Bond Case Briefs

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Opponents Make Their Case to Halt Bond Issuance for Gulch Project.

City attorneys and Gulch critics sparred in court Friday over a portion of the public financing package for the huge downtown project.

The two sides appeared in Fulton County Superior Court before Judge Robert McBurney during one of several bond validation hearings required by state law before a government body can issue bonds.

While such legal proceedings are typically a routine matter, in the high-profile Gulch case, opponents have seized on the courtroom as another place to halt tax incentives for the project.

The Atlanta City Council in November approved an up to $1.9 billion public financing package to aid in development of the Gulch. The financing comes from two pots of public money – a portion of future sales taxes and property taxes created within the development.

The sales tax revenue will be used to support up to $1.25 billion in bonds for future infrastructure needed at the 40-acre site, where developer CIM Group plans office towers, apartments, hotels and retail. It was about this funding stream that the two sides argued on Friday and during another court hearing earlier this week.

The Gulch area has been deemed as an Enterprise Zone, allowing the developer to fund infrastructure improvements via bonds that are repaid by five cents of the local 8.9-cent sales taxes created within the development zone.

Under the plan, the city, through its Downtown Development Authority, would issue up to $1.25 billion bonds to be repaid by the future sales taxes.

Opponents on Friday pushed back on projections about the amount of tax revenue the project would generate and if that revenue is enough to support the bonds.

"It's highly speculative and no evidence has been brought to bear… to support any of these numbers," testified Julian Bene, a vocal Gulch critic.

The consulting firm Municap drafted a report that projected the future Gulch development could create more than $600 million in future sales tax revenue to fund bonds. The projection was characterized as conservative by a Municap executive earlier in the week.

On Friday, Ralph Dickerson, a city finance executive, was asked by an attorney for developer what happens if projections don't come true.

"That risk falls squarely upon the developer," Dickerson said.

CIM Group would be the purchaser of the bonds, at least initially, meaning the company would be on the hook if the future sales taxes aren't sufficient to pay off the bonds, the city has said.

But the city must prove to the judge the bonds are sound, reasonable and feasible.

While the $600 million-plus estimate is well short of what's needed to finance $1.25 billion in bonds, a city official testified earlier that the city doesn't plan to issue that much in bonds, at least not initially, and only wants the flexibility to issue a higher amount if the development can support it.

The city would only issue bonds according to a set schedule that requires CIM to meet certain verified development thresholds before new bonds are issued. And new sales taxes would have to provide 110 percent coverage on the annual principal and interest charges before they can be issued, Dickerson said.

The court hearing lasted into Friday evening. A hearing regarding the property tax portion of the public financing project is scheduled for January.

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