Carter Oak Shopping Center
A vision for renewal

Mini Technical Assistance Panel | ULI Atlanta Center for Leadership | May 2018
Agenda

1. The Team
2. The Project
   • Overview
   • Process
   • Context
   • Precedent Studies
   • Program Components
3. The Outcome
   • Conceptual Ideas
   • Criteria for Comparison
   • Feedback
   • Reflections
The Team

Jason Manners, P.E., LEED AP
Kimley-Horn
Structural Engineering / Parking Consultation

Andrew Pearson, LEED AP
Seven Oaks Company
Development and Asset Management

Sheba Ross, AICP, LEED AP, CDT, Int’l AIA
HKS
Architecture and Urban Design

Clara Kwon, PLA
City of Atlanta, Dept. of Parks & Recreation
Parks Design and Landscape Architecture

Advisors:
Angela Abraham, Novare Group
Erin Hewitt, Burr and Forman LLP
To create an inclusive CATALYTIC DEVELOPMENT that enhances pedestrian connectivity and provides adequate vehicular parking for a unique and diverse experience in Gwinnett County.
Process

Meetings on site
Background Studies
Case Studies
Analysis
Design Options: hand sketches, CAD drawings, Sketch Up Models
Online Collaboration
Team Charrettes
Advice
ULI Precedents
ULI Case Studies
18.5 acres
Precedent Study – North Hills

**BACKGROUND**

- 1960’s mall (North Hills Mall, 535K SF on 31-acres) located in Raleigh, NC.
- Outside of City core but with good vehicular access. Located adjacent to I-440 (i.e. Raleigh’s 285) and Six Forks Road.
- Center of activity for several decades but new ownership neglected physical structure.
- High-income surrounding neighborhoods.

**REDEVELOPMENT**

- Mall demoed in ’99. Redevelopment of mall and adjacent land took place over the course of 20 years.
- Initial vision of developer was to create a local gathering place. Site expanded from 31- to 94 acres.
- Now 1M SF of office, 920 residential units, 366 hotel rooms, and just under 1M SF of mixed retail.
- Focus on green space, community events, and gatherings. North Hills hosted >500 events in 2015.
- Vibrant 24/7 mixed-use community.

**TAKEAWAYS**

- Strong central core with retail-lined streets. Focus on central green / gathering spaces(s).
- Create walkable retail area. Sensibly position parking deck to encourage “park and walk” shopping experience.
- Densification over period of time is to be expected. Sensibly plan and build core area today to allow for more vertical, mixed-use development in the future.

**ORIGINAl SITE CONDITION**

**REDEVELOPED SITE CONDITION**
Precedent Study – Square One Shopping Centre

**BACKGROUND**
- Built in 1970’s on farmland in Mississauga, a suburb of Toronto, Canada and Canada’s 6th largest city
- Currently approx. 2.2M SF
- Mall was sited close to major highways
- Mississauga City Hall was located close by in the 1980’s which spurred development in the area and creating a new suburban center

**REDEVELOPMENT**
- Major expansion and renovations began in 2013 with infill development and façade upgrades.
- New outdoor gathering spaces have been built in recent years
- Square One Shopping Centre is part of a larger redevelopment of this part of Mississauga into a suburban center that began in the 1990’s with high-rise residential, college campus, transit hub and cultural institutions.

**TAKEAWAYS**
- Expansion of the mall and adjacent parcels now fall into a grid pattern
- Design quality has become a core value in the renovation and expansion of the mall
- As a transit hub with residential density, exterior plaza spaces have been designed to enhance the pedestrian experiences

**ORIGINAL SITE CONDITION**

**REDEVELOPED SITE CONDITION**
Focus on i) Professional Services (including 2nd Story office component of new build) and ii) General Retail with focus on lifestyle retail that will draw new customers and keep existing customers onsite longer:

- Spa
- Technology
- Taproom / Beer garden
- Boutique Clothing
- Vitamin Shoppe / Juice Bar
- Cooking Class Venue
- REI / Sports-focused Store
- Travel Agency
- Small Home Furnishing Store
- Brush and Bottle Art

2-bay parking garage
Parkable ramps provided on both parking bays
9’ x 18’ parking stalls

Design should maintain openness for natural ventilation and reduced cost

Future Proofing: Allows for conversion to leasable floor area in the future

Create internal spine (roadway) for vehicles

Pedestrian corridor
Conceptual Vision Options

Boulevard Scheme

Identity Scheme
Conceptual Vision – Boulevard Scheme

- Parking Deck
  110 / floor = 330 spaces in 3 floors

- Outparcel Retail
  Responds to scale of Jimmy Carter boulevard

- Interior parcel Retail
  Responds to Shopping center and plaza
Conceptual Vision – Identity Scheme

Parking Deck
69 / floor =
278 spaces in
4 floors

Flex Surface
Parking garden with
landscape to transform to
event space as needed

Consolidated Retail
Frames pedestrian space

Façade upgrade
Engaging retail space at
front door
Conceptual Ideas

Vision for Renewal

- Pedestrian
- Screens
- Retail
- Interaction
- Sustainability
- Gardens
- Experience
Conceptual Ideas - Experience

• Outdoor living rooms
Conceptual Ideas - Pedestrianization

Boulevard Scheme

Identity Scheme
Conceptual Ideas - Sustainability

- Green infrastructure
- Park space
- Permeable pavers
- Bio-infiltration beds
Conceptual Ideas – Parking Gardens
Conceptual Ideas – Interaction
Conceptual Ideas – Parking Screens
### SOURCES AND USES SCHEDULE (Development)

**Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Cost per SF</th>
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<tbody>
<tr>
<td>Equity + Public Investment</td>
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<tr>
<td>Equity</td>
<td>6,323,511</td>
<td>$126 / SF</td>
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<td>TAD Credits</td>
<td>1,918,250</td>
<td>$165 / SF</td>
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<tr>
<td>Construction Debt</td>
<td>11,509,500</td>
<td>$230 / SF</td>
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<tr>
<td>Total Sources</td>
<td>19,751,261</td>
<td>$395 / SF</td>
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</table>

**Uses**

**Retail / Office Development Costs**

- A&E: 750,000, $15 / SF
- Sitework, Core & Shell: 5,750,000, $115 / SF
- TI: 1,500,000, $30 / SF
- LC: 750,000, $15 / SF

<table>
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<tr>
<th>Other Development Costs</th>
<th>Amount</th>
<th>Cost per SF</th>
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<tr>
<td>Parking (339 Spaces)</td>
<td>5,932,500</td>
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<tr>
<td>Infrastructure</td>
<td>3,500,000</td>
<td>$70 / SF</td>
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<td>Stormwater</td>
<td>1,000,000</td>
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<td>Total Uses</td>
<td>19,751,261</td>
<td>$395 / SF</td>
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Financial Analysis – Boulevard Scheme
### PROJECT ASSUMPTIONS AND RETURN SUMMARY

#### General Assumptions
- Outparcel, 1st Level: 7,000 RSF
- Outparcel, 2nd Level: 0 RSF
- Interior Parcel, 1st Level: 29,000 RSF
- Interior Parcel, 2nd Level: 14,000 RSF
- Total Square Feet: 50,000 RSF
- Development Period (Months): 15 Months

#### Parking Deck Assumptions
- Number of Spaces: 
  - Outparcel, 1st Level: 0
  - Interior Parcel, 1st Level: 250
  - Total Development Costs: (7,289,350) $ (2,788,275) (1,726,000)

#### Parking Deck Assumptions
- Number of Spaces: 
  - Add: Net New Hong Kong Market: 0
  - Add: Replace Spaced Lost to Dev./P: -75
  - Less: Single Load Along HK: -36

#### Interior Parcel, 1st Level
- 29,000 RSF

#### Interior Parcel, 2nd Level
- 14,000 RSF

#### Total Square Feet
- 50,000 RSF

#### Development Period (Months)
- 15 Months

#### Blended Avg. Cost per Space: $17,500

#### Parking, Total Cost: $5,932,500

#### Return on Cost Metrics
- Revenue (Stab.): $1,216,800
- Cost (Post TAD): $17,264,250
- Return on Cost: 7.05%

#### Exit Assumptions
- Month of Sale: 36
- Exit Cap: 6.00%
- Cost of Sale: 1.50%
- Sale: $21,515,052
  - $430 / SF
- Vacancy Factor: 4.00%

#### Financing Assumptions
- Construction Debt: 60%
- Interest Rate: 5.00%
- Origination / Closing: 2.00%

#### Market Revenue Assumptions
- Outparcel NNN Rent
  - 1st Story Retail: $37.50 / SF
  - 2nd Story Retail / Office: N/A
- Interior Parcel NNN Rent
  - 1st Story Retail: $25.00 / SF
  - 2nd Story Retail / Office: $20.00 / SF
- Future Rent Escalation: 3.00%

### Financial Analysis – Boulevard Scheme

#### Development
- Retail / Office Development Costs: $(3,325,000) $(4,112,500)
- Parking Development Costs: (2,254,350) (2,788,275)
- Infrastructure / Stormwater: (1,720,000) (2,115,000)
- Total Development Costs: (7,289,350) (9,015,775)
- Less: TAD Credits: 728,935 901,578
- Net Development Costs: (6,560,415) (8,114,198)

#### Operations / Stabilization
- Occupancy: 0% 0% 28% 78% 96% 96%
- Outparcel Rent: - - 36,094 101,719 129,555 129,780
- Interior Parcel, Ground Floor: - - 99,688 280,938 357,818 358,440
- Interior Parcel, Second Floor: - - 38,500 108,500 138,192 138,432
- Interior Parcel, Second Floor: - - 174,281 491,156 625,564 626,652
- Net Sale Proceeds: 491,156

#### Reversion
- Outleveraged IRR: 12.87%
- Unleveraged IRR: 1.34x

#### Leverage Run
- Debt Proceeds / Paydown: 4,373,610 5,409,465 1,726,425
- Origination: (230,190) - - - -
- Recurring Interest: (34,529) (177,918) (269,994) (287,738) (287,738) (287,738)
- Leveraged IRR: 22.46%

#### Leverage Cash Flow
- Unleveraged IRR: 12.87%
- Leveraged Multiple: 1.34x

#### Proforma

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>TOTAL</th>
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<td>2</td>
<td>3</td>
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<td>DEVELOPMENT</td>
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<td>Retail / Office Development Costs</td>
<td>$(3,325,000)</td>
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<td>Parking Development Costs</td>
<td>(2,254,350)</td>
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<td>Infrastructure / Stormwater</td>
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<td>Total Development Costs</td>
<td>(7,289,350)</td>
<td>(9,015,775)</td>
<td>(2,877,375)</td>
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<td>Less: TAD Credits</td>
<td>728,935</td>
<td>901,578</td>
<td>287,738</td>
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<tr>
<td>Net Development Costs</td>
<td>(6,560,415)</td>
<td>(8,114,198)</td>
<td>(2,589,638)</td>
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### Operations / Stabilization
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- Debt Proceeds / Paydown: 4,373,610 5,409,465 1,726,425
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- Leveraged IRR: 22.46%

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- Unleveraged IRR: 12.87%
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## SOURCES AND USES SCHEDULE (Development)

### Sources

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<thead>
<tr>
<th>Source</th>
<th>Equity</th>
<th>TAD Credits</th>
<th>Construction Debt</th>
<th>Total Sources</th>
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<td>TAD Credits</td>
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<tr>
<td>Debt</td>
<td>11,280,000</td>
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### Uses

**Retail / Office Development Costs**
- A&E: 735,000 @ $15 / SF
- Sitework, Core & Shell: 5,635,000 @ $115 / SF
- TI: 1,470,000 @ $30 / SF
- LC: 735,000 @ $15 / SF

**Other Development Costs**
- Stormwater: 1,000,000 @ $20 / SF
- Debt: 557,420 @ $11 / SF
- Parking (270 Spaces): 4,725,000 @ $96 / SF
- Infrastructure (inc. Screen): 4,500,000 @ $92 / SF

**Total Uses**: 19,357,420 @ $395 / SF
Financial Analysis – Identity Scheme

PROJECT ASSUMPTIONS AND RETURN SUMMARY

General Assumptions

Outparcel, 1st Level 5,000 RSF
Outparcel, 2nd Level 5,000 RSF
Interior Parcel, 1st Level 27,000 RSF
Interior Parcel, 2nd Level 12,000 RSF
Total Square Feet 49,000 RSF

Development Period (Months) 15 Months

Parking Deck Assumptions

Number of Spaces
Add: Net New Hong Kong Market 0
Add: New Density, Req’d Parking 196
Less: Net Surface Added (North Pad) -75
Less: Pave Green Space in Middle -26
Number Spaces to Construct 270

Revenue (Stab.) $1,166,400 $23.80 / SF
Cost (Post TAD) $16,920,000 $345.31 / SF
Blended Avg. Cost per Space: $17,500

Parking, Total Cost $4,725,000

Return on Cost Metrics

Operational Metrics

Occupancy 0% 0% 28% 78% 96% 96%

Return on Cost 6.89%

Outparcel Rent, Ground Floor - - 24,063 67,813 86,370 86,520 264,765
Outparcel Rent, Second Floor - - 17,188 48,438 61,693 61,800 189,118
Interior Parcel, Ground Floor - - 92,813 261,563 333,141 333,720 1,021,236
Interior Parcel, Second Floor - - 33,000 93,000 118,450 118,656 363,106

Outparcel NNN Rent - - 24,063 67,813 86,370 86,520 264,765
Outparcel Rent, Ground Floor - - 17,188 48,438 61,693 61,800 189,118
Outparcel Rent, Second Floor - - 92,813 261,563 333,141 333,720 1,021,236
Interior Parcel, Ground Floor - - 33,000 93,000 118,450 118,656 363,106

Immediate Rent 2,402,640 2,825,170 943,548 188,813 317,653 9,353,234 3,688,342

LEVERAGED RUN

Debt Proceeds / Paydown 4,286,400 5,301,600 1,692,000 - - (11,280,000)
Origination (225,600) - - - - - (225,600)
Recurring Interest (33,840) (174,370) (264,610) (282,000) (282,000) (282,000) (1,318,820)

LEVERAGED CASH FLOW

Leveraged IRR 20.51%
Leveraged Multiple 1.60x

Proforma

Year 1 Year 2 Year 3
Half 1 Half 2 Half 1 Half 2 Half 1 Half 2 TOTAL

DEVELOPMENT

Retail / Office Development Costs $(3,258,500) $(4,030,250) $(1,286,250) - - - $(8,575,000)
Parking Development Costs (1,795,500) (2,220,750) (708,750) - - - (4,725,000)
Infrastructure / Stormwater (2,090,000) (2,585,000) (825,000) - - - (5,500,000)
Total Development Costs (7,144,000) (8,836,000) (2,820,000) - - - (18,800,000)
Less: TAD Credits 714,400 883,600 282,000 - - - 1,880,000
Net Development Costs (6,429,600) (7,952,400) (2,538,000) - - - (16,920,000)

FINANCING ASSUMPTIONS

Blended Avg. Cost per Space: $17,500

Construction Debt
Loan to Cost 60%
Interest Rate 5.00%
Origination / Closing 2.00%

Market Revenue Assumptions

Outparcel NNN Rent
1st Story Retail $35.00 / SF
2nd Story Retail $25.00 / SF

Interior Parcel NNN Rent
1st Story Retail $25.00 / SF
2nd Story Retail / Office $20.00 / SF
Future Rent Escalation 3.00%
Vacancy Factor 4.00%

Return on Cost 6.89%

Exit Assumptions

Month of Sale 36
Exit Cap 6.00%
Cost of Sale 1.50%
Sale $20,623,896

Net Sale Proceeds - - 167,063 470,813 599,653 600,696 1,838,224

UNLEVERAGED CASH FLOW

Unleveraged IRR 11.89%
Unleveraged Multiple 1.31x

LEVERAGED CASH FLOW

Leveraged IRR 20.51%
Leveraged Multiple 1.60x

Year 1 Year 2 Year 3
Half 1 Half 2 Half 1 Half 2 Half 1 Half 2 TOTAL

DEVELOPMENT

Retail / Office Development Costs $(3,258,500) $(4,030,250) $(1,286,250) - - - $(8,575,000)
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Less: TAD Credits 714,400 883,600 282,000 - - - 1,880,000
Net Development Costs (6,429,600) (7,952,400) (2,538,000) - - - (16,920,000)

OUTPARCEL RENT

28
Boulevard Scheme

- Additional SF – 50,000 SF
- Structured Parking Spaces Needed – 339
  - Parking:
    - Lost 150 spaces + 75 spaces
    - Add 75 spaces through restriping
    - Added 110 / floor = 330 spaces through deck (3 floor deck)
    - Added 36 spaces in single loaded spaces
  - Return on Cost – 7.05%
  - Leveraged Return – 22.68%

Identity Scheme

- Additional SF – 49,000 SF
- Structure Parking Spaces Needed – 270
  - Parking
    - Lost 80 spaces + 75 spaces +20 spaces
    - Add 75 spaces through restriping + 26 in median
    - Added 69 / floor = 278 spaces through deck (4 floor deck)
  - Return on Cost – 6.89%
  - Leveraged Return – 20.51%
Criteria for Comparison

- Traffic circulation
- Parking
- Additional Leasable space
- Aesthetics
- Flexibility for activities and events
- Sustainability
- Customer experience
- Financial Return Metrics
The information is excellent and the details are very valuable to continue the development of this catalytic and transformational opportunity.

-Marsha Bomar, Executive Director
Gateway 85

I am excited about the design possibilities. I never thought of it this way. This gives me hope now that I see the options and financial analysis.

-Ben Vo, Owner
MPI Development Group
Reflections

What worked:
• Enjoy the process
• Early client engagement
• In-depth discussions with program type experts (Retail, Parking, etc.)
• Envision big ideas in the beginning before narrowing down the possibilities
• Leverage multiple perspectives and strengths
• In-person work sessions to dynamically iterate and test options
• Learn from precedents
• Prioritize the mTAP opportunity
• The motivation of a deadline

Challenges:
• Work-Class balance
• Putting pen to paper
• Focusing the effort to a reasonable and achievable scope
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A vision for renewal

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