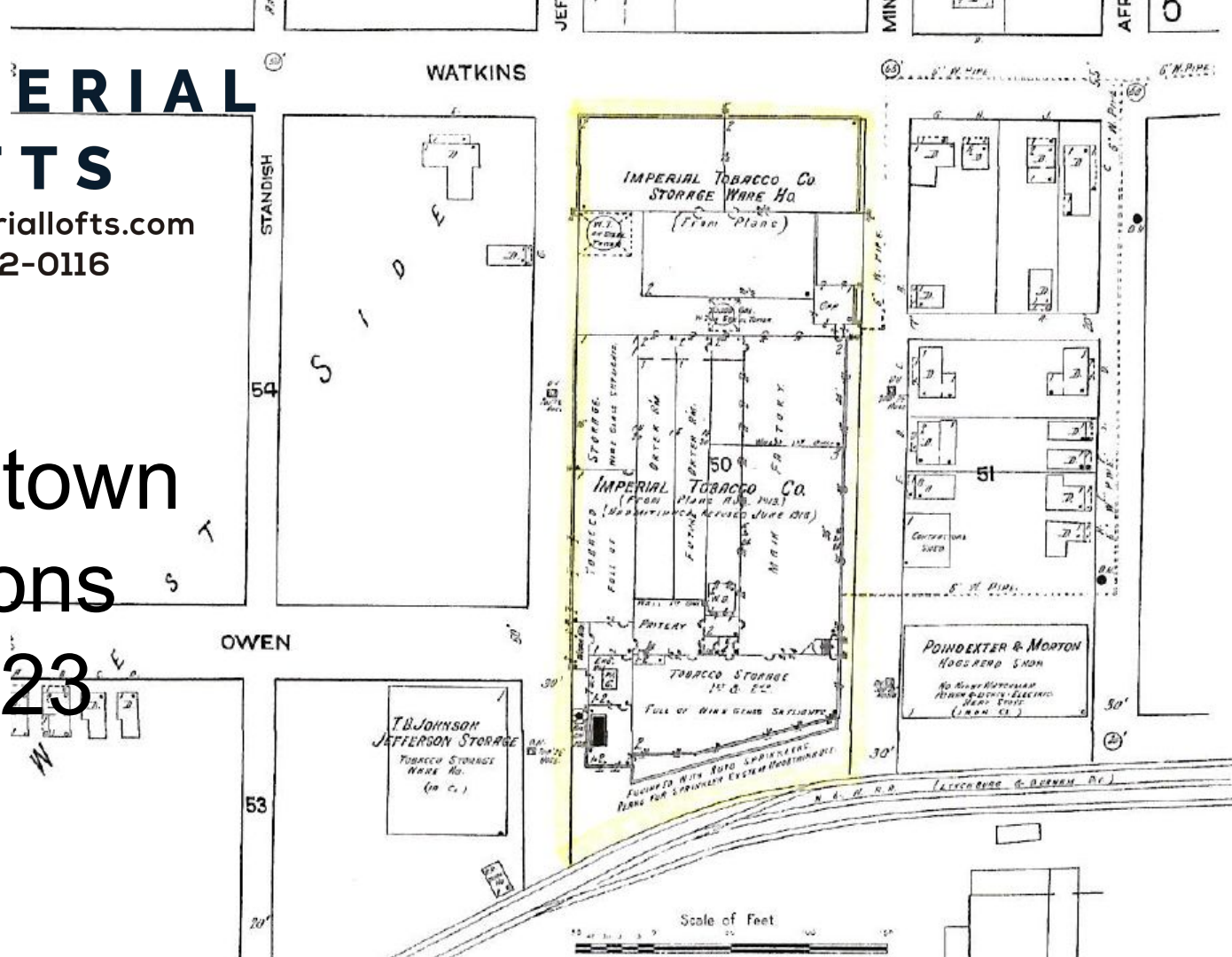


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2019 Downtown
Intersections
2019-07-23



CHALLENGE: What do you do with that large derelict building in your community that's an eyesore and doing nothing but blighting the neighborhood you want to revitalize?



This presentation is on what
we did in this very situation,
and how it turned out.

Your questions, comments,
and insights are welcome at
anytime during the
presentation...don't be shy.





Importance:

1. Entire City block
2. 135,000 +/- gsf
3. Deteriorating quickly
4. Well-known in community
5. Dominates neighborhood
6. 2 blocks from main downtown thoroughfare





CHALLENGE: Large Derelict Building

Options (ranked by general popularity):

1. Do nothing
2. Complain a lot
3. Attempt to guilt/social pressure site owner into action
4. Employ consultants to study something and issue reports
5. Attempt to carrot & stick the site owner into action
6. Step up and buy the property



CHALLENGE: Large Derelict Building

Real estate project stakeholders typically control 1 or more:

1. The ownership of the property
2. The redevelopment concept
3. The redevelopment financial capital
4. The redevelopment execution responsibility/expertise

Without 1 of those 4 you are a spectator,
not a stakeholder.



Site History: INDUSTRIAL TO VACANT

- Imperial Tobacco Company warehouse - 1890
- Brick masonry with flat roof; decorative corbeled brick parapets/cornices and recessed brick panels, with jack arches topping window openings
- Started next to railroad and grew to Watkins
- Additions were constructed at the NE portion of the site between 1913 and 1918.
- A few additions constructed after 1947
- Icon of SoBo's industrial period 1854-1958
- One of the earliest surviving buildings of the tobacco trade industry, which peaked in the early 20th century when SoBo became the 2nd largest bright leaf tobacco market in US.



Site History: VACANT TO MIXED-USE

- Site used for a tobacco processing-1913.
- Tultex Corporation - garment sewing operation from mid-1960s until closing March 2000
- Town of South Boston acquired site in 2002
- 15 long years past
- Redevelopment began 2017.



CHALLENGE: Large Derelict Building

- 2002....the Town now owns a shuttered building, a former key community employer that's never coming back.
- No obvious way forward
- Town tries to recruit developers, nothing sticks
- Site becomes a political albatross, owned for 15+ years
- Demolition is estimated at \$1.5M+, and that wouldn't improve area
- It's 2017 now and the question remains....

What should the Town do now?!?!?



CHALLENGE: Large Derelict Building

- June 2016 at a brewery opening a few hours away, the Town Manager meets a developer causing a great deal of controversy in the community next door with another redevelopment project.
- Town Manager tells developer about this building, that the Town owns it, the Town controls the zoning, and that the Town welcomes redevelopment.
- Town Manager offers project financing as a financial incentive.

Project financing kicks the project into gear.



STOP! Are localities supposed to do that?

- Atypical to be sure, but...
- Town was already invested in the ownership, maintenance.
- Demolition would be expensive and not yield private investment
- Project financing - properly structured - could offer a money-making opportunity for the Town and Developer.

15 years of prior strategy didn't work, so an atypical approach was needed. Town took challenging real estate acquisition and turned into a money-making venture



- **June 2016** | Town leaders introduced to Developer
- **November 2016** | Developer submits proposal to Town
- **February 2017** | Town unanimously approves proposal and financing approach
- **September 2017** | Approvals received from Virginia DHR and the federal NPS
- **November 2017** | Project construction loan closes, demolition begins
- **January 2018** | County issues building permit, Phase 1 construction begins
- **September 2018** | Phase 1 completion (42 apartments, 30,000 sf of self-storage)
- **December 2018** | Phase 2 completion (3 apartments, 11,000 sf commercial space)

Project Timeline From Intro to Opening



Pre-Construction Condition



Pre-Construction Condition



Why Did Town & Developer Do This Project Together?

- Very large building in small market
- Several developers looked at project to no avail
- Commercial lenders were dismissive of the local market
- Town had owned since 2002, building was deteriorating fast
- Neighborhood did not have much professional-grade housing
- Messaging matters...places stagnate or progress
- The simple act of things going on creates more things going on
- Apartments were just to kick-start the project, generate momentum
- Quick start, immediate progress - Highly visible
- Cross-pollination with the commercial spaces



Why The South Boston IDA Loan?

- Banks generally do more of what is there now, nervous about new products...would force project to lesser outcomes
- Banks were dismissive of the local market
- Allowed us to phase project, allowing for market absorption
- Allowed for more productive HTC syndication
- Paid down \$2.1M within 12 months of starting project
- Allowed construction to start quickly in Fall 2017
- Solid underwriting metrics that any strong bank would be proud of:
 - Town/IDA has a first lien position on real estate/improvements
 - Town/IDA has a 70% or better Loan-to-Value ratio
 - Town/IDA has a 125% or better Debt Service Coverage Ratio
 - Town/IDA now has a money-making opportunity, earning ½% interest on every dollar lent to project...this will last the life of the loan (20 years)



Why Town financing for the project?

Because it makes money! And it is secured by good lending criteria!

- First Deed of Trust/lien position on real estate/improvements
- A 70% or better Loan-to-Value ratio
- A 125% or better Debt Service Coverage Ratio
- A money-making opportunity, earning ½% interest on every dollar lent to project...this will last the life of the loan (20 years)

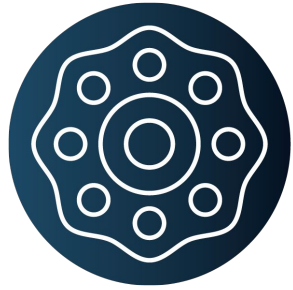
Town made money on this project loan from Day 1, and will continue to do so for the next 20 years!



- Phase 1 (42 apartments, 30,000 sf of self-storage)
 - \$5,600,000 Total Investment
 - \$3,500,000 Permanent Loan (SoBo IDA)
 - \$2,100,000 Historic Tax Credit Investors
- Phase 2 (3 apartments, 11,000 sf commercial space)
 - \$1,068,715 Total Investment (approx.)
 - \$382,905 Historic Tax Credit Investors
 - \$685,810 Private Equity Loan
- (Upcoming) Phase 3 (25 more apartments)...\$2.9M construction, \$1.8M perm loan

Investment (Phases 1 & 2...& 3)





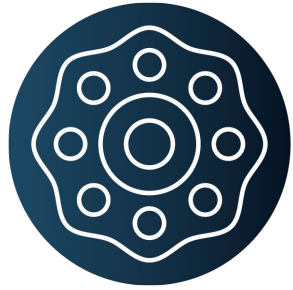
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Phase 3: Why 25 More Apartments?

- Allows us to finish our project 100%, close HTC applications
- The apartments have been a leasing success
- Many new professionals living in neighborhood
- New residents enjoying the Town and frequently local businesses
- Many employers working with Imperial Lofts to recruit employees
- Allows Town IDA loan to be prudently utilized to maximize financial opportunity for Town over next 20 years.





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Phase 3: Loan Details

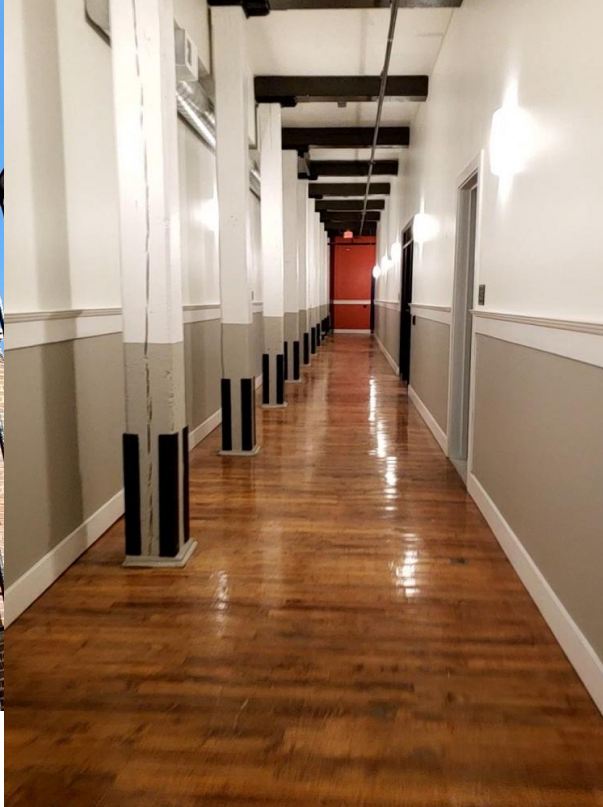
- Project Loan of approx. \$2.9M
- HTC Bridge of approx \$1M
- Permanent Loan of approx. \$1.8M
- Gives Town/IDA a first lien position on real estate/improvements
- Gives Town/IDA an opportunity to earn ½% interest on every dollar lent to project...this will last the life of the loan (approx. 20 years)
- Project begins August 2019, Finishes June 2020



Post-Construction Condition



Post-Construction Condition



Post-Construction Condition

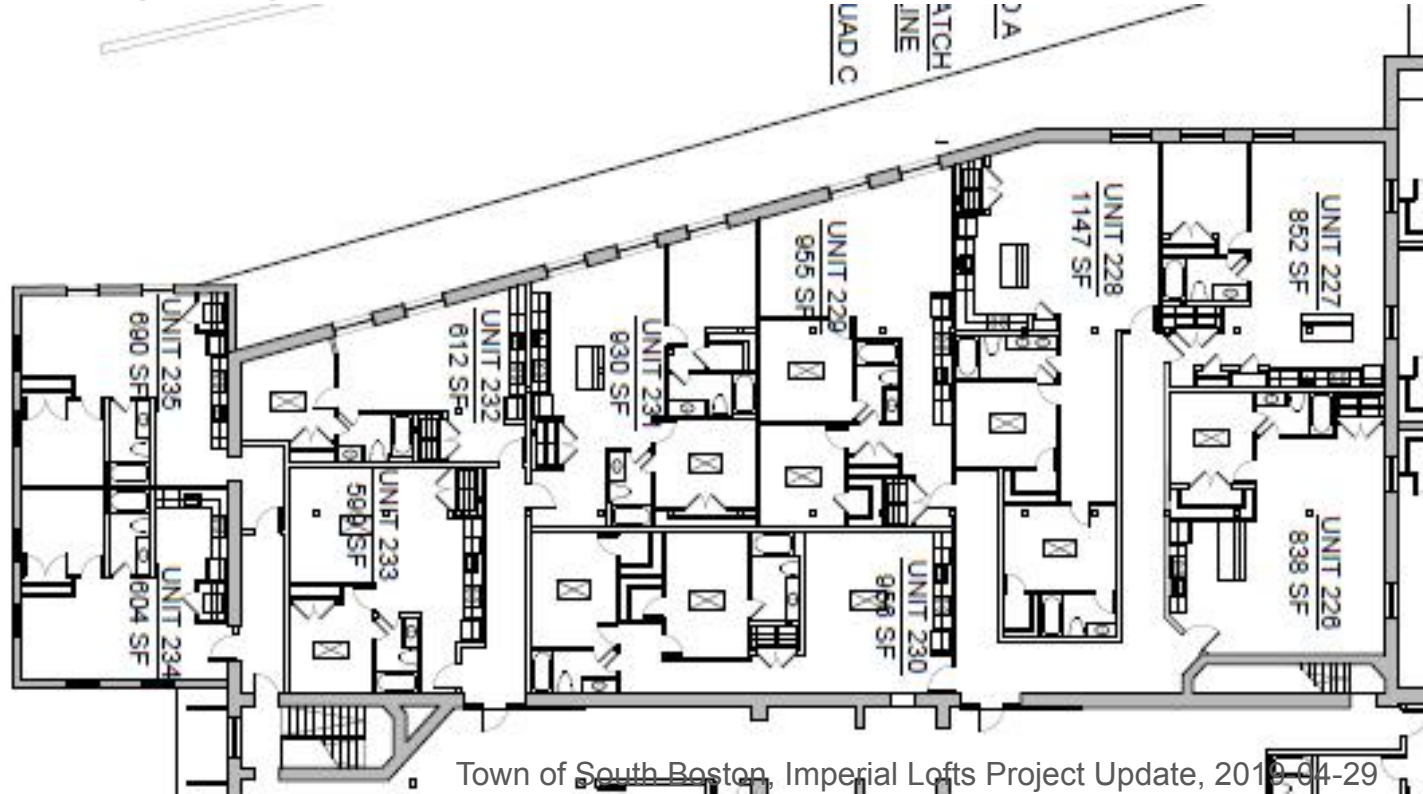


Post-Construction Condition



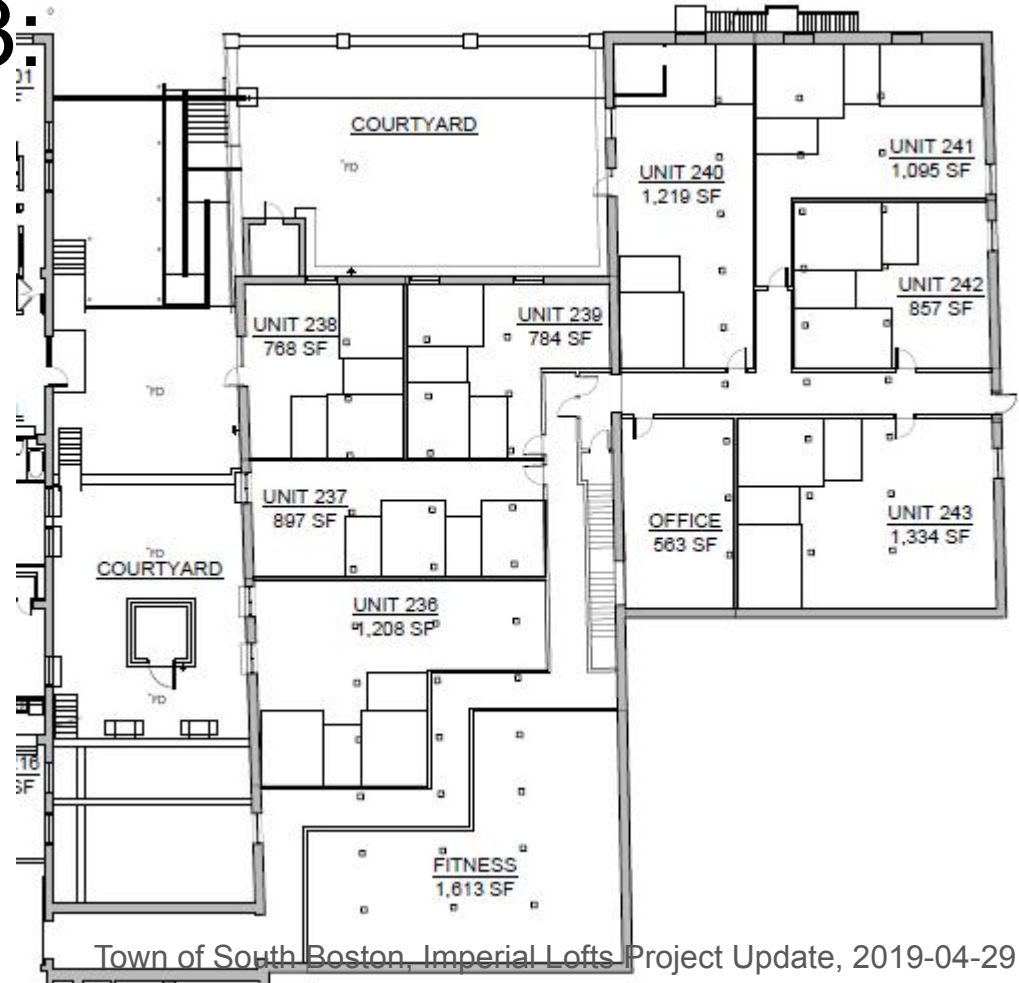
Upcoming Phase 3: 25 Apartments

10 units
already
drawn on
Level 2,
railside



Upcoming Phase 3: 25 Apartments

Approx. 8+ units in Commercial Spaces #4 & 5 (Level 2) along with some reprogrammed amenity spaces.



Upcoming Phase 3: 25 Apartments

- Approx. 6+ units in Commercial Space #1 (Level 3)
- 1 unit in the historic garage (Level 3, not shown)





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QUESTIONS?

