

## SOLIS HOTEL FACT SHEET

Acron 2 Porsche Drive, Atlanta, LLC (“Acron”) will build an upper scale hotel with approximately 214 rooms, to be to be initially branded as the Solis Two Porsche Dr. Hotel (“Hotel”). To incentivize Acron to locate its Hotel in the City of Hapeville (“City”) rather than in another jurisdiction, the City, through the Development Authority (“DA”) will enter into an agreement that reduces the property taxes payable by Acron.

The development of the hotel will be partially financed by the issuance of revenue bonds by the DA. In connection with the issuance of the revenue bonds to be purchased by an affiliate of Acron, the DA will become the owner of the Hotel and will rent it back to Acron in return for rental payments equal to the debt service payments on the bonds.

- Acron will use 100% private funds to build the project, which is projected to have a taxable value of approximately \$48 million.
- Subsequent to completion, using the bonds Acron will transfer title of its Hotel to the DA, making the DA the legal owner.
- The DA will rent the Hotel back to Acron through a rental agreement that will equal debt service payments on the bonds, plus additional rents discussed below.
- The DA will only pay the bond payments from rent received from Acron. The DA is not responsible for payment of the bonds if Acron does not make the rent payments. **The DA will bear no responsibility for the payment of these bonds if the project fails.**

The DA’s obligations for the Hotel are “limited recourse obligations,” payable solely from the rents received from Acron. That means that the debt is guaranteed only by revenue generated from, and the assets of, the project. Neither the City nor the DA is guaranteeing any debt. If the Hotel fails, Acron’s mortgage lender will foreclose on the Hotel, and the DA will cease to own it. It will then be the lender, as opposed to the DA, that will be seeking a new buyer/operator for the Hotel. The DA has no liability for any payments on the bonds beyond the rent payments it will receive from Acron.

**If the hotel fails, neither the City’s nor the DA’s assets will be exposed to liability for payment of the defaulted bond.**

Pursuant to the Rental Agreement, the DA will rent the property to Acron and Acron will pay rent to the DA:

- Since the DA will own the property and the Rental Agreement will be a usufruct, the property will be exempt from ad valorem property taxes.
- In addition to the rents identified in the paragraph above, starting in year 6 Acron will pay additional annual rent of \$455,644 to the DA. This amount is approximately 50% of the total property taxes (County, School and City) that Acron would have paid if it owned the property. However, this amount is \$133,343 more than the property taxes the City of Hapeville would have received at its 16.61 mills from Acron if it had owned the property.
- Under this agreement, the additional rent payments (over and above the rents that pay the bond payments) for years 6–30 total \$17,296,362 and continue until Acron exercises its option to purchase the property from the DA.
- **Over the 30 years of the agreement, the additional rent payments received will be \$6,604,636 more than the City would have received in property taxes without the agreement.**

In addition to these additional rent payments, the operation of the hotel will generate other streams of revenue:

- Authority Issuance Fee of \$92,500
- Hotel/Motel tax is projected at \$482,230 in its first year of operation and, upon stabilization the average annual Hotel/Motel tax payable to the City is projected to be approximately \$678,580.
- Business license fees for the hotel, as well as for the retail spaces and restaurants on the site
- Alcohol license fees for the restaurants on the site
- Water & sewer revenues
- Personal property taxes assessed on all equipment and furnishings at the City millage rate

The design of this business deal is very common in today's market and has been duplicated dozens of times around the Atlanta area. In today's development environment, communities in Georgia often offer incentives to compete for and attract major economic development projects. Deals structured in this fashion are routinely offered by Fulton County, DeKalb County, Cobb County, Clayton County and many other jurisdictions.

Subsequent to execution by the Mayor and Council, and the DA, and before any money is borrowed, the transaction will be presented to a Superior Court judge for validation pursuant to state law. In this process, the superior court judge will review the totality of transaction and make a final determination of its legal validity, including validation of the tax exempt status of the project. Thereafter, attacks upon the validity of the transaction will be forever precluded by law. The possibility of invalidation of the tax exempt portion of the transaction is very unlikely and remote. However, in the unlikely event that it is successfully challenged, the worst case scenario is that the City will receive its otherwise normal share of the property taxes as if this transaction had not existed. The risk to the DA and the City are limited to only the unlikely loss of the Additional Rent Payments. The City would receive its regular tax but not get the extra \$6,604,636. Even under the worst case scenario, as long as the Hotel operates, the City will receive the other streams of revenue listed above.

The site currently pays a very nominal amount of property tax and thus contributes very little to the tax base of the city. After development, this site will house one of the most valuable taxpayers in the City.

A halo effect, which cannot be quantified but should not be discounted, will likely be experienced by having a four-star hotel anchor this important development area. The Hotel property will create many good jobs in the City. Its patrons and employees will spend money supporting other local restaurants, shops, theaters and venues. Having the first two projects on the old Ford site be Four and Five Star campuses is an extraordinary beginning. This development has the ability to change the face of the City for the better. We look forward to the successful completion of this project and the benefits that will flow there from to the City and its citizens.