



HIGHSIDE IMPACT STUDY

Columbus, Georgia



The Cotton Companies

REAL ESTATE DEVELOPMENT & INVESTMENT

Prepared by



Bleakly Advisory Group

November 12, 2020

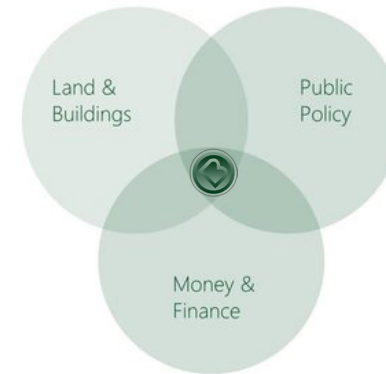


Bleakly Advisory Group

Bleakly Advisory Group is known for answering tough questions regarding real estate and economic development. Based on a 20-year firm history, Bleakly has earned a reputation for helping clients determine what can succeed from a real estate market perspective. Our work incorporates:

Real Estate Market Analysis
Economic Impact Analysis
Public Incentives and Tax Allocation Districts
Development and Redevelopment Strategies
Local Housing Analysis and Policy

Understanding land use needs from both the public and private sector point-of-view is essential in providing actionable recommendations. The **Bleakly Advisory Group** team consists of seasoned professionals with deep experience in demographic analysis, housing and mixed-use development, economic development, community visioning, public finance, planning, and place-making. Our urban planners, real estate market analysts, economic/community development, and real estate implementation experts assist in a comprehensive look at the factors impacting real estate supply and demand, real estate development, and economic development in a study area. The work analyzes existing economic, demographic, and real estate market conditions and a forward-looking assessment of how best to achieve the goals for a place.



Bleakly Advisory Group focuses on the ideas that fall within the overlap of the three drivers that shape our world: land + buildings, public policy, and money + finance.

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Aerial perspective rendering of proposed Highside Market, Uptown Columbus, GA



Source: The Cotton Companies

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Purpose of this Analysis

The Cotton Companies engaged Bleakly Advisory Groups, Inc. to conduct an economic impact analysis of the planned Highside Market development in Uptown Columbus, expected to begin construction in 2021.

The analysis quantified the impacts of the planned construction, build-out, and future on-going property operations, including the direct and indirect economic effects, expressed in terms of output, earnings, jobs, and related variables. This work assessed the development's full local fiscal benefits at completion as a generator of property taxes, sales taxes, and associated public revenues.

By its nature, given the uncertainty about future conditions, economic impact analysis is an imprecise science. Yet, it provides useful insights for local policymakers about the likely impact of a proposed project on their community. Careful consideration of the project's possible effects can provide an invaluable tool for understanding the potential future economic growth resulting from creating this specific project such as Highside Market and help Columbus plan for development to occur in a fiscally beneficial and orderly fashion.

Geoff Koski, Bleakly Advisory Group President, conducted the research, analysis, and conclusions under this engagement, and the following report details the results.

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Street character and facade rendering of the Highside Market



Source: The Cotton Companies

project summary



Highside Market

- Located on 13th Street at 2nd Avenue, in the Uptown Columbus Business district
- 1.8 acre site
- 55,000 total square feet (SF)
 - 33,297 SF Retail
 - 12,170 SF Office
 - 9,533 SF Public/ Common Area
- 7,200 SF green space

*NOTE: See illustrative perspectives, located throughout this report, for conceptual design details.

Source: The Cotton Companies

Description of the Highside Market Project

- The Highside Market site consists of a total of 1.8 acres located on 13th Street at 2nd Avenue crossroads with approximately 413 feet of total frontage on 13th St. and around 230 feet of frontage along 2nd Ave.
- 13th Street is a feeder road between the Midtown residential and Phenix City, AL, to the Uptown Columbus Business district. 13th Street maintains an average of almost 24,000 daily automobile traffic trips per day.
- The Cotton Companies and 211 13th Street LLC envision a pocket of revitalization that expands on what the City of Columbus put into motion during the past decade; the Highside Market project will transform an underdeveloped block on one of Columbus's most highly trafficked corridors.
- The project will visually improve the exterior of the existing buildings. The adaptive new mixed-use, urban infill redevelopment includes retail, restaurant, and office uses, also common areas and on-site parking.*
- The properties total 55,000 square feet and will serve up to 27 tenants across three buildings.
- The new businesses will support the neighboring commercial centers and meet the needs of the growing residential population in Uptown Columbus, including the service sector in food and beverage service, retail trade, and office space for professional-based industries.
- The northeast corner of the site will become a 7,200 SF green space open to the public for gathering during site hours. It will also serve as a connection point between North Columbus, Midtown, and Uptown Columbus businesses.
- In addition to the greenspace, improvements to the Right of Way surrounding the property include public parking infrastructure, the design, and implementation of improvements to include bus stops, stormwater, drainage improvements, and sidewalk connections to Dragon Fly Trail.
- The proposed development envisions the expansion and improvement of the sidewalks on 2nd and 3rd Avenue to facilitate ADA compliant, safe access of pedestrians and cyclists to the property.

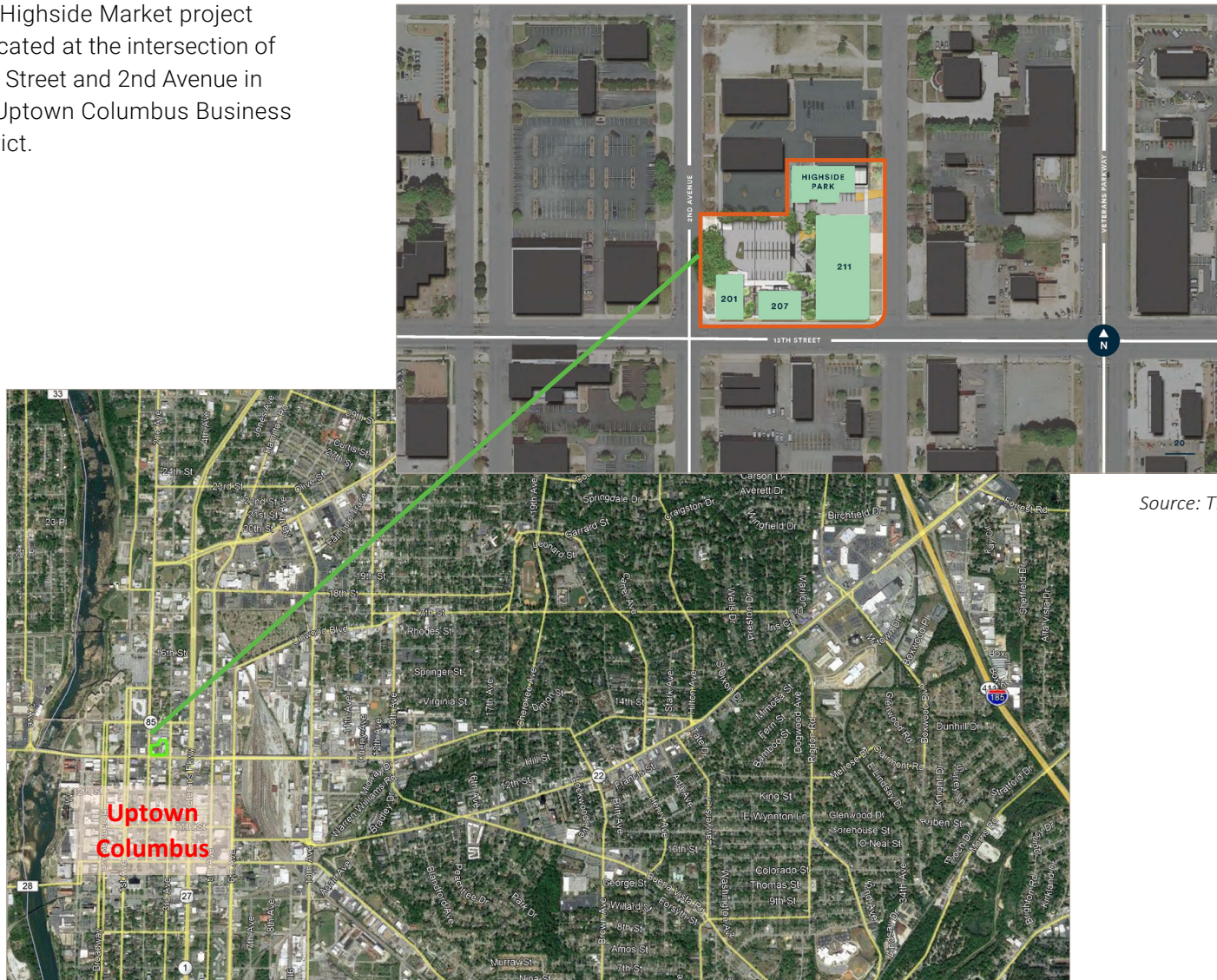
project location



Highside Market

- The Highside Market project is located at the intersection of 13th Street and 2nd Avenue in the Uptown Columbus Business district.

Context Maps



Source: The Cotton Companies

Expanding Columbus's Retail Offerings and Tax Base

Highside Market will create a vibrant new retail destination in the historic Uptown Columbus district. The redevelopment is likely to attract tenants and consumers from throughout the region and provide considerable benefits to the local economy and significant fiscal benefits to the local governmental entities due to increased public sector revenues.

Street character and facade rendering of the Highside Market



Source: The Cotton Companies

The fiscal and economic benefits from Highside are expected to include:

Construction Impacts

- \$2.6 million in construction materials purchased locally
- 202 annual full-time equivalent construction jobs
- \$2.8 million in construction payroll, much of which will be invested back into the local community by construction employees
- Overall, the \$10 million in direct construction investment at Highside Market will generate a total of \$13.3 million in regional economic impact with indirect effects.

Impacts from Operations

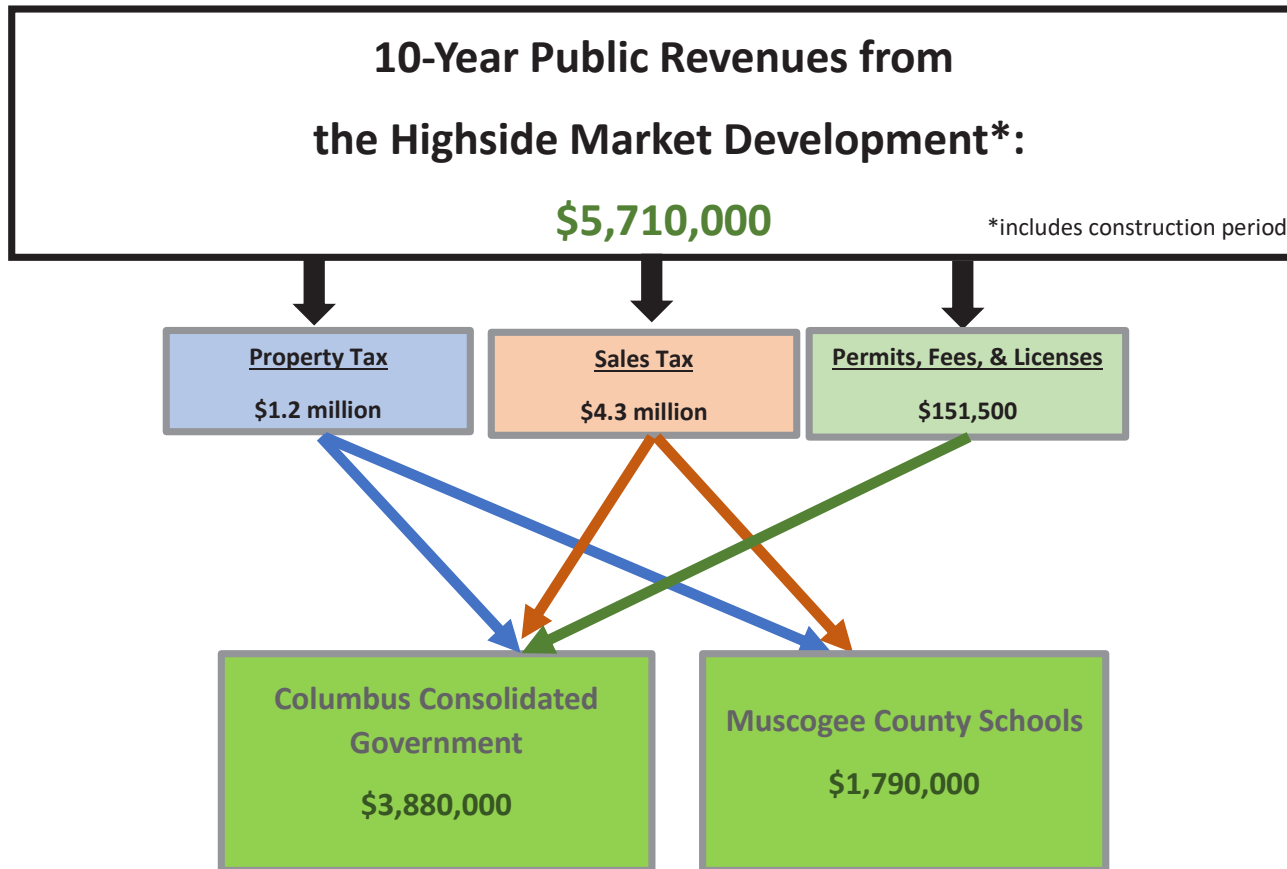
- \$6.6 million (\$123/SF) real property value for tax collection purposes
- \$17 million in annual retail purchases
- 144 annual full-time equivalent employees at Highside, with a total annual payroll of just under \$7 million
- \$11.7 million in operations output will stimulate \$17 million in total economic impact and \$9.8 million in total permanent payroll earnings.

Public Revenues

- \$122,500 in new annual property taxes, with \$70,500 going to the schools and \$52,000 to the Columbus Consolidated Government.
- \$415,000 annually in local sales taxes; approximately \$104,000 to the local public schools and \$311,000 going to the consolidated government.



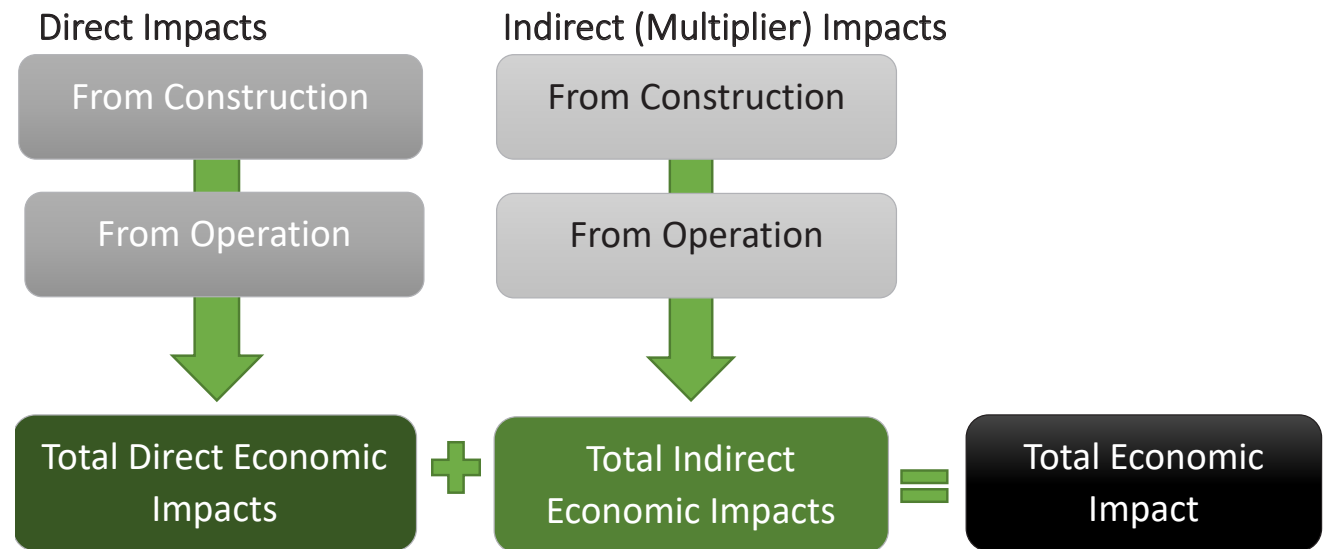
Public Revenue Impacts



This study examined both direct and indirect (multiplier) impacts and public revenues and public costs to assess the total economic impact on the Columbus Consolidated Government and Muscogee County Schools from the proposed development.

Two measures of economic impact were considered in the evaluation of the overall economic effects resulting from the creation of Highside:

- General economic benefit – the economic growth, which will occur in Columbus’s economy from the development, including the value of new construction, new employment, new payroll, construction materials purchased locally, etc.
- Local public revenues – the taxes and other public revenues generated by the project will go to the local government.



economic impacts of the highside market



Economic Impacts Due to Construction

One of the principal economic benefits of the development will be the value of new construction. The 55,000 square feet new development, including renovation and new construction, will cost approximately \$9.5 million to construct and result in the local purchase of roughly \$2.6 million of construction materials. The construction of Highside Market is forecast to have a total construction payroll of \$3.3 million over the development life. It will result in an annual average of 202 construction jobs on-site over the 14-month construction period.

The development of Highside will generate substantial public revenues to Columbus from construction. Estimated local sales taxes (LOST, ESPLOST, and TSPLOST) on construction materials purchased locally will be \$121,500 throughout the project. Also, we forecast Highside will generate approximately \$26,500 in building permit fees. The construction of Highside will result in nearly \$212,000 in additional tax revenues to Columbus and Muscogee Schools during the construction period.

ECONOMIC BENEFITS FROM CONSTRUCTION			
	Square Feet	Average Cost Per SF	Construction Value
General Economic Benefits			
Total Square Feet of Development/Construction Value	55,000	\$172	\$9,458,008
Construction hard costs			\$7,365,024
Construction materials @ 55% of hard costs			\$4,050,763
Construction materials purchased locally @ 65%			\$2,632,996
Labor Costs @ 45% of hard costs			\$3,314,261
Average annual payroll (14 months of construction)			\$2,840,795
Average Muscogee County construction wage ¹			\$26,444
Average annual full time equivalent (FTE) employment			202
Annual worksite retail spending by construction workers			\$577,720
GENERAL ECONOMIC BENEFITS FROM CONSTRUCTION			\$10,035,728
Public Revenues			
Columbus C.G. sales taxes, construction materials--(LOST, OLOST, TSPLOST 3%)			\$121,523
Muscogee County Schools local sales taxes construction materials--ESPLOST (1%)			\$40,508
CCG local sales taxes from construction labor spending			\$17,332
MCS local sales taxes from construction labor spending			\$5,777
Fees and Permits:			
Commercial Building Permit Fee \$2.50/\$1000 of valuation over \$26,000			\$21,216
Commercial Building Plan Review Fee at 25% of Building Permit Fee			\$5,304
LOCAL PUBLIC REVENUES FROM CONSTRUCTION			\$211,659

Source: Bleakly Advisory Group

¹ Indeed.com

economic impacts of the highside market



Economic Impacts Due to Operation

The on-going general economic impact of Highside will come from the growth in Columbus's real property values, the additive retail sales in the Uptown Columbus area, and the increased employment due to the property's tenants.

We forecast that Highside will result in \$6.6 million (\$123/SF) real property value for tax collection purposes. The actual real estate market valuation will likely be higher.

ESTIMATED ECONOMIC BENEFIT FROM OPERATIONS			
Increased Market Value			Market Value
Total Project Fair Market Value			\$6,628,522
Operation of Commercial Components			Ann. Purchases
Annual Retail Sales at \$500 per SF			\$16,648,500
Permanent Payroll	Total Employees	Average Salary	Payroll
Office @ 1 employee per 200 SF	61	\$79,190	\$4,818,712
Retail @ 1 employee per 400 SF	83	\$25,168	\$2,095,047
Total/ Weighted Average	144	\$47,981	\$6,913,759
Annual Local Purchases by Employees @ \$10 per day			\$374,641
GENERAL ECONOMIC BENEFIT FROM OPERATIONS			\$21,841,852

Based on estimates from the Cotton Companies, retail sales could meet or exceed \$500/SF. This sales level is higher than the typical average overall sales in aggregate throughout the state and nation. Still, it is likely achievable given the project orientation and unique nature of its potential future tenants. At \$500/SF, Highside will achieve nearly \$17 million in annual purchases, most expected to be additive to Columbus, meaning they otherwise would not have occurred locally. As discussed below, these retail sales will help contribute to a growing local economy and significantly increase the sales tax collections that help fund the local government entities.

Based on a conservative estimate of one employee for every 400 SF of retail at Highside, we anticipate 83 full-time equivalents (FTE) retail employees at Highside. The office components will employ 61 professional workers, assuming one employee per 200 SF. The total number of those employed at Highside is forecast at 144, with an average salary of \$48,000, equating to a total annual on-site payroll just under \$7 million. According to the Bureau of Labor Statistics, these salaries are higher than the overall average salary in Columbus, which is \$23,209 a year.

These employees will themselves spend their earnings locally; we anticipate each employee will add an estimated \$10/day in retail spending to the local marketplace or approximately \$375,000 annually.

Thus, in total, a fully developed and occupied Highside Market will add over \$17 million annually in direct general economic benefits to the Columbus economy.

Aerial perspective rendering of proposed Highside Market, Uptown Columbus, GA



Source: The Cotton Companies

local public revenues/fiscal benefits



Public Revenues

Columbus and the Muscogee County Schools will receive substantial on-going public revenues from the operation of Highside, reaching approximately \$550,000 annually at full operation.

Most significantly, the governmental entities will derive an increase in annual property taxes on real estate. As noted earlier, we forecast that Highside will result in \$6.6 million (\$121/SF) real property value for tax collection purposes. Given the assessed value at 40% of appraised and the current local millage rates, the city/county government and the local public schools are expected to gain a total of approximately \$122,500 in new annual property taxes, with \$70,500 going to the schools and \$52,000 to the Columbus Consolidated Government.

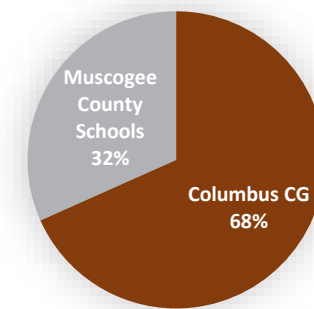
Also, local sales taxes from retail purchases at Highside are estimated to generate nearly \$415,000 annually at build-out, with approximately three-fourths of that amount, or \$311,000 going to the schools and \$104,000 annually going to the consolidated government.

Also, Columbus will receive approximately \$12,500 in business license fees annually.

ESTIMATED PUBLIC REVENUES		
Property Taxes	Market Value	Taxable Value
Total Mixed-Use Development at Build-out	\$6,628,522	\$2,651,409
FF&E and Inventory (14% of CCG Commercial Valuation)	\$927,993	\$371,197
Total Market/Taxable Value	\$7,556,515	\$3,022,606
Property Taxes		
CCG Urban Service District # 1 @ .017180		\$51,928
Muscogee County School District Millage @ .023321		\$70,490
Total Property Tax		\$122,419
Business Licenses--25 businesses paying an average of \$500		\$12,500
Total Business Licenses		\$12,500
Local Sales Taxes		Local Sales Taxes
Retail Sales (net new at 60%)	\$9,989,100	\$399,564
Local Expenditures by Employees	\$374,641	\$14,986
Annual Retail Sales and Local Sales Taxes to County/Schools (4%)	\$10,363,741	\$414,550
TOTAL ANNUAL REVENUES TO COLUMBUS CONSOLIDATED GOVERNMENT		\$375,341
TOTAL ANNUAL REVENUES TO MUSCOGEE COUNTY SCHOOLS		\$174,128
TOTAL ANNUAL REVENUES TO CCG AND COUNTY SCHOOLS		\$549,468

Sources: GA Dept. of Revenue, Bleakly Advisory Group

Annual Revenues to CCG and Schools



■ Columbus CG ■ Muscogee County Schools

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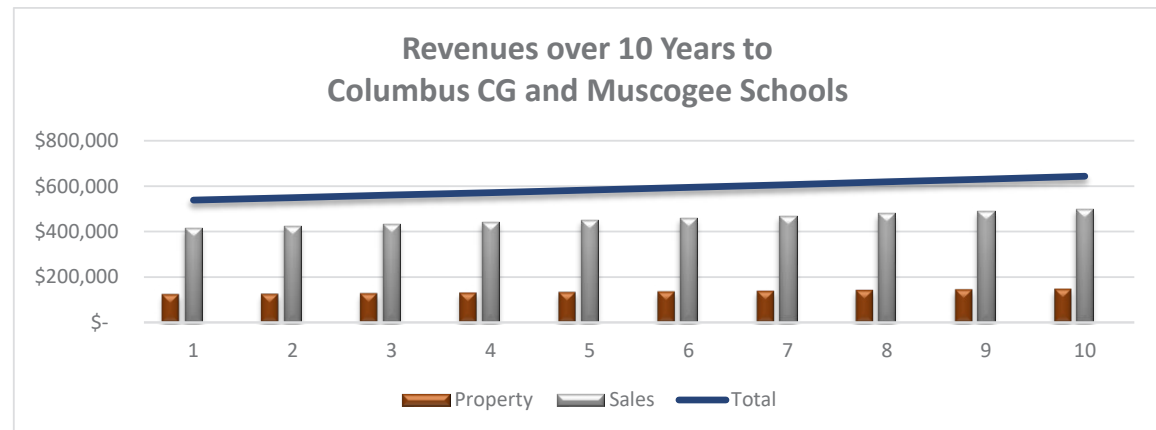
Source: The Cotton Companies

fiscal benefits: first decade of operation



Public Benefits

Given the above assumptions and estimates, Highside Market will generate over \$5.5 million in fiscal benefits to the local governmental entities—the Columbus Consolidated Government and the Muscogee County Schools during the first decade of operations. The local government will benefit from 68% of the overall tax collections from Highside (\$3.8 million), with the remainder going to the schools (\$1.7 million). The tax collections result from the benefits that accrue from increased retail sales—considering three-fourths of sales tax collections go to the local government and one-fourth to the local public schools.



economic impact multiplier effect



Direct and Indirect Impacts

In addition to the direct economic impacts noted above, developments like Highside Market generate other positive indirect economic effects in the local economy from the economic activity on site. This analysis summarizes the total economic impact, combining both direct and indirect economic impacts. The RIMS II input-output model of the U.S. Department of Commerce was used to estimate Columbus/Muscogee County.

The \$9.5 million in direct construction investment at Highside Market will generate a total of \$13.3 million in regional economic impact when adding indirect effects. Additionally, the \$2.8 million in annual construction payroll will total \$4 million in regional yearly earnings impact. These additional employment gains from the 202 direct yearly construction jobs will generate 111 other regional jobs.

Additionally, the \$11.7 million in operations output will stimulate \$17 million in total economic impact and the \$6.9 million in total permanent payroll earnings, nurturing nearly \$10 million in total local earnings. The on-site earnings will accrue to the estimated 144 direct permanent jobs, which will induce 45 additional jobs in Columbus.

DIRECT AND INDIRECT REGIONAL IMPACTS				
	Direct Output	Multiplier	Regional Impact	
During Construction				
Construction Investment (Output)	\$ 9,458,008	1.41	\$	13,335,791
Construction Earnings (Payroll)	\$ 2,840,795	1.41	\$	4,005,521
Construction Employment	202	1.55		313
During Operations				
Output of Operations (70% of Sales)	\$ 11,653,950	1.45	\$	16,898,228
Permanent Earnings (Payroll)	\$ 6,913,759	1.42	\$	9,817,537
Permanent Employment	144	1.31		189

RIMS II for Columbus/Muscogee County/BAG



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TERMS and LIMITING CONDITIONS

Accuracy of Report: Every reasonable effort has been made to ensure that the data developed in this assignment reflect the most accurate and timely information possible and is believed to be reliable. This consulting assignment was based on estimates, assumptions, and other information developed by Bleakly Advisory Group (“BAG”) from its independent research efforts, general industry knowledge, and consultations with the client for this assignment and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agents or representatives, or any other data source used in preparing or presenting this study. The research and reports are based on information that is current as of the date of the report. BAG assumes no responsibility to update the information after the date of the report. The research may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular point in time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular outcome will occur. Actual results achieved during the period covered by our prospective analysis may vary from those described in our research and report, and variations may be material. Therefore, nor warranty or representation is made by BAG that any of the projected values or results contained in the work product from this assignment will actually be achieved.

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