

Frequently Asked Questions – Foothills Mall

Q: Why is the developer asking for an amendment to the original redevelopment agreement?

A: The developer, Alberta Development Partners, is asking for an amendment because, under the current agreement, Alberta must obtain 240,000 square feet of executed leases before the bonds can be issued. At the current rate, they will not be able to issue the bonds until late summer/early fall, which is too late to start the project in time for a 2015 holiday opening.

Section 3.1(c) Request

Current Agreement requirement prior to bond issuance:

- Developer to have obtained 240k of executed lease agreements
- 120k of the 240k to be new tenants to Fort Collins
 - If 60k-120k of new tenants – subject to consent of City Manager
- Leases to have an average sales per square foot of at least \$375

Modification Requested:

- Bonds issued with 155k of executed lease agreements
- 90k of the 155k to be new tenants to Fort Collins
- Leases to have an average sales per square foot of at least \$375
- \$23M of \$53M in bond proceeds released to Developer
- Remaining \$30M held in escrow & released in \$10M tranches as additional leases signed – final release at 310k
- Portion of leases new to Fort Collins is laddered to total leases

**Allows Bonds to be Issued with 155k sq. ft. of Leased Space....
\$23M of Funds Disbursed....
Remaining Funds Released as Leasing Grows to 310k sq. ft.**

Section 3.1(c) Request

(\$ millions)	Lease Space Sq Ft		Funds Released		Percent of...	
	Total	New to Fort Collins	Funds Released	Assigned to City Improv	Orig 240k	Mall (less Macy's)
Current	240k	120k	\$ 53	\$ 8	100%	47%
Request	155k	90k	\$ 23	\$ 3	65%	30%
	205k	120k	33	1	85%	40%
	255k	130k	43	2	106%	50%
	310k	150k	53	2	129%	60%

Additional Considerations by the Developer & Equity Partner:

- Equity Position higher than original intent
- Equity Partner 100% recourse on the construction loan
- Monthly status reports on leasing & Quarterly tours of the project

**Equity Position and Recourse Commitment are Above Normal....
Demonstrates Confidence in the Project**

Q: What is the vision of the new mall?

A: The vision of the new mall is to create a more pleasant shopping experience as well as more public gathering spaces. The reinvented mall will include major improvements for bicyclists, pedestrians and vehicle traffic. The developer has said major elements include:

- **Economic vitality:** The project will bring 1,500 construction jobs and 1,000 permanent jobs producing millions in new wages. It will restore steeply declining tax revenues for the mall and provide a catalyst for growth in Midtown.
- **Sustainability:** The developer says the City's tenets of sustainability are at the foundation of all components of the plan from construction practices to energy efficiency standards to green spaces throughout the project.
- **Community:** Plans include two new large open-air community gathering spaces - the East and West Lawns - for concerts, farmers markets, ice rinks, Christmas tree lighting ceremonies and other activities.
- **Connectivity:** A new pedestrian underpass will connect Foothills to the Mason Street Corridor and MAX BRT, and the developer will improve pedestrian and bike connections throughout the property.
- **Recreation:** Plans include a new, expanded recreation and community center to replace the former the Youth Activity Center.

Q: Why is this happening?

A: The 753,000-square-foot enclosed regional mall was built in the 1970s and has been in a state of deterioration, which has resulted in a 61 percent loss of sales tax revenue to the City over the past 10 years. The area is being redeveloped through the Fort Collins Urban Renewal Authority because it is blighted, meaning there are such issues as unsafe conditions, poor pedestrian/bicyclist access and circulation, and a lack of loading docks.

Q: What is the history of the site and previous attempts at redevelopment?

A: Fort Collins-based Everitt Companies built the original Foothills Fashion Mall in 1973 and expanded it in 1980 and again in 1989. Increasing competition from larger and newer retail ventures in northern Colorado resulted in declining sales and increasing vacancies. In 2003, Everitt sold the property to General Growth Properties, which failed to move forward on announced plans to redevelop the mall. Affiliates of Walton Street Capital, a private equity real estate firm, and Alberta Development Partners, a Denver-based real estate acquisition, development and investment firm announced a joint-venture acquisition of Foothills Mall in July 2012.

Q: What is the current project, history and timeline?

A: Alberta's current proposal is to develop 660,000 square feet of retail space that preserves a portion of the enclosed mall, but also includes stores on the College Avenue perimeter. Also included are a 10-screen Cinemark all-digital movie theater and up to 800 multi-family housing units.

Brief history of the project:

- **February 2013:** City Council approves development plans for the mall.
- **May 2013:** City Council approves the redevelopment agreement with the developer that includes a \$53 million public assistance package for infrastructure improvements, an underpass under College Avenue and a new Foothills Activity Center.
- **January 2014:** Council amends the redevelopment agreement to reduce the overall square footage of the project.

- **April 15, 2014:** Council postpones to May 6 a vote on the developer's proposed amendment to the agreement. The proposal would require the developer to have less square footage leased before bonds would be issued for the public improvement phase of the project.

Q: What is staff recommending on the proposed redevelopment agreement?

A: Staff is recommending the adoption of the proposed amendment so the project can stay on schedule with a projected opening in time for the 2015 holiday season. Staff considers the project a good deal for the City. Otherwise, efforts to redevelop the mall will lose momentum and additional retailers would likely leave.

Q: The Mayor has recused herself up until now. Will she vote on May 6?

A: There is an ethics opinion on the subject of the mayor's participation. Whether the Mayor chooses to participate is a decision the Mayor will need to make. She has not publicly announced a decision related to the May 6 meeting.

Q: If the modification is not approved, does the developer lose leases?

A: Yes, to the extent that non-action impacts the proposed holiday 2015 opening, according to the developer.

Q: Does the modification require more new leases?

A: Yes. The total requirement for leased square footage has increased to 310,000 square feet.

Q: Are there any benefits from the requested change for the City?

A: Yes. There are two primary benefits:

1. The project stays on the schedule that has already been conveyed to the community. The developer has said the project should be open in time for the 2015 holiday season.
2. The project would likely face higher interest rates if the bonds are issued in the fall instead of now. That is likely to increase the amount of sales taxes from the mall that the City would have to contribute to help repay bonds over the next 25 years.

Q: Is the City paying for the mall redevelopment?

A: No. The total commercial cost of the project (excluding the residential) is estimated at \$231 million. Funding comes from private equity, a construction loan 100 percent backed by the developer team and proceeds from bonds issued by the mall's Metro District. The Council authorized establishing a Metro District, which will issue roughly \$72 million of bonds that will generate \$53 million worth of public infrastructure funding for the project.

Q: What are the public infrastructure improvements?

A: The financial package includes:

- \$45 million in improved public infrastructure improvements and blight removal such as:
 - Land acquisition
 - Parking structure
 - Deconstruction/abatement
 - Ditch relocation
 - Site work
 - Utilities
- \$8 million for a new Foothills Activity Center and a pedestrian/bicyclist underpass under College Avenue that will connect the mall to the Mason Street Corridor and MAX Bus Rapid Transit.

(\$ millions)

Public Improvement Costs

	Blight Removal Infrastructure	City Infrastructure	Total Public
Land Acquisition	\$ 5.5		\$ 5.5
Parking Structure	9.6		9.6
Deconstruction / Abatement	3.9		3.9
Fixture & Amenities	1.4		1.4
Ditch Relocation	2.8		2.8
Site Work	12.9		12.9
Utilities	4.5		4.5
Soft Costs	4.6		4.6
Foothills Activity Center		4.8	4.8
Pedestrian Crossing / Culvert		3.0	3.0
TOTAL	\$ 45.2	\$ 7.8	\$ 53.0

**Public Improvement Costs Support Blight Removal
and Higher Cost Infill Redevelopment**

Q: Where does the funding for that \$53 million come from?

A: About \$72 million in bonds will be issued to generate \$53 million in proceeds that fund the project. Revenue to repay the bonds will come from four sources:

- A higher property tax assessment on the mall owner/developer (an additional 50 mills).
- New property taxes generated by the project above and beyond the current property taxes generated (Tax Increment Financing).
- A 1 percent Public Improvement Fee assessed on retail sales
- New revenue through the additional sales taxes generated.

(\$ millions)

Bond Details

• Bond Issue in 2014 – Par Value	\$72
• less Capitalized Interest	9
• less Reserve Fund	7
• less Issuance Cost	3
• Net Proceeds to Support Public Improvements	<u>\$53</u>
• Bond Payments over 25 years	
• Metro District 50 mills property tax – paid by mall property owners	\$43
• URA Property Tax Increment – paid by mall property owners	42
• Developer 1% Public Improvement Fee – paid by mall shoppers	65
• City Sales Tax Revenue remittance – paid by mall shoppers	9
• Total Bond Payments	<u>\$159</u>

Property Tax Revenue From Mall Owners and 1% PIF Paid by Mall Customers Funds 94% of the Bond Payments over 25 Years

Q: What are the revenue projections from sales taxes and where does the money go?

A: Total sales tax revenue from the mall is estimated at \$255 million over 25 years. This total can be broken down into several groups:

- \$76 million of “Base” sales tax – this reflects the existing sales tax generated by the mall prior to renovation.
- \$53 million of “Transfer” sales tax – this reflects the transfer of purchases from another retailer within Fort Collins to a retailer at the mall.
- \$126 million of “New” sales tax – this reflects the net new sales tax generated by the mall’s redevelopment and is the new sales tax revenue realized by the City. Of this amount, it is anticipated \$9 million will be used to support the debt payments on the Metro District bonds and the remainder will be revenue the City can use to provide services to the community.

(Cont'd) **Q: What are the revenue projections from sales taxes and where does the money go?**

(\$ millions)

Foothills Mall Sales Tax Revenue					
	Sales Tax over 25 years			New City Revenue	
	Base	Transfer	New		
Core Tax 2.25%	44	31	74	\$ 149	
Dedicated Tax 1.60%	32	22	52	\$ 106	
• Natural Areas					
• Streets					
• Capital					
• KFCG					
	\$ 76	\$ 53	\$ 126	\$ 255	

Sales Tax Revenue retained by the City =	\$150M
Sales Tax Revenue "pledged" towards debt service =	\$105M
Sales Tax Revenue "used for debt" service =	\$ 9M

Net New Sales Tax Revenue for the City After Remittance of \$9M Towards Debt Service Is Estimated at \$117M

Q: What is the City's financial risk under the developer's latest request?

A: The proposed changes do not change the financial risk or exposure to the City. The proposed amendment simply allows the project to stay on its current timeline, so that the mall still opens by the November 2015 holiday season.

Q: What is the expected loss to the general fund if all that's promised doesn't get built?

A: The mall currently generates about \$3 million of annual sales tax revenue. If the mall were to stall and not get redeveloped, there would be a loss of about \$1.8 million to the general fund and \$1.2M to various other funds.

Q: What if the developer doesn't lease the mall as quickly as expected?

A: If it takes until 2018 to achieve 95 percent occupancy vs. 2016, the impact on revenues from the project is minimal.

Q: Is the mall tax-exempt?

A: No. The mall owners pay taxes like everybody else, and none of the current existing tax base will be used for the redevelopment. The City will capture a portion of the future increased property tax revenue generated by redevelopment for the public infrastructure improvements.

Q: Who is issuing the bonds? Can residents buy them?

A: The City is not issuing bonds for the public portion of the project. That is being handled by the Metro District created within the redevelopment agreement between the developer and the City. There is no repayment risk on the City's balance sheet and no financial obligation beyond the future sales tax increment – generated after the project is built - that would go toward repayment of the bonds. Bonds of this type are typically not offered to the public due to the associated risk taken by the bondholder. Although these bonds are "unrated," they're still attractive to certain bondholders.

Q: When will construction be complete?

A: Construction is expected to last two years with completion currently estimated for the 2015 holidays.

Q: What happens to the remaining tenants in the mall?

A: Some will remain open during the 18 months of construction. Some stores are moving within the mall interior to make room for construction.

Q: How much of the new proposed mall has been leased?

A: About 20 percent, according to the developer.

Q: When would the developer start promotions of retailers if the project stays on the current schedule?

A: The developer says that it would use summer 2015 to set a hard opening date, likely two weeks from Thanksgiving.

Q: If I'm a resident who does not support the project, will I still have to pay taxes that benefit the project?

A: If you don't shop at the mall, you will not contribute to it.

Q: Did delays in the project result in the move of Trader Joe's to the Square?

A: No, Trader Joe's determined the mall's Public Improvement Fee would put them at a competitive disadvantage.

Q: Are enclosed malls passé?

A: Retail sales and visitation data from malls across the country suggests otherwise. Furthermore, bricks-and-mortar retail stores are also going strong. Retail sales performance in the 4th quarter of 2013 was impacted by weather and the Internet did not make up the shortfall experience by retailers.

Q: Are national market conditions poor for mall development?

A: Retail market conditions are very localized. A successful mall project relies on strong local market dynamics and the right community.

Q: Where else has Alberta done these types of projects?

A: Alberta has redeveloped The Streets at Southglenn and Southlands in the Denver metropolitan area as well as a project in Los Angeles.

Q: Is the City Council getting regular updates on the project?

A: Yes, the developer has agreed to keep the City informed about updates to the project.

Q: What's happening now on the site?

A: Construction has begun on Phase One - a 10,500-square-foot retail building on the site of the former Tres Margaritas restaurant.

The developer also has removed 26 trees surrounding the former restaurant. Trees were chipped on site for mulch and made available to a private landscaping firm. A total of 54 new, larger trees will be planted as part of Phase One per the development plans finalized with the City.

Some initial preparation work is also occurring inside the mall. Parts of the mall will be renovated; other areas will be torn down.

Q: Will the construction affect shops inside the mall?

A: No, work is scheduled to occur at night above the retail stores. However, the developer will eventually build a new temporary entrance to the mall to allow for construction. Additionally, temporary hallways will be built

around stores to protect them from construction, which will temporarily change the interior look and feel of the mall until the redevelopment is complete.

Q: Which part of the mall is being demolished? And when?

A: That demolition schedule is still being set. The former Mervyn's building has been demolished.

Q: Is the main mall building coming down?

A: A large section of the existing mall will be demolished. The developer is remodeling the interior of the building in addition to building new store space around the perimeter of the mall. Per the development agreement, stores will be closer to College Avenue.

Q: Will the developer be required to recycle and reuse materials?

A: Yes. The developer's agreement with the City requires recycling or reuse of all materials that are not contaminated by asbestos or other hazardous materials. With the demolition of the former Tres Margaritas and Mervyn's, for example, the developer worked to recycle or reuse 100 percent of materials that were not contaminated. Recycled materials included metal, concrete, dirt, and asphalt.

Q: What was the project on the west side of College across from the mall?

A: That was a ditch project that is separate from the mall redevelopment but related. Beck Group, the contractor, has finished up relocation of Larimer Canal Ditch No. 2 on the west side of College Avenue to make room for a pedestrian/bicyclist underpass under College that will allow easier access to Foothills Mall. The underpass is part of the public infrastructure that is being financed through the Fort Collins Urban Renewal Authority.

Q: How can the underpass and Foothills Activity Center be financed by the Urban Renewal Authority if they're not blighted?

A: State statute permits them to be included in improvements related to a project that remediates blight.

Q: If the project is doing well financially, does it need public assistance?

A: The cost associated with remediation and the quality of the project has resulted in a financing gap needing public assistance.

Q: What's the housing piece of the project? Will it be affordable?

A: The redevelopment agreement allows the developer to build up to 800 units of housing. The developer has submitted plans to build 446 units. About 200 of those would be built by the end of 2016 and the rest by the end of 2018. This would be the final piece of the mall redevelopment. The developer is required to comply with any housing affordability fee that is in place by Dec. 1, 2014.

Q: How will mall management ensure that road access to residents and businesses is not negatively impacted?

A: Mall officials plan to install clear signage that will direct customers to areas where they can safely park and avoid construction.

Q: Will any housing residents be displaced as a result of this construction?

A: No. All construction will be confined to the existing mall boundaries owned by Alberta.

Q: When will the mall announce the list of all the retailers that plan to be at the mall?

A: Any tenant announcement or schedule is determined by the mall owner and is not determined or announced by the City.

Q: Will the mall grounds be friendly to walkers, cyclists, and citizens in wheelchairs?

A: The developer plans to use signage and infrastructure that ensures mall visitors have safe routes. The developer works closely on all of its projects with an organization that protects the rights of people with disabilities to ensure that it is building appropriate access points.

Patrons who need assistance getting to the mall during construction may call the mall management office at (970) 226-5555. Much improved bicycle/pedestrian access is a key part of the new mall project once it is renovated.

Q: Will MAX provide public transportation access to the mall?

A: Since MAX is being built along the Mason Street Corridor, MAX will not directly provide transportation to the mall. However, the public improvements associated with the mall include a bicycle/pedestrian underpass under College Avenue that is meant to safely deliver people to the mall from the MAX route.

Q: Are walking groups still allowed in the mall?

A: Mall walkers are being allowed to continue – for now. But starting in April 2014, that area will shrink to ensure the safety of mall visitors.

Q: Will the children's indoor play area in the mall be available during construction? Will still exist when Foothills Mall construction is complete?

A: The area was closed on April 14, 2014, but a new one will be created once the mall is remodeled.

Q: How is the public being informed of updates or changes to the mall? Is there someone we can contact directly?

A: The City has a website – fcgov.com/foothillsmall - that it is updating as updates are available. You may also contact:

- John Gaffney, Mall Management Office, (970) 226-5555 or jgaffney@albdev.com
- Emily Wilmsen, City of Fort Collins, (970) 221-6870 or ewilmsen@fcgov.com