

In-depth Site Reports

Brownfield-Greyfield Redevelopment Financing Toolkit for Local Government Officials



CONNECT
Our Future

Vibrant Communities – Robust Region



The 14-county bi-state region includes: Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly and Union Counties in North Carolina, and Chester, Lancaster, Union and York Counties in South Carolina.

Brownfields

Brownfield-Greyfield Redevelopment Financing Toolkit for Local Government Officials

This project is an intensive study of brownfields redevelopment financing program possibilities and tools that may support and facilitate future activity involving public and private investment in brownfield-greyfield redevelopment projects.

“CONNECT Our Future” is a process in which communities, counties, businesses, educators, non-profits and other organizations work together to grow jobs and the economy, improve quality of life and control the cost of government. This project will create a regional growth framework developed through extensive community engagement and built on what communities identify as existing conditions, future plans and needs, and potential strategies.

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Redevelopment Economics

This document was prepared by Centralina Council of Governments and Catawba Regional Council of Governments in partnership with Cardno and Redevelopment Economics.



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Introduction

Communities across the region are facing challenges with idle, vacant, and/or abandoned properties. “Brownfields” are properties where redevelopment is hampered by real or perceived environmental issues, while “Greyfields” are generally former retail stores with large parking lots that are now economically obsolete. The redevelopment and reuse of brownfields and greyfields can be challenging. In particular, developers may face liability issues, regulatory uncertainty, assessment and remediation cost uncertainty, and continuing exposure concerns with the brownfield sites. While greyfields usually do not present these environmental challenges, developers may still face additional costs associated with demolition or re-purposing of out-moded buildings and market barriers to new investment in older existing communities.

In the early 1990s, local communities began to realize the fear and uncertainty associated with the redevelopment of brownfield and greyfield properties was undermining the vitality of urban areas. Developers were instead focusing on “greenfields” to avoid the environmental concerns, and as a result further exacerbating urban sprawl.

While the challenges associated with these properties raise the costs of a project for a developer, the community benefits through lower costs of infrastructure (both capital and operating); locating jobs proximate to the populations that most need the jobs; lower vehicle miles travelled (and lower greenhouse gas emissions); increased property taxes from neighboring properties; and the community image advantages of revitalized central areas. Therefore, local, state, and the federal agencies began to create new programs and incentives to encourage investments in these challenging properties. While the incentives or programs require resources, communities recognized the beneficial return these investments produce.

Methodology and Limitations

For this report the consulting team was asked to perform a more in-depth evaluation of the following four sites:

- 202 NC 24/27 Highway, Albemarle, NC
Jefferies Southern Processors;
- 201 North Church Street, Mooresville, NC
Mooresville Executive Office;
- 800 Engleside Street, Monroe, NC
Comar Textile Factory;
- 401 S Main Street, Clover, SC
Southern Industries of Clover

Analysts were asked to develop re-use scenarios and corresponding financing plans, developed at the detail of pro forma analysis. If the financing analysis showed gaps, analysts were to propose public sources that would close the gaps.

This was all accomplished and the results are contained herein; however, the consultant's disclaimer is that the information about the sites did not allow for a very definitive result. For example, the environmental condition of the sites was largely unknown. Similarly, the consultants did not have reports on the condition of buildings, except that one had been condemned. Therefore, a lot of assumptions had to be made based on fairly cursory information.

Readers would be advised to use this document for planning purposes only.

About the Consulting Team

Cardno Inc. – has extensive experience in providing brownfield program development, site assessment, remediation, and redevelopment assistance for local governments. Having managed and/or supported over 100 brownfield projects funded by the Environmental Protection Agency's (EPA) Brownfields Program, Cardno provides an in-depth knowledge of both federal and state brownfield programs with an established, successful track record.

Redevelopment Economics – provides an economic development skillset to communities challenged by

brownfields and other difficult redevelopment areas. Redevelopment Economics has particular expertise in infill/brownfields financing, and policy and program analysis.

Ken Brown Strategic Consulting – provides strategic, policy, and technical assistance to help local governments, non-profits, and business identify solutions that facilitate economic and community development, brownfields revitalization, energy efficiency and renewable energy, infrastructure upgrades, air and water quality improvements and other priorities.

202 NC 24/27 Highway, Albemarle, NC – Jefferies Southern Processors

The subject property consists of an approximately 9.45-acre parcel of land located at 202 NC 24/27 Highway Bypass in Albemarle, North Carolina.¹ The property has a Stanly County Tax Map Number of 654803106812 and a listed owner of Realm National Insurance Company, contacted through NY Liquidation Bureau, 110 William Street, New York, NY 10038. The listed property value is \$328,415 with a land value of \$196,600.

Site Background and Profile

Current Use and Site Features

The property has one building on-site that has approximately 112,720 square feet of conditioned space. The property is vacant, and a portion of the structure is damaged. The parcel is 100% usable with no significant natural features.



Albemarle site aerial

Past Use

This site was once the location of the former West

¹ Google maps use 202 NC 27 Highway, Albemarle, NC 28001:

<https://www.google.com/maps/place/202+NC-27,+Albemarle,+NC+28001/@35.3389243,-80.2008796,862m/data=!l3m2!1e3!4b1!4m2!3m1!1s0x885464b3b37a1b7f:0xbb3ae08fa5a9b584>

Knitting Mills, Dawson Consumer Products, Jefferies Plant. Also referred to as Jeffries Southern Processors, the site was a finisher of broadwoven fabrics of manmade fiber and silk.

Zoning

The parcel is currently zoned LID Light Industrial with LID Light Industrial to the North and East, R-10 Single-Family Residential to the West, and GHBD General Highway Business to the South of the property. The City of Albemarle has landscaping and buffering requirements in their code including 94.17 Buffer areas required around all perennial waters, 92.090 Bufferyard Requirements (Type I, IV Required), and 92.091 Landscaping of parking lots. The City of Albemarle does not have a tree preservation code unless the property is in residential subdivisions.

Major Roads and Infrastructure

The property has access to U.S. Highway 52, and State Highway 24/27 Bypass.

Environmental Information

The site is not in a designated environmentally sensitive area, floodplain, or wetland. There are no known endangered species on this site. An EDR-Site Report found no information in reference to this property. Due to its past use as a textile manufacturing operation, additional environmental assessment is likely warranted. Records indicate that regulated hazardous substances were used in industrial processes.

City and Neighborhood Demographics

Albemarle is a little too distant from Charlotte to be experiencing rapid suburban growth – the population grew 1.4% from 2000 to 2010. The town has relatively high indicators of economic distress, with a low median income, high unemployment rate, and low educational attainment.²

² US 2010 Census and 2012 American Community Survey

Table 1 - Albemarle population and demographic data

Total Population	15,903
Total Households	6,512
Unemployment Rate	13.7%
Per Capita Income	\$41,729
Median Household Income	\$31,442
Percent of Households with Children under 18	27.4
Percent of Adult Population with No High School Degree	22.4
Percent of Adult Population with High School Degree	35.5
Percent of Adult Population with Some College Education	38.3
Percent of Adult Population with a Bachelor's Degree or Higher	3.8
Percent White	70.1
Percent African American	22.4
Percent Hispanic/Latino	4.5
Average Age of Housing Stock	52
Rental Vacancy Rate	14.2
Average Rental Housing Price	\$621
Percent of Units Owner-Occupied	56.3

Table 2 - Albemarle neighborhood demographics

Population	3,296
2014 Median Family Income	\$65,493
2010 Median Family Income	\$61,875
Tract med income % of area med income	132.3%
% below Poverty Line	11.3%
Tract Minority %	17.5%
Owner-Occupied Units	828
Renter Occupied Units	393
Median House Age (Years)	43

Table 3 - Albemarle utilities

Utility	Company Name	Contact
Water	City of Albemarle Public Utilities	Judy Redwine 704-984-9609
Storm Water	City of Albemarle Engineering - 144 N 2nd Street	David Bowers 704-984-9437
Waste Water	City of Albemarle Public Utilities	Judy Redwine 704-984-9609
Electric	City of Albemarle Public Utilities	Judy Redwine 704-984-9609
Trash Services	City of Albemarle Public Works	Nina Underwood 704-984-9667
Fiber Optic Service	Windstream Communications - 250 N 1st Street	704-722-3355
Gas Service	Piedmont Natural Gas Company - 325 N 2nd Street	704-982-0145
Telephone Service	Windstream Communications - 250 N 1st Street	704-722-3355

The site lies in a relatively wealthy neighborhood – the census data indicates that the neighborhood has a significantly higher median income than the metro area median. Table 2 includes more detail.

Employment and Business Trends

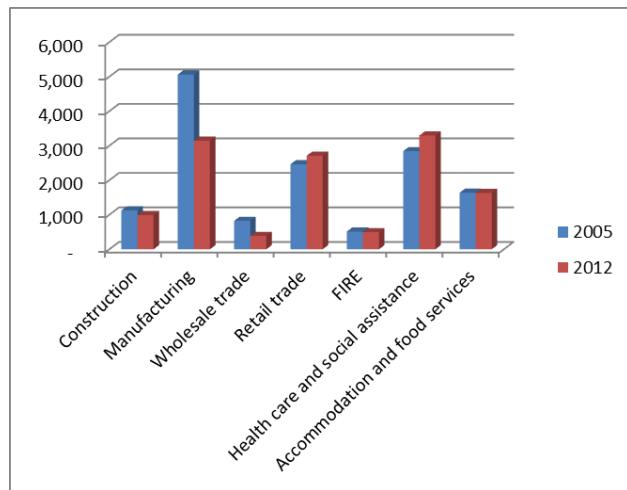
As indicated in Table 4, Stanly County grew modestly at a 3 percent rate in the period 2007-2012. Despite losing 37 percent of the manufacturing base, manufacturing is still the leading sector, comprising 20 percent of all jobs. Figure 1 additionally shows that the health care and retail sectors grew, while other sectors declined.³

³ US Census Bureau, County Business Patterns, 2007 and 2012

Table 4 - Stanly County employment and changes compared to State

	Stanly Co Employment Totals 2012	Percent Change 2007-2012	
		Stanly County	State
Construction	989	-12.4%	-26.8%
Manufacturing	3,148	-37.8%	-26.3%
Wholesale trade	386	-53.1%	3.9%
Retail trade	2,707	10.0%	0.4%
FIRE	496	3.3%	-7.0%
Health care and social assistance	3,293	15.9%	15.3%
Accommodation and food services	1,629	-0.5%	13.6%
Total for all sectors	15,369	3%	-2%

Figure 1 - Stanly County employment trends by sector



Site Evaluation

LoopNet lists the property as for sale for \$549,000. The listing is for land (not building); so the lister apparently assumed demolition and new construction. This equates to \$58,000 per acre.



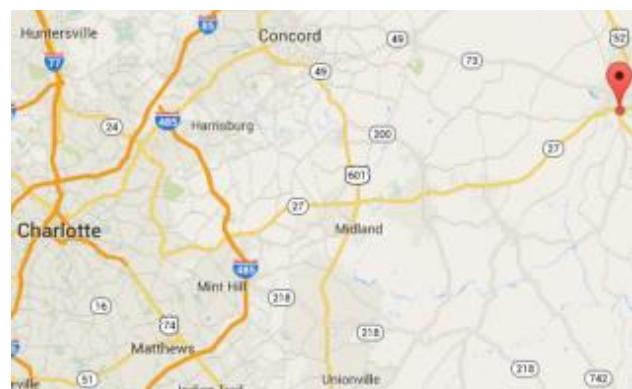
Albemarle site appears to be dilapidated

The property is vacant and appears poorly maintained. A storage tank has collapsed onto a portion of the building, and the structure is compromised. The property appears to have been vandalized and subject to illegal dumping.

The property has direct access to major traffic arteries (US 52) and the NC 24/27 Highway Bypass, both 4-lane divided highways.

This site does not appear to be in an area with a minimum density of 60,000 square feet nor does it appear to be within a 1/2 mile of residential and a 1/2 mile of at least 10 basic services. The site does not have sidewalks connected to it. The site has a walkscore of 38 which ranks as car dependent.

Access rates as good. Site is not far from downtown (1.1 mi) and has direct access to 2 4-lane highways. Distance to Charlotte is 40 mi/52 minutes.



Albemarle site, east of Charlotte

Most nearby properties are industrial with some

residential.

Comparables

LoopNet indicates that most industrial properties in Albemarle rent for about \$4.00/sq ft.

Industrial for sale:

- One large industrial property is for sale: 930 Old Charlotte Road, 120,000 SF, listed for \$1,200,000 or \$10/sf;
- A former industrial property with commercial zoning, 200 Nc-740 Hwy, Albemarle, 28,000 SF; 5.21 AC is for sale for \$1,599,000 or \$57.11/sf.

Retail for lease:

- First Street Station, 803-819 N First St, Albemarle, rents space for \$8.00/sq ft.
- On the same highway by-pass as the subject property, Centre Pointe Plaza, 720 Hwy 24/27 Bypass, rents retail space from \$6.00 to \$14.00/year; The center totals 165,579 SF GLA;

Industrial for lease:

- A similarly located property, City Center, 301 N. Third St., 250,000 SF, offers space for \$2 /SF/Year;
- Another older industrial property, Harris City Center Warehouse Space, 228 E. Cannon Ave., 53,920 SF, offers space for \$2.50/SF.
- Smaller more modern industrial spaces list for \$3.00 and \$4.00 per sq ft.

These rent levels would not support the extra costs of cleanup and demolition.

- A more detailed evaluation of the building and rehab costs is necessary; a cursory examination leads toward demolition as a prerequisite for attracting beneficial new industrial-commercial uses. The building is 112,000 sq ft; demolition costs can be assumed to be \$4.00 - \$6.00/sq ft or \$500,000 - \$670,000.
- Cleanup costs are unknown, but the lack of violations may mean that less-than-average cleanup costs can be assumed. In building lead

paint and asbestos is also unknown but may be substantial. Industry-wide average cleanup costs are \$100,000 per acre; \$40,000 - \$60,000 per acre or \$380,000 - \$570,000 might be assumed here.

- Assumed demolition and cleanup costs total \$880,000 - \$1,240,000.

Potential Incentives

The site is not eligible for New Markets Tax Credits.

The building does not appear to qualify for historical status at this time. Therefore, the site is not eligible for the state historic rehabilitation tax credits and mill rehabilitation tax credits.

A Tax Increment Financing (TIF) district might be considered if the plan were to incorporate several users and there is need for corresponding public infrastructure.

Since the environmental issues remain uncertain, the site may benefit from the EPA Assessment, and Revolving Loan Fund, but the EPA Cleanup Grants can only be used on publicly-owned sites. Several of the programs identified in the Toolkit as having potential application to brownfields could assist site cleanup after the proposal is implemented:

- Supplemental Environmental Projects (SEP)
- Clean Water State Revolving Fund (CWSRF);
- Insurance Recovery.

The site does not appear to be conducive to residential redevelopment; therefore, Low Income Housing Tax Credits are not likely applicable.

The best single source is CDBG grants and/or HUD 108 loans administered by the State. These sources can pay for both cleanup and demolition. The key is to link the project to low income job generation, other low-income benefit and/or clearance of slums and blight.

Re-use Options and Corresponding Financing

There appear to be two reuse options: commercial or

big box; and industrial.

Commercial/Big Box

The site location and access characteristics appear to be appealing for retail, and the size could accommodate big box retail. If the City wanted to entertain re-zoning for commercial/retail use, it is possible that site redevelopment could occur without any incentives.

To test this hypothesis, analysts prepared a pro forma that assumed demolition of the structure and remediation of the current site; then redevelopment for a 135,000 sq ft store. The pro forma shows a minor gap of \$197,000, which could be erased with either better lending terms, selling pad sites, or using public sources, such as CDBG or brownfields funding. See Table 5, Table 6, and Table 7.

Table 5 - Albemarle Project Summary

Redevelopment Plan	
Existing building	0 sf
Site	9.45 ac
Retail, big box	135,842 sf
Parking spaces	543
parking area, acres, (@ 325 SF per space)	4 ac
Greenspace, landscaping and/or pad site	4 ac

Table 6 - Albemarle project costs

Costs	
Acquisition	\$ 500,000
Closing costs and acquisition fees	\$ 26,250
Demolition @ \$5.00/sq ft	\$ 563,600
Cleanup @ \$50,000 per ac	\$ 472,500
Site work and parking @ \$150,000 per ac	\$ 1,600,000
New Construction @90 per sq ft	\$ 8,150,512
Tenant fit-out	\$ 3,396,047
Soft costs @ 25%	\$ 3,545,665
Construction Period Interest	\$ 115,466
Lease up period carry	\$ -
Sub-Total	\$ 18,370,038
developer's fee (12%)	\$ 2,143,055
Contingency (5%)	\$ 709,133
Total Costs	\$ 21,222,226

Table 7 - Albemarle pro forma and gap analysis

Use	"Big Box" Retail Center
Rentable Area - Retail	135,842 sf
Rent (NNN) - Retail Space (@ \$11.75/sf)	\$ 1,562,181
Gross Rent Receipts	\$ 1,562,181
Vacancy Factor	5.0%
Net Rent Receipts	\$ 1,484,072
Operating Expenses (Not passed thru) @\$0.25	\$ 33,960
NOI	\$ 1,450,112
NOI Avail for Debt Service (Conventional Financing) w debt coverage of 1.3	\$ 1,160,089
Interest	4.5%
Term	\$ 30 yr
Supportable Mortgage	\$ 18,896,568
Total Costs	\$ 21,237,226
Less: Supportable Mortgage	\$ (18,896,568)
Less Developer's Fee (equity)	\$ (2,143,055)
GAP	\$ 197,603
Gap Sources:	
Sell pad sites, CDBG, or brownfields funding	\$ 197,603
Total Gap Financing	\$ 197,603

Industrial

The other re-use scenario is clearing the site for a single-user, such as a manufacturer or other employment intensive industrial use. This option adds more to the local economy than big box retail, but would require public funding to clear and cleanup the site.

This option was not tested with a pro forma, but the logic of the necessary incentives is fairly simple: prospective businesses can more easily locate at a greenfields site unless the brownfield site has no extra costs, no extra delay, and no greater uncertainty. Public sector incentives are needed to clean up the site, demolish the building, and prepare the site, making it ready-for-development, all without cost to the prospective business (preferably all accomplished before discussions start with prospective businesses).

Cleanup and demolition are roughly estimated to cost in the vicinity of \$1 million. The only funding sources that can be used for those expenses are EPA Brownfields and CDBG funds. Therefore, some combination of CDBG and brownfields funding would need to be committed in advance of discussions with

potential users.

If there is a remaining gap between what the prospective business is willing to pay and what project economics demand, it would be up to the State economic development agency to make a decision as to whether economic development funds can make up the gap.

Impacts of Re-use Options

Table 8 - Albemarle impact summary

	Big box retail	New Industrial Space
Investment	\$ 21,237,226	\$ 11,114,334
Permanent jobs	272	130
Construction jobs	265	139
Indirect impact	(less)	(more)

Contact:

Randle Mauldin, purchaser

704-983-5987

201 North Church Street, Mooresville, NC – Mooresville Executive Office

The subject property consists of an approximately 2.59-acre parcel of land located at 201 North Church Street in Mooresville, North Carolina 28115. The property has an Iredell County Tax Map Number of 4667210966 and a listed owner of Mooresville Executive Office. The listed property value is \$1,403,230 with a land value of \$715,500.

Site Background and Profile



Mooresville Executive Office, part of the former Mooresville Cotton Mill

History

The Mooresville Cotton Mill was established in 1893, and grew rapidly, spurring growth of the town around it. Most of the buildings have been razed. The subject building may have been built in stages and its precise age is not clear.

Current Use and Site Features

At this time, the property is vacant and being marketed for sale or lease.⁴ The asking price is \$1.0 million or \$16.67 per sq ft.. Known as "Mooresville Mill 1," the site includes one building with approximately 52,907 square feet of conditioned

⁴

http://www.mooresvillerealty.com/listing/10451834_1-150266940/201-n-church-street-mooresville-nc-28115/

space, which includes the original textile mill structure of approximately 25,000 square feet. The building has been declared structurally unsafe. The parcel is 100% usable with no significant natural features.

Past Use

The original building was constructed in 1893 as a textile mill. At a later unknown date, additional office and warehouse space was constructed around the original structure. The building was most recently used as leased office space.

Zoning

The parcel is currently zoned Town Center with TC Town Center to the North, East, and West of the property and NMX Neighborhood Mixed Use to the South of the site. The Town Center District is intended to encourage and preserve the urban form found in the traditional downtown area. The City of Mooresville has a landscaping and buffer code in Section 7.2 of their ordinance. They also have a tree preservation code in Section 7.1 of their ordinance. Bulk restrictions limit the height in this area to 48 feet and require a 0 - 15 foot front setback, 5 foot side setback to residential use, and a 15 foot rear setback or 25 foot rear setback to a residential use.

Major Roads and Infrastructure

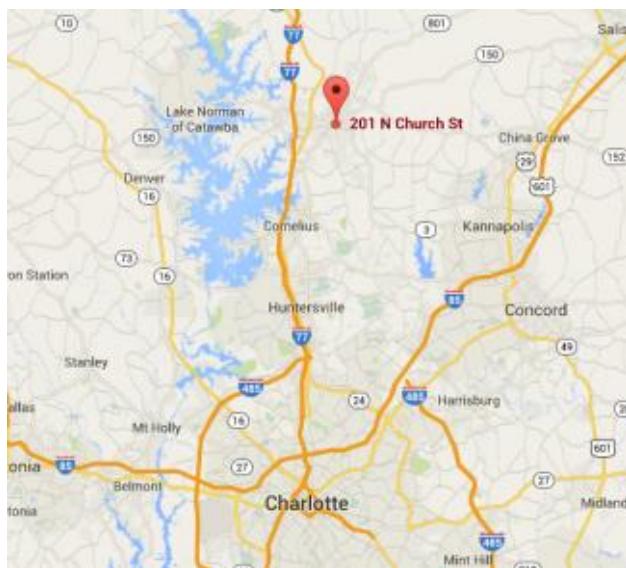
The property has access to Interstate 77 by way of East Iredell Avenue and State Road 150. The site is located in the downtown area of Mooresville, only one block off of Main Street.

Environmental Information

The site is not in a designated environmentally sensitive area, floodplain, or wetland. There are no known endangered species on this site. An EDR-Site Report indicates Carisbrook Industries (Bressler Amery and Ross) had a reported leaking underground storage tank incident in 1990. During tank excavation, contaminated soil was discovered. Franklin Dyed Yarns, which was located at this address as well, is listed as a RCRA hazardous waste generator.

Community Information

Mooresville is a former small town now benefitting from Charlotte-area outer suburban growth. The distance to downtown Charlotte is 27 miles or 30 minutes.



Location of the subject property, in the growing suburban ring, north of Charlotte.

City and Neighborhood Demographics

Mooresville Population and Income

Mooresville population has grown 77 percent from 2000 to 2012, making it the sixth fastest growing town in N.C.

Median Household income is \$52,177, compared to \$45,150 for the State of North Carolina. The age profile is relatively young: Mooresville/34.2 years, compared to North Carolina/45.5 years.⁵ See Table 9 - Population and economic data.

Table 10 summarizes local utility information. The site is fully served.

Table 9 - Population and economic data

Total Population	33,451
Total Households	12,374
Unemployment Rate	14.3%
Per Capita Income	\$20,549
Median Household Income	\$52,177
Percent of Households with Children under 18	38.1
Percent of Adult Population with No High School Degree	20.1
Percent of Adult Population with High School Degree	23.4
Percent of Adult Population with Some College Education	49.1
Percent of Adult Population with a Bachelor's Degree or Higher	7.3
Percent White	80.2
Percent African American	10.9
Percent Hispanic/Latino	6.9
Average Age of Housing Stock	27
Rental Vacancy Rate	12.8
Average Rental Housing Price	\$860
Percent of Units Owner-Occupied	64

* US 2010 Census and 2012 American Community Survey and www.citi-data.com

Table 10 - Local utilities

Utility	Company Name	Contact
Water	Town of Mooresville Public Utilities - 413 North Main Street	704-663-3800
Storm Water	Town of Mooresville Stormwater Management - 2523 Charlotte Highway	Tara Groner 704-799-4068
Waste Water	Town of Mooresville Public Utilities - 413 North Main Street	704-663-3800

⁵ www.citi-data.com

Utility	Company Name	Contact
Electric	EnergUnited	800-522-3793
Trash Services	Town of Mooresville Sanitation - 2523 charlotte Highway	704-664-4278
Fiber Optic Service	AT&T - 534 River Highway	704-660-9397
Gas Service	EnergUnited	800-522-3793
Telephone Service	AT&T - 534 River Highway	704-660-9397

Neighborhood Demographics

More localized demographic information at the census tract level is summarized in Table 11 - Neighborhood demographics CT 0616.01. The neighborhood has lower incomes, a higher poverty level, and a larger percentage of minority households than the city as a whole.

Table 11 - Neighborhood demographics CT 0616.01

Population	3296
2014 Median Family Income	\$45,333
2010 Median Family Income	\$42,895
Tract med income % of area med income	69.2%
% below Poverty Line	16.4%
Tract Minority %	51.4%
Owner-Occupied Units	613
Renter Occupied Units	533
Median House Age (Years)	34

Employment and Business Trends

Mooresville

Mooresville has gained a base of large and growing employers:

- Lowe's Home Improvement Corporate Headquarters - employs 2,300;
- Ingersoll Rand (manufacturing air compressors) - 900 employees
- Earth-Kind (a green pest control business) -

plans to grow to 380;

- NGK Ceramics USA (manufactures ceramic catalytic converters) - 650 employees
- Penske Racing - 350 employees;
- BestCo (candy manufacturing) - 350 employees;
- Lake Norman Regional Medical Center - 925 employees.

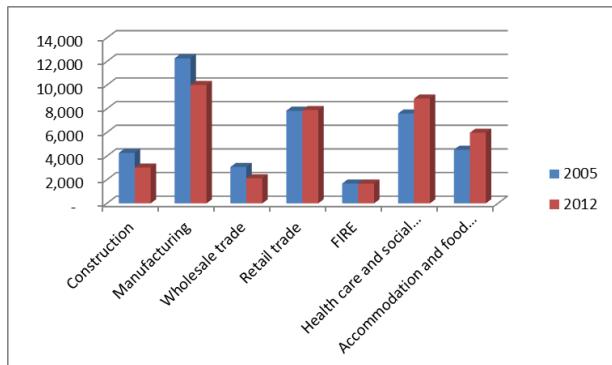
Mooresville has a good mix of visitor attractions, with Lake Norman and auto racing ("Race City USA") as the two centerpieces. More than 60 motorsports racing teams are located here and many feature showrooms and tours. There are two race-related museums, one downtown.

Retail sales in the area have increased 68% over the past four years.

County Economic Trends

Iredell County employment trend data indicate essentially flat employment totals: in 2005 the total number of jobs was 59,389; in 2012 the total dropped slightly to 58,294. The biggest gains were in accommodations and food (up 32%), while manufacturing lost 18%. The manufacturing sector is still very strong, representing over 17 percent of all jobs; the corresponding percentages for the State and for the US are 12 percent and 10 percent, respectively.⁶

⁶ US Census Bureau, County Business Patterns, 2005 and 2012.

Figure 2 - County employment trends by sector

One explanation for the rapid growth of the Mooresville area relative to flat indicators for the County would be that the more rural parts of the county declined, countering the growth in Mooresville.

To sum it up: Mooresville is growing at a rapid pace, but the downtown area has seen little new investment.

Site Evaluation

The property is located in the downtown area of Mooresville, only one block from Main Street. While the structure has been declared unsafe, the owner's agent reported the original mill structure could likely be saved and incorporated into a redevelopment. The site may also have enough space for habitat restoration or pocket parks once the building is demolished.



The site is only one block from Main Street (to the northwest) and borders a City park

The site has the density characteristics of urbanized areas: site is in an area with a minimum density of

60,000 square feet; is within a 1/2 mile of residential uses; and is within a 1/2 mile of at least 10 basic services. The site does have sidewalks connected to it. The property does not appear to be within a 1/2 mile of existing or planned and funded alternative transportation. The Walkscore for the site is 82, which is "Very Walkable."

The site has had limited reported environmental issues, and previous Phase I Environmental Site Assessments have been completed according to the agent. However, additional environmental site assessments would likely be needed due to the site's past use.

Neighboring Properties

The neighboring properties are:

- Across the street to the north between Moore and Iredell: green space, parking lot, Chamber of Commerce building;
- Across the street to the west: green space and parking;
- On the same block to the southwest, several single family homes;
- On the same block to the east, a city park.



Mooresville downtown, one block away from 101 Church St.

Main street downtown, one block away, is well maintained with few apparent vacancies, with a fairly typical mix of convenience retail, antiques, galleries, restaurants, and offices.

Comparables

Office Sales:

LoopNet lists the average asking price for office properties in the County at \$147 per sq ft. The average asking price for leased office space in the County is \$16.43. However, the largest part of the office market is suburban and close to I-77.

- The highest sale price for an office building near downtown was 404 E Center St, 3,100 sq ft, sold for \$520,000 or \$166/SF in 2014. The property is a medical office building.
- Numerous small office properties near downtown on Center Street have sold for between \$50 and \$90 per sq ft., with an average of approximately \$65/sf.
- 735 S Broad St., 9,600 sq ft office/warehouse building 1 mile SW of downtown, sold for \$441,722, (\$46.01/SF) in 2006
- Currently on the market: 570 N. Main Street (similarly situated near but not directly downtown) 11,000 sq ft building offered for \$550,000, or \$50/sf.

Office Leasing:

- Near downtown, a larger former mill property at 500 S. Main, 1.1 million sq ft, of which 900,000 sq ft is listed as available. Space is leased for a variety of purposes (office, industrial, manufacturing, and artisan/creative) for \$6.00/sq ft.
- A more modern office building about 1 mile north of downtown at 128 E Plaza Dr, has 3,814 SF available for \$14.75/SF.
- The Design Center of Lake Norman at 532 Patterson Ave, less than 1 mile north of downtown, rents office space for \$12.00 per sq ft and warehouse space for \$4.50 per sq ft.

Retail Leasing:

- LoopNet has only one downtown listing: 215 E Franklin St (downtown), 850 SF, \$11.22/SF
- Analysts also had access to an analysis of retail

rents in the area and newer space in preferred locations is going for rents over \$20.00/sq ft.

201 Church leasing rate potential

From the above, analysts assumed that the leasing rate potential for 201 Church is \$13.50 per sq ft for office and \$15 per sq ft for retail.

Potential Incentives

The site is eligible for New Markets Tax Credits, a potentially powerful incentive, usually amounting to approximately 20 percent subsidy.

Incorporating the original mill structure into the overall redevelopment strategy may qualify the site for the Federal Historic Rehabilitation Tax Credits (the State Mill Rehabilitation Tax Credits is assumed to have ended).

If residential development is part of a redevelopment plan the site may qualify for Low Income Housing Tax Credits.

Since the environmental issues remain uncertain, the site may benefit from the EPA Assessment, Revolving Loan Fund, and Cleanup grant program. Several of the programs identified in the Toolkit as having potential application to brownfields could assist site cleanup after the proposal is implemented:

- Supplemental Environmental Projects (SEP)
- Clean Water State Revolving Fund (CWSRF);
- Insurance Recovery

Another potential source is CDBG grants and/or HUD 108 loans administered by the State. These sources can pay for both cleanup and demolition. The key is to link the project to low income job generation, other low-income benefit and/or clearance of slums and blight.

The site does not appear to need significant infrastructure upgrading; therefore a Tax Increment Financing (TIF) district and synthetic TIF would not factor in.

Re-use Options

There is a wide spectrum of re-use options due to the near downtown location: office, hotel, retail, service, restaurant, entertainment, cultural, civic, and residential.

The site is eligible for New Markets Tax Credits, a powerful incentive source that usually works out to an approximate 20 percent subsidy.

Renovate or Raze?

Analysts did not prepare a detailed evaluation of the building and associated renovation costs, however, available information is favorable to razing the structure and building new. There are several points here:

- Although the building might be determined to be eligible for federal Historic Tax Credits, the lack of a corresponding State Tax Credit means that the federal incentive may be largely used just to achieve compliance with historic preservation standards;
- The building has been condemned, which would tend to indicate higher than usual renovation costs;
- The architecture of the building does not add curb appeal; and,
- Retaining the building limits the density of redevelopment.

Of the three options, below, two raze the building and redevelop the site; one retains the building.

Retail Ground Floor and Office above

The team rated this option as the most realistic and therefore created a pro forma to test the financial feasibility with and without financial incentives.

The redevelopment plan is for 25,000 sq ft of ground floor retail with two additional floors of office space, totaling 75,000 sq ft, and 200 parking spaces. See Table 12.

Table 12 - Office-Retail redevelopment plan

Redevelopment Plan		
Existing building	52,907	sq ft
Site	2.59	acres
New retail ground floor	25,000	sq ft
New office, two floors above retail	50,000	sq ft
Parking spaces	200	
parking area, sq ft @ 325 per space	65,000	sq ft
Greenspace, landscaping and/or pad site	39,487	sq ft

Table 13 - Office-retail cost estimate

Costs	
Acquisition	\$ 777,000
Closing costs and acquisition fees	\$ 40,793
Demolition @ \$5.00/sq ft	\$ 350,000
Cleanup @ \$50,000 per ac	\$ 129,500
Site work and parking @ \$150,000 per ac	\$ 388,500
New Construction @ 90 per sq ft	\$ 6,750,000
Tenant fit-out	\$ 2,250,000
Soft costs @ 25%	\$ 2,467,000
Construction Period Interest	\$ 255,670
Lease up period carry	\$ 318,054
Sub-Total	\$ 13,726,517
developer's fee (12%)	\$ 1,550,847
Contingency (5%)	\$ 493,400
Total Costs	\$ 15,770,764

Table 14 - Office-retail pro forma and gap financing

Name	Executive Office
Address	201 N. Church Street
Use	Retail/ Office
Rentable Area - Retail	25,000 sf
Rentable Area - Office	50,000 sf
Rent (NNN) - Retail Space @ \$15.00/sf	\$ 375,000
Rent (NNN) - Office Space @ \$13.50/sf	\$ 675,000
Gross Rent Receipts	\$ 1,050,000
Vacancy Factor	7%
Net Rent Receipts	\$ 976,500
Operating Expenses (Not passed thru)	\$ 18,750
NOI	\$ 957,750
NOI Avail for Debt Service (Conventional Financing, assumes 1.25 debt coverage)	\$ 766,200
Interest (Conduit loan)	5.0%
Term (balloon yr 10)	\$ 30 yr
Supportable Mortgage	\$ 11,778,372
Total Costs	\$ 15,736,231
Less: Supportable Mortgage	\$ (11,778,372)
Less: Developer's Fee (equity)	\$ (1,545,540)
GAP	\$ 2,412,319
Gap Sources:	
New Market Tax Credit*	\$ 2,017,000
CDBG and/or Brownfields Funding	\$ 395,000
Total Gap Financing	\$ 2,412,000

* paid out over 7 years; calculated @ 20% of construction costs and site work. This percentage takes into account 39% credit, adjusted for investor pricing, CDE fees, and CDE underwriting

The analysis shows that the office-retail project has a gap of \$2.4 million, but that amount can be made up primarily through New Markets Tax Credits and secondarily through a combination of CDBG and/or brownfields funding.

The team ran an alternate version of the pro forma with a HUD 108 loan @ 3.0 percent and the project “penciled out” without the NMTC or the brownfields funding.

Hotel

A hotel was considered as a strong compliment to downtown that would also capitalize on area tourism; however, it was unclear whether the downtown area had sufficient attraction to tourists. Further market analysis would be needed, as well as discussions with hotel chains and developers, in order to test this concept.

Table 15 - 135 room hotel conceptual sources and uses

Redevelopment Plan		
Existing building	52,907	sq ft
Site	2.59	acres
Hotel, sq ft (25% lot coverage/3 stories)	84,615	sq ft
Hotel units	135	rooms
Parking spaces	135	
parking area, sq ft @ 325 per space	43,875	sq ft
Land left for landscaping	40,740	sq ft

Sources	
Private equity @ 10 percent	\$ 1,437,112
NMTC @ 20 percent	\$ 2,874,221
EPA RLF loan for cleanup	\$ 129,500
CDBG grant for demolition	\$ 264,535
Pri loan or HUD 108	\$ 9,666,000
Total	\$ 14,371,368

Uses	
Acquisition	\$ 1,000,000
Demolition @ \$5.00/sq ft	\$ 264,535
Cleanup @ \$50,000 per ac	\$ 129,500
Site work and parking @ \$9.00/sf	\$ 1,015,384
New Construction @ 127 per sq ft	\$ 10,746,143
Underwiting and issueing costs @ 10%	\$ 1,215,556
Total	\$ 14,371,118

Table 15 outlines a conceptual source and uses for financing a 135-room 3-story hotel. The chart

assumes New Markets Tax Credits as the primary subsidy source, with an EPA brownfields loan and CDBG as secondary incentive sources. If subsequent analysis shows that this is still insufficient to attract private investment, a HUD 108 loan would reduce financing costs and might be a difference-maker.

Arts/Artisans/Live-work/Co-working space

This option would renovate the existing building and develop it as multi-purpose arts and entrepreneurial center. Uses might include space for artisans, artists, exhibitions, live-work apartments, and co-working.

The team did not elevate this option as a "preferred option" because, similar to the hotel option, there was insufficient information on the marketplace for the arts and artisans community.

The team does note that similar facilities have succeeded in similar sized cities.

One potential model is the Goggle Works in Reading, PA.⁷ A larger project @145,000 square feet, Goggle Works features galleries; classrooms; dance and music studios; a darkroom; a glass blowing facility, plus a warm and cold glass studio/classroom; a woodshop; ceramics and jewelry studios; a 131-seat film theatre; a café; community meeting places; 34 artist studios; and offices for 26 local community arts and cultural organizations. Part of the draw is the vast array of communal facilities, like the glass blowing furnace. A recent article cited the role of the Goggle Works in spurring revitalization of adjacent downtown blocks.⁸

A potential resource for planning and financing an artists' live-work project is ArtsSpace.⁹ Their services include assembling public and private financing sources, and they have pioneered the use of Low Income Housing Tax Credits for artists' live-work projects.¹⁰ Their website describes 43 projects that have been assisted or developed by the group.

⁷ <http://www.goggleworks.org/>

⁸ <http://www.newpa.com/strengthen-your-community/success-stories/revivalists>

⁹ <http://www.artspace.org/>

¹⁰ <http://www.artspace.org/ideas-insights/artist-preference-affordable-housing>

Co-working is a recent innovation that marries under-utilized space with small/start-up/often-one-person businesses that benefit from inexpensive but collaborative space and some commonly held facilities, such as meeting rooms. One website lists more than 700 co-working facilities in the US and many are in small cities,¹¹ including Zeeland, MI (pop. 5,000).¹²

Pending an analysis of building, the capital costs of renovation should be assumed to be approximately the same costs of new construction or \$110 per sq ft. (there are potential savings). The assumption going in is that the capital costs of these kinds of facilities needs to be very heavily subsidized. That said, the subsidy sources are expansive, including potentially:

- New Markets Tax Credits;
- Low Income Housing tax credits;
- Federal Historic Rehabilitation Tax Credits;
- EPA Brownfields;
- CDBG and HUD 108;
- State Arts Council;
- Philanthropic sources.

Economic Impact of Office-Retail Scenario

Table 16 - Office-retail impacts

Investment in distressed area	\$ 15,736,231
Permanent jobs	225
Construction jobs	171

Contact:

Warren Dumford, broker, 704-965-7355
Loopnet listing agent: Lisa Cernuto , (704) 663-0990.

¹¹

<https://www.sharedbusinessspace.com/OfficeSpace/list-of-coworking-spaces.aspx>

¹²

http://www.downtowndevelopment.com/pdf/DIX03_13webextra.pdf

800 Engleside Street, Monroe, NC – Comar Textile Factory

The subject property consists of an approximately 7.29-acre parcel of land located at 800 Engleside Street in Monroe, North Carolina 28110. The property has a Union County Tax Map Number of 09270109 and a listed owner of Cruz and Sons, LLC located at Engleside Street in Monroe, North Carolina 28110. The listed property value is \$483,830 with a land value of \$217,150.

Site Background and Profile

Current Use and Site Features

At this time, the property is being used as an Industrial site. It has one building on-site that has approximately 100,016 square feet of conditioned space. The parcel is 100% usable with no significant natural features.



Former Comar Textile Mill, vacant in Monroe

Past Use

The building was constructed in 1934 as textile manufacturing operation.

Zoning

The parcel is currently zoned G-I Industrial with G-I Industrial, R-10 Residential High Density, and OT Office Transitional to the North, R-O-SU, R-10-SU, and R-20-SU to the East, R-O-SU and R-20-SU to the South, and G-I Industrial and R-O-SU to the West of the site. Bulk restrictions for G-I includes a 10 foot minimum front setback, 10 foot minimum side setback, and a 10 foot minimum rear setback. The City of Monroe has

the landscaping and buffering regulations including Section 156.213 General Screening Standards, 214 General Landscaping Requirements, 216 Streetscape Buffer, 217 Perimeter buffers, 218 Screening buffers, and 219 Other Screening Types and Standards. The City of Monroe also has tree preservation regulations including Section 156.221 Tree Preservation, 222 Tree Limits, and 223 Tree Types and Species.

Major Roads and Infrastructure

The property appears to be within one mile of both State Road 207 and State Road 200. The property also borders a rail line.

Environmental Information

The site is not in a designated environmentally sensitive area, floodplain, or wetland. There are no known endangered species on this site. An EDR-Site Report found no records for the site.

City and Neighborhood Demographics

Monroe is growing: the population increased 28.3 percent, 2000 – 2012. Union County is one of the fastest growing counties in the US, increasing by 63 percent, 2000 to 2010.

Monroe's population is also relatively young, with a median of 32.5 years, compared to the North Carolina median age of 45.5 years.¹³ The largest minority group is Hispanics, accounting for 28.9 percent. Monroe's median income is relatively low but Union County's median income is relatively high: Monroe/\$40,697; Union County/\$64,400; NC/\$45,150.

¹³ www.citi-data.com

Table 17 - Monroe demographic data

Total Population	33,641
Total Households	11120
Unemployment Rate	11.6%
Per Capita Income	\$17,970
Median Household Income	\$40,457
Percent of Households with Children under 18	36.5
Percent of Adult Population with No High School Degree	39.3
Percent of Adult Population with High School Degree	36.5
Percent of Adult Population with Some College Education	21.7
Percent of Adult Population with a Bachelor's Degree or Higher	2.5
Percent White	52
Percent African American	25.2
Percent Hispanic/Latino	29.4
Average Age of Housing Stock	36 years
Rental Vacancy Rate	11.2
Average Rental Housing Price	\$768
Percent of Units Owner-Occupied	89.9

* US 2010 Census and 2012 American Community Survey

Table 18 - Monroe utilities

Utility	Company Name	Contact
Water	City of Monroe Water Resources	704-282-4624
Storm Water	City of Monroe Stormwater Services	704-282-4537
Waste Water	City of Monroe Water Resources	704-282-4624
Electric	City of Monroe Electric Division	704-282-4511
Trash Services	City of Monroe Solid Waste Management Services	704-282-4565
Fiber Optic Service	Windstream	800-483-4300
Gas Service	City of Monroe Natural Gas Division	704-282-4511
Telephone Service	Windstream	800-483-4300

Neighborhood demographics

The site is located in a neighborhood with exceptionally high levels of poverty indicators – for example, the median income is only 47 percent of area median income. The housing is 74 percent renter-occupied.

The upside of these levels of economic distress is that the site will qualify under the “deeper distress” criteria for New Markets Tax Credits, which gains points in the ranking system. See Table 19.

Table 19 - Neighborhood demographics, CT 0204.04

Population	3,296
2010 Median HH Income	\$28,938
Tract med income % of area med income	46.8%
% below Poverty Line	46.2%
Tract Minority %	27.5%
Owner-Occupied Units	642
Renter Occupied Units	1805
Median House Age (Years)	35

Business and Employment Trends

Despite a 14 percent drop (2007 - 2012), manufacturing is still the largest sector in Union County, constituting 19.1% of all jobs.

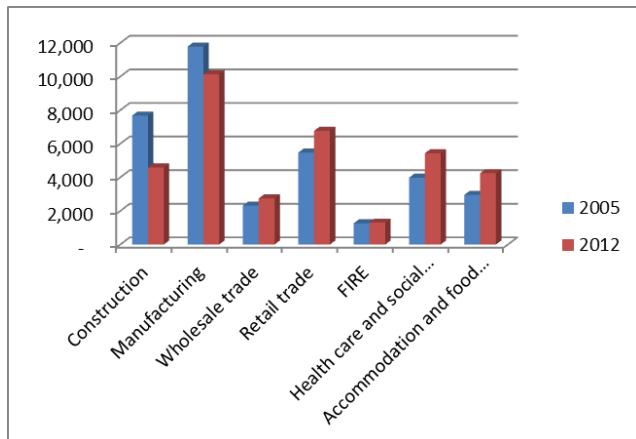
Major employers include:

- ATI Specialty Materials (more than 1,000 employees)
- Tyson Foods - 1,500 employees;
- Charlotte Pipe & Foundry - 500-999 employees;
- Carolinas Medical Center - Union - more than 1,000 employees.

Table 20 - Union County employment and sector comparison to the State

	Union Co. employment 2012	Percent Change 2007-2012	
		Union County	State
Construction	4,592	-40.2%	-26.8%
Manufacturing	10,137	-13.9%	-26.3%
Wholesale trade	2,743	18.5%	3.9%
Retail trade	6,765	23.7%	0.4%
FIRE	1,299	3.1%	-7.0%
Health care and social assistance	5,429	36.6%	15.3%
Accommodation and food services	4,247	43.7%	13.6%
Total for all sectors	44,446	3.5%	-1.7%

Figure 3 - Union County employment trends by sector



As Table 20 and Figure 3 indicate, the County has experienced significant growth in retail, health care and social support, and accommodations and food. The largest percentage increase is in accommodations and food.

Site Evaluation

Locations/access

The site is 1.5 miles from downtown Monroe.

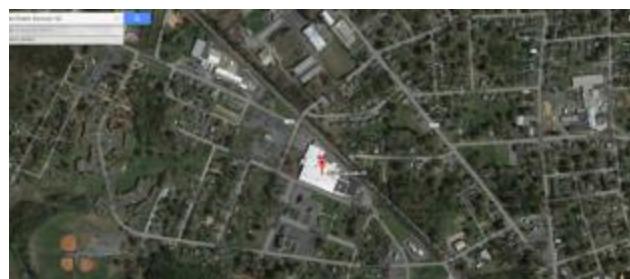


The site in relation to Charlotte

The access is substandard: the property has access to traffic arteries (State Road 207 and State Road 200) and to rail. There is no limited access interstate nearby, although US route 74, a 4-lane divided highway, is 1 mile to the northeast.

The site is bordered by:

- An electrical transmission substation to the west and northwest;
- Single family residences to the northeast;
- Commercial properties to the southwest.



Mixed uses border Former Comar Textiles, Monroe

The electrical transmission substation would make a poor neighbor for residential use and analysts did not further evaluate that option.

The site has a walkscore of 39, which ranks as "Car-dependent."

Building

The building is currently underutilized and is being actively marketed for sale or lease. LoopNet lists the property as for sale @ \$560,000 or \$4.63 per sq ft, but it also lists it as "off-the-market." One limiting factor:

ceiling heights are 12 feet. LoopNet also indicates that the subject property was sold in 2007 for \$340,000 or \$3.09 per sq ft. Under "available for lease" this property lists leasing rates @ \$5.00 per sq ft.

The structures and grounds appear to be in fair condition, but the owner's agent indicated some maintenance and repairs will be necessary.

Comparables

For sale:

- 514 Miller St., about a mile north of downtown sold in 2006 for \$565,000 or \$10.46 per sq ft. The property is a 53,000 sq ft 3-story warehouse with historic appeal. The property is currently listed for sale @ \$667,000.
- 607 Windsor, described as 48,000 sq ft flex space, about 3/4 mile east of downtown sold in 2009 for \$331,975 or \$6.89 per sq ft.
- 203 Lee Street sold in 2009 for \$235,000 or \$9.73 per sq ft. The property is a modern 1-story warehouse.
- 512 N Johnson St, Monroe, sold in 2014 for \$265,000 or \$34.87 per sq ft. The 7,000 sq ft property is similarly located (relative to the subject property) in that it is near but not in downtown. It is comprised of about 2/3 office and 1/3 warehouse.
- 302-304 W. Franklin St - a 6,300 sq ft office building just west of downtown sold in 2012 for \$206,000 or \$32.31 per sq ft.

For lease

- 607 Windsor (described under "for sale") lease for \$2.75 per sq ft.
- Sinica Motorsports, 819 Charlotte Ave (only 1/2 mile from the subject site) leases for \$4.51 - \$4.80 per sq ft.
- 610 E. Windsor St. (appr 1 mile east of downtown) rents warehouse/manufacturing space for \$3.60 per sq ft.

Potential Incentives

The site is eligible for New Markets Tax Credits, a potentially significant source of project subsidy.

The property is within the Primary Trade Area of the City of Monroe Master Plan. There is a potential Cultural District south of the Industrial Area per the City of Monroe Master Plan. The redevelopment of the mill structure may qualify for the site for the State Historic Rehabilitation Tax Credits or the State Mill Rehabilitation Tax Credits (if the state legislature extends the programs beyond 2014).

Since the environmental issues remain uncertain, the site may benefit from the EPA Assessment, Revolving Loan Fund, and Cleanup grant program. Several of the programs identified in the Toolkit as having potential application to brownfields could assist site cleanup after the proposal is implemented:

- Supplemental Environmental Projects (SEP)
- Clean Water State Revolving Fund (CWSRF);
- Insurance Recovery

Another potential source is CDBG grants and/or HUD 108 loans administered by the State. These sources can pay for both cleanup and demolition. The key is to link the project to low income job generation, other low-income benefit and/or clearance of slums and blight.

The site does not appear to need significant infrastructure upgrading; therefore a Tax Increment Financing (TIF) district and synthetic TIF would not factor in.

If a redevelopment plan with residential components is considered, the site may qualify Low Income Housing Tax Credits based on the demographics of the area.

Site Re-use options

Industrial Upgrade

The first option, explored through pro forma analysis, is an upgrading of the property for industrial use, either as a multi-tenant property or for a single user.

Table 21 - Monroe Project Summary

Redevelopment Plan	
Existing building	100,016 sf
Site	7.29 ac
Parking spaces	120
parking area, acres, (@ 325 SF per space)	0.9 ac
Greenspace, landscaping and/or pad site	5.2 ac

Table 22 - Monroe project costs

Costs	
Acquisition	\$ 525,084
Closing costs and acquisition fees	\$ 27,567
Site work and parking @ \$150,000 per ac	\$ 375,000
Cleanup @ \$50,000 per ac	\$ 364,500
Renovation	\$ 4,000,640
Tenant fit-out	\$ 1,000,160
Soft costs @ 25%	\$ 861,045
Construction Period Interest	\$ 115,408
Lease up period carry	\$ 153,492
Sub-Total	\$ 7,422,896
developer's fee (12%)	\$ 826,229
Contingency (5%)	\$ 287,015
Total Costs	\$ 8,536,140

Table 23- Monroe pro forma and gap analysis

Comar Textile Factory	
Rent (NNN) @ \$3.80/SF	\$ 380,061
Vacancy Factor	10%
Gross Rent Receipts	\$ 342,055
Operating Expenses (Not passed thru) @ 0.25/SF	\$ 25,004
NOI	\$ 317,051
NOI Avail for Debt Service (Conventional Financing)	\$ 275,696
Interest - HUD 108	2.5%
Term	30 yr
Supportable Mortgage	\$ 5,770,404
Total Costs	\$ 8,551,140
Less: Supportable Mortgage	\$ (5,770,404)
Less Developer's Fee (equity)	\$ (826,229)
GAP	\$ 1,954,507
Gap Sources:	
New Market Tax Credit @ 20% of qualifying costs*	\$ 1,075,160
Brownfields and/or CDBG for cleanup and site prep	\$ 91,595
Tax Credit (non-historic; built prior to 1936) @ 10% of qualifying costs	\$ 400,064
Sale of land	\$ 387,688
Total Gap Financing	\$ 1,954,507

* paid out over 7 years; calculated @ 20% of construction costs and site work. This percentage takes into account 39% credit, adjusted for investor pricing, CDE fees, and CDE underwriting

The assumption for the upgrade was that renovation would cost about 50 percent of building new industrial space, and that the result would mean the property could rent space for a relative premium price of \$3.80 per sq ft.

This, frankly, could be a faulty assumption, because the ceiling heights (12 feet) would remain the same.

New Industrial (Raze and Redevelop)

The above weakness might lead toward using the same financial incentives to raise the building and prepare the land for new industrial use; however, two of the primary incentives (NMTC and non-historic renovation credit) are not suitable for site prep as an isolated project.

Similar to the Albemarle site, the “New Industrial (Raze and Redevelop)” option essentially means finding public funds for cleanup and demolition. Cleanup was roughly estimated above at \$364,000; demolition, if assumed to be \$5.00 per sq ft, would be \$500,000, for a total of \$864,000.

The only funding sources that can be used for those expenses are EPA Brownfields and CDBG funds. Ideally, some combination of CDBG and brownfields funding would need to be committed in advance of discussions with potential users.

If there is a remaining gap between what the prospective business is willing to pay and what project economics demand, it would be up to the State economic development agency to make a decision as to whether economic development funds can make up the gap.

Arts/Artisans/Live-work/Co-working space

(This section is a repeat from Mooresville, and Clover, copied here for the benefit of those interested in reading only about one site.) This option would renovate the existing building and develop it as multi-purpose arts and entrepreneurial center. Uses might include space for start-up and micro businesses, artisans, artists, exhibitions, live-work apartments, and co-working. Small manufacturing operations are

also possible but probably at the expense of live-work.

The team did not elevate this option as a "preferred option" because there was insufficient information on the marketplace for the arts and artisans community.

The team does note that similar facilities have succeeded in similar sized cities.

One potential model is the Goggle Works in Reading, PA.¹⁴ A larger project @145,000 square feet, Goggle Works features galleries; classrooms; dance and music studios; a darkroom; a glass blowing facility, plus a warm and cold glass studio/classroom; a woodshop; ceramics and jewelry studios; a 131-seat film theatre; a café; community meeting places; 34 artist studios; and offices for 26 local community arts and cultural organizations. Part of the draw is the vast array of communal facilities, like the glass blowing furnace. A recent article cited the role of the Goggle Works in spurring revitalization of adjacent downtown blocks.¹⁵

A potential resource for planning and financing an artists' live-work project is ArtsSpace.¹⁶ Their services include assembling public and private financing sources, and they have pioneered the use of Low Income Housing Tax Credits for artists' live-work projects.¹⁷ Their website describes 43 projects that have been assisted or developed by the group.

Co-working is a recent innovation that marries under-utilized space with small/start-up/often-one-person businesses that benefit from inexpensive but collaborative space and some commonly held facilities, such as meeting rooms. One website lists more than 700 co-working facilities in the US and many are in small cities,¹⁸ including Zeeland, MI (pop.

5,000).¹⁹

Pending an analysis of building, the capital costs of renovation should be assumed to be approximately the same costs of new construction or \$110 per sq ft. The assumption going in is that the capital costs of these kinds of facilities needs to very heavily subsidized. That said, the subsidy sources are expansive, including potentially:

- New Markets Tax Credits;
- Low Income Housing tax credits;
- Federal Historic Rehabilitation Tax Credits;
- EPA Brownfields;
- CDBG and HUD 108;
- State Arts Council;
- Philanthropic sources.

Economic Impact Summary

Table 24 - Monroe economic impacts

	Up-graded Industrial space	New Industrial Space
Investment	\$ 8,551,140	\$ 10,300,000
Permanent jobs	100	130
Construction jobs	107	129

Contact:

John Looney, broker

704-408-5083

¹⁴ <http://www.goggleworks.org/>

¹⁵ <http://www.newpa.com/strengthen-your-community/success-stories/revivalists>

¹⁶ <http://www.artspace.org/>

¹⁷ <http://www.artspace.org/ideas-insights/artist-preference-affordable-housing>

¹⁸

<https://www.sharedbusinessspace.com/OfficeSpace/1st-of-coworking-spaces.aspx>

22

¹⁹

http://www.downtowndevelopment.com/pdf/DIX03_13webextra.pdf

401 S Main Street, Clover, SC – Southern Industries of Clover

The subject property consists of an approximately 15.79-acre parcel of land located at 2401 Main Street in Clover, South Carolina 29710. The property has a York County Tax Map Number of 100427005 and a listed owner of J A Benfield Plumbing, Inc. with an address of PO Box 680921, Charlotte, NC 28216. The listed property value is \$246,900 with a land value of \$236,900.

Site Background and Profile

Current Use and Site Features

At this time, the property is vacant. The site includes one large building that is approximately 216,000 square feet (four stories of about 54,000 each). Other former structures on the site appear to have been demolished and removed. The parcel is 100% usable with no significant natural features.

Past Use

This site was once the location for Southern Industries of Clover, a textile manufacturing operation.



Former Southern Industries textile Mill, Clover, SC

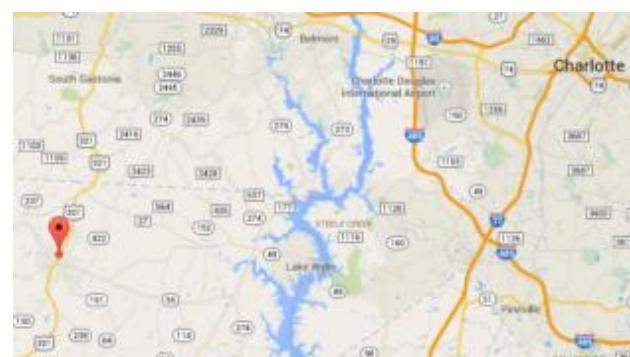
Zoning

The parcel is currently zoned I-2 Basic Industrial with R-7 Medium Density Residential to the East and South, R-7 Medium Density Residential, I-2 Basic Industrial, B-2 Highway Commercial, and R-12 Residential to the

West of the property and I-2 Basic Industrial and R-12 Residential to the North of the site. The Land Use Plan Overlay from the 2025 Comprehensive Plan shows that the property is in the conceptual Urban Services Area Overlay. The Town of Clover has a tree preservation code in Section 5-1.1.1 of their ordinance. It prohibits clear cutting of buffer yards. The Town also has buffer yard regulations detailed in Section 5-1 of their code of ordinances. Bulk restrictions limit the height in this area to 35 feet and require a 50 foot front setback. Minimum side and rear setback is ten feet. If the property abuts residential, the landscaped barrier must be a minimum of 15 feet.

Major Roads and Infrastructure

The property has direct access to U.S. Highway 321. Downtown Charlotte is 31 miles and 53 minutes from Clover. The property has access to US 321, but is not proximate to an interstate or limited access highway.



Site location, 31 miles and 53 minutes from Charlotte

Environmental Information

The site is not in a designated environmentally sensitive area, floodplain, or wetland. There are no known endangered species on this site. An EDR-Site Report found no listing for the subject site. Due to the site's past use in textile manufacturing, additional environmental assessment is likely warranted.

City and Neighborhood Demographics

This small, relatively rural town, with a population of just over 5,000, is on a growth spurt, adding almost 1,000 residents (a 27 percent increase) since 2000.

The Town has relatively high indicators of economic distress, with a low median income, high unemployment rate, and low educational attainment.

Table 25 - Clover population and demographics

Total Population	5094
Total Households	1918
Unemployment Rate	13.7%
Per Capita Income	\$19,847
Median Household Income	\$37,232
Percent of Households with Children under 18	35.1
Percent of Adult Population with No High School Degree	12.9%
Percent of Adult Population with High School Degree	27.2%
Percent of Adult Population with Some College Education	55%
Percent of Adult Population with a Bachelor's Degree or Higher	4.9%
Percent White	76.5
Percent African American	19.2
Percent Hispanic/Latino	4.4
Average Age of Housing Stock	32
Rental Vacancy Rate	7.5
Average Rental Housing Price	\$652
Percent of Units Owner-Occupied	62.9

* US 2010 Census and 2012 American Community Survey

Table 26 – Clover local utilities

Utility	Company Name	Contact
Water	Town of Clover - 114 Bethel Street	803-222-4918
Storm Water	Town of Clover - 200 Smith Street	803-222-7700
Waste Water	Town of Clover - 114 Bethel Street	803-222-4918
Electric	Duke Power	800-653-5307
Trash Services	Town of Clover - 200 Smith Street	803-222-7700
Fiber Optic Service	AT&T	800-288-2020
Gas Service	York County Natural Gas	803-323-5321
Telephone Service	AT&T	800-288-2020

Employment and Business Trends

York County Economic Trends

In 2012 there were 67,637 jobs in the County, up 10.9% from 2005. Growing sectors included retail, finance insurance and real estate (FIRE), health care and social support, and accommodation and food services, all of which grew at more than double the pace of the same sectors statewide. The FIRE sector had the largest percentage increase, up 45 percent in the 5-year period.

Although manufacturing declined by 15 percent, the sector, comprising 13 percent of all jobs, remains a strong contributor to the economic base.

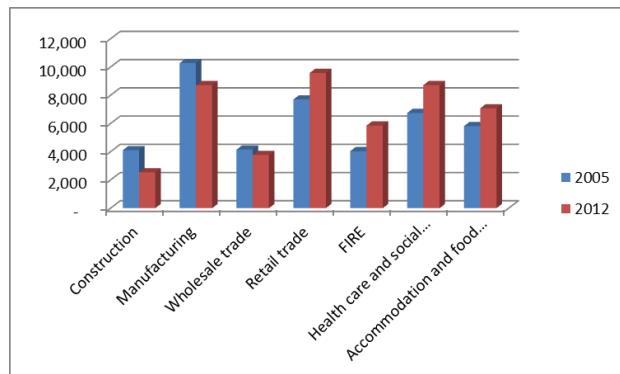
In County economic development news, a large corporate headquarters project was announced in June, 2014. Lash Group, Inc., a healthcare service provider is building its national headquarters in Fort Mill, bringing 1,200 jobs in March 2016. The approximately \$57.3 million investment in the first phase is expected to reach \$90 million as The Lash Group grows and adds a second facility on the campus

over time with plans to double its workforce to 2,400 at the new campus.²⁰

Table 27 - York County and South Carolina employment trends

Sector	Union County 2012 jobs	Percent Change 2007-2012	
		Union County	State
Construction	2,543	-38.0%	-37.4%
Manufacturing	8,713	-15.2%	-21.6%
Wholesale trade	3,770	-9.1%	-0.6%
Retail trade	9,576	24.4%	0.8%
FIRE	5,848	44.7%	-5.0%
Health care and social assistance	8,718	29.4%	10.9%
Accommodation and food services	7,074	21.7%	6.4%
Total for all sectors	67,637	10.9%	-2.3%

Figure 4 - York County employment trends by sector



The Lash Group works on behalf of healthcare providers and pharmaceutical manufacturers to help patients navigate the complex healthcare system and

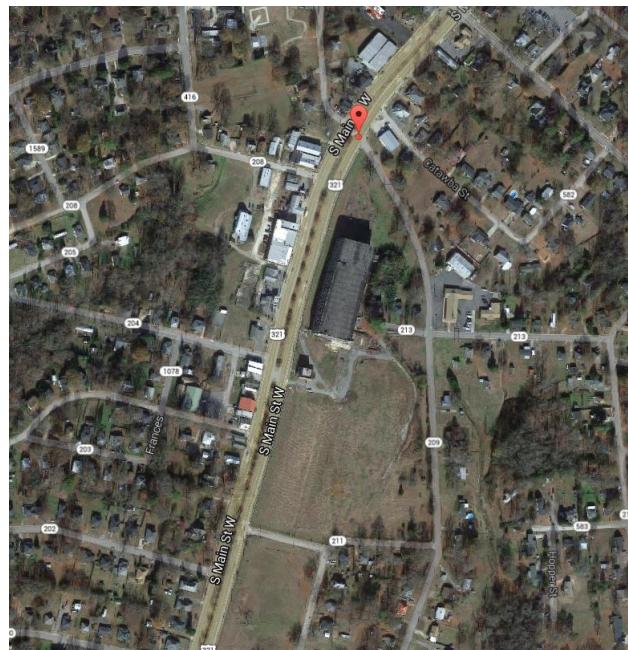
²⁰

<http://www.tradeandindustrydev.com/industry/bio-pharmaceuticals/news/sc-lash-group-plans-90m-york-county-hq-2400-jobs-9288#sthash.82rb1wDy.dpuf>

gain and maintain access to the medications prescribed for them.

Site Evaluation

The site is just south of Clover's downtown, only 1/2 mile from the center of town. The site is almost 16 acres – at least 14 acres available for parking, pad sites, and/or landscaping.



401 S Main includes a land area amenable to surface parking and/or pad sites

The 4-story building has historic preservation appeal, which also makes it eligible for federal and state historic tax credits and the South Carolina Textile Mill credit.

The density characteristics indicate modest density: The site is within a 1/2 mile of residential and a 1/2 mile of at least 10 basic services. The site does have sidewalks connected to it, and the parcel has enough space for habitat restoration or park and greenspaces. The site has a Walkscore of 48, which ranks as car-dependent. The property does not appear to be within a 1/2 mile of existing or planned and funded alternative transportation.

Comparables

Leasing retail:

- Main Street Marketplace, 132-136 South Main Street West, only .3 mi from the subject property; 32,000 GLA, currently listing a 5,773 sq ft space for \$12.00 per sq ft. This is the only retail comparable in Clover.

Conclusion for retail leasing: \$10 per sq ft. (discounted because of presumed lack of anchor).

LoopNet did not list any office properties for lease in Clover.

Potential Incentives

Among the four sites, the Clover site appears to qualify for the most aggressive combination of incentives.

The site is eligible for New Markets Tax Credits, and would likely qualify for a combination of preservation incentives: state historic rehabilitation tax credits (10%), and the state mill rehabilitation tax credits (25%), in addition to the federal historic rehabilitation tax credit (20%).

A redevelopment could also qualify for Low Income Housing Tax Credits.

The site does not appear to need infrastructure and would not be a candidate to establish a Tax Increment Financing (TIF) district as a funding vehicle.

Since the environmental issues remain uncertain, the site may benefit from the EPA Assessment, Revolving Loan Fund. The South Carolina Department of Health and Environmental Protection (SCDHEC) currently offers an EPA Brownfields Cleanup Revolving Loan Fund which can provide funding for cleanup activities. If resources identified in the Toolkit are implemented, further assistance for environmental funding may also be available through the Clean Water State Revolving Fund (CWSRF), Supplemental Environmental Projects, and insurance recovery.

CDBG and HUD 108 are potential sources of assistance if the project is linked to low income benefit and/or removal of slums and blight.

Site Re-use options

Although Clover is growing, there is no getting around the small town marketplace, the relative inaccessibility to Charlotte, and the distance to interstates. The size of the building also conflicts with the limitations of the local marketplace - for example, even though the building appears to be suitable to market rate loft apartments, it is not clear that the local market can absorb that many new units.

Analysts examined two primary options for financial feasibility and three more options for re-using parts of the space. Any combination of these various options could work - there is only one possibility (and it is an admitted long-shot) that could conceivably take the entire structure - an office user.

New Office User

Although Clover has some locational disadvantages, the site has one very powerful attraction: heavily subsidized lease rates due to the likely combination of NMTC, Mill Credits, and State and federal historic tax credits.

With the County growing and with the precedent of the new Lash Group headquarters in Fort Mill, it seems at least possible that a new office or back office user could be attracted to the site.

The pro forma was constructed to make the office rent level the dependent variable after construction costs and incentives are factored in. The analysis indicates that, with extraordinary combination of tax credits (totaling \$17.4 million), the rents would be in the range of only \$7.95/sf. for the office space.

Table 28 - Office development plan, Clover

Redevelopment Plan	
Existing building	216,000 sf
Site	15.79 acres
Office redevelopment	209,000 sf
Ground floor retail	7,000 sf
Parking spaces	523 sf
parking area, sq ft @ 325 per space	4 sf
Greenspace, landscaping and/or pad site	11 acres

Table 29 - Clover cost estimates

Costs	
Acquisition	\$ 12,500
Closing costs and acquisition fees	\$ 13,750
Demolition @ \$5.00/sq ft	\$ 394,750
Cleanup @ \$50,000 per ac	\$ 1,215,000
Site work and parking @ \$150,000 per ac	\$ 922,291
New Construction @90 per sq ft	\$ 21,600,000
Tenant fit-out	\$ 5,400,000
Soft costs @ 25%	\$ 7,395,510
Construction Period Interest	\$ 539,358
Lease up period carry	\$ 647,230
Sub-Total	\$ 38,140,390
developer's fee (12%)	\$ 4,581,497
Contingency (5%)	\$ 1,479,102
Total Costs	\$ 44,200,989

The tax credits combine to cover about 40 percent of the total project costs of \$44.5 million. The two largest subsidy sources are NMTC and State and Federal historic tax credits: \$7.3 million and \$8.7 million, respectively.

Table 30 - Clover pro forma and gap analysis

Name: Southern Industries of Clover		
Rent (NNN) - Retail Space @ \$10/sf	\$ 70,000	
Rent (NNN) - Office Space @ \$7.95/sf	\$ 1,661,132	
Gross Rent Receipts	\$ 1,731,132	
Vacancy Factor	0%	
Net Rent Receipts	\$ 1,731,132	
Operating Expenses (Not passed thru)	\$ -	
NOI	\$ 1,731,132	
NOI Avail for Debt Service (Conventional Financing)		
	\$ 1,384,906	
Interest	4.5%	
Term	30	yr
Supportable Mortgage	\$ 22,558,573	
Total Costs	\$ 44,548,696	
Less: Supportable Mortgage	\$ (22,558,573)	
Less: Developer's Fee (equity)	\$ (4,558,215)	
GAP	\$ 17,431,907	
Gap Sources:		
New Market Tax Credit @ 20%*	\$ 7,395,510	
Brownfields Voluntary Cleanup Credits @ 60% of cleanup costs	\$ 236,850	
Federal Historic Tax Credit @ 20% of qualifying costs	\$ 5,799,102	
SC State Historic Tax Credit @ 10% of qualifying costs	\$ 2,899,551	
SC Mill Tax Credit up to \$500,000	\$ 500,000	
Sale of Pad Sites	\$ 600,000	
Total Gap Financing	\$ 17,431,013	

* paid out over 7 years; calculated @ 20% of construction costs and site work. This percentage takes into account 39% credit, adjusted for investor pricing, CDE fees, and CDE underwriting

Mixed Affordable Housing

In this scenario the analysis evaluates one key part of a mixed redevelopment: an affordable housing component of 60 units, which would be about one-third of the building. It was the analysts' judgment that 60 units of affordable housing is supportable but that a significantly larger number may not be supportable. Additionally, affordable housing can be a complimentary use to other re-use options.

This leaves the remainder of the building still to be programmed, presumably with one of the other uses outlined here.

The analysis shows that the project works with the combination of \$7.9 million in LIHTC, \$1.5 million in historic tax credits, and private lending @ @.4 million.

Table 31 - Development scenario: 60 units affordable housing

Development Scenario	
60 Unit Building	Costs
Hard Construction @ \$125,000/unit	\$ 7,500,000
Contingency @7%	\$ 525,000
Total Construction	\$ 8,025,000
Soft Costs @ 25% of construction	\$ 2,006,250
Total Development Costs	\$ 10,031,250
Developer Fee @ 13.5%	\$ 1,354,219
Syndication/Organization/Accounting	\$ 171,520
Reserves	\$ 273,360
Total Project Costs	\$ 11,830,349
Loan Amount	\$ 2,404,952
Gross Proceeds from LIHTC	\$ 7,901,280
Historic Tax Credit	\$ 1,500,000
Total Sources	\$ 11,806,232

Table 32 – Affordable housing operating cost summary

Operating Summary			
Unit Type	Count	Rent	Annual
1 Bedroom	18	\$ 580	\$ 125,280
2 Bedroom	34	\$ 700	\$ 285,600
3 Bedroom	8	\$ 800	\$ 76,800
Gross Potential Rent			\$ 487,680
Other Income	60	\$ 150	\$ 9,000
Vacancy (7%)			\$ (34,768)
Effective Gross Income			\$ 461,912
Less: Expenses	60	\$ 4,400	\$ (264,000)
Less: Reserves	60	\$ 300	\$ (18,000)
Net Operating Income			\$ 179,912

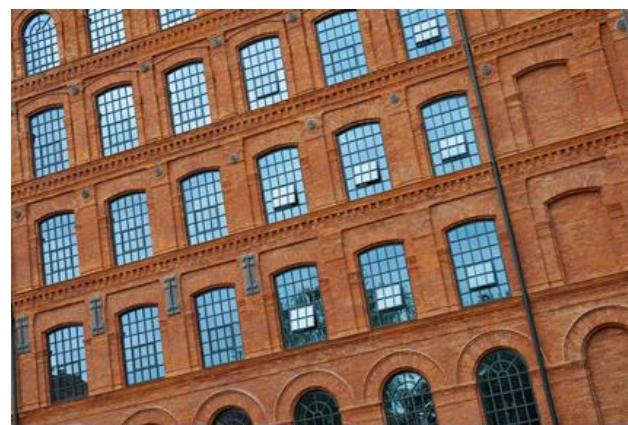
Table 33 – Affordable housing loan and tax credit pro forma

Financing Assumptions		
Amortization	30	years
Debt Service Coverage	1.15	
Rate	5.0%	
Loan Amount		\$ 2,404,952

Tax Credit Calculation		
Tax Credit Basis		\$ 10,031,250
Less HTC Credit		\$ (1,500,000)
Net Tax Credit Basis		\$ 8,531,250
Adjustment for Qualified Census Tract	130%	\$ 11,090,625
Applicable Fraction	100%	\$ 11,090,625
Applicable Percentage	7.5%	\$ 831,797
Maximum Tax Credit Eligible (annual)		\$ 831,797
Per Project Limitation (annual)		\$ 1,000,000
Tax Credit Period (annual)	10	years
Total Tax Credits Earned		\$ 8,317,969
Investor Ownership	99.99%	\$ 8,317,137
Equity Raise per \$ of Credits	0.95	
Gross Proceeds from LIHTC		\$ 7,901,280

Market Rate Housing

Any of the other uses outlined here could be complimented by a number of market rate apartment units. However, as noted above, analysts were not confident that market rate apartments could be the primary use.



Lory Loft Apartments in Gastonia

The team did note that an apparently successful mill-loft conversion has occurred in Gastonia, Gastonia, NC: the Loray Mill Lofts Apartments (12 miles and 20 minutes from the site, but in a larger community and much closer to I-85). The mill-loft conversion is

advertising apartments available for between \$850/mo and \$1,150/mo.

Arts/Artisans/Live-work/Co-working space

(This section is a repeat from Mooresville, and Monroe, copied here for the benefit of those interested in reading only about one site.)

Another option that might be part of a larger mix of uses is a multi-purpose arts and entrepreneurial center. Uses might include space for artisans, artists, exhibitions, live-work apartments, and co-working.²¹

Analysts did not have sufficient information about the local arts community to determine either how much space could be devoted to this or the precise mix of uses; so the following is simply a concept that might warrant more serious analysis.

One potential model is the Goggle Works in Reading, PA.²² The 145,000 square foot facility features galleries; classrooms; dance and music studios; a darkroom; a glass blowing facility, plus a warm and cold glass studio/classroom; a woodshop; ceramics and jewelry studios; a 131-seat film theatre; a café; community meeting places; 34 artist studios; and offices for 26 local community arts and cultural organizations. Part of the draw is the vast array of communal facilities, like the glass blowing furnace. A recent article cited the role of the Goggle Works in spurring revitalization of adjacent downtown blocks.²³

A potential resource for planning and financing an artists' live-work project is ArtsSpace.²⁴ Their services include assembling public and private financing sources, and they have pioneered the use of Low Income Housing Tax Credits for artists' live-work projects.²⁵ Their website describes 43 projects that

²¹ This discussion of Arts/Artisans/Live-work/Co-working space is repeated in the Mooresville section.

²² <http://www.goggleworks.org/>

²³ <http://www.newpa.com/strengthen-your-community/success-stories/revivalists>

²⁴ <http://www.artspace.org/>

²⁵ <http://www.artspace.org/ideas-insights/artist-preference-affordable-housing>

have been assisted or developed by the group.

Co-working is a recent innovation that marries under-utilized space with small/start-up/often-one-person businesses that benefit from inexpensive space that encourages collaboration, while offering commonly held facilities, such as meeting rooms. One website lists more than 700 co-working facilities in the US and many are in small cities,²⁶ including Zeeland, MI (pop. 5,000).²⁷

The assumption going in is that the capital costs of these kinds of facilities need to be heavily subsidized. As noted above, the building appears to qualify for an array of tax credits, and similar arts-related facilities in other cities have also garnered funds from CDBG, HUD 108, State Arts Councils, and Philanthropic sources.

Retail

Lastly, some or all of the first floor could be devoted to retail. Retail uses should be expected to lease space for about \$10.00 per sq ft.

Contact:

401 Main Street
Aaron Benfield, purchaser
704-400-1505

²⁶

<https://www.sharedbusinessspace.com/OfficeSpace/list-of-coworking-spaces.aspx>

²⁷

http://www.downtowndevelopment.com/pdf/DIX03_13webextra.pdf

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