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Redevelopment Strategies for Aging Commercial Properties

City of Peachtree Corners
Innovative & Remarkable

Bleakly Advisory Group

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REDEVELOPMENT STRATEGIES FOR AGING COMMERCIAL PROPERTIES—INTRODUCTION

This report provides an analysis of the redevelopment strategies that the City of Peachtree Corners can use to address the future redevelopment of the rapidly aging segment of its commercial property inventory—aging and deteriorating apartment complexes, retail centers and office complexes which are approaching the end of their useful economic life. These properties present opportunities for future investment and growth in Peachtree Corners which can expand its commercial tax digest.

Report Contents:

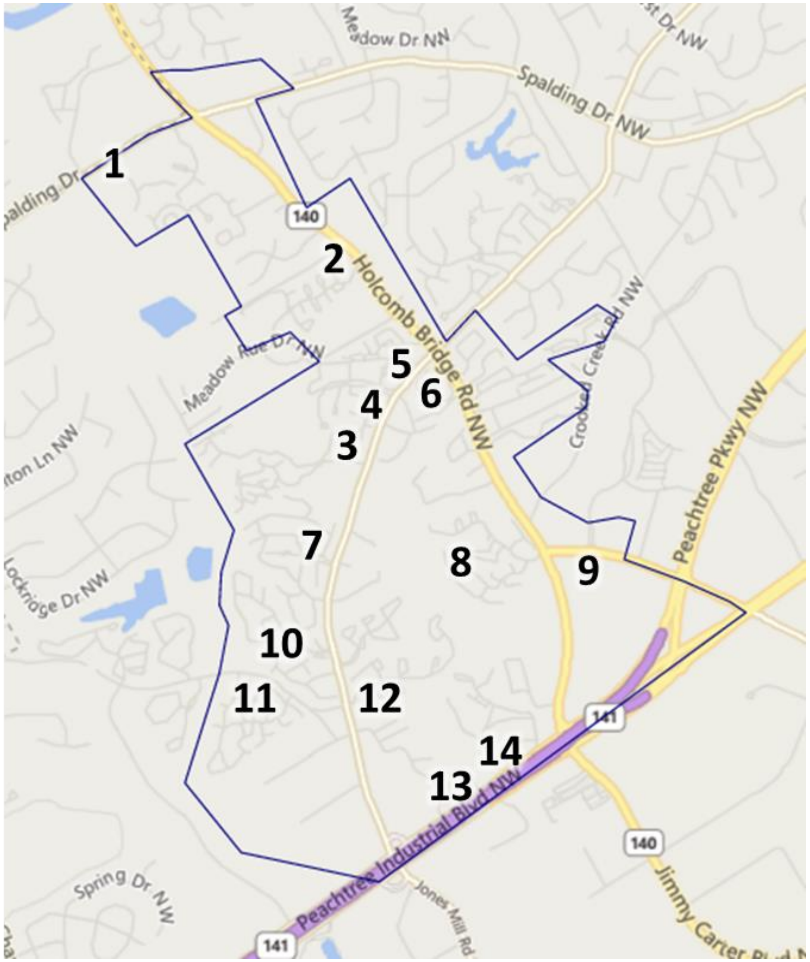
- Analyze the Issues and Opportunities with Aging Commercial Properties
- Review of Alternative Redevelopment Strategies used in the Atlanta Region
- Four Redevelopment Case Studies of Prototype Commercial Properties
- Test Alternative Redevelopment Strategies on Case Study Properties
- Recommendations for Redevelopment Strategies in Peachtree Corners

Issues and Opportunities with Aging Commercial Properties

LOCATION OF APARTMENT COMPLEXES

The analysis of aging commercial properties in Peachtree Corners started with a review of the substantial inventory of apartment communities identified in the Holcomb Bridge Corridor Master Plan--

1) Veranda Estates Apartments
2) Ashford Lake
3) Village West at Peachtree Corners
4) Silver Oaks
5) Highland Corners
6) Veranda Knolls Apartments
7) Valencia Park Apartments
8) The Domain at Holcomb Bridge
9) Centre at Peachtree Corners
10) The Columns at Peachtree Corners
11) Barrington Hills
12) Park at Peachtree Corners
13) Hunters Ridge
14) Bryant Park Apartments

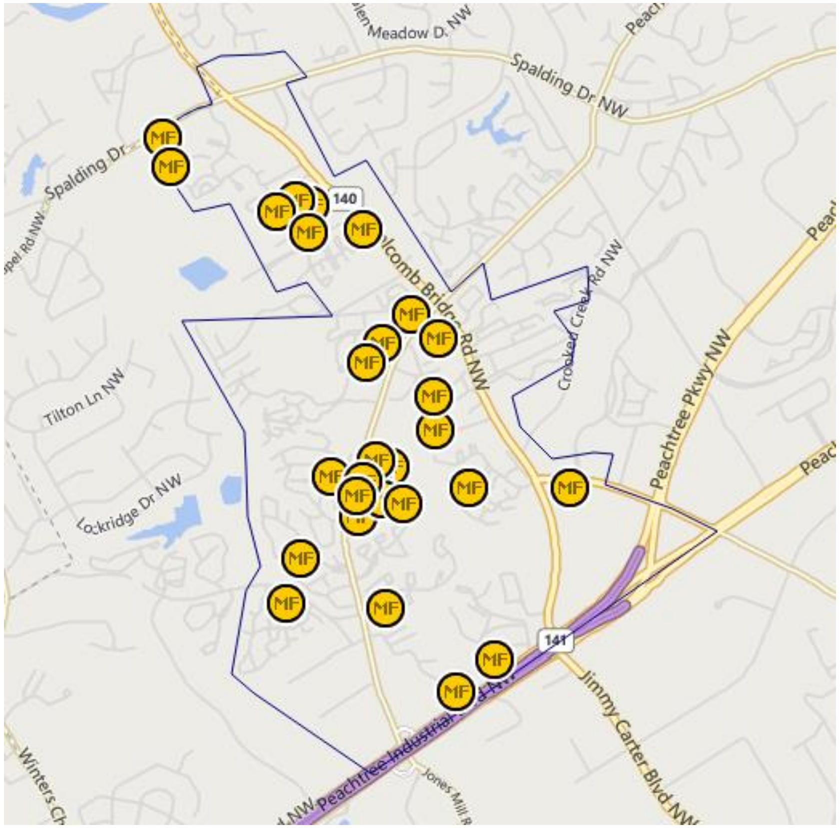


HOUSING: LOCAL APARTMENT MARKET

- The Study Area has over 4,500 apartment units, representing 88% of all area housing units.
  - The apartments communities tend to be aging, with the average unit built in 1981.
  - Average rents tend to be modest, with one-bedroom units renting for $724, compared to $883 for one-bedrooms in the Atlanta region.
  - Just 146 units, in a single apartment community, have been added to the inventory in the past 20 years.

Apartment Snapshot	Study Area	Norcross/Peach-tree Corners Submarket	Metro Atlanta
Existing Units	4,564	10,580	499,700
Vacancy Rate	4.0%	3.0%	5.5%
Studio Asking Rent	$ 700	$ 649	$ 937
1 Bed Asking Rent	$ 724	$ 744	$ 883
2 Bed Asking Rent	$ 926	$ 896	$ 973
3+ Bed Asking Rent	$ 1,145	$ 1,096	$ 1,139

Study Area Multifamily Apartment Locations



Source: CoStar, Inc.

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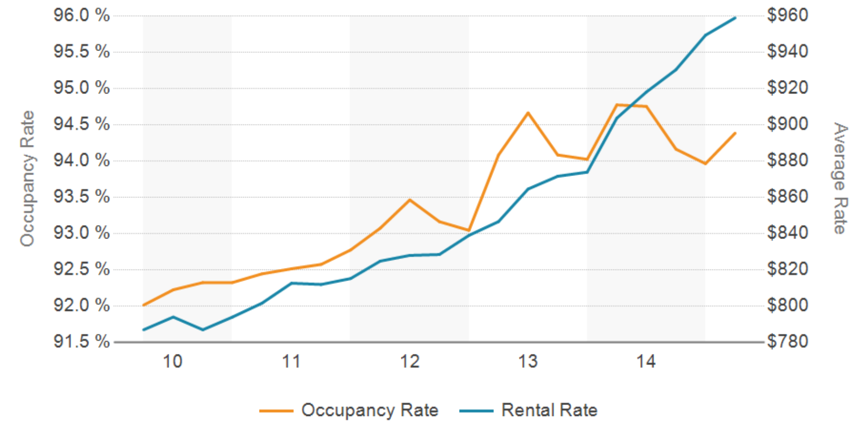
HOUSING: LOCAL APARTMENT MARKET

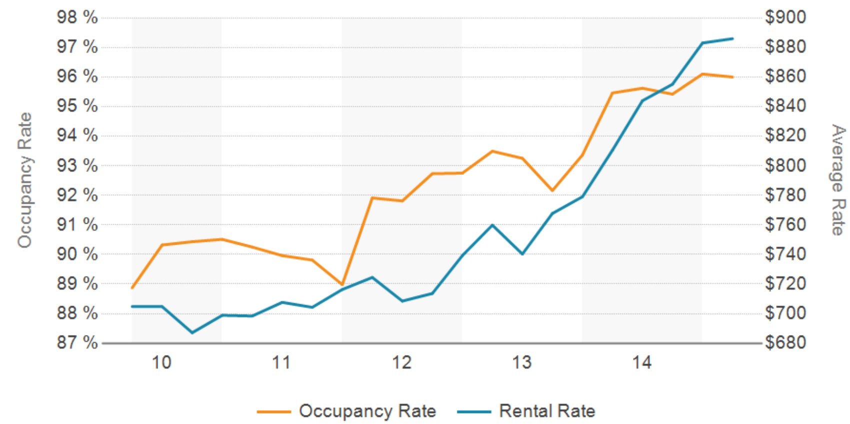
- Average rents in the Study Area are lower than rents in the overall region.
- The Study Area's rental performance has improved since 2011 and now the local market is very tight, with occupancies at 96%, slightly above the Metro Atlanta occupancy rate of 94.5%
- The best-performing apartment community in the Study Area is **Veranda Knolls** (146 units, built in 1997) with average rents of $1,205/month and 95% occupancy.
- Occupancy has risen from 89% in 2010 to 96% in 2015.
- Average rent per unit increased from $705 in 2010 to $886 in 2015.

Veranda Knolls

Occupancy & Rental Rate, Atlanta Metro



Occupancy & Rental Rate, Study Area



Source: CoStar, Inc.

PEACHTREE CORNERS APARTMENT COMPLEXES

LARGER RENTAL APARTMENT COMPLEXES IN HOLCOMB BRIDGE ROAD CORRIDOR OF PEACHTREE CORNERS										
Complex Name	Address	Year Built	Class	Total Units	Avg. Rent	Occupancy	% 1-Bed	% 2-Bed	% 3-Bed	Rent/SF (1-Bed)
Valencia Park Apartments	3500 Peachtree Corners Cir	1981	B	508	$ 808	93.9%	43%	48%	9%	$ 1.08
Bryant Park Apartments	6520 Hillandale Dr	1973	B	490	$ 820	98.8%	40%	38%	22%	$ 0.86
Park at Peachtree Corners Apartments	3341 Peachtree Corners Cir	1985	B	460	$ 940	96.7%	57%	35%	0%	$ 1.25
Village West at Peachtree Corners	3655 Westchase Village Ln	1983	B	440	$ 987	97.7%	44%	46%	11%	$ 1.30
The Domain at Holcomb Bridge	3383 Holcomb Bridge Rd	1981	B	420	$ 1,012	96.2%	14%	51%	35%	$ 0.86
Barrington Hills	3352 Chelsea Park Ln	1986	C	376	$ 883	93.3%	52%	40%	7%	$ 1.12
Ashford Lake	3600 Park Lake Ln	1982	B	328	$ 964	90.9%	29%	71%	0%	$ 0.99
Hunters Ridge	1700 Hunter Ridge Ln	1978	B	308	$ 881	98.4%	47%	44%	9%	$ 1.09
The Columns at Peachtree Corners	3400 Peachtree Corners Cir	1980	C	304	$ 872	99.4%	16%	63%	13%	$ 0.98
Centre at Peachtree Corners	3325 Holcomb Bridge Rd	1972	B	272	$ 1,009	95.2%	27%	49%	24%	$ 1.07
Highland Corners	301 Noble Forest Dr	1979	B	252	$ 964	98.4%	0%	68%	32%	
Veranda Estates Apartments	6516 Spalding Dr NE	1993	A	152	$ 1,229	99.4%	19%	58%	23%	$ 1.13
Veranda Knolls Apartments	100 Ivey Park Ln	1997	B	146	$ 1,154	97.3%	9%	59%	32%	$ 0.93
Silver Oaks	3640 Peachtree Corners Cir	1975	B	108	$ 817	96.3%	44%	56%	0%	$ 0.81
Weighted Average		1981			$ 931	96.4%	34%	49%	15%	$ 1.00
				4,564	$ 953					$ 0.96

Source: CoStar/BAG

- There are over 4,500 units in fourteen larger apartment complexes in the Holcomb Bridge Corridor of Peachtree Corners.
- Most of the complexes were built in the 1970s and 1980s and are classified by CoStar as Class B or C in quality, with only one Class A level property in area.
- The average complex has 326 units.re
- Occupancy is strong, averaging 96.4%.
- The average rents is $931 per unit and the average rent for a one bedroom unit is $1.00 PSF.
- Across this inventory of apartment complexes there are many that would be candidates for future redevelopment, given their age, operating performance and ability to obtain a higher value from the property.

THE INCIDENCE OF CRIME IN SAMPLE APARTMENTS

INCIDENTS OF CRIME AT SAMPLE APARTMENT COMMUNITIES IN PEACHTREE CORNERS 2013-2016*						
		Total 2013-2016 Incidents	Annual Incidents	Units	Persons	Incidents Per Capita
Veranda Knolls Apartments	100 Ivey Park Lane	100	43	146	285	0.35
Highland Corners	301 Noble Forest Drive	368	158	252	491	0.75
Hunter Ridge	1700 Hunter Ridge Lane	117	50	308	600	0.19
Centre at Peachtree Corners	3325 Holcomb Bridge Road	33	14	272	530	0.06
Park at Peachtree Corners Apartments	3341 Peachtree Corners Circle	162	69	460	896	0.18
Barrington Hills	3352 Chelsea Park Lane	241	103	376	733	0.33
The Domain at Holcomb Bridge	3383 Holcomb Bridge Road	162	69	420	818	0.20
The Columns at Peachtree Corners	3400 Peachtree Corners Circle	138	59	304	592	0.23
Valencia Park Apartments	3500 Peachtree Corners Circle	420	180	508	990	0.42
Ashford Lake	3600 Park Lake Lane	207	89	328	639	0.32
Silver Oaks	3640 Peachtree Corners Circle	366	157	108	210	1.74
Village West at Peachtree Coners	3655 Westchase Village Lane	194	83	440	857	0.23
Veranda Estates Apartments	6516 Spalding Drive	16	7	152	296	0.05
Bryant Park Apartments	6520 Hillandale Drive	101	43	490	955	0.11
Total/Average for Sample Apartments		**2,625**	**1,125**	**4,564**	**8,894**	**0.37**
City of Peachtree Corners	**City of Peachtree Corners**	**10,341**	**4,432**		**40,978**	**0.25**

* Incendents are for January 1 2013 to May 11, 2016, annualized;
Traffic accidents and hit and run incidents, shoptlifting and
nonresidential incidents are excluded

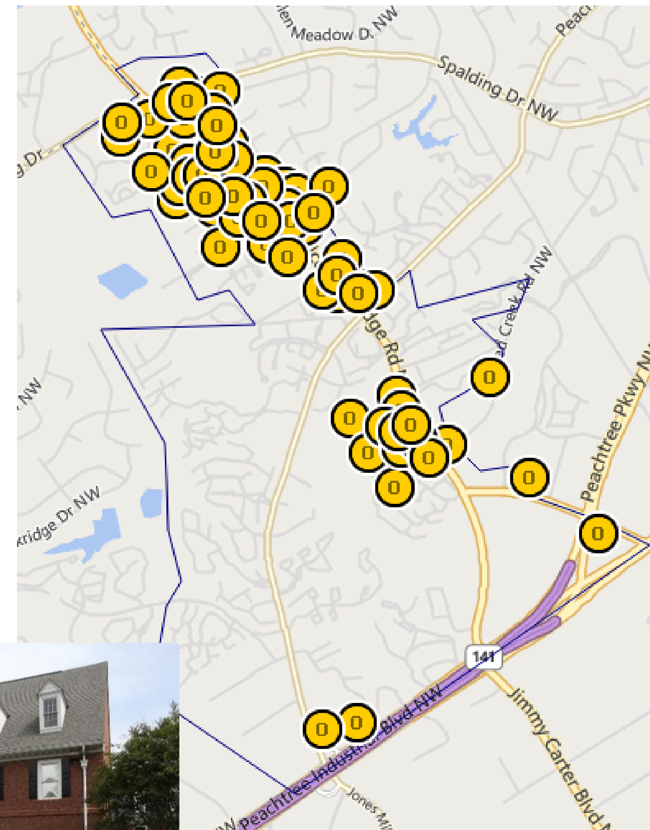
Source: Crimeview Database, Gwinnett County Police Department, 2016/BAG

Overall crime incidents which are tracked by the police are low in Peachtree Corners, averaging just .25 incidents per resident. However, in the sample apartment complexes, the incidence of crime is almost 50% higher at .37 incidents per resident. Three complexes—Highland Corners, Valencia Park and Silver Oaks--account for this higher incident rate, with crime in the remaining eleven complexes at more modest levels.

COMMERCIAL REAL ESTATE: OFFICE

- The Study Area has 70 office buildings, most of which are class B & C buildings in small office parks.
  - The average age of Study Area office buildings is 30 years
  - The average building size is 9,745 SF.
  - The average rent in the Study Area is $11.82/SF, compared to $15.53 for the Norcross/Peachtree Corners submarket, 24% lower.
  - There is significant vacancy in the older (25 years +) office complexes, averaging 20% with 10 buildings over 40% vacant.
  - There is no class "A" office space in the Study Area. 34% of office space in the Study Area is "B" while 66% is "C".
- The Study Area's office presence is dominated by nearby Technology Park, just under one mile east of the Study Area with 3.8 million SF of Class A office space.

Office Locations in the Study Area



Office Snapshot	Peachtree Corners	Norcross/Peach-tree Corners Submarket	Metro Atlanta
Existing Buildings	70	452	15,171
Existing SF	682,132	10,279,571	299,452,914
Avg. Rent Per SF	$ 11.82	$ 15.58	$ 19.50
Vacancy Rate	28.1%	22.9%	13.6%

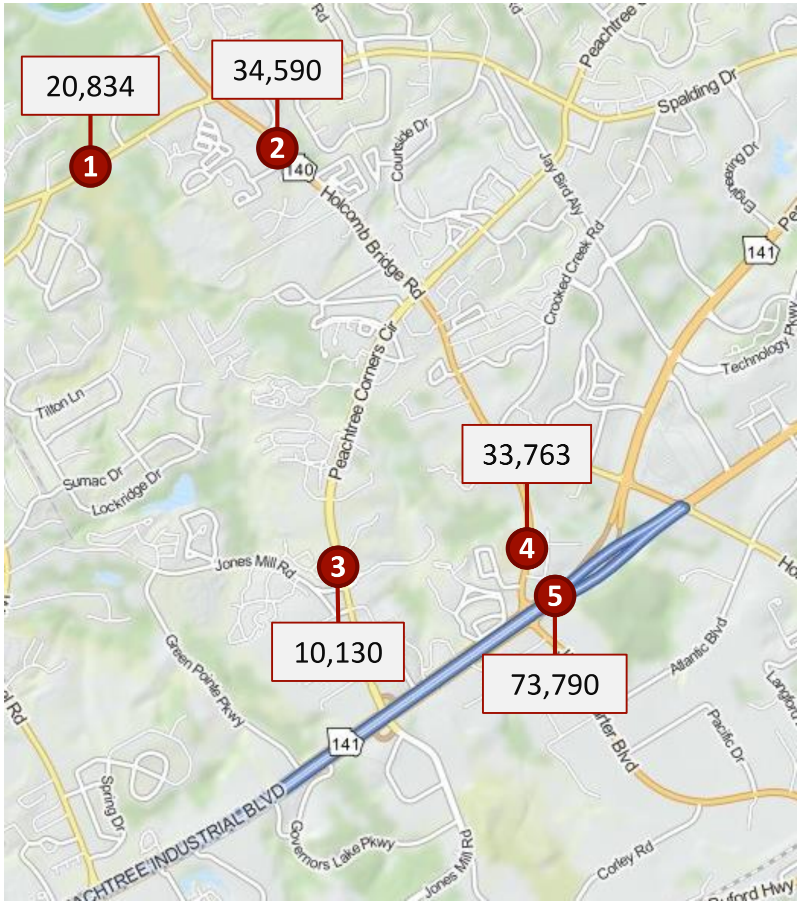
Habersham Pointe

Source: CoStar, Inc.

TRAFFIC VOLUMES IN THE AREA

- Holcomb Bridge Road and Peachtree Industrial Boulevard are both important regional arterial with heavy traffic volumes that could appeal to national retailers.
  - Annual Average Daily Traffic (AADT) counts on:
    - Holcomb Bridge Road: 34,000+ AADT
    - Peachtree Industrial Blvd: 73,000+ AADT
  - East-West connections such as Spalding Drive have robust traffic counts as well (20,000+ AADT).
  - From this analysis we conclude that Holcomb Bridge Road would have the strongest appeal to potential retailers in a mixed use redevelopment. Thus, Holcomb Bridge Road should be the primary focus for any new retail in a redevelopment effort.

Annual Average Daily Traffic Counts (AADT), 2014

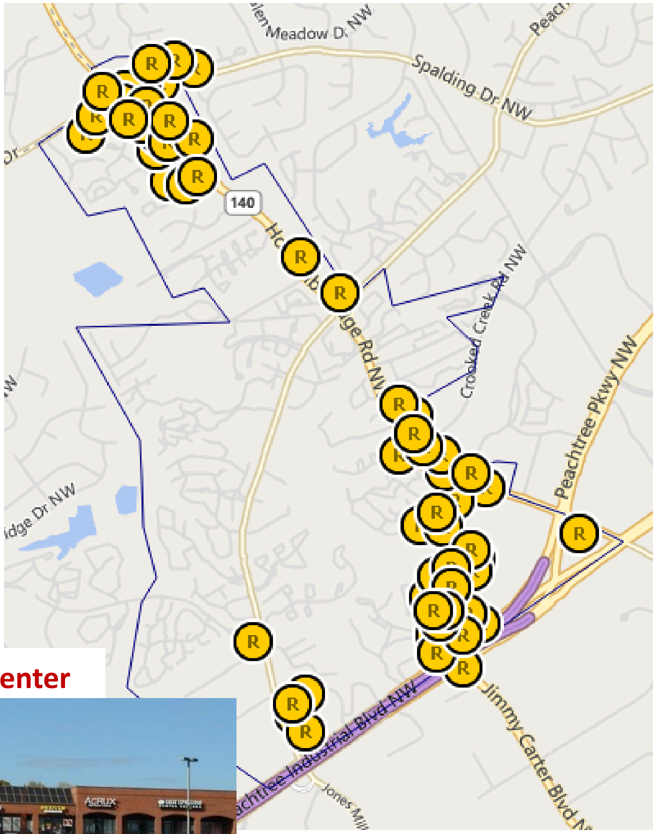


Source: Georgia DOT

COMMERCIAL REAL ESTATE: RETAIL

- Along the Holcomb Bridge Road corridor there are 60 retail properties, the majority of which are in neighborhood strip-centers.
- Most of the area's retail space, 71%, is found in neighborhood and strip shopping centers.
- The average age of retail properties is 25 years.
- The average rent in the Study Area is $13.95/SF, compared to $11.87 in the Norcross/Peachtree retail submarket.
- Vacancy rates are lower in the Holcomb Bridge Corridor, 6.5%, than the submarket overall, 9.4%. However several of the centers are experiencing higher vacancy.

Retail Locations



Retail Snapshot	Peachtree Corners	Norcross/Peachtree Corners Submarket	Metro Atlanta
Existing Buildings	60	400	24,793
Existing SF	845,707	5,039,276	341,359,099
Avg. Rent Per SF	$ 13.95	$ 11.38	$ 12.53
Vacancy Rate	6.5%	7.6%	8.0%

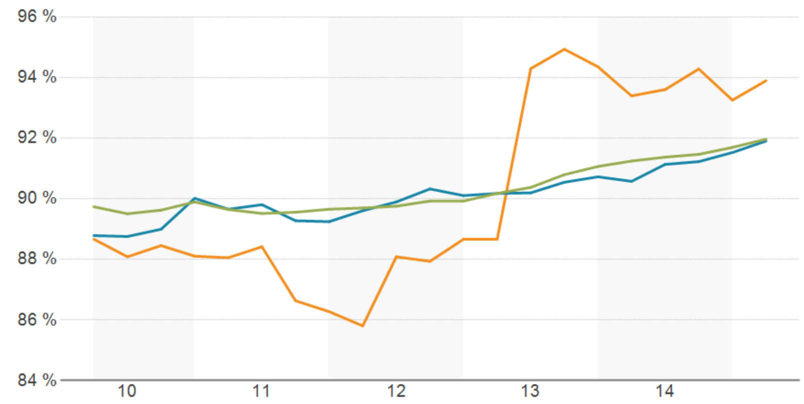
Peachtree Corners Shopping Center

Source: CoStar, Inc.

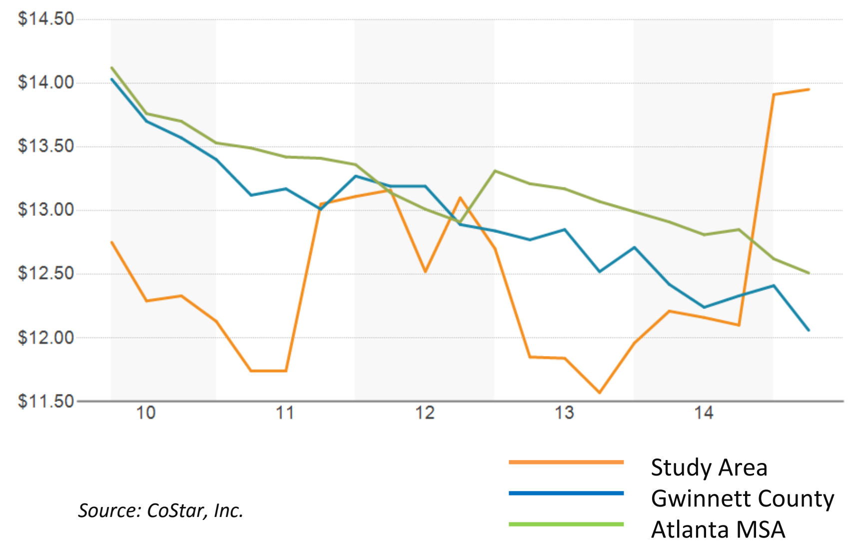
COMMERCIAL REAL ESTATE: RETAIL

- The Holcomb Bridge Road retail market bottomed out in 2012 and overall has improved significantly since the first half of 2013. Average rents and occupancies and now outpaces Gwinnett County and the Metro area.
  - Prior to 2013, rents and occupancies in the Study Area lagged those of Gwinnett County and Metro Atlanta.
  - Current Study Area retail average rent rate ($13.95/SF) is 16% higher than Gwinnett overall and 11% higher than Metro Atlanta.
  - Retail occupancy in the Study Area rose significantly from 86% in 2012 to 94% currently, an 8% improvement in just three years.
  - Tenant mix is "down-market": few big-name or national-brand retail tenants other than fast food, Family Dollar, Ace Hardware, LA Fitness. Many local "mom & pop" businesses, personal services, and franchise operations.
  - Several of the retail centers are struggling, most notably Spalding Woods, with a current vacancy rate of 47%.

Retail Occupancy by Year



Avg. Asking Rent per Sq. Foot by Year



Source: CoStar, Inc.

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REDEVELOPMENT POTENTIAL IN PEACHTREE CORNERS

- Based on the analysis of rental apartment complexes and office and retail uses in the Holcomb Bridge Corridor we would conclude:

  - **Apartments**--There is evidence of redevelopment potential in the existing apartment complexes due to their age, evidence of deferred maintenance in several of the complexes, the modest rent levels relative to newer inventory in the submarket, and the higher incidence of crime evident at several of the complexes.

  - **Office**—the poor performance of the suburban office product which predominates in the Holcomb Bridge Corridor, indicates that many of these smaller office developments are at the end of their economic life.

  - **Retail**—of the three sectors retail is performing better than either rental apartments or office. However, there are several retail centers and retail outparcels which, due to low rents and high vacancies, could be candidates for redevelopment.

From this analysis we concluded that there appears to be significant opportunity to encourage redevelopment in Peachtree Corners to improve the quality of life for its citizens while enhancing the growth of the commercial tax base.

Redevelopment Strategies Used in the Atlanta Region

LOCAL REDEVELOPMENT STRATEGIES--

Greater Complexity/Higher Cost

Zoning	• Create Overlay District • Re-Zone for intended use
Downtown Development Authority	• Manage redevelopment strategy • Hold property, issue debt, re-development agent
Incentives	• Tax Allocation Districts • Bond for Title/Tax Abatement
Land Acquisition/ Write-down	• Acquire, prep and sell • Acquire, prep and sell below market
Redevelopment Bonds	• Issue DDA bonds for specific projects • Issue G.O. Redevelopment bonds

Georgia cities are using a wide range of redevelopment strategies, both individually and in combination to achieve their objectives. The strategies vary significantly in their complexity to implement at cost/risk to the city.

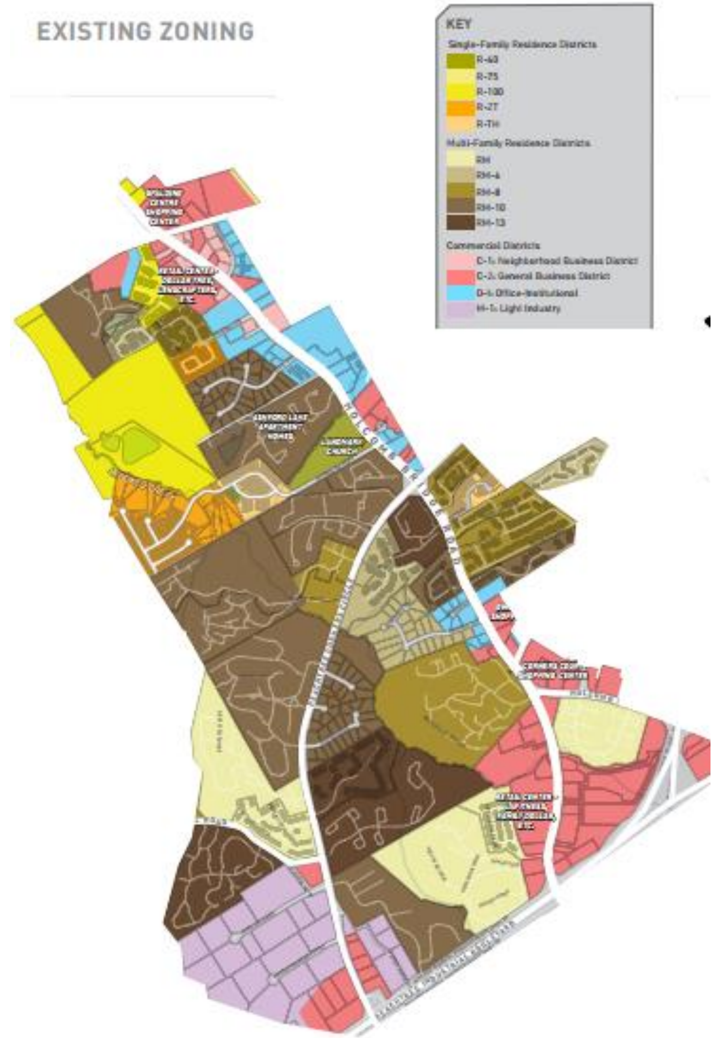
STRATEGY 1: ZONING FOR MIXED USE

The Holcomb Bridge Corridor is one of Peachtree Corner's largest concentrations of multi-family and commercial zoning. Zoning-based incentives could be a valuable tool for encouraging the redevelopment or aging and underperforming apartments, commercial centers and office parks. Such incentives would help prospective developers offset the often higher-costs of quality mixed-use development by allowing increased density and other concessions.

One zoning-based incentive, that would be relatively simple to implement, is a Mixed-Use Zoning Overlay District, which could be assigned to areas and parcels within the Holcomb Bridge Corridor (or anywhere in the city) that are deemed by the city to be high-priority redevelopment targets.

The Mixed-Use Zoning Overlay District could include the following elements:

- Enhanced and well-delineated standards for architectural design, site planning, open space, accessibility, and public amenities (including sidewalks and multi-use paths);
- Definitions of acceptable and proffered mixed-use: what types and proportions of uses would be permitted Density bonuses for projects which incorporate mixed uses;
- Density bonuses for projects that meet enhanced design;
- Density Bonuses for inter-parcel connectivity and other transportation; enhancements;
- Reduced parking requirements for conforming mixed-use projects.



STRATEGY 2: DOWNTOWN DEVELOPMENT AUTHORITY

The City of Peachtree Corners has created a Downtown Authority to coordinate redevelopment in its downtown.

- Downtown Development Authorities can be an effective organizational framework for redevelopment—they have the authority to acquire and own land, engage in a wide range of redevelopment activities on behalf of the city and are not required to use a competitive bidding process when they sell property.
- They can impose millage in the defined downtown area which can be use to support redevelopment activities.
- They have ability to issue revenue bonds which can support qualified redevelopment activities.
- They have a singular focus—the growth and development of the defined downtown area which can be key in bringing the necessary focus to executing complex real estate strategies.
- They can create public private partnerships to achieve their vision for the downtown area.
- Peachtree Corners DDA is already engaged in active development process through its financing the acquisition of the site for the Town Center and is in partnership with Fuqua Development for the mixed use project.

"The revitalization and redevelopment of the central business districts of the municipal corporations of this state develop and promote for the public good and general welfare trade, commerce, industry and employment opportunities and promote the general welfare of this state by creating a climate favorable to the location of new industry, trade and commerce within the municipal corporations of this state." (O.C.G.A Sec. 36-42-2

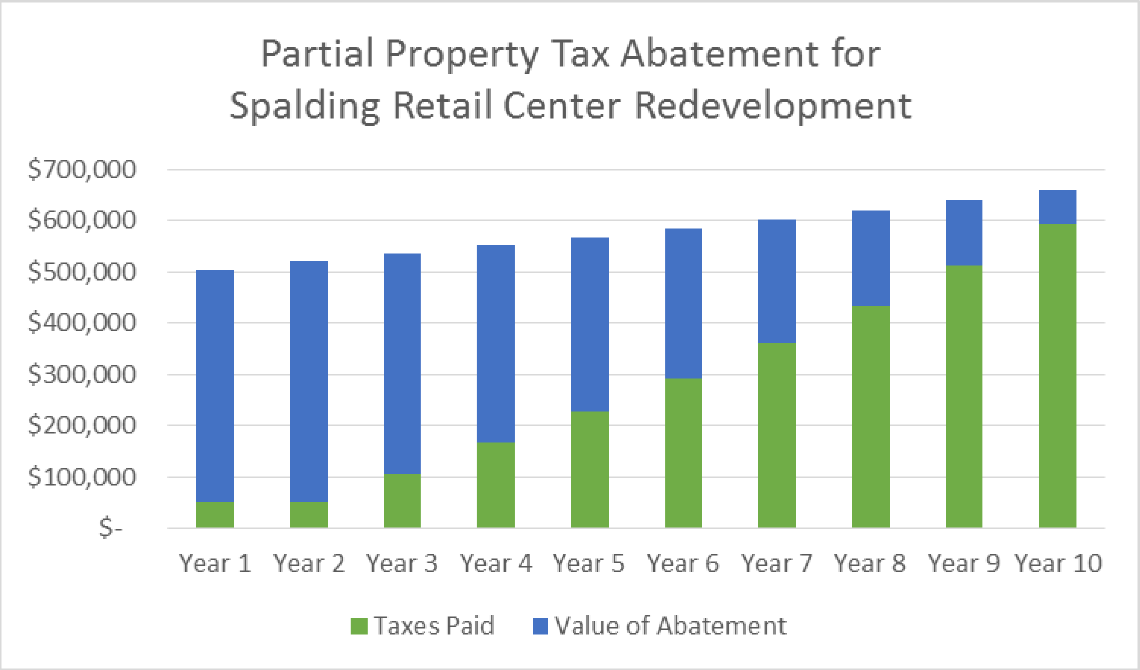
STRATEGY 3: TAX ALLOCATION DISTRICTS

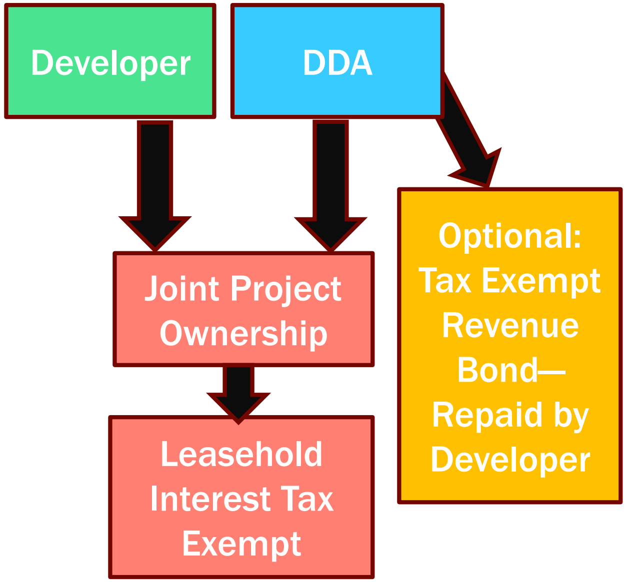
TAD POTENTIAL OF A MIXED USE REDEVELOPMENT			
	Units	**Value/Unit/SF**	**Value**
Rental Apartments	250 Units	$150,000	$ 37,500,000
Retail Space	20,000 SF	$165 PSF	$ 3,300,000
Parking Deck	325 spaces	$16,000	$ 5,200,000
Total Market Value			$ 46,000,000
Assessed Value			$ 18,400,000
Site Assessed Value			$2,000,000
Net Incremental Assessed Value			$ 16,400,000
Tax Allocation District Potential			
Net Incremental Assessed Value			$ 16,400,000
Property Taxes @ .035119			$ 575,952
Debt Coverage Ratio at 125%			$ 460,761
TAD Bond for 25 Years at 5.5%			$ 6,219,621
Capitalized Interest 24 months			$ 684,158
Issuance Costs at 3%			$ 186,589
Debt Reserve			$ 684,158
Net TAD Proceeds			**$ 4,664,716**

Source: BAG

- Georgia's form of tax increment financing is know as Tax Allocation Districts (TAD).
- The Redevelopment Powers Law governs the use of TADs in Georgia.
- Over 70 cities and counties have held local referendums approving the use of TADs.
- The best known TAD is Atlantic Station, but there are many other examples.
- TADs are formed jointly by municipality, county and schools, which pledge their future millage to reinvest in the district.
- Georgia only allows property taxes to be pledged in TADs, no sales taxes.
- As shown in chart, a $46 million dollar redevelopment with an assessed value of $16.4 million could generate about $4-5 million in TAD proceeds to support the development.
- TAD money is typically committed for site prep, infrastructure, parking decks, and "but for" these funds the development would not happen.

STRATEGY 3: HOW A BOND FOR TITLE/PARTIAL TAX ABATEMENT WORKS





A bond for title/partial property tax abatement works like this—

1. The developer agrees to have joint ownership of the asset with the development authority
2. The development authority owns 90% of the property the first two years and reduces it ownership share to 10% by the tenth year, in the eleventh year the developer has 100% of the ownership.
3. The portion of the project owned by the development authority is tax exempt, reducing the property taxes over the ten years by the amount shown in blue, by the eleventh year the developers is paying full taxes.
4. In the Prototype B retail center example, the total tax savings over ten years would be $3.0 million and taxes paid $2.8 million.

STRATEGY 4:REDEVELOPMENT BONDS

Two Basic Approaches to Redevelopment Bonds—

- **Project Specific Bonds** —the City, typically through the powers of its DDA, issues revenue bonds to support the development of a redevelopment project.
  - The bonds are for a specific term (10 to 20 years) and are issued by the DDA and are typically tax exempt.
  - The bonds are repaid by the developer from the proceeds of the project
  - There is typically no guarantee provided by the DDA in the event of a shortfall by the developer.
  - The funding is used to pay for pre-determined components of the proposed development. This approach is widely used in Fulton and DeKalb County.
- **Citywide Revenue Bonds** —under this model, the city issues debt to finance redevelopment activities within its jurisdiction
  - The bonds are a general obligation of the city, have to approved by a vote of its citizens if additional millage is involved and are repaid from general revenues of the city, not specific revenue from the redevelopment project.
  - These funds are used for specified redevelopment purposes, Marietta is the best recent example where these funds were used for acquiring and redeveloping older apartment complexes in the Franklin Road redevelopment area (see case study.)

STRATEGY 5: LAND ACQUISITION/LAND WRITE-DOWN

- To revitalize their downtowns and commercial corridors Georgia cities have been aggressively acquiring land, assembling into significant parcels and selling the parcels to developers for redevelopment or building on it themselves.
- In this strategy they may act as a land assembler, acquiring sites, assembling them and then selling them to developers at their cost.
- Alternatively, they can acquire the site, assemble them into larger parcels and then sell or contribute them to redevelopment projects a reduced or in some cases at no or low cost to the redeveloper partner.
- The City of Holly Springs, in Cherokee county has acquired 22 acres of land in its downtown area. The land was acquired the development authority and funded by the city from general revenues.
- They have entered into a development agreement with Macauley + Schmit to create a new downtown for Holly Springs. The city is considering providing the assembled land is be acquired at reduced price by the City along with proceeds of a Tax Allocation District whose funding is providing the public infrastructure from the development.

Downtown Holly Springs Master Plan

CASE STUDY: DULUTH LAND ASSEMBLY FOR RESIDENTIAL

- In 2005-2006 the City of Duluth through its DDA, assembled approximately 22.3 acres of land north of its new downtown for future residential development.
- In 2014 the city entered into an agreement with Wieland Communities and Morris & Fellows to develop the site as a townhome community. In early 2015 Wieland Communities withdrew from the project.
- The City immediately put the property out to re-bid for residential development. From three bids received, they selected Pulte Homes to construct 76 townhomes and small lot single family homes on the property.
- Under a letter of intent with Pulte the City will receive $4 million for the land from Pulte (in excess of its assembly cost). The City will use $1.9 million in TAD funds generated from the development to create a water detention facility on a portion of the property which will serve the development and other developments in downtown. Pulte is due to close on the land by the end of 2016 and begin construction early in 2017.
- The City rezoned the property before the second developer RFP process was completed and sold the land to Pulte for a profit.

Figure 2: Conceptual Land Use Plan at Build Out as presented in the Implementation Plan for the Revitalization of Downtown Duluth

Figure 1: Approximate Boundaries of Assembled Development Site

CASE STUDY: REDEVELOPMENT BONDS: MARIETTA

- **The Issue**: the Franklin Rd. area of Marietta contained a concentration of 3,100 garden apartment units that were 30+ years old, in generally poor condition and exhibited high vacancy rates. The corridor had a long-standing problem with crime, high incidences of police and fire calls and impacts on the City's School System resulting from a highly transient student population.
- Surrounding industrial, office and commercial properties were also experiencing above average vacancy rates and lower rents than other nearby areas. The City's objective was to substantially reduce the amount of rental housing on the corridor and to redevelop the sites for economic development purposes.
- **Strategy**: In November of 2013 Marietta passed a $68 million **Redevelopment Bond** for Whitlock Avenue streetscape improvements ($4 million) and Franklin Gateway (Franklin Road) Redevelopment ($64 million). The $64 M Franklin Road allocation was specifically for the acquisition and demolition of improved property for redevelopment. and for ROW acquisition and for road improvements.
- Marietta entered into an intergovernmental agreement with Marietta Housing Authority to manage the property acquisitions from the point the City assumes ownership to the point where all tenants are relocated and demolition work begins. The Housing Authority managed interim tenant rentals, provided relocation assistance and handled the execution of environmental remediation (asbestos removal) and demolition contracts. The City earned a total of $240,000 in rental income during the interim holding period.
- The City is negotiating the acquisition of another 18.6 acre apartment site but has been unable to agree on terms.

Franklin Road Redevelopment Area

CASE STUDY: MARIETTA REDEVELOPMENT BONDS

Outcomes: Acquisitions succeeded in stabilizing market conditions in the remaining apartment complexes in the area.

- The City reported a 30% decrease in crime, declining vacancy rates, property investments and an average $300/month increase in rents charged by remaining complexes. Per unit values have significantly increased and a complex (not involving the City) recently sold for more than $70,000/unit. City schools reported a reduction in the rate of student transfers into and out of Franklin Road addresses.
- In 2014, private business owners in the area voted to create a new Community Improvement District (CID) for the Franklin Gateway Area.
- Parkway Center, a midrise office building located adjacent to apartments acquired by the City, experienced and increase from 70% to 97% occupancy following demolition.
- The City entered into an agreement with Atlanta United MLS soccer team to lease 31 acres of the acquired properties for the team's corporate headquarters and practice facility. The team will pay a $320,000 per year ground lease beginning after 5 years and make a PILOT on the value of its improvements – which are expected to be in the range of $55 to $60 million.
- The City has agreed to spend $7.7 million to develop additional City owned practice fields on adjacent land, to be known as the Franklin Gateway Sports Complex.
- The Home Depot recently purchased a 300,000 SF building in the corridor to house its IT operations, which will employ 1,000 workers. Red Hare Brewery is located in the same area and expanded.
- The City is in process of marketing its remaining assembled parcels for employment generating uses and hopes to obtain $350,000 to $400,000 per acre.

Atlanta United
MLS Training Facility

Peachtree Corners Prototype Case Studies for Redevelopment

PROACTIVE STRATEGIES FOR REDEVELOPMENT

- As the previous slides have demonstrated, Peachtree Corners has a number of commercial properties generally located along the Holcomb Bridge Corridor which would appear to be candidates for redevelopment and revitalization due to their age, the performance and condition and an higher incidence of crime relative to other areas of the City.
- To illustrate how a possible range of city redevelopment strategies could work, we have created four prototype projects to analyze. These prototype are based on actual market data on the performance of the rental apartment, office and retail sectors in the Holcomb Bridge Road Corridor, tax valuation data and actual sales data. The prototypes were developed to be representative of the range of properties in the City that would be suitable for redevelopment and are used here solely for illustrative purposes to ground the analysis is current conditions as they exist in the City. The prototype properties analyzed in this section are:

    - Prototype A: Larger Rental Apartment Complex
    - Prototype B: Older Retail Center
    - Prototype C: Older Office Center
    - Prototype D: Smaller Rental Apartment Complex

EXAMPLES OF AGING COMMERCIAL PROPERTIES

PROTOTYPE A:OLDER RENTAL APARTMENT COMPLEX

- Prototype A is a rental apartment complex in the Holcomb Bridge Road corridor near a major intersection in that corridor.
- It consists of 250 units on 25 acres or 10 units per acre
- It recently sold in 2015 for $64,000 per unit
- For tax purposes, its appraised (market) value is $60,000 per unit.
- This prototype is representative of the larger apartment complexes in Peachtree Corners.

Name		Prototype A
Address		Hocomb Bridge Area
Land Use		Apartment
2015 Appraised	$	15,000,000
2015 Assessed	$	6,000,000
Acres		25
2015 Assd/Acre	$	240,000
Units/SF		250
Appr/Unit	$	60,000
Assd/Unit	$	24,000
Last Sale Date		2015
Last Sale $	$	16,000,000
Last Sale/Unit	$	64,000

REDEVELOPMENT OPTIONS FOR PROTOTYPE A: OLDER APARTMENTS

POTENTIAL REDEVELOPMENT STRATEGIES FOR PROTOTYPE A: OLDER RENTAL APARTMENTS				
VALUE OF REDEVELOPMENT SITE	**Acres**			**Value**
Property Value	25			$ 16,000,000
Value per Acre				$ 640,000
Value per Unit--250				$ 64,000
Demolition cost: 200,000 SF @ $6/PSF				$ 1,200,000
Cost to Acquire				$ 17,200,000
Cost to Acquire per Acre				$ 688,000
REDEVELOPMENT OPTIONS				
	Acres	**Units/SF**	**Price per Unit/SF**	**Supportable Land Cost**
1. New Rental Apartments @ 35 Units/Acre				
Total Units		35		
Unit land price per acre		875		$16,000
Supportable Land Price				**$14,000,000**
Redevelopment Financially Feasible?				**No**
2. Mixed Use Redevelopment				
Condo units at 35/acre	11	385	$ 26,000	$ 10,010,000
Townhomes at 8/acre	6	48	$ 80,000	$ 3,840,000
Retail at 10,000 SF/acre	3	50,000	$ 22	$ 1,100,000
Circulation/parking 20%	5			
	25			
Supportable Land Price				**$ 14,950,000**
Redevelopment Financially Feasible?				**No**
3. Mixed Use with Abatement				
Rental units at 35/acre	10	350	$ 18,000	$ 6,300,000
Townhomes at 8/units/acre	8	64	$ 90,000	$ 5,760,000
Retail at 10,000 SF/Acre	3	50,000	$ 22	$ 1,100,000
Circulation/parking 20%	5			
	26			$ 13,160,000
10-Year Partial Tax Abatement				$ 4,391,220
Supportable Land Price				**$ 17,551,220**
Redevelopment Financiallly Feasible?				**Yes**

Source: BAG

Three redevelopment options were evaluated for Prototype A:

1.) Redevelop as higher density rental apartments —At a density of 35 units per acre, the highest achievable with surface parking, it could not support acquiring the site at its current value.

2.) Mixed use Residential Development —with condo units a 35 per acre, 50,000 SF of retail space and 48 townhomes, the project would not be feasible, given current land values.

3.) Mixed Use Residential with Condos and Partial Tax Abatement —replacing condos with rentals in the mixed use plan for Option 2, and including a partial property tax abatement for ten years, makes redevelopment financially feasible.

CHARACTERISTICS OF PROTOTYPE B: OLDER SHOPPING CENTER

- Prototype B: Older Shopping Center was constructed in the 1980’s and is located on an 8 acre site on a major commercial arterial in the Holcomb Bridge Road corridor.
- The prototype contains 80,000 SF of retail space, but is currently only about 50% occupied.
- The center is appraised for tax purposes a tat $4.8 million or $60 PSF of space.
- It sold for $7.6 million in 2010 or $95 PSF
- The center has two anchor stores in place, but much of the smaller retail stores and several of the pad sites in the front of the center have been long term vacancies

Name		Prototype B
Address		Holcomb Bridge Area
Land Use		Retail (Strip)
2015 Appraised	$	4,800,000
2015 Assessed	$	1,920,000
Acres		8
2015 Assd/Acre	$	600,000
Units/SF		80,000
Appr/SF	$	60
Assd/SF	$	24
Last Sale Date		2010
Last Sale $	$	7,600,000
Last Sale/SF	$	95

REDEVELOPMENT OPTIONS FOR PROTOTYPE B: OLDER SHOPPING CENTER

POTENTIAL REDEVELOPMENT STRATEGIES FOR PROTOTPYE B: OLDER RETAIL CENTER					
VALUE OF REDEVELOPMENT SITE					
	Acres				**Value**
Property Value	8			$	6,000,000
Value per Acre				$	750,000
Value per SF--80,000				$	75
Demolition cost: 80,000 SF @ $6/PSF				$	480,000
Cost to Acquire				$	6,480,000
Cost to Acquire per Acre				$	810,000
REDEVELOPMENT OPTIONS					
	Acres	**Units/SF**	**Price per Unit/SF**		**Supportable Land Cost**
1.) New Rental Apartments @ 40 Units/Acre					
Units per acre		40			
Total Units	8	320	$16,000		$5,120,000
Supportable Land Price					**$5,120,000**
Redevelopment Financially Feasible?					**No**
2. Mixed Use Redevelopment					
Condo Units at 36/acre	6	216	$ 26,000	$	5,616,000
Retail at 40,000 SF/acre	0.4	40,000	$ 22	$	880,000
Circulation/parking 20%	1.6				
	8				
Supportable Land Price				**$**	**6,496,000**
Redevelopment Financially Feasible?					**Yes**
3. Mixed Use with Abatement					
Renta units at 35 per acre	6	210	$ 18,000	$	3,780,000
Retail at 40,000 SF/10,000 per acre	0.4	40,000	$ 22	$	880,000
Circulation/parking at 20%	1.6				
	8				
10-Year Partial Tax Abatement				$	2,368,345
Supportable Land Price				**$**	**7,028,345**
Redevelopment Financially Feasible?					**Yes**

Source: BAG

Three redevelopment options were evaluated for Prototype B: Older Shopping Center:

1.) Conversion to rental apartments –redeveloped at 40 units to the acre, a three story rental apartment complex, not feasible give land cost.

2.) Redevelopment as mixed use residential project --with stacked flat condominiums and ground floor and free standing retail would achieve the densities and values needed to be financially feasible.

3.) Redevelopment as a mixed use residential project with partial tax abatement –under this approach the mixed use concept with apartments and a partial ten year tax abatement would be financially feasible.

CHARACTERISTICS OF PROTOTYPE C: OLDER OFFICE COMPLEX

- Prototype C is a one story office complex constructed in the 1980s.
- It is located on a major commercial arterial in the Holcomb Bridge Road corridor with great access and visibility.
- It contains 135,000 SF of office space, but is only approximately 60% leased.
- It is appraised for tax purposes with a market value of $6.3 million or $47 PSF
- Its major anchor tenants moved out several years ago and has been increasingly occupied by smaller businesses on short term leases.

Name		Prototype C
Address		Holcomb Bridge Area
Land Use		Office
2015 Appraised	$	6,300,000
2015 Assessed	$	2,520,000
Acres		11
2015 Assd/Acre	$	572,727.27
Units/SF		135,000
Appr/SF	$	47
Assd/SF	$	19
Last Sale Date		NA
Last Sale $		NA
Last Sale/Unit		NA

REDEVELOPMENT OPTIONS FOR PROTOTYPE C: OLDER OFFICE PARK

POTENTIAL REDEVELOPMENT STRATEGIES FOR PROTOTYPE C: OLDER OFFICE PARK				
VALUE OF REDEVELOPMENT SITE	**Acres**			**Value**
Property Value (recent sale)	11			$ 6,300,000
Value per Acre				$ 572,727.27
Value per SF--135,000				$ 46.67
Demolition cost: 135,000 SF @ $6/PSF				$ 810,000
Cost to Acquire				$ 7,110,000
Cost to Acquire per Acre				$ 646,364
REDEVELOPMENT OPTIONS				
	Acres	**Units/SF**	**Price per Unit/SF**	**Supportable Land Cost**
1. New Rental Apartments @ 45 Units/Acre				
Units per acre		45		
Total Units		462		
Land Price Per Unit			$ 16,000	$ 7,392,000
Supportable Land Price				**$ 7,392,000**
Redevleopment Financially Feasible?				**Yes**
2. Condo Stacked Flats Mixed Use Redevelopment				
Condo Units at 30/acre (net 21 per acre)	8	240	$ 26,000	$ 6,240,000
Retail at 10,000 SF/acre	1	40,000	$ 22	$ 864,000
Deck with 300 spaces	1			
Circulation, buffering and parking	1			
	11			
Supportable Land Price				**$ 7,104,000**
Redevelopment Financially Feasible?				**Yes**
3. Mixed Use with Abatement				
Rental Units at 30 units per acre	8	240	$ 18,000	$ 4,320,000
Retail 40,000 SF at 10,000 per acre	1	40,000	$ 22	$ 880,000
Deck with 420 spaces	1			
Circulation, buffering and parking	1			
Total	11			
10-Year Partial Tax Abatement				$ 2,680,517
Supportable Land Price				**$ 7,880,517**
Redevelopment Financially Feasible?				**Yes**

Source: BAG

Three redevelopment options were considered for Prototype C: Older Office Park:

1.) **Rental apartment community – Redevelopment** –redevelopment as rental apartments at 45 units per acre would be financially feasible.

2.) Mixed use Residential – assuming 30 units to acre of condos and 40,000 SF of retail, would be financially feasible.

3.) Mixed use Residential with Partial Tax Abatement – redevelopment at 30 units per acre of rental apartments with 40,000 SF of retail and a partial tax abatement would be financially feasible.

These options are all feasible due to the lower acquisition cost of the office park relative to the other sites analyzed.

PROTOTYPE D: OLDER, SMALLER APARTMENT COMPLEX

- Prototype D is an older, smaller apartment complex consisting of 100 units on 13 acres or 7 units per acre
- Prototype D was constructed in the 1970s.
- It sold in 2015 for $66,000 per unit
- Current appraised (market value) for tax purposes is $63,000 per unit.
- Prototype D is located on a side street, near other residential development in a less commercial area of the Holcomb Bridge area.
- Many of its residents have lived in the complex long term and there is slow tenant turnover as a result
- This complex has experienced a higher than typical level of crime incidents due to problem tenants in two of the buildings in the complex.

Name		Prototype D
Address		Hocomb Bridge Area
Land Use		Apartment
2015 Appraised	$	6,300,000
2015 Assessed	$	2,520,000
Acres		13
2015 Assd/Acre	$	484,615
Units/SF		100
Appr/Unit	$	63,000
Assd/Unit	$	25,200
Last Sale Date		215
Last Sale $	$	6,600,000
Last Sale/Unit	$	66,000

REDEVELOPMENT OPTIONS FOR PROTOTYPE D: OLDER, SMALLER APARTMENT COMPLEX

POTENTIAL REDEVELOPMENT STRATEGIES FOR PROTOTYPE D: OLDER, SMALLER APARTMENT COMPLEX						
VALUE OF REDEVELOPMENT SITE	**Acres**					**Value**
Property Value (based on recent sale)	13				$	6,300,000
Value per Acre					$	484,615
Value per Unit--100					$	63,000
Demolition cost: 100,000 SF @ $6/PSF					$	600,000
Cost to Acquire					$	6,900,000
Cost to Acquire per Acre					$	530,769
REDEVELOPMENT OPTIONS						
	Acres	**Units/SF**		**Price per Unit/SF**		**Supportable Land Cost**
1. New Townhomes @ 8.5/Acre						
Total Units		110		$63,750		
Total Land Price						$7,012,500
Supportable Land Price						**$7,012,500**
Redevelopment Financially Feasible?						**Yes**
2. Condo Mixed Use Redevelopment						
Stacked Flat Condo Units at 30/acre	7	210	$	26,000	$	5,460,000
Townhomes at 8/acre	4	32	$	63,750	$	2,040,000
Circulation/parking 20%	2					
	13					
Supportable Land Price					$	7,500,000
Redevelopment Financially Feasible?						**Yes**
3. Rental Mixed Use with Abatement						
Rental Units at 30/acre	7	210	$	18,000	$	3,780,000
Townhomes at 8/acre	4	32	$	63,750	$	2,040,000
Circulation/parking 20%	2					
	13				$	5,820,000
10-Year Partial Tax Abatement/Apartments only					$	2,549,405
Supportable Land Price					$	8,369,405
Redevelopment Financiallly Feasible?						**Yes**

Source: BAG

Three redevelopment options were evaluated for Prototype D: Older, smaller apartments:

1.) Conversion to townhomes -- At 8.5 units to the acre this redevelopment option would be feasible.

2.) Residential Mixed Use – this would include condos at 30 units to the acre and townhomes at 8 per acre and is feasible.

3.) Residential Mixed Use with Partial Tax Abatement –this would involve rental units at 30 units to the acre and townhomes with a partial tax abatement for the rental units to be financially feasible.

Recommendations

RECOMMENDATIONS FOR A REDEVELOPMENT STRATEGY

- The issue of aging commercial properties in need of redevelopment is a common one facing many communities in the Atlanta Region.
- Peachtree Corners faces particular challenges in the redevelopment process resulting from two key challenges:
  - The City has limited financial resources due to its lack of local millage.
  - The value of many of its potential redevelopment sites are high relative to costs in other areas of metro Atlanta, due to the appeal of Peachtree Corners, low vacancies and relatively high rents, making redevelopment of these sites expensive.
- The City has already put in place some of the essential building blocks for successful redevelopment—
  - The creation of the Peachtree Corners Downtown Development Authority
  - Its land assembly, and public private partnership efforts associated with the Town Center project
  - Its creativity in the use of green space/open space density credits
- The City should add additional strategies to its "toolbox" to give it a more options to support redevelopment along the Holcomb Bridge Corridor in particular, they include:
  - **Recognize it is in the City's long term interest to gradually refresh its inventory of outmoded rental apartments and commercial properties over time**, particularly in the Holcomb Bridge Corridor.
  - **As is being demonstrated around the region, successful mixed use development require higher value, stacked rental and owned units as part of the mix to succeed**.

RECOMMENDATIONS FOR A REDEVELOPMENT STRATEGY

- **Empower the DDA, supported by the Community Development Department**, as responsible for implementing your redevelopment strategy. The city should reach out the owners of the properties identified in the study with the strongest potential for redevelopment at begin its efforts with these properties.
- **Use the Public Private Partnership model for redevelopment**—the city's role should be to provide the framework for redevelopment, appropriate incentives and zoning policies to encourage existing owners or interested future developers to finance and redevelop the sites.
- **High Land prices in Peachtree Corners make redevelopment challenging** but ironically will help ensure long term success since higher values are a key indicator of a stronger market.
- **Consider creating a zoning overlay district for mixed use** which would be available to existing commercial developments willing to redevelop as mixed use areas, consistent with city standards.
- **Concentrate any significant retail elements in a mixed use redevelopment along Holcomb Bridge Road**, where it has the greatest chance of success.
- **Consider offering a ten year partial property tax abatement through the DDA to qualified redevelopment projects that meet the city's standards** and as a way to economically off-set the additional densities required to achieve financial feasibility.
- TAD could be a useful complementary incentive as it has been in many other cities, but, given the unique circumstances in Peachtree Corners, we do not believe the other taxing jurisdictions would be willing to partner with the City and therefore, are not recommending it as a incentive.

RECOMMENDATIONS FOR A REDEVELOPMENT STRATEGY

- At the end of a successful redevelopment process Peachtree Corners will have achieve several positive outcomes for the City—
  - You will have transitioned some of the oldest and poorest performing real estate assets into new, significant contributors to the local tax digest.
  - You will have varied the rental apartment/housing inventory and office and retail inventory providing places for upward mobility for the rental population and providing greater housing choices for the current and future citizens of Peachtree Corners without impacting the established single family neighborhoods of the City.
  - You will provide new housing options for Peachtree Corners residents to age in place and increase options for new Millennial households seeking access to the employment base of the city.
  - You will have accelerated the pace of redevelopment in the City along the Holcomb Bridge Corridor while implementing a set of redevelopment strategies that minimize the financial commitment and risk to the City.

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