Wharf St. Mary’s
Roadmap to Redevelopment

Prepared for:
Camden County Joint Development Authority

Prepared by:
Council of Development Finance Agencies

August 2018
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About the Roadmap to Redevelopment

The Roadmap to Redevelopment is a product of the CDFA Brownfields Technical Assistance Program, which is funded through a grant from the U.S. Environmental Protection Agency (EPA). The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and offer financing strategies. The goal of these visits is to provide communities with specific, actionable steps that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The Roadmap to Redevelopment was developed through a multi-day process that included interviews with numerous stakeholders from the government, business, and non-profit sectors. The strategies provided are based on the input of development finance experts, CDFA staff, and the interests of stakeholder groups gathered during the Project Response Team site visit. This report provides a framework for financing the cleanup and redevelopment of a former paper mill into a marina with a boat repair yard, housing, and retail.
Background & History

St. Mary’s lies just 35 miles north of Jacksonville, FL on the waterfront of the St. Mary’s River. It is known as the gateway to the Cumberland Island National Seashore, as each year many visitors board ferries that cross the river to the largest of the Georgia Coast’s barrier islands. Widely accepted as the oldest town in the state, St. Mary’s founding dates back to 1787. The Gilman Paper Mill was built in 1940 and grew to encompass 719 acres along the North River. Along with the rise of the mill, St. Mary’s GA was born as a true company town. The Mill once employed nearly all of the town’s population; at the height of operations, it is estimated that nearly 5,000 people were employed. In 2001, the mill was sold to Durango, a company that went bankrupt less than a year later. When the mill officially closed in 2006, over 900 people lost their jobs. The property is currently controlled by a bankruptcy trustee but the City has an option to acquire the property which expires in October 2018.

Leading up to the housing market crash in 2008, a redevelopment proposal for the mill site promised to bring a high-end housing development to the former mill site. Although the use was highly supported by the community, the market turn caused the plan to be abandoned. Since then, the site has been vacant and any developers evaluating the location have been deterred by the amount of environmental cleanup and site prep required. The structures on the site have been demolished, but large piles of rubble lie where the buildings used to stand, and foundations are largely intact.

Over the last several years, the Camden County Joint Development Authority (JDA) has been leading efforts to redevelop the property and has invested over $200,000 in cleanup on the site. JDA has envisioned subdividing a 52-acre section of the property to facilitate the development of a mixed-use wharf, including dry dock storage, a boatyard, docking facilities and boat repair facilities, along with mixed-use commercial with a residential component, all to be known as “Wharf St. Mary’s.”\(^1\) A developer has been identified and is currently working closely with JDA to obtain permits and complete predevelopment work on the property. The developer is required to fund JDA’s acquisition of the property and be the grantee on the deed from the bankruptcy estate.

A market study dated February 13, 2018 and prepared by CBRE in connection with Wharf St. Mary’s is quite favorable, projecting revenue growth in the industry as a whole. It identifies both ample demand for available boat slips and boating related services while noting the lack of such capacity in southern Georgia. The proposed location for the marina has the additional advantage of being located in a “hurricane hole”, protected from strong storms by barrier islands while still providing deep-water access for large boats. Another unique advantage of the location is that boaters realize significant insurance savings by locating their boat north of the Florida line, due to the Sunshine State’s increased pricing and

regulations resulting from the recent hurricane damages from 2017. Despite these advantages, projected revenues for a marina project in Georgia are estimated to be approximately half of the revenues of similar projects located in south Florida, which is arguably the most popular spot on the east coast for boaters. Due to the lower projected revenue rate, a marina project is much more difficult to finance in the Georgia market versus a similar project in the Florida market.

One of the greatest challenges of the proposed development is to provide a safe environment for boaters navigating the strong currents of the North River. JDA has committed to assisting with the development of a marina basin as an essential component of the design. The current plan is for JDA to lease the portion of the site that will become the marina basin, while ownership of useable upland acreage will be the developer’s. The site is included within a Tax Allocation District (TAD), Georgia’s version of a tax increment financing (TIF) district, which will be used to assist in funding the marina basin construction.

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2 CBRE. (February 2018). St. Marys Marine Center Feasibility Study.
3 Projected revenue for St. Mary’s Marina is approximately $15/linear square foot, versus $30/linear square foot in south Florida market [Interview with developer on June 13, 2018].
According to the developer, the total project cost is estimated at $22M. Even with TAD revenues, a sizeable funding gap remains (as of the date of this report, no less than $3M). Other available financing tools that have been identified by JDA and the development team include the following:

**Community Improvement District (CID):** St. Mary’s City Council approved a CID for the St. Mary’s Marine Center (now known as Wharf St. Mary’s) in 2017. The CID will allow the developer/owner to impose an additional tax (self-tax) that can be used to finance public aspects of the project including water/sewer, roads, and lighting.

**Military Zone Tax Credit:** The Georgia Military Zone Tax Credit is a job tax credit based on the number of jobs created in a Military Zone. The tax credit is $3,500 per job with a minimum of 2 jobs required and can be claimed for up to five years if the jobs are maintained. Wharf St. Mary’s qualifies for this credit as it is located within the defined boundary of the Kings Bay Military Zone.

**Boating Infrastructure Grant:** The Boating Infrastructure Grant Program (BIG) provides grant funds to the states, the District of Columbia and insular areas to construct, renovate, and maintain tie-up facilities with features for transient boaters in vessels 26 feet or more in length, and to produce and distribute information and educational materials about the program. Funding is typically limited to $1.5M per project or 20 percent of total project cost.

**Clean Vessel Act:** The Clean Vessel Act (CVA) of 1992 is federal legislation signed into law to establish grant funding for the construction of pumpout and dump station facilities that will provide for proper disposal of human sewage from recreational vessels operating in both fresh and saltwater areas of the United States. The CVA grant program is administered by the U.S. Fish and Wildlife Service through individual state agencies and has awarded nearly $260 million for projects nationwide since its establishment. Federal funds can be used to reimburse up to 75 percent of the approved project costs. The remaining “matching” funds must come from state or local sources.

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Strategies

Part I: Demonstrating Financial Feasibility

Due to the difficulty of getting the financials of the project to pencil out based on the market alone, the development will only be realized by combining multiple sources of funding. It is suggested that the development team focus heavily on identifying grant opportunities and consider how various ownership structures might improve the financing potential.

i. Develop Detailed Proforma of Funding Sources and Uses

The developer is understood to have a detailed breakdown of project costs, but as of this report, the cost breakdown has not been shared with JDA. It is not clear how many line item costs (uses) are linked to specific sources of capital. As JDA works to identify additional public financing resources to fill the financing gap, this should be reflected in a working proforma that can be adjusted to shift line items from public to private sources and vice versa in such a way that favors the overall project budget; for example, shifting a cost from “engineering” to “public infrastructure” could allow that cost to be paid by a public funding source if that item was essential to the project and falls within the eligible activities of the proposed funding source. By sharing a working proforma, the developer and JDA can communicate clearly on specific financing gaps, identify items which may qualify for public money and work together to target additional sources of funding.

ii. Hire a Consultant to Identify and Pursue Grant Opportunities

Although the sections below identify several potential grant sources, it is likely that opportunities for funding exist that may not be widely known or published, such as foundation funding and/or coastal resources funding opportunities through federal agencies. Many of these sources are very competitive and are awarded based on how the project addresses a community need, improves the economy, or enhances resiliency. For this reason, an experienced consultant who is well connected with state and federal groups and adept at building relationships and writing grants would be a wise investment for the developer to make to ultimately bring additional capital to the project. As sources are identified and included in the proforma as described above, some creative public-private cost shifting should reduce overall cost burden on both the developer and JDA.

iii. Consider increasing public ownership in project to open up financing options

As mentioned above, the current plan is for JDA to own and lease the portion of the site that will become the marina basin, while ownership of useable upland acreage will be the developer’s. As many grant opportunities are often reserved for local governments, it may
be worth considering a broader public ownership component for the project. This may also allow for some of the project phases to be financed at a lower rate.

iv. Consider soliciting other private investment

Wharf St. Mary’s may benefit from cash infusions through the sale or optioning of discreet portions of the land which comprises the project. The current developer could remain as the Master Redeveloper of the project while other developers may be better situated to construct and either own or operate specific portions, such as the mixed-use upland development. JDA may also consider using a similar approach to the land outside of the immediate Wharf area. Further, given the interest expressed by members of the boating community for the facilities which the Wharf would provide, it may be productive for JDA to reach out to boat manufacturers and related service providers who may recognize the potential of the project site and want to be a partner or otherwise invest in the project.

v. Consider phasing the project

The project as currently contemplated is substantial and has numerous components in addition to a significant funding gap. JDA may wish to re-evaluate each individual component to determine whether there is a way for each component to be a separate profit center or otherwise support itself even before the construction of the entire project is completed. To that end, JDA and the current developer may solicit an anchor tenant for the commercial portion or attract a use which would drive traffic to the site from a tourism perspective, creating a synergy with or extension of the other tourism attractions and events.

vi. Have an exit strategy

JDA and the developer should have a clear, written understanding of backup strategies in the event that the developer cannot obtain the necessary funding in time to fund its acquisition of the project site from the bankruptcy estate. By setting forth explicit goals and deadlines and retaining certain rights, JDA may avoid protracted litigation and allow a relatively painless transition of control to another developer or redeveloper group. Moreover, JDA may consider the possible outcomes if it is not able to acquire the site through the purchase option. Any other person acquiring the site will still have to propose a use which is consistent with the zoning and any restrictions overseen by JDA. Further, in the event the site goes to auction, acquisition of the site by JDA or another developer may be under more favorable terms than the purchase option which could alter the financial dynamics of the current project as proposed, reducing the need for capital investment or additional financing.
Part II: Utilizing State and Federal Resources

Several grant opportunities exist at the state and federal level that can support various aspects of the project. Procurement of one or more of the following resources would make a significant contribution to the development gap.

i. Redevelopment Fund

The Georgia Department of Community Affairs (DCA) administers the Redevelopment Fund (RDF), which was created as a set-aside of Georgia’s non-entitlement CDBG Program. The RDF provides local governments access to flexible financial assistance to help them implement projects that cannot be undertaken with the usual public-sector grant and loan programs. The RDF finances locally initiated public/private partnerships to leverage investments in commercial, downtown, industrial redevelopment, and revitalization projects that may not proceed otherwise.7 Like CDBG, the RDF is used to eliminate “slums and blight.” Grant assistance is available to local governments, while direct loans are available to private businesses. The maximum award amount is $750,000 per project. The next round of applications can be accepted beginning October 1, 2018. JDA can submit the application anytime to be in the pipeline. Projects are evaluated based on strategy, impact, and feasibility.

ii. Employment Incentive Program

The Employment Incentive Program (EIP) is also administered through DCA and can be used to finance various public facilities, infrastructure and fixed assets as long as the improvements result in the addition or enhancement of jobs for low- and moderate-income persons. The EIP can be used in conjunction with traditional private financing for economic development projects.8 The maximum award per project is $750,000.

The EIP and RDP cannot both be awarded to DCA for the same project. In regards to the initial project needs of Wharf St. Mary’s, the RDF program is the best fit. The EIP can be pursued on behalf of a future tenant of the site if funds are needed to assist with the public costs associated with the construction, assuming the project meets the jobs requirement.

iii. Coastal Incentive Grant (CIG) Program

The Georgia Department of Natural Resources (GDNR) administers the CIG with the goal of balancing economic development in Georgia’s coastal area with preservation of natural, environmental, historic, archaeological and recreational resources for the benefit of Georgia’s present and future generations. The CIG Program is a competitive pass-through subgrant program made possible by a grant to GDNR from the National Oceanic and Atmospheric Administration (NOAA) through Congressional funding pursuant to the Coastal Zone Management Act. Though relatively small grants, these could cover costs associated

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with the marina basin and public access. Most awards made to local governments in 2016 and 2017 were under $50,000.

iv. Economic Development Administration (EDA) Public Works Program

EDA’s Public Works program helps distressed communities revitalize, expand, and upgrade their physical infrastructure. EDA grant funding is targeted for distressed areas and is tied to job creation. These grants are highly competitive, but the City of St Mary’s and Camden County have a compelling story in that the closing of the paper mill, which once supported the entire town, had a devastating effect on this community, resulting in the loss of nearly 1,000 jobs. As a property that sat blighted and vacant for 20 years, the site now has potential to become a regional economic generator.

v. HUD Community Development Block Grant (CDBG) Funding

To the extent the City of St. Mary’s receives CDBG funding and has identified the land comprising Wharf St. Mary’s as “blighted” under HUD regulations, remaining environmental contamination may be remediated, and other development-related activities may be funded, through the City’s CDBG allotment. Moreover, CDBG funds may also be used to guarantee loans which the City or JDA may make to eligible property owners and developers, upon the establishment of a Section 108 loan program. Insufficient information was provided for a determination of eligibility to be made but JDA is referred to the following sites for more information:

- Section 108 Loan program: https://www.hudexchange.info/programs/section-108/

Part III: Incentivizing Private Investment

Wharf St. Mary’s is eligible for certain federal incentive programs that have various qualifying factors including project location, end use, and jobs created.

i. Utilize New Markets Tax Credits (NMTC)

The project site is located in a NMTC eligible census tract. The NMTC program incentivizes economic growth through the use of tax credits that attract private investment to distressed communities that provides significant direct benefit to low income people. The NMTC Program can potentially generate a substantial amount of private equity (approximately 20-25 percent of project costs) for eligible projects depending on the fee structures of the Community Development Entity (CDE) providing the credits and investors.

However, to be competitive projects must have a strong commercial or retail component providing direct benefit to low income persons. NMTC is intended to fill financing gaps on a project and requires that 80 percent of the total project cost be funded through other
sources, including conventional lending or certain bond financing, equity from the project owner or investors, other government or public subsidy (grants/loans, etc.), and private donations and/or fundraising. The average minimum size of most NMTC projects is around $8M (generating under $2M in actual funds). Projects requiring in excess of $10 million may require multiple grant allocations over the course of several years. The tax credits are highly competitive and are awarded by the CDE according to the criteria described above, and the specific mission of the CDE. CDFA can assist in identifying CDEs working in Georgia whose mission may align with the project.

ii. EB-5

The EB-5 program is a federally-authorized visa category created by Congress in 1990. The primary concept is to encourage foreign investment in job-creating U.S. economic development projects or companies in return for a U.S. green card. These projects or companies must create or retain 10 full-time jobs in the states, and a minimum investment of $1M is required. This investment can be reduced to $500,000 if the investment is made in a high unemployment or rural area. EB-5 projects are typically financed through Regional Centers, which can accept the investment from the green card-seeking investor. The U.S. government sets aside 10,000 green cards each year for foreign investors participating through designated Regional Centers. The centers invest in projects that meet all of the program criteria. Like NMTC, EB-5 is a complex tool, and there are significant investment and timing rules that must be followed. It’s important to consult and work with reputable and qualified Regional Centers, immigration lawyers, and project finance experts. Many successful hospitality projects have been financed using EB-5. CDFA can provide suggestions of reputable Regional Centers who can evaluate Wharf St. Mary’s and associated operations for appropriateness of using EB-5 as a potential financing tool.

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Additional Resources

CDFA Brownfields Financing Toolkit |

CDFA Online Resource Database |
http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html

CDFA Advanced Bond Finance Reference Guide |
https://www.cdfa.net/cdfa/store2.nsf/browse.html?open&so=popularity

Economic Development Administration Funding Opportunities |
https://www.eda.gov/funding-opportunities/index.htm

Immigrant Investor Regional Centers (by State) |
## Acknowledgments

A Project Response Team site visit requires a significant commitment of time and resources. The authors would like to recognize the commitments of many individuals throughout this process. Firstly, the authors would like to thank the following individuals and organizations for their involvement:

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The Roadmap to Redevelopment Plan was authored by the Council of Development Finance Agencies (CDFA), a national association dedicated to the advancement of development finance concerns and interests. Learn more about CDFA at www.cdfa.net.

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