

# FREQUENTLY ASKED QUESTIONS THE GULCH DEVELOPMENT PROJECT



## What is the Gulch?

The Gulch is an approximately 40 acre undeveloped area in Downtown Atlanta, Georgia. The Gulch area is at ground level, while the streets that surround it are elevated — they were originally elevated in the early 20th century so that traffic could more easily flow above the railroad lines passing through Downtown Atlanta. The area is roughly bounded by Martin Luther King, Jr. Drive on the south, a railroad line and the Mercedes-Benz Stadium on the west, Centennial Olympic Park Drive and Philips Arena on the northwest, CNN Center parking deck on the northeast and Ted Turner Drive on the southeast.

## Who is the proposed developer of the Gulch area?

The CIM Group, Los-Angeles based, has proposed to develop the 40-acre Gulch area into a mixed-use development. Established in 1994, the CIM Group® owns and operates real estate assets that support the needs of communities across North America. The company's primary strategies focus on real estate, infrastructure and lending.

## What exists in the Gulch area today?

The Gulch area is currently undeveloped and largely consists of railroad infrastructure (i.e. tracks) and is used for tailgating and parking for sporting events at Mercedes Benz Stadium and State Farm Arena. Essentially, it is a large hole, 40 feet below street level.

## Why is it necessary to develop the Gulch area?

The State, City and business organizations have worked for decades to bring development to the Gulch. The current proposal would include new office buildings, retail development, restaurants and housing. In addition, thousands of jobs would be created, and affordable housing would be available in an area that currently has no housing. Development of the area would invigorate the western side of Downtown Atlanta providing

connectivity between the Mercedes Benz Stadium, Georgia World Congress Center, State Farm Arena (Philips Arena), Georgia State University campus and the soon to be revitalized Underground Atlanta. Additionally, since there is no development on the properties now, there are nominal property taxes currently being collected and no sales taxes being generated.

### **What project is proposed to be developed in the Gulch area?**

The proposed project for the Gulch area anticipates transforming nearly 40 acres of undeveloped land into 35 usable acres of development. There will be approximately 12-15 new city blocks of new infrastructure, roads, sidewalks, open space and parks. The area would include up to 9.3 million square feet of office development, up to 1.0 million square feet of retail uses, up to 940,00 square feet of residential development and up to 750,000 square feet of hotel uses. The development is proposed to be constructed in phases. There will be three acres of green and plaza space.

### **How will the project be financed?**

The CIM Group will privately finance the project with the ability to be reimbursed for verified project cost. CIM will be reimbursed for 10% of the project cost from the property taxes collected in the Gulch over the next 30 years (Tax Allocation District [TAD] Bond Funding). The TAD funding will be capped at \$500 million. CIM expects to be reimbursed \$350 million (10%) of the \$3,500 billion cost to develop the Gulch.

CIM will be reimbursed for 90% of the project cost from the sales taxes collected in the Gulch over the next 30 years (Enterprise Zone [EZ] Bond Funding). The EZ funding will be capped at \$1,250 billion. CIM expects to be reimbursed \$550 million from the sales tax collected in the Gulch. The Georgia General Assembly passed legislation in 2017 allowing local governments to create an Enterprise Zone in areas that are chronically underdeveloped for at least twenty (20) years and would have a minimum in \$400 million in capital investment, making them eligible for a sales tax exemption. **No funds from the City of Atlanta General Fund budget will be used to finance the Gulch project.**

### **What is a TAD?**

Tax Allocation Districts are one of the City of Atlanta's most valuable economic development tools. Also known as Tax Increment Financing (TIF), tax allocation financing is a redevelopment and financing tool by which governments can provide financial assistance to eligible public and private redevelopment efforts within an officially designated area or TAD. Increases in property tax revenues, which are generated primarily from new investment in the district, are allocated to pay infrastructure costs or certain private development costs within the TAD. This is primarily done through the issuance of tax allocation district bonds. The Gulch area is located within the Westside TAD area. Tax increment collected within the Westside TAD can be used for eligible redevelopment projects within the Westside TAD as authorized by a Redevelopment Plan.

### **What is an Enterprise Zone Bond?**

Enterprise Zones are bonds issued by a local government or one of its agencies that are supported by the sales tax exemption created by the State. Enterprise Zone Bonds could also be referred to as sales tax bonds as the money used to pay back the bonds comes from money that usually makes up a portion of the state's sales tax, 4% of the 8.9%, and 1% from the Local Option Sales Tax (LOST). Enterprise.

## What are the highlights of the financing of the Gulch project?

***TAD:*** The estimated amount of bonds to be issued is \$350 million, with a not to exceed amount of \$500 million. This equates to 10% of the total project costs. The proposed developer, the CIM Group, will be the sole initial purchaser of the new TAD bonds and **will assume all financial risks**. The TAD bonds will be repaid solely from real estate tax increment generated by CIM's redevelopment in the Gulch Enterprise Zone.

***Enterprise Zone Bonds:*** The estimated amount of Enterprise Zone bonds to be issued is \$550 million, with a not to exceed amount of \$1.25 billion.

**The State of Georgia has agreed to provide for 5 cents of the 8.9 cent sales tax to be available to support bonds for this project and the remaining 3.9 cents to be available to fund education, public transportation and infrastructure, and water/sewer projects. Currently there is no sales tax being generated.** Based on the proposed development of one million square feet of retail, the project should generate approximately \$38 million annually in sales tax, including \$18 million annually to support MARTA, E-SPLOST, MOST and T-SPLOST.

***E-SPLOST:*** Over the last two decades, Georgia has been funding infrastructure improvements in school buildings through an education-focused special purpose local option sales tax ("E-SPLOST"). This unique mechanism has allowed local communities an additional method of financing and paying for needed repairs to and expansions of their school facilities.

***MOST:*** A 1% City of Atlanta Municipal Option Sales Tax (MOST) inside the City of Atlanta limits. MOST generally applies to all retail sales of tangible personal property delivered to customers within the city limits of Atlanta and retail sales of taxable services performed within the city limits of Atlanta.

***T-SPLOST:*** A Special Purpose Local Option Sales Tax (SPLOST) is a sales tax used to fund capital outlay projects proposed by county and municipal governments. A Transportation SPLOST is a sales tax where the capital outlays are intended for transportation purposes only. Georgia Senate Bill 369 created a special transportation tax district for Fulton County and a special district for the City of Atlanta, including the portion of the City in DeKalb County.

## Who assumes the financial risks?

**The CIM group will be the sole initial purchaser of TAD Bonds and the new Enterprise Zone Bonds (EZ) and will assume ALL financial risk. These bonds will be repaid solely from sales tax generated within the Gulch Enterprise Zone. There is no financial credit support from or default risk to the City.**



## Why would the City take such a huge financial risk?

**There is no risk to the City.** The bonds that will be issued by the City and Invest Atlanta are special limited obligation bonds that will be purchased by the Developer. This means all the risk rests with CIM. If no money is generated in the Enterprise Zone or no Tax Increment created because of no development, the City and Invest Atlanta will have NO obligation to pay back the bonds with other sources of revenue. **In other words, there is no risk to the general fund, the remainder of the Westside TAD or any other funds of the City or Invest.**

## Why can't the City use the money for other needs like police and fire?

The money does not exist today and is restricted on what it can be used for. The Georgia General Assembly passed House Bill 342 ("HB 342") in 2017 which limited where the money could be spent and for what purpose. HB 342 allows for the creation of an Enterprise Zone in an area that has been chronically underdeveloped for at least 20 years and will require at least \$400 million in capital investment and located in an urban redevelopment area. If a project meets these criteria (as certified by the State) then the area qualifies to use a portion of the sale and use tax to pay back bonds issued by a local government. The State of Georgia has certified that the Gulch area meets these criteria.

The sales and use tax in the Enterprise Zone can only be used for development costs inside the Enterprise Zone and cannot be used outside the zone. Therefore, if the project does not move forward and no sales tax is created in the Enterprise Zone, then there are no funds available to the City for any purpose.

## What are the major benefits of the Gulch project to the City of Atlanta and its residents?

**Community Investment:** As a result of the Gulch development, 20% (up to \$125 million) of TAD Bond proceeds will become available and will be invested within the Empowerment Zone Communities (particularly Vine City and English Avenue neighborhoods) to facilitate redevelopment within the Empowerment Zone Communities.

**Affordable Housing:** The CIM group will pay \$28 million into an "Affordable Housing Trust Fund" to increase affordable housing opportunities citywide.

**Onsite Affordable/Workforce Housing (Rental and For-Sale Units):** A minimum of 200 residential units or 20% of the total residential units constructed in the Gulch (whichever is greater will be designated as affordable housing for a term of not less than 99 years. Atlanta Housing will work with the Developer to provide vouchers for 10% residential rental units, taking the total amount of affordable housing to 30%. **This is double what is currently required by legislation passed by the City Council.**

**Economic Development Fund:** The CIM group will pay \$12 million into an Economic Development Fund to promote economic development citywide.

**Atlanta Police Department Mini-Precinct:** The CIM group will construct and lease to the City for \$1 per year, a 1,500-square foot mini-precinct to be located in the Gulch area.

**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. 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.

**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.).

**Security Enhancements:** The CIM group 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.

**Nelson Street Bridge:** Nelson Street Bridge has been closed since 2009 due to its deteriorated condition. Norfolk Southern Railroad is responsible for demolishing the bridge and the City is responsible for constructing a new bridge. CIM will demolish, reconstruct, and maintain the new bridge, estimated cost is \$5 million, costs the City will not have to now pay.

**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 million. 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 does not approve the proposed exchange transaction, then CIM will pay \$12 million to the City to cover the cost to purchase land and construct a new fire station.

**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.

**Carrie Steele Logan 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.

## **Will there be an exchange of land between the developer and the City in order to make this project happen?**

Yes. The CIM group will contribute certain assets:

- 175 Spring Street, an existing building that will be demolished leaving a clean, paved land site that can be used for parking totaling approximately 15,500 square feet
- 185 Spring Street – A 75,000 SF office building that will be renovated by CIM prior to contributing to the City
- Packard Parking Lot – A parking lot that will be resurfaced and will be used by the 185 Spring Street employees totaling approximately 72,500 square feet
- 160 Trinity – A 58,100 square feet 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.

The City of Atlanta will contribute the following assets to the CIM group:



- 2 City Plaza Production and Warehouse Buildings – A storage and parking structure encompassing approximately 160,000 land square feet, (this does not include the office space currently used by the Department of Watershed Management)
- 2 City Plaza Fairlie Street 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.

### **Will the development end any hopes of the Multi-Modal Passenger Terminal (MMPT)?**

The project will be designed in a manner that can accommodate a MMPT if it ever becomes a reality. The CIM group has not expressed opposition to having transit be a component of the project. In fact, the proposed project is designed as a Transit Oriented Development (“TOD”) with two MARTA stations on either end of the project.

