield County JDA, retained Bleakly Advisory Group to assist the City in evaluating the addition of two new Tax Allocation Districts within the City limits.
- These new TAD's and the overall the scope of the assignment are broadly summarized as follows:
 - Amending the City's 2015 Redevelopment Plan to add a third TAD in the North Bypass area to support a proposed mixed-use development and possible future transportation and infrastructure improvements
 - Drafting a new Redevelopment Plan to create a TAD along West Walnut Avenue, to assist in funding needed transportation improvements to the area, as well as support commercial revitalization and infill development
- This presentation summarizes progress made to date, including:
 - Preliminary suggested TAD boundaries and current tax digests included within each proposed district
 - Preliminary estimates of long-term redevelopment potential and resulting TAD revenues
 - Potential eligible redevelopment costs and possible uses of TAD proceeds
 - (This information is required content of the respective redevelopment plan/amendment)
- Requested actions of the City Council
 - Provide any comments or feedback – now or following this meeting
 - Authorize BAG to prepare the draft Redevelopment Plan and plan Amendment
 - Schedule the required TAD public hearing(s) at which time the draft report contents will be presented in more detail

NORTH BYPASS

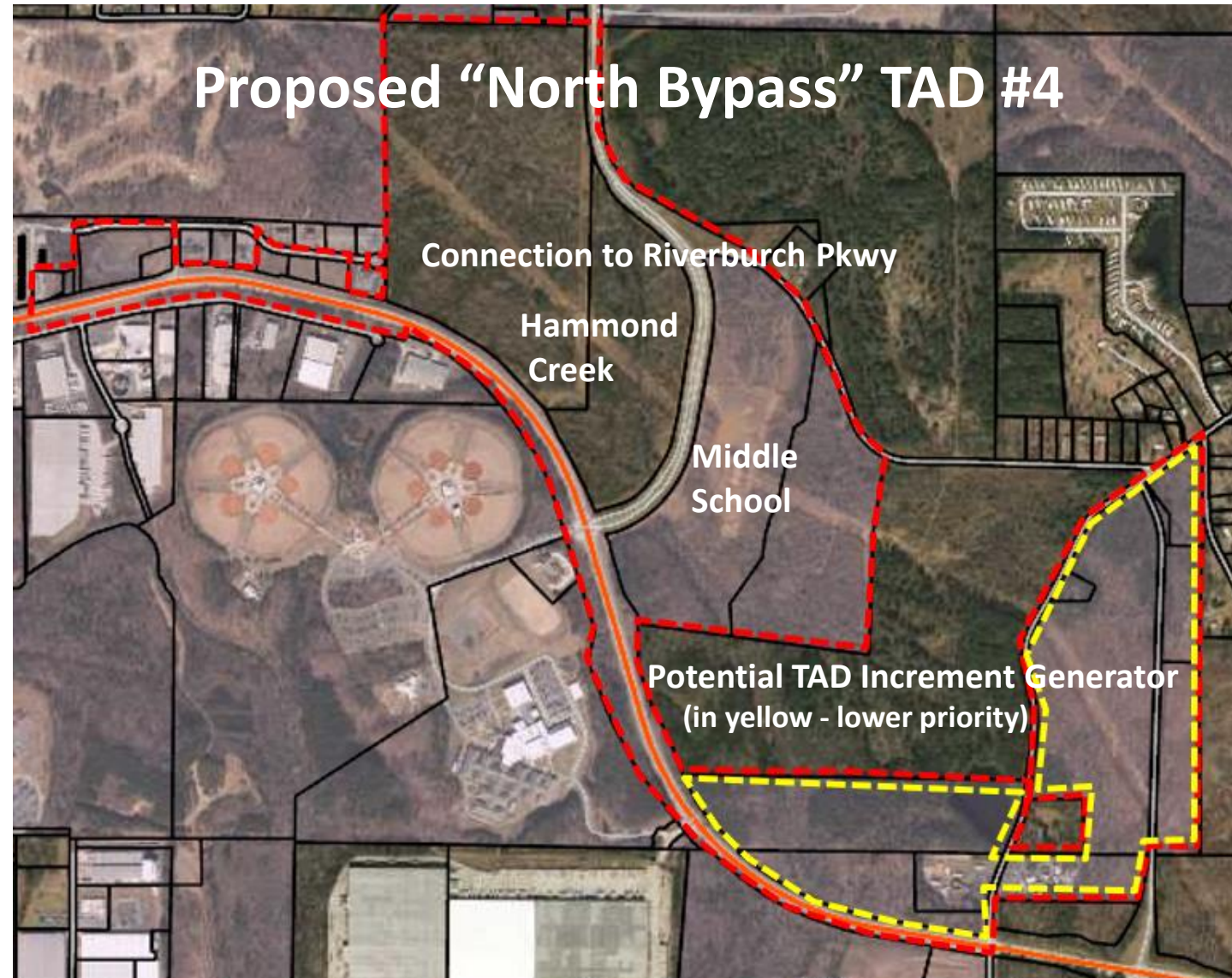
THE OPPORTUNITY

- The City has been presented with a request to annex 2 parcels totaling 93 acres for a proposed mixed-use development to be known as Hammond Creek. The first phase consists of a 210-unit apartment community that is consistent with recommendations contained in the Believe Greater Dalton Housing Study. The Project's developer has requested TAD funds to close an identified "feasibility gap" to make that project economically viable. TAD funds could also be used to extend Riverbush Parkway to Brooker Rd. and to support other phases of Hammond Creek as appropriate.



PROPOSED TAD BOUNDARIES

- Suggested N. Bypass TAD boundaries include 18 parcels totaling 214.5 acres, with a current estimated tax digest of \$10,476,163
- Rationale:
 - At minimum, the TAD should include the proposed Hammond Creek Annexation parcels and remaining undeveloped lots on Riverburch Parkway
 - Adding the School District parcels provides flexibility to enable a future City Council to consider using TAD proceeds to help fund transportation or infrastructure investments to enhance school facilities, if excess TAD funds become available for such purposes
 - Additional parcels within the City Limits located along the North Bypass, Underwood Rd. and Brooker Dr. are likely to increase in value over time if Hammond Creek is successful. The City could consider a future request for TAD funding to support development in that area.



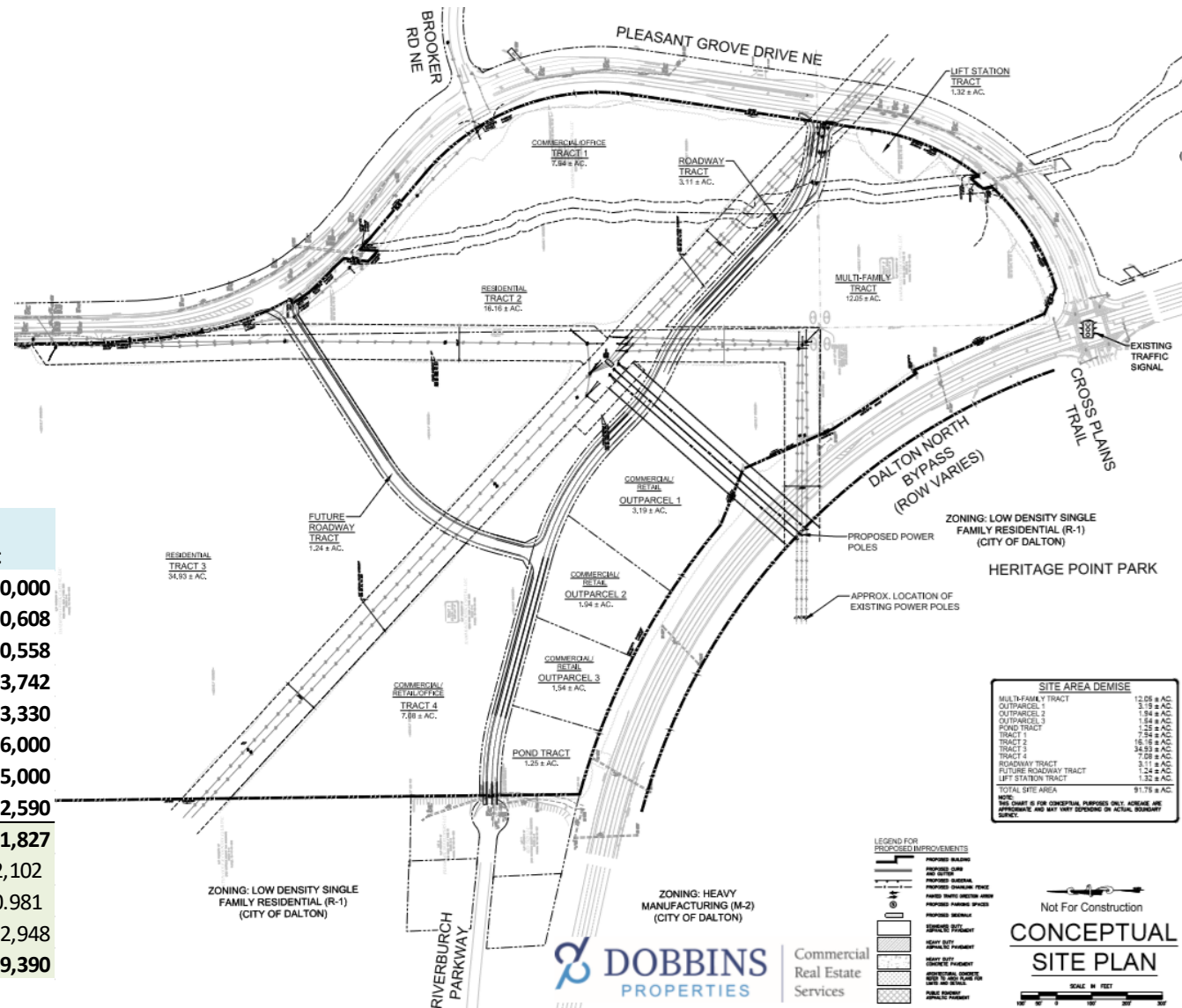
ESTIMATED TAD POTENTIAL AT BUILD OUT

Hammond Creek Conceptual Site Plan

- Using conservative assumptions based on current assessment data, the taxable full value of the concept plan for Hammond Creek could approach \$124.1 million at build out (in 2020 \$)
- Annual M&O property tax collections could exceed \$1.76 million/year – several years into the future

Developable Area	Acres	Future Land Use	DU's/Acre or FAR	Units or SF	Avg. 2020 FMV/Unit	FMV at Build Out
Multi-Family	12.05	Apartments	17.5	210	\$100,000	\$21,000,000
Outparcel 1	3.19	Comm/Retail	0.12	16,675	\$75.00	\$1,250,608
Outparcel 2	1.94	Comm/Retail	0.12	10,141	\$75.00	\$760,558
Outparcel 3	1.54	Comm/Retail	0.12	8,050	\$75.00	\$603,742
Tract 1	7.94	Commercial/Office	0.10	34,587	\$125.00	\$4,323,330
Tract 2	16.16	Residential [1]	10	162	\$235,000	\$37,976,000
Tract 3	34.93	Residential [1]	6	210	\$250,000	\$52,395,000
Tract 4	7.08	Commercial/Office	0.15	46,261	\$125.00	\$5,782,590
Future FMV	84.83	acres				\$124,091,827
Certified Base FMV (Hammond Creek Parcels)						\$2,362,102
Tax Allocation Increment Ratio @ Build Out						0.981
Annual M&O Property taxes @ millage rate			14.2068			\$1,762,948
Potential Annual TAD Increment at Build Out						\$1,729,390

[1] Average taxable full value of residential units includes an allowance for deducting homestead exemptions.



ESTIMATED FORECAST OF FUTURE TAD PROCEEDS

North Bypass

- Forecast assumptions:
 - Hammond Creek is developed according to the proposed site plan
 - Remaining undeveloped commercial lots on Riverburch Parkway achieve end values comparable to already developed parcels – adding \$5.0 million in digest over time
 - 50% of the remaining acreage within the TAD (+/-20 acres) is developed as for-sale housing at a density of 6 units/acre – resulting in a future digest growth of \$29.5 million in the balance of the TAD
 - Completion of all projects is achieved within 15 years and average taxable property values appreciate within a range of 1.0% to 1.5% per year once 30% of the TAD’s total build out is achieved
- Applying the above assumptions, the TAD’s taxable (100%) digest could grow from a base of roughly \$10.5 million in 2020 to \$185 million at build out. The following table summarizes potential cumulative TAD increment over varying time periods on a nominal and net present value basis
 - (NPV values approximate the TAD’s ability to leverage “up-front” capital under various financing scenarios)

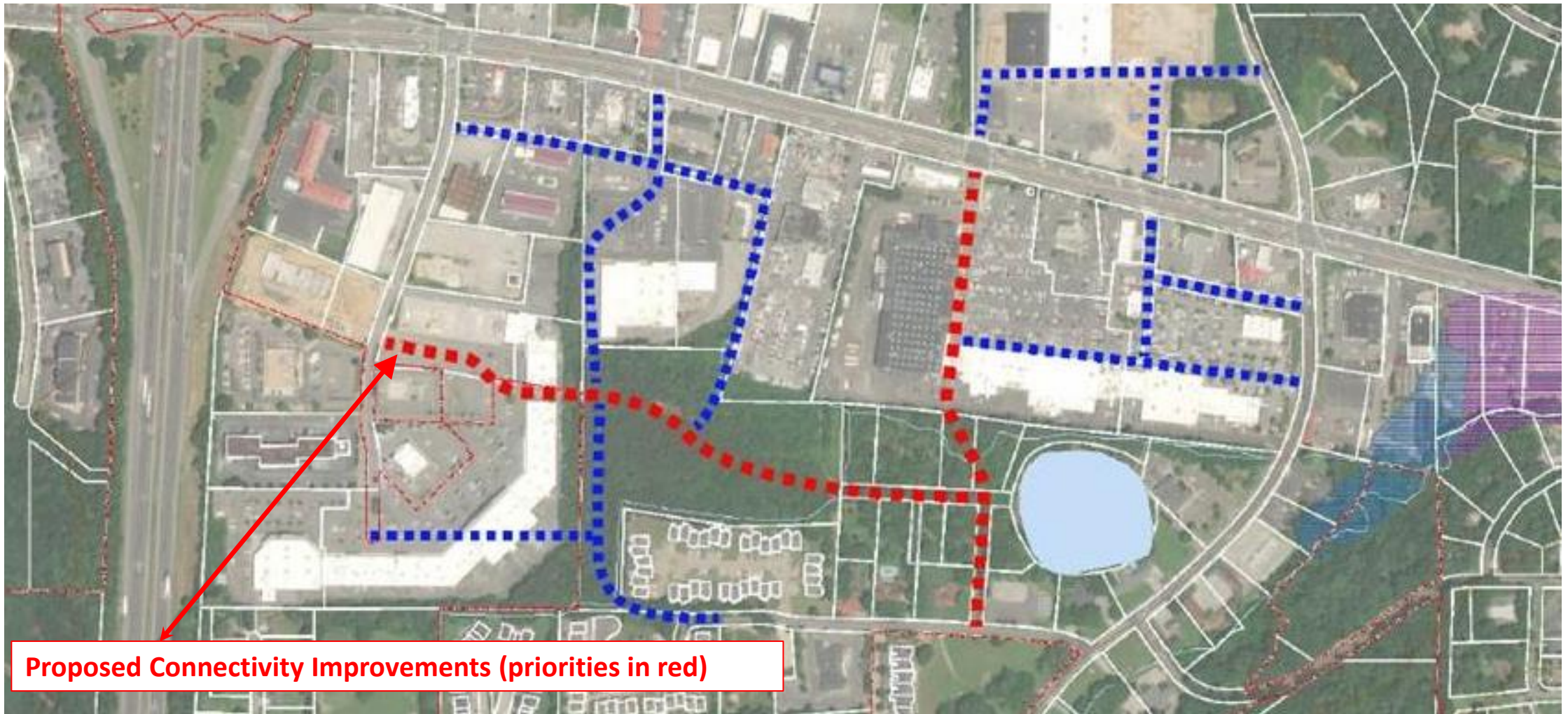
Estimated North Bypass TAD Potential

Estimated Total TAD Increment:		10 Years	15 Years	20 Years	25 Years	30 Years
Cumulative TAD Proceeds (Nominal \$)		\$6,771,925	\$18,008,892	\$31,339,013	\$45,505,753	\$60,509,112
NPV Discounted @	4%	\$5,010,517	\$11,732,434	\$18,316,198	\$24,067,533	\$29,074,134
	5%	\$4,660,336	\$10,592,965	\$16,138,306	\$20,756,254	\$24,588,462
	6%	\$4,339,426	\$9,582,592	\$14,261,744	\$17,978,047	\$20,919,309
	7%	\$4,045,011	\$8,685,038	\$12,640,301	\$15,637,640	\$17,901,107

WEST WALNUT AVENUE

THE OPPORTUNITY

- The City is considering making connectivity improvements to the West Walnut Avenue Corridor to reduce traffic congestion in the area. These improvements could also enhance commercial property values, increase sales tax revenues and access landlocked parcels for infill development. Future TAD funds could be used to help finance public improvements and/or provide incentives for infill development as appropriate.

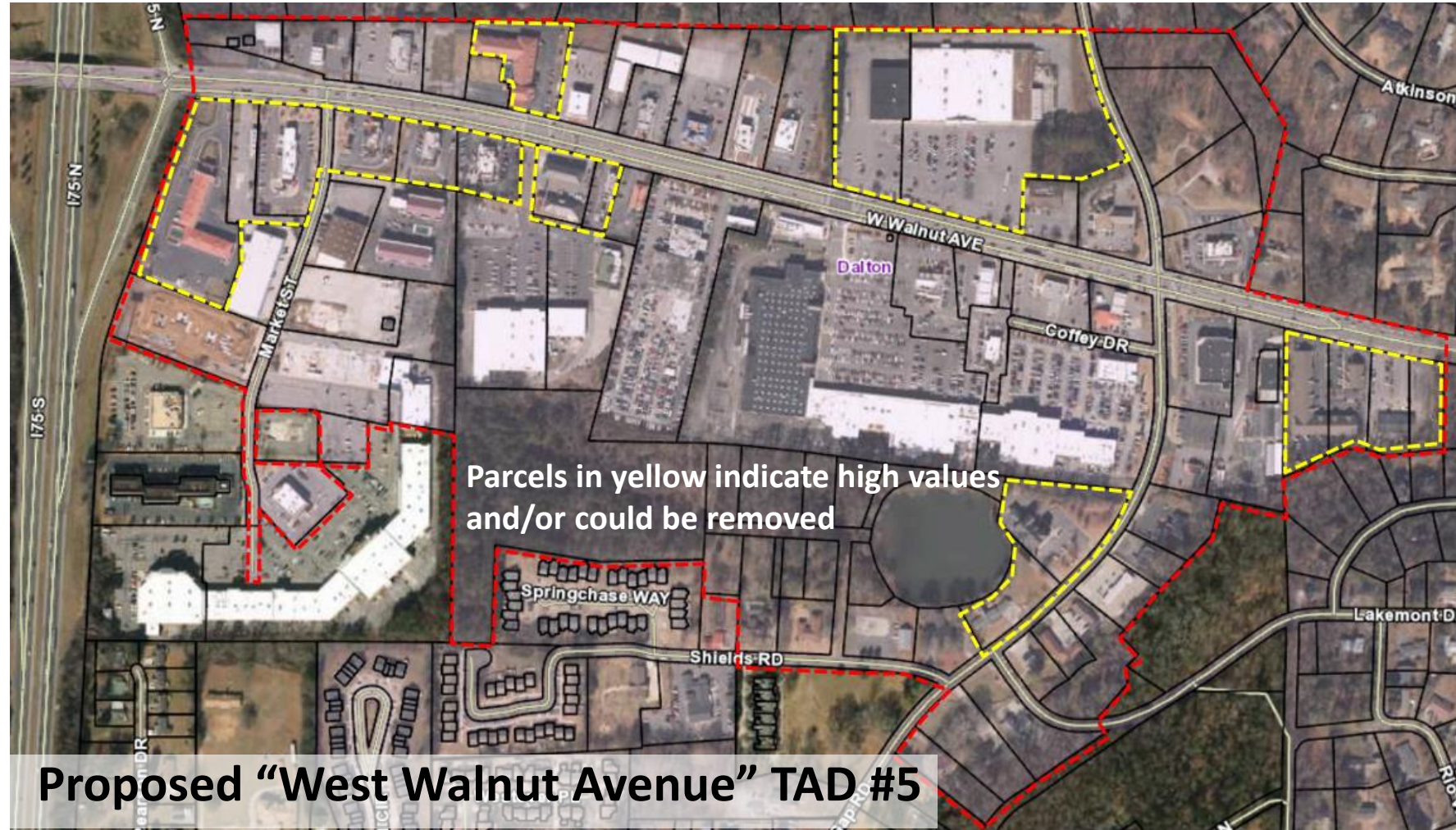


PROPOSED TAD BOUNDARIES

- Suggested W. Walnut Ave. TAD boundaries include 77 parcels totaling 128.4 acres, with a current estimated City tax digest of \$83,080,716

- Rationale:

- Suggested TAD boundaries should include all parcels that could be either directly impacted by or indirectly benefit from planned public improvements
- Consideration could be given to removing some or all parcels shown in yellow because property values are already high, or the land uses are less likely to benefit from public investments.



Proposed “West Walnut Avenue” TAD #5

- Removing all parcels in yellow would reduce the size of the proposed TAD to 101 acres and \$57.2 million. The distribution of TAD parcels by land use and value is detailed on the next slide.

Proposed West Walnut TAD Parcels, Land Uses and Current Values

Row Labels	Number of Parcels	Total Acreage	Building Area (SF)	Full Market Value				City Digest	Land Value/SF	Improvements Value/SF	Total Value /Bldg SF
				Land	Buildings	Accessory	Total				
Banks	2	2.00	8,101	\$892,500	\$747,028	\$181,929	\$1,821,457	\$1,821,457	\$10.24	\$114.67	\$224.84
Car Dealer	1	5.21	36,330	\$1,815,584	\$874,396	\$0	\$2,689,980	\$2,689,980	\$8.00	\$24.07	\$74.04
Car Wash	1	0.71	2,574	\$112,500	\$135,103	\$0	\$247,603	\$247,603	\$3.64	\$52.49	\$96.19
Convenience Store	1	0.45	2,400	\$75,000	\$86,643	\$0	\$161,643	\$161,643	\$3.83	\$36.10	\$67.35
Gas Station/Convenience	3	1.98	6,311	\$1,003,612	\$369,843	\$594,675	\$1,968,130	\$1,968,130	\$11.64	\$152.83	\$311.86
Gas Station	1	0.75	1,914	\$392,040	\$123,993	\$148,500	\$664,533	\$664,533	\$12.00	\$142.37	\$347.20
Discount Store	1	1.05	24,446	\$909,563	\$482,430	\$0	\$1,391,993	\$1,391,993	\$19.89	\$19.73	\$56.94
Drug Store	1	0.9	15,578	\$708,750	\$1,164,784	\$0	\$1,873,534	\$1,873,534	\$18.08	\$74.77	\$120.27
Dry Cleaner	1	0.39	1,535	\$34,145	\$81,663	\$0	\$115,808	\$115,808	\$2.01	\$53.20	\$75.44
Tax Exempt (Religious)	1	2.12	9,423	\$756,000	\$994,479	\$0	\$1,750,479	\$0	\$8.19	\$105.54	\$185.77
Hotel	4	8.2	155,703	\$3,563,344	\$7,217,923	\$33,519	\$10,814,786	\$10,814,786	\$9.98	\$46.57	\$69.46
Undeveloped Lots	15	24.4	-	\$2,028,363	\$0	\$0	\$2,028,363	\$1,966,443	\$1.91	\$0.00	\$0.00
Nbhd Shopping Ctr	8	37.21	432,497	\$14,224,171	\$19,772,817	\$0	\$33,996,988	\$33,996,988	\$8.78	\$45.72	\$78.61
Office	7	7.41	46,369	\$1,348,438	\$2,025,683	\$0	\$3,374,121	\$3,374,121	\$4.18	\$43.69	\$72.77
Parking Lot	2	3.05	-	\$763,350	\$0	\$0	\$763,350	\$763,350	\$5.75	\$0.00	\$0.00
Pond	1	3.03	-	\$15,255	\$0	\$0	\$15,255	\$15,255	\$0.12	\$0.00	\$0.00
Fast Food Restaurants	7	6.28	23,935	\$3,359,150	\$2,422,496	\$269,388	\$6,051,034	\$6,051,034	\$12.28	\$112.47	\$252.81
Full Service Restaurants	10	10.75	44,849	\$5,155,996	\$3,957,177	\$14,599	\$9,127,772	\$9,127,772	\$11.01	\$88.56	\$203.52
Retail Stores	5	7.61	46,392	\$2,852,086	\$1,890,096	\$177,418	\$4,919,600	\$4,919,600	\$8.60	\$44.57	\$106.04
SFR	4	3.91	9,602	\$81,060	\$534,587	\$44,541	\$660,188	\$660,188	\$0.48	\$60.31	\$68.76
Warehouse	1	0.96	16,968	\$216,000	\$240,498	\$0	\$456,498	\$456,498	\$5.17	\$14.17	\$26.90
Total - All TAD Parcels	77	128.37	884,927	\$40,306,907	\$43,121,639	\$1,464,569	\$84,893,115	\$83,080,716	\$7.21	\$50.38	\$95.93
Potential Parcels Removed	16	27.23	260,387	\$11,830,914	\$15,501,445	\$293,521	\$27,625,880	\$25,875,401	\$9.97	\$60.66	\$106.10
TAD - (after deletions)	61	101.14	624,540	\$28,475,993	\$27,620,194	\$1,171,048	\$57,267,235	\$57,205,315	\$6.46	\$46.10	\$91.70

- The proposed TAD area contains more than 24 acres in vacant lots – most of which are developable.

ESTIMATED FORECAST OF FUTURE TAD PROCEEDS

West Walnut Avenue

- Forecast assumptions:
 - The proposed connection to Shields Rd. shown in red on the earlier exhibit, is completed within 5 years
 - Improvements result in the eventual development of landlocked and under-developed parcels, increasing total building square footage in the TAD from roughly 885,000 to 1.1 million SF (roughly 20%)
 - Average land values/acre within the TAD increase by approximately 10% due in part to public improvements
 - Average building values/SF increase from roughly \$50 currently to \$60 per SF as a result of new construction
 - Completion of all projects is achieved within 10 years and average taxable property values appreciate within a range of 1.0% to 1.5% per year after transportation improvements are completed
- Applying the above assumptions, the TAD’s taxable (100%) digest could grow from a base of roughly \$83.1 million in 2020 to \$111.1 million at build out. The following table summarizes potential cumulative TAD revenues over varying time periods on a nominal and net present value basis
 - (NPV values approximate the TAD’s ability to leverage “up-front” capital under various financing scenarios)

Estimated West Walnut Avenue TAD Potential

Estimated Total TAD Increment:		10 Years	15 Years	20 Years	25 Years	30 Years
Cumulative TAD Proceeds (Nominal \$):		\$1,732,595	\$4,523,661	\$7,977,933	\$11,976,661	\$16,623,632
NPV Discounted @	4%	\$1,310,734	\$2,980,048	\$4,683,310	\$6,318,565	\$7,856,023
	5%	\$1,226,129	\$2,699,347	\$4,133,386	\$5,445,964	\$6,622,468
	6%	\$1,148,331	\$2,450,256	\$3,659,814	\$4,715,776	\$5,618,517
	7%	\$1,076,710	\$2,228,792	\$3,250,822	\$4,102,225	\$4,796,753

SUGGESTED ELIGIBLE REDEVELOPMENT COSTS

North Bypass TAD

- Financial assistance/incentives to developers for priority housing types/amenities identified in the Believe Greater Dalton Housing Strategy
- Roadway extensions, intersection improvements, streetscape, utility and other public infrastructure investments that may be needed to support increased development and population growth in the TAD
- Future selective improvements to educational and/or recreational facilities to serve the area

West Walnut Avenue TAD

- (Partial) funding support for ROW acquisition, road construction, intersections, streetscapes and related connectivity improvements
- Selective financial assistance/incentives to developers to support infill development on vacant or underutilized parcels
- Selective financial assistance/incentives to commercial property owners to expand or substantially rehabilitate existing buildings – particularly if those improvements significantly increase future sales tax revenues

IMPACT OF THE PROPOSED NEW TADS ON THE 10% CAP

- The total tax digest within Dalton’s two existing TAD’s appears to have declined since their certification in 2015. BAG estimates that the City has roughly \$143.4 million (3.9%) of its total digest in existing TAD’s
- State law allows a maximum of 10% of the City Digest to be placed within TADs
 - The 10% cap totaled \$363.5 million in 2019
- Assuming all identified parcels are included in the proposed new districts, the total City digest in TADs would total just under \$237.0 million (6.5%) and leave a balance of \$125.6 million before the 10% cap is reached
 - Approximately \$27.1 million in digest could be removed from the two proposed TAD’s, which would lower the percentage of City Digest against the cap from 6.5% to 5.8%

Potential City of Dalton Tax Digest in TADs after 2020 Additions

	Parcels	Acres	Tax Digest
City Net M&O (100%) Digest (2019)	23,483	9,406.0	\$3,635,201,929
Maximum Allowable Digest in TAD's (10% Cap)			\$363,520,193
City Digest within Existing/Proposed TADs			
TAD #1 - Downtown (2019 Estimate)	910	175.0	\$91,045,755
TAD #3 - E. Walnut Ave/Mall Area (2019)	93	198.0	\$52,373,100
TAD #4? - North Bypass *	18	214.5	\$10,476,163
TAD #5? - W. Walnut Ave *	77	128.4	\$83,080,716
Total Parcels/Acres/Digest in TADs	1,098	715.9	\$236,975,734
Percent of City Totals	4.7%	7.6%	6.5%
Remaining Future TAD Capacity under 10% CAP			\$126,544,459

*Assumes all recommended parcels are included within the proposed new TAD's. These totals could be reduced

NEXT STEPS

- Authorize us to proceed to draft the needed 2015 Redevelopment Plan Amendment and new West Walnut Avenue Redevelopment Plan based on the information presented here
 - Establish a process to provide input to us before the drafts are completed
- Schedule/advertise the first public hearing for each TAD
 - November 16?
- Schedule/advertise the meeting when the Council will vote to adopt each TAD (including optional second public hearings before the vote is taken)
 - December 7?
- Draft the required Resolutions to amend/adopt the redevelopment plans and establish the new TADs