

City of Savannah
2 East Bay Street
Savannah, Georgia, 31401

March 28, 2024

Savannah Economic Development Authority
Attn: Trip Tollison, CEO
906 Drayton Street
Savannah, Georgia 31401

RE: Request for PILOT arrangement for the development of a new City parking garage at Forsyth Park

Dear Trip,

The City of Savannah (City) hereby requests that the Savannah Economic Development Authority (SEDA) provide a tax abatement through a 30-year payment in lieu of taxes (PILOT) arrangement to assist City with the financing of a new subterranean parking garage (the "Parking Garage") to be constructed on certain contiguous parcels of land (the "Project Site") adjacent to the southwest corner of Forsyth Park. This PILOT arrangement will facilitate the development of that area, including the construction of two or more office buildings above the Parking Garage with a combined approximate 115,000 SF of Class A office space (the "Office Buildings") and the employment opportunities that will be created by such development (the "Project"). The Project Site consists of the following 6 parcels of land, which will be recombined into two parcels separated by the existing Howard Street right-of-way: PINs: 20044 25001; 20044 24001; 20044 24008; 20044 24002; 20044 24003; and 20044 25002. The developer of the Office Buildings component of the Project is Forsyth Commons Holdings, LLC (the "Developer"), which has been organized by the current owners of the Project Site, certain prospective tenants of the Office Buildings, and certain other investors. Also, as part of the Project, the Developer shall construct public restrooms at Forsyth Park (the "Public Restrooms").

The PILOT arrangement contemplates that the Developer will donate to SEDA the subterranean rights to the Project Site for the construction of the Parking Garage, and SEDA will lease those rights and the Parking Garage to City upon the completion of construction of the Parking Garage. More specifically, the Developer will convey the Project Site to SEDA and the Developer will construct thereon the Parking Garage and the Office Buildings. Upon the completion of construction of the Parking Garage and the Office Buildings, SEDA will record a condominium declaration that establishes a condominium unit consisting of the Parking Garage (the "Parking Garage Condo Unit") and two or more condominium unit consisting of the Office Buildings (the "Office Building Condo Units"). SEDA will then lease the Parking Garage Condo Unit to City and the Office Building Condo Units to the Developer. This Lease will provide that the term thereof shall expire 30 years after the issuance of the Bonds (referred to below), that the rent shall be in the amount of the PILOT payment

specified below, and that upon the expiration of the Lease SEDA shall convey the Parking Garage to City and the Office Building Condo Units to the Developer for a nominal sum.

The PILOT arrangement will include the issuance by SEDA of its 30-year bonds in the approximate principal amount of \$31,350,000 (the “Bonds”) to help pay for the Parking Garage and the Public Restrooms. The PILOT arrangement will further provide that the Developer will annually pay to SEDA an amount of money equal to the incremental ad valorem taxes that would otherwise be generated by the Office Buildings, and SEDA will use those funds to continue to provide the School Board and Chatham County with an amount equivalent to the ad valorem taxes that they are presently receiving with respect to the Project Site and to pay a fee to SEDA, and the remainder of the funds will be paid to City’s general fund from which City will pay the debt service on the Bonds. The particulars of the PILOT arrangement and the bond financing arrangement will be detailed and formalized in an intergovernmental agreement between City and SEDA (the “Intergovernmental Contract”), as well as a tri-party development agreement between City, SEDA and the Developer (the “Development Agreement”).

The revenue paid to City from the PILOT arrangement together with the parking revenue generated by the Parking Garage will create a fund sufficient for City to service and repay the Bonds as well as cover the operating expenses of the Parking Garage, thus in effect creating a private tax allocation district (TAD) for this area. The Intergovernmental Contract and Development Agreement will provide that the Developer will make an annual PILOT payment to SEDA equivalent to (i) during calendar year 2024 and 2025, a predetermined amount set forth in the Development Agreement, and (ii) after 2025, an amount equivalent to the ad valorem taxes that would be payable based on an assessed value of the Office Buildings of \$55 million and the 2024 mileage rate, or an amount equivalent to the ad valorem taxes that would be payable based on the actual assessed value of the Office Buildings and the actual mileage rate, whichever amount is greater. The Intergovernmental Contract and Development Agreement will further provide that the PILOT payments will be used to pay the School Board and Chatham County an amount equivalent to the ad valorem taxes that they are presently receiving with respect to the Project Site, to pay a fee to SEDA, and to pay the remainder to the general fund of City. It is anticipated that the funds that City receives from SEDA together with the operating income of the Parking Garage will be sufficient to pay the debt service on the Bonds and the operating expenses of the Parking Garage.

The Development Agreement will include provisions that require the Developer to construct the Parking Garage pursuant to a fixed-price contract with a contractor mutually agreeable to SEDA, City and the Developer, and that require the Developer and certain prime tenants of the Office Buildings enter into long-term leases with City of 300 parking spaces in the Parking Garage, leaving the remaining spaces available for public use. The Development Agreement will also provide that Developer will design and construct the Public Restrooms, provided that the location and design of the restrooms shall be subject to City approval.

This Project will help solve a long-standing parking problem in and around Forsyth Park as well as help maintain jobs in downtown Savannah. As you know, downtown Savannah is losing approximately 250,000 SF of commercial office space with the sale of two office building towers on

Johnson Square as well as the Hunter Maclean building on Reynolds Square, each of which is being converted to either hospitality or residential use. Adding office space downtown, with adequate parking, is certainly a win for City and SEDA alike.

It is important to note that the Developer is not receiving any public incentives or tax abatements related to this Project, rather the Developer will make PILOT payments comparable to what its normally assessed ad valorem taxes would be. Thus, in effect the Developer is paying for a new parking garage and public restrooms for City.

Respectfully submitted,

Jay Melder
City Manager