

July, 2020

AE's Downtown Development Authority (DDA) posted an update regarding the Department of Juvenile Justice (DJJ) building last November (2019). Effectively, the DDA determined that the best way to execute our strategy of monetizing this asset was through a purchase-sale agreement (PSA) with Forum Management (KDP 3048). Last fall, we entered into this agreement for the DJJ building, for a price of \$7m.

The link to that full post is here: [DDA Update Regarding DJJ Building](#)

We would like to share the exciting news that this sale was closed earlier today, July 1st. The transaction closed generally along the lines of our original PSA. However, there was one modification to the deal structure from what was described in the November update. So, while the news is terrific for Avondale Estates, the revised, additional transaction details are described here.

Why did the original deal change?

In summary, the original Purchase Sale Agreement (PSA) called for a purchase price of \$7m, and a closing date no later than the end of February, 2020. As we worked through the details of the transaction, it became clear that there were many complexities to navigate. The DJJ's parking requirement proved to be the most difficult issue to resolve. The purchaser paid an agreed upon amount of additional earnest money to extend the negotiation period to work through this parking requirement issue.

The DJJ's parking requirement expanded a few years after the building was completed and occupied. For many years, the DDA satisfied this expanded parking requirement by leasing an overflow parking lot from MARTA. The terms of this on-going lease with MARTA were unacceptable to the purchaser's lender. Thus, in order to close, the purchaser was forced to create the required additional spaces through a costly solution designed on the existing DJJ parking lot.

Given that the additional costs for the parking solution were not in the purchaser's planned financial structure, we were forced to negotiate some cost reductions for the purchaser. Fortunately, we were able to do so in a way that will benefit the City and the DDA.

What was the change?

During the original negotiations, the purchaser requested a tax abatement. A tax abatement is a tool often used by DDAs to encourage development. The DDA is empowered by state statute to offer city and county property tax savings to property buyers that phase out over a pre-determined schedule. These transactions always require city government approval. We refused this original request, and there was no abatement as part of the initially agreed upon PSA.

In light of the parking expense, the purchaser again requested a tax abatement. Given the situation, the purchaser and the DDA negotiated a 15 year tax abatement, and it was approved by the BOMC. This deal will allow the purchaser to be exempt from city, county and county school board taxes for 15 years. In return, the DDA negotiated an increase in the purchase price of \$450,000 – to a new price of \$7,450,000. We also negotiated an administrative fee to the City of Avondale Estates in the amount of \$550,000. The figure of \$550,000 is roughly the estimate of 15 years of city property tax that would have been collected, assuming a new assessed value based on the purchase price, typical assessed value increases based on the property class of the DJJ building in DeKalb, and current millage rates.

It is also important to note that NO city, county or school board taxes have been paid from this building since its construction. The DDA contacted DeKalb County's DDA (Decide DeKalb) regarding this transaction to ensure alignment. The DeKalb DDA advised us that, since there had never been any county property taxes paid from the DJJ property, they endorsed this transaction if it helped our city. The City will benefit from the total taxes that would have been paid over the 15-year period – but will receive in an upfront lump sum – a clear additional advantage for Avondale Estates.

There was one slight deviation in our closing:

Because Georgia law requires this tax abatement to be agreed upon in a bond, the DeKalb County Courts must validate this bond. Unfortunately, the courts have not been open due to COVID-19, and the bond has not yet been validated. As a result, the additional \$450,000 in purchase price due the DDA and the additional \$550,000 due the City have been placed in escrow. We anticipate this validation occurring in the coming weeks, and the funds will be immediately released from escrow to the DDA and the City respectively, as prescribed.

What's the bottom line?

The bottom line is that the DDA achieved its objective of monetizing the DJJ asset, and the City of Avondale Estates will receive full property tax going forward. The DJJ itself will be able to remain in the building as a tenant, as the purchaser has negotiated a new, long-term lease with the State of Georgia.

As mentioned in the original post last November, we all stand on the shoulders of giants here in Avondale Estates. We owe a massive debt of gratitude to those who came before us. Specifically, Bob Gross, who as the then Chair of AE's DDA, established this original agreement. Others serving with Bob included Don Connelly, Bonnie Kallenberg, Dave Jollay, Michael O'Keefe, and Michael Payne. We also thank the BOMC for their help and support. And finally, we are grateful for the expertise and knowledgeable help of the City staff as we navigated the obstacles of this transaction.

The bottom line: Avondale Estates will now, for the first time, receive property taxes from the DJJ building, and the total monetary benefit to the DDA from this transaction is over \$11m. This figure is a result of the purchase price, combined with the rent collected since the original bond was retired. These funds can now be put to work for the good of the Avondale Estates downtown as we execute the DDA's mission of redeveloping and revitalizing our commercial business district.

If you have any questions at all, please email any DDA member below. You can also visit our website at <https://exploreavondale.org/> or better yet, attend our meetings on the second Tuesday of the month at 6:30.

Dave Deiters, Chair	ddeitersdda@gmail.com
Allen Kim, Vice Chair	akimdda@gmail.com
Stacia Familo-Hopek	sfamiliohopekdda@gmail.com
Jennifer Joyner	jjoynerdda@gmail.com
Leigh Lynch	llynchdda@gmail.com
Lisa Shortell	lshortelldda@gmail.com
Tom Trocheck	ttrocheckdda@gmail.com
Sam Collier, Consultant/Exec Dir	scollierdda@gmail.com