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THE VISION

A NEW DISTRICT

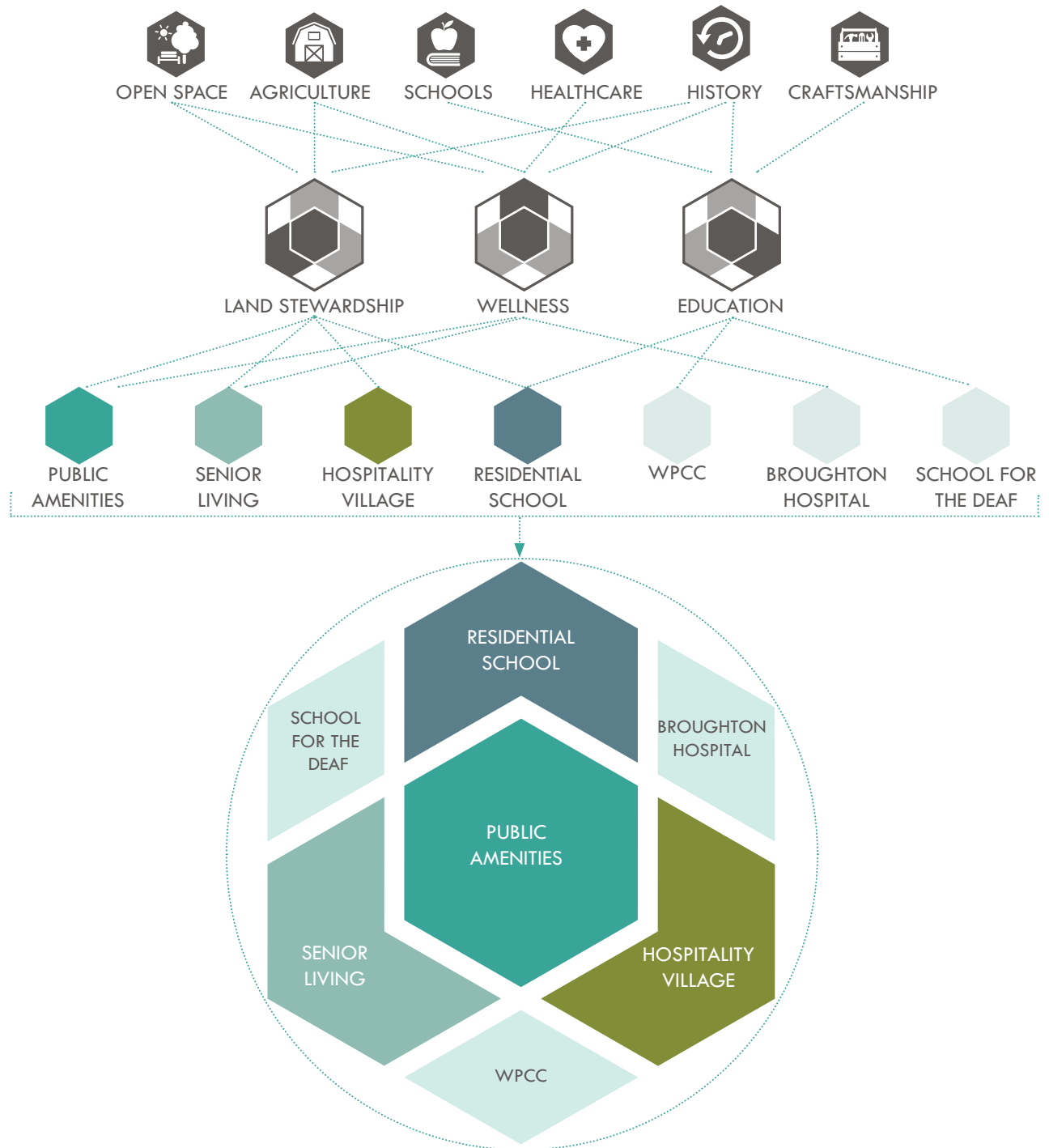
Historically, as the home of an asylum, farm, and a public boarding school for deaf children, the site has been a refuge—a resource-rich pocket of natural beauty that served residents locally and around the state. The reinvention of the Historic Broughton Campus builds off its legacy as a place of care and repose and focuses the site going forward as a place that uniquely fuses culture and innovation. Ambitious students and active seniors, healthcare professionals and educators, food entrepreneurs and organic farmers all breathe life into a cluster of adaptively reused historic buildings and site-specific new construction that draws on the region’s assets. The carefully-crafted, centuries-old architecture define an authentic sense of place for present-day activities of work, study, healing, and play. Walking trails connect schools, homes, restaurants, a hospital, and a hotel as they weave through stands of mature trees, around working farms, along a quiet creek, and ultimately into a vibrant downtown.

DEVELOPMENT PROGRAM

A vision that is adaptable will be more likely to succeed than a vision with a single path to execution. Accordingly, this report offers two comprehensive development programs for the new district, guided by a set of principles for site planning and deal structuring that are described on the following pages. The two programs are differentiated primarily by the proposed reuse of the Historic Broughton Campus as either 1) a residential school or 2) a hotel. After assessing and comparing the programs, the team arrived at the following recommendation for accomplishing the district vision:

- *Historic Broughton Campus (northeast site): a residential school and market-rate residential;*
- *Northwest site: a senior living community featuring independent and assisted living units, neighboring the North Carolina School for the Deaf.*
- *Southeast site: an upscale hotel, multifamily residential, and a retail village anchored by a brewery and a collection of restaurants and shops;*

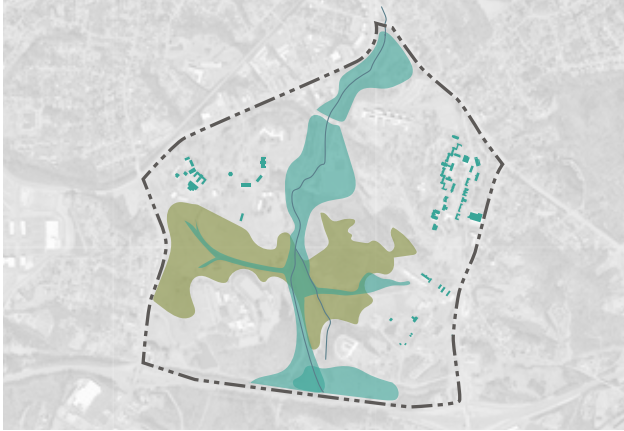
The impact of this proposed program on existing users of the site and local infrastructure has been reviewed by DHHS, DPI, DPS, City, County, WPCC, and NCSD. Furthermore, the State Historic Preservation Office (SHPO) has reviewed the conceptual plans and found them to be compatible with the parameters of the historic districts (see SHPO letter in the appendices).



PLANNING PRINCIPLES | SITE

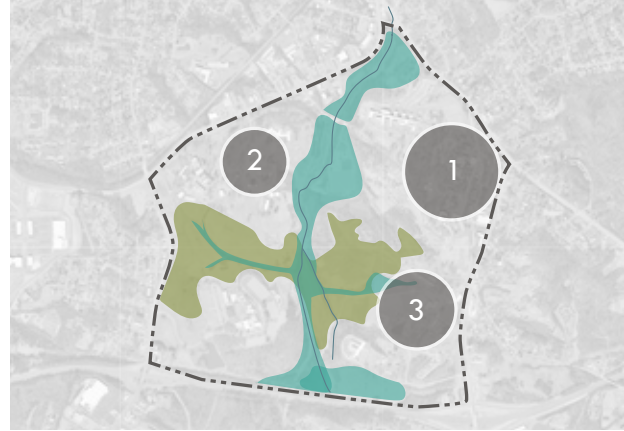
RESPECT | SHARED RESOURCES

The iconic architecture on hilltops is oriented inwards to the Hunting Creek valley where the land should be left largely untouched for passive enjoyment and available for active agriculture in the floodway and meadows, with outdoor recreation woven into the site along a buffer around the creek.



INTERJECT | DEVELOPMENT PROGRAMS

The topography lends itself to development at the more elevated and level areas in the corners of the site where vacant, soon-to-be vacant, and underutilized buildings and property lie. Residential, educational, and hospitality developments are compatible with existing assets and can repurpose historic structures while contributing new construction at a compatible scale.



CONNECT | A NEW DISTRICT

Situated at one of the most connected corridors in the community, the site currently lacks internal physical connections to complement the view sheds and to facilitate access between anchor institutions, as well as a user-friendly pedestrian path to nearby downtown.



PLANNING PRINCIPLES | DEAL STRUCTURE

FINANCIAL FEASIBILITY

The feasibility of attracting private capital to execute the development programs was assessed based on modeling the financial performance of each plan as constrained by capital market and real estate market realities. A feasible investment is based on meeting or exceeding the hurdle rate of return to private investors. Two common measures are internal rate of return and equity multiple:

- *Internal rate of return (IRR): the average total return to equity investors accounting for the timing of cash flows*
- *Equity Multiple: the ratio of the total cash returned to equity investors over the initial investment*

When evaluated together, these two measures provide a good picture of the investment performance for different investor profiles. In general, higher risk types of real estate development have higher return hurdles than lower risk investments. In this study, when the base case returns for a project with conventional debt and equity did not meet or exceed the hurdle for risk-adjusted returns to investors, public participation tools were

incorporated according to the following protocol until the hurdle was met:

- *Public investment in public infrastructure and amenities from which private development will benefit (e.g. green space, trails, parking, roads) with costs assigned to the stakeholder that currently exercises control over that property, which can be shared subject to agreement;*
- *Tax credit programs that leverage additional private equity, including State and Federal Historic Preservation Tax Credits (the study area includes two districts on the National Register of Historic Places) and New Market Tax Credits for job-creating projects (the study area is in a qualified census tract that is prioritized for NMTC investments)*
- *Public investment in preparing public land for sale to private investors (i.e. demolition, grading, utilities)*
- *Subordinate lending at market interest rates to the private development*
- *Tax deferral on the improved value of historic buildings through local historic landmark designation*
- *Subordinate lending at below-market interest rates to the private development*

RISK MANAGEMENT

In addition, the development programs and deal structures were evaluated and compared on how they addressed the following fundamental risks of real estate development:

- *Site control risk: can enough property be controlled, at a fair price point, in a reasonable time frame to build a project that will address a market gap?*
- *Market risk: will demand and competing supply support property incomes sufficient to generate the return on the investment necessary to deliver the space?*
- *Financing risk: will the availability and cost of capital (debt and equity) to fund the project persist at expected levels?*
- *Construction risk: will the project be built in the established budget and schedule on which marketing and financing decisions are based?*

Public-private partnerships can yield mutual benefits by addressing development risks for both parties.

DISTRICT PLAN | RECOMMENDED PROGRAM

- 1 RESIDENTIAL SCHOOL
- 2 MULTI-FAMILY RESIDENTIAL
- 3 CRAFT BREWERY + ARTISAN VILLAGE
- 4 HOTEL + SPA
- 5 WPCC
- 6 GREENWAY
- 7 SENIOR LIVING COMMUNITY
- 8 SCHOOL FOR THE DEAF
- 9 STORMWATER POND
- 10 PARK AND ATHLETIC FIELDS
- 11 NEW BROUGHTON HOSPITAL
- 12 GATEWAY PARK
- 13 FUTURE INTERSECTION DESIGN
- 14 DOWNTOWN MORGANTON
- 15 ACTIVE AGRICULTURE



PUBLIC AMENITIES



RESIDENTIAL SCHOOL



SENIOR LIVING COMMUNITY










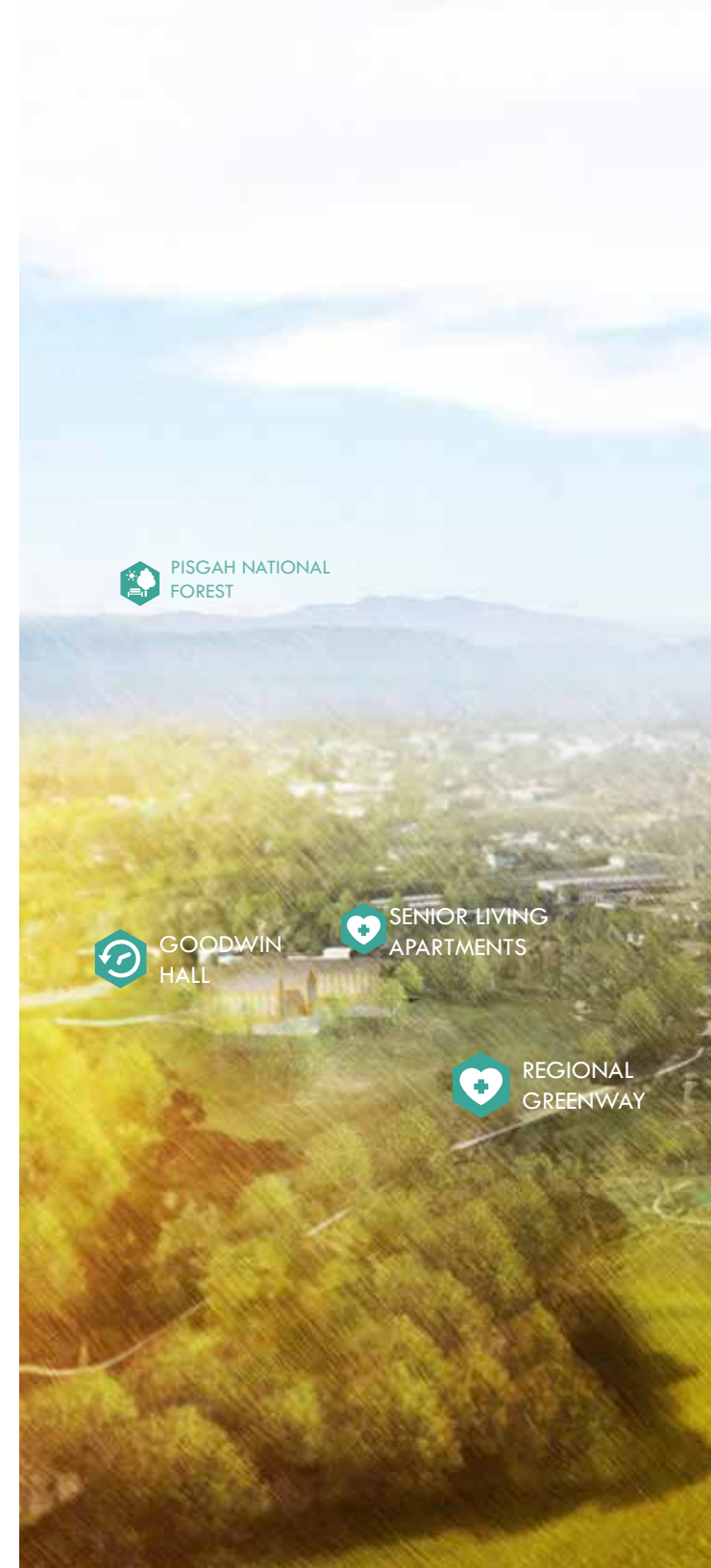
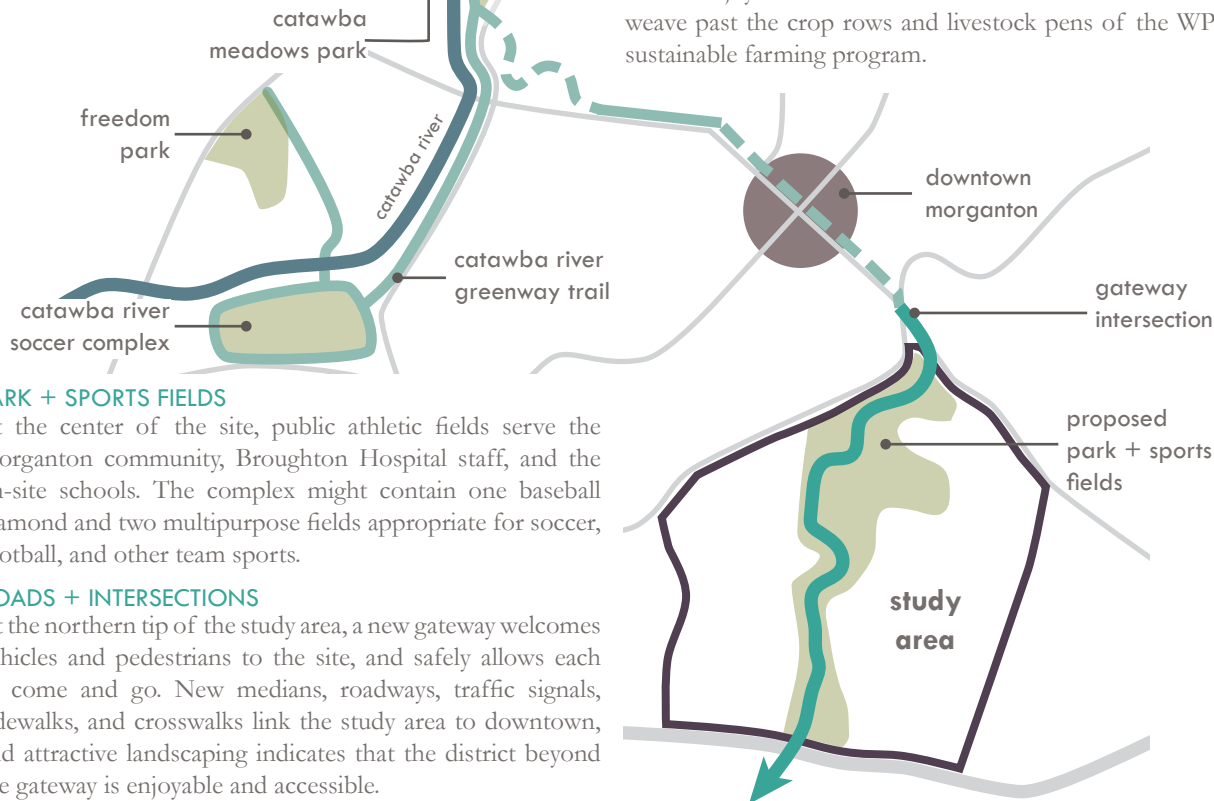
HOSPITALITY VILLAGE



PUBLIC AMENITIES

A set of public amenities described below will bind together the disparate pockets of development activity on the site along with the resurgent downtown in Morganton. The amenities are the same under both the recommended program and the alternative program. The study assigns local governments the costs of developing these public district amenities, even though some of the property may be owned by the State.

-  CATAWBA RIVER
-  EXISTING GREENWAY
-  PROPOSED GREENWAY
-  STUDY AREA GREENWAY
-  ROAD
-  HIGHWAY
-  STUDY AREA





DOWNTOWN
MORGANTON



NEW BROUGHTON
HOSPITAL



PARK AND
SPORTS FIELDS

RESIDENTIAL SCHOOL



BROUGHTON POND

THE GREENWAY SPUR AND SEVERAL WALKING TRAILS CONVERGE IN THE MIDDLE OF THE STUDY AREA AT AN 11-ACRE STORM WATER RETENTION POND PROVIDING A WATER FEATURE FOR THE COMMUNITY. DURING THE WEEKDAYS, THE POND DRAWS WALKERS AND JOGGERS; ON THE WEEKENDS, FAMILIES PICNIC ALONG THE SHORE. DURING PERIODS OF HEAVY RAIN, THE POND SERVES AS A SUSTAINABLE RUNOFF MANAGEMENT TOOL. YEAR-ROUND, THE POND IS A BEAUTIFUL AND PURPOSEFUL DESTINATION AT THE HEART OF THE STUDY AREA.



AGRICULTURE
MANAGED BY WPCC

TOMORROW | RESIDENTIAL SCHOOL

A residential high school is part of an attractive historic campus in the site's northeast corner. Students live and study in the stately main building, which opens to a central pedestrian quad, on which students socialize between classes under century-old ginkgo and catalpa trees. Dedicated science and

technology labs, visual arts studios, and general classroom buildings line the quad, simultaneously connecting students with critical skills for the future and the state's history and famous natural beauty, exemplified by the striking campus architecture and views of the Blue Ridge Mountains.

DOWNTOWN MORGANTON

BROUGHTON POND

BROUGHTON HOSPITAL

ADAPTIVE REUSE OF AVERY BUILDING TO RESIDENCE HALL

PARK AND SPORTS FIELDS

CAMPUS CENTRAL QUAD

ACADEMIC FACILITIES

ACADEMIC FACILITIES



PEDESTRIAN CONNECTION
TO DOWNTOWN
MORGANTON



ADAPTIVE REUSE OF STEAM PLANT
TO FABRICATION LABORATORY

RESIDENTIAL SCHOOL OPPORTUNITY

North Carolina is seeking to diversify and broaden the impact of the innovation economy beyond the clusters found around the Raleigh, Durham, and Charlotte metropolitan areas. The Hickory-Lenoir-Morganton metro area (and western North Carolina more broadly) has a concentration



TODAY | HISTORIC BROUGHTON CAMPUS

in advanced manufacturing that provides a critical link to industry required in the innovation value chain. In addition, education leaders are recognizing the need to reinvigorate science, technology, engineering, and math (STEM) learning in schools at early ages in order to cultivate the next crop of talent that will pursue the technician, engineer, and researcher career paths on which this sector is built. A STEM school with a boarding component would extend the opportunity for focused, high-quality education to a broader swath of North Carolina students in the regions of the state where workforce demands are great and access to specialized training is more limited. Such a school would complement the focus that WPCC has in mechatronics at the post-secondary level, and leverage the State and local investments in STEM extracurricular offerings by the NC School for the Deaf and Burke County Public Schools.

PUBLIC VS. PRIVATE SCHOOL

The State has proposed to create a western campus of the North Carolina School for Science and Mathematics (NCSSM) at a yet-to-be-determined location in Burke County. The DFI-led study team used the facility parameters from the State's 2014 feasibility study for this western campus to test its fit with the Historic Broughton Campus buildings. Should the State allocate funding to a western NCSSM campus, then this could likely be a quick path to reusing the historic Broughton Hospital campus. However, the NCSSM facility program—targeting 300-400 boarding students—is not the only residential school model that could repurpose Broughton. There are independent and charter schools—such as the SEED Schools and CATS—that are opening new boarding school campuses because of the opportunity to create an immersive and transformative learning and life enriching experience. An iconic campus setting such as Broughton is a draw for schools seeking to differentiate their brands.



PROGRAM

The Avery Building is a natural fit for student and residence advisor accommodations, with groupings of rooms into two- and four-person suites adjoining a common restroom (see diagram). In addition, the wide corridors—which are typically preserved for historic value and must be preserved by any private educational organization that wishes to take advantage of historic preservation tax credits—could be programmed with additional meeting/lounge spaces that extend the learning experience beyond the classroom and into these common areas to make productive use of the corridors. The portico entrance to the domed Avery—overlooking the pond, campus trails, and arboretum—creates that grand welcome to the central lobby and administrative offices that academic institutions desire. Meanwhile, the adjacent Historic Broughton Campus buildings provide opportunities for flexible reuse as classroom, laboratory, dining, student union, and faculty housing spaces. See the diagram of the test fit that illustrates how these facilities fit neatly into the Historic Broughton Campus buildings.

The development would likely occur in two phases. An initial phase would serve approximately 150-200 students, while enrollment was established, with approximately 40% of the Avery building renovation staged for housing another 150-200 students in the future. At full build-out, 400 boarding students could attend the school, with all the student housing, faculty housing, classrooms, labs, dining facilities, assembly hall, and a gym, comprising 250,000 net square feet centered around a quad on the upper half of the current Broughton campus. To create this campus environment, four existing structures would be razed—Jones, Thomas, Moran, and Carpenter—and some unnecessary building appendages would be demolished to restore their historic architectural character (see diagram).

SCHOOL DEAL STRUCTURE

The residential school program is estimated to cost \$73.9 million, including building demolition, site work, and building rehabilitation. If phased, as suggested above, an additional \$1.2 million in expense would be incurred for remobilization of the construction effort for the second phase. The total cost is comparable, if not slightly less than the State's estimate of the per pupil cost of new construction for an equivalently sized western campus of NCSSM. As an



adaptive reuse project, the school may have slightly higher operating expenses due to inefficiencies in air tightness of historic buildings. Study team engineers estimate that these inefficiencies would result in a 5% (or \$0.08/SF per year) increase in utility expenses compared to new construction.

It is possible that a private school or charter school could be recruited to occupy the historic campus. Funding strategies for private and charter schools are diverse—ranging from endowments, to charitable contributions, to Community Reinvestment Act-motivated lending and investing, to corporate sponsors. However, the real estate development impact for the site and the community would likely be similar: a tax-exempt user would replace the State as the owner; preserving the historic buildings but not necessarily generating incremental tax revenues for the City and County.

A possible alternative would involve private ownership of the school buildings and campus by a for-profit entity, with a commercial lease of the property to a school operator. A for-profit developer could leverage historic tax credits and potentially New Markets Tax Credits to raise private equity and debt for the redevelopment. The resulting property would therefore be taxable and could generate additional property tax revenue for the City and County. However, the study team believes the likelihood of this scenario occurring is low. Accordingly, the alternative private owner scenario that is presented in this study involves a hotel (see Alternative Program p. 44).

DEVELOPMENT BUDGET (400 STUDENTS)	
BUILDING DEMOLITION	\$2,265,000
SITE WORK	\$4,103,000
BUILDING REHAB	\$67,545,000
REMOBILIZATION	\$1,200,000
TOTAL	\$75,113,000 (\$188,000/PUPIL)

DEMOLITION PLAN



MULTI USE VILLAGE OPPORTUNITY AND DEAL STRUCTURE

Just south of the school campus, and connected to it via sidewalks and landscaping, a market-rate multi-family housing village of 73 apartments bustles in the morning and evening as residents walk to and from work at the new hospital where they serve patients as physicians, nurses, therapists, and staff. Visiting physicians and handfuls of interns are able to take up home in the village for 6- to 12-months at a time, filling the hospital's need for readily available, quality short-term housing. Meanwhile, other professionals in the community—including teachers at the new school, NCSd, and WPCC—also enjoy the historic apartments in close proximity to their places of work and become longer-term residents. The village attracts families and retired persons, as well. All enjoy the campus setting and outdoor amenities in a short distance from downtown Morganton.

There is a dearth of quality multi-family residential housing options in the Morganton community. Since 2011 through the first half of 2015, Burke County has seen the creation of approximately 1600 jobs, which is 4 jobs for every housing unit that received a building permit. Only about a

fifth of those units permitted were multifamily. The largest apartment communities in Morganton are more than 30 years old. Meanwhile, the success of the recently renovated downtown apartments at the fully-leased Morganton Trading Company and The Lofts @ Morganton Station points towards the demand for multi-family housing with quality and character.

This portion of the site is privately-owned, and therefore the redevelopment is able to leverage conventional debt and equity with historic preservation tax credits, and seller financing for the acquisition price of the property. The scattered buildings that create a village feel also enable the developer to phase delivery of the units as feasible based on market absorption. Commercial leasing of the historic South Building and the Hooper Building create an opportunity for additional community amenities for the village and the school. These might include community gardens tied to an outpost of the Cooperative Agriculture Extension Service in the renovated South Building, as well as greenhouses and food processing center for the WPCC sustainable farming program that could make effective use of the Hooper building's loading docks and commercial kitchens.

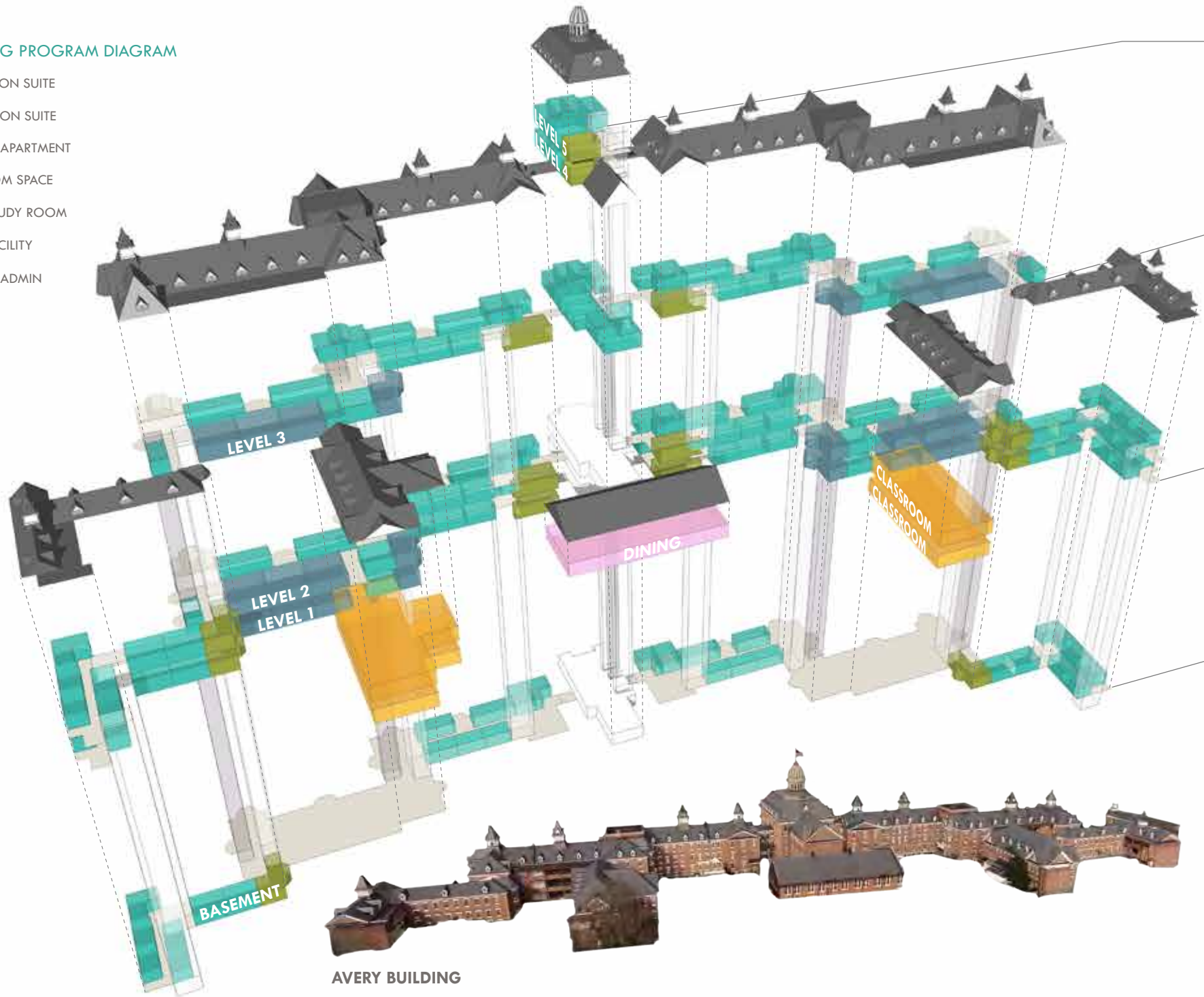
DEVELOPMENT BUDGET		
ACQUISITION	\$1,800,000	9%
HARD COSTS	\$14,416,000	74%
SOFT COSTS	\$1,831,000	9%
OTHER COSTS	\$1,472,000	8%
TOTAL	\$19,519,000	

CAPITAL SOURCES		
INVESTOR EQUITY	\$2,442,000	13%
DEVELOPER EQUITY	\$180,000	1%
HTC EQUITY	\$4,787,000	25%
SELLER NOTE	\$1,800,000	9%
PERMANENT MORTGAGE	\$10,310,000	53%
TOTAL	\$19,519,000	

MIXED USE VILLAGE PERFORMANCE OVER 6 YEAR HOLD	PRO FORMA
AVG. RESIDENTIAL RENT PER SF PER MONTH	\$1.10 / SF
COMMERCIAL RENT PER SF PER YEAR	\$15 / SF
EXIT CAP RATE	6.5 - 7.0 %
EQUITY IRR	12 - 17 %
EQUITY MULTIPLE	1.8X - 2.2X

AVERY BUILDING PROGRAM DIAGRAM

- TWO PERSON SUITE
- FOUR PERSON SUITE
- TEACHING APARTMENT
- CLASSROOM SPACE
- GROUP STUDY ROOM
- DINING FACILITY
- FACULTY / ADMIN



AVERY BUILDING

LEVEL 4 + 5

- 12 TWO PERSON SUITES (PER FLOOR)
- 1 TEACHING APARTMENT (PER FLOOR)

LEVEL 3

- 38 TWO PERSON SUITES
- 8 FOUR PERSON SUITES (PER FLOOR)
- 2 TEACHING APARTMENTS
- 2 GROUP STUDY ROOMS

LEVEL 1 + 2

- 40 TWO PERSON SUITES (PER FLOOR)
- 8 FOUR PERSON SUITES (PER FLOOR)
- 4 TEACHING APARTMENTS (PER FLOOR)
- 29,500 GROSS SF CLASSROOM SPACE
- 2 GROUP STUDY ROOMS (PER FLOOR)
- 9,250 GROSS SF DINING FACILITY (LEVEL 1)
- 13,200 GROSS SF FACULTY / ADMIN

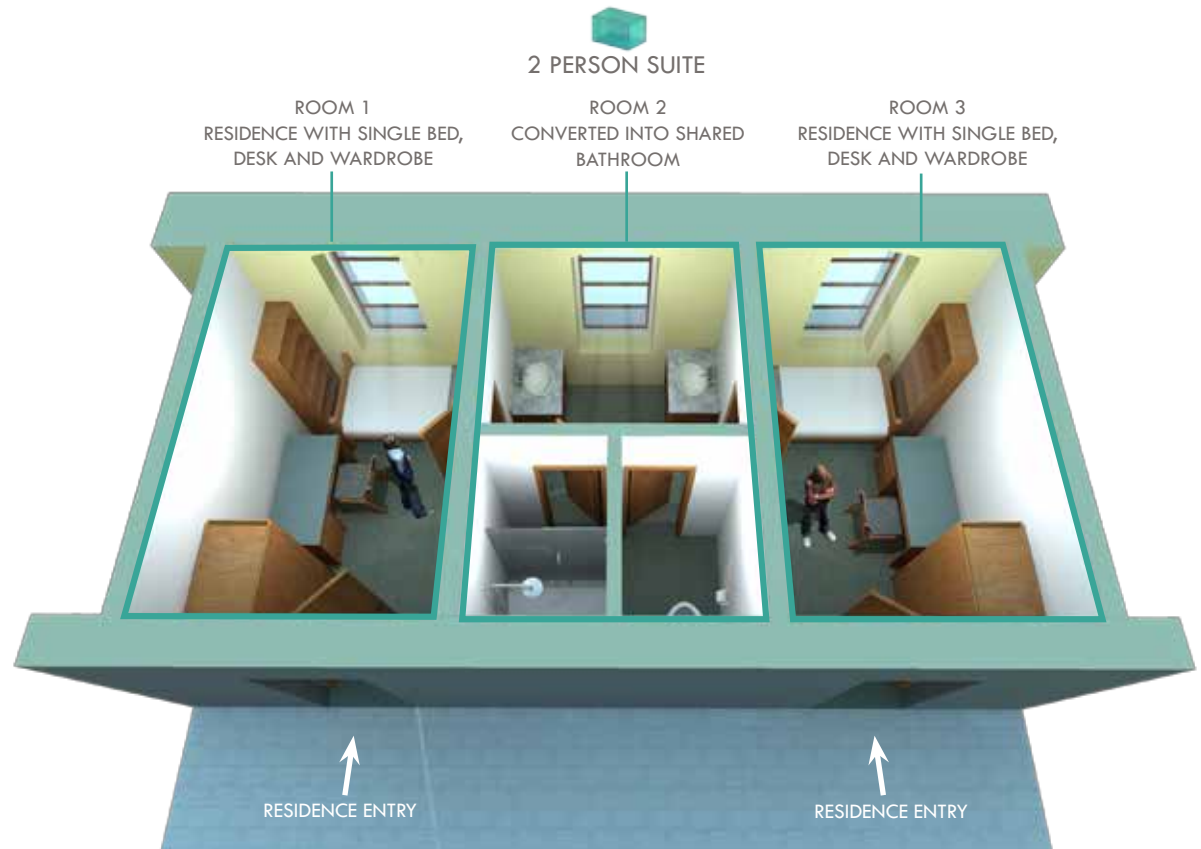
BASEMENT

- 28 TWO PERSON SUITES
- 2 TEACHING APARTMENTS
- 6,600 GROSS SF FACULTY / ADMIN

ADAPTIVE REUSE OF AVERY BUILDING

The Avery Building presents some challenges to adaptive reuse due to exceptionally wide historic corridor width and small patient room sizes. However, each room has clean and durable finishes, including plaster walls and terrazzo floors, with large windows that let in ample daylight. For a residential school, every three patient rooms on these corridors can be combined into inviting double-occupancy suites while preserving the integrity of the corridor: two single-bed rooms with a shared restroom in between. The necessary penetrations between demising masonry walls would have reinforced openings and lateral force resisting systems (a common approach for historic building renovations). Where the building has sun porches built onto the rear facades of

two wings, the porches could be enclosed to form four-person suites. The transition areas between wings could also be used for larger, corner residential advisor apartments. The wings of the Avery also provide natural groupings of rooms that are helpful for organizing the dormitory by grade level or student gender. Well-lit bays at the ends of each wing provide excellent congregating space for study lounges. The Avery Building also has branches with open floor plans that could be subdivided into classrooms, and a fully functional cafeteria that could be the central dining facility for the school.

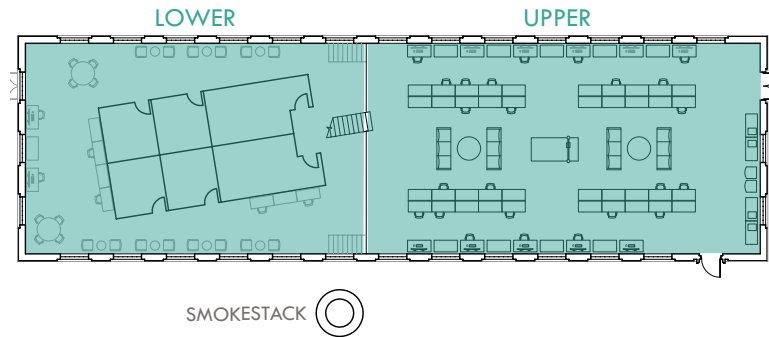


ACADEMIC FACILITIES

The Steam Plant—once emptied of its obsolete boilers—would offer a one-of-kind academic space with some double-height spaces and mezzanines for experimental and fabrication labs surrounded by two-story windows. Within this “industrial” environment, students could use conventional and modern equipment and materials to engage in hands-on learning. This high-value space could also be leveraged by other academic institutions in the community, and could serve as a venue for educational and workforce development partnerships with local industry. In the same vein, the Chapel on Historic Broughton Campus could continue to serve as a shared assembly space for both the school, new Broughton Hospital, and community functions.

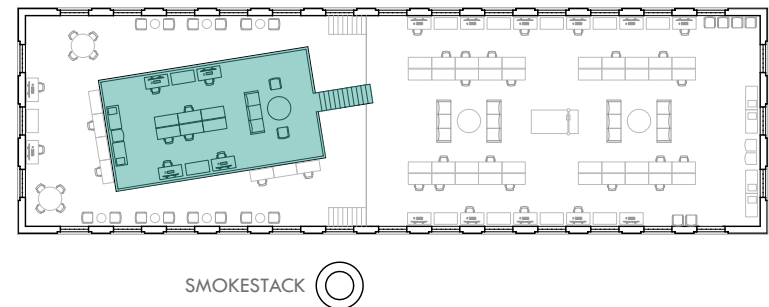


TODAY | BROUGHTON HOSPITAL STEAM PLANT



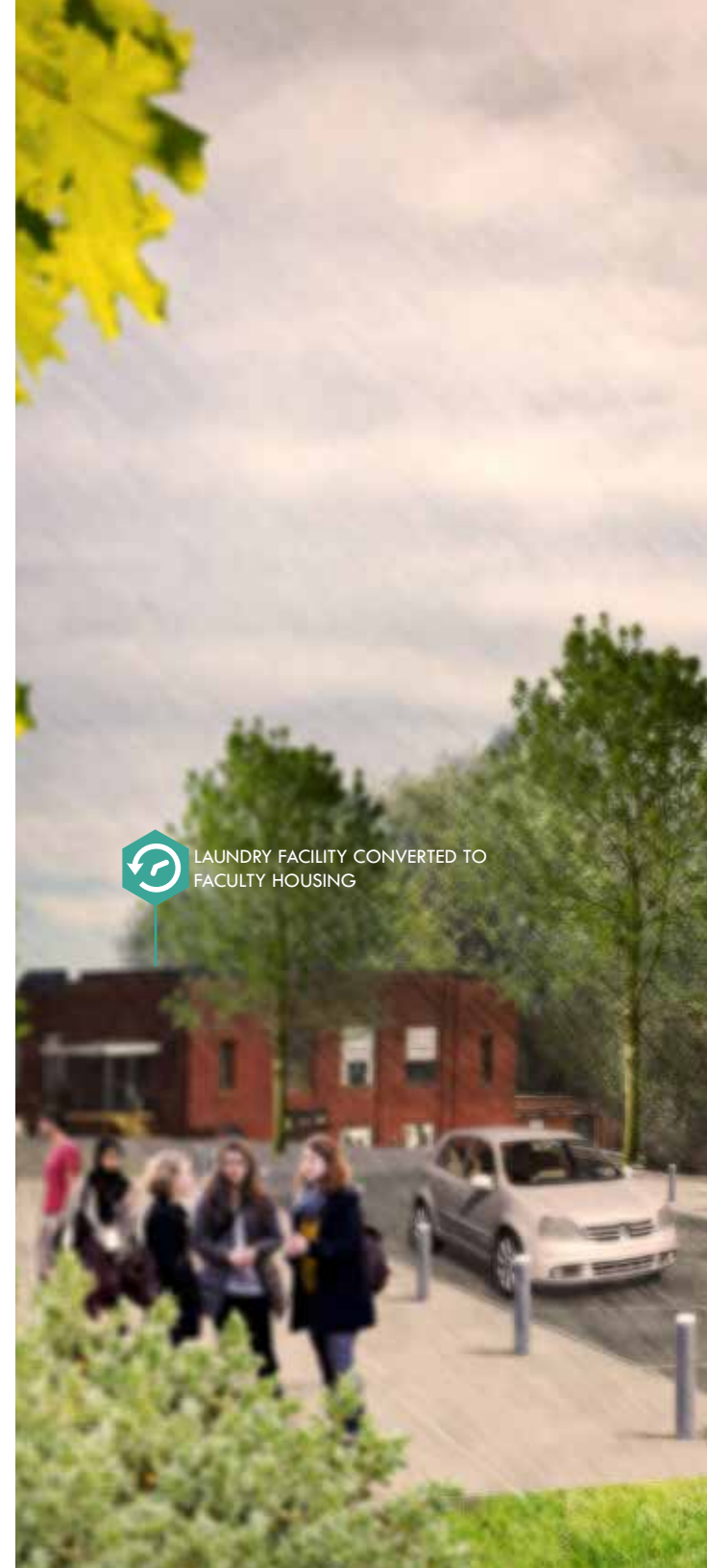
LEVEL 1 (SPLIT LEVEL)

- 3,787 SF (UPPER)
- 3,277 SF (LOWER)
- 4 OFFICES (LOWER)
- 2 RESTROOMS (LOWER)
- 72 WORK STATIONS
- LOUNGE AREAS
- FABRICATION EQUIPMENT



MEZZANINE

- 1,025 SF
- 10 WORK STATIONS
- SMALL GROUP BREAKOUT SPACES



LAUNDRY FACILITY CONVERTED TO FACULTY HOUSING

OLD SMOKESTACK
REMAINS AS A
CAMPUS LANDMARK




ADAPTIVE REUSE OF STEAM
PLANT TO ACADEMIC SPACE

FABRICATION LAB FOR
HANDS ON LEARNING



TOOLS AND TECHNOLOGY FOR
INNOVATION AND CREATION


TOMORROW | SENIOR LIVING

 BUILDINGS ORIENTED TO VISUALLY
CONNECT PEOPLE TO NATURE

 PRESERVE ACTIVE
AGRICULTURE

 PARK AND
SPORTS FIELDS

 BROUGHTON
POND

 GREENWAY AND TRAILS
CONNECTING PEOPLE TO REGION

ADAPTIVE REUSE OF JOINER
HALL TO ASSISTED LIVING
FACILITIES 

ADAPTIVE REUSE OF GOODWIN
HALL TO COMMUNITY +
WELLNESS CENTER  



WPCC
CAMPUS

ADAPTIVE REUSE OF HISTORIC
BARN TO ACTIVITY AND
EVENT SPACE



OPEN SPACE CONNECTED BY
TRAILS AND GREENWAYS

SENIOR LIVING

A senior living community looks out over acres of rolling hills, creekside walking trails, and sustainably-managed farmland. Residents enjoy the best of the country and the city. A greenway effortlessly connects the pastoral neighborhood to a revitalized downtown filled with shops and restaurants. The site is located less than a mile from I-40, which puts Asheville, Charlotte, and Greensboro—and family members in those cities—within a short drive.

Active seniors choose their residence among independent living apartments and villas, all of which are new construction. For those residents who require more care, the historic Joiner Hall and a new annex building house assisted living apartments. Dining, social, and recreation activities take place in the renovated, historic Goodwin Hall and at one-of-a-kind event spaces at the cattle barn, with commanding views of the entire site. New walking and cycling paths to



TODAY | UNDERUSED SCHOOL FOR THE DEAF PROPERTY

the community college make life-long learning classes easily accessible. In addition, the specialized services for the deaf and hearing-impaired embedded at NCSD next door are a unique amenity for aging residents of the community.

SENIOR LIVING OPPORTUNITY

The development taps into the continuing interest in active aging-in-place options in the North Carolina mountains. The population of seniors in Burke County (65 years and older) is projected to increase from 16 percent of the population in 2010 to 20 percent in 2020 and up to 25 percent in 2030. Furthermore, North Carolina's western communities are increasingly attractive for retirees relocating to the area from outside of the state. The immediate proximity to recreation opportunities such as greenways and nature trails, a thriving downtown, and a major interstate highway make the development unique and attractive to seniors who seek a relaxing but fun location in which to retire. Seniors and their families appreciate the closeness to several major metropolitan areas and airports.

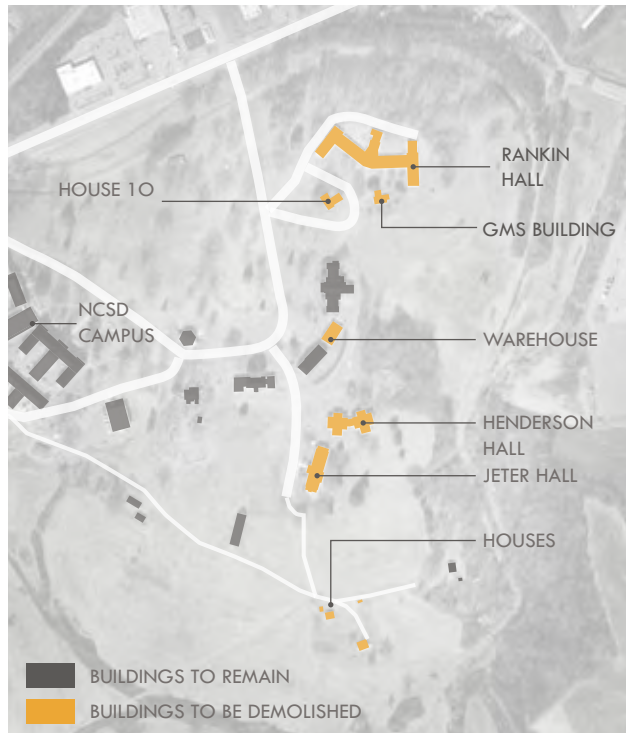
A rental fee-based senior community can provide a spectrum of housing options from independent to assisted living and a suite of services included in the base rent—on-site dining, housekeeping, recreation, education, and basic healthcare. Higher operating expenses for these high-service properties are offset by higher rents relative to typical multi-family residential communities. Such a product type could target a niche in a regional market for senior housing with an existing entry-fee based continuing care retirement community.



SENIOR LIVING DEAL STRUCTURE

More than 95 percent of independent and assisted living rental communities are owned and operated by for-profit entities. The proposed senior living community could attract \$80 million in private investment, expanding the local property tax base. The full build-out of all phases of the community—villas, apartments, and assisted living units—would likely span several years. The deal would leverage private equity capital with conventional debt and historic tax credits. A market-rate seller's note from the State for the amount of the property acquisition rounds out the financing. In addition, the State would invest in preparing the site for development through the demolition of 95,000 SF of vacant or underutilized buildings that are not contributing historic structures. Local investment would support the upgrade and extension of utilities and greenway trails to the site. These site preparation investments by the public would only occur at the time of an agreement to execute the senior living development with a private partner.

DEMOLITION PLAN



- 1 COMMUNITY + WELLNESS CENTER
- 2 INDEPENDENT LIVING APARTMENTS
- 3 ASSISTED LIVING FACILITY
- 4 DETACHED VILLAS
- 5 ATTACHED VILLAS
- 6 BARN ACTIVITY CENTER
- 7 SCHOOL FOR THE DEAF
- 8 STORMWATER POND AND PARK
- 9 GREENWAY
- 10 BROUGHTON HOSPITAL
- 11 WPCC CAMPUS

SENIOR LIVING PROGRAM	
INDEPENDENT LIVING APARTMENTS	216 UNITS, 210,000 SF
INDEPENDENT LIVING VILLAS	70 UNITS (25 DUPLEXES), 68,000 SF
ASSISTED LIVING APARTMENTS	40 UNITS, 30,000 SF
DINING, FITNESS, SERVICES	48,000 SF
EVENT SPACE	6,000 SF
TOTAL	362,000 SF

DEVELOPMENT BUDGET		
ACQUISITION	\$4,968,000	6%
HARD COSTS	\$63,501,000	79%
SOFT COSTS	\$6,632,000	8%
OTHER COSTS	\$5,733,000	7%
TOTAL	\$80,834,000	

CAPITAL SOURCES		
INVESTOR EQUITY	\$18,817,000	23%
DEVELOPER EQUITY	\$751,000	1%
HTC EQUITY	\$3,960,000	5%
SELLER NOTE	\$4,968,000	6%
FIRST MORTGAGE	\$52,338,000	65%
TOTAL	\$80,834,000	

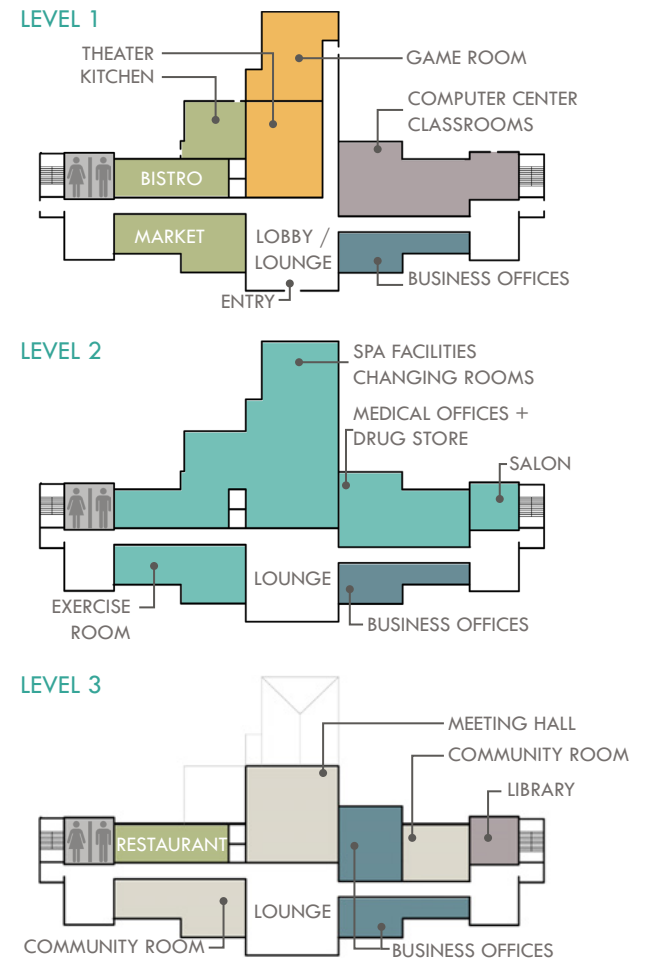
SENIOR LIVING PERFORMANCE OVER 6-YEAR HOLD		PRO FORMA
AVG. MONTHLY FEE PER UNIT	\$3,150 (INDEPENDENT); \$4,500 (ASSISTED)	
EXIT CAP RATE	7.25%-7.75%	
EQUITY IRR	14%-17%	
EQUITY MULTIPLE	2.1X-2.5X	



GOODWIN HALL ADAPTIVE REUSE

Goodwin Hall is one of the larger historic structures on the NCSD campus after the Main Building. Built circa 1907, Goodwin Hall greets visitors to the school as they approach along the entrance drive. At one time it supported classroom and student lounge space for the school. It sits prominently on a hill overlooking Hunting Creek and the ESTC facility, and directly across the valley from the Historic Broughton Campus. On the upper floor a porthole window perfectly frames the dome of the Avery Building in the distance. However, Goodwin Hall and Joiner Hall next to it have sat vacant for several years due to the reduction in enrollment at NCSD and contraction of school operations towards the core of the historic campus. The masonry construction and architectural detail of both buildings make them worthy to adaptively reuse despite years of deferred maintenance and neglect.

As the proposed club house and central services hub for the senior living community, Goodwin Hall's arched pavilion and balustrade balcony create a grand entry to the building that gives the entire property an identity. A flexible internal floor plan allows for planning dedicated spaces in each wing for fitness and spa facilities, on-site medical station and drug store, classrooms, a theater, and multiple dining options. The rear of the building opens onto a patio overlooking the pond and greenway trails. Enclosed walkways connect Goodwin Hall to the newly constructed independent living and assisted living apartments that flank it.



TOMORROW | HOSPITALITY VILLAGE

An upscale, full-service hotel, just seconds off the I-40 exit, looks out over the site from the southeast, with views of the rolling hills and Table Rock Mountain in the distance. Whether staying in the 100-key main buildings or one of 20 cottage rooms, guests take advantage of the spa and

fitness center; the adjacent artisan village, with restaurants, a brewpub, and shops; and the district's walking trails. They come to this property for its relaxing, country-like setting just minutes from downtown; well-appointed rooms; and on-site amenities.

 VISUAL CONNECTION TO MOUNTAIN VIEWS

 SCHOOL FOR THE DEAF

 TABLE ROCK, LINVILLE + PISGAH NATIONAL FOREST

 SENIOR LIVING APARTMENTS

 OPEN SPACE CONNECTED BY TRAILS AND GREENWAYS

 WPCC CAMPUS


 GREENWAY CONNECTION



 SPA + WELLNESS



 ADAPTIVE REUSE OF COLONY BUILDING TO HOTEL LOBBY, CAFE AND CONFERENCE ROOMS

 NEW HOTEL LOCATED ALONG RIDGELINE TO CAPTURE LONG RANGE MOUNTAIN VIEWS

RESIDENTIAL SCHOOL IN HISTORIC
BROUGHTON HOSPITAL



ADAPTIVE REUSE OF HISTORIC
BARN TO A CRAFT BREWERY
AND TASTING ROOM



HOSPITALITY VILLAGE

Guests come for the proximity to regional recreation destinations such as Linville Gorge and Lake James and charming downtown Morganton, an enjoyable walk from the main lodge along the greenway past active agriculture and the pond. Some are visiting family members who live in the senior living community on site, attend the residential school, or are patients at Broughton Hospital. Others are visiting Morganton on business, for continuing education, or for a getaway from the city. In addition to the hotel and artisan village, the site contains 100 multifamily residential units. Residents enjoy easy access to downtown, as well as the simple drive to Asheville or Hickory. After work, many residents stroll over to the artisan village for dinner. As they sip a hyperlocal brew in the beer garden, they watch the sunset dip below the western ridgeline.

HOTEL OPPORTUNITY

Morganton requires additional lodging options to capture demand from transient tourists and business travelers seeking higher quality accommodations. The area is currently served by four limited service hotels located at I-40 interchanges, the most recent of which was constructed in 2001. Occupancies among the top-performing properties in 2015 are in excess of 65%, which is on par with the national average among limited-service properties in this size and rate class. However,



TODAY | UNDERUSED COLLEGE AND COUNTY PROPERTY

the age of these properties combined with the lower service level presents an opportunity for a destination hotel to serve group travelers with amenities not currently offered in the market and on an unparalleled site. While not at the same altitude as destination hotels like Grove Park (Asheville, NC), The Homestead (Hot Springs, VA), or Primland (Meadows of Dan, VA) that offer a mountain resort experience, this property would provide accommodations and amenities similar to that of Blackberry Farm (Walland, TN) at a more affordable price point and within close reach of major metro areas.

As a potential anchor of the artisan village, a local craft brewery in the 12,000-SF iconic silo barns would give Morganton's award-winning, small-scale brewers a platform from which to expand their production capacity. At the same time, it provides a setting that builds an authentic brand and ties in with the local farm-to-table restaurant scene and WPCC's active, sustainable farming operation in the valley. For examples of this development genre, see brewery campuses created by Sierra Nevada in Fletcher, NC and by New Belgium in Asheville, NC.

HOTEL DEAL STRUCTURE

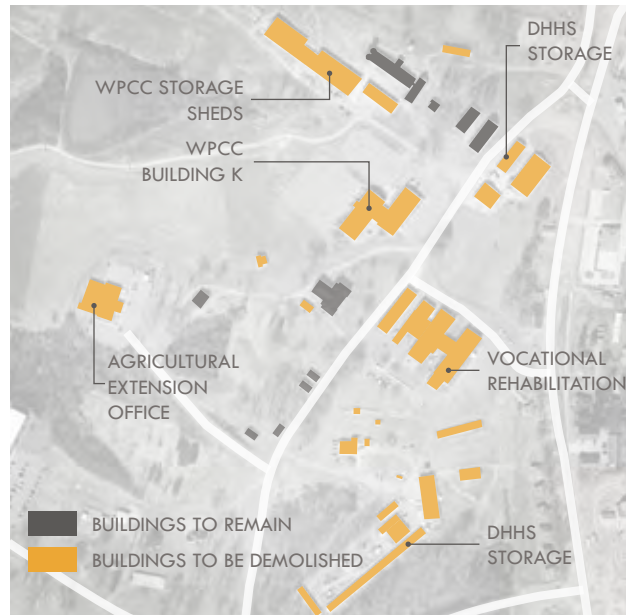
This hospitality cluster would generate approximately \$35 million in new private investment that would spur the creation of jobs, as well as incremental property, occupancy, and sales tax revenues for the community. Attracting a new hotel to anchor this cluster requires a deal structure that demonstrates private financial returns worthy of the significant risks inherent in this type of development. The hotel deal would leverage private capital in the form of conventional debt, historic tax credits, and New Market Tax Credits. The New



HOTEL DEAL STRUCTURE (CONTINUED)

Market Tax Credits program is not a permanent tax credit and is allocated based on a competitive application process. Many hotel developments in emerging markets have been supported by this tax credit, especially when twinned with historic tax credits. However, this source of capital may not be available at the time of executing a transaction in Morganton, in which case other forms of subordinate debt would be required. A market-rate seller's note from the State for the amount of the land acquisition rounds out the financing. In addition, the State and local governments would invest in preparing the site for development through the demolition of 165,000 SF of State, County and community college structures, many of which are obsolete and underutilized; the relocation of ongoing functions from these structures; and the upgrade and extension of utilities and greenway trails to the site. Surface parking shared by the hotel, retail village, and a trail head for the greenway would be a local government investment in return for a long-term lease of parking spaces required by the hospitality developer. These site preparation investments by the public would only occur at the time of an agreement to execute the hospitality development with a private partner.

DEMOLITION PLAN



- 1 HOTEL LOBBY, CAFE AND CONFERENCE ROOM
- 2 HOTEL ROOMS
- 3 SPA + WELLNESS CENTER
- 4 VILLAS
- 5 BREWERY FACILITY AND TASTING ROOM
- 6 BREWERY RESTAURANT / EVENT SPACE
- 7 ARTISAN VILLAGE
- 8 TRAILS AND GREENWAYS
- 9 HISTORIC BROUGHTON CEMETERY
- 10 BURKE COUNTY FACILITIES
- 11 MULTI-FAMILY RESIDENTIAL

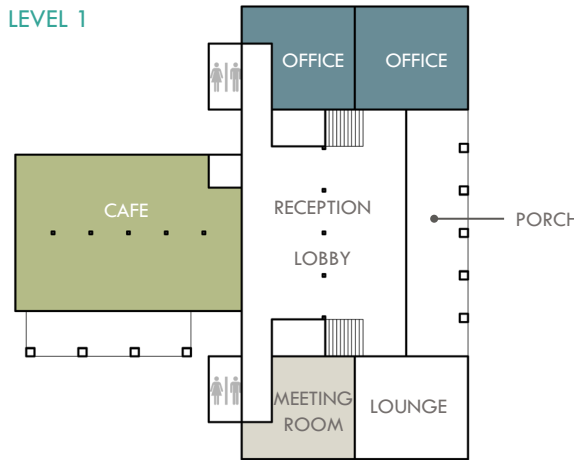
DEVELOPMENT BUDGET		
ACQUISITION	\$3,485,000	10%
HARD COSTS	\$26,030,000	74%
SOFT COSTS	\$3,778,000	11%
OTHER COSTS	\$1,665,000	5%
TOTAL	\$34,958,000	

CAPITAL SOURCES		
INVESTOR EQUITY	\$2,653,000	8%
DEVELOPER EQUITY	\$333,000	1%
HTC EQUITY	\$2,980,000	25%
SELLER NOTE	\$3,485,000	10%
NMTC LOAN	\$7,600,000	22%
FIRST MORTGAGE	\$17,907,000	51%
TOTAL	\$34,958,000	

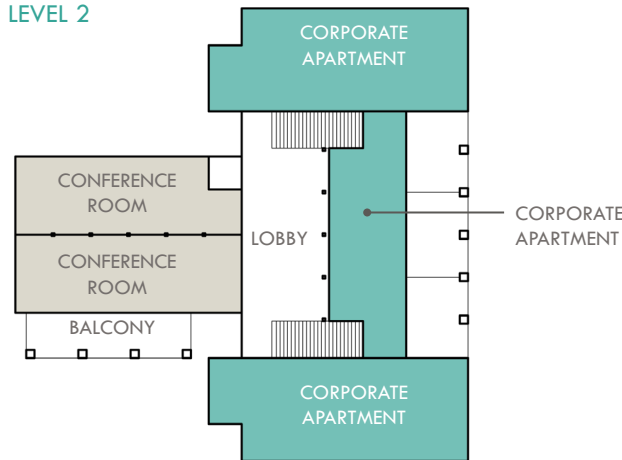
HOTEL PERFORMANCE OVER 7-YEAR HOLD	PRO FORMA
ROOM RATE (ADR)	\$220 FOR INN, \$250 FOR COTTAGE
EXIT CAP RATE	7.75%-8.25%
EQUITY IRR	19%-25%
EQUITY MULTIPLE	3.4X-5.1X



LEVEL 1



LEVEL 2



COLONY BUILDING ADAPTIVE REUSE

Built circa 1905, the Colony Building (also called the “North Colony” Building) is central to the Southeastern corner of the district, overlooking the Hunting Creek valley. Its two-story, brick façade and porch is a focal point for the hotel and creates an arrival point for guests coming up the welcome driveway or from the greenway trails. With new construction added to the back of the structure, the first floor is transformed into a lobby that stretches into a café with a balcony opening onto a lawn that hosts outdoor events. On the second floor, three corporate apartments claim part of the expansive porch; two of the apartments also have views back towards the valley. Across the hall are two conference rooms located above the café with windows looking onto the surrounding landscape.

RESIDENTIAL OPPORTUNITY & DEAL STRUCTURE

A vibrant community requires a diversity of housing options and price points. As discussed above in the section on mixed-use development on the Historic Broughton Campus, there is a need for apartments and condos with amenities and character to fill a market gap in Morganton as the community seeks to attract and retain young professionals.

The \$12-million new construction apartments adjacent to the hotel would offer a mix of 1- and 2-bedroom units with Class A finishes in a garden-style apartment community with architectural details and landscaping to mirror the feel of the hospitality cluster. The site and the finished quality of the product would merit premium rents in the market. The deal would leverage conventional debt financing and a seller’s note from the State for the land acquisition after the site was prepared by the State and local governments.

DEVELOPMENT BUDGET		
ACQUISITION	\$473,000	4%
HARD COSTS	\$9,419,000	79%
SOFT COSTS	\$1,062,000	9%
OTHER COSTS	\$895,000	8%
TOTAL	\$11,849,000	

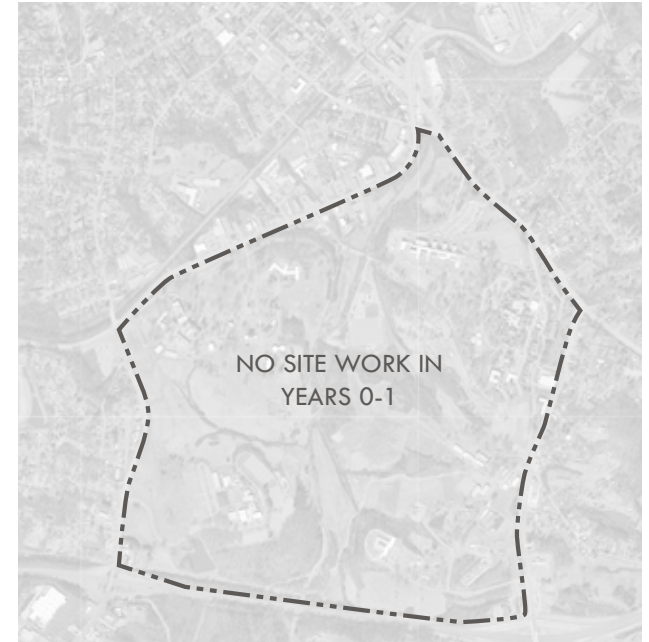
CAPITAL SOURCES		
INVESTOR EQUITY	\$2,293,000	19%
DEVELOPER EQUITY	\$110,000	1%
SELLER NOTE	\$473,000	4%
FIRST MORTGAGE	\$8,973,000	76%
TOTAL	\$11,849,000	

RESIDENTIAL PERFORMANCE OVER 5-YEAR HOLD	PRO FORMA
AVG. RENT PER SF PER MONTH	\$1.15/SF
EXIT CAP RATE	6.5%-7.0%
EQUITY IRR	13%-17%
EQUITY MULTIPLE	1.8X-2.2X

PHASING | RECOMMENDED PROGRAM

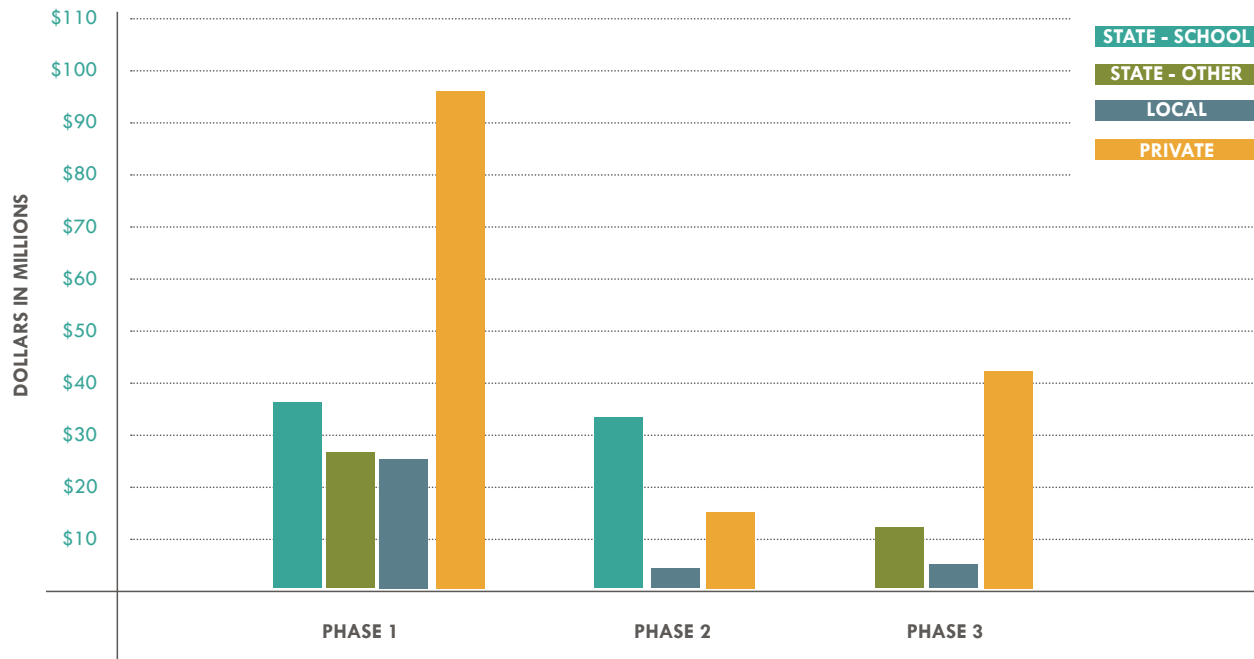
The execution of a master plan for redeveloping the 800-acre site is a long-range project. While delivery of individual components of the master plan could play out in numerous ways, a likely approach would involve a three-phase, 10-year development timeline designed to build on and nurture existing assets of the site and community to strengthen the draws for new private investment. Proposed private development is phased to accommodate market absorption

and mitigate the risk for private investors of carrying property for several years before it is ready to be developed. Public investment in site preparation and amenities is phased so that it occurs only when necessary to catalyze significant private investment. The 10-year plan would begin to roll out once an agreement was reached between the public agencies invested in the site to consolidate site control and manage the orderly disposition of surplus properties to the private sector.



PRE-DEVELOPMENT - YEARS 0-1 IDENTIFY LEAD DEVELOPMENT ENTITY AND EXECUTE AGREEMENTS

A State agency serving as lead development entity would exercise site control over all parcels in the district through legislative or executive directives and through agreements among various stakeholders. Once site control and unity of purpose are established, the lead entity would then invest further in design and marketing to line up joint venture and capital partners for individual projects. Simultaneously, the public agencies would begin identifying sources of capital (for example, development finance mechanisms such as bond financing, special assessment districts, and municipal service districts) to deliver the public amenities and infrastructure called for in the master plan. During this phase, additional due diligence on the land would be undertaken to establish the existing conditions and a fair market value for each parcel. Vacated historic buildings would be “mothballed” to prevent deterioration. “Mothball” costs could be minimized if the timing of the pre-development process aligns with the State’s schedule for relocating the hospital functions to the new facility, thereby minimizing the period of vacancy in the historic structures.





PHASE I - YEARS 2-5
SCHOOL, SENIOR LIVING AND PARK AMENITIES

The first phase of the residential school involves the rehabilitation of more than half of the Avery Building to serve 150 students. This investment in the school is complemented by private investment in the adaptive reuse of adjacent hospital buildings into residences and the apartment phase of the senior living community. Supporting that private development are public investments in site connectivity: internally via access roads and the main greenway spine, and externally to downtown through the intersection redesign of Fleming Drive and Sterling Street. Public investment would also construct a stormwater pond, replacing the WPCC ESTC pad with a water feature anchoring a gateway park. These public investments are crucial pieces to tie the district together. In order to realize the full value of the district, a municipal service district and management entity would be established to cultivate the district brand and execute programming that will generate public engagement with the site. Demolition would be limited to the select buildings needed to make way for this development and would happen at the beginning of the phase. Likewise, the State and WPCC functions being displaced would need to have replacement facilities sited and built to allow for a seamless transition of users.



PHASE II - YEARS 6-8
SCHOOL AND SENIOR LIVING EXPANSIONS AND
DESTINATION RETAIL

The second phase of rehabilitation of the Avery Building would expand the school from 150 to a maximum capacity of 400 boarding students. In addition, the villas phase of the senior community on the Northwest site would be built during this time frame. Meanwhile, supported by the additional demand for retail resulting from the residential communities developed in Phase I, the southeastern site is transformed from abandoned barns and silos into the artisan village anchored by a craft brewery and restaurant. Vacated State and WPCC buildings would be demolished on this site. An expansion of the greenway connector trails will be constructed to link these developments with the trail system developed in Phase I.



PHASE III - YEARS 8-10
HOSPITALITY AND NEW RESIDENTIAL

The final phase will establish the district as a regional hospitality destination with the construction of a 120-key upscale hotel and spa, coupled with a new market-rate apartment community. These two elements are sited adjacent to the artisan village in the southeastern corner, which by this point has begun to define a live, work, and play district that draws traffic off of the Interstate towards downtown. The cluster of shops helps anchor the hotel and residential community to a destination that is already in the making. The State and local governments would need to relocate the WorkSource West facilities, as well as finalize the internal network of greenway trails during this phase.

INVESTMENT SCHEDULE | RECOMMENDED PROGRAM

COMPONENT	TOTAL COSTS	TOTAL SHARE			
		STATE - SCHOOL	STATE - OTHER	LOCAL	PRIVATE
AMENITIES					
ACCESS ROAD	\$1,244,593			\$1,244,593	
GATEWAY PARK/INTERSECTION	\$7,605,481			\$7,605,481	
POND	\$2,993,474			\$2,993,474	
GREENWAY SPINE	\$1,286,644			\$1,286,644	
ATHLETIC FIELDS	\$557,555			\$557,555	
GREENWAY PATHS	\$2,518,920			\$2,518,920	
MOTHBALLING					
BROUGHTON (NONE DUE TO IMMEDIATE REUSE AS SCHOOL/MIXED USE)					
NCSD (GOODWIN & JOINER)	\$621,100		\$621,100		
COLLEGE/COUNTY AREA (BARN, COLONY, ABATTOIR)	\$427,620		\$427,620		
DEMOLITION					
BROUGHTON	\$2,265,310		\$2,265,310		
NCSD	\$1,220,436		\$1,220,436		
COLLEGE/COUNTY AREA	\$934,682			\$934,682	
ESTC	\$7,500			\$7,500	
REPLACEMENT (EXCLUDING LAND PURCHASE COSTS)					
DHHS - BROUGHTON	\$10,886,000		\$10,886,000		
DPS (BROUGHTON SHARE OF NEW FACILITY)	\$7,700,000		\$7,700,000		
COLLEGE - ESTC	\$11,301,675			\$11,301,675	
DHHS - WORKSOURCE WEST	\$11,745,000		\$11,745,000		
SITework					
BROUGHTON - SCHOOL AND MIXED-USE	\$4,102,884		\$4,102,884		
HOSPITALITY VILLAGE	\$4,212,179			\$4,212,179	
NEW RESIDENTIAL	\$664,624			\$664,624	
CONSTRUCTION					
BROUGHTON - SCHOOL (PHASE 1 - HALF OF AVERY + ACADEMIC BUILDINGS)	\$35,798,899	\$35,798,899			
BROUGHTON - SCHOOL (PHASE 2)	\$32,946,193	\$32,946,193			
BROUGHTON - RESIDENTIAL	\$19,519,118				\$19,519,118
BROUGHTON - COMMERCIAL	\$5,228,161				\$5,228,161
SENIOR LIVING (PHASE 1 - IL/AL APARTMENTS)	\$71,134,648				\$71,134,648
SENIOR LIVING (PHASE 2 - VILLAS)	\$9,700,179				\$9,700,179
HOSPITALITY VILLAGE - RETAIL (BREWERY/RESTAURANT)	\$4,992,130				\$4,992,130
HOSPITALITY VILLAGE - HOTEL	\$29,965,931				\$29,965,931
NEW RESIDENTIAL	\$11,902,200				\$11,902,200
	\$293,483,137	\$68,745,092	\$38,968,350	\$33,327,327	\$152,442,368

RISK MITIGATION | RECOMMENDED PROGRAM

SITE CONTROL RISK

The scale of contiguous publicly owned land in the study area (800 acres) and the potential for inter-agency cooperation on a phased disposition of surplus property minimize the risk to a private developer of not securing the necessary site control. Meanwhile, the public sector can maximize the value of its property by broadening the pool of interested buyers with a large site and a clear disposition and partnership strategy.

MARKET RISK

The public amenities created as part of the first phase of the vision will tap into existing assets of a previously undiscovered destination. The market in Morganton and Burke County is already calling for additional residential development. In the case of the recommended program, public investment in a school creates a source of jobs and traffic to the site that bolster demand for residential and commercial development. This enables quicker private investment in adjacent historic hospital buildings and other parts of the site to recoup public investment in amenities. It also lowers the carrying cost of a vacant Historic Broughton Campus for the public sector. Meanwhile, the hotel (highest-risk type of development) is delivered when the district brand is established, and the hotel site plan and new construction elements allow for a staged delivery of rooms to match market absorption, as needed.

FINANCING RISK

Tied up with market risk is financing, because lenders and investors need to be convinced of the market potential of the program to underwrite the cost of their capital and commit funds. The phased delivery of the private development program is designed to match supply with market demand and build the story for the district so that riskier investments in new construction of residential and hospitality follows a successful demonstration.

CONSTRUCTION RISK

Construction risk is managed the same way as in any development: recruiting a design team (architecture and engineering) and builders with a track record in the proposed type of development, negotiating detailed budgets and schedules, and supervising the team closing. The cost of budget and schedule overruns is often shared with the construction team to align interests.

DISTRICT PLAN | ALTERNATIVE PROGRAM

Within the vision for the Hunting Creek district, an alternative program involves greater risk and is therefore sub-optimal. However, it nonetheless presents a possible path for redevelopment of the site. In this alternative program, the Avery Building is redeveloped into a luxury hotel. The hotel would anchor a hospitality and residential development across the Historic Broughton Campus and would extend to the southeastern site. Around the grand hotel, a restaurant and brewery, as well as local shops, create a destination for hotel guests as well as local residents. The remaining historic buildings surrounding the hotel are remodeled into one-of-a-kind residences that also enjoy the proximity to the artisan village.

The neighborhood extends south, into newly constructed multifamily residential units that complement the bucolic nature of the site in scale and design. Between residents, hotel guests, and other community members, the site is full of activity: the restaurants, shops, and walking trails bring people together to enjoy the district's mix of history, architecture, and natural beauty. For those that live on the site and those just visiting, the district is both convenient and special.

As in the recommended program, a senior living community with multifamily and villa-style residences claims the ridgeline next to the School for the Deaf, overlooking Hunting Creek and the pond. A residential school is not located on the site in the alternative program; however, if new construction were contemplated for a school, such a facility might be located adjacent to the School for the Deaf and share some facilities (e.g. athletic field and gym). The following section highlights the key differences between the alternative and recommended program, in terms of scale and mix of uses, deal structures, phasing and risk.

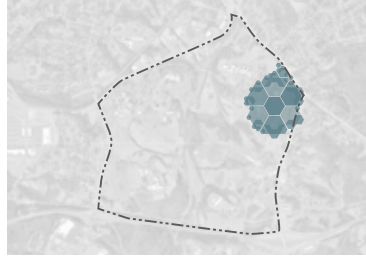
RECOMMENDED PROGRAM

ANCHORED BY A RESIDENTIAL SCHOOL ON HISTORIC BROUGHTON CAMPUS

PUBLIC AMENITIES



RESIDENTIAL SCHOOL



SENIOR LIVING COMMUNITY



HOSPITALITY VILLAGE



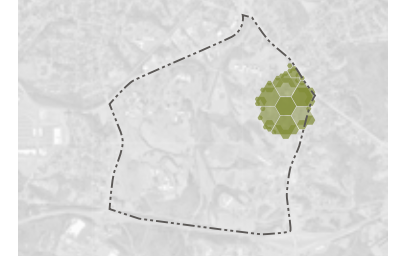
ALTERNATIVE PROGRAM

ANCHORED BY A HOTEL ON HISTORIC BROUGHTON CAMPUS

PUBLIC AMENITIES



HOSPITALITY VILLAGE



SENIOR LIVING COMMUNITY



MULTI-FAMILY RESIDENTIAL



DISTRICT PLAN | ALTERNATIVE PROGRAM

- 1 HOTEL + SPA
- 2 MULTI-FAMILY RESIDENTIAL
- 3 CRAFT BREWERY + ARTISAN VILLAGE
- 4 MULTI-FAMILY RESIDENTIAL
- 5 WPCC
- 6 GREENWAY
- 7 SENIOR LIVING COMMUNITY
- 8 SCHOOL FOR THE DEAF
- 9 STORMWATER POND
- 10 PARK AND ATHLETIC FIELDS
- 11 NEW BROUGHTON HOSPITAL
- 12 GATEWAY PARK
- 13 FUTURE INTERSECTION DESIGN
- 14 DOWNTOWN MORGANTON
- 15 ACTIVE AGRICULTURE



SHIFT IN SCALE OF USES | ALTERNATIVE PROGRAM

HOTEL

The luxury hotel has 165 guest rooms spread throughout the wings of the Avery building; pushing the limits of market demand with 45 more keys (+38%) than in the recommended program for the new construction hotel in the southeastern corner of the district. To adapt the inefficient Avery floorplate to lodging, demising walls between former patient rooms would be opened up to create larger guest rooms. Furthermore, as with the recommended school program, an addition would be constructed on the rear façade of the building to accommodate more square footage while preserving the interior historic corridors.

The hotel spa would be developed in the current truss-roofed cafeteria, and a hotel restaurant would be created in what is the current Avery Chapel, with the recommendation to remove the current infill floor to re-establish the full height volume in the chapel. Meanwhile, a brewery and tasting room would reuse the Steam Plant after the obsolete boilers are extracted, and the surrounding buildings (Marsh, Machine Shop, and Laundry) would support retail shops. This artisan village would create an additional attraction on site for hotel guests, while also being a destination for the community at large, with excellent visibility from Sterling Street.

This rehabilitation is significantly more costly per key than the new construction project, due to the floor plan inefficiencies of the historic buildings, and the need for greater investment in furnishings to transform an institutional environment into a luxury experience. However, these investments and the grandeur of the property would be expected to support higher room rates than the new construction. The hotel project would leverage conventional debt and equity with historic preservation tax credit equity, New Markets Tax Credit loan, and market-rate mezzanine financing.

Supporting this private investment would be public investment in site preparation (building demolition, hazardous materials abatement, grading, utilities) and public parking infrastructure with a portion of spaces leased back to the hotel. A market-rate seller's note from the State to the developer and additional grant funding (from any source) would be required to push the project into an acceptable range of returns to attract a private investor. The property would also benefit from a 50% tax deferral on the improved value of the Avery Building as an already designated local historic landmark; provided the exterior renovations are approved by the local historic preservation commission.

DEVELOPMENT BUDGET		
ACQUISITION	\$4,118,000	5%
HARD COSTS	\$63,246,000	79%
SOFT COSTS	\$7,790,000	10%
OTHER COSTS	\$4,735,000	6%
TOTAL	\$79,889,000	

PERMANENT SOURCES		
INVESTOR EQUITY	\$4,767,000	6%
DEVELOPER EQUITY	\$751,000	1%
HTC EQUITY	\$14,566,000	18%
SELLER NOTE	\$4,118,000	5%
NMTC LOAN	\$14,250,000	18%
MEZZANINE LOAN	\$5,000,000	6%
PERMANENT MORTGAGE	\$33,937,000	43%
GRANT	\$2,500,000	3%
TOTAL	\$79,889,000	

HOTEL PERFORMANCE OVER 7-YEAR HOLD	
ROOM RATE (ADR)	\$275
EXIT CAP RATE	7.75%-8.25%
EQUITY IRR	17%-24%
EQUITY MULTIPLE	2.6X-4.0X



NEW MULTI-FAMILY RESIDENTIAL

A new multifamily residential community stretches across the ridge line in the southeastern corner of the site. The 200-unit program can be developed in multiple phases. The historic Colony Building becomes the management office and club house with a fitness center and swimming pool deck that—along with the vistas—attract potential residents from the entire region given the site’s excellent access to transportation corridors. Other historic farm buildings are preserved around the grounds of the site, providing entertainment venues and guest houses for the residents. Public investment supports the preparation of the site (building demolition, grading, utilities), as well as the construction of public parking, some spaces of which are leased back to the residential complex while the others serve as trailhead parking for the district’s greenway. A market-rate loan by the State to the developer for the value of the land acquisition rounds out the public participation in the project.

DEVELOPMENT BUDGET		
ACQUISITION	\$1,200,000	5%
HARD COSTS	\$17,336,000	78%
SOFT COSTS	\$1,929,000	9%
OTHER COSTS	\$1,847,000	8%
TOTAL	\$22,312,000	

CAPITAL SOURCES		
INVESTOR EQUITY	\$3,800,000	17%
DEVELOPER EQUITY	\$205,000	1%
SELLER NOTE	\$1,200,000	5%
PERMANENT MORTGAGE	\$17,107,000	78%
TOTAL	\$22,312,000	

RESIDENTIAL PERFORMANCE OVER 5-YEAR HOLD	
AVG. RENT PER SF PER MONTH	\$1.15/SF
EXIT CAP RATE	6.5%-7.0%
EQUITY IRR	16%-23%
EQUITY MULTIPLE	2.0X-2.7X



PHASING | ALTERNATIVE PROGRAM

The alternative program development would roll out in a similar fashion to the recommended program, with the hotel as the last piece of the vision to be realized. The larger scale of the hotel program and the inability to phase it mean that the private sector will likely not redevelop the Avery Building until the district brand is well established and other parts of the master plan prove successful. It is presumed that the State would build a new residential school in another location, thus the Historic Broughton Campus stays vacant longer in the alternative program.

RISK MITIGATION | ALTERNATIVE PROGRAM

SITE CONTROL RISK

This risk is mitigated in the same way as in the recommended program. The scale of contiguous publicly owned land in the study area (800 acres) and the potential for inter-agency cooperation on a phased disposition of surplus property minimize the risk to a private developer of not securing the necessary site control. Meanwhile, the public sector can maximize the value of its property by broadening the pool of interested buyers with a large site and a clear disposition and partnership strategy.

MARKET RISK

The public amenities created as part of the vision will tap into existing assets of a previously undiscovered destination. However, the alternative program presents the challenge of a hotel repurposing the Avery Building to deliver 165 keys at one time. Although a beautiful piece of architecture, a vacant Avery Building would forestall any redevelopment of

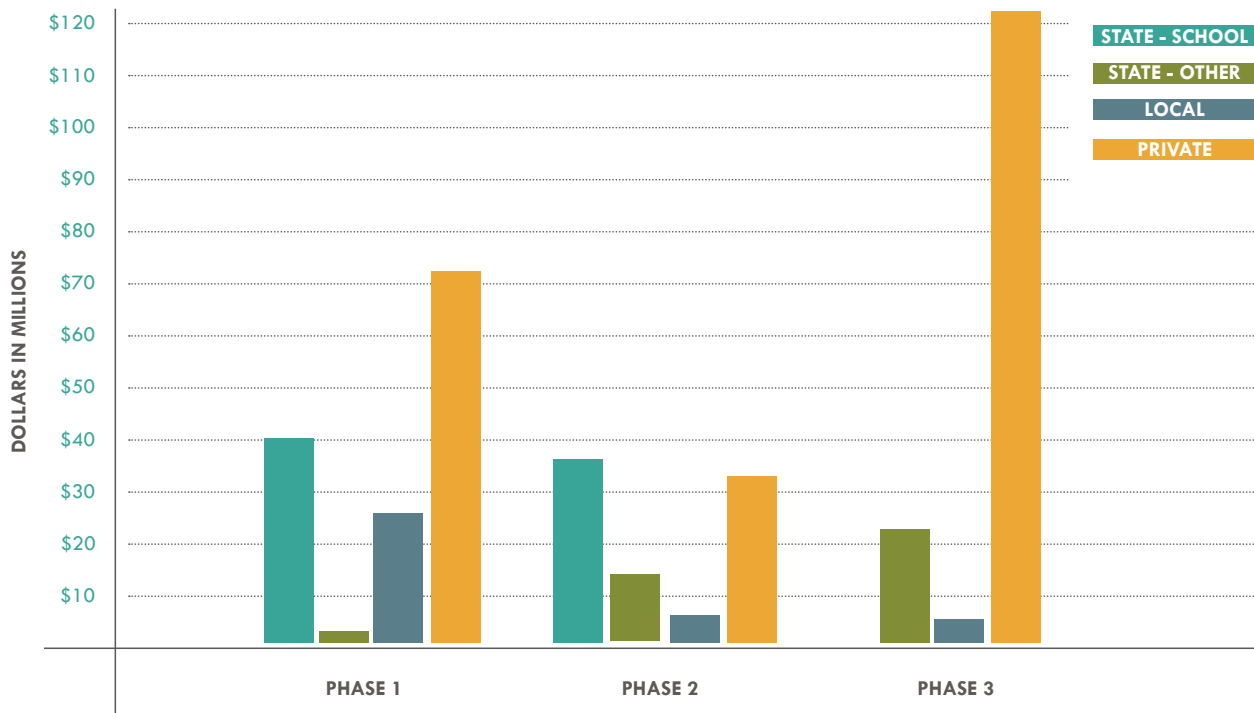
the adjacent hospital buildings into residential or commercial. Thus, the public sector would carry the entire Historic Broughton Campus property longer and the campus would remain as a void in the district plan that detracts from the value of the other sites while they are redeveloped first. There is also the risk that the vacant Historic Broughton Campus might taint the rest of the area for private investment given its scale and prominence in the district. If the Avery Building must be the first domino to fall to convince developers to risk investments in other parts of the district, then the master plan could take much longer to realize while waiting for a hotel.

FINANCING RISK

Due to the market risk for the alternative program, the financing risk is heightened for the private sector due to greater uncertainty surrounding the hotel investment in a repurposed Avery Building and its potential spillover effects on the other parts of the vision. Thus, the cost of private capital could be higher and the path to closing deals could be longer.

CONSTRUCTION RISK

Construction risk is managed the same way as in the recommended program: recruiting a design team and builders with a track record in the proposed type of development, negotiating detailed budgets and schedules, and supervising the team closing. The cost of budget and schedule overruns is often shared with the construction team to align interests.





EVERY BUILDING | CAMPUS ANCHOR

THE EVERY BUILDING ON THE HISTORIC BROUGHTON CAMPUS IS AN ANCHOR TO ANY DEVELOPMENT IN THE STUDY AREA DUE TO ITS SIZE, PROMINENT LOCATION, AND ARCHITECTURAL DETAILS. ONCE VACATED, A SUCCESSFUL REPURPOSING OF THE EVERY BUILDING WILL BE CRITICAL TO ATTRACTING PRIVATE INVESTMENT TO CAMPUS AND SURROUNDING PROPERTY AND COMMUNITY.