



W. BURRELL ELLIS, JR.
CHIEF EXECUTIVE OFFICER

MEMORANDUM

TO: Development Authority of DeKalb County Members

FROM: W. Burrell Ellis, Jr.

DATE: June 18, 2009

RE: Tax Abatement for Town Brookhaven Project

Thank you for your dedicated service to our county and for the work you do to promote economic vitality and quality of life. I understand the personal and professional sacrifices you are called upon to make in fulfilling your commitment to public service. I also understand that the complexity of your service is compounded by the challenging conditions of the current economic environment.

I am writing you today to share my thoughts regarding the proposed \$52 million tax abatement related to the Town Brookhaven project that you are considering.

It is my understanding that the Development Authority (the "Authority") previously approved a 10-year \$20 million graduated tax incentive for this project, requiring the owner to pay an increasing larger percentage of property taxes for each year over a 10-year period and 100% of the tax assessment in year 11. This incentive plan was proposed to and approved by the Authority in accordance with its existing policy, based upon a formula that has worked successfully for the county in incentivizing economic growth and job creation for a number of years. The bond transaction reflecting this incentive plan has been approved by the Authority and validated by the Superior Court. Furthermore, the land use and zoning designations required to support the original proposed site plan for the project have been approved by the Board of Commissioners.

As a result of a subsequent market downturn, the bond transaction has not yet closed, the original site plan has been altered, and the developer is now proposing that the Authority consider a 100 % tax abatement for a 20-year period, equivalent to \$52 million.

There is strong justification for supporting an incentive proposal for this project. Every analysis performed to date indicates that the project, once completed, will generate significantly more in annual tax revenue than the amount being generated currently and the cost of the abatement. Therefore, the county government should support this project because its completion will substantially enhance tax revenues, create jobs, and improve quality of life.

Notwithstanding the foregoing, a 100% tax abatement, extended over a 20-year period, is an unusual departure from existing policy, increases the county's exposure to market risk, and cannot be justified given the uncertainty in sales tax projections and real estate values. Furthermore, even if this added incentive were approved, it remains unlikely that the project would be completed as initially proposed due to prevailing market conditions.

Our current global recession requires us to re-evaluate our existing economic development tools to determine whether they meet the county's needs during the current economic environment. It is, therefore, vital to our continuing improvement and quality of life that we studiously review and evaluate these tools and develop a comprehensive incentive policy. We should be careful to neither create new policy, nor carve out exceptions to existing policy, designed to favor a specific investor or project. While I can appreciate the financing challenges faced by any developer under current market conditions, none of the information presented to date suggests that the project would not be completed with the incentives previously approved by the Authority.

Therefore, I would recommend that the Development Authority not approve a 100% tax abatement inconsistent with existing policy. Furthermore, the County's Department of Economic Development should immediately commence work to develop a comprehensive incentive policy that takes into consideration best practices and current market conditions. A specific time frame for completion of a proposed policy should also be established by the Department of Economic Development.

Again, thank you for your service and consideration of my thoughts and recommendations.