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MAYOR

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### INTEROFFICE MEMORANDUM

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**TO:** ATLANTA CITY COUNCIL  
**FROM:** ROOSEVELT COUNCIL, JR.  
**SUBJECT:** WESTSIDE TAD/GULCH DEVELOPMENT  
**DATE:** SEPTEMBER 7, 2018

Please find the attached summary documents related to key legislative papers originally introduced on August 6, 2018. These summaries provide a general overview of the salient terms that form the foundation of the proposed partnership between the City, Invest Atlanta and CIM with regards to the development of the Gulch.

All relevant documents memorializing the terms of the proposed Westside Tax Allocation District extension, the proposed Gulch Development Project and other related matters will be uploaded to the Electronic Legislative Management System ("ELMS") for your review. Consistent with the Mayor's sustainability "best practices," we have elected not to print out these voluminous documents. However, if you desire hard copies, please let us know.

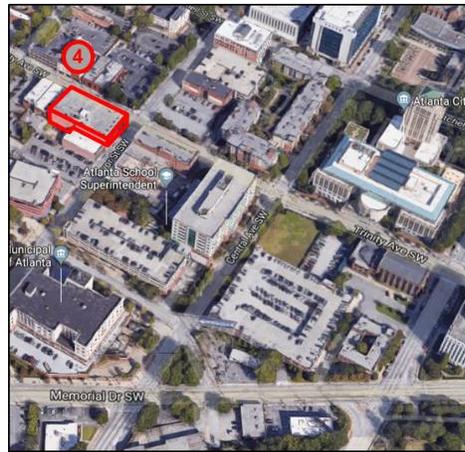
Please know that we are also available to discuss the details of these documents with you. Please do not hesitate to give me a call.

## ASSET SWAP SUMMARY

In December 2017, Ordinance 17-O-1793 was approved, authorizing the City of Atlanta (“City”) to exchange certain real property with CIM Spring St. (Atlanta) Owner, LLC (“CIM”). In August 2018, Ordinance 18-O-1484 was introduced to add additional real property (160 Trinity Ave.) from CIM.

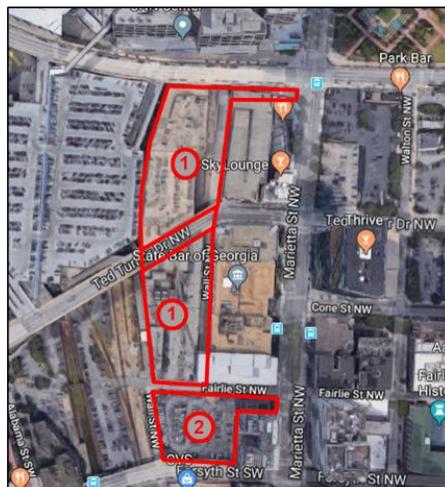
**City of Atlanta Receives.** CIM will contribute the following assets to the City of Atlanta:

- 1) **175 Spring Street (Demolished with resurfaced Parking Lot)** – An existing building that will be demolished leaving a clean, paved land site that can be used for parking totaling approximately 15,500 SF.
- 2) **185 Spring Street** – A 75,000 SF office building that will be renovated by CIM prior to contributing to the City.
- 3) **Packard Parking Lot** – A parking lot that will be resurfaced and will be used by the 185 Spring Street employees totaling approximately 72,500 SF.
- 4) **160 Trinity** – A 58,100 SF office building located at the corner of Pryor Street and Trinity Street (1 block from City Hall) that will be renovated by CIM prior to contributing to the City.



**City of Atlanta Contributes.** The City of Atlanta will contribute the following assets to the CIM:

- 1) **2 City Plaza Production & Warehouse Buildings** – A storage and parking structure encompassing approximately 160,000 land SF.
- 2) **2 City Plaza Fairlie St Parking** – A parking lot totaling approximately 48,000 SF currently used by Watershed employees working in 72 Marietta. Employees will park in the new, below-viaduct parking structures once the Gulch is complete.



# Gulch Development and Financing Summary

## Development Snapshot

- Transforming nearly 40 acres of undeveloped land into approximately 35 usable acres (12-15 connected and dynamic new city blocks) of new infrastructure, roads, sidewalks, open space, and city parks.
- Largest transit-oriented project in history of Atlanta, bookended by two MARTA stations.
- Project design includes significant engineering requirement to raise the area by approximately 40 feet to meet the height of the existing street grid (estimated cost: \$400MM-\$500MM).
- Estimated build out: 7-12 million square feet
- Office: up to 9.3 million square feet
- Retail: up to 1.0 million square feet
- Residential: up to 940,000 square feet
- Hotel: up to 750,000 square feet



## Financial Highlights

- **Tax Allocation District (“TAD”) Bonds:**
  - o Currently, there is only a nominal amount (nearly \$0) in property taxes generated in the Gulch today.
  - o Estimated bond amount of \$350MM (not to exceed amount of \$500MM; 10% of total project costs).
  - o Projected to generate approximately \$21MM-\$35MM annually in real estate tax.
  - o CIM will be the sole initial purchaser of new TAD Bonds and will assume ALL financial risk.
  - o CIM will fund all initial design and construction expenditures.
  - o TAD Bonds will be repaid solely from real estate tax increment generated by CIM’s successful redevelopment of the Gulch Enterprise Zone.
  - o No financial credit support from or default risk to the City.
- **Enterprise Zone (“EZ”) Bonds:**
  - o Currently, there are no sales taxes generated in the Gulch.
  - o Estimated bond amount of \$550MM (not to exceed amount of \$1.25B).
  - o Projected to generate approximately \$38MM annually in sales tax increment including approximately \$18MM annually to support MARTA, E-SPLOST, MOST and T-SPLOST projects (assuming 1M square feet of retail).
  - o 2017 HB 342 provides for 5 cents of the 8.9 cent sales tax to be available to support development bonds and the remaining 3.9 cents to be available to fund education, public transportation and infrastructure, and water/sewer projects.

Sales Tax Allocation		
State Sales Tax	4.0%	Development Bonds
LOST*	1.0%	Development Bonds
MARTA (Original)	1.0%	MARTA
MOST*	1.0%	Water & Sewer
E-SPLOST*	1.0%	Atlanta Public Schools
MARTA (Supplemental)	0.5%	MARTA
T-SPLOST*	0.4%	Public Infrastructure
<b>Total</b>	<b>8.9%</b>	

- o CIM will be the sole initial purchaser of new EZ Bonds and will assume ALL financial risk.
- o EZ Bonds will be repaid solely from sales tax generated within the Gulch Enterprise Zone
- o No financial credit support from or default risk to the City.
- **Community Investment:**
  - o As a result of the Gulch development, 20% (up to \$100MM) of TAD Bond proceeds will become available to facilitate redevelopment within the Empowerment Zone Communities (particularly Vine City and English Avenue neighborhoods).

## **SUMMARY OF DEVELOPMENT AGREEMENT PUBLIC PURPOSE INITIATIVES**

In connection with the Gulch redevelopment project, the City, the Downtown Development Authority (“DDA”), and CIM will enter into Development Agreements that provide for the following public purpose initiatives:

### **1) Affordable Housing Trust Fund:**

- CIM will pay \$28,000,000 into an affordable housing trust fund to increase affordable housing Citywide. Payments will be made as follows: three equal payments in years 2018, 2019, and 2020 totaling \$14,000,000 and three equal payments in years 2022, 2023, and 2024 totaling \$14,000,000. The fund will be administered by the City or one of its agencies.

### **2) Onsite Affordable/Workforce Housing (Rental and For-Sale Units):**

- CIM or the housing developer (as applicable) will provide a minimum of 200 residential units or 20% of the total residential units constructed in the Gulch (whichever is greater) as affordable housing for a term of not less than 99 years.
- A land use restriction agreement and memorandum of affordable housing will be filed in the Fulton County, Georgia land records to ensure compliance with the 99-year affordability requirement.
- The residential rental units will be made available to households with an income that does not exceed 80% of Area Median Income (“AMI”).
- If AHA provides vouchers for residential rental units to the housing developer, the housing developer must provide an additional 10% of the total residential rental units to households whose income does not exceed 30% of AMI.
- Regarding for-sale residential developments of 5 units or more, CIM must incorporate a mix of housing types that are affordable to market and workforce households with a minimum of 20% of the proposed for-sale units allocated to households earning 120% and below of AMI.
- Invest Atlanta and/or DDA will have a right of first refusal to purchase a for-sale unit, directly or through another government entity or non-profit, prior to CIM marketing the unit to the public.

### **3) Economic Development Fund:**

- CIM will pay \$12,000,000 into an Economic Development Fund to promote economic development Citywide. Payments will be made in four equal payments made in years 2018, 2019, 2020, and 2021.

### **4) APD Mini-Precinct:**

- CIM will construct and lease to the City for \$1 per year a 1,500 square foot mini-precinct at the Gulch project.
- The leased premises will be delivered to the City in a warm shell condition, and the City will be responsible for its tenant improvements.
- APD will be provided 10 surface parking spaces and an additional 10 spaces in the adjacent parking deck.

**5) Office Space for Economic Development Services:**

- Invest Atlanta will have the opportunity to lease 20,000 rentable square feet of office space in the Gulch project for a term of 15 years at a base rental rate that is 50% below market rate. Invest Atlanta will be responsible for other operating costs associated with the lease.
- The lease provides the opportunity to create operating cost savings to Invest Atlanta that would be reallocated to provide additional support for economic development strategies/programs such as affordable housing, business support services, job creation, neighborhood revitalization, home ownership, etc.

**6) Peach Drop:**

- The Peach Drop will be held at the Gulch project for a period of ten (10) years at no rental cost to the City. The City or event sponsors will be responsible for the costs to host event (security, setup, tear down, etc).

**7) Security Enhancements:**

- CIM will provide security enhancements including public safety call boxes and cameras in the Gulch project. The cameras will be permitted to connect to the City's Video Integration Center.

**8) Nelson Street Bridge:**

- Nelson Street Bridge has been closed since 2009 due to its deteriorated condition. Under an existing agreement with Norfolk Southern, the railroad is responsible for demolishing the bridge and the City is responsible for constructing a new bridge. The costs associated with construction of the new bridge are estimated at \$5,000,000.
- CIM will demolish, reconstruct, and maintain the new bridge.
- The City will continue to have perpetual easement across the bridge for the benefit and enjoyment of the public.

**9) Fire Station:**

- CIM will construct and convey to the City a seven bay, 16,000 square foot fire station in a location in the Gulch project to be agreed upon by the City and CIM. The estimated cost of the fire station is \$12,000,000. The fire station would be conveyed to the City in exchange for the existing Fire Station No. 1 property, subject to City Council approval of the exchange transaction.
- If City Council doesn't approve the proposed exchange transaction, then CIM will pay \$12,000,000 to the City for the cost to purchase land and construct a new fire station.

**10) Carrie Steel Honor:**

- CIM will install a commemorative plaque or marker at the Gulch project recognizing Carrie Steele Logan's efforts to foster orphans and in creating the first orphanage to serve African American children in Georgia.

**11) Workforce Development Implementation Plan:**

- CIM will donate \$2,000,000 to assist with the implementation of the Workforce Development Plan as created by the Atlanta Committee for Progress.
- The goal of the Plan is to place more City residents into living wage jobs and increase economic inclusion by creating a pipeline of City residents who are prepared for careers that are in demand.

**12) Equal Business Opportunity (“EBO”):**

- CIM has agreed to use best efforts to achieve a goal of 38% utilization of Minority and Female Owned Business Enterprises (“M/FBE”).
- M/FBE utilization at the Gulch project is subject to monthly reporting requirements which will be certified by the City.
- CIM has agreed to make offers to one or more M/FBEs to acquire 10% equity interest in the ownership of the Gulch project.

**13) Fees:**

- CIM will pay all of the customary fees associated with redevelopment projects, including affordable housing monitoring, professional services fees, and administrative fees.
- CIM will also pay the costs associated with a Verification Agent, who will be engaged by DDA, to certify that costs submitted are eligible for reimbursement from sales and property taxes.