

# **Bond Case Briefs**

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## **Threat of Inheriting Debt Puts New Spin on Georgia's Cityhood Movement.**

Communities hoping to create their own cities by tearing away from established municipalities may find the price tag too high following a federal judge's recent decision, political experts and residents watching the Eagle's Landing effort say.

U.S. District Court Judge Leigh Martin May affirmed last week that if Eagle's Landing's is successful in its attempt to become a city by de-annexing and taking half of Stockbridge, it also will inherit millions in municipal bond debt and other obligations contractually tied to the territory.

"It should change the political, economic and financial calculation" of any community trying to copy the Eagle's Landing, said Bart Hildreth, a professor at Georgia State University and expert on municipal bonds. "What it says is that there is an exit price from any kind of arrangement."

How Eagle's Landing's secession plays out in Henry County is important to metro Atlanta because many believe other wealthier communities could use it as a template to break away from their home cities. For example, Buckhead could bolt from Atlanta.

If voters approve on Nov. 6 to take half of Stockbridge to create a new city, Eagle's Landing would be overturning decades of precedent on how towns are formed, which is usually done by annexing unincorporated parts of a county.

Sandy Springs led the incorporation movement in 2005 when residents there overwhelmingly voted to chart their own path by becoming a city. What followed was a number of other incorporations, including South Fulton, Stonecrest, Milton, Brookhaven and Peachtree Corners.

Backers of Eagle's Landing cityhood say they want to separate to improve services such as roads and libraries and to spur economic development. Stockbridge leaders argue that would better accomplished as one community.

The Georgia Supreme Court and Judge May last week both declined to cancel the vote in court challenges brought by Stockbridge, which has called the referendum unconstitutional.

The judge made the ruling after Stockbridge and Capital One Public Funding, the municipal bonding arm of banking giant Capital One, sought to stop the ballot referendum because they argued that the state had failed to create a mechanism for Eagle's Landing to pay a share of more than \$17 million in municipal bonds owed by Stockbridge.

Joshua Meddaugh, an associate professor of political science at Clayton State University, said knowing that municipal bond and other debt may follow residents will be a deterrent for similar incorporation movements.

But he thinks Eagle's Landing residents who are seeking cityhood might think it's a price worth playing.

“If they are benefiting from work that has already happened and if the money is going to be split in a way that makes sense ... they may not object,” he said, especially for residents in unincorporated Henry County who might get sanitation and other services that they don’t currently have.

Vikki Consiglio, a leader in the fight for cityhood, said Eagle’s Landing was always going to have some role in paying the bond debt and that the judge’s affirmation of that has been overblown. She said how that debt will be handled and what the potential new city would pay will be negotiated with Stockbridge if Eagle’s Landing becomes a city.

James Carmichael, a resident of Eagle’s Landing who plans to vote against the measure, said he thinks backers of cityhood have been disingenuous in how it would impact the community. He said he believes that Eagle’s Landing would have to impose a city tax to pay for the money it would owe Stockbridge and that had this issue not been fought in court, residents would have never known it was within the realm of possibilities.

“It’s a game changer,” he said of the impact the debt could have on the vote.

Charles Marshall, who supports cityhood, said the debt does not change his mind, but he thinks it could have an impact on anyone who is wavering or has been suspicious of the motives of cityhood supporters. Because it’s unclear how the debt would be paid, he is taking a wait-and-see approach on cityhood.

“My hope is that whatever the outcome of this, it strengthens business in south metro,” he said. “That has been my goal from the start.”

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By Leon Stafford

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