

From the Atlanta Business Chronicle:

<https://www.bizjournals.com/atlanta/news/2021/02/26/new-study-regions-cids-raise-billions-to-innovate.html>

New study finds region's CIDs raise billions to innovate

Feb 26, 2021, 8:25pm EST

Representatives from Georgia Tech and Lexicon Strategies this month released the first large-scale study of the metro area's 30 current Community Improvement Districts (CIDs), which includes a new way to classify the organizations.

The report was authored by Georgia Tech's Debra Lam, managing director of Smart Cities and Inclusive Innovation; Arthi Rao, research scientist at the university's Center for Quality Growth and Regional Development; and Malaika Rivers, partner at Lexicon Strategies, who has 25 years of experience leading CIDs, including 22 directing metro Atlanta's first, Cumberland CID.

Georgia Tech graduate assistant Rachel Muller also worked on the report, "Ready for the Smart(er) City: How Community Improvement Districts are Building the Future."

While Georgia State University's Center for State and Local Finance published a report on CIDs in 2016, it focused on the public policy side rather than the commercial real estate perspective, Rivers said.

"CIDs sit at the intersection of commercial real estate development and government relations," she explained, adding that their structure of self-taxation for infrastructure improvements within their particular regions increases property values for the parcel holders as well as those around them.

"CIDs are a function of their commercial markets, and commercial markets change and evolve all the time," Rivers said. "[We are

posing many] questions on what are the opportunities for CIDs going forward.”

Those opportunities could apply to technology and digital communications, Rivers said she and Lam discussed in November 2019, as they began this project. “We started talking about the idea of understanding the CID model as a mechanism to not only build roads, bridges and transportation infrastructure but the applicability of this model for structures like digital communication and technology. How can a CID be a tool to pilot projects that otherwise the city or municipality might not be able to adopt as quickly?”

To find the answer to this and other questions, the researchers used census data, online survey responses and follow-up interviews with CID directors, and CID tax digests.

About 70% of the CIDs agreed that innovation was important to their futures, however, Rivers and Lam agreed, there was a disconnect between that and the understanding of “smart cities.”

“It’s a terminology that is not fully understood,” said Lam, adding that she defines the concept as “the process, application and integration of technology and data to improve quality of life.”

CIDs have “very clear operational goals in terms of real estate commercial infrastructure improvements,” she said. “They should think of [technology] as an additional set of tools to help support them.”

Those tools can include advanced data analytics to help with decision-making or automated vehicles or high-speed rail to improve traffic issues or high-speed internet to strengthen the district’s communications. Once CID leaders understand the smart-city term, Lam said, “they say, ‘Oh yeah, we’re doing this and we want to explore this,’ because it goes with their end goal of economic development.”

While all CIDs are built on a similar model of public-private partnership, they form in response to different regional characteristics. One of the highlights of the research was creating a classification system for “peer CIDs.” Based on the data, the report categorizes CIDs into:

Established markets: Older, high-density office/commercial/retail, high-wage and high-skill jobs. (Examples: Perimeter CID, Atlanta Downtown Improvement District);

Pioneer markets: Low ratio of CID-taxed parcels to service area, more varied tax revenues, “generally match median values across employment, wage and skills.” (Examples: Gwinnett Place CID, West End CID, Town Center CID)

Industrial markets: Primarily in industrial markets or former industrial markets, varying ages, assessed values and tax revenue but lower in wages and job skill. (Examples: Assembly CID, Boulevard CID, South Fulton CID)

The classification system can help CIDs share best practices and learning opportunities with their peer groups, Rivers said.

“Geographically speaking, they’re not too far from each other,” she said, citing several CIDs along the Perimeter and to the north that are working together on Express Lanes on the top end of I-285.

“There are a lot of opportunities for them to partner on things that impact all of them.”

CIDs already have impacted metro Atlanta’s economy, according to the study. The average size of a CID is 6.5 square miles with an average of 20% of CID-taxable land. Collectively, however, “CIDs represented more than \$16 billion in assessed value in 2019, roughly equating to \$41 billion in fair market value,” the study states. Between 1988 and 2019, CIDs in the state levied an estimated \$875 million in total tax assessments, and on average, for every dollar spent by a CID, it leverages five dollars in outside funding. Almost three-quarters of a CID’s annual budget goes toward capital projects, programs, services and planning, according to the study.

“CIDs are a powerful tool used by commercial property owners as a means to protect and grow real estate investments. CIDs allow the private sector to improve the public realm and public infrastructure through efforts typically under the purview of governmental entities,” the study states.

What are the next steps from the research? CIDs themselves can use the data to plan for their futures and develop relationships with peer groups. And though the report found that CIDs are becoming a stronger network in metro Atlanta, Rivers said she sees other

Georgia markets – particularly Savannah – could benefit from CIDs. “It’s a market growing in leaps and bounds because of an increase in port activity, and that is not going to slow down,” she said, adding that she sees the report having wider reach than Atlanta. “There are wonderful opportunities for the commercial real estate interests and government interests in that area to recognize these are proven public-private partnerships they can use to manage and fuel growth and reverse decline.”

CIDs at a glance

- A Community Improvement District (CID) is an entity of commercial property owners within a defined geographic area, where a simple majority of those owners representing at least 75% of the real property value agree to impose additional property tax to fund public improvements. These improvements include road construction and maintenance, beautification, public transportation, and parks and recreation.
- CIDs are authorized under the Georgia Constitution and are considered by their local governments to be self-taxing authorities.
- 24 new CIDs formed in the last 15 years, more than a two-fold increase over the first 15 years. Currently, 34 legal CIDs operate under 30 CID umbrella organizations.
- The average size of a CID in metro Atlanta is 6.5 square miles with an average of 20% of CID-taxable land. Collectively, “CIDs represented more than \$16 billion in assessed value in 2019, roughly equating to \$41 billion in fair market value.”
- Between 1988 and 2019, CIDs in the state levied an estimated \$875 million in total tax assessments, and on average, for every dollar spent by a CID, it leverages five dollars in outside funding.
- More than 40 different counties and cities in Georgia have passed Local Acts enabling the opportunity for CID formation, however only 16 have seen CIDs form in their jurisdictions.
- During the first 10 years (1988-1999), CID formation was initiated solely by the private sector. From 2010-2019, that number dropped

to 42%, with 58% initiated by a combination of public sector, private sector and/or residential interests.

— The average length of time spent in CID formation is four years, three months, more than twice the prior commonly held belief of the length of the process. On average, the lengthiest part is “pre-discussions,” or the time it takes to develop a core group of local property owners, lasting two years, three months.

Source: “Ready for the Smart(er) City: How Community Improvement Districts are Building the Future,” Georgia Tech and Lexicon Strategies

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