



Georgia Square Mall Redevelopment TAD Funding Application

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Re: Revised Georgia Square Mall Redevelopment TAD Funding Application

Ms. Dye and Members of the Athens-Clarke County TAD Committee:

On behalf of Athens Development Group (the “Developer”), please accept the attached, revised application for Tax Allocation District funding for our proposed mixed-use redevelopment of Georgia Square Mall (the “Mall”), which is located within Tax Allocation District Number 1 - Unified Government of Athens-Clarke County, Georgia, also known known as “Mall Area Tax Allocation District.” After further and more detailed analysis, and pursuant to our subsequent discussions with the economic development team at Athens-Clarke County, Georgia (“ACCGov”) and the various public sector participants, we have determined to modify our funding approach to allow ACCGov and the Developer to fully realize the vision of, and generational opportunity to create, a transformative, best-in-class, mixed-use community and neighborhood that will redefine Athens-Clarke County’s retail, residential, and office landscape (the “Project”). To be clear, the Developer team stands ready to agree to, and implement, the enhanced private and public sector improvements necessitated by ACCGov’s requested land use plan amendments. But for the TAD funding, the Developer would obviously not be obligated to agree to these enhancements and the costs associated therewith. Without the TAD funding requested herein and the partnership with ACCGov, such enhance would not be feasible, resulting in a more “pedestrian” or bare bones redevelopment of the Mall site, consistent with the existing zoning entitlements.

As a brief re-introduction, the Project will transform the deteriorating, largely vacant Georgia Square Mall located along Atlanta Highway, adjacent to State Route 10. Occupancy at the Mall began to rapidly decline in 2017. Since then, the Mall has lost all but one of its anchor tenants, and the physical structure of the Mall has substantially deteriorated. The structure is now over 40 years old. ACCGov expressly recognized and responded to the community’s strong desire for the site to be redeveloped when it proactively created a TAD Plan for the area in 2020.

With the greatly enhanced horizontal, public improvements requested by ACCGov, the Project will deliver on the community’s desires and ambitions. Notably, the enhanced public improvements are largely required to be funded up front (e.g., in the first 1-3 years of the Project’s development timeline). Only through the public-private partnership framework offered through the TAD can ACCGov and the Developer jointly cause the creation of a pedestrian-friendly environment that encourages walkability, biking, and alternative modes of transportation on a formerly auto-centric and pedestrian-hostile, surface parking lot. The project will add a central public greenspace, intersection improvements and crosswalks, sustainable stormwater infrastructure, and a new tree canopy that was non-existent on the formerly impervious asphalt site. In addition, the project will increase affordable housing by allocating 10% of all multifamily rental housing units for households earning 80% of AMI for the 30-year term of the TAD development agreement. The public-private sector collaboration also calls for and will also feature

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roundabouts (sometimes referred to as “traffic circles”) and other public improvements which smoothly transition the Project site into the surrounding neighborhoods, allowing it to serve as a gateway to both the residential neighborhoods and the commercial corridor. With a brief review of the negative impacts of dying malls throughout the State, region and nation, one can easily ascertain that it is imperative that we move forward, together.

Based on our more in-depth analysis of the Project’s funding imperative, and the resultant impacts on its financial feasibility, we are hereby revising our initial request and in lieu thereof, request that ACCGov approve of the funding of the enhanced, public-sector driven infrastructure and redevelopment costs (the “Enhanced Redevelopment Costs”) through a pay-as-you-go or “pay-go” arrangement. In this connection, we respectfully request that ACCGov approve a development agreement with the Developer, with a term of thirty (30) years, wherein the Developer will commit to deliver, and provide all debt and equity capital required to complete, the horizontal and vertical development, and ACCGov will agree to reimburse the Developer for the Enhanced Redevelopment Costs over time, subject only to a cap on the reimbursements set at 29% of the sum of the Project’s (a) all-in, horizontal improvement costs, plus (b) the aggregate value of the private, vertical improvements (the total sum of which equals approximately \$630 Million). In this connection, the Developer will, by law, surrender its rights to deliver a far more traditional and opportunistic redevelopment of the site (e.g., stick build apartments utilizing the existing surface parking with minimal other improvements or beautifications as originally proposed). The Developer, under the pay-go arrangement, is also assuming the lion’s share of the funding and redevelopment risk associated with the delivery of the Project vision. To be clear, the pay-go funding made available to the Project will be made by ACCGov solely from the incremental property tax revenues generated within the TAD by the redevelopment of the Mall.

For your convenience, please see the below for a more detailed summary of the Project, and its various attributes, impacts and benefits.

Site

The proposed mixed-use redevelopment of the Mall site consists of six parcels that occupy approximately 74.8 acres. The proposed redevelopment site is approximately 9 miles west of the University of Georgia campus and 8 miles west of Downtown Athens. All six of the parcels that make up the proposed development are in the newly established TAD #1 Mall Area Tax Allocation District. According to CoStar, the six parcels contain 895,000 square feet of rentable building area, and as of November 2022, 65% of that space is vacant.

Project

The proposed Mall redevelopment will be a mixed-use district that includes townhomes, multifamily apartments, active adult apartments, a retrofitted portion of the Mall with retail and office, a new retail village, and a central green space. The Mall will be redeveloped to include one remaining retail tenant, which will operate 120,000 square feet of space. The redeveloped Mall will also include 70,000 square feet of new street-level retail, and additional proposed office tenants that will operate the remaining 70,000 square feet of space in the existing building. The remainder of the Mall will be demolished, and the land will be redeveloped for other uses within the footprint of the original six parcels.

The residential component of the redevelopment plan includes 816 multifamily units, 170 active adult units, and 202 for-sale townhomes - for a total of 1,188 residential units built across 3 phases. The commercial component will include 352,000 square feet of commercial space, including remodeled existing buildings with 190,000 square feet of retail space and 70,000 square feet of office space, as well

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as a newly constructed retail core with 92,000 square feet of retail space. The site will include a main green space in the center of the site.

The proposed project is expected to be delivered in three phases which would start generating incremental property tax revenue within the TAD starting in 2025.

- Phase 1 is programmed to include 276 multifamily units, 170 active adult units, 66 townhomes, 70,000 square of office space, and 190,000 square feet of retail space, expected to be completed and generating TAD revenue in 2025.
- Phase 2 is programmed to include 300 multifamily units, 66 townhomes, and 92,000 square feet of retail space, expected to be completed and generating TAD revenue in 2026.
- Phase 3 is programmed to include 240 multifamily units and 70 townhomes, expected to be completed and generating TAD revenue in 2027.

Economic & Fiscal Impacts

Athens Development Group commissioned KB Advisory Group to prepare a summary of the potential economic impacts of the proposed Mall Redevelopment. The project stands to provide economic benefits to the local economy and fiscal benefits to local governmental entities by substantially increasing public sector revenues to Athens-Clarke County and the Clarke County School District.

Based on the proposed development plan and expected market conditions, the fiscal and economic benefits from this project are expected to include:

Construction Impacts

- 770 annual full-time equivalent construction jobs.
- \$52.1 million in construction payroll, much of which will be reinvested in the local economy.
- \$367 million total regional impact from construction, labor, and local spending.
- \$3.1 million in revenues from sales taxes, permits and fees from construction.

Impacts from Operations

- 352,000 SF of new or significantly rehabilitated retail and office space, with \$101.5 million in annual on-site retail sales.
- The redevelopment will be home to approximately 1,035 workers with an annual on-site payroll of over \$48.4 million.
- 1,183 new housing units supporting over 1,000 households, which will spend an estimated \$35.7 million on goods and services locally.

Public Revenues

- \$388.5 million in real property value generating \$5.2 million in annual property taxes:
 - \$2.1 million to Athens-Clarke County
 - \$3.1 million to Clarke County School District (subject to Board of Education consent).
- \$8 million annually in total local sales taxes:
 - \$4 million to the State of Georgia
 - \$4 million to local government (ACC, SPLOST, ESPLOST, TSPLOST)

Indirect Effects

- \$234 million in direct construction investment will yield nearly \$305 million in regional benefits.
- \$101.5 million in annual sales will yield a total of \$121.8 million in regional commercial sales
- 963 regional jobs for 3 years supported by construction and 1,138 regional jobs from operations

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Consistency with Athens-Clarke County's Plan and Vision

The Mall Redevelopment is consistent with the stated goals and priorities of the Athens Mall Area Redevelopment Plan, the Athens-Clarke County 2018 Comprehensive Plan, and Athens TAD Funding Goals & Priorities.

The proposed development is consistent with the stated goals and visions in the Redevelopment Plan:

- "Upon review of the subject area...there is a need for additional mixing of residential opportunities into the existing fabric" (Page 25).
- "[large scale renovation at the mall property] could infuse an auto-dominated landscape with compatible residential uses and public infrastructure allowing multiple means of transportation or visitors to park once and meet their shopping needs on foot" (Page 25).
- "Any uses imposed after development of real property should encourage a mixing of uses that allow flexibility and reduce auto-dependency" (Page 25).
- "...creating connections to the mall property and potentially an open street network would help this area function as a neighborhood..." (Page 25).
- "Housing...would benefit by being affordable for employees who choose to live and work in this area" (Page 25).

The proposed development plans to deliver a robust mix of rental and for-sale housing, including housing that meets the needs of households earning 80% of AMI, and senior housing. Additionally, the mixed-use nature of the development hopes to promote walkability and bicycling by addressing infrastructure needs that create a pedestrian-friendly environment.

The redevelopment plan established four priorities for the use of TAD funds to pay for redevelopment costs. The proposed development addresses the following TAD funding goals and priorities:

- public infrastructure needs,
- housing opportunities,
- economic development partnership opportunities, and
- Clarke County School District and youth development.

The proposed development is redeveloping a deteriorating, auto-oriented site and adding new bike and pedestrian infrastructure that will enhance safety and walkability while reducing car trips in the immediate vicinity, a central public greenspace, intersection improvements and crosswalks, and an increase in pervious surfaces and stormwater infrastructure. Additionally, the proposed development is addressing housing opportunities by allocating 10% of all rental units to be attainable for households earning 80% of AMI. Furthermore, the proposed development is adding 70,000 SF of loft office space that aims to provide opportunities for small women and minority-owned businesses. Finally, the proposed development is providing 6,100 SF of newly renovated space for the Boys and Girls Club of Athens to start their new Youth Force initiative at no cost.

The proposed development aligns with the long-range goals of the 2018 Comprehensive Plan. The proposed development addresses several goals related to land use, "place", neighborhoods, "foundation", and infrastructure.

- "Given the county's small geographic area, redevelopment should be prioritized over greenfield development as plenty of opportunity exists to improve blight along corridors and gateways, strip malls, industrial sites, and aging apartments" (Page 31).

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- **“Goal:** Housing options that reflect diversity and meet the needs of the community, including housing for families and a diverse workforce. These are quality options with a variety of types, prices, and locations.” (Page 28).
- **“Goal:** A vibrant and physically attractive community with a variety of places and equitable access to parks, open space, and other community gathering places. Development and redevelopment – with redevelopment as a priority – are well considered, appropriately placed, and have a positive and thoughtful economic, social, and environmental impact” (Page 32).
- **“Goal:** Our neighborhoods will be vibrant, safe, and stable places where residents interact with each other and have access to a range of diverse housing types, public spaces, and services” (Page 35).
- **“Goal:** Increased range of transportation options – including walking, biking, transit, and driving – that provide efficient, safe, affordable, and equitable access throughout the community and connect to the region and the world (through rail and air service)” (Page 46).
- **“Goal:** Well-maintained infrastructure is strategically expanded and upgraded in full consideration of environmental sustainability to unlock economic potential and help meet the needs of individuals” (Page 49).

This TAD funding request is consistent with Athens-Clarke County’s TAD policies and procedures established in the Redevelopment Plan.

- A) Purposes/Uses of TAD Funds:** The Mall Redevelopment conforms with eligible uses for TAD funds including renovation, rehabilitation, reconstruction, repair or demolition of any existing building, creation or improvement of public spaces, and creation or improvement of pedestrian access and safety.
- B) Positive Local/Regional Economic Impacts:** The Mall Redevelopment will add over 1,100 new households that will support new and existing local businesses.
- C) Potential legitimate needs for TAD contributions to overcome poor development economics:** This TAD request is intended to help overcome the site’s challenging economics which has stymied redevelopment for several years. This is the first TAD redevelopment proposal in Athens-Clarke County since the TAD redevelopment plan was established in 2020 and is the first project to take on the area’s market challenges. The Athens Development Group has worked extensively with ACC Staff to negotiate extensive zoning, land use, and development constraints for the Mall site which, if implemented, will create a new style of higher-end development that does not currently exist in the local real estate market. The development economics to support these constraints will require more expensive development costs related to parking, structures, landscaping, public amenities, and infrastructure than is currently required on any site in the Athens Clarke-County market. Local real estate market conditions will not currently support the additional expenses; however, we all agree that the successful implementation of this redevelopment project has the potential to redefine those local economics at a higher level, both on the site itself and as a “halo effect” that will catalyze redevelopment of other underdeveloped properties in the area. Without support from the Tax Allocation District, this project will not be able to move forward as envisioned.
- D) Project Benefits and Return on Public Investment:** The Athens Development Group is investing over \$333 million to the transformation of this site into a transcendent community hub for Athens-Clarke County. An investment of this scale would create additional impacts for the surrounding community and municipal government – including over 1,800 of new jobs, \$8 million in sales taxes collected annually, and new opportunities for living, shopping, recreation, and entertainment. The TAD Bonds

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would be secured solely by the incremental (increased) property tax revenue generated within the TAD from the redevelopment of the Mall.

Thank you for considering the Mall Redevelopment for TAD Funding through the proposed pay-go arrangements.

A handwritten signature in cursive script that reads "Mark Jennings". The signature is written in black ink and is positioned to the left of the printed name.

Mark Jennings

Founding Partner

The Leaven Group