

DEKALB COUNTY

ITEM NO.

BOARD OF COMMISSIONERS

BUSINESS AGENDA / MINUTES

MEETING DATE: August 24, 2010

HEARING TYPE

Action

ACTION TYPE

Resolution

SUBJECT: Development Agreement between DeKalb County, the City of Doraville, New Broadstreet, LLC and other equity partners.

DEPARTMENT: CEO

PUBLIC HEARING: YES NO

ATTACHMENT: YES NO
(To be provided)

INFORMATION CONTACT: W. Burrell Ellis, Jr.
Chief Executive Officer

PAGES:

PHONE NUMBER: 404-371-6301

Normal Coursed 7/13/10; Deferred 7/27/10

PURPOSE:

To adopt a Development Agreement between DeKalb County, Georgia, the City of Doraville, New Broadstreet, LLC and other equity partners.

NEED/IMPACT:

This agreement specifies the terms and conditions of development between DeKalb County, Georgia, the City of Doraville, New Broadstreet, LLC and other equity partners.

RECOMMENDATION:

Adopt the attached Development Agreement between DeKalb County, Georgia, the City of Doraville, New Broadstreet, LLC and equity partners, and authorize the Chief Executive Officer to execute all necessary documents.

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Resolution

SUBSTITUTE

SUBJECT: Second Intergovernmental Agreement(s) authorizing the Development Authority of DeKalb County to issue Recovery Zone Economic Development Bonds.

DEPARTMENT: CEO

PUBLIC HEARING: YES NO

ATTACHMENT: YES NO
(to be provided)

PAGES:

INFORMATION CONTACT: W. Burrell Ellis, Jr.
Chief Executive Officer

PHONE NUMBER: 404-371-6301

Normal Coursed 7/13/10; Deferred 7/27/10

PURPOSE:

To adopt Second Intergovernmental Agreement(s) authorizing the Development Authority of DeKalb County (the "Authority") to issue Recovery Zone Economic Development Bonds in an aggregate principal amount not to exceed \$36,349,000.00.

NEED/IMPACT:

The Second Intergovernmental Agreement(s) authorize the Authority to issue Recovery Zone Economic Development Bonds in an aggregate principal amount not to exceed \$36,349,000.00. The County has designated and intends for the Authority to issue Recovery Zone Economic Development Bonds in connection with the land acquisition, remediation, and/or infrastructure improvements for the redevelopment of the General Motors Doraville site as a mixed-use development; a county convention center; and/or a future project to be determined at a later date. The Second Intergovernmental Agreement shall describe with specificity the financial assistance to be provided by DeKalb County and the City of Doraville, and/or other entities, to the Authority. Such financial assistance provided by the County and the City of Doraville and/or other entities, respectively, to the Authority will be in an amount sufficient to pay the debt service on the Recovery Zone Economic Development Bonds.

The County may designate, with the approval of the County Governing Authority, one or more additional purposes for which Recovery Zone Economic Development Bonds may be issued by the Authority. If so designated for such additional purposes, the Second Intergovernmental Agreement(s) shall describe with specificity the financial assistance to be provided by DeKalb County to the Authority. Such financial assistance provided by the County to the Authority will be in an amount sufficient to pay the debt service on the Recovery Zone Economic Development Bonds.

RECOMMENDATION: Adopt the attached Second Intergovernmental Agreement(s) and authorize the Chief Executive Officer to execute all necessary documents.

Wylie, Scott

From: Peeper, Blake [bpeeper@newbroadstreet.com]
Sent: Saturday, August 21, 2010 10:14 AM
To: McBride, Nancy J.
Subject: Thank you

Dear Commissioner Boyer,

Thank you again for making time to meet with me and my colleagues yesterday amidst your busy schedule. It was meaningful to be able to meet with you personally regarding the Doraville TOD Project.

This Project will transform an environmentally contaminated site into a nationally-recognized development that will attract employers, employees, and residents. We believe that a partnership with DeKalb is critical for this Project to reach its full potential. We are committed to including DeKalb in the planning and design process, as well as partnering with the County in future economic development efforts in order to attract quality jobs to this site. The financial benefit to the County is projected to far exceed its investment even under the most conservative assumptions. Furthermore, the Developer has agreed to several terms that will protect the County's investment.

Again, thank you for making time to meet with us. Please let us know if we can answer any questions or provide you with any information.

Thank you,

Blake

Blake Peeper
Vice President & Investment Officer
NEW BROAD STREET COMPANIES
O: 407.515.6990
C: 321.278.7198
E: bpeeper@newbroadstreet.com

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8/23/2010

Preliminary Jobs Estimate for GM Site Re-Development

Not based on IMPLAN



Assumptions

Land Use	Square Feet	Constr Cost/SF	Direct Costs
Retail	1,120,000	\$175	\$196,000,000
Residential	1,800,000	\$175	\$315,000,000
Office	2,280,000	\$175	\$399,000,000
Hotel	400,000	\$250	\$100,000,000
Total	5,600,000		\$1,010,000,000

Construction - One Time Impact

	Direct Cost	Indirect & Induced		Total Impact	Direct Employment		Indirect & Induced		Indirect	
		Multiplier	Indirect & Induced		Multiplier	Direct Employment	Multiplier	Employment	Total Employment	
Retail	196,000,000	0.813532	159,452,199	355,452,199	0.0000109	2,137	0.0000072	1,418	3,555	
Residential	315,000,000	0.717084	225,881,464	540,881,464	0.0000089	2,815	0.0000065	2,050	4,865	
Office	399,000,000	0.789230	314,902,600	713,902,600	0.0000104	4,137	0.0000071	2,818	6,956	
Hotel	100,000,000	0.789230	78,922,959	178,922,959	0.0000104	1,037	0.0000071	707	1,744	
Total			779,159,222	1,789,159,222		10,126		6,994	17,120	

Ongoing Operations - Annual Impact

	Annual Direct Spending	Indirect & Induced		Total Impact	Direct Employment		Indirect & Induced		Indirect	
		Multiplier	Indirect & Induced		Multiplier	Direct Employment	Multiplier	Employment	Total Employment	
Retail	392,000,000	0.766659	300,530,322	692,530,322	0.0000239	9,385	0.0000067	2,640	12,024	
Hotel	280,000,000	0.530000	148,400,000	428,400,000	0.0000199	5,580	0.0000073	2,047	7,627	
Office*	918,720,453	1.030000	946,282,066	1,865,002,519	0.0000083	7,600	0.0000085	7,798	15,398	
Total			1,395,212,389	2,985,932,842		22,565		12,485	35,050	

*Direct Employment based on 300 employees per sq ft.

Executive Summary

Summary of Development Terms

***Historical
Context:***

In September of 2008, the General Motors Plant in Doraville closed its doors, leaving over 3,000 workers out of jobs. At the same time, the City of Doraville was left with an environmentally contaminated site on its hands.

The 165 acre site sits in the heart of Doraville, adjacent to the Town's City Hall and government complex. Local city residents and the city government, all understandably vested in maintaining Doraville's small town appeal, have all speculated and guessed at what would become of the site.

In 2008, when speculations were confirmed that Sembler had its eyes on the site as a potential relocation site for the Atlanta Falcons, the City Council adamantly opposed the proposed use. The Falcons relocation effort failed and the future of the site remained unclear.

What became clear, in the mean time, however, is that the state of the economy (and real estate in particular), was experiencing unprecedented downward momentum. Redevelopments of large sites like this one were no longer easily financed and many developers had lost their ability and/or appetite to take on such challenging sites.

The unknowable cost to remediate the site only made the site appear riskier and less attractive to potential developers. Accordingly, the previous price tag on the site of \$140MM became a number that GM knew it would never receive.

***Opportunity
Analysis:***

In early 2010, Orlando based developer New Broad Street entered into a contract with General Motors to purchase the site

NBS is a very experienced developer with an impressive track record of large scale mixed use redevelopments, including Celebration, Baldwin Park, and the Memphis Ballpark Neighborhood. They proposed a very attractive mixed use development plan for this site, including up to 5.6MM square feet of office, retail, hospitality and residential.

Their approach to addressing the environmental and economic challenges of developing the site includes:

- using the long lead time required by the demolition and remediation work as a buffer to allow the economy to regain its strength;
- negotiating a lower price tag (\$60MM) with General Motors; and
- using a new financing vehicle called Recovery Zone Bonds to defray some of the early costs of acquisition, demolition and remediation.

The Recovery Zone bonds were introduced as part of President Obama's American Recovery and Reinvestment Act (ARRA). DeKalb County was awarded \$36.4MM (confirm) of the Economic Development variety of the bonds, which would receive a 45% rebate from the Federal government on the interest

Summary of Development Terms

payments. The bonds would be repaid by the County, effectively creating a subsidy or grant for NBS.

In exchange for the subsidy on the development, the County has demanded that NBS conform the development to certain standards that will justify the public investment.

The County is also in negotiations with the City of Doraville to have the City share in the financial burden of the bond repayment, given that the development will take place within Doraville city limits and Doraville will receive tremendous benefit from the redevelopment.

***Overview of
Development:***

The development is currently proposed to become a mixed-use development focused on attracting corporate headquarters tenants and bringing high paying jobs to the site. The intention of this “purpose driven” development approach is to create an economic ripple effect throughout the site that spreads on to Doraville, the entire County and the State.

This development, with its widespread impact, will require a coordinated effort on the parts of the City of Doraville, DeKalb County, and the Georgia Office of Economic Development (among other multi-jurisdictional state entities) to become one of the top sites that the state promotes when recruiting corporations to relocate to Georgia.

The decisive step to allow the development to move forward as planned is the “Green Light” vote from County Commissioners and Issuance of the bonds. This involves multiple steps that are all required in order for the development to move forward, including:

- Execution of the Master Development Agreement (MDA) with NBS;
- Execution of an Intergovernmental Agreement (IGA) with Doraville agreeing to financial participation; and
- Appropriate extensions from DCA

***Development
Timeline:***

PRE-CLOSING:

- DeKalb BOC votes to issue the bonds guaranteed by a millage pledge, with the debt service costs to be paid from cost savings attained by the County.
- NBS, the County, and the City of Doraville agree to a “Guiding Vision” for the development.
- NBS will submit its Master Development Plan and Master Design Guidelines, agreed to be approved by the County and Doraville.
- NBS agrees not to request abatements of taxes, impact fees, etc.
- NBS commits to use DeKalb’s LSBE Program and its First Source Jobs

Thompson-Dawson Real Estate Services
Development Authority of DeKalb County – GM Plant Redevelopment

Summary of Development Terms

Program.

- A Youth Development and Education Fund (*working name for entity*) is established to benefit the neighborhoods of DeKalb County benefitting the least from this development.
 - The Fund will be funded by fees imposed upon each transfer of land or vertical improvements (with the transfer fee requirement to run with the land and to be included as part of the ground lease):
 - 25bps of transferred value up to \$20MM
 - 12.5bps of transferred value above \$20MM
 - The board of the Fund would consist of a combination of persons appointed by the governing authorities and independent appointees.
 - Community organizations would submit a standardized “Request for Funding” form to the YDEF outlining their proposed use of grant funds from the YDEF.
- Doraville up-front payment of \$3,500 (*potentially higher – still being negotiated*)
- A Single Purpose Entity (SPE) of the Development Authority will be formed for the purposes of buying the majority of the land from GM and ground leasing it to NBS for a “de minimus” amount. This ground lease structure is dictated by the bond stipulations.

AT CLOSING:

- New Broad Street and the Development Authority SPE buy the land from GM for \$60MM.

Entity	Acreage	Cost
NBS :	69	\$25MM (42%)
Development Authority SPE:	96	\$35MM (58%)
	165	\$60MM

- An interest bearing escrow account will be funded with \$5MM to be drawn down in case NBS misses one of its vertical threshold developments. Assuming a 3% interest rate, the amount of the escrow account will be \$6.3MM by the end of year 8.

The amount to be drawn down as a result of NBS missing a milestone will be calculated as a percentage of the debt service for the year of the missed milestone:

Thompson-Dawson Real Estate Services
Development Authority of DeKalb County – GM Plant Redevelopment

Summary of Development Terms

<u>Milestone:</u>	<u>Percentage of Debt Service:</u>
250K SF by end of year 8	25%
500K SF by end of year 10	50%
750K SF by end of year 12	75%
1MM SF by end of year 15	100%

- NBS will also provide seed funding of \$150K (of a total \$250K) for the **Youth Development and Education Fund**, as an advance against future funding from transfer fees.

YEAR 1:

- NBS uses additional equity from its \$50MM total (including acquisition) funding commitment from Stratford Land to begin demolition of the buildings on the site. Demolition will be completed by the end of Year 2.
- Initial debt service payment on the bonds (on an interest only basis) comes due at approximately \$1MM per year.
- Doraville pays 1% (*potentially higher – still being negotiated*) of the debt service due on the bonds
- At the end of Year 1, NBS deposits another \$100K (of a total \$250K) into the **Youth Development and Education Fund**, as an advance against future funding from transfer fees.

YEARS 2 and 3:

- NBS uses additional equity funding from Stratford Land to complete the demolition of the site and to perform the environmental clean up of the site.
(This obligation will be backed by an \$11MM bond and a \$25MM Environmental Insurance Policy with the County named as an additional insured.)
- If NBS does not meet the Demolition and Remediation milestones by the end of year 3, then the Development Authority SPE will have the right to terminate the ground lease.
- NBS begins to sub-divide the site – making a deposit to the YDEF with every transfer of the property to a separate entity.
- Debt service on the bonds remains interest-only.

Summary of Development Terms

YEARS 4 through 8:

- NBS uses additional equity funding from Stratford to install the “Required Horizontal Infrastructure”, including utility trunk lines, primary spine roads, mass grading and earthwork, etc...
- Horizontal Milestones = 50% of the Required Horizontal Infrastructure will be installed by Year 5, and 100% will be installed by Year 8.
 - Prior to closing, Stratford Land will have joined the execution of the MDA for the purpose of guaranteeing the completion of the Horizontal Milestones, allowing the County to include Stratford Land in its pursuit of financial remedies for missing horizontal milestones.
 - If NBS misses the Horizontal Milestones, the County (through the Development Authority SPE) can seek to recover damages or sue Stratford Land for specific performance.
 - Additionally, the County can terminate the ground lease and reclaim its land if the Required Horizontal Infrastructure is not completed.
- Bonds begin to amortize in year 4 and debt service increases to approximately \$2MM per year.

YEARS 8 and 9:

- NBS faces its first vertical development milestone. If NBS has not completed at least 250K SF of development on the site by Year 8 (referenced as a “Vertical Improvement Deficiency”), then 25% of the debt service payment for Year 8 will be drawn down from the escrow account and deposited into the Community Reinvestment Fund. Year 9 works exactly the same way.
- If NBS misses the milestone, then the County will begin to have a higher level of input and oversight over the development of the project (referenced as a “County Input Step-Up”). If the milestone is subsequently reached, then the County’s level of input and oversight returns to its previous level.

YEARS 10 and 11:

- Vertical milestone = 500K SF. If missed (ie Vertical Improvement Deficiency), then NBS pays 50% of the debt service for the year.
- If NBS misses the threshold, then the County has the right to take on additional control of the development on the site (ie County Input Step-

Summary of Development Terms

up). If the threshold is subsequently reached, then the County's control returns to its previous level.

YEARS 12, 13 and 14:

- Vertical milestone = 750K SF. If missed (ie Vertical Improvement Deficiency), then NBS pays 75% of the debt service for the year.
- If NBS misses the threshold, then the County has the right to take on additional control of the development on the site (ie County Input Step-up). If the threshold is subsequently reached, then the County's control returns to its previous level.

YEAR 15 and BEYOND:

- Vertical milestone = 1MM SF. If missed (ie "Vertical Improvement Deficiency"), then NBS pays 100% of the debt service for the year until the threshold is met or the escrow funds are depleted.
- If NBS misses the threshold, then the County has the right to take on additional control of the development on the site (ie County Input Step-up). If the threshold is subsequently reached, then the County's control returns to its previous level.

*** If at any point, NBS misses its vertical development milestone and there is no additional money in the escrow, then the County has the right to force Stratford Land to replace NBS as the developer of the site with a developer of the County's choosing.

The above course of action (County forcing Stratford Land to replace NBS as the developer) is also what happens in the case that NBS goes bankrupt or breaches some other condition of Default.