RED FIELDS TO
green fields

Atlanta | Cleveland | Denver
Miami | Philadelphia | Wilmington

Presented by the Georgia Institute of Technology
This time it really is different—the worst job losses since the Depression

![Percent Job Losses in Post WWII Recessions](http://www.calculatedriskblog.com/)
• Britain's recession the steepest for 88 years
• Argentina-default
• Iceland-default
• Greece-near bankruptcy
• Germany-economic fell a record 5% in 2009
• US-36 states with severe budget deficits

US Retail sales drop 0.3 percent in December as sales for all of 2009 plunge by record amount
Prices of housing and commercial real estate, Dec. 2000 = 1

- Housing
- CRE
Rail Traffic in 2009: Lowest since at least 1988

Average Weekly U.S. Rail Carloads: All Commodities

Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic
How We Got Here

• Pre-March 2008
  – Cheap money and rapid urbanization led to overbuilt housing, non-bank entities entering markets, and unsustainable home price appreciation
  – Result is subprime mortgage defaults that created widespread financial stress

• Mid-March to mid-Sept 2008
  – Takeover of Bear Stearns, other countries impacted, liquidity crisis hits
  – Lehman Brothers heads toward bankruptcy
How We Got Here (cont.)

• Mid-September to late October 2008
  – Sept 15 demise of Lehman triggers a run on key funding markets
  – Loss of confidence affects markets and countries globally; bailouts start (AIG, GE, Bank of America, Citigroup, etc.)
  – Great Depression 2.0 was looming; “economic 9/11”

• Late October 2008 to mid-March 2009
  – Global downturn continues

• Late March 2009-November 2009
  – Downturn deepens but loses speed
  – Wall Street recovers; Main Street has not
The Rescue Program

- The Federal Reserve, Treasury, and FDIC allocated $11.4 Trillion ($11,400,000,000,000)
- This money is for bad loans and paper assets
- A plan is needed to address physical assets

Yes—these are real numbers confirmed by the Federal Reserve, November 13, 2009.
Total Non-Current (including Delinquencies and Foreclosures) by State
National Average = 13.2%
Foreclosure inventories continue to climb to record highs. November Foreclosure Rate = 3.19%. Month over Month Increase of 1.46%, Year over Year Increase of 81.41%
As a factor vs. February 2005, foreclosure inventories are almost seven times higher across all loans. For Jumbo prime, foreclosure inventories are almost 100 times 2005 rates.

These programs offered by most of our nation's largest banks allowed a considerable amount of leverage when purchasing or refinancing. These are the ultimate 'walk away' loan, as a household income of $85k per year could legitimately buy a $650k home with 5% down during the bubble years.

Now that home is worth 25-70% less and borrowers are making the wise decision to walk away given most of their after-tax income is going towards this massively depreciating asset.
Deterioration within loans that were current as of December 2008 has been relatively linear over the course of the last year.
Offices are emptying; official unemployment is now 10.2%, (including discouraged and part-time workers the figure is 17.3%)
Residential housing starts have plunged. “Retail follows rooftops” and commercial construction continues to fall.
A few things we’ve learned...

• Congress-focused on healthcare and not on the economy
• Federal Reserve-lowered interest rates to near zero, Congress trying to reduce their powers; preparing for 700 bank failures in 2010 (compare with 150 in 2009)
• FDIC-increasing their budgets and hiring to prepare for bank failures
• Big Banks-repaying bailout funds, under scrutiny from Congress and hesitant to lend
Local Impacts

• 31 bank failures in Georgia; 57+ more Georgia banks show signs of trouble
• 12-year supply of office space, totaling 24 million square feet vacant
• From 1995-2005 Atlanta led the nation in single family housing starts every year; single family permits plummeted more than 90%, and multi-family permits are down nearly 95% from their peak in 2005 (Mark Vitner, Senior Economist, Wells Fargo Securities)
• Lot prices are back to 2002 levels
• 10-month supply of houses, 6-7 months is normal
  – Outside the Perimeter, 150,000 lots larger than one-acre are vacant (Sept 2009)
  – Inside the Perimeter, 4,700 developed lots are currently vacant (Sept 2009)
The Drinking Will Continue

Until The Economy Improves
Problem Statement

• Given $5B, what could be done in Atlanta and within the metro region to:
  – Purchase non-performing real estate assets
  – Create parks
• What impact would be realized?
Background on Atlanta

- Metro-region comprised of ~26 counties, pop. 5.5 million
- Park deficient; tri-state water war needs quick resolution
- 12-year supply of office space, totaling 24 million square feet vacant
- 10+ (?) year supply of retail
- From 1995-2005 Atlanta led the nation in single family housing starts every year; single family permits plummeted more than 90%, and multi-family permits are down nearly 95% from their peak in 2005  
  (Mark Vitner, Senior Economist, Wells Fargo Securities)
Atlanta Park Data

As evidenced by the two graphs on this page, as well as every other statistical measurement, the city of Atlanta is woefully lacking in public parks and green space. Parkland covers only 4.6% of Atlanta’s total area, and no public green space is larger than one-third of a square mile.

**Park Acres as a Percent of Land Area**

- Atlanta, GA: 4.6% (Ranks 63rd Nationally)
- US Average: 8.6%
- Washington, D.C.: 19.4% (Ranks 5th Nationally)

**Acres of Park Land Per 1,000 Residents**

- Atlanta, GA: 7.4 (Ranks 57th Nationally)
- US Average: 19.1
- Jacksonville, FL: 129 (Ranks 2nd Nationally)

Source: Trust for Public Land
<table>
<thead>
<tr>
<th>Categories</th>
<th>Number</th>
<th>Total Acreage per Category</th>
<th>Percentage of Total Acreage</th>
<th>Type of Park</th>
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</thead>
<tbody>
<tr>
<td>100 + acres</td>
<td>8</td>
<td>1,182</td>
<td>35%</td>
<td>Regional</td>
</tr>
<tr>
<td>30 - 100 acres</td>
<td>14</td>
<td>789</td>
<td>23%</td>
<td>Community</td>
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<tr>
<td>15 - 30 acres</td>
<td>12</td>
<td>323</td>
<td>9%</td>
<td>Regional, Neighborhood and/or Community</td>
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<tr>
<td>Less than 15 acres</td>
<td>314</td>
<td>717</td>
<td>22%</td>
<td>Neighborhood/Misc. (including garden and/or triangle blocks)</td>
</tr>
<tr>
<td>Nature preserves</td>
<td>7</td>
<td>392</td>
<td>11%</td>
<td>Greenspace</td>
</tr>
<tr>
<td>TOTAL</td>
<td>355</td>
<td>3,403</td>
<td>100%</td>
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</table>
Atlanta Region Directions of Growth

Atlanta continues to be the center of population growth in the state and the south with predictions of an additional 2.3 million people moving into the metro area over the next two decades. Bringing these residents closer to the city through a better quality of life is critical to the city’s future.

<table>
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<tbody>
<tr>
<td>ENE</td>
<td>313,605</td>
<td>173,620</td>
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<tr>
<td>ESE</td>
<td>191,502</td>
<td>81,453</td>
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<td>NNE</td>
<td>217,125</td>
<td>226,935</td>
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<tr>
<td>NNW</td>
<td>333,526</td>
<td>220,832</td>
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<td>SSE</td>
<td>479,190</td>
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<td>297,084</td>
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<td>WNW</td>
<td>208,663</td>
<td>79,822</td>
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<tr>
<td>WSW</td>
<td>191,663</td>
<td>65,235</td>
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<tr>
<td>CORE</td>
<td>74,251</td>
<td>55,981</td>
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<td>Region</td>
<td>2,306,609</td>
<td>1,243,004</td>
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Legend:
- **2000-2003 Employment Change**
- **2000-2003 Population Change**
- **Interstate System**
Unemployment

The unemployment rate in the state of Georgia ranks 8th in the nation topping 10%. Economic indicators predict that this rate will continue to rise for the remainder of 2009.

Bank Failure

Georgia leads the nation in bank failures, accounting for 25% of the total number.
Approach

• Technical feasibility assessment for project delivery
• Gather information from leaders in the community
• Develop conceptual process and costing
• Use CoStar data bases to get market information
• Leverage existing projects when possible
• Subdivide region:
  – Inside Perimeter (I-285)
  – Outside Perimeter
Process and Costing

Process

Looking at the scope of this project from an engineering perspective, turning Red Fields to Green Fields is a fundamental part of the profession. From the pre-acquisition phase to park creation to operation and maintenance activities, public/private partnerships provide the impetus for job creation and sustained economic development. Through smart development, bad assets can be turned over, property values can climb and a sufficient return on investment is generated to ensure a safe, vibrant recreation site.

Conceptual Cost Breakdown

- Pre-Acquisition
  - Site Identification: $3 billion (60%)
  - Pre-Screening Acquisition
  - Due Diligence

- Demolition
  - Environmental Assessment: $250 million (5%)
  - Deconstruction and Sorting
  - Environmental Clean-Up

- Design & Construction
  - Master-planning: $750 million (15%)
  - Infrastructure
  - Landscaping & Construction

- Operations & Maintenance
  - Revenue Generation
  - Maintenance & Improvements
  - Security: $1 billion (20%)

- Turnover
  - Evaluate local Market
  - Smart Development

If 1,000 acres turned over at a value of $600,000 per acre, after five years this equates to $600,000,000, or another 4 years of O&M

$5 billion investment purchases 10,000 acres and includes ~ 10 years of O&M and security.
Inside the Perimeter Market

- Historical 5-yr price per acre average, improved lot: $1.76 MM
- Current market listed price per acre, average:$371,000 per acre—a 79% discount
- Many potential sellers are not listing properties due to market conditions
Outside the Perimeter Market

Nearly 22,000 acres of vacant land listed at an average price of $154,000 per acre
Leveraging Inside Perimeter
The Process in Action: Atlanta at Work

The BeltLine

The BeltLine is an ongoing project that consists of an integrated network of urban greenspace, linked together by an easily accessible BeltLine Trail and BeltLine Transit System. The 22-mile loop of largely unused, historic railroad tracks can accomplish a new parks system, trail system, and low-impact transit system and act as a catalyst for economic development. The BeltLine is expected to generate over $20 billion of new economic development during the 25-years of the project as well as approximately 30,000 new jobs and 48,000 temporary construction jobs.

Uses of Funds ($2.8B)

Sources of Funds ($2.8B)

Gap of $1.1 billion needed to be met by “other” funding; over $150 million identified to date:
- Federal
- Local/State
- Private

Note: “other” uses of funds include administration, contingency funds and other bond requirements
http://www.youtube.com/watch?v=tyZKz24-OcY
YouTube - BeltLine West End Trail
Atlanta Beltline

750+ acres of park planned, 50% already acquired
Peachtree Creek Greenbelt

- 1500 acres identified for 36 miles of connected trail and watershed buffer zones
- Links Beltline, 3 major distressed malls, numerous parks, and Emory/CDC (largest employer in Dekalb County)
Northlake Mall

- Distressed mall with surrounded distressed strip malls
- Nearly 100 acres; asking price of $50 million
- Surrounding land values have declined by 85%

### 5 year Historical

<table>
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<tr>
<th></th>
<th>Average ($/acre)</th>
<th>Total (Acres)</th>
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<tbody>
<tr>
<td>Improved</td>
<td>$1,211,017</td>
<td>90.8</td>
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<tr>
<td>Land Only</td>
<td>$1,457,471</td>
<td>8.7</td>
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### On Market

<table>
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<tr>
<th></th>
<th>Average ($/acre)</th>
<th>Total (Acres)</th>
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<tbody>
<tr>
<td>Improved</td>
<td>$746,175</td>
<td>11.06</td>
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<tr>
<td>Land Only</td>
<td>$208,097</td>
<td>19.02</td>
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</table>
The Impacts

• 2,850 acres of parkspace created within the Perimeter (equivalent of over 15 Piedmont Parks) AND

• 50% of the land currently for sale outside the Perimeter would be removed from the market to create over nearly 13,000 acres of greenspace OR

• 6,500 acres of parks within 20 miles of Atlanta and 780 miles of greenbelt throughout Georgia
Findings

• Atlanta real estate market would be transformed
• The proposed projects are technically feasible
• Initial research suggests the adjacent lands benefit tremendously
• The projects are scalable on a national basis
Observations

• The economic and unemployment problems are broad, deep, and will be here for many years
• As a nation, we are solution deficient
• The red fields to green fields concept resonates clearly with politicians, developers, bankers, builders, parks officials, and communities