

PUBLIC STAKEHOLDER REPORT:

A MASTER DEVELOPMENT PLAN FOR THE BROUGHTON DISTRICT (MORGANTON, NC)



FUTURE PROJECT: MUSEUM AND HOSPITALITY VILLAGE (RENDERING)

ABSTRACT

- **The Challenge:** The hospital functions currently located in the Historic Broughton Hospital campus in Morganton and Burke County, North Carolina, are expected to move to a new facility on adjacent property. This will leave more than 600,000 square feet (SF) of vacant or underutilized space in well-maintained historic buildings, some of which are over a century old. Recognizing the scale of the challenge, the North Carolina General Assembly directed a study of potential uses of the historic campus and adjoining State property, 800 acres in total, to include analysis of the costs and benefits of different redevelopment approaches (Section 15.20 of 2014 Appropriations Act).
- **Makings of a District:** The original study, published in 2016, recommended a mix of public and private investment in key sites within the 800 acre tract (the Broughton District). The coordinated investment would make the District more attractive for private development and, as a result, make the redevelopment of the historic structures more financially feasible. This public stakeholder report updates and builds on the original study by proposing a detailed plan for site control and disposition, and by incorporating modifications to account for the location of a new western campus of the North Carolina School of Science and Mathematics (NCSSM) within the District.
- **Attract Private Investment:** The updated Broughton District master plan is a 10-year public-private development strategy to attract \$182-\$192 million of private investment for the mixed-use development of five opportunity sites within the District. The private projects include hotels, retail, for-sale residential, rental apartments, and an active adult community.
- **Strategic Public Investment to Support the District:** The private investment is supported by phased public investment of \$81 million in amenities, infrastructure and public facilities to support public goals while enabling and complementing the mix of private uses and enhancing the marketability of the District. Within this phasing strategy is the identification of some “early win” projects that can build momentum for larger investments in the District and can demonstrate the capacity of public agencies and private investors to execute a coordinated public-private partnership.
- **Next Steps:** A critical next step for public sector champions of the District will be the assemblage of the publicly-owned properties under a common controlling entity that can coordinate the marketing and disposition of the opportunity sites into private development projects that achieve the public goals. This report presents an agreement framework for this land assemblage process that can be used between the current public property owners and the to-be-defined controlling entity.
- **Developer Deal Book:** This public stakeholder report is supplemented by a detailed “Developer Deal Book” that provides site and building plans, market analysis and financial feasibility models on each of the private development opportunity sites. The “Developer Deal Book” is a tool for public sector champions of the District to attract prospective investors.

BACKGROUND

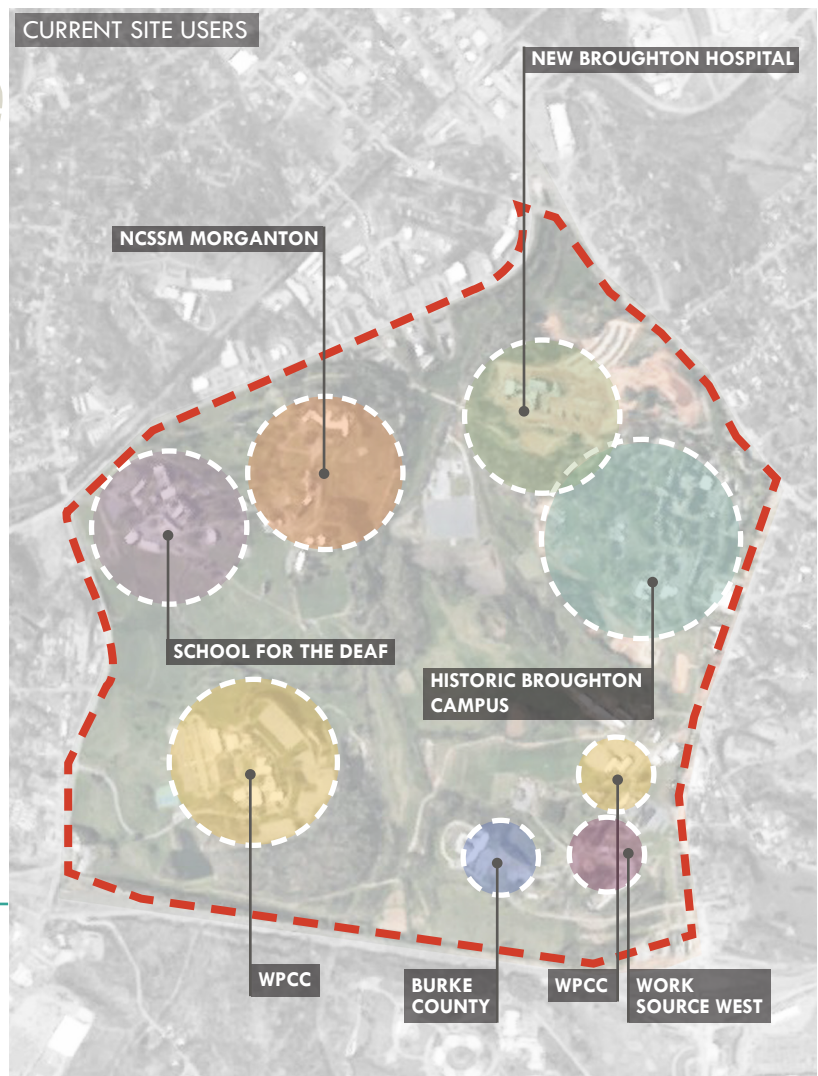
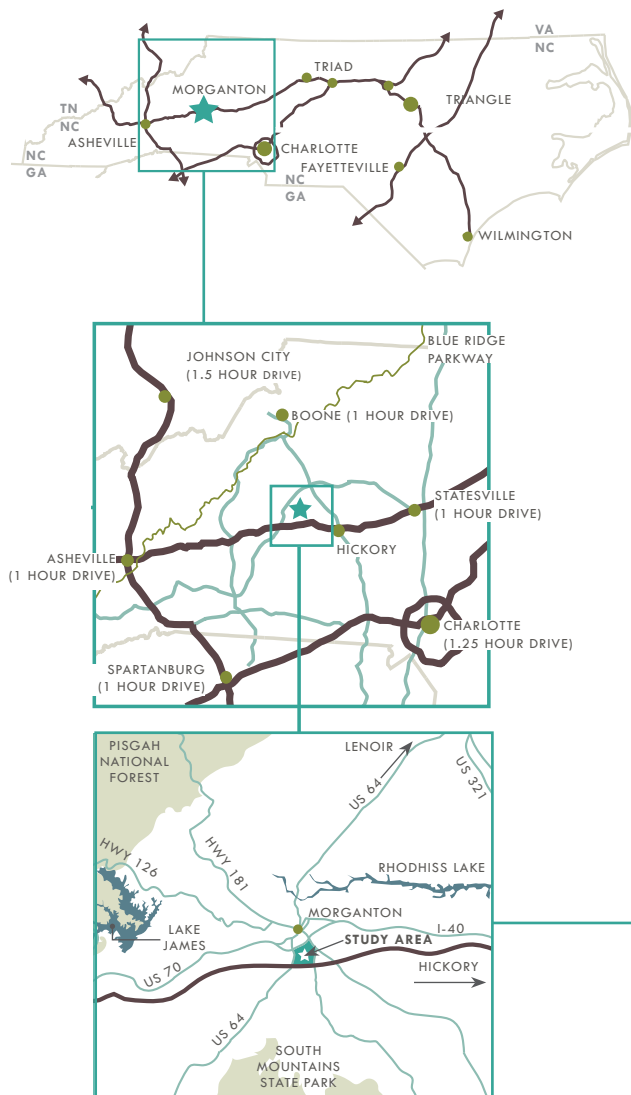
This Broughton District master plan was completed under the leadership of the Development Finance Initiative (DFI) at the UNC School of Government as an update to its original report, “Reimagining Broughton: A Reuse Study of Historic Broughton Campus” which was published in 2016 in accordance with Section 15.20 of Session Law 2014-100 enacted by the North Carolina General Assembly.

The original “Reimagining Broughton” study examined the costs and benefits to the State of North Carolina and the communities in Burke County of potential strategies to leverage public assets to attract private investment for redevelopment of the soon-to-be-vacant 658,000-square foot Historic Broughton Hospital Campus and the surrounding 800 acres of publicly owned land in Morganton, NC. Under the coordination of the Department of Commerce, twelve public agencies and local governments informed the study, which was performed by DFI and a team of architecture, engineering, and construction advisors.

The original study findings recommended a comprehensive district approach to attracting private investment into a mix of residential, commercial, and hospitality projects over a

multi-phased build-out, anchored by the adaptive reuse of the Avery Building and Historic Broughton Campus. This private investment would be leveraged by public investment in new facilities, shared infrastructure, open space and trail amenities, as well as relocation of some existing public facilities to enable these public and private projects.

In an amendment to the original enabling legislation, Section 15.5(a) of Session Law 2016-94 directed the Department of Commerce to continue the multi-agency effort to coordinate public investments, as well as site control and disposition of public property, in order to attract private investment as part of a comprehensive district development approach. As part of that effort, DFI was requested to update the original study findings to account for the recent decision to locate a public school, the second campus of the North Carolina School of Science and Mathematics (NCSSM), on property within the district that had previously been identified in the original study for private development.



BROUGHTON HOSPITAL HISTORY

North Carolina legislators voted in 1875 to construct an asylum in Morganton to serve the western part of the state to alleviate overcrowding at the state's existing facility in Raleigh. Arguably the most important structure on the campus—the Avery Building—was designed by Samuel Sloan, who was also the architect of the North Carolina executive mansion and the University of North Carolina at Chapel Hill's Memorial Hall. Sloan was personally recommended for the job by Thomas Kirkbride, a pioneer in the design of psychiatric facilities. The main wing was finished in late 1882, and patients were admitted by the end of March 1883. Rapid growth in the patient population drove expansion of the Avery building and campus for decades to come (additional history provided in the appendices). The asylum officially became a hospital in 1890 and in 1959 was renamed for former governor Melville Broughton.

Today, Broughton Hospital is on the cusp of a new era in its long history of providing mental health services to North Carolinians. The construction of a modern, \$130-million replacement hospital adjacent to the historic campus is nearing completion. When current operations relocate to the new facility, they will leave behind nearly 800,000 square feet of physical assets that represent a centuries-long public investment and an irreplaceable symbol of the State's commitment to the care of its people.



HISTORIC ARCHITECTURE



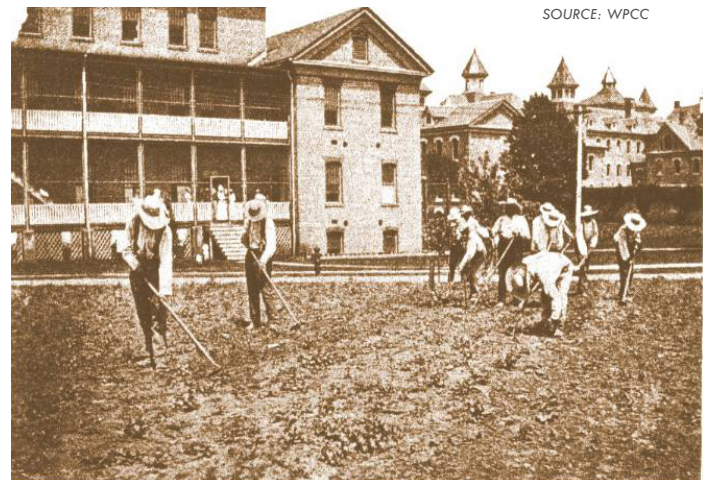
HISTORIC LANDSCAPE

SITE OPPORTUNITIES AND CONSTRAINTS

The Historic Broughton Campus sits on a hill overlooking the Hunting Creek valley, with dramatic views of the surrounding mountains. The site is located along Interstate 40 and a half-mile from the revitalized downtown in Morganton. More than 40,000 cars a day travel by the site. Located in a beautiful setting with iconic architecture, the Historic Broughton Campus is nevertheless a building reuse challenge because of its layout and vintage construction. In particular, the landmark Avery Building—the first and largest historic structure on the campus—with its scale (337,000 gross square feet) and unyielding floor plan (12-foot wide corridors and small rooms divided by 1- to 2-foot thick masonry walls), constrains redevelopment options for the hospital campus as a standalone project. However, the surrounding property opens up additional possibilities.

MAKINGS OF A DISTRICT

The area is anchored by public institutions: the North Carolina School for the Deaf, Western Piedmont Community College, Broughton Hospital (relocating to a new facility adjacent to the historic campus), and the recently announced western campus of the NCSSM. These institutions bring a specialized workforce and a talented student body to Morganton. Furthermore, the district is dotted with historic buildings that provide an authentic sense of place, and they have adaptive reuse potential if they could be connected to a market opportunity. Interspersed among the institutional campuses are rolling meadows, old-growth tree stands, mountain vistas, and fertile bottomlands along Hunting Creek. These natural assets are an undiscovered amenity that can bring together the disparate pockets of activity in the district. By connecting the existing nodes of education, health care and employment, the groundwork is laid for a comprehensive district approach to redevelopment that could drive private investor interest.



ACTIVE AGRICULTURE

GUIDING PUBLIC INTERESTS

During the course of stakeholder engagement for the original and expanded study, the following State and local public interests regarding the Historic Broughton Campus and surrounding property emerged:

- Facilitate private investment in a (re)development program
- Re-use historic structures within constraints of financial feasibility
- Protect and leverage State's long-range \$213+ million investment in a new hospital and new NCSSM campus
- Preserve and enhance public access to site amenities
- Create a regional destination and sense of place that complements the renaissance of downtown Morganton
- Tap into demographic segments that are strong and trending upward
- Leverage existing industry specializations to support and grow Burke County as an education and employment hub
- Retain and recruit talent with modern, diverse housing options
- Accommodate the needs of special populations that will use the site (deaf, blind, mentally ill, intellectually disabled)
- Honor the site's unique history and long term contributions to the community

REDEVELOPMENT OF PSYCHIATRIC HOSPITALS

Historic psychiatric hospital campuses provide great opportunities and challenges for the communities in which they are located. Around the country, successful reuse of these campuses, in a way that maximizes public interests while minimizing public risk, has been realized only when strong public leadership provides a coherent, long-term vision for the site, supported with strategic public investments.

For example, in Traverse City, Michigan—a city of roughly the same size as Morganton—a Kirkbride asylum that opened just two years after Broughton is currently undergoing redevelopment into a village that will be home to 1,000 residents and 800 workers upon full build-out. Though the hospital buildings sat vacant for decades, incurring substantial costs, they have ultimately re-emerged due to a public-private partnership with a master developer that took advantage of a range of development finance tools such as historic preservation tax credits. A telling counter-example is that of the Greystone Park Hospital in Morris Plains, New Jersey, which was demolished in the summer of 2015 after decades of disuse, neglect, and an inability for public and private actors to form a successful partnership.

These two cases—and many others—are instructive examples of how leadership, a vision that transcends just one building to encompass an entire community, and public investments can make the difference between successful redevelopment and costly indecision (see additional cases in the appendices).



HISTORIC ARCHITECTURE



ACTIVE AGRICULTURE

MASTER PLAN

PRIVATE INVESTMENT (\$182-\$192M)

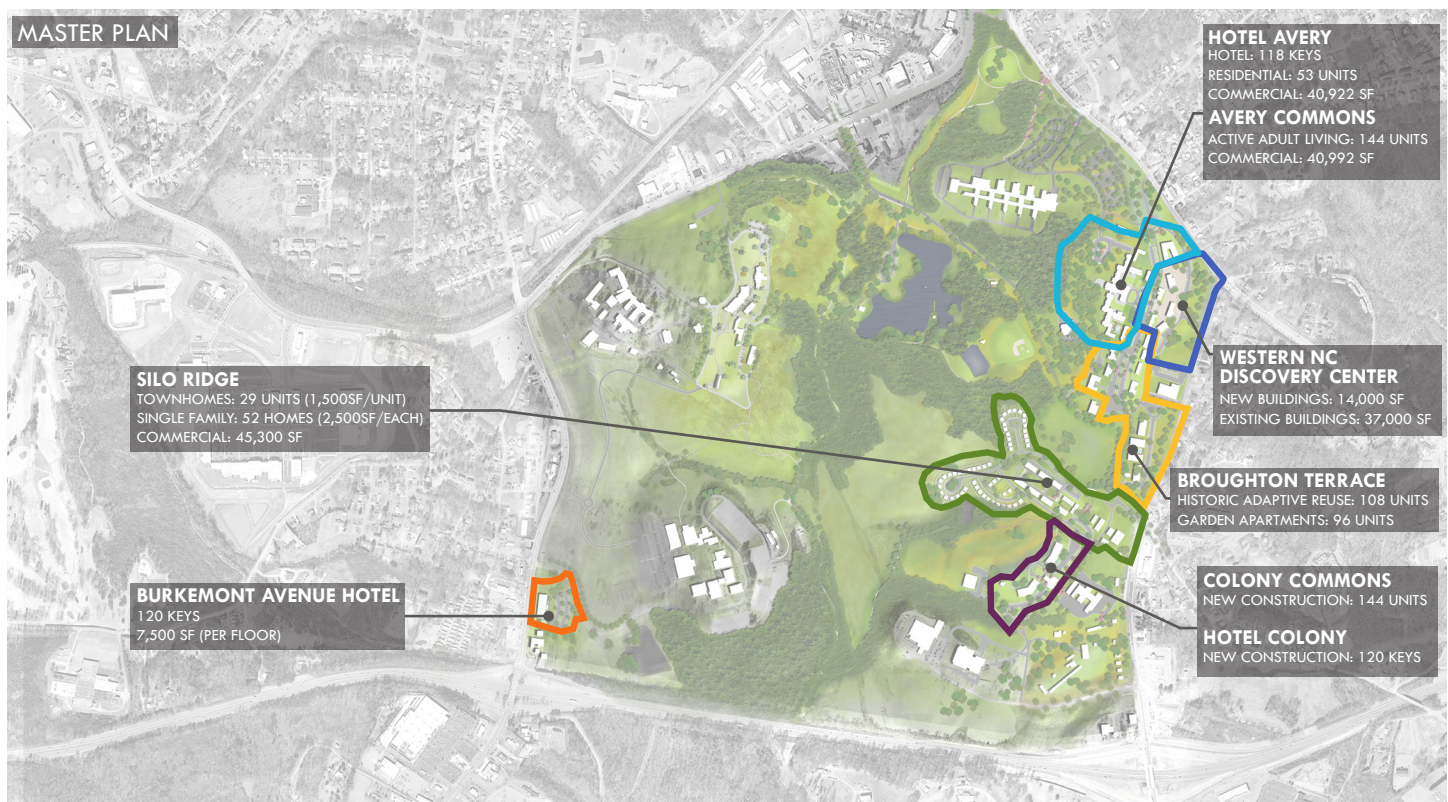
The master plan identifies five private development opportunities within the 800-acre district that could attract \$182-\$192 million of private investment over a 10-year master development timeline:

- **Burkmont Avenue Hotel:** The new construction of a 120-room limited service, mid- to upscale conventional flag hotel oriented to the primary transportation corridor along Burkmont Avenue at the intersection with Interstate 40 and sharing an entry drive with Western Piedmont Community College.
- **Silo Ridge:** A mixed-use village including the adaptive reuse of 45,000-SF of historic barns (including the iconic silos) into artisan retail shops and restaurants along Enola Road coupled with the new construction of 81 for-sale residences in single-family and townhouse styles.
- **Broughton Terrace:** New construction and adaptive reuse of four historic buildings at the southern end of the Broughton campus (Harper, Scroggs, Bates, Dining) to create 204 market-rate apartments connected via walking paths to the Silo Ridge village.
- **Hotel Avery:** The adaptive reuse of the landmark Avery Building in the core of the Historic Broughton Campus into a 118-room full-service, luxury hotel with conference center, restaurant and spa amenities. Adjacent to the hotel would be a 53-unit multi-family residential project in the remainder of the Avery Building and Reece Building, and a new 51,000-SF Western NC Discovery Center museum complex to be developed by the State in the repurposed historic steam plant, laundry, machine shop, and Saunders buildings with complementary new construction.

- **Colony Commons:** New construction and the adaptive reuse of the Colony and Abattoir buildings as a 144-unit residential community for active senior adults, complete with several on-site amenities, including multiple dining rooms, classrooms, theater, barber shop/salon, fitness center and swimming pool.

In addition, two alternative development concepts are presented in the master plan to demonstrate the flexibility of the master development strategy: 1) the luxury hotel concept moves from the Avery Building to the site around the Colony Building (“Hotel Colony”), and 2) the active adult community moves from the Colony Building to the Avery Building (“Avery Commons”). In total, the master plan includes seven private investment scenarios for five opportunity sites. The private investments and opportunity sites are grouped based on an intentional master development strategy of clustering complementary uses into projects that can be rolled out to create momentum for the next private investment phase. At the same time, the proposed phasing of private investment will accommodate the uses of adjacent property within the District by existing and planned public facilities, and in some cases allow the time required to complete the relocation of public facilities to make room for private investment.

See the accompanying “Developer Deal Book” for detailed project profiles on each of the seven development concepts, with each profile including site and building plans, renderings, market analysis, and a development financial feasibility model.



PHASING STRATEGY

The 10-year master plan for the Broughton District is recommended to be executed in four primary phases. The phasing strategy considers several key factors:

- Scaling the private development programs to align with what the local market can absorb
- Mitigating risk to private investment returns by reducing the time the properties are held by the private developer prior to development
- Coordinating public investments in amenities and infrastructure to serve as catalysts for the private developments, while not getting too far in front of private investment to ensure that public benefits (such as increased economic activity and tax revenues) follow closely behind public investments
- Allowing adequate time for current public agency owners of the development sites to plan and relocate facilities and functions, as needed
- Pursuing “early win” projects that will build momentum for larger investments in the District, will occur with minimal disruption to ongoing functions of current owners, and will demonstrate the capacity of public agencies and private investors to execute a coordinated public-private partnership

Phase I

Private Investment (\$50M):

- Silo Ridge village (45,000 commercial SF in adaptive reuse of silo barns and 81 new construction for-sale residential units)
- Burkemont Avenue Hotel (120-key new construction limited-service hotel)

Public Investment (\$24M):

- Enabling Project: Demolition of ESTC site in District; Construction of ESTC replacement facility outside of District in a location that allows for enhancement of the facility
- Amenities: District central park; first leg of Hunting Creek greenway from S. Sterling St. to I-40 culverts; intersection improvements to connect greenway to Downtown
- Infrastructure and Site Prep: Demolition of non-contributing or low-value buildings within Historic Broughton Campus (Thomas, Carpenter, Harper and Scroggs connectors); Replacement of WPCC Construction Technology facility on WPCC core campus; Southern intersection at Enola Road to access Silo Ridge; Mothballing of Avery Building, Colony Building, and Abattoir Building

Phase II

Private Investment (\$35M):

- Broughton Terrace (204 apartments in a combination of adaptively reused Historic Broughton buildings and garden-style new construction)

Public Investment (\$25M):

- Amenities: District Pond, second leg of Hunting Creek greenway under I-40 through J. Iverson Riddle Center to Enola Road
- Infrastructure and Site Prep: Demolition of Historic Broughton Campus buildings (Jones and Moran); Replacement of DPS/Correction Enterprises laundry facility outside of District, and replacement of DHHS functions out of Jones, Saunders, and maintenance buildings; Site demolition to support Broughton Terrace development

Phase III

Public Investment (\$30M):

- Amenities: Western NC Discovery Center in Historic Broughton Campus; third leg of Hunting Creek greenway to Burke County Public Schools campuses
- Infrastructure and Site Prep: Demolition of Building K on WPCC campus and Avery Building connection to Reece Building; Replacement of Building K classrooms on WPCC core campus and replacement of DHHS functions out of Avery Building; New intersection at Enola Road to access Discovery Center

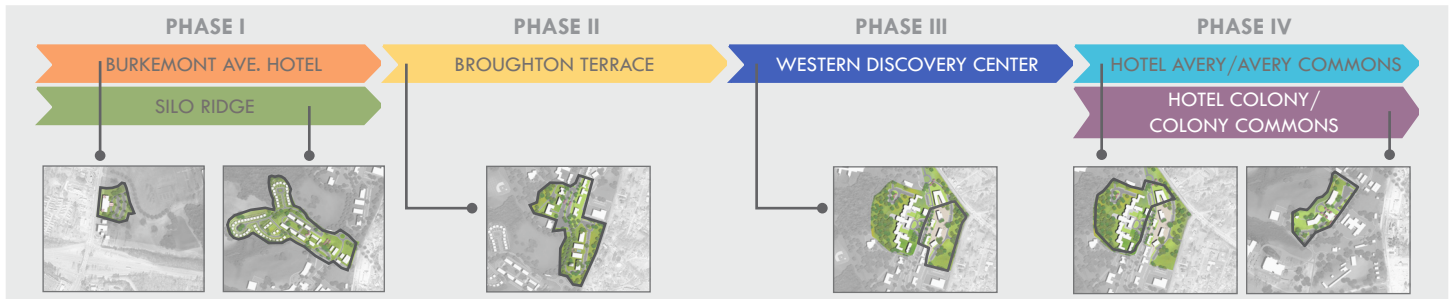
Phase IV

Private Investment (\$97M-\$107M):

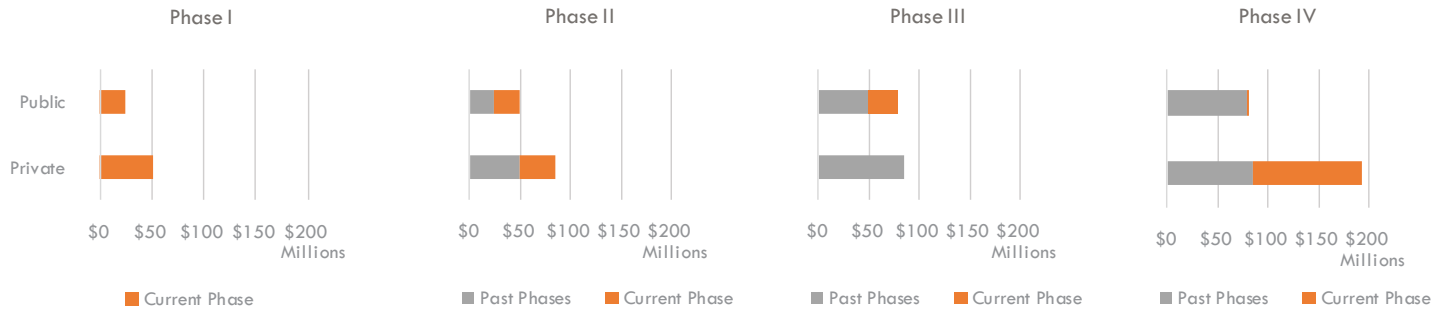
- *Scenario 1 (\$107M)*
 - Hotel Avery (118-key full service boutique hotel and 53 residences in adaptive reuse of Avery Building and Reece Building, plus a restaurant in Marsh Building, and 30,000 commercial SF new construction)
 - Colony Commons (144-unit active adult community in new construction and adaptive reuse of Colony Building and Abattoir Building)
- *Scenario 2 (\$97M)*
 - Avery Commons (144-unit active adult community in adaptive reuse of Avery Building and Reece Building, plus a restaurant in Marsh Building, and 30,000 commercial SF new construction)
 - Hotel Colony (120-key full-service boutique hotel in new construction and adaptive reuse of Colony Building and Abattoir Building)

Public Investment (\$2M):

- Amenities: Additional greenway connection paths
- Infrastructure and Site Prep: Site demolition, grading, paving, sidewalks and stormwater piping to support Avery Building development; modification of S. Sterling entry to Historic Broughton Campus



PHASING TIMELINE



PUBLIC INVESTMENT					
	TOTAL COSTS	PHASE I	PHASE II	PHASE III	PHASE IV
ENABLING PROJECT					
ESTC Demolition	\$1,236,000	\$1,236,000			
ESTC Replacement	\$3,105,000	\$3,105,000			
AMENITIES					
Pond	\$4,960,000		\$4,960,000		
Park	\$3,306,000	\$3,306,000			
Greenway and Trails	\$4,780,000	\$2,367,000	\$1,640,000	\$713,000	\$60,000
Discovery Center	\$20,177,052			\$20,177,052	
MOTHBALLING					
Broughton	\$3,370,000	\$3,370,000			
College/County Areas	\$211,200	\$211,200			
DEMOLITION					
Broughton	\$3,065,000	\$1,033,000	\$1,794,000	\$238,000	
College/County Areas	\$250,000			\$250,000	
SITework & INFRASTRUCTURE					
Access Roads	\$878,000	\$500,000	\$0	\$100,000	\$278,000
Broughton	\$1,700,000		\$300,000		\$1,400,000
PUBLIC FACILITIES					
DHHS-Broughton Replacements	\$14,765,000	\$5,259,000	\$8,830,000	\$676,000	
WPCC-Academic and Storage	\$11,700,000	\$4,200,000		\$7,500,000	
DPS-Correction Enterprises	\$7,700,000		\$7,700,000		
SUBTOTAL	\$81,203,000	\$24,587,000	\$25,224,000	\$29,654,000	\$1,738,000

PRIVATE INVESTMENT					
Burkemont Avenue Hotel	\$17,107,000	\$17,107,000			
Silo Ridge	\$33,278,000	\$33,278,000			
Broughton Terrace	\$34,531,000		\$34,531,000		
Hotel Avery/Avery Commons	\$58,186,000-\$59,097,000				\$58,186,000-\$59,097,000
Avery Commercial	\$7,333,000				\$7,333,000
Colony Commons/Hotel Colony	\$31,561,000-\$41,058,000				\$31,561,000-\$41,058,000
SUBTOTAL	\$181,996,000-\$192,404,000	\$50,385,000	\$34,531,000	\$0	\$97,080,000-\$107,488,000

PUBLIC PARTICIPATION

The private investment in this plan depends on strategic public investment to connect the sprawling district and to make the private opportunity appealing in a District that has, for decades, been dominated by public uses. The estimated \$182-\$192 million of private investment in the District master plan is supported by approximately \$81 million of public investment in three categories: an enabling project to relocate

the Emergency Services Training Complex (ESTC) outside the District; a package of public amenities to connect and drive demand to the District developments; and infrastructure and site preparation (i.e., building demolition, relocation and construction of public facilities, horizontal infrastructure and site work and mothballing of historic structures).

ENABLING PROJECT: ESTC RELOCATION

- Demolition: \$1.2M
- Replacement: \$3.1M
- Total Cost: \$4.3M

The ESTC, operated by WPCC, occupies the center of the 800-acre District and needs to be relocated to open up the opportunity for the Broughton Pond, central park, and Hunting Creek greenway to be developed as amenities and shared infrastructure for the public and private users of the District (further described below). Nevertheless, the ESTC serves a critical function in the educational programming of WPCC. A potential relocation site for the ESTC has been identified by WPCC. Demolition of the existing facilities would cost approximately \$1.2M, and a one-to-one replacement would cost approximately \$3.1M. Further enhancements to maintain the ESTC's high credentials and expand its training offerings to support a larger pool of professional clients could be achieved for an additional investment of \$3.5M. The potential relocation site offers opportunities for making these enhancements, which are not possible at the current ESTC location.



ESTC TODAY

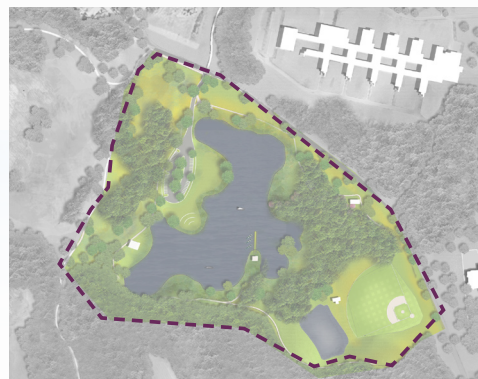
CONNECTIVE AMENITIES

A set of public amenities, including greenways/trails, park space and pond, will stitch together the development sites within the District and provide both the visitors and residents with access to unique outdoor recreation areas.

BROUGHTON POND AND PARK

- Phase I: \$3.3M
- Phase II: \$5.0M
- Total Cost: \$8.3M

At the heart of the District, next to Hunting Creek, will be an 18-acre park that includes the Broughton Pond with a loop trail, wetland boardwalk, passive open spaces and pavilions for public gatherings and events. The 11-acre Broughton Pond serves multiple purposes within the District. Built primarily within the 100-year flood zone, it is designed to collect and filter the stormwater runoff from the eastern half of the District, serve as an environmental education lab regarding regional watersheds and ecological systems, and create a visually stunning centerpiece to the District redevelopment. Many of the development opportunities within the District have impressive views to this feature and greenway trails and spurs have been planned to link the individual development projects within the District down to this feature. This proposed park space has already been incorporated into the City of Morganton 2018 Parks and Recreation Master Plan.

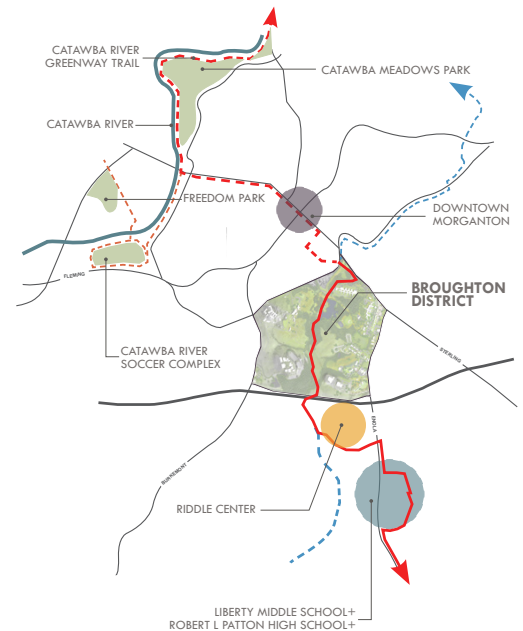


BROUGHTON POND AND HUNTING CREEK GREENWAY

HUNTING CREEK GREENWAY AND TRAILS

- Phase I: \$2.4M
- Phase II: \$1.6M
- Phase III: \$700K
- Phase IV: \$60K
- Total Cost: \$4.8M

This first phase of the Broughton District Hunting Creek greenway is a 1.4-mile, 10'-wide paved path beginning at the historic stone arches of Broughton Hospital at Sterling Road, meandering along Hunting Creek past the newly developed campus of NCSSM, and ending at the culverts that pass under I-40. This path serves as the central pedestrian corridor of the District; it will join up with the planned greenway along College Street and provide direct access for cyclists and walkers into downtown Morganton and beyond to the Catawba River greenway. This proposed greenway has already been incorporated into the City of Morganton 2018 Parks and Recreation Master Plan. Future phases of the Hunting Creek greenway use the culverts under I-40 to extend the trail south to the J. Iverson Riddle Center, as well as Patton Middle School and Liberty High School on Enola Road.



GREENWAYS AND TRAILS

DEMAND DRIVER: WESTERN NC DISCOVERY CENTER

- Total Cost (Phase III): \$20.2M

In Phase III of the master plan, the State Department of Natural and Cultural Resources would create a regional Discovery Center museum in the Historic Broughton campus. The Discovery Center would focus on the cultural and natural history of the western portion of the state as well as showcase regional fine arts. Learning labs would provide immersive educational environments around natural sciences, history and outdoor learning. The 51,000-SF Discovery Center would activate four historic buildings on the campus—Steam Plant, Saunders, Laundry, and Machine Shop—and construct a new 300-seat auditorium. The museum complex would be connected via a plaza that integrates outdoor educational spaces that complement the adjacent private uses.



DISCOVERY CENTER

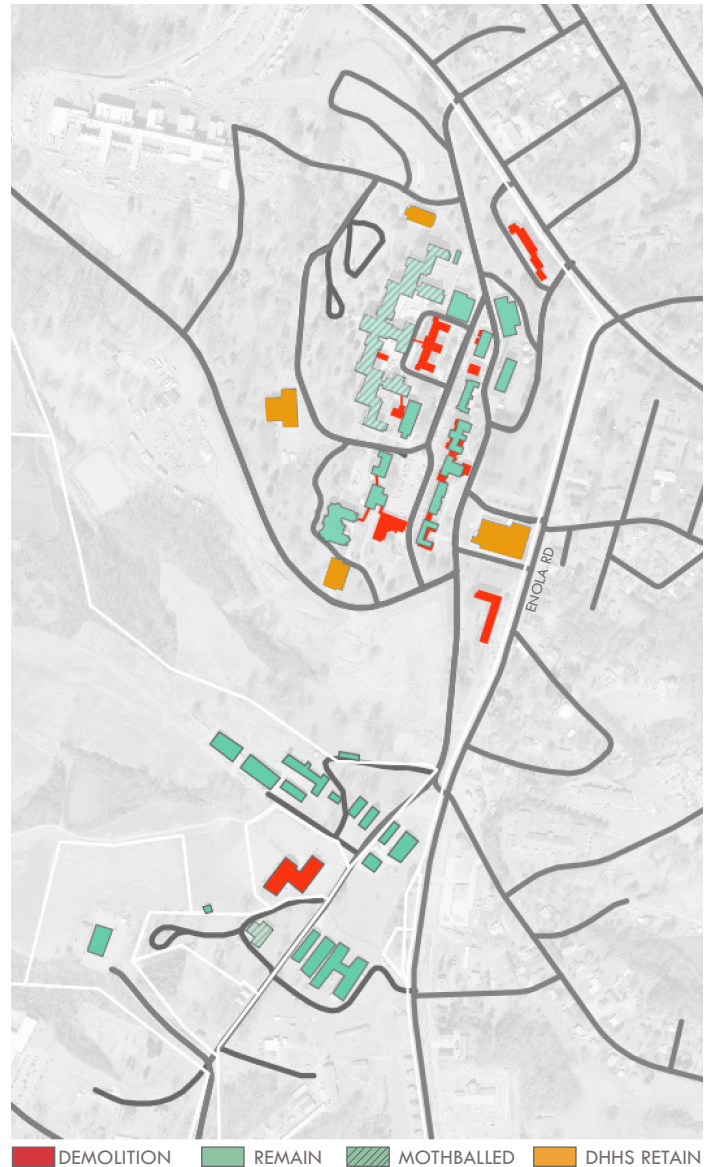
INFRASTRUCTURE AND SITE PREP

BUILDING DEMOLITION

- Phase I: \$1.0M
- Phase II: \$1.8M
- Phase III: \$500K
- Total Cost: \$3.3M

Several existing buildings within the Broughton District are identified for demolition to enable an effective integration of new construction and pedestrian and vehicular circulation and to maximize the opportunity to preserve the most iconic historic buildings. Building demolition is spaced out over the master development timeline so that the public agencies who currently control and operate out of some of these facilities have adequate time to relocate those functions as well as spread the costs of demolition to correspond to the time when private development would occur on the site.

The diagram to the right identifies the buildings and portions of buildings for demolition to maximize the development opportunities of the site. The most significant cost is demolition of the Jones Building, a non-contributing structure within the Broughton Hospital historic district. It obstructs views to and from the landmark Avery Building and interrupts the connectivity north-to-south through the site. The prospects for attracting private investment and achieving the public goals of the District vision require that the Jones Building, as well as other less substantial structures, be demolished in Phase II. Selective demolition of parts of the Bates Building, Avery Building and Chiller Building are covered in the budgets of the private investors redeveloping those corresponding sites. (See Appendices for a letter from the NC State Historic Preservation Office regarding feasibility of demolishing the structures within the historic district.)



CARPENTER BUILDING



JONES BUILDING



THOMAS BUILDING



MORAN BUILDING

REPLACEMENT FACILITIES

- Phase I: \$9.5M
- Phase II: \$16.5M
- Phase III \$8.2M
- Total Cost: \$34.2M

To make way for private investments in the District, some existing facilities will need to be relocated and consolidated with other functions on new sites.

- **DHHS functions to support New Broughton:** Even after New Broughton opens, DHHS will retain residual functions in facilities on the Historic Broughton campus. DHHS has confirmed it could eventually locate all necessary facilities on the new hospital campus, provided it receives sufficient funding. DFI has analyzed the DHHS facility requirements and recommended a strategy to reduce the amount of new construction required. In the District master plan, four buildings on the perimeter of the historic hospital campus are recommended to be retained by DHHS for New Broughton support functions: the Chapel, Hooper Building, Gym, and South Building (See diagram on opposite page). In addition, the housing of Hospital interns in men's and women's dorms—traditionally in buildings owned and operated by the State—could be replaced (at lower initial cost to the State) by master-leasing the necessary residential units from one of the privately-owned and operated apartments envisioned in the new Broughton Terrace development. This would leave approximately 85,000-SF of New Broughton support functions to be replaced over time in new facilities at a total projected cost of \$14.8M to be deployed over multiple phases. (See Appendices for a detailed breakdown of these functions and projected costs.)
- **Department of Public Safety Correction Enterprises laundry:** The capacity of the 24,000-SF Correction Enterprises laundry facility operating in the historic Broughton campus would need to be relocated outside of the District in Phase II to make room for the adaptive reuse of the Avery building and surrounding structures, including the Discovery Center. The cost to replace this laundry facility is estimated to be \$7.7M. At the time of this writing, a site for relocation has not been identified.
- **WPCC classrooms and flex warehouses:** Approximately 45,000-SF of classrooms and flex warehouses used by WPCC for its sustainable agriculture, building construction technology, and other programs would need to be moved to enable the private redevelopment of the historic Colony Building and silo barns and new construction around those sites. WPCC has indicated a desire to consolidate these functions on available land it controls on its core campus off Burkemont Avenue. Projected investment to build these replacement facilities would be \$11.7M over multiple phases.

SITE WORK

- Phase I: \$244K
- Phase II: \$300K
- Phase III: \$100K
- Phase IV: \$1.7M
- Total Cost: \$2.3M

Public investment will be required for site demolition, grading, stormwater drainage and road paving to enable the entry driveways into the future public and private developments. On the Eastern side of the District, three new entries into the District property are proposed:

- **Broughton Terrace Traffic Circle:** The intersection of Broughton Rd. Ext. and East College Dr. with Enola Rd. to be reconfigured as a traffic circle. Broughton Rd. Ext. would also be realigned to create the development pad for the new construction apartments envisioned for the Broughton Terrace project.
- **Discovery Center Entrance:** The main entry to the Discovery Center would create a new intersection at Enola Rd. just south of its intersection with S. Sterling St.
- **Discovery Center Traffic Circle:** A reconfiguration of the main Broughton Rd. entry to the historic campus off of S. Sterling St. would introduce a traffic circle and realignment of a driveway to improve circulation around the Discovery Center and create better access to the new commercial development.

In addition, internal site work and improved road circulation on the historic Broughton campus will require public investment to create and maintain access and utilities to public facilities alongside new private developments. This will be particularly important in terms of mass grading, water and sewer line upgrades, and stormwater piping in the wake of demolishing the Carpenter, Thomas, Moran, and Jones buildings.

MOTHBALL HISTORIC STRUCTURES (PHASE I: \$3.6M)

Finally, it is recommended that an investment be made to stabilize and “mothball” key historic structures anticipated to be redeveloped later in the 10-year master development timeline of the District. Mothballing entails maintaining minimal ventilation systems throughout the building, securing first floor windows, and repairing the roof to prevent leakage. The Avery and Colony buildings are two of the iconic structures with deferred maintenance that—if not mothballed—could experience deterioration over the course of several years of vacancy prior to redevelopment. Furthermore, mothballing pays off for the current public owners in the form of reduced utility expenses while the property is vacant¹ and preservation of the future sale value of the building assets.



COLONY BUILDING

¹Based on estimated cost of \$0.33/SF for electricity to provide ventilation and minor conditioning (23% of current electricity usage based on NC Dept. of Energy Building Data Book for vacant and mothballed Education/Lodging/Office buildings) and \$0.12 for minor repairs and maintenance.

EARLY WINS

The first proposed phase of the Broughton District master plan develops two sites that present an opportunity for near-term private investment in underutilized public property with minimal disruption of active public facilities:

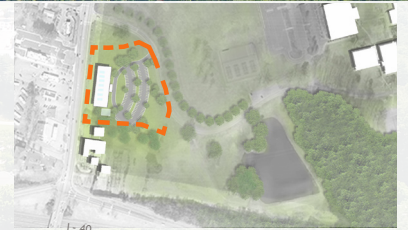
- Burkemont Avenue Hotel on WPCC's property
- Silo Ridge, the adaptive reuse of historic silo barns for destination retail adjacent to new construction residential development

These “early win” projects can:

- address immediate market opportunities;
- serve public goals for enhancing local quality of life, preserving iconic architecture, and growing the tax base;
- build momentum for larger investments in the District; and
- demonstrate the capacity of public and private actors to execute a coordinated 10-year master plan.

BURKEMONT AVENUE HOTEL

The proposed Burkemont Avenue Hotel (approx. \$17M private investment) is on WPCC-controlled property that is currently vacant and possesses favorable characteristics such as high visibility from I-40, gently sloped topography, being mostly clear of foliage, and having easy access via a shared entry drive with the college. The next step to enable private investment on this site is the transfer of ownership to a public entity that can identify an appropriate development partner and convey the property.



LIMITED - SERVICE HOSPITALITY

SILO RIDGE

The opportunity site for the mixed-use Silo Ridge development (approx. \$35M private investment) covers property currently owned by WPCC and DHHS. While there are some existing public uses of barns and warehouses on the site, both current public owners acknowledge that their property could be further developed. The next steps to enable private development of Silo Ridge are 1) transfer of ownership of the property by both WPCC and DHHS to a single public entity that can identify an appropriate development partner and convey the property, 2) relocation of the stored materials in the barns and warehouses, 3) relocation of WPCC's Building Construction Technology program (approx. \$4.2M), and 4) reconfiguration of an entry drive to the property from Enola Road (approx. \$500,000).



RESIDENTIAL AND ARTISAN VILLAGE

INTER-GOVERNMENT COLLABORATION FOR DISTRICT PROPERTY ASSEMBLAGE

Prospective private developers will be looking to the public sector champions of the District for a transparent and straightforward process to guide the sale of opportunity sites currently owned by public agencies. Developers will not have the patience or capacity to negotiate with multiple public property owners. The process needs to be simple and developers will want to see a clear path to development of the rest of the District. Site control is one of the first—and most obvious—hurdles in that development path. The prime sites for private development in the District are currently under disparate site control between various State agencies and WPCC. An important next step to enabling private investment in “early win” projects will be the assemblage of the opportunity sites under common site control for the purposes of a coordinated solicitation of proposals from private investors for the sale and development of the property. The entity under which the land assemblage is formed could be a single government body or a cooperative entity of multiple governmental bodies and agencies.

The process of assembling the public properties is complicated by the fact that several of the current public property owners also have some ongoing usage of the property for the foreseeable future. Relocating those functions to make way for anticipated private redevelopment would take time and investment. To the public sector champions of the District, there is a risk to pre-emptively investing in relocation of all these public facilities if private investment is not queued up to quickly redevelop those sites and generate incremental tax revenues that begin providing a source of repayment for the public investments in the District. As discussed above, the proposed phasing of District private investments in this master plan has anticipated this timing problem and spaced out the private projects to allow for a synchronized relocation of the public facilities in the path of development. However, the phasing proposed in this report will not satisfy private developers unless there is a clear process for transferring sites into a unified site control entity.

A potential framework to guide the process of assembling the properties under common site control could involve the following steps:

- Conveyance of the relevant portions of opportunity sites by each current public property owner-user to a controlling entity with a commitment by the controlling entity to lease the property back to the current user. The sale could be for a nominal amount, and the lease-back could be for a nominal amount, as the objective is a transfer of ownership not of significant cash value. A mechanism to recognize the deferred value of this property transfer is discussed in a following point.

- The lease-back could be a ground lease net of any expenses. In other words, the current public user would still have the same responsibility for covering all the costs of operating and maintaining the property as it did when it was the owner. The new controlling entity can be the owner without having to fund facility operating budgets on behalf of the current user.
- The lease-back to the current public user for each specific site would be limited to a defined duration based on a balance between 1) the master plan schedule for when private development should be pursued on that site, and 2) a reasonable allotment of time for the replacement of the current user's facilities at an alternate location.
- And finally, the terms of the sale and lease-back could allow the previous public owner to share in any financial gain from the eventual sale of the property to a private investor.

This loose framework could be applied to multiple transfers of property from the various public owners in the District to a controlling entity, with deal-specific terms negotiated for each transfer based on the characteristics of the property in question and the needs of the current user of that property for a lease-back arrangement. A similar sale with lease-back arrangement was employed in the transfer of the State-owned, DHHS-managed property at the Dorothea Dix Hospital campus to the City of Raleigh.

DOES IT MAKE FINANCIAL SENSE TO PRESERVE THE AVERY BUILDING?

At the core of the guiding public interests for the adaptive reuse of the Historic Broughton Campus is the preservation of the landmark Avery Building, the first structure on the campus, originally built in 1882. The building's scale and floor plan make it an adaptive reuse challenge. Nevertheless, many would argue that the beauty of the architecture designed by Samuel Sloan in the Kirkbride-style of psychiatric facilities, and its symbolism of the State's enduring public investment and commitment to the mental health of its people make the Avery Building a critical historic and cultural asset to strive to preserve. The building's listing on the National Register of Historic Places and its designation as a local historic landmark demonstrate that widely-held position.

However, does it make financial sense to adaptively reuse the Avery Building in light of other public interests, such as attracting private investment into the District and preserving many other historic structures on the Broughton campus? The difficulty of repurposing such a large building at the central, high point of the campus creates some redevelopment risk to the adjacent historic structures that would depend on the successful reuse of the dominant building on the property.



CONDITIONS OF AVERY BUILDING

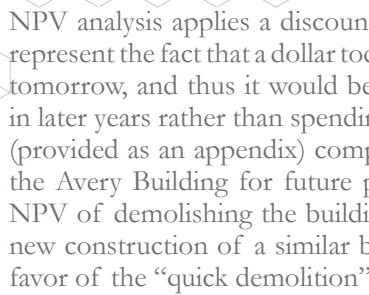
Some have asked, what if the Avery Building were demolished, eliminating the potential risk of a stigma on the District from such a looming structure? Would this justify the irreversible (and difficult to quantify) social cost of losing the Avery Building's value as an architectural and cultural landmark?

To address this "what-if" scenario, DFI developed a financial model to estimate the net present value (NPV) of public stakeholder cash flows over 20 years from two reasonably foreseeable development strategies for the Avery Building:

1. Preservation: "Mothballing" (stabilization of the vacant structure to reduce carrying costs while maintaining the asset for future redevelopment) followed years later by private investment that would adaptively reuse the building under historic preservation guidelines
2. Demolition: Demolishing the historic structure quickly to make room for private investment in new construction on the land left behind by the building's footprint



AVERY BUILDING IN CONTEXT OF CAMPUS



NPV analysis applies a discount rate to future cash flows to represent the fact that a dollar today is worth more than a dollar tomorrow, and thus it would be preferable to spend a dollar in later years rather than spending it today. The NPV analysis (provided as an appendix) compares the NPV of preserving the Avery Building for future private redevelopment to the NPV of demolishing the building and preparing the site for new construction of a similar building program. Working in favor of the “quick demolition” option are the following:

- Quick demolition of the Avery Building could result in relatively quicker private investment (earlier cash flows) in that portion of the Historic Broughton Campus, assuming that quick demolition is possible after considering DHHS requirements discussed below.
- New construction on the former site of the Avery Building could generate incremental real estate property tax revenues comparable to (if not greater than) those from the adaptive reuse of the Avery Building, due to the fact that the Avery Building is a local historic landmark that would have its local real estate tax bill reduced by 50% in perpetuity.

However, there are important factors in the demolition scenario that weaken its financial return to the public:

- The estimated upfront cost of razing the Avery Building (including abatement of hazardous materials prior to demolition) is greater than that of limited “mothballing.”
- The yield on the sale of the raw land to private investors at projected market value is expected to be lower than the initial cost of the demolition.

The NPV analysis concludes that demolishing the Avery Building creates more value than preserving it only when demolition and new construction is completed at least two years sooner than historic rehabilitation of Avery. If the time advantage of demolition is less than two years, then more value is created by preserving Avery. Importantly, the quick demolition and new construction concept may be unrealistic in any event because DHHS must first execute a phased relocation of its existing support functions before demolition and new construction could occur. In other words, demolition and new construction is not likely to be “quick,” eliminating one of the primary advantages of the demolition option (earlier cash flows). The preservation with “mothballing” approach takes advantage of the intervening time by developing other sites to strengthen the District’s appeal, ultimately improving the feasibility of adaptively reusing Avery.

“DEVELOPER DEAL BOOK”

This report is supplemented by an additional report targeted in its content and formatting to attract potential private investors to the Broughton District. That “Developer Deal Book” contains an introductory chapter describing 1) the overall vision for a district comprised of multiple private development sites, 2) the shared outdoor amenities and infrastructure, and 3) the regional economic and demographic context in which the district is placed. The remainder of the “Developer Deal Book” is a compendium of profiles for each of the private investment opportunities within the district. Each profile includes a site plan, building program, diagrams and renderings, market analysis, and financial feasibility projections.

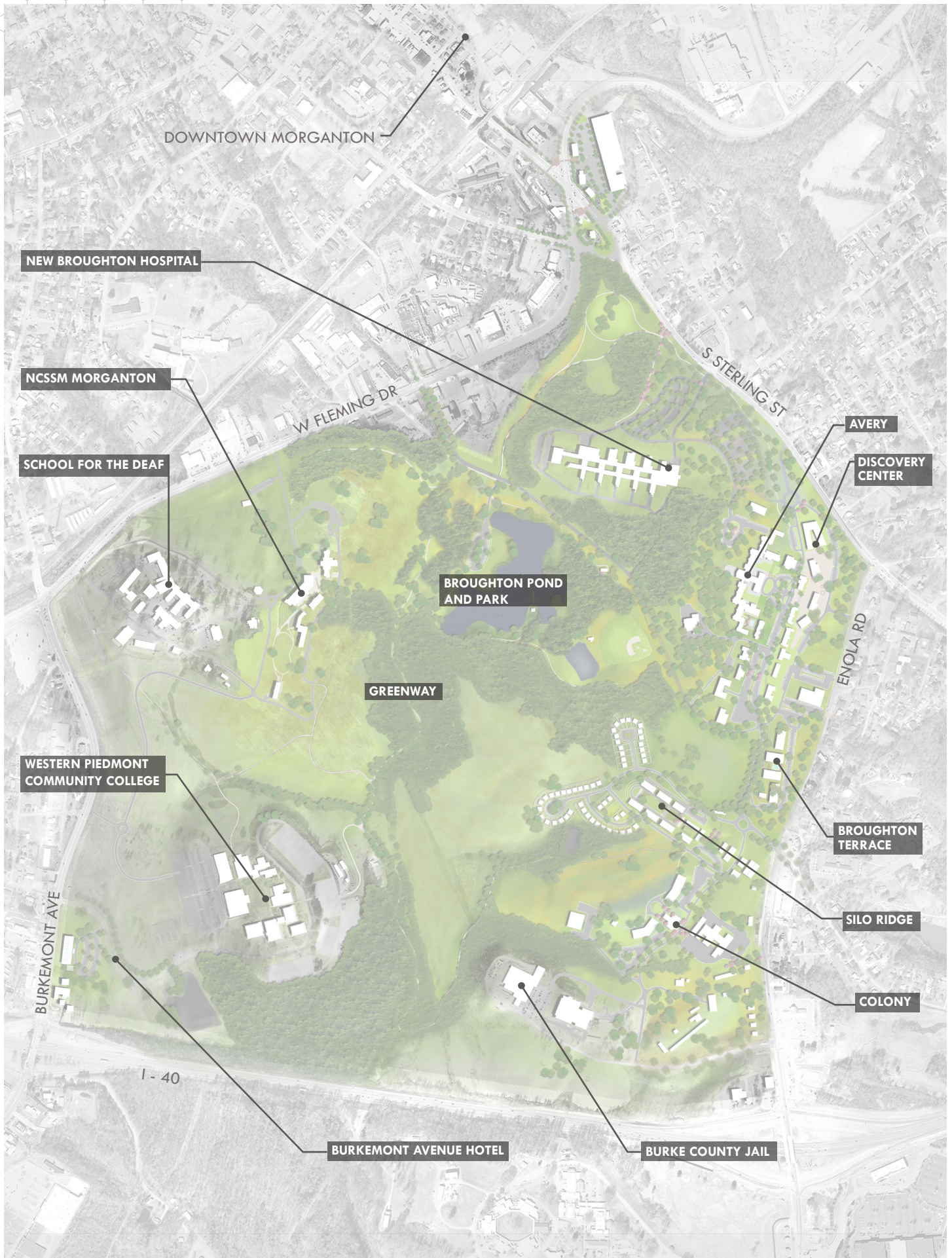
The project profiles can be assembled in any combination along with the introductory chapter to create a customized package based on the audience. For instance, a hotel developer may be interested in all three profiles of possible hospitality projects in the District master plan, whereas a multi-family apartment developer may only be interested in the Broughton Terrace profile. That said, all prospective private investors will appreciate the value of the complementary mix of uses envisioned in the master development strategy for the District. The expectation is that this “Developer Deal Book” will be a resource to all stakeholders seeking to advance the public-private partnership opportunities presented by the Broughton District master plan

STUDY TEAM AND STAKEHOLDERS

The updated master plan was completed under the leadership of DFI (Director Tyler Mulligan, Project Manager Peter Cvelich, and Project Specialist Eric Thomas), with assistance from the following team of land planning, architecture, engineering and construction professionals:

- Stewart Inc., a multi-disciplinary planning, design and engineering firm
- Belk Architecture, a leading expert in the creative adaptive reuse of historic buildings
- C.T. Wilson Construction Company, a North Carolina-based general contractor with specific expertise in complex, adaptive reuse construction projects

The same consultant team supported the original study, and received input on the updated master plan from the key stakeholders named in the enabling legislation—Commerce, DHHS, Department of Administration, City and County—as well as additional advisors from the Office of State Budget & Management, Department of Natural and Cultural Resources, Department of Public Safety, NCSSM, and WPCC.



DOWNTOWN MORGANTON

NEW BROUGHTON HOSPITAL

NCSSM MORGANTON

SCHOOL FOR THE DEAF

W FLEMING DR

BROUGHTON POND
AND PARK

GREENWAY

WESTERN PIEDMONT
COMMUNITY COLLEGE

BURKEMONT AVE

I - 40

BURKEMONT AVENUE HOTEL

BURKE COUNTY JAIL

S STERLING ST

AVERY

DISCOVERY
CENTER

ENOLA RD

BROUGHTON
TERRACE

SILO RIDGE

COLONY

MAKING A DISTRICT:

A MIXED - USE DESTINATION IN MORGANTON, NC



MUSEUM AND HOSPITALITY VILLAGE

BROUGHTON DISTRICT VISION

The Broughton District master development plan will reinvent a historic hospital campus and build from its legacy of wellness and stewardship to inspire \$182-\$192 million of new private investment in a mixed-use village. Development will focus on a cluster of adaptively reused historic buildings and site-specific new construction for housing, commercial, and hospitality uses. This private investment will be supported by \$81 million of public investment in amenities and infrastructure. Walking trails will connect schools, homes, restaurants, shops, a Western North Carolina history and science discovery center, and a hotel as they weave through stands of mature trees, around working farms, along a quiet creek, through a central park, and ultimately into the vibrant Morganton downtown.

In addition, the District is welcoming a new campus of the North Carolina School of Science and Mathematics, a UNC system school, set to open in 2021. As an Opportunity Zone within a State-designated Hometown Strong Initiative community, the District will be girded by a robust public-private partnership with support from both State and local governments.

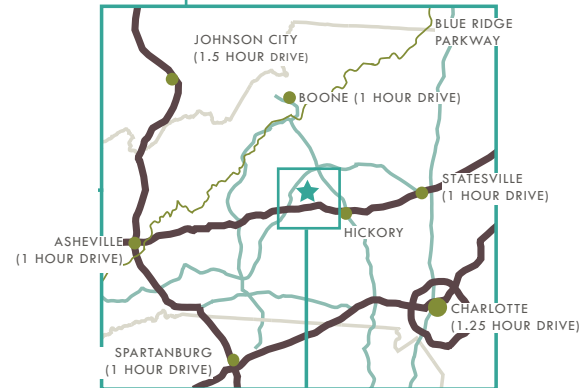
DEVELOPMENT PROGRAM (LEADING SCENARIO)

- **Burkemont Avenue Hotel:** The new construction of a 120-room limited service, mid- to upscale conventional flag hotel oriented to the primary transportation corridors.
- **Silo Ridge:** A mixed-use village including the adaptive reuse of 45,000-SF of historic barns into artisan retail shops and restaurants coupled with the new construction of 81 for-sale residences.
- **Broughton Terrace:** New construction and adaptive reuse of four historic buildings in the historic hospital campus to create 203 market-rate apartments.
- **Colony Commons:** New construction and the adaptive reuse of the historic agrarian colony buildings as a 144-unit independent living rental community with amenities for active senior adults.
- **Hotel Avery:** The adaptive reuse of the landmark Avery Building in the core of the historic hospital campus into a 118-room full-service, luxury hotel with conference center, restaurant and spa amenities. Adjacent to the hotel will be a 53-unit multi-family residential project and a new 51,000-SF Western NC Discovery Center museum complex.

CONTEXT AND SITE FEATURES

Nestled in the foothills of western North Carolina is the charming city of Morganton (2016 pop. 16,900)—a principal city of the Hickory-Lenoir-Morganton metropolitan area (pop. 365,000) that is poised to capture demand for housing, retail and commercial development over the coming years. Its lively downtown, steady economy, and centrality to the Blue Ridge outdoor recreation opportunities have made it a destination for in- and out-of-state households. Once dependent on textiles and manufacturing, the region now sees a flourishing tourism industry and economic investment from Fortune 500 companies, including General Electric, Google, and Apple. Sustained growth in the surrounding cities of Charlotte, Asheville, and Boone—all within a 1-hour drive of Morganton—complement the advanced manufacturing, healthcare, and emerging technology industries in this region. The District lies at the heart of the region and draws on the following strengths:

- **High Visibility:** The District is situated between exits 103 and 104 on the I-40 corridor and is bounded by three other business highways. In total, more than 125,000 cars pass the District each day.
- **Historic Grounds:** The Historic Broughton Campus was developed over 140 years ago and was listed in the National Register of Historic Places in 1987, based on 60 contributing buildings built between 1875 and 1940. In addition, large specimen ginkgo, catalpa, oak and other variety of trees have matured across the entire District, adding to its historic and grand aura.
- **Natural Beauty:** The topography of the District offers dramatic and picturesque views of the surrounding mountains. Hunting Creek, a tributary of the Catawba River, has carved out a steep valley through the center of the District, where slopes reach 55 degrees in some areas. The most fertile land for agricultural development is found along Hunting Creek, where Western Piedmont Community College has installed a 10-acre agricultural plot, as well as a model sustainable farm.
- **Permissive Zoning:** The entire District is located within the city limits and is covered by two zoning designations: high intensity district (HID) and state institutional district (SID). Within these zoning designations, a variety of residential and commercial land uses are permitted, as well as farming and livestock. There is a max density (with provisions) in HID of 20 dwelling units per acre and a max building height of 65 feet. There is no max density within SID and a max building height of 65 feet. These restrictions do not pose barriers to a market- and site-appropriate scale of new development.
- **Available Infrastructure:** The existing anchor institutional tenants have brought all critical utilities to the District. With a development strategy centered around adaptive reuse of historic buildings, extensions of water and sanitary sewer lines will be a modest investment for new construction sites. A regional stormwater pond to serve the eastern half of the District is part of planned public investments. In addition, the District is already served by high-speed broadband Internet.



DISTRICT OPPORTUNITY SITES

BROUGHTON DISTRICT PUBLIC AMENITIES AND INFRASTRUCTURE



A set of public amenities, including greenways, park space and a pond, will stitch together the development sites within the District and provide both visitors and residents with access to unique outdoor recreation areas. Hunting Creek, a primary tributary of the Catawba River, which flows South to North through the center of the District, serves as the backbone for many of these significant public amenities.

HUNTING CREEK GREENWAY (\$4.8M)

The first phase of the Broughton District Hunting Creek greenway, a 1.4-mile 10'-wide paved path, begins at the historic stone arches of Broughton Hospital at Sterling Road, meanders along Hunting Creek past the newly developed NC School of Science and Math campus and ends at the culverts that pass under I-40. This path serves as the central pedestrian corridor of the District which will join up with the planned greenway along College Street and provide direct access for cyclists and walkers into downtown Morganton and beyond to the Catawba River greenway. This proposed greenway has already been incorporated into the City of Morganton 2018 Parks and Recreation Master Plan. A future phase of the Hunting Creek greenway spine uses one of the culverts under I-40 to extend the trail south to the J. Iverson Riddle Center as well as Patton Middle School and Liberty High School on Enola Road.

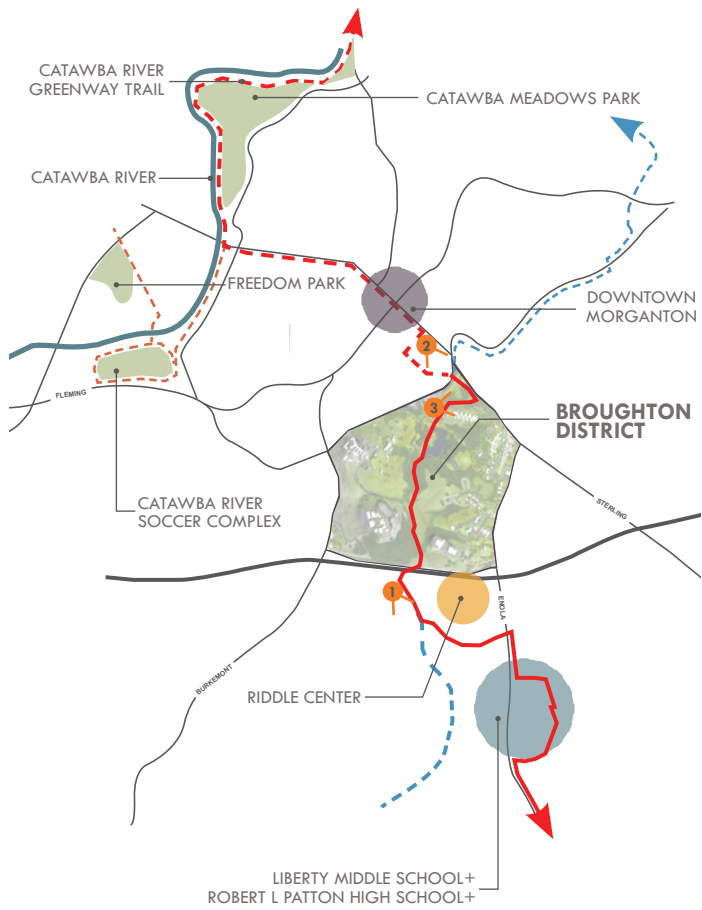
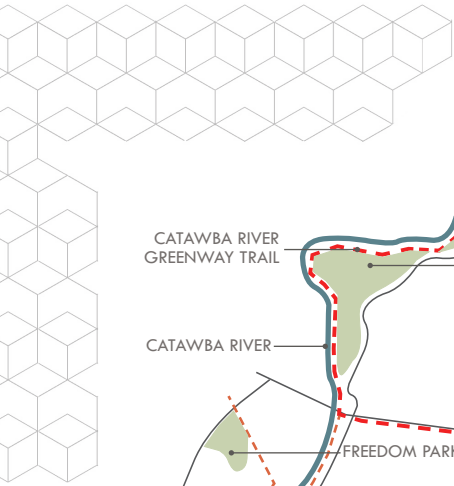
ESTC RELOCATION (\$4.3M)

At the center of the Broughton District is currently the Burke County Emergency Services Training Complex (ESTC) that will be relocated to a site outside of the 800-acre District, opening up this highly visible portion of land for public space development.

BROUGHTON POND AND PARK (\$8.3M)

The relocation of the Burke County ESTC facility opens up 18 acres for the development of a park and pond that includes a loop trail, wetland boardwalk, passive open spaces and pavilions for public gatherings and events. Direct access to the Broughton Pond is through the park.

The Broughton Pond serves multiple purposes within the District. The 11-acre water feature, built primarily within the 100-year floodzone, is designed to collect and filter the stormwater runoff from the eastern half of the Broughton District, serve as an educational laboratory to teach visitors about regional water quality issues, as well as establish a visually stunning centerpiece to the District redevelopment. Many of the development opportunities within the District have impressive views to this feature, and greenway trails have been planned to link the individual development projects within the District down to this feature. Along with the greenway, this proposed park space has already been incorporated into the City of Morganton 2018 Parks and Recreation Master Plan.



1 GREENWAYS AND TRAILS



2 ROADWAY IMPROVEMENTS



3 GREENWAYS AND TRAILS

BROUGHTON DISTRICT REGIONAL OVERVIEW

A STRONG CONNECTION TO NATURE

Claiming one of the most scenic locations on the east coast, Morganton sits in the foothills of the Blue Ridge Mountains and is known originally as “nature’s playground” due to its easy access to outdoor recreation. Morganton is situated along major transportation corridors that make it a gateway to several of the most popular outdoor attractions in Western North Carolina—Linville Gorge, South Mountains State Park, Pisgah National Forest, and Lake James. The region’s national forests, state parks, farms, orchards, and vineyards draw tourists, while Morganton itself offers trails, golf courses, athletic facilities, and historic sites within minutes of downtown.

A DIVERSE AND RESILIENT ECONOMY

One of the region’s primary industry specializations is manufacturing, which has historically served as the economic backbone of Western North Carolina. Indeed, legacy industries in furniture and textile manufacturing still maintain large workforces in the region and have spurred a cluster of specialized machining businesses that offer well-paid, skilled jobs. In addition to this stable industrial base, technology firms have made large investments in the region in recent years. Government-sponsored public service facilities such as the local hospitals and schools have also provided a steady base of employment.

The Hickory-Lenoir-Morganton Metropolitan Statistical Area (MSA) represents a regional economy anchored by Interstate 40 and Route 321. The MSA is specialized in healthcare services and education, and contributes to Western North Carolina’s competitive advantage in advanced manufacturing industries – industries using technology and improved processes to increase productivity across a range of manufactured products. Major employers in this sector include Case Farms (food processing), Leviton (electrical component manufacturing), Continental (automotive manufacturing), and Viscotec (automotive textiles manufacturing), which together account for 3,400 jobs in the region.

Morganton itself contains several prominent healthcare centers, including the Carolinas HealthCare System–Blue Ridge Hospital, one of the largest employers in the region, and the new Broughton Hospital, which represents a \$130 million investment by the State into the city. Morganton also benefits from strong regional educational institutions, many of which have long focused on preparing the workforce for advanced and post-manufacturing employment. These include Appalachian State University (Boone), Western Carolina University (Cullowhee) and UNC-Asheville (Asheville). Alongside its access to these institutions, the City of Morganton is home to Western Piedmont Community College, North Carolina School for the Deaf, and now, the new western campus of the North Carolina School of Science and Mathematics, an elite residential high school in the UNC system. These Morganton-based institutions account for over 7,000 students receiving specialized training in preparation for well-paying careers in technology, healthcare, and other industries.

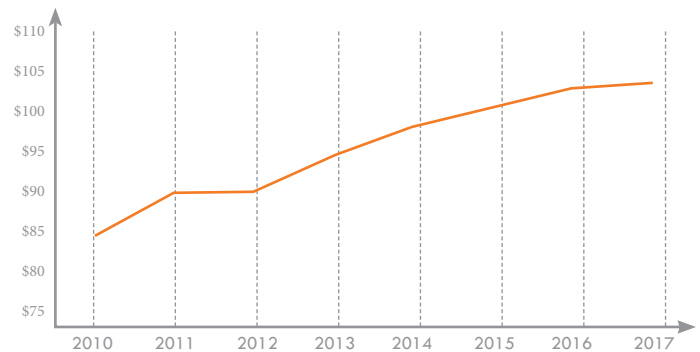
The MSA experienced strong job growth in 2016 and early 2017, and recent industrial recruitment alone will add more than 250 jobs to Burke County over the next five years. Nearby data centers for large tech companies, including Google, Apple, and Facebook, are recruiting a new skilled tech workforce to the area.

The MSA has begun to attract high-skill industries that will enhance the employment base and raise wages in the coming years.

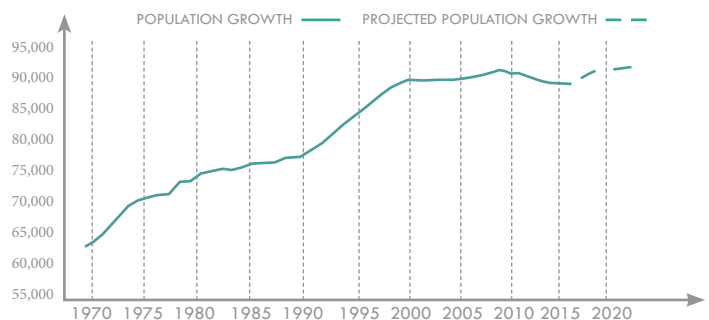
CONNECTED TO HISTORY, PREPARED FOR THE FUTURE

Historic downtown Morganton is seeing this renewed energy in the form of investment in craft breweries and farm-to-table restaurants that attract visitors seeking an authentic culinary experience. The adaptive reuse of several historic commercial buildings has rejuvenated the city’s downtown, which is flourishing with boutique shops, a first-run movie theater, and a performing arts venue with a full slate of Broadway shows and national acts. The repurposed historic Premiere Mill – now an award-winning mixed-use project, home to city hall, event space, and luxury apartments – anchors one corner of downtown and has spurred new investment in surrounding blocks while also contributing to Morganton’s historic character and charm.

VISITOR EXPENDITURES IN BURKE COUNTY (\$ MILLIONS)



BURKE COUNTY POPULATION PROJECTIONS

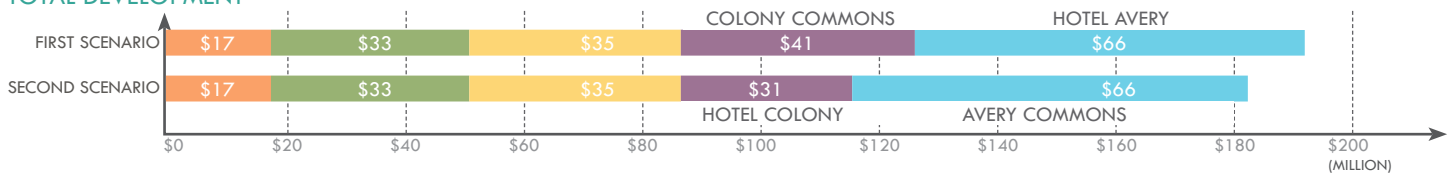


Announced Investments in Burke County in 2018

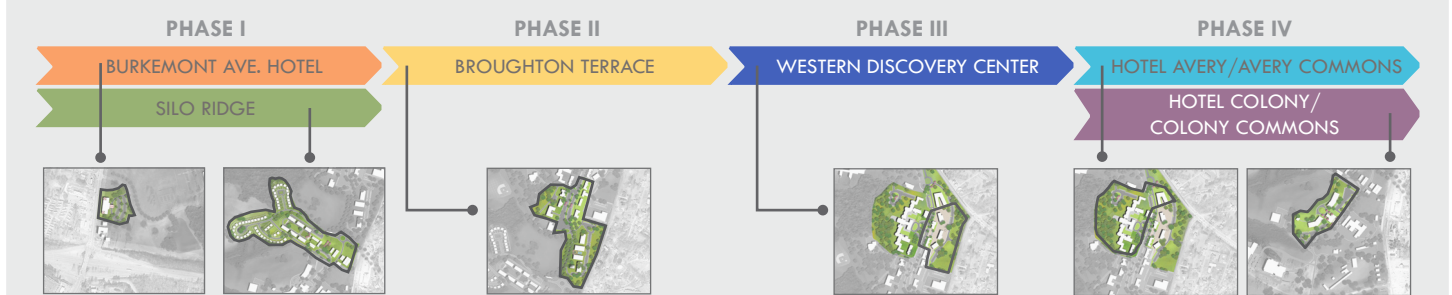
Organization	Job Growth	Investment
Jackson Corrugated, LLC	42	\$11.5 M
ZRODELTA	151	\$34 M
Sunrise Global Marketing	187	\$8 M
Continental	160	\$40 M
VEKA	102	\$18 M
Molded Fiber Glass	20	\$8 M
NC School of Science and Mathematics		\$78 M
Total Investment in Burke County		\$197.5 M



TOTAL DEVELOPMENT



10 - YEAR DEVELOPMENT TIMELINE



BROUGHTON DISTRICT BURKEMONT AVENUE HOTEL

LIMITED - SERVICE HOSPITALITY



VISION STATEMENT

An upscale flag hotel bounds the southwestern corner of the Broughton District, adjacent to the Western Piedmont Community College (WPCC) and in close proximity to the District's many amenities. Guests of the hotel are well-situated to enjoy Morganton's charming downtown and Western North Carolina's exceptional beauty and outdoor recreation opportunities.

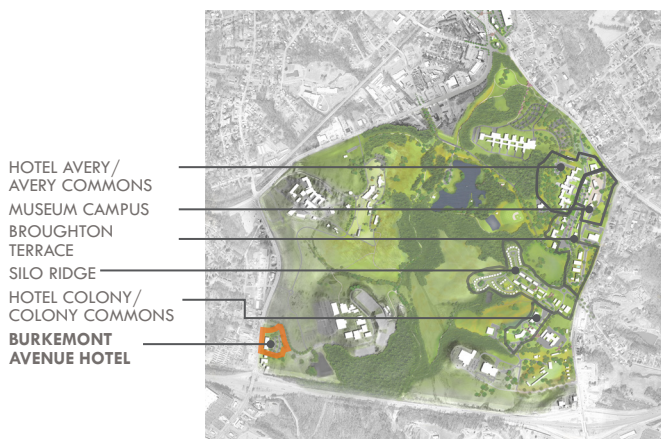
VALUE PROPOSITION

With excellent highway access and visibility, the Burkemont Avenue hotel attracts both passing visitors as well as patrons visiting Morganton for conferences, recreation, and events hosted by the local schools and universities. Beyond its well-appointed rooms, a pool, meeting space and a fitness center, the flag hotel offers first-rate access to the region's numerous draws. The hotel meets an existing shortage of upscale accommodations for corporate gatherings, continuing education courses at WPCC, and local recreational draws including athletic tournaments, and music and art festivals.



PROJECT SCOPE

PROGRAM	
HOTEL ROOMS	120 KEYS
AMENITIES	POOL, FITNESS CENTER (1000 SF), MEETING ROOMS (1500 SF)



OVERALL SITE PLAN

AREA DRAWS

Morganton is situated near I-40, I-26, I-77, and I-85, one hour from both Charlotte, NC and Asheville, NC, positioning it as a convenient option for business and leisure travelers to the mountains from a wide geographic area. The site sees 46,000 automobile trips per day on adjacent routes.¹ Morganton is one of the most convenient destinations from Charlotte that provides access to the recreational amenities of western North Carolina, including the Blue Ridge Mountains, Pisgah National Forest, Linville Gorge and Lake James State Park, which attract visitors from North Carolina and surrounding southeastern states.² Last year, the Blue Ridge Parkway alone generated nearly 16.1 million visitors, 152,000 overnight stays, and 50,000 overnight stays in hotels.³

Burke County has experienced the second largest growth in tourism economic impact and visitor spending in the state in recent years, behind only Buncombe County.⁴ Burke County hosts numerous recreational and cultural opportunities, such as the Annual Historic Morganton Festival, which draws 40,000 attendees;⁵ the Red, White and Bluegrass Festival, drawing 1,000-3,000 attendees; and popular fall foliage tours in October that are correlated with markedly lower vacancy rates and higher revenue per available room (RevPAR) than the annual average for comparable hotel projects.⁶

The City's Parks and Recreation Department oversees extensive recreational facilities that draw regional and statewide visitors including nine baseball and softball fields at Catawba Meadows Park and over four miles of paved trails on the Morganton Greenway System. The local Catawba River Soccer Complex is currently being expanded to attract soccer tournaments that could generate overnight stays in Morganton.⁷

Morganton is also home to several educational institutions that account for over 7,000 students. These institutions will draw families for weekend visits and graduation ceremonies each year.⁸ Additionally, Downtown Morganton, only 1.5 miles from the site, is served by several craft breweries and wineries, as well as an abundance of shops and restaurants that provide a charming small-town feel that makes Morganton an ideal vacation spot in western North Carolina.



TRAILS



HISTORIC MORGANTON FESTIVAL



PARKS



NORTH CAROLINA SCHOOL FOR SCIENCE AND MATH FAMILY DAY

MARKET INDICATORS AND COMPS

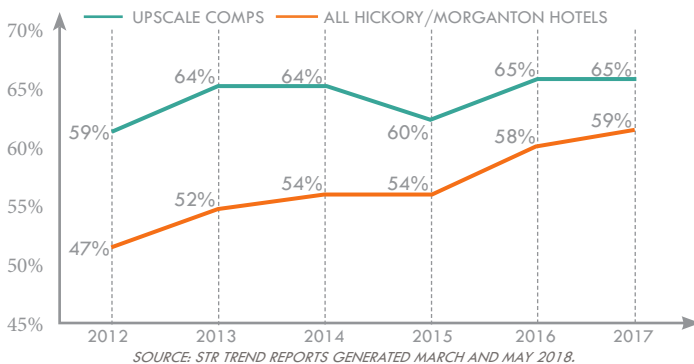
Morganton's numerous area draws result in strong and growing demand for hospitality space, which is demonstrated through growth in comparable projects' occupancy (see Graph 1, below), average daily rate (see Graph 2, below), and revenue per available room (RevPAR). A slight dip in percent occupancy in 2015 reflects the addition of 113 rooms to the upscale market with the opening of the Hilton Garden Inn in Hickory in December 2014. However, overall occupancy actually increased in this time period.⁹

Despite the growth in profitability of hospitality space, the supply of hotel rooms in Morganton and Hickory has been relatively stable over the past several years, growing by only 7% since 2012. There has been no new construction of comparable hospitality offerings in Morganton since February 1999. However, this is not due to lack of demand for upscale accommodations or hospitality space more generally. There is, in fact, evidence of increasing pressure on the current market supply. The only comparable upscale establishment in Morganton, the Hampton Inn, refurbished its location in

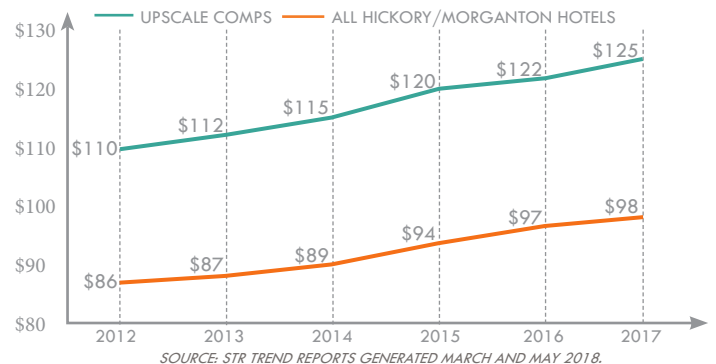
2018. Furthermore, there is evidence to suggest that a current shortage of lodging options is masking additional unmet demand. Western Piedmont Community College leadership notes that demand for 2-to-3-day continuing education courses cannot be met due to inadequate accommodations for such events.¹⁰ Similarly, in 2015, the North Carolina Main Street Conference drew enough attendees to overwhelm the supply of hospitality space in Morganton, and drive conference-goers to private residences, and nearby hospitality offerings in Catawba and McDowell Counties.

As demand for lodging grows and current stock ages, there will be opportunities to develop new hospitality offerings that capture the market pressure for upscale accommodations and amenity space that capitalize on the business and leisure draws to the region. The recent ground-breaking of an 85-key Fairfield Inn & Suites in downtown Morganton is one example of new product that targets this underserved segment.

GRAPH 1: PERCENT OCCUPANCY OF COMPARABLE PROJECTS, 2012 - 2017



GRAPH 2: AVERAGE DAILY RATE (ADR) OF COMPARABLE PROJECTS, 2012 - 2017



BLUE RIDGE PARKWAY



DOWNTOWN MORGANTON



MORGANTON RECREATION



MORGANTON HOTEL

FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources				
	Percent	Per Key	Per GSF	Total
Primary Mortgage Note	65%	\$ 92,665	\$ 297	\$ 11,119,799
Equity	35%	\$ 49,897	\$ 160	\$ 5,987,584
Total Sources		\$ 142,562	\$ 456	\$ 17,107,383

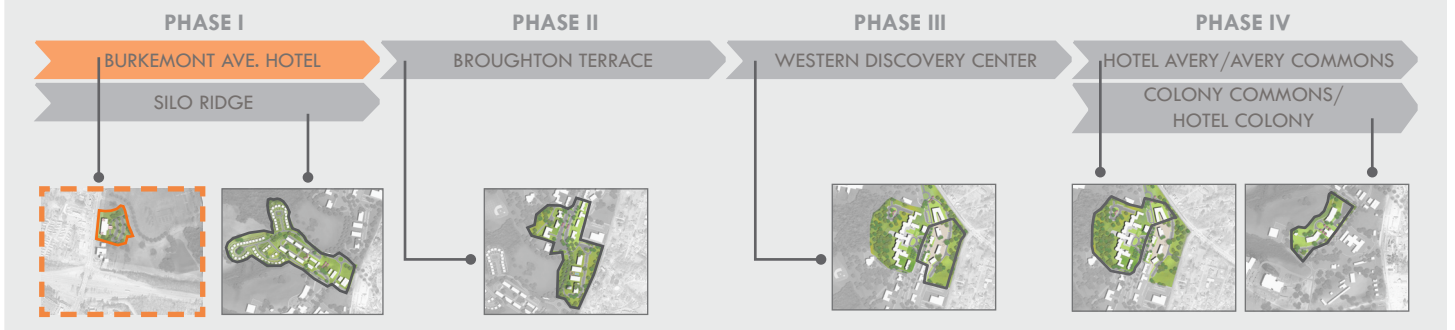
Development Budget				
	Percent	Per Key	Per GSF	Total
Acquisition	3%	\$ 4,333	\$ 14	\$ 520,000
Hard Costs & Contingency	68%	\$ 96,942	\$ 310	\$ 11,633,060
Soft Costs	9%	\$ 12,953	\$ 41	\$ 1,554,323
FF&E & Pre-Opening Costs	20%	\$ 28,333	\$ 91	\$ 3,400,000
Total Development Costs		\$ 142,562	\$ 456	\$ 17,107,383

Project Cost of Capital & Returns	
Rate	6.5%
Amortization	25
Stabilized DSCR (Year 3)	1.70
Yield on Cost (Stabilized Year 3)	9%
Cash-on-Cash (Stabilized Year 3)	11%
Exit Cap Rate	8-8.5%
Equity Multiple (5 Year Hold)	2.0 - 2.2x
Internal Rate of Return (5 Year Hold)	16% - 19%

Development Budget				
	Per Key	Per GSF	Total	
Acquisition Cost	\$ 4,333	\$ 14	\$ 520,000	
Sitework	\$ 9,792	\$ 31	\$ 1,175,000	
Building	\$ 65,000	\$ 208	\$ 7,800,000	
General Conditions	\$ 4,333	\$ 14	\$ 520,000	
Contingency	\$ 4,446	\$ 14	\$ 533,500	
Contractors Fee & Overhead	\$ 6,686	\$ 21	\$ 802,280	
A & E Fee	\$ 6,686	\$ 21	\$ 802,280	
Total Hard Costs	\$ 96,942	\$ 310	\$ 11,633,060	
Total FF&E & Pre-Opening	\$ 28,333	\$ 91	\$ 3,400,000	
Construction Period Taxes	\$ 333	\$ 1	\$ 40,000	
Legal & Accounting Fees	\$ 917	\$ 3	\$ 110,000	
Due Diligence	\$ 371	\$ 1	\$ 44,500	
Financing Cost	\$ 2,317	\$ 7	\$ 277,995	
Loan Carried Interest	\$ 3,313	\$ 11	\$ 397,533	
Developer Fee	\$ 5,702	\$ 18	\$ 684,295	
Total Soft Costs	\$ 12,953	\$ 41	\$ 1,554,323	
Total Development Costs	\$ 142,562	\$ 456	\$ 17,107,383	

Operating Cash Flow					
	Year 1	Year 2	Year 3	Year 4	Year 5
Rooms	120	120	120	120	120
Available Room Nights	43,710	43,710	43,710	43,710	43,710
Occupancy	65%	72%	75%	75%	75%
Average Daily Rate	\$ 135	\$ 140	\$ 146	\$ 152	\$ 158
ADR Rate Escalator	4%	4%	4%	4%	
INCOME STATEMENT					
Departmental Revenues	\$ 4,176,491	\$ 4,796,211	\$ 5,180,160	\$ 5,371,630	\$ 5,570,760
Departmental Expenses	\$ 1,091,002	\$ 1,249,281	\$ 1,345,520	\$ 1,391,473	\$ 1,439,264
Departmental Profit	\$ 3,085,489	\$ 3,546,930	\$ 3,834,640	\$ 3,980,158	\$ 4,131,496
Undistributed Expenses	\$ 1,371,677	\$ 1,556,808	\$ 1,670,862	\$ 1,727,336	\$ 1,786,030
G&A	\$ 313,237	\$ 359,716	\$ 388,512	\$ 402,872	\$ 417,807
Marketing & Sales	\$ 292,354	\$ 335,735	\$ 362,611	\$ 376,014	\$ 389,953
Repairs & Maintenance	\$ 120,000	\$ 123,600	\$ 127,308	\$ 131,127	\$ 135,061
Utilities	\$ 142,350	\$ 157,680	\$ 164,250	\$ 164,250	\$ 164,250
Telecomm	\$ 62,647	\$ 71,943	\$ 77,702	\$ 80,574	\$ 83,561
Franchise Fees	\$ 441,089	\$ 508,134	\$ 550,478	\$ 572,498	\$ 595,398
Gross Operating Profit	\$ 1,713,812	\$ 1,990,122	\$ 2,163,778	\$ 2,252,822	\$ 2,345,466
% of Revenues	41%	41%	42%	42%	42%
Per Occupied Room	\$ 60	\$ 63	\$ 66	\$ 69	\$ 72
Fixed Expenses	\$ 379,860	\$ 398,452	\$ 421,619	\$ 436,891	\$ 452,779
Management Fees	\$ 125,295	\$ 143,886	\$ 155,405	\$ 161,149	\$ 167,123
City of Morganton Taxes	\$ 90,669	\$ 90,669	\$ 95,709	\$ 99,831	\$ 104,120
County of Burke Taxes	\$ 118,896	\$ 118,896	\$ 125,505	\$ 130,911	\$ 136,535
Insurance	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
FF&E Reserve	\$ 83,530	\$ 143,886	\$ 207,206	\$ 214,865	\$ 222,830
NOI (after reserve)	\$ 1,250,422	\$ 1,447,784	\$ 1,534,953	\$ 1,601,066	\$ 1,669,857
% of Revenue	30%	30%	30%	30%	30%
Per Occupied Room	\$ 44	\$ 46	\$ 47	\$ 49	\$ 51
NOI Valuation	\$ 14,710,846	\$ 17,032,756	\$ 18,058,269	\$ 18,836,070	\$ 19,645,375
Debt Service	\$ 811,884	\$ 900,980	\$ 900,980	\$ 900,980	\$ 900,980
BTCL from Operations	\$ 438,538	\$ 546,804	\$ 633,973	\$ 700,086	\$ 768,877
DSCR	1.54	1.61	1.70	1.78	1.85
Yield on Cost	7%	8%	9%	9%	10%
Cash on Cash	7%	9%	11%	12%	13%

10 - YEAR DEVELOPMENT TIMELINE



(1) NCDOT AADT Mapping Application.

(2) www.wncvitalityindex.org.

(3) National Park Service Integrated Resource Management Application (IRMA).

(4) The U.S. Travel Association.

(5) Morgantonfest.org.

(6) Comparable projects include hotels within Hickory or Morganton, NC, classified as either "Upper Midscale Class" or "Upscale Class" by STR Global. This comparable set includes the following hotels: Hampton Inn-Hickory; Hilton Garden Inn-Hickory; Courtyard-Hickory; Fairfield Inn & Suites-Hickory; and Hampton Inn-Morganton.

(7) Morganton News Herald.

(8) www.ncssm.edu; www.wpc.edu; U.S. News & World Report.

(9) STR Data indicates that despite decline in percent occupancy, overall occupancy per day actually increased by 44 rooms on average over this time period.

(10) As reported by Hotel and Club Associates of Virginia in a custom report generated 9 September 2015; Morganton News Herald.



VISION STATEMENT

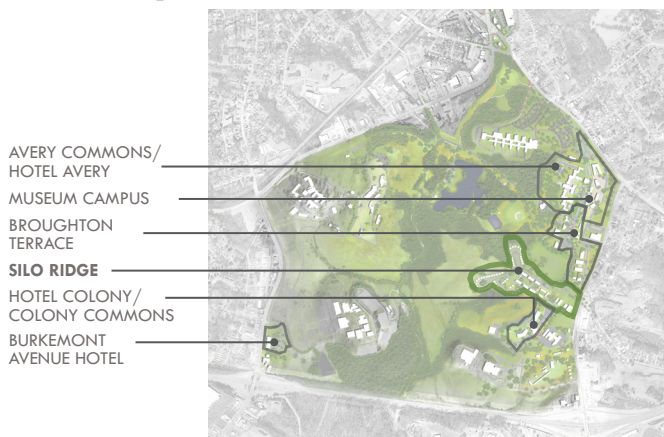
The Silo Ridge village adaptively reuses the iconic Silo Barn and other historic agrarian structures in the Broughton District as a destination for artisan retail and an anchor to complement new construction of a for-sale residential community of townhomes and single-family homes. The village sits along a high ridge on the District trail system that puts Western Piedmont Community College, NC School of Science and Mathematics, and downtown Morganton within walking and biking distance of these homes and shops.

VALUE PROPOSITION

As a horizontally mixed-use community, the Silo Ridge village leverages the authenticity of historic barns to create a retail destination that will add value to a diversity of new-construction home types. Coordinated development of the 45,000 SF of retail and 29 townhomes as the initial phase will allow the Village to generate brand awareness and pre-sales momentum for the build-out of a subdivision of 52 single-family homes. In a tight local housing market with significant recent job creation and an old housing stock, Silo Ridge will represent a premium product to help catalyze the Broughton District master plan.



PROJECT SCOPE



OVERALL SITE PLAN

PROGRAM	
TOWNHOMES	29 UNITS (1,500 SF/UNIT)
SINGLE FAMILY	52 HOMES (2,500 SF/EACH)
COMMERCIAL	45,300 SF

PRODUCT DESCRIPTION

The Silo Ridge village is a mix of newly constructed residential homes anchored to a cluster of shops built inside and around the historic Silo Barn. Residents live in either a 3-bedroom townhome (29 units in 6 blocks, avg. unit size 1500 SF) immediately adjacent to the Silo Barn, or in nearby 3- or 4-bedroom single-family homes (52 units, avg. size 2500 SF) gently stretching further into the pastoral setting. Homes and townhomes are clad in painted lap siding with brick accents, shaded porches, traditional double-hung windows, and gabled shingle roofs. Approaching through a landscaped brick plaza, village residents enter Silo Barn Market under its iconic spired double silos, strolling through what was once a historic livestock barn, past retail stands of fresh local produce, honey, cut flowers, and crafts. Skylights wash the market with natural light, illuminating exposed roof rafters and red brick masonry walls. At the end of the market is an attached two-story brick and wood-plank barn, as well as a cluster of other warehouses that have been adaptively reused as a coffee shop, tap room, art gallery, and other assorted destination retail.



TRAILS



PARKS



BLUE RIDGE PARKWAY

AREA DRAWS

The City of Morganton offers a home for young professionals, families with children, and empty-nesters seeking a stimulating, yet affordable place to work and live. The City will host nearly 400 of the 900 new jobs projected over the next several years in Burke County. The public school district was recently ranked among the top 15 school districts in the State (out of 116 districts total).¹ Morganton attracts outdoor enthusiasts given its local recreational assets including golf courses, walking trails, athletic fields and a community greenway, as well as its easy access to national draws including Linville Gorge, Lake James, and Pisgah National Forest. Morganton's downtown has maintained a charming, small-town feel through preservation of its historic architecture, while also hosting the modern amenities of a larger city, including a first-run movie theater and a performing arts venue. There have been numerous examples of successful adaptive reuses of historic buildings into new craft breweries, farm-to-table restaurants and shops that have rejuvenated the downtown and made Morganton akin to popular Western North Carolina cities like Asheville.



HISTORIC MORGANTON FESTIVAL



NCSSM FAMILY DAY



DOWNTOWN MORGANTON

MARKET INDICATORS AND COMPS

The Hickory-Lenoir-Morganton Metropolitan Statistical Area (MSA) is experiencing rising pressure on the local housing stock as a result of a growing economy, with a 4% increase in employment since 2015 and an unemployment rate below the state average in the last two years.² The MSA as a housing unit development of any MSA in the state (see Chart 1).³ However, it also has the largest percentage of its housing stock built before 1980 of any MSA in the State, and the lowest percentage built since 2000 (see Chart 2).⁴

The City of Morganton will see a widening gap between housing demand and supply. In the last three years (2015-2017), Morganton issued building permits for an average of 69 new housing units per year.⁵ Meanwhile, even as the median home value is rapidly rising,⁶ Burke County is projected to add 690 households (60% owner-occupied, 40% renter-occupied) between 2017 and 2022, an average of 138 per year.⁷ An aging housing stock and a low inventory of available homes for sale make the market ripe for new supply. Nearly 58% of owner-occupied housing in the City was built prior to 1970. Less than 9% of owner-occupied houses were built since 2000, compared to the State average of 26%. Among recent home sales, the median price for a home in the City is 5-7% more than the median sale price for a comparable home (bedroom/bath count) in the County, despite an older average year built. Only 1% of the for-sale housing stock in the entire County is for sale.⁸

New single-family and for-sale multi-family housing can attract a wide variety of buyers, including community professionals (such as teachers at NCSSM, NCSD, and WPCC), visiting physicians and interns at Carolinas Healthcare System – Blue Ridge or Broughton Hospital, the emerging tech workforce that will expand with the coming of Google, Facebook and Apple data centers to the region, and employees of manufacturing industries, which have experienced recent growth. One-third of all homeowners in the County are earning between \$35,000 and \$74,999; however, owner-occupied households earning \$75,000 or more annually are projected to be the income bracket growing the most in the County between 2017 and 2022. Given these growth projections, the deepest segment of the for-sale market is anticipated to be for households earning \$85,000 or more, looking for homes priced at \$300,000 or more. The next deepest segment is for households earning \$60,000-\$84,999 looking for homes priced between \$200,000 and \$299,999.⁹

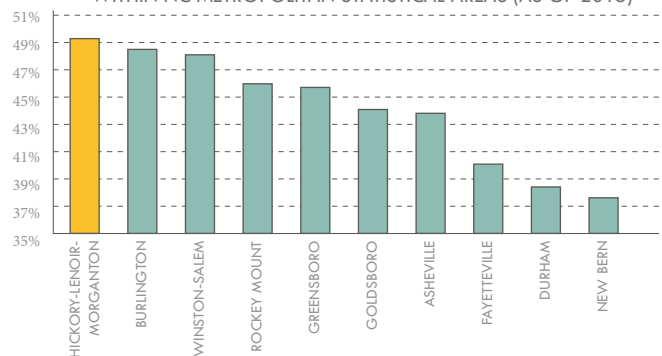
BURKE COUNTY – HOMES BUILT SINCE 2010	UNITS	PRICING
HOMES SOLD JAN. 2014-JAN. 2018	74 SALES	RANGE: \$26,100-\$656,000 MEDIAN: \$185,500
HOMES LISTED FOR SALE AS OF JAN. 2018	20 LISTINGS	RANGE: \$59,900-\$1,150,000 MEDIAN: \$279,450 MEDIAN \$/SF: \$165

SOURCE: BURKE COUNTY PRELIMINARY HOUSING NEEDS ASSESSMENT

CHART 1: EMPLOYMENT CHANGE PER NEW HOUSING UNIT WITHIN NC METROPOLITAN STATISTICAL AREAS, 2014-2016



CHART 2: PERCENTAGE OF HOUSING BUILT BEFORE 1980 WITHIN NC METROPOLITAN STATISTICAL AREAS (AS OF 2015)



CASE STUDY

FEARRINGTON VILLAGE

- Location: Chatham County, NC
- Population: 69,000
- Program: Approx. 1,400 residential units within a mixed-use artisan retail community
- Completion Date: 2016
- Former Land Use: Dairy Farm
- Overview: Fearrington Village is anchored by an artisan retail village offering fine dining opportunities and boutique shopping in a rustic setting. The village was adapted from a family farm dating back to 1925, and its historic elements have been preserved and integrated with new construction and modern amenities to create a charming and unique village center.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

RESIDENTIAL

Development Budget					Permanent Capital Sources					Pricing and Timing				
	Percent	Per Unit	Per GSF	Total		Percent	Per Unit	Per GSF	Total	Product (Phase)	Units	Avg. SF	Avg. Unit Price	Project Month
Acquisition	1%	15,907	\$ 7	\$ 1,288,500	Presales Deposits - Townhomes	1%	2,153	\$ 1	\$ 174,375	Townhomes	29	1,500	\$232,500	27
Hard Costs - Townhomes	24%	58,128	\$ 27	\$ 4,708,382	Construction Loan - Townhomes	19%	46,503	\$ 22	\$ 3,766,706	Single-Family (1)	16	2,500	\$325,000	30
Hard Costs - Single-family	65%	158,407	\$ 74	\$12,831,000	Developer Equity	26%	62,345	\$ 29	\$ 5,049,951	Single-Family (2)	18	2,500	\$337,500	36
Soft Costs	5%	11,799	\$ 6	\$ 955,749	Single-Family Buyer Financing	55%	133,242	\$ 62	\$ 10,792,600	Single-Family (3)	18	2,500	\$350,000	42
Total Development Costs		244,242	\$ 114	\$19,783,631	Total Sources		\$ 244,242	\$ 114	\$ 19,783,631					

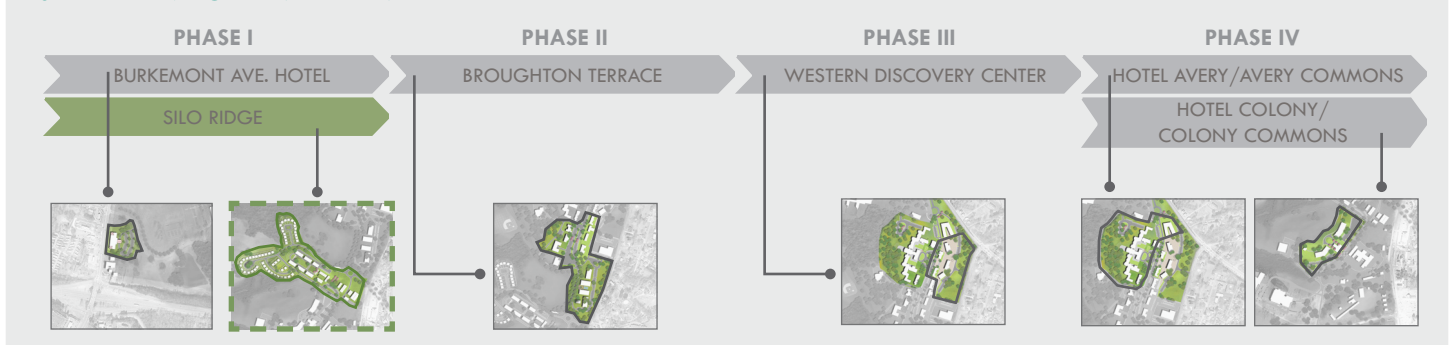
COMMERCIAL

Development Budget				Commercial Operating Cash Flow						
	Percent	Per GSF	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Acquisition	4%	\$ 12	\$ 555,750	Gross Revenues (NNN)	\$ 815,400	\$ 839,862	\$ 865,058	\$ 891,010	\$ 917,740	\$ 945,272
Hard Costs & Contingency	79%	\$ 235	\$ 10,642,461		\$ 18	\$ 19	\$ 19	\$ 20	\$ 20	\$ 21
Soft Costs	17%	\$ 51	\$ 2,296,616		41%	10%	10%	10%	10%	10%
Total Development Costs		\$ 298	\$ 13,494,826	Vacancy (%)	\$ 18	\$ 19	\$ 19	\$ 20	\$ 20	\$ 21
				Vacancy (\$)	\$ (335,250)	\$ (83,986)	\$ (86,506)	\$ (89,101)	\$ (91,774)	\$ (94,527)
				Gross Effective Income	\$ 480,150	\$ 755,876	\$ 778,552	\$ 801,909	\$ 825,966	\$ 850,745
				Operating Expenses	\$ 14,405	\$ 22,676	\$ 23,357	\$ 24,057	\$ 24,779	\$ 25,522
				NOI	\$ 465,746	\$ 733,200	\$ 755,196	\$ 777,851	\$ 801,187	\$ 825,223
					\$ 10	\$ 16	\$ 17	\$ 17	\$ 18	\$ 18
				NOI Valuation	\$5,821,819	\$9,164,994	\$9,439,944	\$9,723,142	\$10,014,836	\$10,315,282
				Total Ownership Expenses	\$ (465,746)	\$ (530,239)	\$ (619,793)	\$ (630,180)	\$ (630,180)	\$ (630,180)
				Before Tax Cash Flow with Reserve	\$ 103,459	\$ 202,961	\$ 135,403	\$ 147,671	\$ 171,007	\$ 195,043

TOTAL PROJECT RETURNS

Project Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Residential							
Equity Contributed	\$ (4,140,551)	\$ (909,400)	\$ -	\$ -	\$ -	\$ -	\$ -
Before Tax Cash Flow from Sale - Townhomes	\$ -	\$ -	\$ 4,346,367	\$ -	\$ -	\$ -	\$ -
Before Tax Cash Flow from Sale - Single-Family	\$ -	\$ -	\$ 1,007,200	\$ 2,900,700	\$ -	\$ -	\$ -
Total Cash Flows	\$ (4,140,551)	\$ (909,400)	\$ 5,353,567	\$ 2,900,700	\$ -	\$ -	\$ -
Commercial							
Equity Contributed	\$ (2,602,546)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Before Tax Cash Flow from Operations	\$ -	\$ 103,459	\$ 202,961	\$ 135,403	\$ 147,671	\$ 171,007	\$ 195,043
Before Tax Cash Flow from Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,843,901
Total Cash Flows	\$ (2,602,546)	\$ 103,459	\$ 202,961	\$ 135,403	\$ 147,671	\$ 171,007	\$ 3,038,943
Master Development Cash Flows	\$ (6,743,097)	\$ (805,940)	\$ 5,556,528	\$ 3,036,103	\$ 147,671	\$ 171,007	\$ 3,038,943
IRR	16%						
Equity Multiple	1.6x						

10 - YEAR DEVELOPMENT TIMELINE



- (1) 2019 Best School Districts in North Carolina, Niche.com.
- (2) Burke County Preliminary Housing Needs Assessment.
- (3) 2017 "Burke County Housing Profile" Presentation.
- (4) 2017 "Burke County Housing Profile" Presentation.
- (5) U.S. HUD State of the Cities Data Systems Permit Database.
- (6) Median home value in Burke County is expected to increase by 13% by 2022 according to ESRI Business Analyst.
- (7) Burke County Preliminary Housing Needs Assessment.
- (8) Burke County Preliminary Housing Needs Assessment.
- (9) Burke County Preliminary Housing Needs Assessment.



VISION STATEMENT

Adaptive reuse and new construction multifamily housing forms the southern edge of the Historic Broughton Campus, providing unique living opportunities in a mixed-use community, with close proximity to dining, arts and cultural offerings, educational assets like Western Piedmont Community College and the Western North Carolina Discovery Center, and outdoor recreation with stunning scenery.

VALUE PROPOSITION

Apartments attract young, single professionals and couples without children who seek living arrangements that offer onsite amenities, easy access to recreational and leisure opportunities, and close proximity to education and employment centers. There is an opportunity to capture increasing demand for both rental and for-sale units given the growth of key employers throughout the region, and to capitalize on the low vacancies, stagnant supply and aging stock of current housing options. On-site property management, a clubhouse, and a pool will further set this product apart with its amenities and level of service for residents.



PROJECT SCOPE



OVERALL SITE PLAN

PROGRAM	
HISTORIC ADAPTIVE REUSE	107 UNITS
GARDEN APARTMENTS (NEW CONSTRUCTION)	96 UNITS 153,600 SF

PRODUCT DESCRIPTION

A multifamily apartment community lies just south of the Avery Building, comprised of renovated historic buildings (Bates, Scroggs, Harper and Dining) repurposed as apartments, as well as newly constructed apartment buildings. Following the tree-lined plaza drive to the south, village residents stroll along a boulevard of modest two-to three-story renovated historic masonry hospital wards, while the landscape opens into a block of new garden-style apartment buildings. The historic buildings date from the late 1800s to the mid-1900s, reflect Classical, Colonial, and Art Deco styles, and feature red brick, concrete inlay and glass block details, gables, and slate roofs. The two- to three-story nature of the historic and new buildings provides a residential and human scale to the community.

AREA DRAWS

The City of Morganton offers an ideal home for young professionals, couples, and single adults seeking a stimulating, yet affordable place to live, that balances career and educational opportunities with top-notch access to outdoor recreation. The City of Morganton already has access to a large population of young adults due to its close proximity to major public universities including Appalachian State University (Boone), Western Carolina University (Cullowhee) and UNC-Asheville (Asheville), as well as institutions within the City boundaries: Western Piedmont Community College (WPCC), North Carolina School for the Deaf, and now, the new western campus of the North Carolina School of Science and Math.

Together, these institutions account for thousands of students receiving specialized and technical training in preparation for well-paying careers in technology, healthcare, and other industries that are represented in the regional job market. The City of Morganton has the opportunity to convert these students to permanent residents given its growing career opportunities, recreational and cultural assets, and affordable housing stock.¹

Additionally, Morganton is well-positioned to attract outdoor enthusiasts given its local recreational assets including golf courses, walking trails, athletic fields and a community greenway, as well as its easy access to national draws including Linville Gorge, Lake James, and Pisgah National Forest. Morganton's downtown has maintained a charming, small-town feel through preservation of its historic architecture, while also hosting the modern amenities of a larger city, including a first-run movie theater and a performing arts venue. There have been numerous examples of successful adaptive reuses of historic buildings into new craft breweries, farm-to-table restaurants and shops that have rejuvenated the downtown and made Morganton akin to popular Western North Carolina cities like Asheville.



HISTORIC MORGANTON FESTIVAL



DOWNTOWN MORGANTON



CRAFT BREWERIES



TRAILS

MARKET INDICATORS AND COMPS

The Hickory-Lenoir-Morganton Metropolitan Statistical Area (MSA) is experiencing a rising pressure on the local housing stock as a result of a growing economy. The MSA has experienced the highest job creation relative to housing unit development of any MSA in the state² (see Chart 1), a result of a stagnant supply of housing. Even as the median home value is rapidly rising, Burke County is projected to add 690 households between 2017 and 2022, approximately 138 new households per year.³ Yet, on average, only 69 new residential units were permitted per year over the past three years (2015-17).⁴ Multifamily residential vacancy rate sits at 2% in Burke County,⁵ and vacancy among stabilized market-rate multifamily properties in the City of Morganton sits at 1.5%.⁶

Compounding the challenges associated with demand growth, are limitations in the supply of multifamily housing in Burke County and the City of Morganton. Nearly 47% of renter-occupied housing and 58% of owner-occupied housing in Burke County was built prior to 1970.⁷ Furthermore, 76% of all multifamily rental product within the county was built prior to 1990. Though overall vacancy in multifamily properties is low, properties built since 1990 are 100% occupied.⁸ Five-year projections estimate the greatest demand for multifamily product for households with incomes above \$45,000, which can support rents of approximately \$1,100 per month.

Specifically, projections indicate demand for 882 new, high-quality, amenitized rental units to support the growth of this income group given the currently-limited supply of high-quality rental product in Burke County.⁹ Finally, there is currently an undersupply of 1-bedroom units in the market. Though 63% of all renter households in the County are 1- and 2-person households, less than 9% of market-rate units surveyed are 1-bedroom units.¹⁰

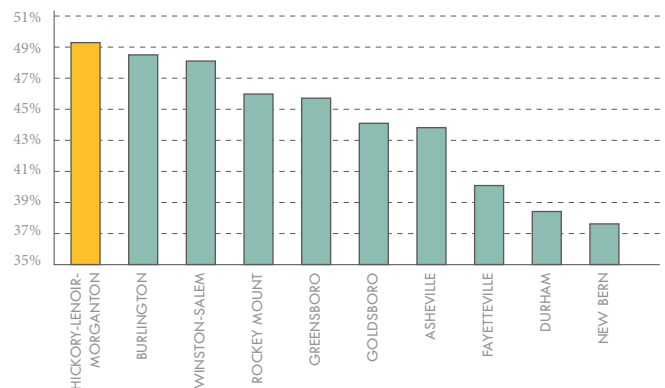
There have been recent efforts to accommodate this demand. Morganton Trading Company—the 2006 adaptive reuse of a former textile mill in downtown—has 43 market-rate 1- and 2-bedroom units. The property currently operates at 100% occupancy with a waiting list. One-bedroom, 1-bath units range in size from 700 SF to 1,185 SF earning rents of \$850 to \$1,000 per month. Two-bedroom, two-bath units range in size from 800 SF to 1,625 SF earning rents of \$950 to \$1,425 per month. Meanwhile, the DuniVent Lofts, a 47-unit market-rate adaptive reuse residential project in downtown Morganton, is under construction and slated to be completed in 2019.

The Broughton District offers an opportunity for developers to capitalize on stagnant supply and aging stock of housing to attract homeowners and renters for both current and projected populations in the Hickory-Lenoir-Morganton MSA.

CHART 1: EMPLOYMENT CHANGE PER NEW HOUSING UNIT WITHIN NC METROPOLITAN STATISTICAL AREAS, 2014-2016



CHART 2: PERCENTAGE OF HOUSING BUILT BEFORE 1980 WITHIN NC METROPOLITAN STATISTICAL AREAS (AS OF 2015)



MORGANTON PARKS



BLUE RIDGE PARKWAY

FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources				
	Percent	Per Unit	Per GSF	Total
Historic Tax Credit Equity	12%	\$ 20,779	\$ 15	\$ 4,218,060
Primary Loan	64%	\$ 109,169	\$ 80	\$ 22,161,364
Seller Note	5%	\$ 7,973	\$ 6	\$ 1,618,500
Equity	19%	\$ 32,182	\$ 24	\$ 6,532,913
Total Sources		\$ 170,103	\$ 125	\$ 34,530,838

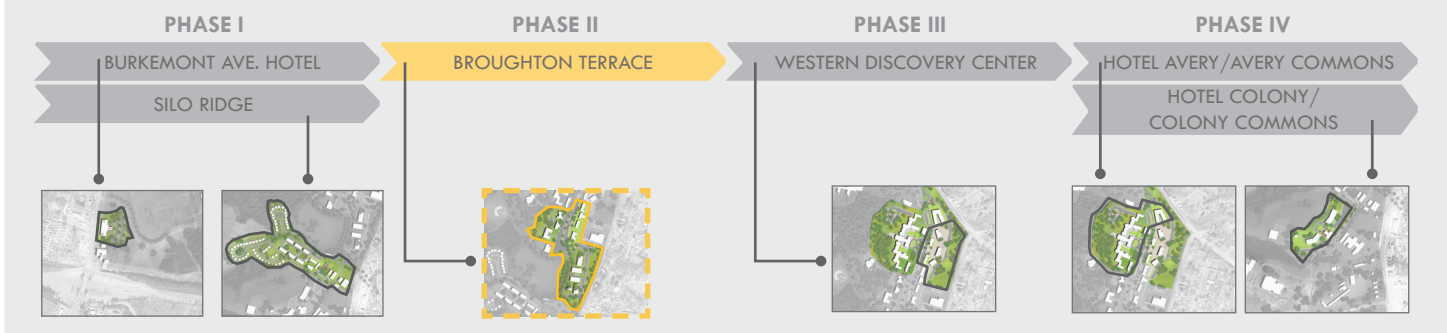
Project Cost of Capital & Returns		
Rate		6%
Amortization		30
Stabilized DSCR (Year 3)	\$	1.25
Yield on Cost (Stabilized Year 3)		6%
Cash-on-Cash (Stabilized Year 3)		5%
Exit Cap Rate	6.25 - 6.75	
Equity Multiple (6 Year Hold)	1.8 - 2.2	
Internal Rate of Return (6 Year Hold)	12% - 16%	

Program and Rent Roll			
Unit Type	Unit Count	Mix	Avg. Unit \$/Month
Efficiency	17	8%	\$ 875
1 bedroom	106	52%	\$ 1,160
2 bedroom	79	39%	\$ 1,440
3 bedroom	1	0%	\$ 1,700
	203		\$1,248 weighted avg.

Development Budget				
	Per Unit	Per GSF	Total	
Acquisition Cost	\$ 7,973	\$ 6	\$ 1,618,500	
HISTORIC APARTMENTS				
Sitework	\$ 10,314	\$ 8	\$ 2,093,750	
Building Renovations	\$ 60,340	\$ 44	\$ 12,248,930	
Contingency	\$ 3,533	\$ 3	\$ 717,134	
Contractors Fee & Overhead	\$ 4,239	\$ 3	\$ 860,561	
A & E Fee	\$ 5,652	\$ 4	\$ 1,147,414	
Total Hard Costs	\$ 84,078	\$ 62	\$ 17,067,790	
Construction Period Taxes	\$ 98	\$ 0	\$ 19,827	
Legal & Accounting Fees	\$ 493	\$ 0	\$ 100,000	
Due Diligence	\$ 246	\$ 0	\$ 50,000	
Bridge Loan Carried Interest	\$ 1,600	\$ 1	\$ 324,706	
Bridge Loan Origination Fee	\$ 415	\$ 0	\$ 84,339	
Total Soft Costs	\$ 2,852	\$ 2	\$ 578,872	
NEW CONSTRUCTION				
Sitework	\$ 6,029	\$ 4	\$ 1,223,800	
New Construction	\$ 84,463	\$ 30	\$ 8,372,000	
General Conditions	\$ 2,562	\$ 2	\$ 520,000	
Contingency	\$ 2,492	\$ 2	\$ 505,790	
Contractors Fee & Overhead	\$ 3,139	\$ 2	\$ 637,295	
A & E Fee	\$ 2,836	\$ 2	\$ 575,748	
Total Hard Costs	\$ 58,299	\$ 43	\$ 11,834,633	
FF&E - Leasing & Club House	\$ 591	\$ 0	\$ 120,000	
Financing Cost	\$ 2,183	\$ 2	\$ 443,227	
Loan Carried Interest	\$ 3,603	\$ 3	\$ 731,325	
Developer Fee	\$ 6,804	\$ 5	\$ 1,381,234	
Operating Reserve	\$ 3,720	\$ 3	\$ 755,257	
Total Soft Costs	\$ 16,902	\$ 12	\$ 3,431,043	
TOTAL DEVELOPMENT COSTS			\$ 34,530,838	

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Gross Revenues	\$ 2,888,400	\$ 2,975,052	\$ 3,064,304	\$ 3,156,233	\$ 3,250,920	\$ 3,348,447
Units	203	203	203	203	203	203
Maximum Monthly Rent	\$ 240,700	\$ 247,921	\$ 255,359	\$ 263,019	\$ 270,910	\$ 279,037
Rent Escalator	3%	3%	3%	3%	3%	3%
Vacancy Allowance	\$ 866,520	\$ 297,505	\$ 153,215	\$ 157,812	\$ 162,546	\$ 167,422
Vacancy Rate	30%	10%	5%	5%	5%	5%
Gross Effective Income	\$ 2,021,880	\$ 2,677,547	\$ 2,911,088	\$ 2,998,421	\$ 3,088,374	\$ 3,181,025
Operating Expenses	\$ 847,910	\$ 898,863	\$ 916,566	\$ 926,367	\$ 936,432	\$ 946,727
Administration	\$ 48,213	\$ 49,177	\$ 50,160	\$ 51,163	\$ 52,187	\$ 53,230
Marketing	\$ 28,928	\$ 29,506	\$ 30,096	\$ 30,698	\$ 31,312	\$ 31,938
Utilities	\$ 78,155	\$ 102,495	\$ 106,110	\$ 106,068	\$ 106,068	\$ 106,068
Repairs & Maintenance	\$ 77,140	\$ 78,683	\$ 80,256	\$ 81,862	\$ 83,499	\$ 85,169
Payroll	\$ 154,280	\$ 157,366	\$ 160,513	\$ 163,723	\$ 166,998	\$ 170,338
Replacement Reserve	\$ 38,570	\$ 39,341	\$ 40,128	\$ 40,931	\$ 41,749	\$ 42,584
Property Insurance	\$ 34,713	\$ 35,407	\$ 36,115	\$ 36,838	\$ 37,574	\$ 38,326
Operating Expense Escalator	2%	2%	2%	2%	2%	2%
Management Fee	\$ 60,656	\$ 80,326	\$ 87,333	\$ 89,953	\$ 92,651	\$ 95,431
City of Morganton Taxes	\$ 156,607	\$ 156,607	\$ 156,607	\$ 156,607	\$ 156,607	\$ 156,607
Burke County Taxes	\$ 205,362	\$ 205,362	\$ 205,362	\$ 205,362	\$ 205,362	\$ 205,362
NOI	\$ 1,173,970	\$ 1,778,684	\$ 1,994,523	\$ 2,072,054	\$ 2,151,941	\$ 2,234,298
% of Revenue	41%	60%	65%	66%	66%	67%
Per Occupied Unit	\$ 8,262	\$ 9,736	\$ 10,342	\$ 10,744	\$ 11,159	\$ 11,586
NOI Valuation	\$ 17,392,143	\$ 26,350,876	\$ 29,548,486	\$ 30,697,096	\$ 31,880,612	\$ 33,100,713
Total Ownership Expenses	\$ (1,412,003)	\$ (1,497,567)	\$ (1,777,884)	\$ (1,777,884)	\$ (1,777,884)	\$ (1,777,884)
BTCLF with Reserve	\$ 353,001	\$ 281,118	\$ 337,516	\$ 337,516	\$ 374,058	\$ 456,414
DSCR	1.25	1.26	1.25	1.25	1.27	1.32
Yield on Cost	3%	5%	6%	6%	6%	6%
Cash on Cash	5%	4%	5%	5%	6%	7%

10 - YEAR DEVELOPMENT TIMELINE



- (1) Burke County Preliminary Housing Needs Assessment.
- (2) 2017 "Burke County Housing Profile" Presentation.
- (3) Median home value in Burke County is expected to increase by 13% by 2022 according to ESRI Business Analyst; Burke County Preliminary Housing Needs Assessment.
- (4) U.S. HUD State of the Cities Data Systems Permit Database.
- (5) Burke County Preliminary Housing Needs Assessment.
- (6) Ibid.
- (7) Ibid.
- (8) Ibid.
- (9) Ibid.
- (10) Ibid.

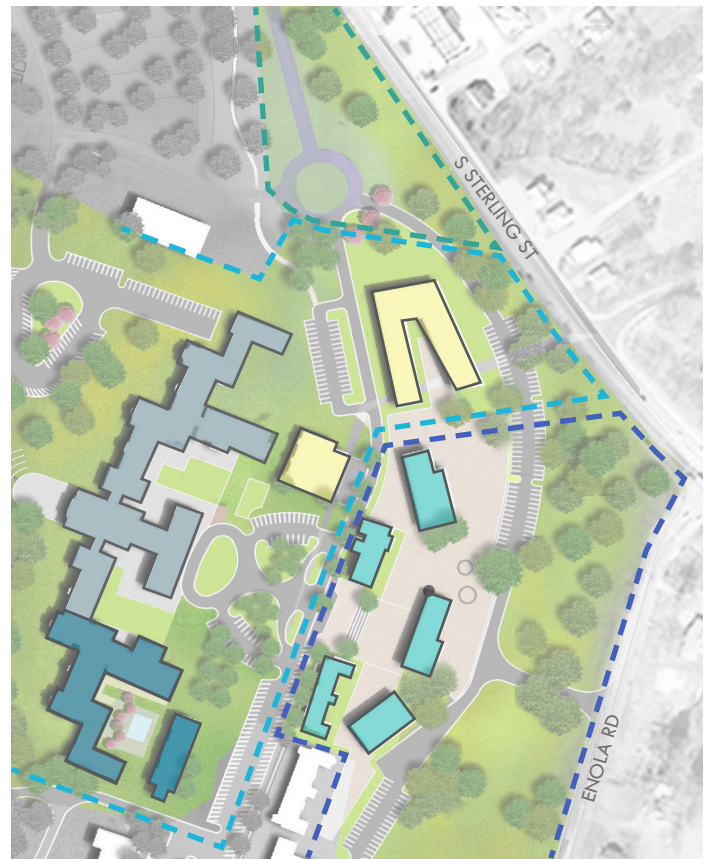


VISION STATEMENT

The Historic Broughton Campus' refurbished Avery building stands as a landmark feature in the District's northeastern corner, housing 53 condominiums and a 118-key boutique hotel adjacent to the Western North Carolina Discovery Center and a thriving restaurant. Visitors and residents alike enjoy historic architecture, striking natural beauty of the site's old-growth trees and rolling hills, and views of the Blue Ridge Mountains while taking advantage of both on-site amenities and nearby recreational draws.

VALUE PROPOSITION

The full-service boutique hotel draws visitors from across the southeast who seek upscale accommodations and a unique experience: a historic building in a bucolic setting with superior access to Morganton's nearby attractions, and corporate or educational events. The boutique hotel includes on-site amenities that meet the needs of its diverse patronage, including meeting space and dining options, which sets the property apart from "flag" hotels in the Hickory-Lenoir-Morganton metro market that demonstrates steady growth in occupancy and average daily rates with little new supply.



PROJECT SCOPE

HOTEL AVERY
MUSEUM CAMPUS
BROUGHTON
TERRACE
SILO RIDGE
COLONY COMMONS
BURKEMONT
AVENUE HOTEL

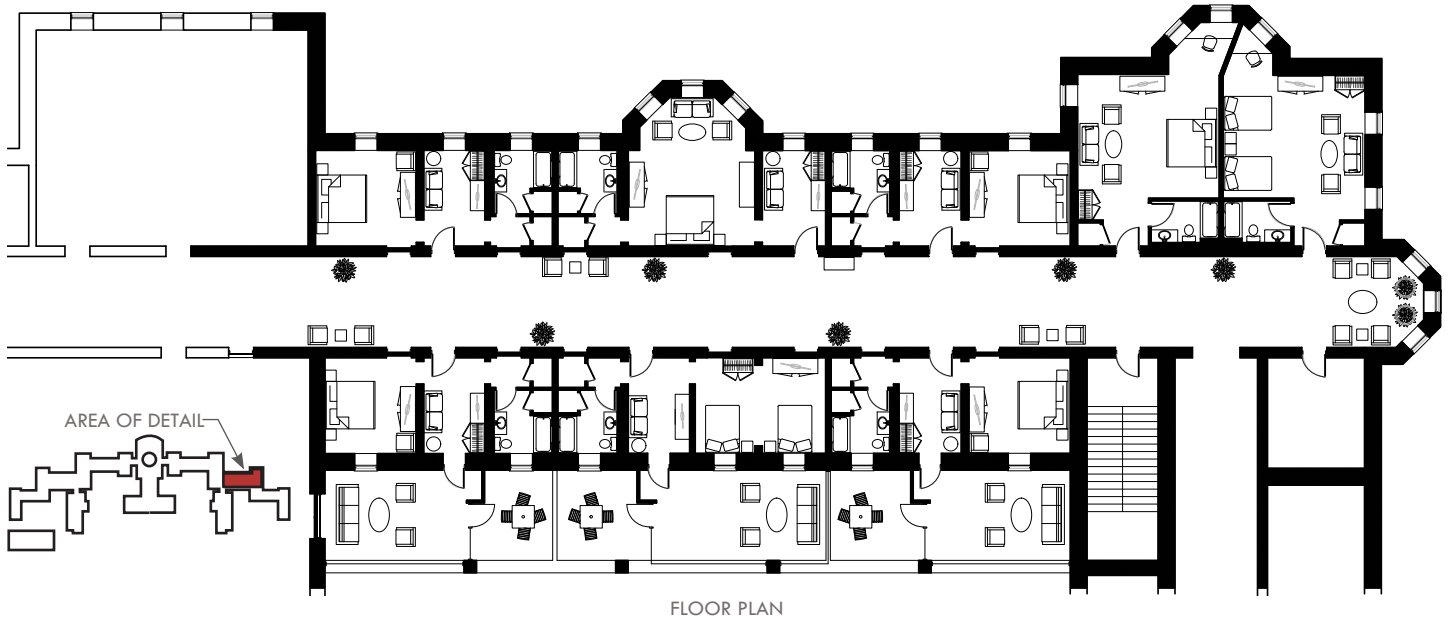


OVERALL SITE PLAN

PROGRAM	
HOTEL	118 KEYS
RESIDENTIAL	45 UNITS (SOUTH AVERY) 8 UNITS (REECE)
COMMERCIAL	40,992 SF
MUSEUM (DISCOVERY CENTER)	51,000 SF

A NEW VISION

HOTEL AVERY



HOTEL ROOM



HOTEL CORRIDOR

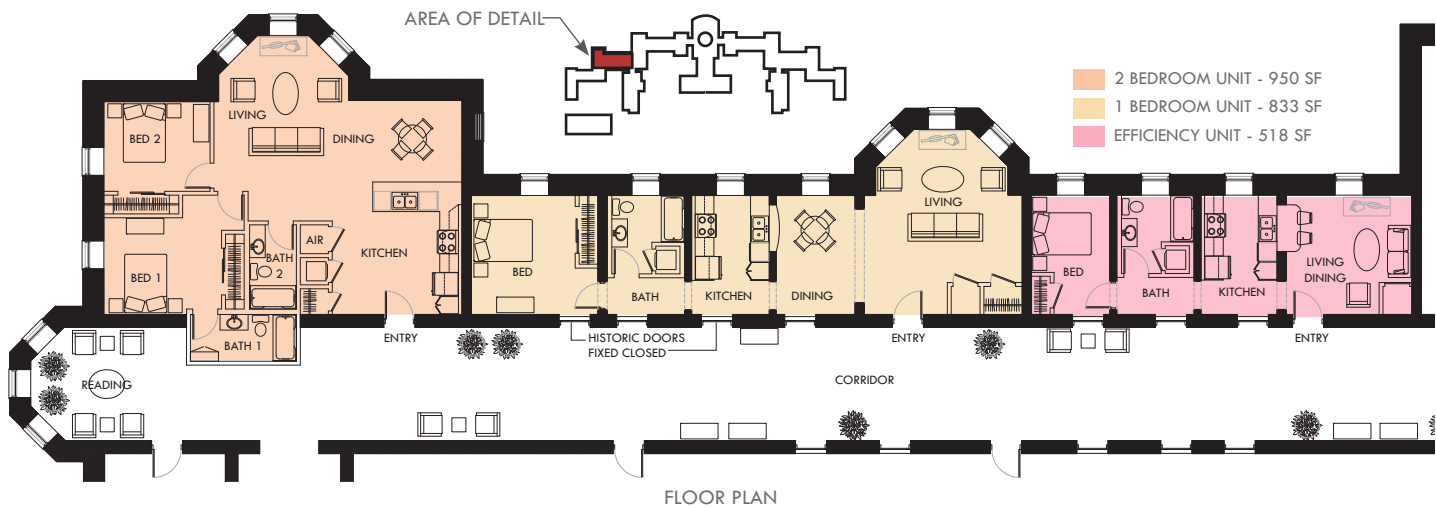
PROJECT DESCRIPTION

A typical Hotel Avery Room greets the guest with a blend of refined historic finishes and warm modern amenities. Rooms are bright and airy with tall historic plaster ceilings, bathed in natural light from tall arch-topped window openings sculpted into historic masonry and plaster walls. Floors are a blend of historic caramel pebble terrazzo and modern warm accent carpets. Baths feature clean, modern fixtures and cabinetry, solid-surface vanity tops, with tile and glass bath surrounds. Furniture is unadorned and modern, coexisting with the room's historic architectural heritage.

A Hotel Avery guest approaches the building from a manicured elliptical drop-off courtyard, entering a 1-story reception and check-in wing. The reception wing is light-filled and airy, with high ceilings and an exposed historic roof structure. Flanking the reception area is a trendy breakfast café, as well as a white tablecloth restaurant offering freshly

prepared meals with locally sourced ingredients. Following a central corridor into the hotel, guests follow a wide corridor with cherry-flecked ivory terrazzo floors and modern-patterned carpet runners. Soft lighting washes the detailed historic plaster walls. Passing secondary corridors to the north and south guestroom wings, guests find themselves in the central tower lobby, adjacent to stairs, elevator, hotel administration, and the Hotel Avery Gift Shop and Gallery. Attached to the north guestroom wing is a 2-story secondary wing containing a large conference center, spa, fitness center, and private conference rooms. For guests interested in taking a refreshing dip on a humid North Carolina summer day, a seasonal outdoor swimming pool is nestled in the landscaped courtyard between the South Wing and the Reece Building, surrounded by Hotel Avery's classical historic masonry facades. Pool-side food and beverage service is available.

AVERY RESIDENCES



Like the Hotel Avery guest rooms, Avery Residences offer a blend of refined historic finishes and warm modern materials in efficiency, 1-bedroom and 2-bedroom rental unit layouts. Kitchens and baths feature clean modern fixtures, appliances, cabinetry, solid-surface counter tops, with tile and glass bath surrounds. Each unit has a stacked washer-dryer closet. Public spaces and corridors are generous in width and ceiling height, with fine plaster walls and terrazzo floors. Sunny nooks and

social foyers in the building’s projections are regularly spaced along the corridors, naturally lit and visually connected to the outside with large window openings. Residents have the opportunity to join a club that provides access to all the hotel amenities, including the pool, spa and fitness center.

WESTERN NC DISCOVERY CENTER

The State’s Department of Natural and Cultural Resources would create a regional Discovery Center museum for the western portion of the state. This ‘Discovery Center’ will focus on the cultural and natural history of the western portion of the state as well as showcase regional fine arts, and learning labs designed as immersive educational environments around natural sciences, history and outdoor learning. The museum buildings will be connected via a plaza that integrates hardscaping and outdoor educational spaces that complement the private uses of Hotel Avery. A 30,000 SF privately developed commercial structure is proposed in this phase that will serve as the gateway piece into the museum and Hotel Avery.

Public Investment		
USE	SF	BUILDING
Permanent Exhibits	9,000	Laundry (Existing)
Fine Arts Gallery and Learning Labs	12,000	Steam Plant (Existing)
Temporary Gallery	4,000	Machine Shop (Existing)
Classrooms	12,484	Saunders (Existing)
Auditorium	14,000	New Construction

WESTERN NC DISCOVERY CENTER EXTERIOR PERSPECTIVE

AREA DRAWS

Morganton is situated near I-40, I-26, I-77, and I-85, one hour from both Charlotte, NC and Asheville, NC, positioning it as a convenient option for corporate events from a wide geographic area. The site sees 46,000 automobile trips per day on adjacent routes. The Historic Broughton Campus itself is located along South Sterling Street, a primary corridor in Morganton's downtown area, that sees an average of 22,000 automobile trips per day, ensuring visibility to the public.¹

Morganton is one of the most convenient destinations from Charlotte that provides access to the recreational amenities of western North Carolina, including the Blue Ridge Mountains, Pisgah National Forest, Linville Gorge and Lake James State Park, which attract visitors from North Carolina and surrounding southeastern states.² Last year, the Blue Ridge Parkway alone generated nearly 16.1 million visitors, 152,000 overnight stays, and 50,000 overnight stays in hotels.³

Burke County has experienced the second largest growth in tourism economic impact and visitor spending in recent years, placing it behind only Buncombe County in the state.⁴ Burke County hosts numerous recreational and cultural opportunities, such as the Annual Historic Morganton

Festival, which draws 40,000 attendees;⁵ the Red, White and Bluegrass Festival, drawing 1,000-3,000 attendees; and popular fall foliage tours in October that are correlated with markedly lower vacancy rates and higher revenue per available room (RevPAR) than the annual average for comparable hotel projects.⁶

The City's Parks and Recreation Department oversees extensive recreational facilities that draw regional and statewide visitors including nine baseball and softball fields at Catawba Meadows Park and over four miles of paved trails on the Morganton Greenway System. The local Catawba River Soccer Complex is currently being expanded to attract soccer tournaments that could generate overnight stays in Morganton.⁷

Morganton is also home to several educational institutions that account for over 7,000 students. These institutions will draw families for weekend visits and graduation ceremonies each year.⁸ Additionally, Downtown Morganton, only 1.5 miles from the site, is served by several craft breweries and wineries, as well as an abundance of shops and restaurants that provide a charming small-town feel that makes Morganton an ideal vacation spot in western North Carolina.



TRAILS



HISTORIC MORGANTON FESTIVAL



PARKS



BLUE RIDGE PARKWAY

(1) NCDOT AADT Mapping Application.

(2) www.wncvitalityindex.org.

(3) National Park Service Integrated Resource Management Application (IRMA).

(4) The U.S. Travel Association.

(5) Morgantonfest.org.

(6) Comparable projects include hotels within Hickory or Morganton, NC, classified as either "Upper Midscale Class" or "Upscale Class" by STR Global. This comparable set includes the following hotels: Hampton Inn-Hickory; Hilton Garden Inn-Hickory; Courtyard-Hickory; Fairfield Inn & Suites-Hickory; and Hampton Inn-Morganton.

(7) Morganton News Herald.

(8) www.ncssm.edu; www.wpcc.edu; U.S. News & World Report.

MARKET INDICATORS AND COMPS

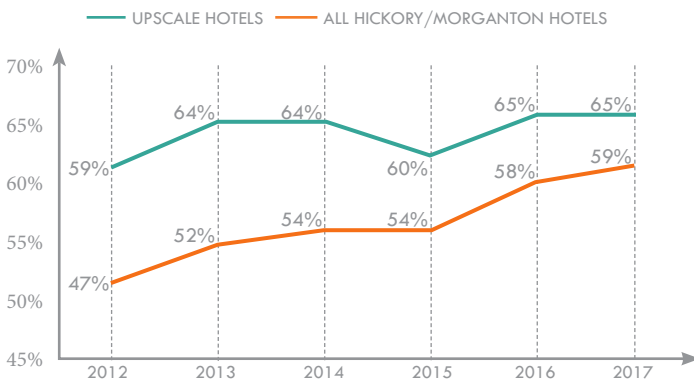
Morganton's numerous area draws result in strong and growing demand for hospitality space, which is demonstrated through growth in comparable projects' occupancy (see graph 1, below), average daily rate (see graph 2, below), and revenue per available room (RevPAR). A slight dip in percent occupancy in 2015 reflects the addition of 113 rooms to the upscale market with the opening of the Hilton Garden Inn in Hickory in December 2014. However, overall occupancy actually increased in this time period.⁹

Despite the growth in profitability of hospitality space, the supply of hotel rooms in Morganton and Hickory has been relatively stable over the past several years, growing by only 7% since 2012. There has been no new construction of comparable hospitality offerings in Morganton since February 1999. However, this is not due to lack of demand for upscale accommodations or hospitality space more generally. In fact, there is evidence of increasing pressure on the supply in the market. The only comparable upscale establishment

in Morganton, the Hampton Inn, refurbished its location in 2018. Furthermore, there is evidence to suggest that a current shortage of lodging options is masking additional unmet demand. Western Piedmont Community College leadership notes that demand for 2-to-3-day continuing education courses cannot be met due to inadequate accommodations for such events.¹⁰ Similarly, in 2015, the North Carolina Main Street Conference drew enough attendees to overwhelm the supply of hospitality space in Morganton, and drive conference-goers to private residences, and nearby hospitality offerings in Catawba and McDowell Counties.

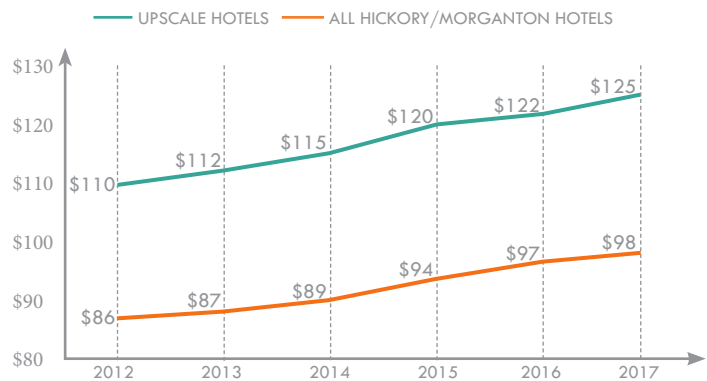
As demand for lodging grows and current stock ages, there will be opportunities to develop new hospitality offerings that capture the market for upscale accommodations and amenity space that capitalize on the business and leisure draws to the region. The recent ground-breaking of an 85-key Fairfield Inn & Suites in downtown Morganton is one example of new product that targets this underserved segment.

GRAPH 1: PERCENT OCCUPANCY OF LOCAL HOTELS 2012 - 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.

GRAPH 2: AVERAGE DAILY RATE (ADR) OF LOCAL HOTELS 2012 - 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.

CASE STUDY

HOTEL HENRY

- Location: Buffalo, NY
- Population: 259,000
- Size: 88 Rooms; the first phase of the Richardson Olmsted adaptive reuse project
- Completion Date: 2016
- Former Land Use: Buffalo Psychiatric Center
- Overview: The former Kirkbride-style Buffalo Psychiatric Hospital is repurposed as the Richardson Olmsted Campus--home to anchor tenant Hotel Henry, which features upscale accommodations, conference and event spaces, and a farm-to-table restaurant. The Lipsey Buffalo Architecture Center Museum is scheduled to move into the complex by the end of 2018.



(9) STR Data indicates that despite decline in percent occupancy, overall occupancy per day actually increased by 44 rooms on average over this time period.

(10) As reported by Hotel and Club Associates of Virginia in a custom report generated 9 September 2015; Morganton News Herald.

FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

HOTEL AVERY

Permanent Capital Sources				
	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	18%	\$ 67,432	\$ 32	\$7,956,978
Primary Loan	57%	\$ 210,308	\$ 99	\$ 24,816,353
Equity	25%	\$ 91,724	\$ 43	\$ 10,823,442
Total Sources		\$ 369,464	\$ 174	\$ 43,596,774

Project Cost of Capital & Returns	
Rate	6.5%
Amortization	25
Stabilized DSCR (Year 3)	1.67
Yield on Cost (Stabilized Year 3)	7.8%
Cash-on-Cash (Stabilized Year 3)	11.2%
Exit Cap Rate	8 - 8.5%
Equity Multiple (6 Year Hold)	2.7 - 2.9x
Internal Rate of Return (6 Year Hold)	20% - 22%

Development Budget				
	Per Key	Per GSF		Total
Acquisition Cost	\$ 13,642	\$ 6	\$	\$ 1,609,697
Sitework	\$ 17,088	\$ 8	\$	\$ 2,016,369
Building Renovations & TI	\$ 193,768	\$ 129	\$	\$ 22,864,600
General Conditions	\$ 9,113	\$ 4	\$	\$ 1,234,759
Contingency	\$ 10,631	\$ 5	\$	\$ 1,453,670
A & E Fee			\$	\$ 1,990,478
Contractors Fee and Overhead	\$ 14,896	\$ 7	\$	\$ 1,996,804
Total Hard Costs	\$ 225,895	\$ 106	\$	\$ 31,556,680
Total FF&E and Pre-Opening	\$ 50,890	\$ 24	\$	\$ 6,305,000
Construction Period Taxes	\$ 84	\$ 0	\$	\$ 9,859
Legal & Accounting Fees	\$ 932	\$ 0	\$	\$ 110,000
Due Diligence	\$ 377	\$ 0	\$	\$ 44,500
Financing Cost	\$ 4,732	\$ 2	\$	\$ 558,368
Loan Carried Interest	\$ 7,519	\$ 4	\$	\$ 887,185
Bridge Loan Carried Interest	\$ 5,191	\$ 2	\$	\$ 612,518
Bridge Loan Origination Fee	\$ 1,348	\$ 1	\$	\$ 159,096
Developer Fee	\$ 12,942	\$ 6	\$	\$ 1,743,871
Total Soft Costs	\$ 33,124	\$ 16	\$	\$ 4,125,396
Total Development Costs	\$ 323,551	\$ 152	\$	\$ 43,596,774

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	118	118	118	118	118	118
Occupancy	65%	72%	75%	75%	75%	75%
Average Daily Rate	\$ 225	\$ 234	\$ 243	\$ 253	\$ 263	\$ 274
ADR Rate Escalator	4%	4%	4%	4%	4%	

INCOME STATEMENT

Departmental Revenues	\$ 8,740,922	\$ 9,937,098	\$ 10,643,713	\$ 10,957,513	\$ 11,283,864	\$ 11,623,269
Rooms	\$ 6,286,044	\$ 7,241,523	\$ 7,844,983	\$ 8,158,783	\$ 8,485,134	\$ 8,824,539
Spa	\$ 698,449	\$ 773,667	\$ 805,903	\$ 805,903	\$ 805,903	\$ 805,903
Food and Beverage	\$ 1,536,589	\$ 1,702,067	\$ 1,772,987	\$ 1,772,987	\$ 1,772,987	\$ 1,772,987
Marsh Restaurant Rent	\$ 219,840	\$ 219,840	\$ 219,840	\$ 219,840	\$ 219,840	\$ 219,840
Departmental Expenses	\$ 3,116,893	\$ 3,518,457	\$ 3,737,108	\$ 3,812,420	\$ 3,890,744	\$ 3,972,201
Departmental Profit	\$ 5,624,029	\$ 6,418,641	\$ 6,906,606	\$ 7,145,093	\$ 7,393,120	\$ 7,651,068
Undistributed Expenses	\$ 2,801,398	\$ 2,312,040	\$ 2,450,379	\$ 2,513,318	\$ 2,578,647	\$ 2,646,458
Gross Operating Profit	\$ 2,822,631	\$ 4,106,601	\$ 4,456,226	\$ 4,631,775	\$ 4,814,473	\$ 5,004,610
% of Revenues	32%	41%	42%	42%	43%	43%
Per Occupied Room	\$ 101	\$ 133	\$ 138	\$ 144	\$ 149	\$ 155
Fixed Expenses	\$ 571,572	\$ 607,457	\$ 628,655	\$ 638,069	\$ 647,860	\$ 658,042
Management Fees	\$ 262,228	\$ 298,113	\$ 319,311	\$ 328,725	\$ 338,516	\$ 348,698
City of Morganton Taxes	\$ 87,891	\$ 87,891	\$ 87,891	\$ 87,891	\$ 87,891	\$ 87,891
Burke County Taxes	\$ 115,253	\$ 115,253	\$ 115,253	\$ 115,253	\$ 115,253	\$ 115,253
Insurance	\$ 106,200	\$ 106,200	\$ 106,200	\$ 106,200	\$ 106,200	\$ 106,200
FF&E Reserve	\$ 174,818	\$ 298,113	\$ 425,749	\$ 438,301	\$ 451,355	\$ 464,931
NOI	\$ 2,076,241	\$ 3,201,031	\$ 3,401,822	\$ 3,555,405	\$ 3,715,259	\$ 3,881,638
% of Revenue	24%	32%	32%	32%	33%	33%
Per Occupied Room	\$ 74	\$ 103	\$ 106	\$ 110	\$ 115	\$ 120
NOI Valuation	\$ 24,426,367	\$ 37,659,193	\$ 40,021,441	\$ 41,828,298	\$ 43,708,927	\$ 45,666,324
Total Ownership Expenses	\$ (1,729,523)	\$ (1,772,203)	\$ (2,193,621)	\$ (2,193,621)	\$ (2,193,621)	\$ (2,193,621)
BTCF from Operations	\$ 346,718	\$ 1,428,829	\$ 1,208,202	\$ 1,361,784	\$ 1,521,638	\$ 1,688,017
DSCR	1.29	1.98	1.67	1.75	1.83	1.91
Yield on Cost	5%	7%	8%	8%	9%	9%
Cash on Cash	3%	13%	11%	13%	14%	16%

AVERY RESIDENCES

Permanent Capital Sources				
	Percent	Per Unit	Per GSF	Total
Historic Tax Credit Equity	24%	\$ 69,152	\$ 30	\$ 3,665,052
Primary Loan	55%	\$ 161,038	\$ 69	\$ 8,535,004
Equity	21%	\$ 62,272	\$ 27	\$ 3,300,390
Total Sources		\$ 292,461	\$ 126	\$ 15,500,445

Development Budget				
	Per Unit	Per GSF		Total
Acquisition	\$ 8,139	\$ 4	\$	\$ 431,393
Hard Costs & Contingency	\$ 251,354	\$ 108	\$	\$ 13,321,750
Soft Costs	\$ 32,968	\$ 14	\$	\$ 1,747,303
TOTAL DEVELOPMENT COSTS	\$ 292,461	\$ 126	\$	\$ 15,500,445

Rent Roll			
Unit Type	Unit Count	Mix	Avg. Unit \$/Month
Efficiency	3	6%	\$ 850
1 bedroom	20	38%	\$ 1,250
2 bedroom	30	57%	\$ 1,600
	53		\$1,425 weighted avg.

TOTAL PROJECT RETURNS

Master Development Cash Flows							
Project Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Hotel							
Equity Contributed	\$(10,823,442)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Before Tax Cash Flow from Sale - T	\$ -	\$ 346,718	\$ 1,428,829	\$ 1,208,202	\$ 1,361,784	\$ 1,521,638	\$ 1,688,017
Before Tax Cash Flow from Sale - S	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,399,188
Total Cash Flows	\$(10,823,442)	\$ 346,718	\$ 1,428,829	\$ 1,208,202	\$ 1,361,784	\$ 1,521,638	\$ 23,087,205
Residential							
Equity Contributed	\$ (3,300,390)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Before Tax Cash Flow from Operati	\$ -	\$ 128,025	\$ 109,466	\$ 80,673	\$ 100,346	\$ 127,740	\$ 155,970
Before Tax Cash Flow from Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,171,824
Total Cash Flows	\$ (3,300,390)	\$ 128,025	\$ 109,466	\$ 80,673	\$ 100,346	\$ 127,740	\$ 4,327,793
Master Development Cash Flows	\$(14,123,833)	\$ 474,743	\$ 1,538,295	\$ 1,288,874	\$ 1,462,130	\$ 1,649,378	\$ 27,414,998

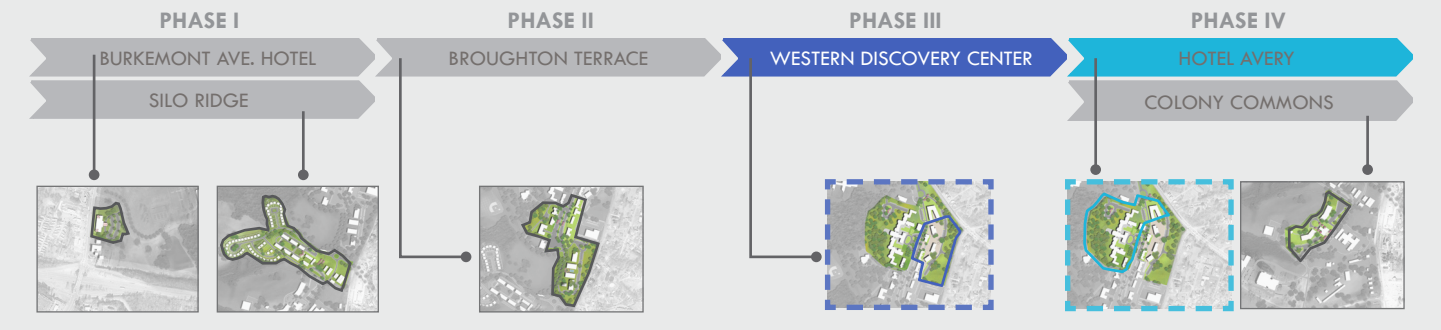
IRR

18%

Equity Multiple

2.4

10 - YEAR DEVELOPMENT TIMELINE





VISION STATEMENT

An active adult community anchors the District's southeastern corner adjacent to new residential development and destination retail housed in adaptively reused barn structures. Residents enjoy the historic architecture of the Colony building, the surrounding community, and the natural beauty of the site's flourishing old-growth trees and Blue Ridge Mountain vistas. The larger District offers on-site amenities connected by a walkable greenway, as well as close proximity to local arts and cultural opportunities, extensive recreational assets, and support services that allow residents to age in place.

VALUE PROPOSITION

The property draws active seniors who seek to live in a stimulating yet small-town setting. Morganton's extensive senior-friendly leisure activities and specialized healthcare infrastructure will entice retirees from across western North Carolina and Charlotte. Local and regional growth in the 75 years+ household demographic coupled with an undersupply of age-restricted housing with amenities tailored to the active segment of this renter population create an opening in the market for a quality development.



PROJECT SCOPE

PROGRAM	
NEW CONSTRUCTION	144 UNITS
RECEPTION AND AMENITY (COLONY BUILDING)	19,040 SF
SPA	2,080 SF



PROJECT DESCRIPTION

Colony Commons is an active adult community anchored around the historic Colony Building and Abattoir. Located behind and flanking the Colony Building, two newly constructed 3-story apartment buildings provide modern living environments, pastoral views across the campus, as well as the conveniences that come with urban density. Visually subordinate to the historic Colony Building, the apartment blocks provide a backdrop of modern-traditional architecture, clad with painted lap siding, smooth stucco panels and brick accents, and low slope shingled roofs with generous shaded overhangs. Punched glass window openings provide ample daylight into the apartments, while not overpowering the residential character of the buildings' exterior look.

Nestled between the two apartment blocks is the colonial brick and slate Colony Building, where resident amenities are housed. Residents stroll from their apartment building through a first floor glass connector into the main lobby of the Colony Building, where they access the building administration, laundry facilities, club house, mini-theater, salon and barber shop, as well as a craft room and the Colony Café, with its exterior porches overlooking idyllic rolling hills below. Historic interior finishes are showcased throughout the Colony Building, including pressed tin ceilings, plaster walls, refinished historic wood plank floors, wood wainscoting, and fluted columns. An open-air porch and balcony on the front of the building welcomes approaching residents and visitors.

A paved walking path passes the swimming pool and lush event lawn, connecting the apartment blocks to the historic brick and concrete Abattoir Building, where residents can exercise in a state of the art fitness center, or pursue wood-working activities in a fully outfitted craft shop. The property is connected via walkways to the Silo Ridge Village and additional outdoor recreation on the District greenways and parks that lead to downtown Morganton.



TRAILS



CAROLINAS HEALTHCARE SYSTEM BLUE RIDGE

AREA DRAWS

Morganton boasts a wide array of draws for active adults including opportunities for recreation and education. Within several miles of the campus, residents have access to golf courses, walking and birdwatching trails in the 230-acre Catawba Meadows Park, and seasonal attractions including fall foliage tours, local apple picking and the Annual Historic Morganton festival. Just three miles from the site, WPCC's academic and continuing education courses are free of charge to seniors.¹ With an eclectic commercial core, two historic districts and numerous historic landmarks, downtown Morganton boasts active green spaces and year-round programming. Located only two miles from the site, the downtown is a regional draw.

Morganton also features support services that ensure that seniors can age in place in their community. The District offers first-rate access to health services including the Carolinas HealthCare System—Blue Ridge hospital, which is a 5-minute drive from the campus. Burke County is home to a cluster of healthcare services including family practice physicians, outpatient care, home health services and pharmacies, many of which are within a 15-minute drive from the campus.² Additionally, Burke County Senior Center organizes activities and programs for seniors including trainings, book clubs, creative writing groups, crafting, and recreation and travel opportunities.³

Finally, Morganton's many low- or no-cost amenities and activities and its low cost of living (compared to national averages)⁴ makes the city an attractive place to retire for those on fixed incomes.



HISTORIC MORGANTON FESTIVAL



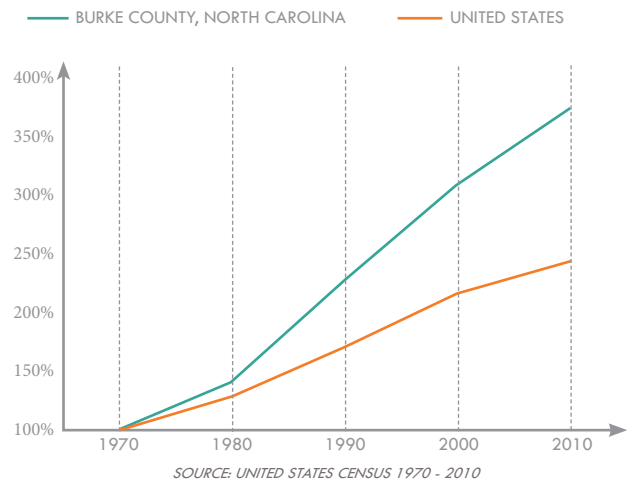
BURKE COUNTY SENIOR CENTER

MARKET INDICATORS AND COMPS

Morganton has an undersupply of suitable housing for its growing population of seniors. Only two comparable retirement communities (excluding nursing homes and assisted living facilities) operate within a 45-minute drive of the proposed project site (see Table 1), and only three within an hour drive. Of the six age-restricted communities surveyed in the Burke County Housing Needs Assessment, all are 100% occupied, with five properties operating wait lists of up to one year.⁵ Furthermore, only 9.5% of apartment rentals in Burke County are age-restricted, despite the fact that adults over the age of 55 will represent 54% of the county's households by 2022.⁶ Yet, Morganton's amenities are uniquely suited to the lifestyle of active seniors and have the potential to draw retired persons to the city if appropriate housing is available.

Population trends and projections also suggest that the number of seniors 75+ within a 45-minute drive-time radius of the District will have grown by 30% from 2010 to 2022⁷ (see Graph 2, below), driving up local demand for senior living units. This trend is present at the state level, as well, which will put pressure on the existing supply of senior housing statewide. Given the projected number of households aged 75+ with annual incomes above \$50,000 and the stock of competing senior living facilities within 45 minutes of the site, an estimated 226 – 316 additional units of senior housing will be supported by the market over the next five years (see Table 2, below) – well within the project's proposed scope.

GRAPH 1: HISTORICAL GROWTH IN POPULATION 75+ (INDEXED), 1970-2010



GRAPH 2: INDEXED GROWTH IN POPULATION 75+ WITHIN 45 MINUTES OF THE SITE PROJECTED TO 2022

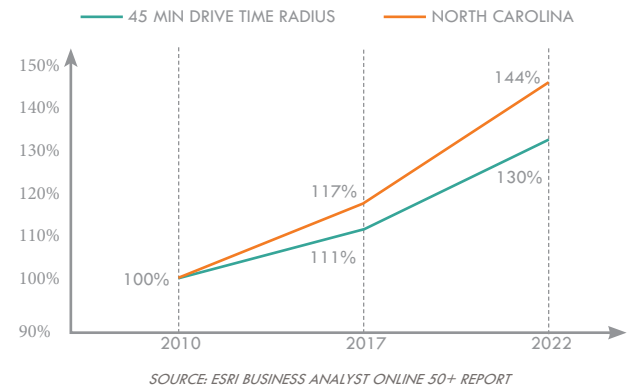


TABLE 1: COMPARABLE PROPERTIES WITHIN A 45-MINUTE DRIVE					
PROPERTY	UNIT TYPE	UNITS	MONTHLY RENT	ENTRANCE FEE	DISTANCE TO SITE
GRACE RIDGE	IND. LIVING	154	\$1,100-\$3,000	\$80,000-\$200,000	3 MILES
PINECREST	IND. LIVING	123	\$1,980-\$3,150	NONE	28 MILES

TABLE 2: NEW SENIOR LIVING PRODUCT SUPPORTED IN MORGANTON IN 2022	
PROJECTED HOUSEHOLDS 75+ WITH INCOMES ABOVE \$50,000	4,792
SUPPLY OF COMPETING SENIOR LIVING PRODUCT	- 277
NET PROJECTED DEMAND FOR SENIOR LIVING PRODUCT	4,515
TARGET CAPTURE RATE OF A GIVEN PROJECT	5% - 7%
SUPPORTED PROJECT SIZE IN MORGANTON, NC	226 - 316
EFFECTIVE CAPTURE RATE OF PROPOSED PROJECT (144 UNITS)	3%
*MARKET AREA EXAMINED: 45 MINUTE DRIVE TIME FROM SITE	

SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

CASE STUDY

GALLOWAY RIDGE AT FEARRINGTON VILLAGE

- Location: Chatham County, NC
- Population: 69,000
- Program: 183 independent living units, 49 cottages, 22 assisted living units and 16 skill nursing beds within a mixed-use artisan retail village
- Completion Date: 2005
- Former Land Use: Dairy Farm
- Overview: Galloway Ridge is a continuing care retirement community situated within the Fearrington Village, a mixed-use community occupying former agricultural land. Galloway Ridge offers on-site amenities including a theater, library, salon and a fitness center. Yet, the Fearrington Village also offers nearby boutique shopping, farm-to-table eateries and a charming, rustic atmosphere that stems from the preservation of the village's historic agricultural features.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources				
	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	5%	\$ 13,050	\$ 15	\$ 1,879,192
Primary Loan	77%	\$ 220,500	\$ 260	\$ 31,751,967
Equity	18%	\$ 51,578	\$ 61	\$ 7,427,229
Total Sources		\$ 285,128	\$ 336	\$ 41,058,389

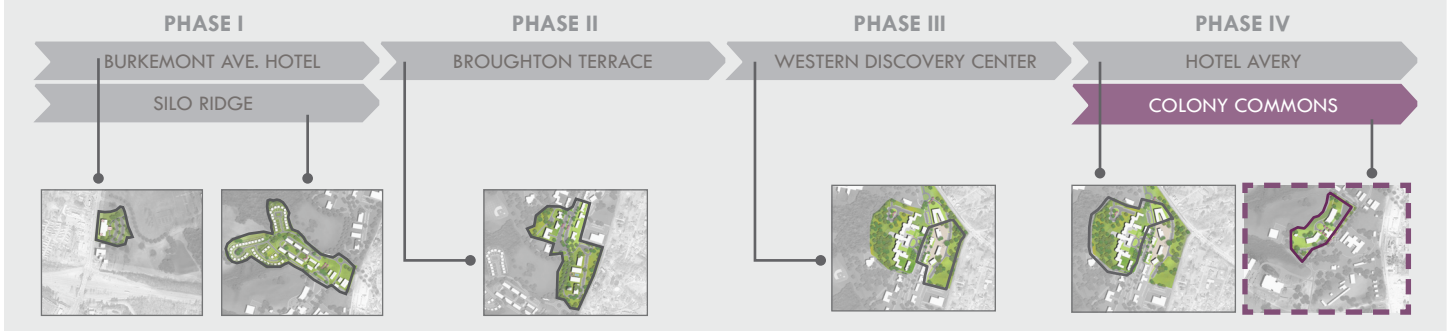
Project Cost of Capital & Returns	
Rate	6.0%
Amortization	25
Stabilized DSCR (Year 4)	1.24
Yield on Cost (Stabilized Year 4)	7%
Cash-on-Cash (Stabilized Year 4)	8%
Exit Cap Rate	6.75 - 7.25%
Equity Multiple (6 Year Hold)	2.6 - 3.1
Internal Rate of Return (6 Year Hold)	20% - 23%

Development Budget				
	Per Key	Per GSF	Total	
Acquisition Cost	\$ 9,190	\$ 11	\$ 1,323,400	
Sitework	\$ 19,148	\$ 23	\$ 2,757,250	
Building Renovations & Construction	\$ 167,326	\$ 197	\$ 24,095,000	
General Conditions	\$ 8,124	\$ 10	\$ 1,169,850	
Contingency	\$ 9,730	\$ 11	\$ 1,401,105	
Contractors Fee and Overhead	\$ 16,346	\$ 19	\$ 2,353,856	
A&E Fee	\$ 14,918	\$ 18	\$ 2,148,180	
Total Hard Costs	\$ 235,592	\$ 278	\$ 33,925,241	
Total FF&E and Pre-Opening	\$ 7,488	\$ 9	\$ 1,078,200	
Construction Period Taxes	\$ 113	\$ 0	\$ 16,212	
Legal & Accounting Fees	\$ 764	\$ 1	\$ 110,000	
Due Diligence	\$ 309	\$ 0	\$ 44,500	
Financing Cost	\$ 4,961	\$ 6	\$ 714,419	
Loan Carried Interest	\$ 7,276	\$ 9	\$ 1,047,815	
Bridge Loan Carried Interest	\$ 1,004	\$ 1	\$ 144,613	
Bridge Loan Origination Fee	\$ 261	\$ 0	\$ 37,562	
Developer Fee	\$ 11,405	\$ 13	\$ 1,642,336	
Operating Reserve	\$ 6,765	\$ 8	\$ 974,092	
Total Soft Costs	\$ 32,858	\$ 39	\$ 4,731,548	
Total Development Costs	\$ 285,128	\$ 336	\$ 41,058,389	

Rent Roll				
Unit Type	Unit Count	Avg. Unit \$/Month	2nd Resident Fee	2nd Resident %
Efficiency	19	\$ 2,000	\$ 750	0%
1 BR	108	\$ 3,100	\$ 750	10%
2 BR	17	\$ 3,300	\$ 750	35%
	144	\$ 2,978		
		weighted avg.		

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	144	144	144	144	144	144
Gross Revenues	5,297,550	5,503,422	5,717,529	5,940,200	6,171,778	6,412,619
Maximum Monthly Rent	\$ 441,463	\$ 458,619	\$ 476,461	\$ 495,017	\$ 514,315	\$ 534,385
Rent Escalator	4%	4%	4%	4%	4%	4%
Annual Rent Revenue	\$ 5,297,550	\$ 5,503,422	\$ 5,717,529	\$ 5,940,200	\$ 6,171,778	\$ 6,412,619
Vacancy Allowance	\$ 1,589,265	\$ 660,411	\$ 457,402	\$ 475,216	\$ 493,742	\$ 513,010
Vacancy Rate	30%	12%	8%	8%	8%	8%
Move-In Fees	\$ 151,200	\$ 38,880	\$ 8,640	\$ 71,539	\$ 71,539	\$ 55,642
Gross Effective Income	\$ 3,859,485	\$ 4,881,891	\$ 5,268,767	\$ 5,536,523	\$ 5,749,575	\$ 5,955,251
Operating Expenses	\$ 2,176,226	\$ 2,325,341	\$ 2,404,446	\$ 2,467,166	\$ 2,528,631	\$ 2,591,252
Admin	\$ 132,480	\$ 136,454	\$ 140,548	\$ 144,764	\$ 149,107	\$ 153,581
Marketing	\$ 158,976	\$ 163,745	\$ 168,658	\$ 173,717	\$ 178,929	\$ 184,297
Repairs & Maintenance	\$ 211,968	\$ 218,327	\$ 224,877	\$ 231,623	\$ 238,572	\$ 245,729
Utilities Per Occupied Room	\$ 120,960	\$ 156,626	\$ 168,658	\$ 173,717	\$ 178,929	\$ 184,297
Dietary	\$ 529,920	\$ 545,818	\$ 562,192	\$ 579,058	\$ 596,430	\$ 614,323
Housekeeping	\$ 80,640	\$ 104,417	\$ 112,438	\$ 115,812	\$ 119,286	\$ 122,865
Activities	\$ 52,992	\$ 54,582	\$ 56,219	\$ 57,906	\$ 59,643	\$ 61,432
Payroll taxes/benefits	\$ 132,480	\$ 136,454	\$ 140,548	\$ 144,764	\$ 149,107	\$ 153,581
Insurance	\$ 66,240	\$ 68,227	\$ 70,274	\$ 72,382	\$ 74,554	\$ 76,790
Replacement Reserve	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800
Operating Expense Escalator	3%	3%	3%	3%	3%	3%
Management Fee	\$ 192,974	\$ 244,095	\$ 263,438	\$ 276,826	\$ 287,479	\$ 297,763
City of Morganton Taxes	\$ 186,818	\$ 186,818	\$ 186,818	\$ 186,818	\$ 186,818	\$ 186,818
Burke County Taxes	\$ 244,978	\$ 244,978	\$ 244,978	\$ 244,978	\$ 244,978	\$ 244,978
NOI	\$ 1,683,259	\$ 2,556,550	\$ 2,864,320	\$ 3,069,357	\$ 3,220,944	\$ 3,363,999
% of Revenue	44%	52%	54%	55%	56%	56%
Per Occupied Room	\$ 16,699	\$ 20,175	\$ 21,621	\$ 23,168	\$ 24,313	\$ 25,393
NOI Valuation	\$ 23,217,364	\$ 35,262,759	\$ 39,507,867	\$ 42,335,957	\$ 44,426,810	\$ 46,399,992
Total Ownership Expenses	\$ (1,905,118)	\$ (1,943,216)	\$ (2,521,951)	\$ (2,521,951)	\$ (2,521,951)	\$ (2,521,951)
BTCF from Operations	\$ 476,280	\$ 613,334	\$ 582,865	\$ 582,865	\$ 698,993	\$ 842,049
Debt Service Coverage Ratio	1.25	1.34	1.25	1.25	1.30	1.35
Yield on Cost	4%	6%	7%	8%	8%	8%
Cash on Cash	6%	8%	8%	8%	9%	11%

10 - YEAR DEVELOPMENT TIMELINE



- (1) Western Piedmont Community College website.
- (2) Bureau of Labor Statistics – 2016 Quarterly Census of Employment and Wages.
- (3) Burke County Senior Center Newsletter – January/February 2018.
- (4) “Cost of Living: Morganton, North Carolina.” *Sperling's Best Places*.
- (5) Burke County Preliminary Housing Needs Assessment.
- (6) ESRI Business Analyst Online Age 50+ Profile; Burke County Preliminary Housing Needs Assessment.
- (7) ESRI Business Analyst Online Age 50+ Profile.



VISION STATEMENT

The refurbished Colony building houses a charming boutique hotel in the southeastern corner of the Broughton District, adjacent to a thriving mixed-use community with single-family residential and adaptive commercial development just a short walk away. Visitors enjoy the site's historic architecture, striking natural beauty of the District's old-growth trees and rolling hills, and views of the Blue Ridge Mountains while taking advantage of both on-site amenities and nearby recreational draws.

VALUE PROPOSITION

The full-service boutique hotel draws visitors from across the southeast who seek upscale accommodations and a unique experience: a historic building in a bucolic setting with superior access to Morganton's nearby attractions, and corporate or educational events. The boutique hotel includes on-site amenities that meet the needs of its diverse patronage, including meeting space and dining options, which sets the property apart from "flag" hotels in the Hickory-Lenoir-Morganton metro market that demonstrates steady growth in occupancy and average daily rates with little new supply.



PROJECT SCOPE



PROGRAM	
NEW CONSTRUCTION	120 KEYS
RECEPTION AND AMENITY (COLONY BUILDING)	19,040 SF
SPA (ABATTOIR)	2,080 SF

PROJECT DESCRIPTION

The Hotel Colony is a 120-key hotel anchored between the historic Colony Building and Abattoir. Located behind and flanking the Colony Building, two newly constructed 3-story hotel blocks provide modern interior environments to guests with pastoral views across the District.

Hotel check-in and amenities are housed in the Colony Building, which is connected to the guest room buildings through a first-floor glass walkway into the main lobby of the Colony Building. The Colony Building also provides the concierge, gift shop, breakfast room, and the white tablecloth Colony Grill, a farm-to-table fine dining restaurant. Exterior porches provide patrons with seasonal idyllic views of the rolling hills below. Historic interior finishes are showcased throughout the Colony Building, including pressed tin ceilings, plaster walls, refinished historic wood plank floors, wood wainscoting, and fluted columns. Large double-hung historic wood windows and high ceilings provide ample daylight throughout all of the spaces, while an open-air porch and balcony on the front of the building welcomes guests weary from travel. A paved walking path passes the swimming pool and lush Event Lawn, connecting the hotel blocks to the historic brick and concrete Abattoir Building, where residents can exercise in a state of the art fitness center, or relax in the Colony Spa, a compact facility offering steam room, sauna, and massages by appointment.

AREA DRAWS

Morganton is situated near I-40, I-26, I-77, and I-85, one hour from both Charlotte, NC and Asheville, NC, positioning it as a convenient option for business and leisure travelers to the mountains from a wide geographic area. The site sees 46,000 automobile trips per day on adjacent routes. The Historic Broughton Campus itself is located along South Sterling Street, a primary corridor in Morganton's downtown area, that sees an average of 22,000 automobile trips per day, ensuring visibility to the public.¹

Morganton is one of the most convenient destinations from Charlotte that provides access to the recreational amenities of western North Carolina, including the Blue Ridge Mountains, Pisgah National Forest, Linville Gorge and Lake James State Park, which attract visitors from North Carolina and surrounding southeastern states.² Last year, the Blue Ridge Parkway alone generated nearly 16.1 million visitors, 152,000 overnight stays, and 50,000 overnight stays in hotels.³

Burke County has experienced the second largest growth in tourism economic impact and visitor spending in the state in recent years, behind only Buncombe County.⁴ Burke County hosts numerous recreational and cultural opportunities such as: the Annual Historic Morganton Festival, which draws 40,000 attendees;⁵ the Red, White and Bluegrass Festival, drawing 1,000-3,000 attendees; and popular fall foliage tours in October that are correlated with markedly lower vacancy rates and higher revenue per available room (RevPAR) than the annual average for comparable hotel projects.⁶

The City's Parks and Recreation Department oversees extensive recreational facilities that draw regional and statewide visitors including nine baseball and softball fields at Catawba Meadows Park and over four miles of paved trails on the Morganton Greenway System. The local Catawba River Soccer Complex is currently being expanded to attract soccer tournaments that could generate overnight stays in Morganton.⁷

Morganton is also home to several educational institutions that account for over 7,000 students. These institutions will draw families for weekend visits and graduation ceremonies each year.⁸ Additionally, Downtown Morganton, only 1.5 miles from the site, is served by several craft breweries and wineries, as well as an abundance of shops and restaurants that provide a charming small-town feel that makes Morganton an ideal vacation spot in western North Carolina.



NCSSM FAMILY DAY



MORGANTON PARKS



TRAILS



HISTORIC MORGANTON FESTIVAL

MARKET INDICATORS AND COMPS

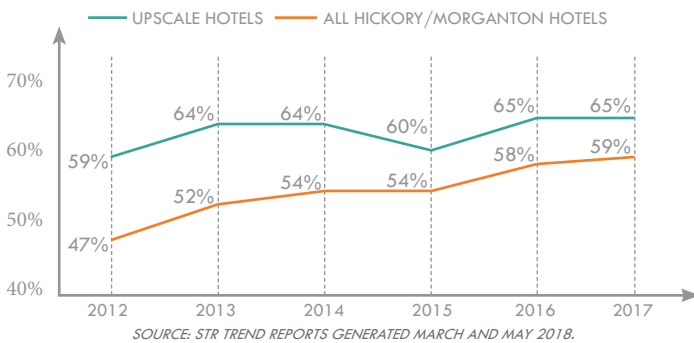
Morganton's numerous area draws result in strong and growing demand for hospitality space, which is demonstrated through growth in comparable projects' occupancy (see graph 1, below), average daily rate (see Graph 2, below), and revenue per available room (RevPAR). A slight dip in percent occupancy in 2015 reflects the addition of 113 rooms to the upscale market with the opening of the Hilton Garden Inn in Hickory in December 2014. However, overall occupancy actually increased in this time period.⁹

Despite the growth in profitability of hospitality space, the supply of hotel rooms in Morganton and Hickory has been relatively stable over the past several years, growing by only 7% since 2012. There has been no new construction of comparable hospitality offerings in Morganton since February 1999. However, this is not due to lack of demand for upscale accommodations or hospitality space more generally. In fact, there is evidence of increasing pressure on the supply in the market. The only comparable upscale establishment

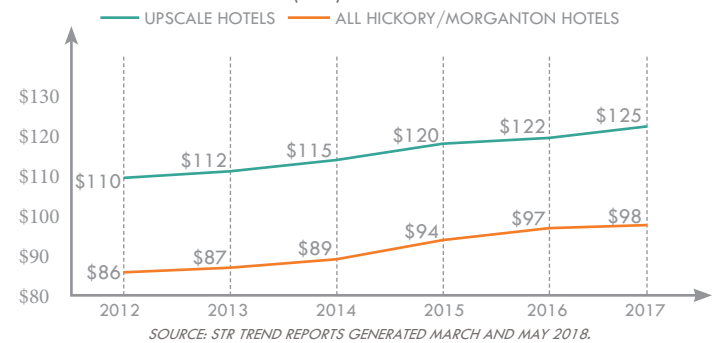
in Morganton, the Hampton Inn, refurbished its location in 2018. Furthermore, there is evidence to suggest that a current shortage of lodging options is masking additional unmet demand. Western Piedmont Community College leadership notes that demand for 2-to-3-day continuing education courses cannot be met due to inadequate accommodations for such events.¹⁰ Similarly, in 2015, the North Carolina Main Street Conference drew enough attendees to overwhelm the supply of hospitality space in Morganton, and drive conference-goers to private residences, and nearby hospitality offerings in Catawba and McDowell Counties.

As demand for lodging grows and current stock ages, there will be opportunities to develop new hospitality offerings that capture the market for upscale accommodations and amenity space that capitalize on the business and leisure draws to the region. The recent ground-breaking of an 85-key Fairfield Inn & Suites in downtown Morganton is one example of new product that targets this underserved segment.

GRAPH 1: PERCENT OCCUPANCY OF LOCAL HOTELS 2012 - 2017



GRAPH 2: AVERAGE DAILY RATE (ADR) OF LOCAL HOTELS 2012 - 2017



BLUE RIDGE PARKWAY



DOWNTOWN MORGANTON

CASE STUDY

BLACKBERRY FARM

- Location: Walland, TN
- Population: 200
- Program: 68 upscale accommodations
- Completion Date: 1976
- Overview: Blackberry Farm offers high-end rooms, suites and cottages on a resort adjacent to the scenic Great Smoky Mountains. Blackberry Farm offers nationally-renowned restaurants, locally-made artisan crafts as well as luxury amenities, including a spa and wellness center, a craft brewery, and a rustic picnic shelter that doubles as a performance venue and events space. Single family homes have been recently developed surrounding the farm.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

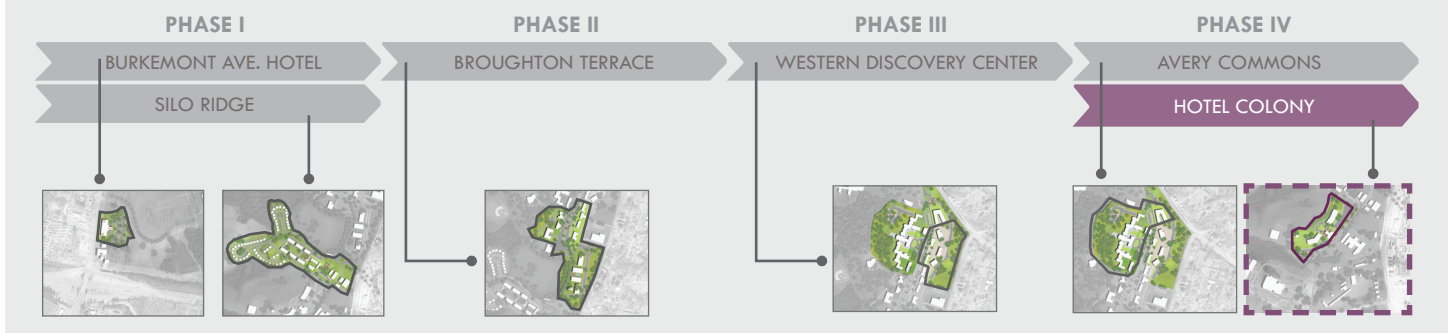
Permanent Capital Sources				
	Percent.	Per Key	Per GSF	Total
Historic Tax Credit Equity	6%	\$ 16,144	\$ 26	\$1,937,318
Primary Loan	65%	\$ 170,956	\$ 273	\$ 20,514,753
Equity	29%	\$ 75,909	\$ 121	\$ 9,109,087
Total Sources		\$ 263,010	\$ 420	\$ 31,561,158

Project Cost of Capital & Returns	
Rate	6.5%
Amortization	25
Stabilized DSCR (Year 3)	1.64
Yield on Cost (Stabilized Year 3)	8.7%
Cash-on-Cash (Stabilized Year 3)	11%
Exit Cap Rate	8 - 8.5%
Equity Multiple (6 Year Hold)	2.6 - 2.9x
Internal Rate of Return (6 Year Hold)	20% - 22%

Development Budget				
	Per Key	Per GSF	Total	
Acquisition Cost	\$ 11,050	\$ 18	\$ 1,326,000	
Sitework	\$ 22,977	\$ 37	\$ 2,757,250	
Building Renovations & Construction	\$ 119,167	\$ 190	\$ 14,300,000	
General Conditions	\$ 9,749	\$ 16	\$ 1,169,850	
Contingency	\$ 7,632	\$ 12	\$ 915,855	
Contractors Fee and Overhead	\$ 12,822	\$ 20	\$ 1,538,636	
A & E Fee	\$ 11,372	\$ 18	\$ 1,364,580	
Total Hard Costs	\$ 183,718	\$ 293	\$ 22,046,171	
Total FF&E and Pre-Opening	\$ 44,775	\$ 72	\$ 5,373,000	
Construction Period Taxes	\$ 135	\$ 0	\$ 16,244	
Legal & Accounting Fees	\$ 917	\$ 1	\$ 110,000	
Due Diligence	\$ 371	\$ 1	\$ 44,500	
Financing Cost	\$ 3,847	\$ 6	\$ 461,582	
Loan Carried Interest	\$ 6,112	\$ 10	\$ 733,402	
Bridge Loan Carried Interest	\$ 1,242	\$ 2	\$ 149,089	
Bridge Loan Origination Fee	\$ 323	\$ 1	\$ 38,724	
Developer Fee	\$ 10,520	\$ 17	\$ 1,262,446	
Total Soft Costs	\$ 23,467	\$ 37	\$ 2,815,987	
Total Development Costs	\$ 263,010	\$ 420	\$ 31,561,158	

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	120	120	120	120	120	120
Available Room Nights	43,710	43,710	43,710	43,710	43,710	43,710
Occupancy	65%	72%	75%	75%	75%	75%
Average Daily Rate	\$ 200	\$ 208	\$ 216	\$ 225	\$ 234	\$ 243
ADR Rate Escalator	4%	4%	4%	4%	4%	
INCOME STATEMENT						
Departmental Revenues	\$ 7,955,220	\$ 9,063,706	\$ 9,714,110	\$ 9,997,771	\$ 10,292,778	\$ 10,599,585
Departmental Expenses	\$ 2,990,310	\$ 3,372,769	\$ 3,578,761	\$ 3,646,839	\$ 3,717,641	\$ 3,791,274
Departmental Profit	\$ 4,964,910	\$ 5,690,937	\$ 6,135,350	\$ 6,350,932	\$ 6,575,137	\$ 6,808,310
Undistributed Expenses	\$ 2,611,000	\$ 2,177,553	\$ 2,307,118	\$ 2,365,234	\$ 2,425,548	\$ 2,488,143
G&A	\$ 596,642	\$ 679,778	\$ 728,558	\$ 749,833	\$ 771,958	\$ 794,969
Marketing & Sales	\$ 556,865	\$ 634,459	\$ 679,988	\$ 699,844	\$ 720,494	\$ 741,971
Repairs & Maintenance	\$ 400,000	\$ 412,000	\$ 424,360	\$ 437,091	\$ 450,204	\$ 463,710
Utilities	\$ 284,700	\$ 315,360	\$ 328,500	\$ 328,500	\$ 328,500	\$ 328,500
Telecomm	\$ 119,328	\$ 135,956	\$ 145,712	\$ 149,967	\$ 154,392	\$ 158,994
Franchise Fees	\$ 653,465	\$ 752,791	\$ 815,524	\$ 848,145	\$ 882,070	\$ 917,353
Gross Operating Profit	\$ 2,353,910	\$ 3,513,384	\$ 3,828,232	\$ 3,985,698	\$ 4,149,589	\$ 4,320,167
% of Revenues	30%	39%	39%	40%	40%	41%
Per Occupied Room	\$ 83	\$ 112	\$ 117	\$ 122	\$ 127	\$ 132
Fixed Expenses	\$ 632,966	\$ 666,220	\$ 685,732	\$ 694,242	\$ 703,092	\$ 712,297
Management Fees	\$ 238,657	\$ 271,911	\$ 291,423	\$ 299,933	\$ 308,783	\$ 317,988
City of Morganton Taxes	\$ 123,873	\$ 123,873	\$ 123,873	\$ 123,873	\$ 123,873	\$ 123,873
Burke County Taxes	\$ 162,437	\$ 162,437	\$ 162,437	\$ 162,437	\$ 162,437	\$ 162,437
Insurance	\$ 108,000	\$ 108,000	\$ 108,000	\$ 108,000	\$ 108,000	\$ 108,000
FF&E Reserve	\$ 159,104	\$ 271,911	\$ 388,564	\$ 399,911	\$ 411,711	\$ 423,983
NOI	\$ 1,561,840	\$ 2,575,253	\$ 2,753,935	\$ 2,891,545	\$ 3,034,785	\$ 3,183,887
% of Revenue	20%	28%	28%	29%	29%	30%
Per Occupied Room	\$ 55	\$ 82	\$ 84	\$ 88	\$ 93	\$ 97
NOI Valuation	\$ 18,374,586	\$ 30,297,091	\$ 32,399,239	\$ 34,018,171	\$ 35,703,358	\$ 37,457,495
Total Ownership Expenses	\$ (1,359,978)	\$ (1,372,205)	\$ (1,720,576)	\$ (1,720,576)	\$ (1,720,576)	\$ (1,720,576)
BTCF from Operations	\$ 201,862	\$ 1,203,047	\$ 1,033,359	\$ 1,170,968	\$ 1,314,209	\$ 1,463,311
DSCR	1.17	1.93	1.64	1.72	1.80	1.89
Yield on Cost	5%	8%	9%	9%	10%	10%
Cash on Cash	2%	13%	11%	13%	14%	16%

10 - YEAR DEVELOPMENT TIMELINE



(1) NCDOT AADT Mapping Application.

(2) www.nvitalityindex.org.

(3) National Park Service Integrated Resource Management Application (IRMA).

(4) The U.S. Travel Association.

(5) Morgantonfest.org.

(6) Comparable projects include hotels within Hickory or Morganton, NC, classified as either "Upper Midscale Class" or "Upscale Class" by STR Global. This comparable set includes the following hotels: Hampton Inn-Hickory; Hilton Garden Inn-Hickory; Courtyard Inn & Suites-Hickory; and Hampton Inn-Morganton.

(7) Morganton News Herald.

(8) www.ncssm.edu; www.wgcc.edu; U.S. News & World Report.

(9) STR Data indicates that despite decline in percent occupancy, overall occupancy per day actually increased by 44 rooms on average over this time period.

(10) As reported by Hotel and Club Associates of Virginia in a custom report generated 9 September 2015; Morganton News Herald.

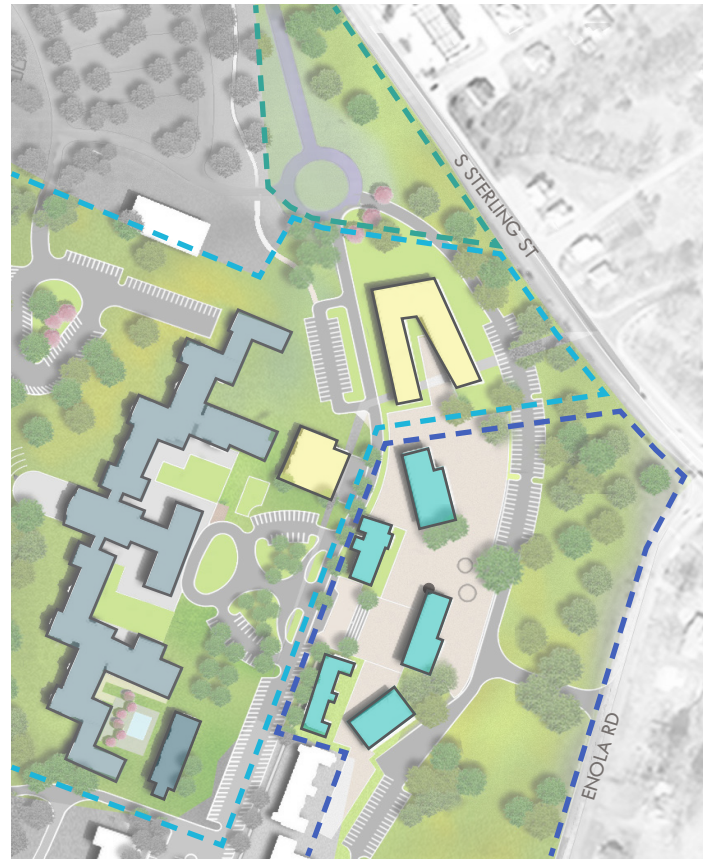


VISION STATEMENT

An active adult community anchors the District's northeastern corner alongside the Western North Carolina Discovery Center and a successful restaurant. Residents enjoy the historic architecture of the campus and the surrounding community, as well as the natural beauty of the site's flourishing old-growth trees and Blue Ridge Mountain vistas. The Avery Commons offers on-site amenities connected by a walkable greenway, as well as close proximity to local arts and cultural opportunities, extensive recreational assets, and support services that allow residents to age in place.

VALUE PROPOSITION

The property draws active seniors who seek to live in a stimulating yet small-town setting. Morganton's extensive senior-friendly leisure activities and specialized healthcare infrastructure will entice retirees from across western North Carolina and Charlotte. Local and regional growth in the 75 years+ household demographic coupled with an undersupply of age-restricted housing with amenities tailored to the active segment of this renter population create a opening in the market for a quality development.



PROJECT SCOPE

- AVERY COMMONS
- MUSEUM CAMPUS
- BROUGHTON TERRACE
- SILO RIDGE
- HOTEL COLONY
- BURKEMONT AVENUE HOTEL

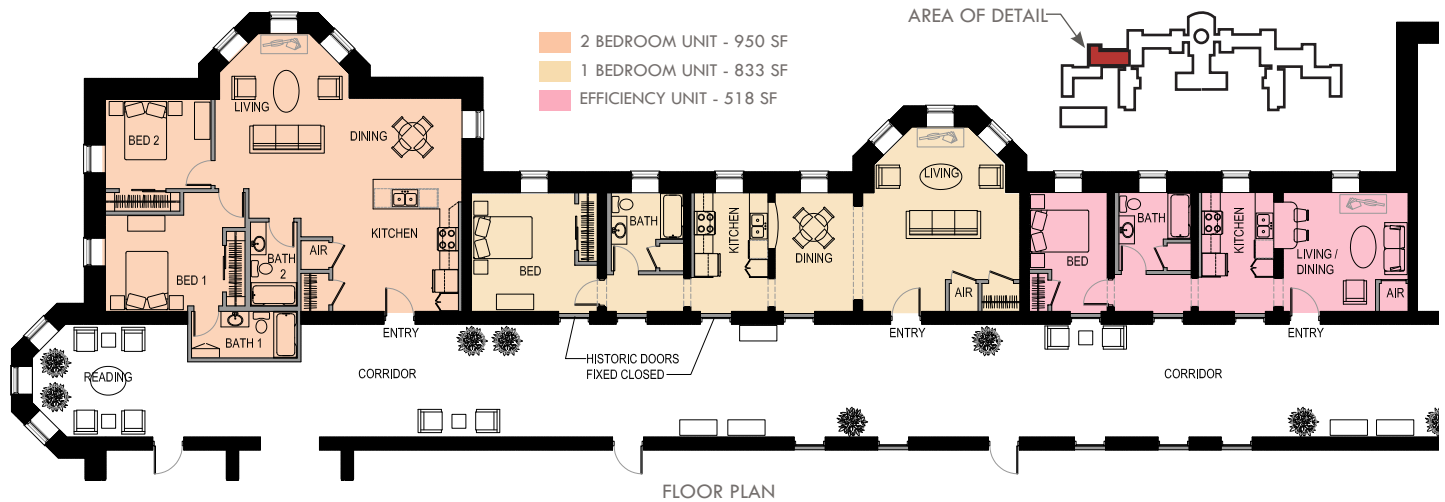


OVERALL SITE PLAN

PROGRAM	
ACTIVE ADULT LIVING	144 UNITS
COMMERCIAL	40,992 SF
MUSEUM (DISCOVERY CENTER)	51,000 SF

A NEW VISION

ACTIVE ADULT LIVING



PROJECT DESCRIPTION

Avery Commons apartments offer a blend of refined historic finishes and warm modern materials. Rooms are bright and airy with tall historic plaster ceilings, bathed in natural light from tall arch-topped window openings sculpted into historic masonry and plaster walls. Floors are a blend of historic caramel pebble terrazzo and modern warm accent carpeting. Kitchens and baths feature clean modern fixtures, appliances, and cabinetry, solid surface counter tops, with tile and glass bath surrounds. Public spaces and corridors are generous in width and ceiling height, with fine plaster walls and terrazzo floors. Sunny reading nooks and sitting areas in the building's projections are regularly spaced along the corridors, naturally lit with large window openings. A bevy of in-building community amenities are available to residents, all within a 2-3 minute walk within the historic building, including:

- library,
- movie theater,
- laundromat,
- woodworking shop,
- art studio and classrooms,
- full-service dining room,
- pub and coffee shop,
- billiard room,
- fitness center,
- salon / barber shop, and
- outdoor pool.

The property is connected via walkways to a commercial, farm-to-table restaurant and event space in the historic Marsh building, the Discovery Center—a family-friendly destination for all ages—the Silo Ridge village, and additional outdoor recreation on the District greenways and parks.

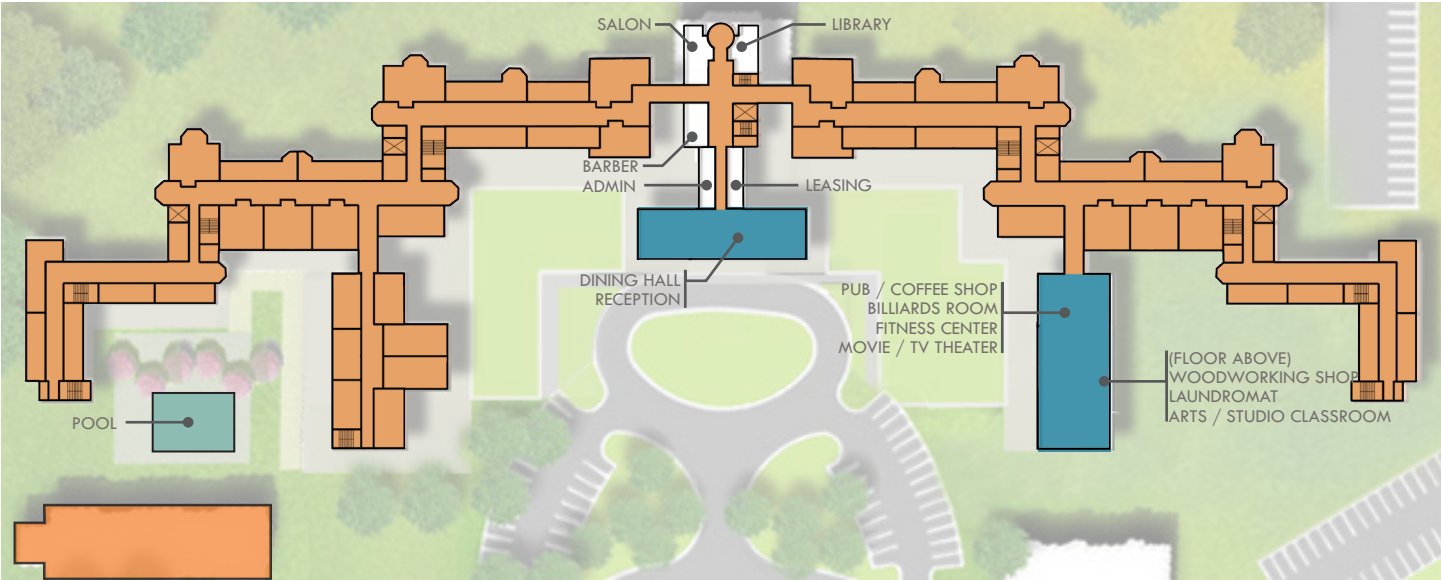


ROOM



CORRIDOR

PROPERTY AMENITIES



WESTERN NC DISCOVERY CENTER

The State’s Department of Natural and Cultural Resources would create a regional Discovery Center museum for the western portion of the state. This ‘Discovery Center’ will focus on the cultural and natural history Western North Carolina as well as showcase regional fine arts, and learning labs designed as immersive educational environments around natural sciences, history and outdoor learning.

The museum buildings will be connected via a plaza that integrates hardscaping and outdoor educational spaces that complement the private uses of Avery Commons. A 30,000 SF privately developed commercial structure is proposed in this phase that will serve as the gateway piece into the museum and Avery Commons.

Public Investment		
USE	SF	BUILDING
Permanent Exhibits	9,000	Laundry (Existing)
Fine Arts Gallery and Learning Labs	12,000	Steam Plant (Existing)
Temporary Gallery	4,000	Machine Shop (Existing)
Classrooms	12,484	Saunders (Existing)
Auditorium	14,000	New Construction



WESTERN NC DISCOVERY CENTER EXTERIOR PERSPECTIVE

AREA DRAWS

Morganton boasts a wide array of draws for active adults including opportunities for recreation and education. Within several miles of the campus, residents have access to golf courses, walking and birdwatching trails in the 230-acre Catawba Meadows Park, and seasonal attractions including fall foliage tours, local apple picking and the Annual Historic Morganton festival. Just three miles from the site, WPCC's academic and continuing education courses are free of charge to seniors.¹ With an eclectic commercial core, two historic districts and numerous historic landmarks, downtown Morganton boasts active green spaces and year-round programming. Located only 1.5 miles from the site, the downtown is a regional draw.

Morganton also features support services that ensure that seniors can age in place in their community. The District offers

first-rate access to health services including the Carolinas HealthCare System–Blue Ridge hospital, which is a 5-minute drive from the campus. Burke County is home to a cluster of healthcare services including family practice physicians, outpatient care, home health services and pharmacies, many of which are within a 15-minute drive from the campus.² Additionally, Burke County Senior Center organizes activities and programs for seniors including trainings, book clubs, creative writing groups, crafting, and recreation and travel opportunities.³

Finally, Morganton's many low- or no-cost amenities and activities and its low cost of living (compared to national averages)⁴ makes the city an attractive place to retire for those on fixed incomes.



PARKS



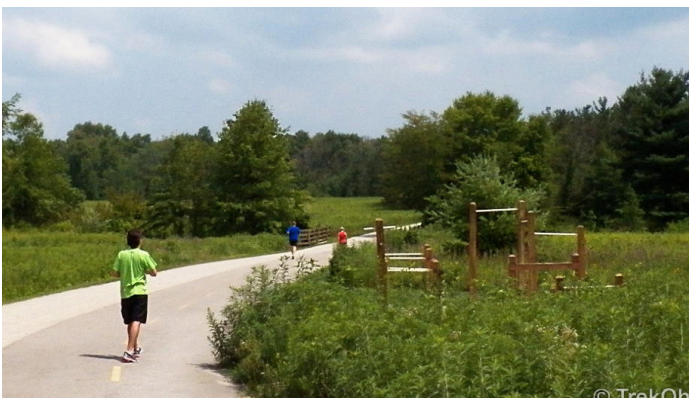
BLUE RIDGE PARKWAY



CAROLINAS HEALTHCARE SYSTEM–BLUE RIDGE HOSPITAL



BURKE COUNTY SENIOR CENTER



TRAILS



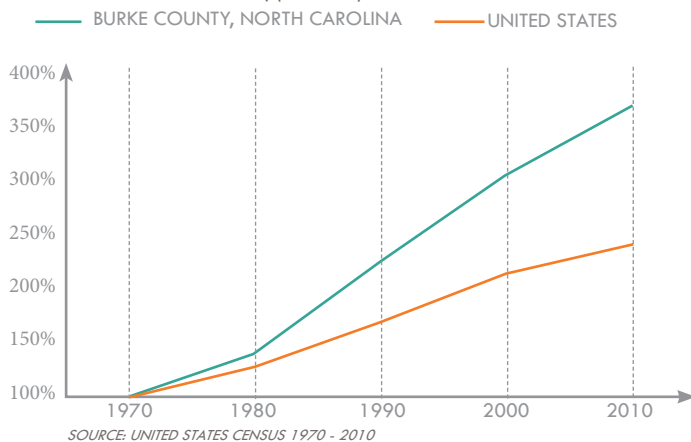
HISTORIC MORGANTON FESTIVAL

MARKET INDICATORS AND COMPS

Morganton has an undersupply of suitable housing for its growing population of seniors. Only two comparable retirement communities (excluding nursing homes and assisted living facilities) operate within a 45-minute drive of the proposed project site (see Table 1), and only three within an hour drive. Of the six age-restricted communities surveyed in the Burke County Housing Needs Assessment, all are 100% occupied, with five properties operating wait lists of up to one year.⁵ Furthermore, only 9.5% of apartment rentals in Burke County are age-restricted, despite the fact that adults over the age of 55 will represent 54% of the county's households by 2022.⁶ Yet, Morganton's amenities are uniquely suited to the lifestyle of active seniors and have the potential to draw retired persons to the city if appropriate housing is available.

TABLE 1: COMPARABLE PROPERTIES WITHIN A 45-MINUTE DRIVE					
PROPERTY	UNIT TYPE	UNITS	MONTHLY RENT	ENTRANCE FEE	DISTANCE TO SITE
GRACE RIDGE	IND. LIVING	154	\$1,100-\$3,000	\$80,000-\$200,000	3 MILES
PINECREST	IND. LIVING	123	\$1,980-\$3,150	NONE	28 MILES

GRAPH 1: HISTORICAL GROWTH IN POPULATION 75+, (INDEXED) 1970-2010

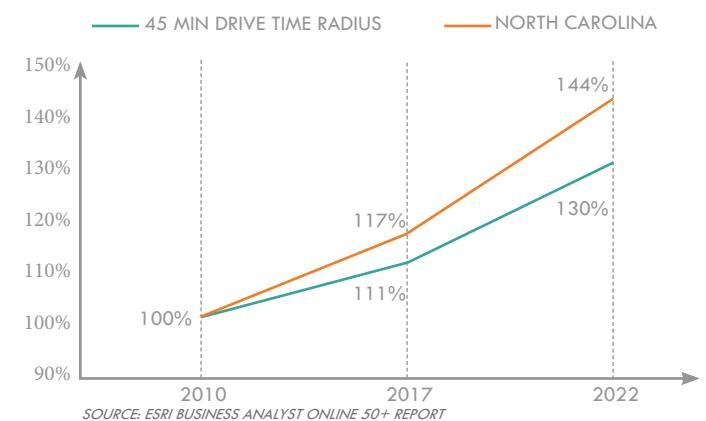


Population trends and projections also suggest that the number of seniors 75+ within a 45-minute drive-time radius of the District will have grown by 30% from 2010 to 2022⁷ (see Graph 2, below), driving up local demand for senior living units. This trend is present at the state level, as well, which will put pressure on the existing supply of senior housing statewide. Given the projected number of households aged 75+ with annual incomes above \$50,000 and the stock of competing senior living facilities within 45 minutes of the site, an estimated 226 – 316 additional units of senior housing will be supported by the market over the next five years (see Table 2, below) – well within the project's proposed scope.

TABLE 2: NEW SENIOR LIVING PRODUCT SUPPORTED IN MORGANTON IN 2022	
PROJECTED HOUSEHOLDS 75+ WITH INCOMES ABOVE \$50,000	4,792
SUPPLY OF COMPETING SENIOR LIVING PRODUCT	- 277
NET PROJECTED DEMAND FOR SENIOR LIVING PRODUCT	4,515
TARGET CAPTURE RATE OF A GIVEN PROJECT	X5% - 7%
SUPPORTED PROJECT SIZE IN MORGANTON, NC	226 - 316
EFFECTIVE CAPTURE RATE OF PROPOSED PROJECT (144 UNITS)	3%
*MARKET AREA EXAMINED: 45 -MINUTE DRIVE TIME FROM THE SITE	

SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

GRAPH 2: INDEXED GROWTH IN POPULATION 75+ WITHIN 45 MINUTES OF THE SITE, PROJECTED TO 2022



CASE STUDY

CORDIA AT GRAND TRAVERSE COMMONS

- Location: Traverse City, Michigan
- Population: 15,000
- Program: 110 senior units incorporated into a 750,000 sq. ft mixed-use center that includes 41,000 sq. ft. of ground floor marketplace, and over 100,000 sq. ft. of commercial and residential space.
- Completion Date: 2014
- Former Land Use: Northern Michigan Asylum
- Overview: Formerly a Kirkbride-style asylum, Grand Traverse Commons is now a mixed-use home to residential, commercial, and office spaces including the Cordia active adult community. Cordia residences preserve the original architectural details of the iconic building, including large windows, cathedral ceilings and exposed brick walls. The community offers an amenity rich environment for active seniors including a courtyard, lounge, pub, movie theatre, salon and spa, woodworking studio, and fine dining options.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources				
	Percent	Per Key	Per GSE	Total
Historic Tax Credit Equity	18%	\$ 73,984	\$ 31	10,653,637
Primary Loan	62%	\$ 250,687	\$ 105	36,098,923
Seller Note	5%	\$ 19,861	\$ 8	2,860,000
Equity	15%	\$ 59,537	\$ 25	8,573,376
Total Sources		\$ 404,069	\$ 169	\$ 58,185,936

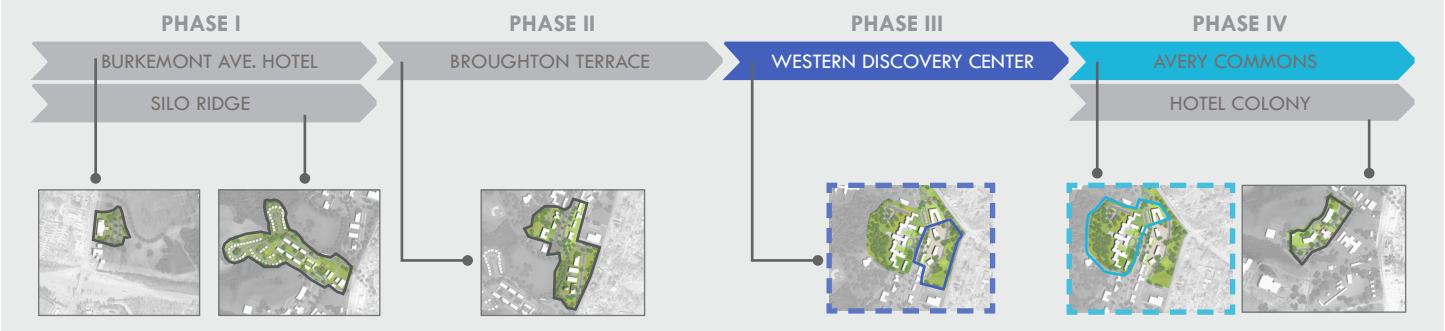
Project Cost of Capital & Returns	
Rate	6.0%
Amortization	25
Stabilized DSCR (Year 4)	1.21
Yield on Cost (Stabilized Year 4)	6%
Cash-on-Cash (Stabilized Year 4)	6%
Exit Cap Rate	6.75-7.25%
Internal Rate of Return (6 Year Hold)	15-19%
Equity Multiple (6 Year Hold)	2.1-2.6x

Development Budget				
	Per Key	Per GSE	Total	
Acquisition Cost	\$ 19,861	\$ 8	\$ 2,860,000	
Sitework	\$ 20,736	\$ 9	\$ 2,986,000	
Building Renovations, Construction & TI	\$ 237,048	\$ 99	\$ 34,134,921	
General Conditions	\$ 11,348	\$ 5	\$ 1,634,063	
Contingency	\$ 13,457	\$ 6	\$ 1,937,749	
Contractors Fee and Overhead	\$ 16,955	\$ 7	\$ 2,441,564	
A&E Fee	\$ 20,394	\$ 9	\$ 2,936,698	
Total Hard Costs	\$ 319,937	\$ 134	\$ 46,070,995	
Total FF&E and Pre-Opening	\$ 17,970	\$ 8	\$ 2,587,610	
Construction Period Taxes	\$ 122	\$ 0	\$ 17,518	
Legal & Accounting Fees	\$ 764	\$ 0	\$ 110,000	
Due Diligence	\$ 309	\$ 0	\$ 44,500	
Financing Cost	\$ 5,640	\$ 2	\$ 812,226	
Loan Carried Interest	\$ 8,273	\$ 3.46	\$ 1,191,264	
Total Bridge Loan Carried Interest	\$ 5,696	\$ 2	\$ 820,161	
Total Bridge Loan Origination Fee	\$ 1,479	\$ 1	\$ 213,029	
Developer Fee	\$ 16,163	\$ 7	\$ 2,327,437	
Operating Reserve	\$ 7,856	\$ 3	\$ 1,131,197	
Total Soft Costs	\$ 46,301	\$ 19	\$ 6,667,331	
Total Development Costs	\$ 404,069	\$ 169	\$ 58,185,936	

Rent Roll				
Unit Type	Unit Count	Avg. Unit \$/Month	2nd Resident Fee	2nd Resident %
Efficiency	18	\$ 2,000	\$ 750	0%
1 BR	108	\$ 3,100	\$ 750	10%
2 BR	18	\$ 3,300	\$ 750	35%
	144	\$ 2,988		
weighted avg.				

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	144	144	144	144	144	144
Gross Revenues	\$ 5,316,300	\$ 5,522,796	\$ 5,737,552	\$ 5,960,898	\$ 6,193,178	\$ 6,434,749
Maximum Monthly Rent	\$ 443,025	\$ 460,233	\$ 478,129	\$ 496,741	\$ 516,098	\$ 536,229
Rent Escalator	4%	4%	4%	4%	4%	4%
Annual Rent Revenue	\$ 5,316,300	\$ 5,522,796	\$ 5,737,552	\$ 5,960,898	\$ 6,193,178	\$ 6,434,749
Vacancy Allowance	\$ 1,594,890	\$ 662,736	\$ 459,004	\$ 476,872	\$ 495,454	\$ 514,780
Vacancy Rate	30%	12%	8%	8%	8%	8%
Move-In Fees	\$ 151,200	\$ 38,880	\$ 8,640	\$ 71,539	\$ 71,539	\$ 55,642
Move-In Fee	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Marsh Restaurant Rent (net)	\$ 219,840	\$ 224,237	\$ 228,722	\$ 233,296	\$ 237,962	\$ 242,721
Storage Unit Rent	\$ 48,000	\$ 48,960	\$ 49,939	\$ 50,938	\$ 51,957	\$ 52,996
Gross Effective Income	\$ 4,140,450	\$ 5,172,137	\$ 5,565,848	\$ 5,839,799	\$ 6,059,181	\$ 6,271,328
Operating Expenses	\$ 2,058,181	\$ 2,207,760	\$ 2,287,207	\$ 2,350,237	\$ 2,412,018	\$ 2,474,962
Admin	\$ 132,480	\$ 136,454	\$ 140,548	\$ 144,764	\$ 149,107	\$ 153,581
Marketing	\$ 158,976	\$ 163,745	\$ 168,658	\$ 173,717	\$ 178,929	\$ 184,297
Repairs & Maintenance	\$ 211,968	\$ 218,327	\$ 224,877	\$ 231,623	\$ 238,572	\$ 245,729
Utilities	\$ 120,960	\$ 156,626	\$ 168,658	\$ 173,717	\$ 178,929	\$ 184,297
Dietary	\$ 529,920	\$ 545,818	\$ 562,192	\$ 579,058	\$ 596,430	\$ 614,323
Housekeeping	\$ 80,640	\$ 104,417	\$ 112,438	\$ 115,812	\$ 119,286	\$ 122,865
Activities	\$ 52,992	\$ 54,582	\$ 56,219	\$ 57,906	\$ 59,643	\$ 61,432
Payroll Taxes/Benefits	\$ 132,480	\$ 136,454	\$ 140,548	\$ 144,764	\$ 149,107	\$ 153,581
Insurance	\$ 66,240	\$ 68,227	\$ 70,274	\$ 72,382	\$ 74,554	\$ 76,790
Replacement Reserve	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800
Operating Expense Escalator	3%	3%	3%	3%	3%	3%
Management Fee	\$ 207,023	\$ 258,607	\$ 278,292	\$ 291,990	\$ 302,959	\$ 313,566
City of Morganton Taxes	\$ 129,667	\$ 129,667	\$ 129,667	\$ 129,667	\$ 129,667	\$ 129,667
Burke County Taxes	\$ 170,035	\$ 170,035	\$ 170,035	\$ 170,035	\$ 170,035	\$ 170,035
NOI of Revenue	\$ 2,082,269	\$ 2,964,377	\$ 3,278,642	\$ 3,489,563	\$ 3,647,163	\$ 3,796,366
Per Occupied Room	\$ 20,657	\$ 23,393	\$ 24,748	\$ 26,340	\$ 27,530	\$ 28,656
NOI Valuation	\$ 28,720,953	\$ 40,887,961	\$ 52,226,644	\$ 68,131,897	\$ 80,305,701	\$ 92,363,663
Total Ownership Expenses	\$ (2,223,135)	\$ (2,439,409)	\$ (3,097,374)	\$ (3,097,374)	\$ (3,097,374)	\$ (3,185,641)
BTCL with Reserve	555,784	524,968	504,002	504,002	549,790	610,725
DSCR	1.25	1.33	1.25	1.25	1.27	1.28
Yield on Cost	4%	5%	6%	6%	6%	7%
Cash on Cash	7%	6%	6%	6%	6%	7%

10 - YEAR DEVELOPMENT TIMELINE



- (1) Western Piedmont Community College website.
- (2) Bureau of Labor Statistics – 2016 Quarterly Census of Employment and Wages.
- (3) Burke County Senior Center Newsletter – January/February 2018.
- (4) “Cost of Living: Morganton, North Carolina.” *Sperling’s Best Places*.
- (5) Burke County Preliminary Housing Needs Assessment.
- (6) ESRI Business Analyst Online Age 50+ Profile; Burke County Preliminary Housing Needs Assessment.
- (7) ESRI Business Analyst Online Age 50+ Profile.



APPENDIX

BROUGHTON DISTRICT MASTER PLAN

1 - DHHS- NEW BROUGHTON HOSPITAL SUPPORT FUNCTIONS

2 - AVERY BUILDING PRESERVATION ANALYSIS

3 - PROPOSED INTERLOCAL AGREEMENT FRAMEWORK

4 - SITE AND BUILDING ANALYSIS

- EMERGENCY SERVICES TRAINING CENTER RELOCATION STUDY
- HUNTING CREEK GREENWAY AND BROUGHTON PARK AND POND LAYOUT COMPARISON
- SITE SUITABILITY ASSESSMENT
- ADAPTIVE REUSE ASSESSMENT
- STRUCURAL ASSESSMENT
- MEP ASSESSMENT
- CIVIL ASSESSMENT
- OPERATING EXPENSE ESTIMATES

4 - BROUGHTON HOSPITAL HISTORY

5 - CASE STUDIES OF PSYCHIATRIC HOSPITAL REDEVELOPMENTS

6 - SUPPORT LETTERS

- STATE HISTORIC PRESERVATION OFFICE
- BURKE COUNTY CHAMBER OF COMMERCE
- BURKE COUNTY TOURISM DEVELOPMENT AUTHORITY

7 - EXPANDED DEVELOPER DEALBOOK CITATIONS



1

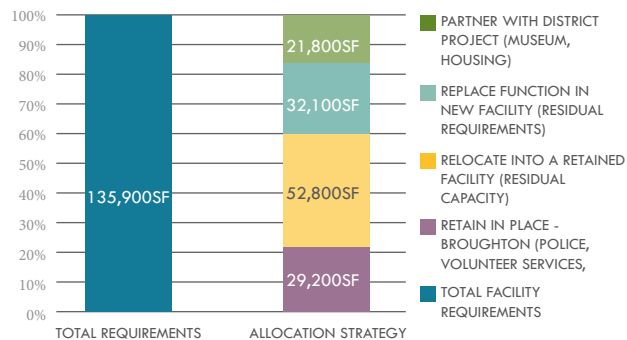
*DHHS NEW BROUGHTON
HOSPITAL SUPPORT
FUNCTIONS*

DHHS – NEW BROUGHTON HOSPITAL SUPPORT FUNCTIONS

Following opening of New Broughton, DHHS will have a continuing need for facilities in Historic Broughton for support functions. To vacate the Historic Broughton campus for future private development, DHHS would need these functions relocated. On August 2, 2018, DHHS provided DFI the first table on the right of implicated support functions, their current location in the Historic Broughton campus, square footage requirement, and projected cost for replacement (including hard costs, design and contingency). DHHS has confirmed they can eventually locate all necessary facilities on the new hospital campus with sufficient funding.

DFI has provided its own analysis below of the recommended space allocation strategy to minimize the public capital investment required to provide these functions. First, in the District master plan, DFI has recommended four buildings on the perimeter of the historic hospital campus to be retained by DHHS for New Broughton support functions: the Chapel, Hooper Building, Gym, and South Building. Second, the housing of Hospital interns in men's and women's dorms—traditionally in buildings owned and operated by the State—could be replaced at a lower initial cost to the State through a more flexible master lease of privately-owned and operated apartments in the new Broughton Terrace development envisioned in the plan. Meanwhile, the Broughton museum artifacts could find a home and be displayed in the Discovery Center. This would leave approximately 85,000 SF of New Broughton support functions to be replaced over time in new facilities at a total projected cost of \$14.8M.

DHHS REPLACEMENT FACILITIES



DHHS REPLACEMENT FACILITY SPACE REQUIREMENTS

Function	Current Building	SF	Total Costs
Chapel/Assembly for 500	CHAPEL	11,000	\$3,720,278
Staff Development	CHAPEL	11,000	\$3,720,278
Patient Advocacy	JONES	1,700	\$574,952
Dir. Support Services/EOC/Psych. Unit Admin Sup.	AVERY	2,000	\$676,414
Broughton Hospital Police	GYM	3,200	\$1,082,263
Controllers Office	BATES	3,200	\$1,082,263
Medical Records Archive (long term)	SAUNDERS	3,200	\$811,697
Volunteer Services (warehouse, offices, loading dock)	HOOPER	4,000	\$1,217,546
Patient Personal Belongings (long term)	JONES	2,700	\$684,869
Wellness Center (Exercise area, bathrooms, showers, lockers)	THOMAS	3,600	\$1,217,546
Museum/artifacts	BATES	1,800	\$608,773
Dormitory for Intern Housing (Men's & Women's)	MORAN	20,000	\$6,764,142
Maintenance (Shops, Garage, Offices, Lunch Room)	VARIOUS	26,300	\$5,559,279
Landscape - Shops & Storage	VARIOUS	6,000	\$1,268,277
Gas Pumps (gas and diesel outdoor fueling and storage)	GARAGE	32,000	\$595,244
Greenhouses (2)		4,200	\$603,700
Fiber optic cable connecting NBH to JIRDC			\$1,691,036

SOURCE: DHHS, DIVISION OF PROPERTY AND CONSTRUCTION (8.2.2018)

DHHS REPLACEMENT FACILITY ALLOCATION STRATEGY

Function	Current Building	SF	Total Costs	Allocation Strategy
Chapel	CHAPEL	11,000	-	Retain building
Staff Development	CHAPEL	11,000	-	Retain building
Patient Advocacy	JONES	1,700	\$574,952	Replace
Dir. Support Services/EOC/Psych. Unit Admin Sup.	AVERY	2,000	\$676,414	Replace
Broughton Hospital Police	GYM	3,200		Retain building
Controllers Office	BATES	3,200	\$1,082,263	Replace
Medical Records Archive	SUANDERS	3,200	\$811,697	Replace
Volunteer Services	HOOPER	4,000		Retain building
Patient Personal Belongings	JONES	2,700	\$684,869	Replace
Wellness Center	THOMAS	3,600	\$1,217,546	Replace
Museum/artifacts	BATES	1,800		Partner
Dormitory for Intern Housing	MORAN	20,000		Partner
Maintenance	VARIOUS	26,300	\$5,559,279	Replace
Landscaping	VARIOUS	6,000	\$1,268,277	Replace
Gas Pumps	GARAGE	32,000	\$595,244	Replace
Greenhouses (2)		4,200	\$603,700	Replace
Fiber optic cable connecting NBH to JIRDC			\$1,691,036	Replace



2

AVERY BUILDING

PRESERVATION ANALYSIS

AVERY BUILDING PRESERVATION ANALYSIS

ANALYSIS: DOES IT MAKE FINANCIAL SENSE TO PRESERVE THE AVERY BUILDING?

At the core of the guiding public interests for the adaptive reuse of the Historic Broughton Campus is the preservation of the landmark Avery Building, the first structure on the campus, originally built in 1882. The building's massive scale (337,000 gross square feet) and unyielding floor plan (12-foot wide corridors and small rooms divided by 1- to 2-foot thick masonry walls) make it an adaptive reuse challenge. The limited number of precedents for successful reuse of similar former psychiatric hospital buildings (e.g. The Village at Grand Traverse Commons in Traverse City, MI; the Hotel Henry in Buffalo, NY; The Villages at Staunton in Staunton, VA) add to the challenge.

Nevertheless, many would argue that the beauty of the architecture designed by Samuel Sloan in the Kirkbride-style of psychiatric facilities and its symbolism of the State's enduring public investment and commitment to the mental health of its people make the Avery Building a critical historic and cultural asset to strive to preserve. The building's listing on the National Register of Historic Places and its designation as a local historic landmark demonstrate that widely-held position.

However, does it make financial sense to adaptively reuse the Avery Building in light of other public interests, such as attracting private investment into the district and preserving many other historic structures on the Broughton campus? The difficulty of repurposing such a large building at the central, high point of the campus creates some redevelopment risk to the adjacent historic structures that would depend on the successful reuse of the dominant building on the property. Some have asked, what if the Avery Building were demolished, eliminating the potential risk of a stigma on the district from such a looming structure? Would this justify the irreversible (and difficult to quantify) social cost of losing the Avery Building's value as an architectural and cultural landmark?

To address this "what-if" scenario, DFI developed a financial model to estimate the net present value (NPV) of

public stakeholder cash flows over 20 years from reasonably foreseeable development strategies for the Avery Building:

1. Preserve: "Mothballing" (stabilization of the vacant structure to reduce carrying costs while maintaining the asset for future redevelopment) followed years later by private investment that would adaptively reuse the building under historic preservation guidelines
2. Demolish: Demolishing the historic structure quickly to make room for private investment in new construction on the land left behind by the building's footprint

NPV analysis applies a discount rate to future cash flows to represent the fact that a dollar today is worth more than a dollar tomorrow, and also that it would be preferable to spend a dollar in later years rather than spending it today. The model is based on the concept of a composite "public stakeholder" that includes the State government that currently owns the property and local governments (City and County) that control taxation of the property. Although a simplification of reality, such a composite "public stakeholder" is the appropriate actor for this model given 1) the study has been charged with considering the cost and benefits to both State and local governments, 2) the social costs to the community of the loss of the Avery Building would transcend levels of State and local government, and 3) the State and local governments are collaborating to make decisions regarding the property. In the model, this public stakeholder would own the following decisions and cash flows:

- The timing and amount spent on carrying costs, mothballing, or demolition (the public investments)
- The timing of the sale of the property at fair market value to a private investor (the first source of financial return on public investment)
- The timing and amount of all real estate property tax revenues from the property following private ownership and investment (the second and ongoing source of financial return on public investment)

The model has the following parameters and constant assumptions:

- The development program that would be accommodated within the adaptive reuse of the Avery Building (per the

master development plan) is the same as the program that would be built as new construction on the land if the Avery Building were demolished; that is, a 144-unit age-restricted apartment community with amenities for active adults.

- The Avery Building—if redeveloped and maintained according to historic preservation standards—would receive 50% deferral of annual real estate taxes indefinitely according to its local historic landmark designation.
- Outside of the Avery Building, the remainder of the Broughton District private investment is the same in scope, amount, and timing under all three strategies. This is an important assumption to isolate the effects of the decision regarding the Avery Building. It is also a reasonable assumption given the master development approach that leverages "early wins" in terms of site control and market support for the initial projects that can be executed independent of the Avery Building. While one could argue that the presence of a vacant Avery Building might delay or scale back private investment in earlier phases, another could equally argue that the Avery Building's grandeur would add authenticity and a sense of place to the district that would elevate the scope and scale of surrounding private investment. Therefore, given the subjectivity of these points of view, it is fair to assume a neutral impact of the Avery Building strategies on the surrounding private investment.
- A 4.0% annual discount rate—which approximates the public sector cost of capital—is applied to the future cash flows to calculate the NPV.

Meanwhile, the variables between scenarios of the model are ones related to timing and the nature and amount of the public and private investment (see below).

STRATEGY	PRESERVE: MOTHBALL THEN REDEVELOP	DEMOLISH THEN NEW CONSTRUCTION
TIMING		
Year of Demolition	N/A	1
Year of Mothballing	1	N/A
Year of Sale of Property (Expected Range)	6	4-6
Year Private Development is Completed (Expected Range)	8	6-8
PUBLIC INVESTMENT		
Demolition Cost	N/A	\$4.0M (\$12/SF) ¹
Mothballing Cost	\$3.4M (\$10/SF) ²	N/A
Annual Carrying Cost	\$152K (\$0.45/SF) ³	\$111K (\$0.33/SF) ⁴
RETURN ON PUBLIC INVESTMENT		
Sale of Property	\$2.86M (\$8.50/SF) ⁵	\$1.65M (\$75K/ACRE) ⁶
Additional Private Investment (tax assessed value) ⁷	\$46M	\$33.8M
Historic Landmark tax deferral	50%	N/A
Incremental real estate tax revenues ⁸	\$299K/YEAR	\$435K/YEAR

The hypothesis of the demolition scenario is that by quickly razing the Avery Building (Year 1 of the model), private investment could develop that site sooner than if the building stayed in place while the district and the market matured to take on such a grand adaptive reuse challenge. Acting in favor of the demolition scenario is that an earlier year of sale and year of completion of private development would generate quicker returns to the public stakeholders. This is offset in part by the significant upfront cost of demolition and the lower private investment created from new construction compared to historic adaptive reuse.

In the preservation scenario, “mothballing” the vacant structure can pay off the longer the property is carried by the public stakeholders before a sale due to the

reduced annual operating expenses, and also as a means of protecting against deterioration that would reduce the value of the asset. Acting in favor of the cash flows for the preservation scenario is that the private investment in historic adaptive reuse, which can leverage historic tax credit equity, will be greater than a comparable new construction program. This is offset in part because the sale and redevelopment may take longer to realize due to the complexity of historic adaptive reuse. Furthermore, the tax treatment of the Avery Building as a local historic landmark means the incremental real estate tax revenues from historic adaptive reuse are discounted by 50%.

Thus, when it comes time to measure the NPV, the following picture emerges (see table below). First,

demolishing the Avery Building to make way for new construction generates a higher NPV than preservation, provided the sale and redevelopment occur two years earlier (at the beginning of the expected range, year 4 for sale and year 6 for development). That NPV spread erodes when the timing advantage of the demolition scenario drops to 1 year (sale in year 5 and development in year 7). And if the timing advantage is eliminated—meaning demolition of the Avery Building does not have the impact of accelerating investment in that site over the preservation scenario—then the NPV is greater for preservation.

SCENARIO	NPV
DEMOLISH THEN NEW CONSTRUCTION	
2-year advantage	\$1,125,036
1-year advantage	\$634,485
No timing advantage	\$162,801
PRESERVE: MOTHBALL THEN REDEVELOP	\$526,785

The NPV analysis concludes that demolishing the Avery Building does not create significantly more value than preserving it, particularly when the “timing advantage” justification for the demolition strategy is stress-tested. Furthermore, the concept of a quick demolition and new construction may be unrealistic in any event because the current user of the Historic Broughton Campus (DHHS) must execute a phased relocation of its existing support functions out of Avery and adjacent buildings before demolition and new construction could occur.⁹ The preservation with “mothballing” approach takes advantage of the intervening time by developing other sites to strengthen the District’s appeal, ultimately improving the feasibility of adaptively reusing Avery.

(1) Assumes \$6.00/SF abatement of hazardous materials and \$6.00/SF demolition.

(2) Assumes ventilation is maintained throughout the building, first floor windows are secured, and modest repairs to the slate roof to prevent leakage.

(3) Assumes \$0.33/SF for electricity to provide ventilation and minor conditioning (23% of current electricity usage based on NC Dept. of Energy Building Data Book for vacant and mothballed Education/Lodging/Office buildings) and \$0.12 for minor repairs and maintenance.

(4) Assumes utilities to provide ventilation and minor conditioning but no investment in repairs and maintenance.

(5) Aligns with DFI financial projections of supportable acquisition price by a private developer for the property. This is a lower \$/SF than the adjusted sales comparables of \$9.63-\$16.87/SF from the State’s appraisal of the fair market value of the Historic Broughton Campus in 2015. A lower price is modeled given that appraisal range was based on imperfect precedent sales and was for the average \$/SF price across all Historic Broughton Campus buildings and the Avery Building presents significantly greater complexity and cost of adaptive reuse relative to average historic structures on the campus.

(6) Based on land value conclusion from the State’s appraisal of the Historic Broughton Campus in 2015.

(7) Assumes tax assessed value (TAV) matches the DFI projected tax value to derive real estate tax payments in the private development pro formas, which is a TAV that approximates the hard construction cost of real improvements to the property.

(8) Combines City and County real property tax revenues at 2017 rates (\$0.53 City and \$0.695 County per \$100 in assessed value) after applying historic landmark tax deferral (if applicable).

(9) If demolition is delayed until year 4 and sale is assumed to occur in year 6 with new construction completed in year 8, the difference between NPV of demolition and NPV of preservation is less than \$100,000.



3

PROPOSED INTERLOCAL AGREEMENT FRAMEWORK

PROPOSED INTERLOCAL AGREEMENT FRAMEWORK

Working Title: Broughton District Interlocal Economic Development and Project Financing Agreement

Parties to Agreement: City of Morganton (“City”) and Burke County (“County”), each a “Party”

Primary Statutory Authority: N.C.G.S. Section 158-7.4

Term of Agreement: The Agreement will expire 40 years after the Effective Date.

Effective Date: The Effective Date shall be thirty days following the fulfillment of all of the below Conditions Precedent:

Conditions Precedent:

- WPCC secures site control of a replacement location for the ESTC, which is the enabling project for the rest of the District vision.
 - [Example: WPCC signs a Shared Facilities Agreement with Burke County Public Schools (BCPS) for the ESTC construction, operation and maintenance on the land owned by BCPS at Freedom High School.]
- State, Western Piedmont Community College (WPCC), and UNC System designate as surplus property all land and buildings identified for redevelopment in the Broughton District vision plan and formal agreement is reached over transfer of site control of the relevant properties to one or more of the Parties or to one or more entities controlled by the Parties.
 - Example: State designates surplus property it controls in the Site and sells surplus property to the City, County, or a cooperative entity formed by City and County (“Cooperative Entity”) for nominal consideration with a lease-back commitment:
 - Lease-back tied to ongoing operation of State facilities to eventually be replaced within or outside the Site in coordination with the District vision plan
 - Lease-back is for a nominal amount but is a ground lease net of any expenses (i.e. tenant covers all costs of operating and maintaining the property)
 - Lease-back is time-limited to allow for the replacement/relocation of State facilities but provide certainty for City/County on when private redevelopment could take place
 - State would share in any gain from land sale or substantial ground lease for a designated period
 - State would be responsible for demolition of any building in the Site that it controls that is not identified for redevelopment in the District vision plan

- Example: State, WPCC, and UNC system provide an easement (or otherwise transfer or enable perpetual access to property) for the construction and maintenance of the greenway trail that crosses over each entity's property at different locations on its alignment.

Factual Background: In 2015, the State engaged the UNC School of Government's Development Finance Initiative to study potential reuse opportunities that would attract private investment for the redevelopment of the Historic Broughton Campus while serving State and local public interests. The City and County, along with other local private stakeholders, helped fund and participated in the study, which produced the "Re-Imagining Broughton" vision plan in 2016.

The vision plan recommended a comprehensive approach to redeveloping the entire Broughton District (historic hospital campus and surrounding 800 acres, collectively the "Site") to ensure the highest probability of attracting private investment and to provide the greatest economic and social benefit to stakeholders, including:

- Preserving local and State-owned historic structures
- Enhancing public access to the Site's natural and cultural amenities
- Recruiting talent by stimulating economy, enhancing housing options, and improving local quality of life
- Creating a regional destination to complement downtown Morganton
- Supporting the growth of Burke County as an education, technology, healthcare, and recreation hub
- Generating direct economic benefits through the sale of portions of public land for private development, incremental local tax revenues, and private sector job creation

In accordance with the provisions of N.C.G.S. Section 158-7.4, which authorizes local governments to enter into interlocal agreements for the development of commercial sites, this Agreement is intended to provide the framework for collaboration of the Parties to develop the public infrastructure and amenities (the "Projects") that will support the vision plan for the Site and serve the public interests of 1) attracting private investment to increase the local tax base, 2) providing for high quality educational facilities for workforce development to support local employment, 3) preserving the historic architecture of the District at a gateway to the community to increase business prospects, and 4) activating the open space within the District and improving connectivity to the surrounding community to enhance the local quality of life and increase population.

The Site: The approximately 800-acre area bounded by South Sterling Street, Enola Road, Interstate Highway 40, Burkemont Avenue, and West Fleming Drive.

The Projects:

- Site control (through option, purchase, lease, easement, or other means) of land and buildings within the Site identified for the development of public infrastructure and amenities or private redevelopment
- A new, enhanced Emergency Services Training Complex (ESTC). The new ESTC will include additional facilities to maintain its high credentials and expand its training offerings to support a larger pool of professional clients
- A hard-surface greenway trail along Hunting Creek to connect the District to downtown Morganton, J. Iverson Riddle Center, and Burke County Public Schools (Liberty and Patton) and extend the City's greenway system as part of a regional trail system
- A retention pond with piping to serve a stormwater management function for the District and provide a public amenity for passive recreation and environmental learning
- A passive park adjacent to the greenway with parking for a trailhead, a loop trail around the pond, and facilities to support small gatherings
- A District Management Entity to market parcels within the Site for private investment; subject new development to reasonable restrictions, covenants and assessments required to preserve the vision plan; and coordinate the construction and maintenance of shared infrastructure (e.g. utilities, stormwater, broadband, roads) between public and private actors within the Site until the Site has been fully developed according to the plan

The conceptual scope of these projects has been identified in the Master Development Plan for the Broughton District. The final scope will be determined as part of the Parties' Obligations for the Projects.

Obligations for the Projects: The Parties would form a Cooperative Entity to adopt a vision plan for the Site and coordinate execution of the Projects under one of the following approaches (two options):

Option A – “Business Partnership” approach: As of the Effective Date, the Parties would share obligation for executing the Projects, including all activities and financial responsibilities associated with site control, design, financing, construction, and operations and maintenance of the Projects. Each Party's share of the Distributions associated with the Projects would be commensurate with its capital contributions (pari passu) toward capital improvements.

Option B – “Project Control” approach: As of the Effective Date, the Parties would share the obligation for site control required to execute the Projects, but would otherwise assume the obligations for all activities and financial responsibilities associated with design, financing, construction, and operations and maintenance of the Projects according to a project-by-project allocation of control between Parties. These obligations would be incurred by the respective Party at the Effective Date, but the timing of executing on the obligations would be coordinated through the Cooperative Entity. Each Party's Share of the income associated with all the Projects would be commensurate with its capital contribution (pari passu) toward capital improvements of its respective Project(s).

Project Costs and Contributions:

The Parties acknowledge the current estimated cost of the capital improvements (excluding costs of financing) for the Projects of ____ with a projected Non-Local Government Cost Share of ____, which are only estimates and will need to be finalized prior to any of the Contributions by the Parties being triggered, subject to releasing some advance planning funds for design to arrive at final construction pricing.

In addition, the Parties will make an annual Contribution toward annual operating expenses associated with the operations and maintenance of the Projects. The District Management Entity will create an annual operating budget for the reasonable review and approval of the Parties. By way of example, such a budget would account for the following categories of recurring expenses.

Recurring Expenses (illustrative)

Category
Passive Park Maintenance (after construction)
Stormwater Pond Maintenance (after construction)
Greenway Maintenance (after construction)
District Management Entity Operations
Existing historic building utilities and repairs to avoid deterioration for period between site control and redevelopment

The amount of each Party's contribution to operating expenses will be according to each Party's...

- Option A – “Business Partnership” approach: ...share commensurate with its capital contributions (pari passu) toward capital improvements.
- Option B – “Project Control” approach: ...allocation of project control.

Accounting of Respective Contributions: The District Management Entity will maintain an accounting, similar to a Capital Account, to track each Party's share in the Project based on their respective contributions.

Accounting of Revenues and Expenses: The District Management Entity will maintain an accounting of revenues and expenses of the Project and will manage the payments by and distributions to the Parties as necessary.

- Land sale proceeds – The Cooperative Entity that controls the property will appropriate to the Common Fund an amount equivalent to any sale proceeds (e.g. sales price less direct cost of selling the property and any proceeds owed to other parties outside the agreement) from any sale or ground lease of real estate in the Site as soon as possible following the receipt of the net sale or lease proceeds, and in

any event no later than July 31 of the fiscal year immediately following the fiscal year in which the net sale proceeds were received (to allow for budgeting and appropriations processes to be completed).

- Tax revenues – The Parties levying ad valorem taxes on real and personal property, occupancy taxes, or special assessments on property in the Site will deposit into the Common Fund an amount equal to those tax receipts from the property in the Site by December 31st of each year.

Distributions from Common Fund: The Parties will receive distributions on an annual basis of any net income (revenues less operating expenses of the Cooperative Entity, debt service obligations, and a minimum cash balance to be determined by the Board) (“Distributions”), unless otherwise constrained by any debt or other funding obligations of the Cooperative Entity.

Governance and Management: In the event the Cooperative Entity is a nonprofit corporation, it shall be governed by a ____-member Board of Directors. The seats on the Board of Directors shall be allocated among the Parties according to each Party’s share under Option A or Option B, as appropriate.

Amendments: The Agreement can be amended with approval of the Parties to accommodate the evolution of the Project, including changes in scope, costs, and/or timing of the Project.



4

SITE AND BUILDING ANALYSES

EMERGENCY SERVICES TRAINING CENTER (ESTC) RELOCATION STUDY AT LIBERTY HIGH SCHOOL

POTENTIAL NEW HOME FOR THE ESTC

Recognizing that the ESTC performs a critical function in WPCC's Fire, Rescue & Emergency Management training programs, DFI consulted with the County and WPCC in preparing the recommendation to relocate, which was made contingent upon finding a suitable replacement site for the ESTC. Through the ingenuity and diligence of WPCC staff, as well as the support of DFI and the staff at Burke County Public Schools, the City, and the County, a potential replacement site has been identified at Freedom High School.

COSTS, BENEFITS AND LEVERAGE OPPORTUNITIES

Relocating the ESTC to Freedom High School comes with costs and benefits. The relocation builds on an existing partnership between WPCC and BCPS to share facilities at Freedom High School for the college's Basic Law Enforcement Training driving course. Several ideas to further leverage the investment for other positive outcomes in the community have been generated in preliminary discussions with executive staff.

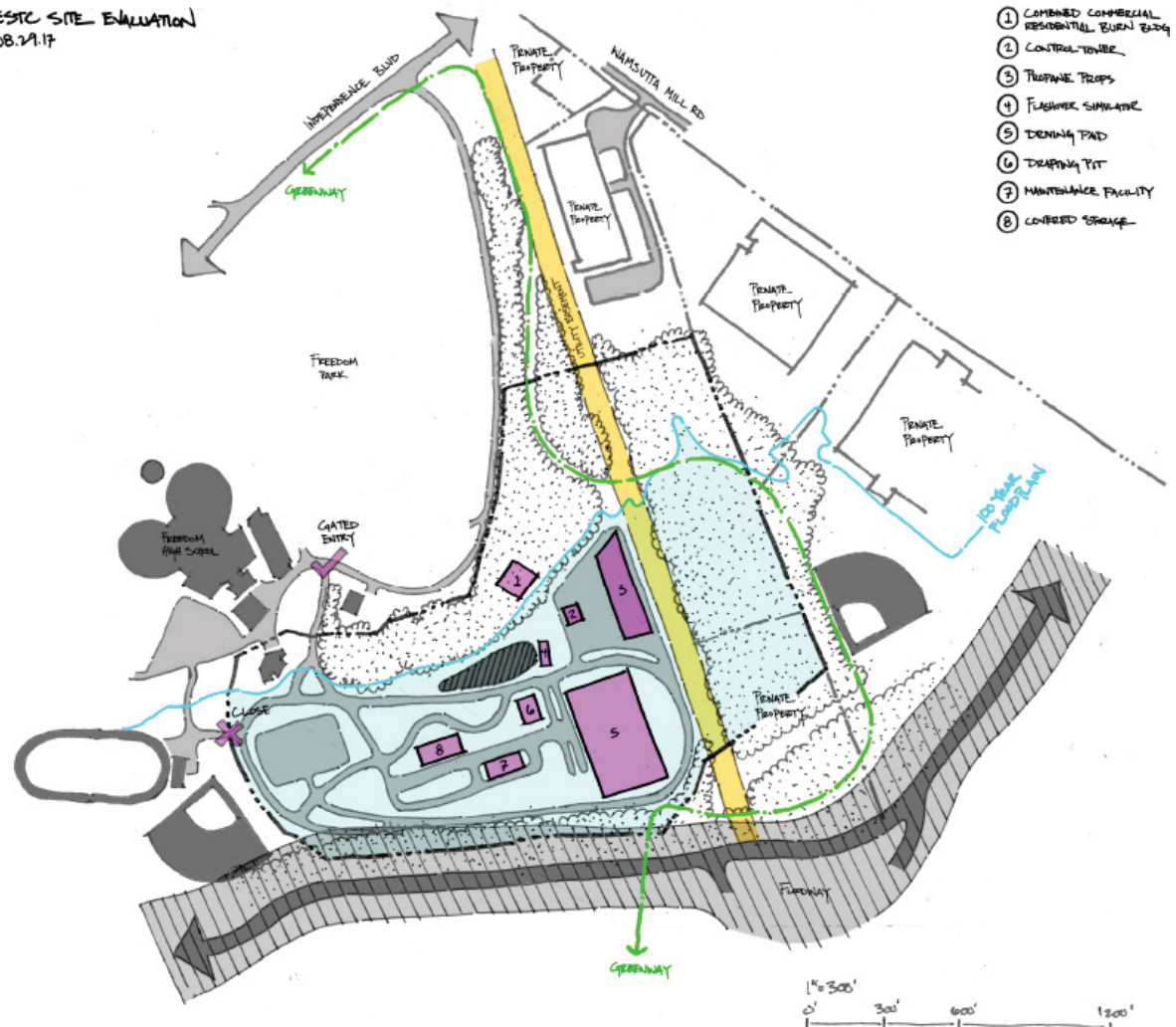
Planning for the ESTC relocation is in the conceptual stages. Commitments and timelines to execute the relocation have not yet been established. To date, the following due diligence has been performed:

- Site suitability assessment analyzing slopes, hydrology, property ownership, and infrastructure
- Conceptual site planning to locate entry/exit drives, new structures, training props, and adjacent greenway alignment
- Review of planning progress with executive staff of WPCC, BCPS, City, and County
- Flashover simulator smoke plume test to determine radius of impacts

An initial conceptual site plan showing the potential relocation of ESTC structures and equipment within the Freedom High School site and the greenway re-alignment is to the right.

DIRECT COSTS	DIRECT BENEFITS	LEVERAGE
<ul style="list-style-type: none"> • Site work (excavation, grading, paving), minimized by reusing existing facilities • Water line infrastructure • Relocation of equipment • New building construction (burn building, control tower) • Greenway re-alignment to buffer from ESTC operation 	<ul style="list-style-type: none"> • Consolidated operations with BLET and ESTC • Soils to support multi-story commercial burn building (new certification requirement) • Unlock the value of the current site for new infrastructure and amenities to support NCSSM and Broughton District 	<ul style="list-style-type: none"> • Underutilized County property tapped for greenway re-alignment • Greenway re-alignment connects to ball field at Meritor • Groundwork laid for future Fire Academy facility and future EMS water rescue facility

ESTC SITE EVALUATION
08.14.17



DFI'S RECOMMENDED GREENWAY ALIGNMENT AND BROUGHTON PARK AND POND PROGRAMMING

REIMAGINING BROUGHTON FEASIBILITY STUDY FROM 2016

- Public access down Coal Chute Road with parking north and east of proposed pond.
- Broughton park incorporates passive and active recreation uses, which include, soccer fields, walking trails, pavilion and loop trail.
- Relocation of Broughton Hospital picnic shelter for athletic field expansion.
- Retention of Broughton Hospital fishing pond and baseball field.
- Hunting Creek greenway alignment follows the west side of Hunting Creek from I-40 culvert to Coal Chute Road where it crosses over to the east side of Hunting Creek. The greenway then follows the edge of Hunting Creek past New Broughton Hospital to S. Sterling St and is routed to not interrupt the plans for the entry walkway between the historic Broughton Hospital stone columns.

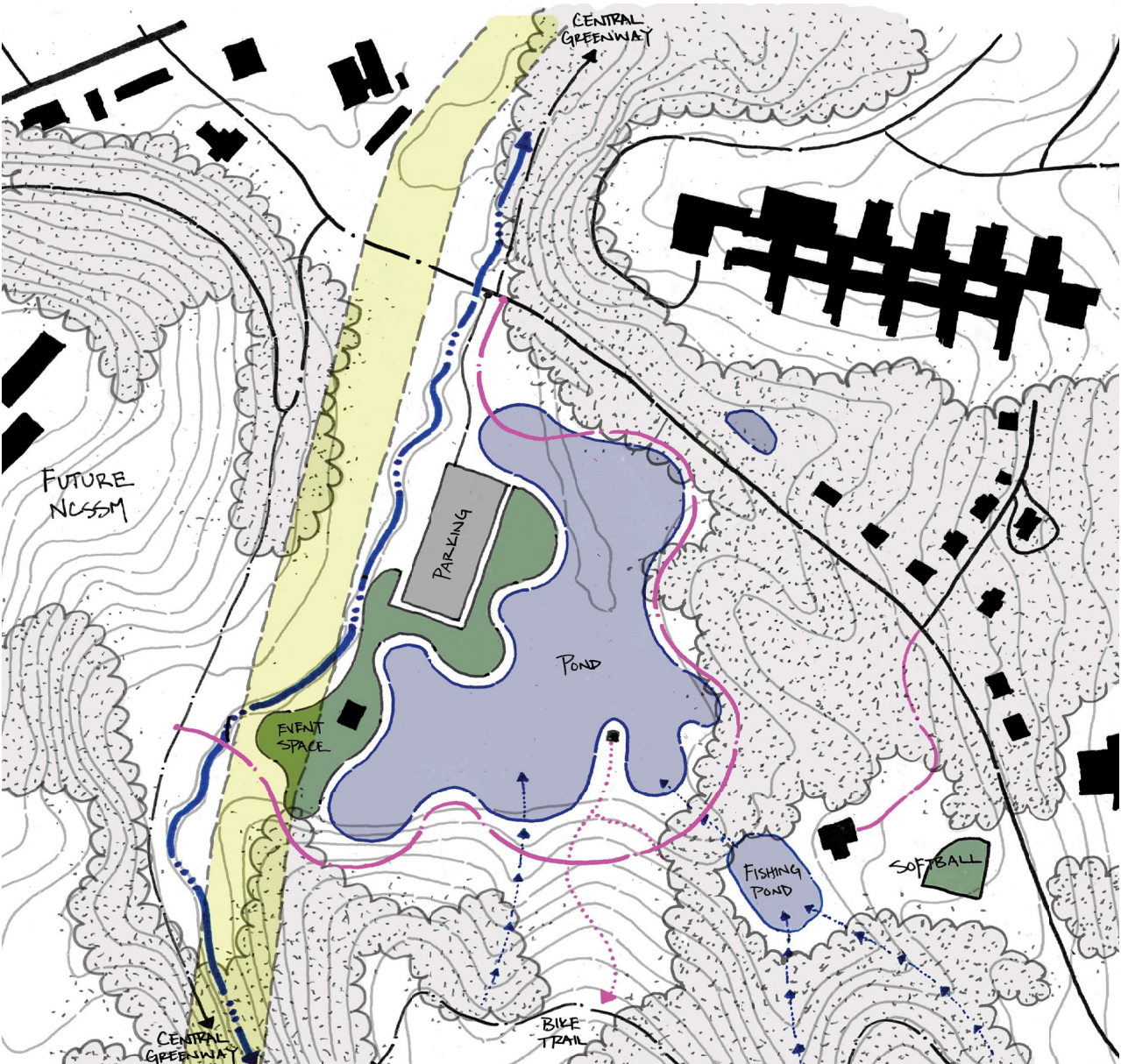


BROUGHTON DISTRICT MASTER DEVELOPMENT PLAN 2018

- Public access down Coal Chute Rd. limited to the entry drive for the parking lot on the west side of the pond.
- Broughton Park incorporation of only passive recreation uses (trails, pavilions, meadows and boardwalks). No athletic fields included in the park program.
- A vegetative buffer is established north of Coal Chute Road to provide more visual separation between the pond and New Broughton Hospital.
- Retain existing Broughton Hospital picnic shelter, baseball field and fishing pond in its current location.
- Hunting Creek greenway alignment follows the west side of Hunting Creek from I-40 culvert to Coal Chute Road where it crosses over to the east side of Hunting Creek. The greenway then follows the edge of Hunting Creek past New Broughton Hospital to S. Sterling St and is routed to not interrupt the plans for the entry walkway between the historic Broughton Hospital stone columns.



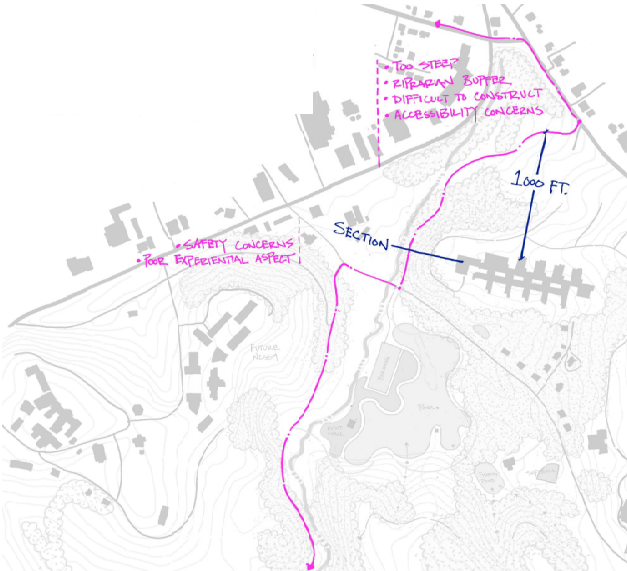
PROPOSED BROUGHTON PARK AND POND AND GREENWAY DESIGN SCHEME



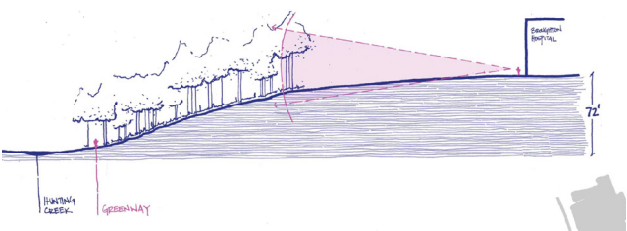
FLOODPLAIN AND PROPERTY BOUNDARIES



HUNTING CREEK GREENWAY PROPOSED ALIGNMENT



VIEWSHED STUDY FROM BROUGHTON HOSPITAL TO PROPOSED GREENWAY



BROUGHTON DISTRICT SUITABILITY ANALYSIS

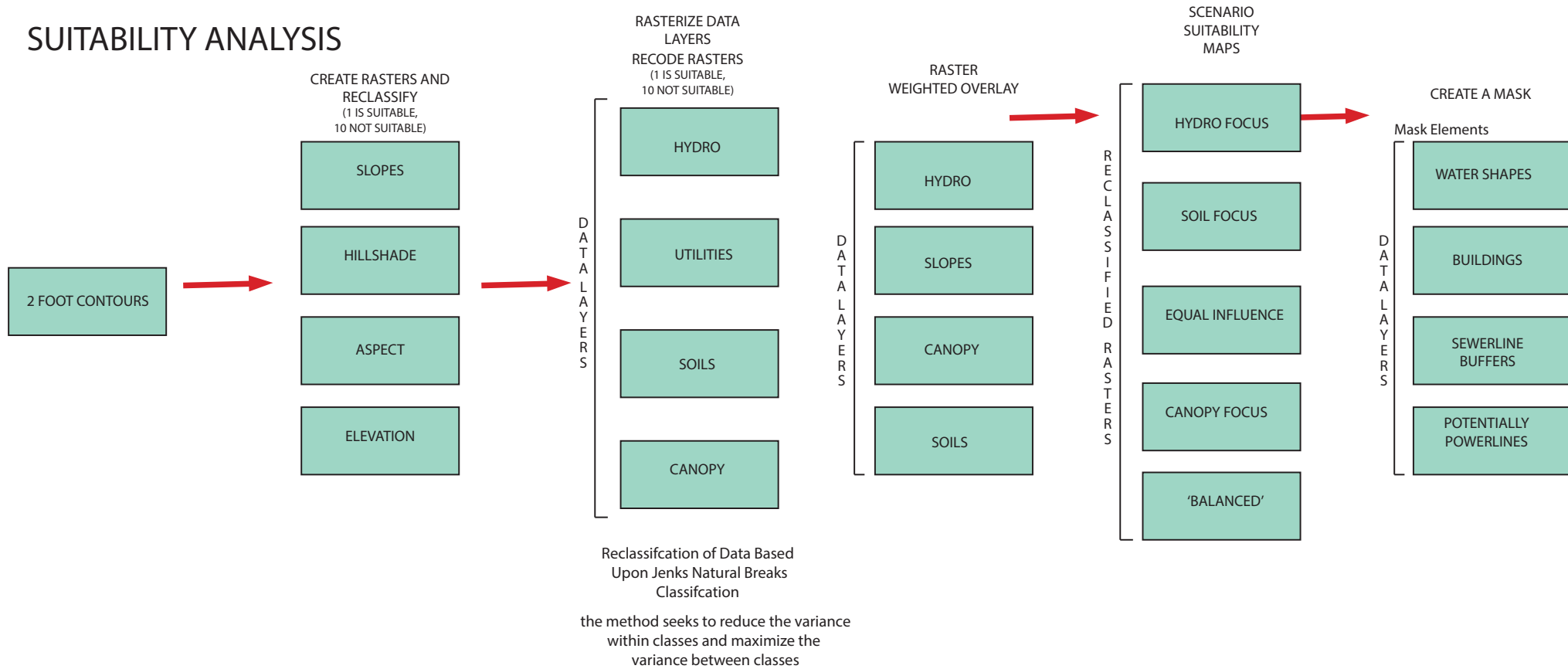


BROUGHTON DISTRICT SUITABILITY ANALYSIS- EXISTING CONDITIONS



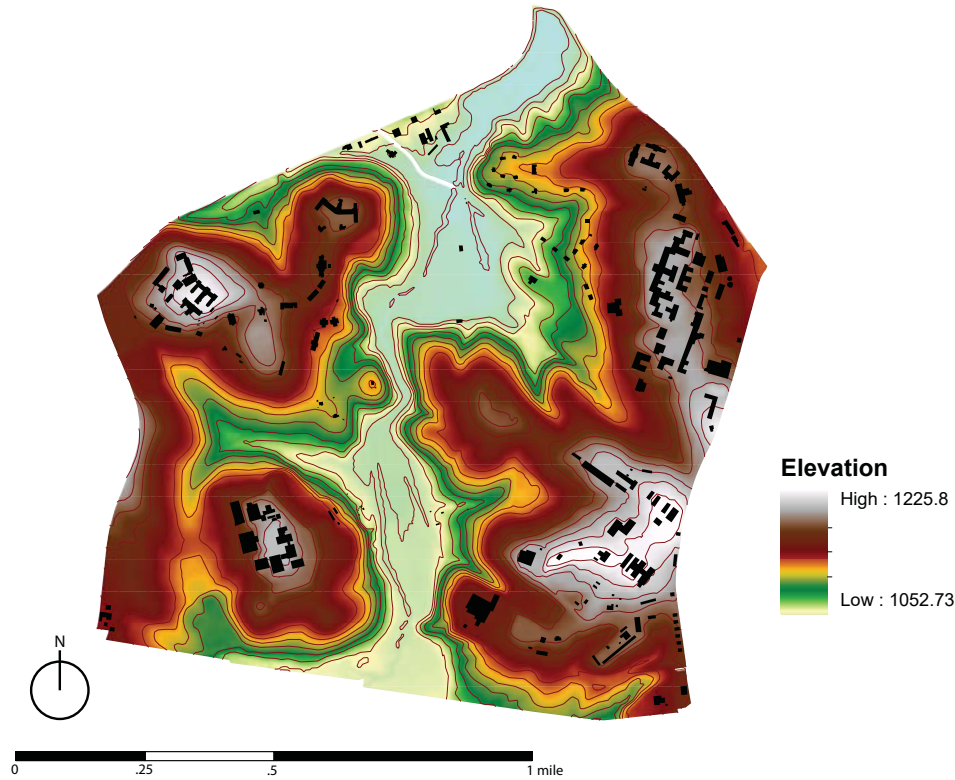
BROUGHTON DISTRICT SUITABILITY ANALYSIS- PROCESS DIAGRAM

SUITABILITY ANALYSIS

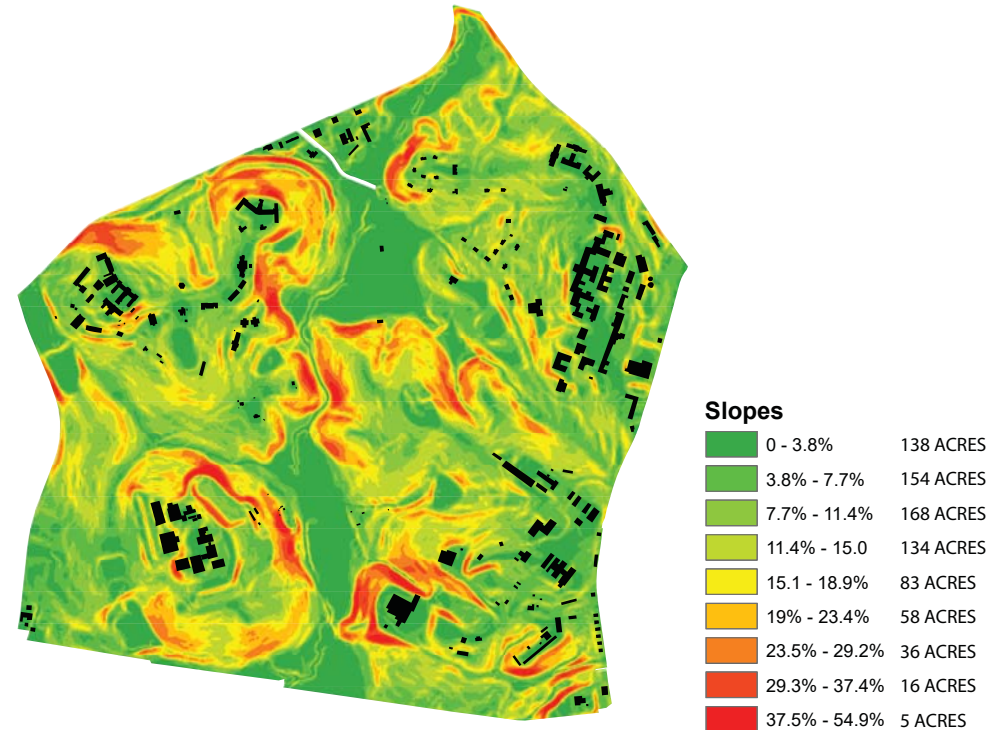


BROUGHTON DISTRICT SUITABILITY ANALYSIS- INDIVIDUAL COMPONENTS

ELEVATION ANALYSIS

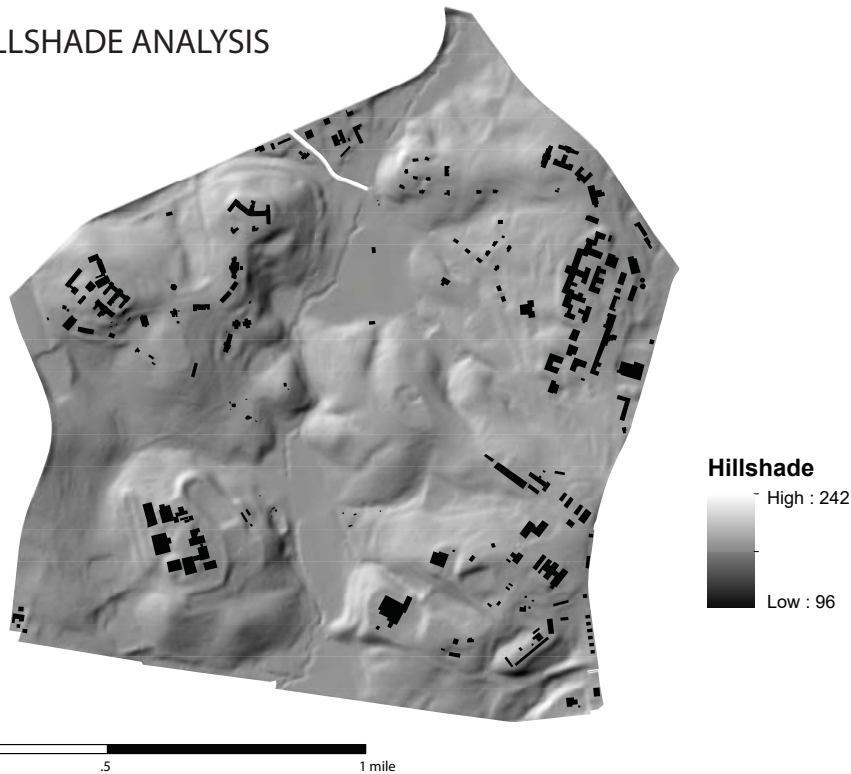


SLOPE ANALYSIS



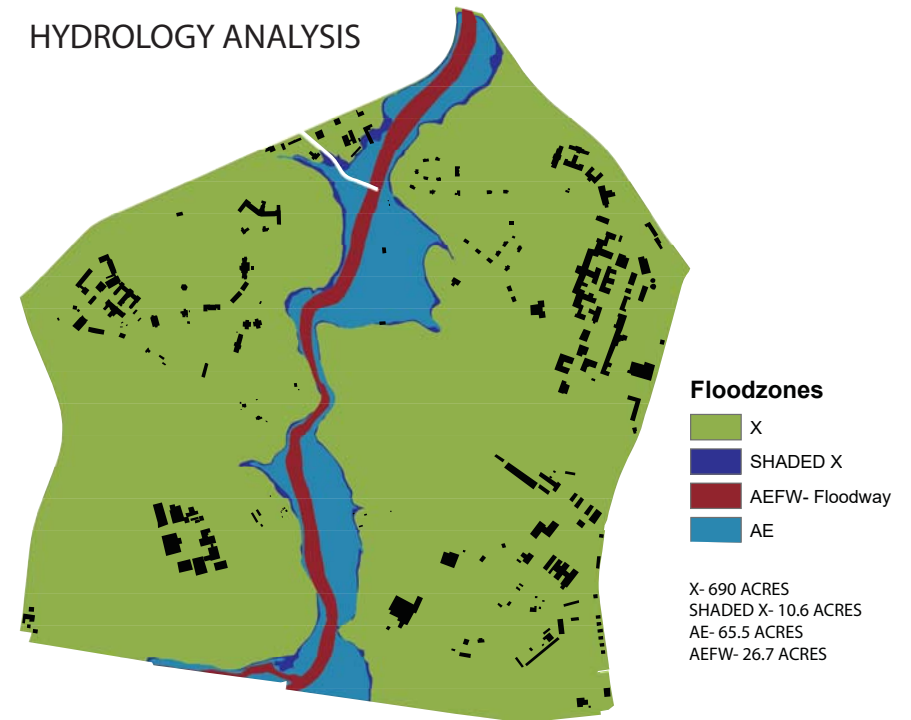
BROUGHTON DISTRICT SUITABILITY ANALYSIS- INDIVIDUAL COMPONENTS

HILLSHADE ANALYSIS



Hillshade values display the intensity of light from a source (the sun) at each raster cell, from 0 (dark) to 255 (light).

HYDROLOGY ANALYSIS



HYDROLOGIC DEFINITIONS

X- These properties are outside the high-risk zones.

SHADED X- Area of moderate flood hazard. This flood risk is reduced, but not removed. Flood insurance is not required in this zone

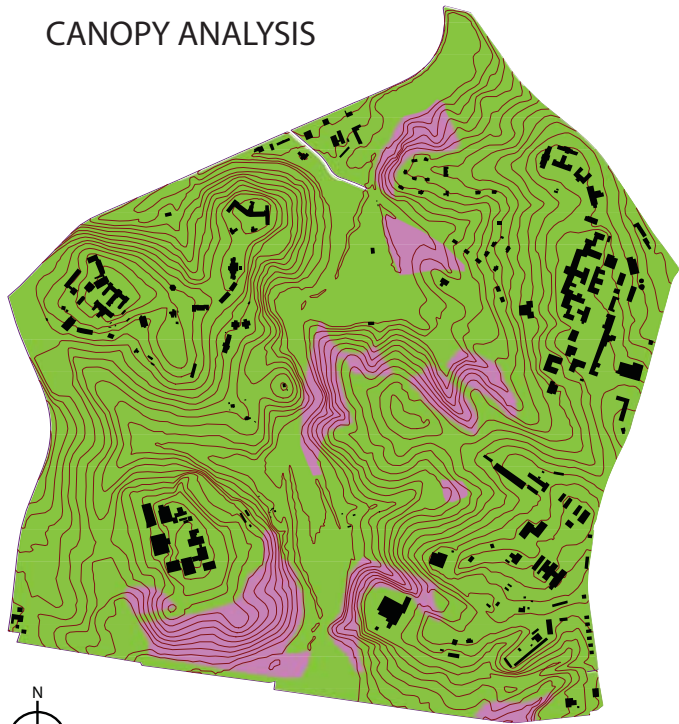
AE- High flood risk. Base flood elevations have been determined. Flood insurance is mandatory and local floodplain development codes apply.

AEFW- Floodway- channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood

Source: http://www.clark.wa.gov/publicworks/flood/documents/zone_definitions.pdf

BROUGHTON DISTRICT SUITABILITY ANALYSIS- INDIVIDUAL COMPONENTS

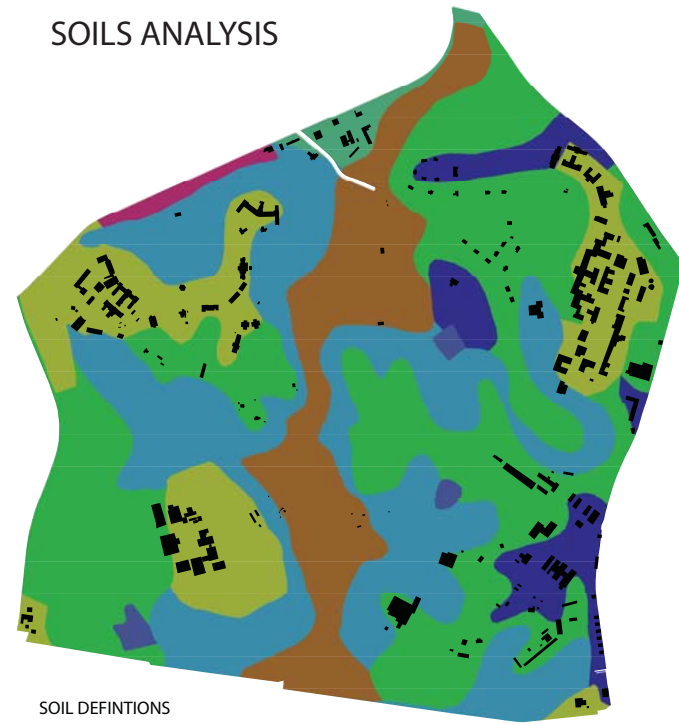
CANOPY ANALYSIS



Canopy

Canopy	82.8 ACRES
No Canopy	710 ACRES

SOILS ANALYSIS



Soils

CvA	103 ACRES
FaB2	47 ACRES
FaC2	277.8 ACRES
FaD2	219.8 ACRES
FeC	6.2 ACRES
Ud	122 ACRES
Ur	11.2 ACRES
W	5.9 ACRES

SOIL DEFINITIONS

CvA- Colvard Sandy Loam- 0-3%, occasionally flooded.
FaB2- Fairview sandy clay loam- 2-8% slopes, moderately eroded.
FaC2- Fairview Sandy Clay Loam- 8-15 % slopes, moderately eroded.
FaD2- Fairview Sandy Clay Loam- 15-25% slopes, moderately eroded
FeC- Fairview Urban Land Complex- 8-15% slopes
Ud- Udorthents, loamy
Ur- Urban Land
W- Water

Source: http://www.nrcs.usda.gov/Internet/FSE_MANUSCRIPTS/north_carolina/NC023/0/Burke.pdf

Canopy data was geo-referenced using the ArcGIS base-map orthoimagery.

BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

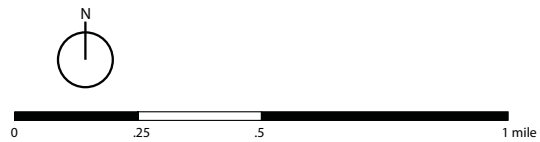
WEIGHTED OVERLAY-CANOPY FOCUS

70% CANOPY
10% SLOPES
10% HYDROLOGY
10% SOILS



Weighted Overlay Rating 2 is poor 10 is excellent

2	20.1 ACRES
3	61.7 ACRES
4	.9 ACRES
5	-
6	-
7	-
8	30.6 ACRES
9	366.9 ACRES
10	312.6 ACRES



WEIGHTED OVERLAY- SOIL FOCUS

10% CANOPY
10% SLOPES
10% HYDROLOGY
70% SOILS



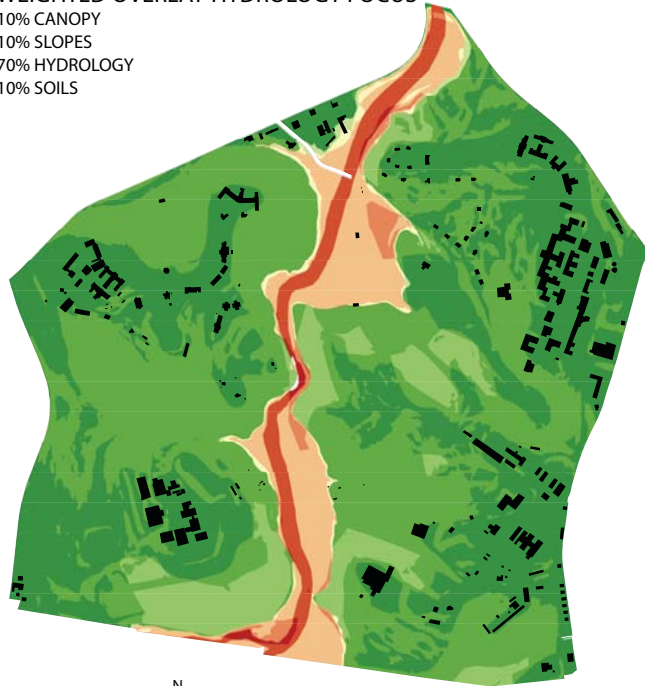
Weighted Overlay Rating 2 is poor 10 is excellent

2	.07 ACRES
3	.4 ACRES
4	3.4 ACRES
5	22.8 ACRES
6	77.2 ACRES
7	181.8 ACRES
8	194.4 ACRES
9	232.4 ACRES
10	80.3 ACRES

BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

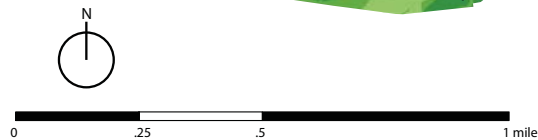
WEIGHTED OVERLAY-HYDROLOGY FOCUS

10% CANOPY
10% SLOPES
70% HYDROLOGY
10% SOILS



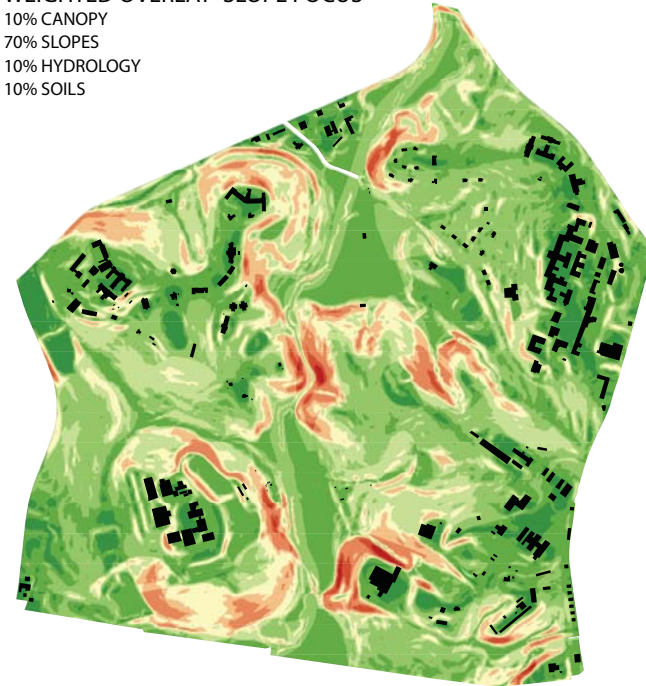
Weighted Overlay Rating 2 is poor 10 is excellent

2	2.9 ACRES
3	23.7 ACRES
4	8.2 ACRES
5	57.3 ACRES
6	8.0 ACRES
7	2.8 ACRES
8	58.8 ACRES
9	319.3 ACRES
10	311.8 ACRES



WEIGHTED OVERLAY- SLOPE FOCUS

10% CANOPY
70% SLOPES
10% HYDROLOGY
10% SOILS



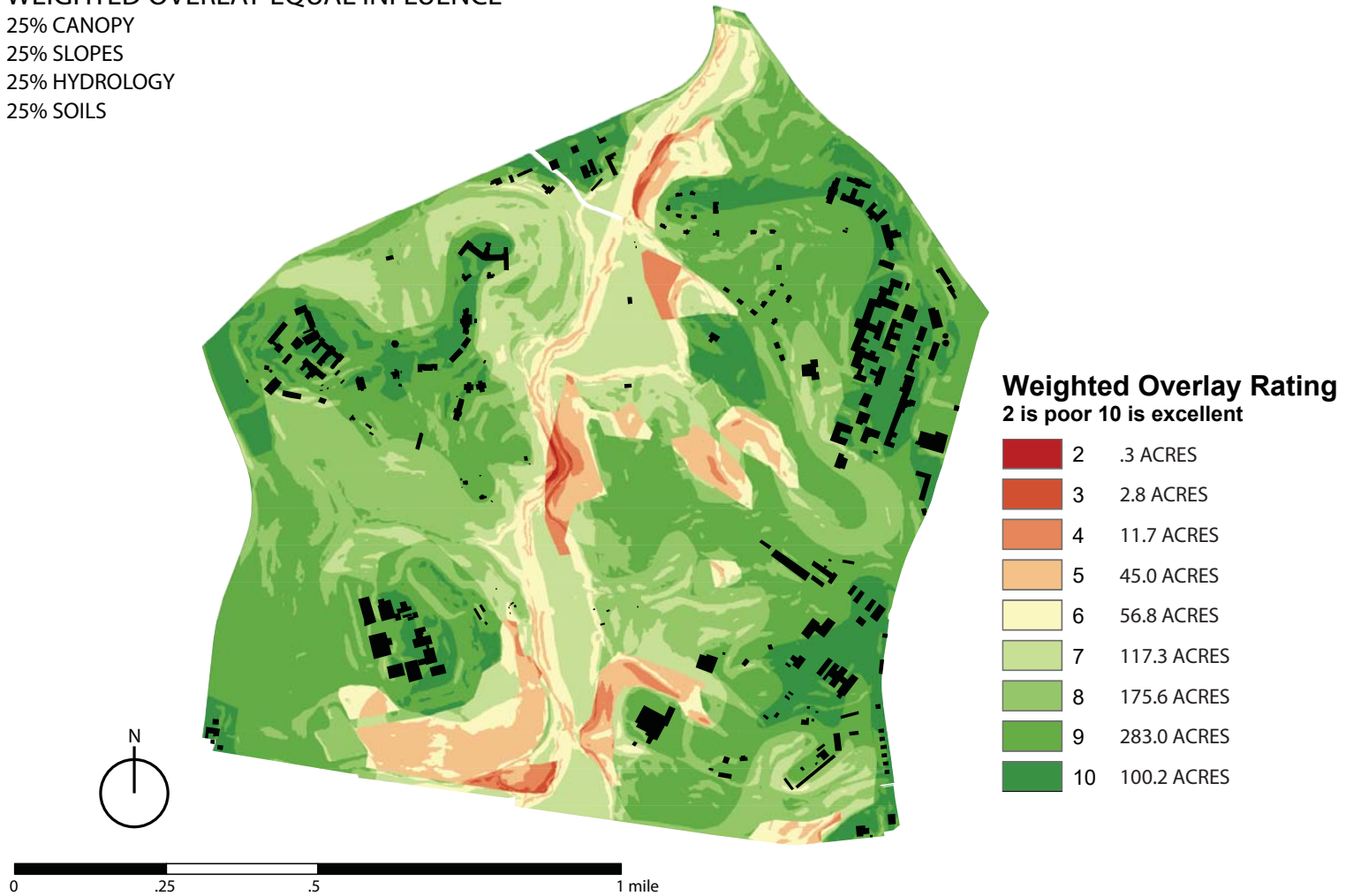
Weighted Overlay Rating 2 is poor 10 is excellent

2	1.2 ACRES
3	5.9 ACRES
4	25.7 ACRES
5	49.7 ACRES
6	79.4 ACRES
7	136.5 ACRES
8	222.4 ACRES
9	209.2 ACRES
10	62.7 ACRES

BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY-EQUAL INFLUENCE

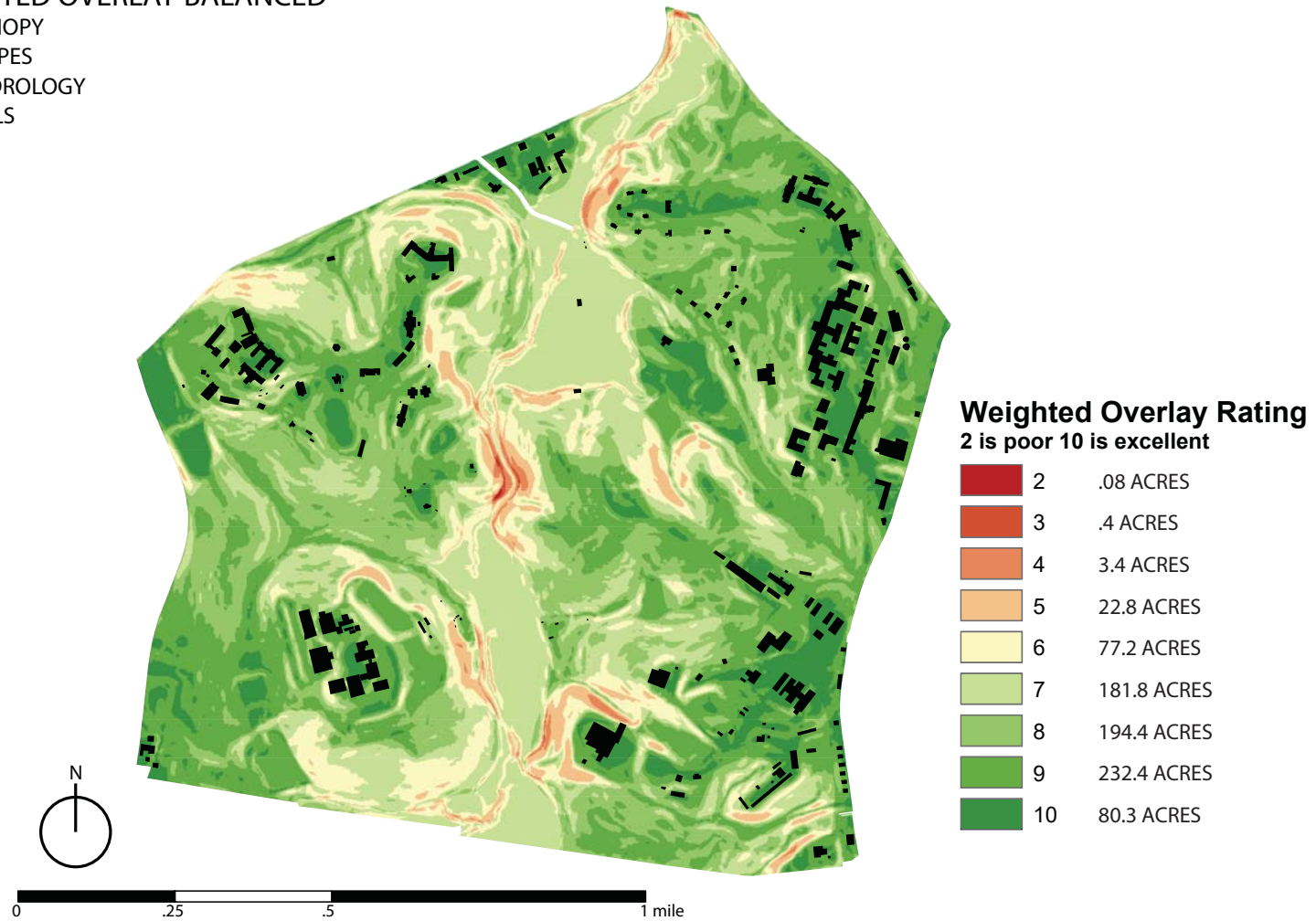
25% CANOPY
25% SLOPES
25% HYDROLOGY
25% SOILS



BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY-BALANCED

10% CANOPY
50% SLOPES
30% HYDROLOGY
10% SOILS



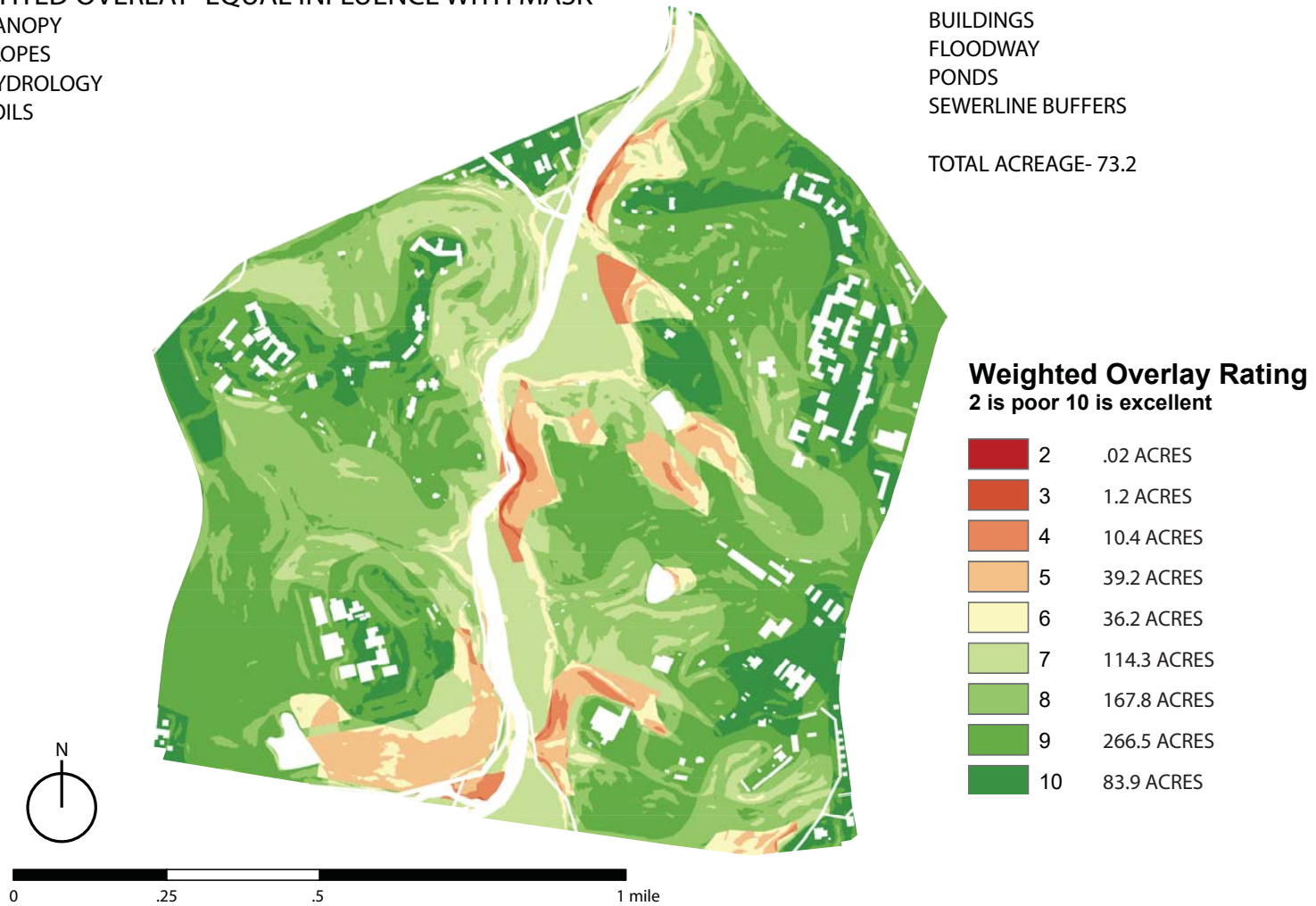
BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY- EQUAL INFLUENCE WITH MASK

25% CANOPY
25% SLOPES
25% HYDROLOGY
25% SOILS

MASKED ELEMENTS-
BUILDINGS
FLOODWAY
PONDS
SEWERLINE BUFFERS

TOTAL ACREAGE- 73.2



BROUGHTON DISTRICT SUITABILITY ANALYSIS- KEY FINDINGS

Previous Development on the site focused on the higher elevated portions of the site, and generally those are the optimal locations to build.

Many of the severe slopes on the site are located near the built structures, possibly due from grading of the site for those built structures.

Sewerline and powerline infrastructure is generally located outside of the most suitable land for development.

Undeveloped land is still located near some of the highest elevations on the site.

Most of the Overlay Scenarios identify very similar sections of the site with the highest weights of suitability- roughly circled to the right.



BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY- BUILDING SUITABILITY WITH MASK

33% CANOPY
33% SLOPES
33% HYDROLOGY

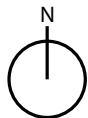
MASKED ELEMENTS-
BUILDINGS INCLUDING SURPLUS HOSPITAL PROPERTIES
NEW HOSPITAL BUILDING
PARKING LOTS
FLOODWAY
PONDS
SEWERLINE BUFFERS

TOTAL ACREAGE- 117.2 acres



Weighted Overlay Rating suitable acreage

Poor	76.1 ACRES
Secondary	156.7 ACRES
Primary	444.6 ACRES



0 .25 .5 1 mile

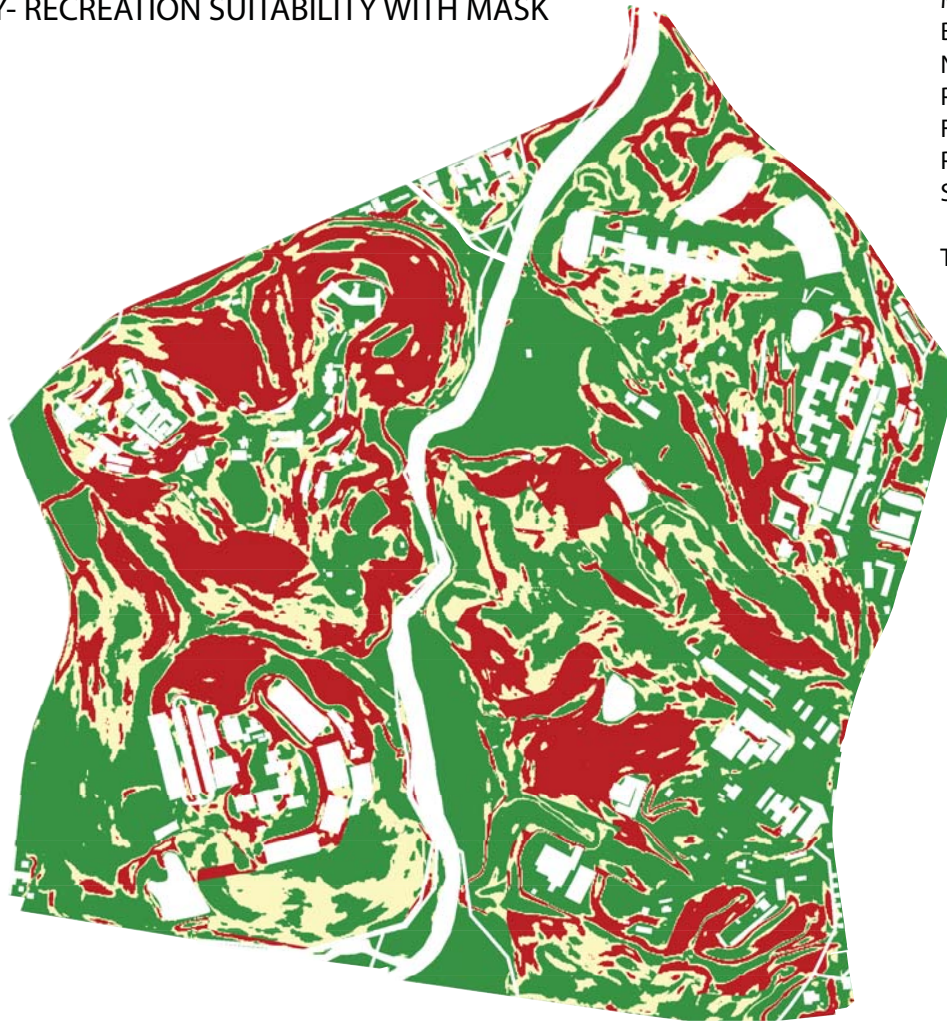
BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY- RECREATION SUITABILITY WITH MASK

45% SLOPES
35% CANOPY
10% HYDROLOGY
10% SOILS

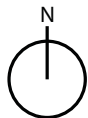
MASKED ELEMENTS-
BUILDINGS INCLUDING SURPLUS HOSPITAL PROPERTIES
NEW HOSPITAL BUILDING
PARKING LOTS
FLOODWAY
PONDS
SEWERLINE BUFFERS

TOTAL ACREAGE- 117.2 acres



Weighted Overlay Rating suitable acreage

Poor	188.1 ACRES
Secondary	155.8 ACRES
Primary	333.5 ACRES



0 .25 .5 1 mile

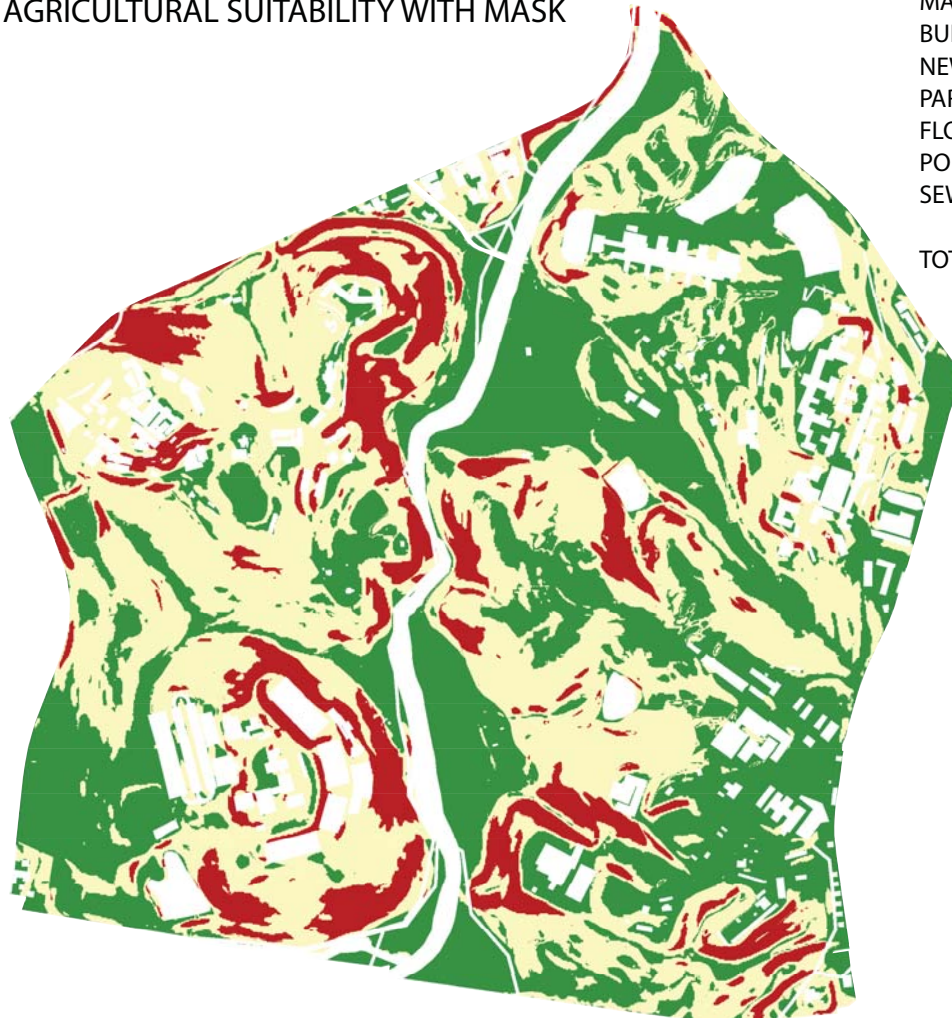
BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY- AGRICULTURAL SUITABILITY WITH MASK

30% HILLSHADE
30% SLOPES
30% SOILS
10% HYDROLOGY

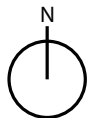
MASKED ELEMENTS-
BUILDINGS INCLUDING SURPLUS HOSPITAL PROPERTIES
NEW HOSPITAL BUILDING
PARKING LOTS
FLOODWAY
PONDS
SEWERLINE BUFFERS

TOTAL ACREAGE- 117.2 acres



Weighted Overlay Rating suitable acreage

Poor	86 ACRES
Secondary	314.6 ACRES
Primary	276.5 ACRES



0 .25 .5 1 mile

BROUGHTON DISTRICT SUITABILITY ANALYSIS- WEIGHTED OVERLAY

WEIGHTED OVERLAY- PRIMARY USES WITH MASK

AGRICULTURE
BUILDABILITY
RECREATION

MASKED ELEMENTS-
BUILDINGS INCLUDING SURPLUS HOSPITAL PROPERTIES
NEW HOSPITAL BUILDING
PARKING LOTS
FLOODWAY
PONDS
SEWERLINE BUFFERS

TOTAL ACREAGE- 117.2 acres



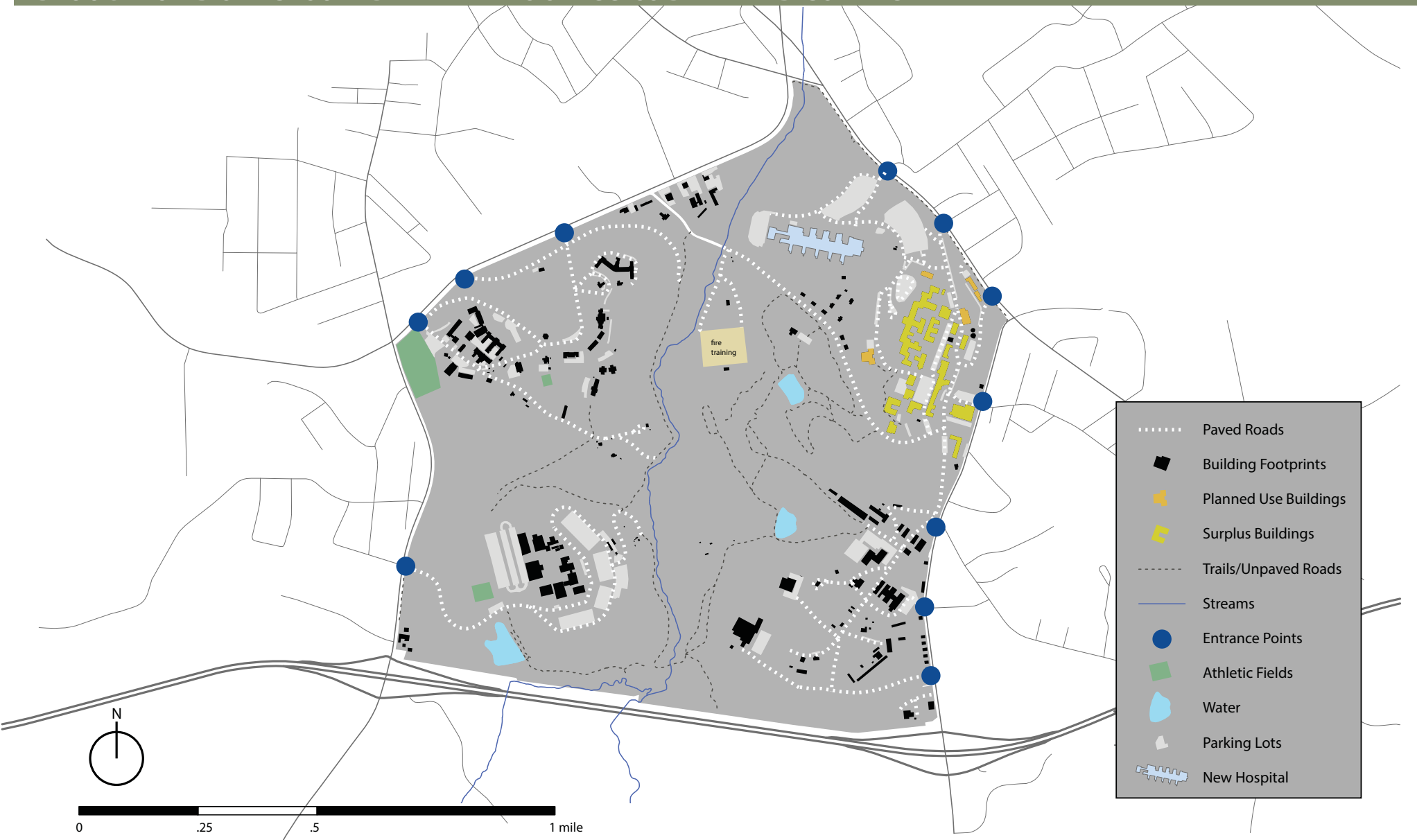
Primary Use Legend

- Primary Buildable Land
- Primary Recreation Land
- Primary Agriculture Land

- Buildable Land with Little Conflicting Primary Uses
- Recreation Land with Little Conflicting Primary Uses
- *Agriculture and Recreation Land with Little Conflicting Primary Uses

* The agriculture and Recreation Primary land overlaps for much of the site with little to no conflict with the Primary Buildable Land.

BROUGHTON DISTRICT SUITABILITY ANALYSIS- ACCESSIBILITY AND CONNECTIVITY



ADAPTIVE REUSE ASSESSMENT



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Broughton Campus Building Survey

Note: Building areas are calculated using materials provided by Broughton Facilities and are not field verified

AVERY (CONTRIBUTING)

Existing use: patient rooms

Existing building is in excellent condition. Multiple wing building with 3-4 full stories with large attic spaces over most wings. Central wing has 5 stories plus attic. Lower floor of all wings is partially below grade. Load bearing exterior masonry walls with load bearing interior corridor walls (18" thickness). Corridor widths are 11'-12' throughout building, with perimeter patient rooms averaging 10'-11' depths and 8' widths. Windows are single glazed, majority of floors are terrazzo with turned up terrazzo base. Building height exterior sun porch elements have been built onto rear facades of 2 wings. Most ceilings have been lowered to accommodate hvac (but pulled back from windows), historic ceilings are at 11'-12' with the exception of the lower level which is 9'. Building has partial sprinkler system. Potential for adaptability (residential, small office, educational) is good but will have some challenges, due to exceptionally wide historic corridor width and small patient room sizes.

BATES (CONTRIBUTING)

Existing use: storage, sewing, office

Existing building is in excellent condition, 1 primary floor with 2 sections having a second entire story. Building is built into hill with partial walk out lower level on east facade. Load bearing exterior masonry walls, few interior load bearing elements, mixed floor finishes, and single glazed windows. Many ceilings have been lowered to accommodate hvac (but pulled back from windows), historic ceilings are generally at 10'-12'. Patchwork of distinct buildings and intermediate connector elements. Sun porches (some enclosed) are on both the east and west facades of the building. Building does not have sprinkler system. Potential for adaptability (residential, office, assembly, retail) is good.

DINING (CONTRIBUTING)

Existing use: dining, recreation

Existing building is in excellent condition, 1-story, and is connected to the Thomas Building on its eastern facade and has a 1-story ramped addition (not ADA compliant) to Scroggs on its north facade. The primary volume is 48'x92', has interior columns, and is subdivided with non-structural partial height partitions. Historic ceiling height is 13'-6". Potential for building adaptability (office, retail, assembly) is good due to open plan of structural system and number of exterior windows.

HARPER (CONTRIBUTING)

Existing use: patient rooms

Existing building is in excellent condition. 3 full stories with a 4th smaller story. Building is built into hill with walk-out lower level on west facade. A 1-story addition on its northeast wing connects it with the dining building. Load bearing exterior masonry walls with load bearing interior corridor walls (18" thickness). Corridor widths are 11'-12' throughout building, with perimeter patient rooms averaging 10'-11' depths and 8' widths. Windows are single glazed, majority of floors are terrazzo with turned up terrazzo base. Building height exterior sun porch elements have been built onto perimeter facades. Most ceilings have been lowered to accommodate hvac (but pulled back from windows), historic ceilings are at 11'-6" on floors 2 and 3, and 9'-10' on floors 1 and 4. Building does not have sprinkler system. Potential for adaptability (residential, small office, educational) is good but will have some challenges, due to exceptionally wide historic corridor width and small patient room sizes.

HOOPER (NON CONTRIBUTING)

Existing use: storage, campus kitchen

Existing building is in excellent condition. 1-2 stories set into hill, lower story is walk-out. F1 slab on grade, F2 cast concrete beams and joists, roof structure open web steel joists supported by steel beams, primarily open plan w/ columns, with the exception of some office area and a large



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commercial kitchen. Deep floor plan with windows and/or door openings on all elevations. Bottom of floor and/or roof deck is 12'-15' depending on location. Building has a partial sprinkler system. Potential for adaptability (educational, office, storage) is good but will have some challenges, due primarily to the depth of floor plan and difficulty getting natural light into center of building.

SAUNDERS (TB Ward) (did not tour) (CONTRIBUTING)

SCROGGS

Existing use: patient rooms

Existing building is in excellent condition. 3 stories (1st is partially below grade) with a smaller 4th story mechanical attic (36'x60') over central core of building. A 1-story addition on its south end connects it with the dining building. Load bearing exterior masonry walls with load bearing interior corridor walls (13" thickness). Corridor widths are 11'-12' throughout building, with central core patient rooms averaging 10'-11' depths and 7' widths, and larger activity rooms (22'x61') on the north and south ends of the building. Windows are single glazed, majority of floors are terrazzo with turned up terrazzo base. Exterior sun porch elements have been built onto central patient room facades on stories 2 and 3. Ceiling portions have been lowered to accommodate hvac (but pulled back from windows), historic ceilings are between 9' and 10' depending on floor. Building does not have sprinkler system. Potential for adaptability (residential, small office, educational) is good but will have some challenges, due to exceptionally wide historic corridor width and small central patient room sizes.

SOUTH (CONTRIBUTING)

Existing use: abandoned, could not gain access.

Existing building is in fair condition. 2-stories built into hillside with lower story walkout. Historic roof is collapsed in some areas due to water infiltration and wood rot. Exterior masonry walls appear to be in good condition, most historic windows remain intact. Location of building and apparent rationality of plan make potential adaptability very good, despite roof repairs (and likely some floor/structural) that would be required with a renovation.

THOMAS (CONTRIBUTING)

Existing use: wellness center, pharmacy

Existing building is in good condition, 1-story, and is connected to the dining building at its northwest corner. Historic roof has been removed and replaced with a flat roof, many historic windows have been replaced with modern window systems, only historic masonry walls and some historic windows remain. Interior consists of a wellness center (66'x40', 10'-6" hard ceiling ht.), a collection of smaller restroom and shower rooms, and a pharmacy (88'x40', 10' lay-in ceiling ht.). Potential for building adaptability (office, retail, assembly) is good due to open plan of structural system and number of exterior windows. Could have potential conflicts with site design (sits in potential campus axis). Much of building's historic fabric has been lost, making historic rehabilitation of this building potentially difficult.

JONES (NON CONTRIBUTING)

Existing use: Patient medical support, staff offices and limited patient rooms.

The existing building is in structurally sound shape with a flat rubber roof in good condition. The building is 104,000 SF and seven stories tall with the upper stories stepping back on the wings. The building is ca. 1950 and has outdated MEP systems. There is not a fire sprinkler system. The center corridor is 8 feet wide and has a low concealed spline ceiling with utilities above. This corridor ceiling chase is similar to the building's original design. The structure is steel frame with concrete floors and clay tile w/plaster interior partitions. The low floor to floor height will hamper new system installation. ADA code improvements will be required throughout. The exit stairs are not compliant with modern code requirements. Although reasonably adaptable to dormitory residential and/or office use, the building is non-contributing within the National Register Listing and sits tightly within the courtyard area at the center of Avery and hampers flexible improvements of the site core.

MARSH (CONTRIBUTING)

Existing use: Not currently in use.

The existing building is structurally sound and ca. 1920 with a flat rubber roof in good condition. The building is 15,800 sf and the original (load bearing) layout included a center core (original kitchen) with a monitor roof with clerestory windows. The center core is wrapped by a 24 feet wide open use room on three sides. A large screened porch is on the left side. All MEP systems appear outdated and the building does not have a fire sprinkler system. The floor layout provides flexible future use potential as event, recreational, support spaces.

REECE (CONTRIBUTING)

Existing use: Currently used as art, music, craft and other special activities.

The existing building is structurally sound and ca. 1913 with a hipped, slate tile roof. The floor layout has (within the original load bearing plans) large open rooms at each end of the building with smaller rooms (9 ft. x 11 ft.) lining the connecting 10 ft. wide corridors. The structural system is load bearing masonry walls with steel framing and concrete floors. All MEP systems need replacement and the building does not have a fire sprinkler system. Full ADA accessibility improvements must be put into place. The layout's large end room potential would allow adaptability as educational, office, and small event/training spaces.

LAUNDRY (CONTRIBUTING)

Existing use: Currently used by the NC Department of Corrections as an operating laundry/sewing facility. The existing one and one half floor, ca. 1939 building is structurally sound with functional MEP systems for the light industry activities. All new systems would be needed for any change of use. The laundry is fully equipped with relatively new equipment. The laundry and sewing operations are staffed with correctional department inmates. The building would be relatively adaptable for a range of uses and future site uses may find this operation of concern.

STEAM PLANT (CONTRIBUTING)

Existing use: This facility provides all steam needs for the full campus.

The existing ca. 1939 building is structurally sound and features art-deco details and very large multi-lite steel hopper windows. The interior is occupied by four ca. 1950 boilers within an open three story high room. If this facility is decommissioned and separate systems be installed across the campus, this dramatic space lends itself to a destination hospitality/recreation use.

Broughton Preliminary Areas

	floor	GSF est.	NSF est.	Built
Avery	0	90,049	47,250	1875
	1	90,049	47,250	
	2	88,462	46,268	
	3	57,955	31,765	
	4	5,970	3,513	
	5	4525	2356	
Bates	1	32,657	26,125	1924
	2	15,062	11,171	
F2 Dining Harper	1	7,347	5,877	
	1	13,000	6,203	1903
	2	13,000	6,203	
	3	13,000	6,203	
	4	7,752	2,915	
Hooper	1	24,967	19,973	1960
	2	24,967	19,973	
Laundry	b	8,787	7,028	1939
	1	11,685	9,384	
Machine Shop	1	5,190	4,152	1939
Marsh	1	13,740	10,992	1935
Moran	b	8,621	6,896	1940
	1	8,621	6,896	
Nurses Dorm	1	12,377	7,180	1950
	2	12,377	7,180	
	3	12,377	7,180	
Reece	1	7,761	3,783	1913
	2	7,761	3,783	
Saunders	b	3,460	2,700	1939
	1	7,312	4,892	
	2	7,312	4,892	
Scroggs	1	6,292	3,714	1896
	2	6,292	3,714	
	3	6,292	3,714	
	4	2,215	969	
South	b	5,830	4,664	1906
	1	5,830	4,664	
Steam Plant	1	9,309	7,231	1939
TOTAL		658,203	398,653	

North Carolina School for the Deaf Campus Building Survey

Note: Building areas provided by NCSD and are not field verified

MAIN BUILDING (CONTRIBUTING)

86,167	52,259	1894
gross	net	built

SPRINKLERS

Similar to Goodwin. 4 story, load bearing masonry walls, interior columns, classroom subdivisions. Could be adapted to residential, corridors 7'-8', not as wide as Avery, better efficiency. Large Auditorium in central wing that would need to be preserved.

HOEY BUILDING (CONTRIBUTING)

22,620	14,150	1939
gross	net	built

SPRINKLERS

3 story, load bearing exterior masonry walls, interior columns, classroom subdivisions. No major impediments outside of typical historical guidelines to repurposing as residential, generous large windows.

OLD GYM AND POOL (CONTRIBUTING)

11,692	10,800	1924
--------	--------	------

NO SPRINKLERS

3 story, load bearing exterior masonry walls, some subdivision for offices on floors 0 and 1, large room w/ existing pool. Plans in works to renovate into Therapy Rooms and support offices. Could be somewhat problematic renovating into all residential due to large pool room (should not subdivide in tax credit scenario).

RONDTALER HALL (CONTRIBUTING)

12,765	11,165	1928
gross	net	built

NO SPRINKLERS

3 story, load bearing exterior masonry walls, interior column structure, non-bearing block partitions. Subdivided into large classrooms and support rooms. Would adapt well to residential, large windows. Cast concrete floor system could be problematic w/ introduction of apartments.

SERVICE BUILDING (LAUNDRY) (CONTRIBUTING)

27,054	24,699	1916
gross	net	built

NO SPRINKLERS

1 story (2-3-story wings on ends), load bearing exterior masonry walls, interior column and load bearing wall structure, some large open span rooms. Array of distinct structural bays (Laundry, IT, offices, boilers) and large mechanical attics. Could be repurposed into residential, flats and townhomes.

CATTLE BARN (CONTRIBUTING)

10,296	9,128	1940
gross	net	built

NO SPRINKLERS

Large gambrel roofed barn, 2 stories (basement typical ht, barn story 25-30' high). No plans, appears to be a mixture of masonry and wood structure with regular window openings on first level. Wood structure appears to be intact, some siding replacement needed. Roof overdue for replacement.

Infirmery (ContributinG)

7,230	3,813	1969
gross	net	built

NO SPRINKLERS

No Plans, 2 stories w/ partial basement. Load bearing exterior masonry walls with mixture of load bearing interior walls and columns. Currently Audiology labs and offices, small to medium sized rooms off a central corridor. Would adapt well to residential or wellness center. Generous windows, but piecemeal floorplan may impact efficiency of residential due to lack of repetition.

JOINER HALL (CONTRIBUTING)

20,873	11,648	1930
gross	net	built

NO SPRINKLERS

3 story, no plans. Likely load bearing masonry walls, interior columns, classroom subdivisions. Large generous windows, would adapt well to residential use. Some exterior envelope damage due to water infiltration, will require some wall and window repair/replacement.

GOODWIN HALL (CONTRIBUTING)

41,237	27,731	1911
gross	net	built

NO SPRINKLERS

3 story, Load bearing exterior masonry walls with interior load bearing walls and columns. Apartment and large multi-bed dormitory rooms, support spaces, would adapt well to residential use.

RUSMISSELL HOUSE (CONTRIBUTING)

7,495	7,227	1880
gross	net	built

No plans, unable to get inside, large residential house. Appears to be in good shape from outside inspection. Likely could preserve residential use w/ subdivision, or adaptable into wellness program.

STAFF HOUSE (CONTRIBUTING)

STORAGE 1 (CONTRIBUTING)

Storage 2 (ContributinG)

These small contributing buildings (south of Barn Road) are in poor shape and are likely beyond the point of successful rehabilitation.

NON-CONTRIBUTING BUILDINGS:

JOINER WAREHOUSE

4,469	4,034	1961
gross	net	built

No plans, 2 story. Likely load bearing masonry walls, interior columns. No windows.

MCCORD BUILDING

16,654	13,904	1967
gross	net	built

No Plans, Likely load bearing exterior masonry walls with mixture of load bearing interior walls and columns. No window openings, 300 spectators.

CHAPEL

7,238	5,235	1974
gross	net	built

Load bearing exterior masonry walls with interior open span glulam beam structure and support spaces.
Seating for 200.

UNDERHILL GYM

22,821	18,402	1953
gross	net	built

2 story, no plans. Likely load bearing exterior masonry walls with mixture of load bearing interior walls and columns, with large free-span gymnasium area.
400 spectators

NORTHCOTT HALL

16,766	12,756	1973
gross	net	built

NO SPRINKLERS

2 story, no plans. Load bearing exterior masonry walls with mixture of load bearing interior walls and columns. Relatively few window openings, garage bay doors opening to south.

CRUTCHFIELD HALL

13,766	8,991	1971
gross	net	built

Open floor plan with interior columns, some smaller perimeter rooms. 1 story masonry, windowless

HOFFMEYER HALL

38,780	26,584	1959
gross	net	built

3 story residence hall. Load bearing exterior masonry walls, interior column structure. Subdivided into dorm rooms support rooms.

STRUCTURAL ASSESSMENT



Structural Narrative

Overview

Construction of the Broughton Hospital complex spanned several decades, and a multitude of buildings comprise those targeted for reuse. Accordingly, there is variation in framing techniques and materials used to construct the buildings. The key, contributing buildings to the Broughton Campus, however, are similar in composition.

Because of the number of buildings present, only general recommendations and observations can be made. Uniformly, all reuse of the current buildings must conform to the *2015 North Carolina Existing Building Code*, which extensively references the *2012 North Carolina State Building Code*. The *Existing Building Code* establishes tiers for addition, alteration, or change in use based on the magnitude of changes contemplated. The tier that a building is grouped into determine the level of conformity that the existing structure must achieve with the current building code. Where changes are extensive, the buildings' structures will need to meet all requirements of current codes. Conversely, where changes are minimal, all that may be required are repairs to damaged members.

Existing Construction

The majority of structures present on site that are slated for reuse were originally constructed with masonry bearing walls and wood floors. During the middle years of the Twentieth Century, the wood framing was largely replaced by concrete floors. The concrete was cast on metal lathe over open webbed, steel bar joists. It is unclear why this change was made. It is possible that the wood framing deflected downward in the five decades from the time of construction to the time of the reframing, and the wood was replaced for serviceability concerns. The State of North Carolina also adopted its first building code contemporaneously with the switch from wood to steel, and the change may have been an effort to house the hospitals' clients in, modern, non-combustible construction that met the newly adopted building code.

Suitability of Gravity Load Resisting Systems

Regardless of the rationale for the change in framing, the concrete and bar joist floors represent a relatively modern method of floor framing. While most areas are covered by finish materials, where it is possible to observe the floor system, the properties of the floors are determinable, and it's apparent that the structure was designed to accommodate those loads found in the first edition of the North Carolina Statewide Building Code. The visible portions of structure display few signs of distress or deterioration.

Building codes have advanced in the intervening years, but the gravity loads have remained largely consistent. Except for proposed areas of unusually heavy loading, it is likely that the existing steel and concrete floors are sufficiently robust to accommodate new uses.

Portions of the earliest buildings also contain some remnants of wood framing. Where extensive renovations are anticipated within a building, the wood framing will need to come into compliance with current building codes. Extensive investigations will be required to determine the framing geometry, the connection details, and appropriate material values for the woods used in the buildings. Portions of deficient framing will require augmentation.

Suitability of Lateral Load Resisting Systems

Where building codes have evolved most significantly is in the area of lateral force resistance. Lateral forces are generally generated from either wind loads or seismic events. As recently as 1991 when the State transitioned from the *1976 North Carolina State Building Code*, lateral loads were given only cursory attention in North Carolina.

Currently the buildings rely upon plain, meaning unreinforced, masonry shear walls. These shear walls have adequately resisted lateral loads to present. However, pending a site specific geotechnical investigation, these walls may not be a permissible lateral force resisting system under the current building code.

The masonry shear walls are also spaced very closely together. In Avery Building for example, the walls occur between each client room. The frequency of these walls would tend to make space difficult to allocate within the buildings, and removal of some of the walls should be anticipated.

Where alterations to the buildings are planned or where walls will be removed, the entire lateral system will need to be examined and brought up to current building codes. Although to date the shear walls have successfully served these buildings, it is unlikely that the walls could resist the forces prescribed by modern design codes.

New shear walls or braced frames may be inserted into the buildings' framing systems to accommodate the code loads. Allowance for new micro-piles foundations should be made below the new lateral force resisting elements. Micro piles should be anticipated because any new foundations must be unyielding, since the surrounding building is unlikely to settle further.

Summary

Although new lateral force resisting systems are anticipated, this is not an unusual occurrence where existing buildings are renovated. Each of the buildings will require extensive structural investigation and analysis, should the project advance. However, no condition observed to date would preclude the reuse of the buildings on the Broughton site.

MEP ASSESSMENT



Broughton Hospital - PME Site Investigation

Site Visit: Monday, October 19, 2015
Mechanical: Brett Mabe, P.E.
Electrical: Rick Copeland, P.E.
Plumbing: Danny Brush, P.E.

General Campus Findings:

- Mechanical: The central steam plant serves the majority of the buildings on the Broughton Campus. Steam lines extend out from the plant through a network of tunnels to the buildings. Tunnel routing is well represented in the Fire Protection Waterline Project drawing set from 1984. There are three main chiller plants on campus. The first chiller plant is located between the steam plant and the Jones Building and it is dedicated to the Jones Building. The second is located at the North end of the Avery Building and it is dedicated to the Avery Building. The first two chiller plants have interconnecting piping in the tunnel between Avery and Jones which allows them to switch over if needed. The third chiller plant is located at the rear of F-2 Dining and it serves F-2 Dining, Thomas, Scroggs and Harper Buildings. Several buildings have stand alone systems that will be discussed under each building description.
- Plumbing: Buildings on Broughton Campus have similar plumbing systems throughout. Most systems are dated, including fixtures. Domestic cold water is distributed throughout the campus below grade and separate from the fire service. Domestic water pressure appears to be ample. 83 psi was displayed on a gage at the cooling tower adjacent to Saunders. Also, Jones, the tallest building on campus, does not have any pressure boosting system, indicating sufficient pressure to serve the highest fixtures. All buildings receive independent domestic cold water service, but not all buildings are currently served by a backflow preventor. Those that are have not been regularly tested and serviced. Domestic hot water is centrally produced at the steam plant and distributed to all buildings via the campus tunnel system. Sanitary waste serves all buildings separately and no grease interception exists. Fixtures generally are institutional or health care type fixtures with flush valves and manual faucets. Many of the fixtures would not meet today's ADA requirements. Piping that was accessible to observe was copper for water service and cast iron for sanitary waste. Insulation types varied, likely dependant on era of installation.

Power House Building Findings:

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www.crenshawconsulting.com

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F: 919.871.5620



- Mechanical: This building houses the steam boilers for the campus. There are four dual fuel, water tube boilers. The primary fuel source is natural gas and the secondary fuel source is #2 fuel oil. There are two existing fuel storage tanks with plans for a third. Two of the boilers were manufactured in 1950 and two were manufactured in 1953. One of the boilers is no longer in operation. Facilities personnel stated that one boiler could carry the campus unless outdoor conditions were extremely cold. Steam and condensate piping are aging and condensate piping has significant leaks.
- Electrical: This building is served by a 225 kVA, 480 V, PMT. There is an existing 800 amp service. A portion of this building is backed up by an optional standby Generator. The Generator is a Cummings, 275 kW, 480V unit that has a 400 amp output breaker. We understand that the state maintains the generator and ATS well and would assume these components would be fine for reuse. The existing main electrical panel and interior meter are relatively new and could easily be reused in the future. Most of the downstream equipment is old and we would likely recommend it be replaced- depending on the future use.
- Plumbing: This building is served by domestic cold water for steam makeup and domestic hot water production. The domestic hot water is produced via two steam powered hot water generators. Two end suction pipes serve the hot water system. The pumps and hot water generators appear to be advanced in age and likely at the end of their expected service life. Fixtures observed included floor drains, sinks, and water coolers.

Chiller Building (Jones) Findings:

- Mechanical: This building houses a single, water-cooled chiller manufactured by Carrier in 2013. The chiller has screw compressors, R-134a refrigerant and has a nominal capacity of 265 tons. Chilled water is distributed to the building in a primary/secondary pumping scheme with lead/lag pumps for each loop. Condenser water pumps are also lead/lag. All pumps were manufactured in 1999. The cooling tower for the chiller is located on a ground mounted pad at the rear of the Saunders building. The cooler tower is a crossflow, two-cell open tower manufactured by Marley in 1999. The tower has a nominal capacity of 600 tons. It appears that the tower was sized for a possible addition of a second chiller. There are also piping connections and space for a second chiller and pumps in the chiller building. All equipment appears to be in good working order.
- Electrical: This building is served by a 1000 kVA, 480 V, PMT. Meter number 077551417. There is an existing 1200 amp service panel, a 75 kva step-down transformer, a 500 amp motor control center, and 2-225A distribution panels. The existing electrical equipment is relatively new and could easily be reused in the future- depending on the future use. The

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cooling tower has a 600 amp, 480 V, electrical service. We assume this is fed underground from one of the nearby PMTs- possibly shared with the Power House.

- Plumbing: Domestic water in this building serves makeup to the chilled water system. The building is served by an RPZ type backflow preventor. A pressure gage on the incoming domestic water displayed 55 psi. There are a number of domestic water drops to below slab that appear to prime the traps of various floor drains in the space. Fixtures observed include a service sink and floor drains.

Chiller Building (Avery) Findings:

- Mechanical: This building houses two, water-cooled chillers manufactured by Carrier. The first chiller was manufactured in 2002 and has centrifugal compressors, R-11 refrigerant and a nominal capacity of 454 tons. The second chiller was manufactured in 1983 and has centrifugal compressors, R-11 refrigerant and a nominal capacity of 250 tons. Chilled water is distributed to the building in a primary only pumping scheme. Condenser water pumps are dedicated to each chiller. Each chiller has it's own dedicated cooling tower located on the roof of the building. The first tower was manufactured by Baltimore Aircoil Company in 1989 and serves the 2002 chiller. The second tower was manufactured by Marley in 1983 and serves the 1983 chiller. Most equipment is well into or beyond it's normal service life with the possible exception of the 2002 chiller.
- Electrical: The Avery Chiller appears to be served by the nearby 1000 kVA, 480 V, PMT. Meter number 077551420. There is an existing 1200 amp, 480 V electrical service. The existing electrical equipment is old.
- Plumbing: Domestic water in this area serves makeup to the chilled water system.

Chiller Building (F-2 Dining) Findings:

- Mechanical: This building houses a single, water-cooled chiller manufactured by Carrier in 1973. The chiller has centrifugal compressors, R-11 refrigerant and has a nominal capacity of 250 tons. Chilled water is distributed to the building in a primary only pumping scheme. The cooling tower for the chiller is located on the roof of the chiller building. The cooler tower is a crossflow, single-cell, open tower manufactured by Evapco in 2002. The tower has a nominal capacity of 256 tons. The tower is in good shape but all other equipment is well beyond its service life.
- Electrical: There is a chiller plant near the building that has its own 600 amp, 480V service. We assume this is fed underground from one of the nearby PMTs.
- Plumbing: Domestic water in this area serves makeup to the chilled water system.

Avery Building Findings:

- Mechanical: The Avery Building appears to have undergone a major mechanical renovation in 1989. The building is served by air handling units located in mechanical rooms on each floor. The units have ducted supply and return air. The units have chilled water and hot water coils. All units are provided with ventilation air. There are steam to hot-water converters located throughout the building along with chilled and hot water pumps. Facilities noted that they have significant moisture issues in the basement areas and several dehumidifiers were present in the unoccupied portions. Most systems appear to be in good working order.
- Electrical: The Avery Building has 3 electrical services: South, Central, and North electrical services as well as a separate service for the Avery Chiller. There is an existing Edwards fire alarm system in the building. The system is very old and fire alarm in the building does not meet today's code. We would recommend replacing the system.
The South electrical service is served by a 300 kVA, 480 V, PMT. Meter number 077551414. There is an existing 1000 amp service, and ATS, and a 400 kva and a 150 kva step-down transformers. A portion of this building is backed up by a Generator. The Generator is a Cummings, 600 kW, 480V unit. We understand that the state maintains the generator and ATS well and would assume these components would be fine for reuse. The existing electrical equipment is old and we would likely recommend it be replaced- depending on the future use.
The Central electrical service seemed to be fed from the South electrical service, though Bruce said it was a separate service. Further investigation would be required to be sure either way.
The North electrical service is served by a 300 kVA, 208 V, PMT. There is an existing 1000 amp service, and ATS, and a 300 amp disconnect for the generator. A portion of this building is backed up by a Generator. The Generator is a Kohler, 80 kW, 208V unit. We understand that the state maintains the generator and ATS well and would assume these components would be fine for reuse. The existing main electrical equipment is relatively new and could easily be reused in the future.
- Plumbing: Plumbing fixtures were generally in fair condition, in occupied spaces, and varied from fair to poor in unoccupied areas. Fixtures included typical bathroom and break room type fixtures with tamper proof trim; flush valve water closets, urinals, lavatories, floor drains, sinks, and water coolers.

Employee Cafeteria Building Findings:

- Mechanical: We did not survey this building. We assume that it is conditioned similar to the Avery Building.

- Electrical: We did not survey inside the Employee Cafeteria building but assume that the building is fed (electrically) from the Avery Building. We assume from Avery Central.
- Plumbing: We did not survey this building. Facilities personnel stated that there is no grease interception serving the commercial kitchens.

Commissary/Marsh Building Findings:

- Mechanical: The Marsh Building is served by a multi-zone air handling unit with steam and chilled water coils. The unit is not in operation and is in poor shape.
- Electrical: There is an existing 225 amp service panel and a 75 kva step-down transformer. The existing main electrical equipment is relatively new and could easily be reused in the future- depending on the future use.
- Plumbing: The Marsh Building was not in service during the MEP walkthrough. Plumbing fixtures were generally in poor condition. Fixtures included typical bathroom and break room type fixtures, as well as group showers to suggest a locker room function at some time; flush valve water closets, urinals, lavatories, group showers, floor drains, sinks, and water coolers.

Bates Building Findings:

- Mechanical: This building has steam heat and chilled water cooling. Steam is provided from the central plant and chilled water is provided by a stand-alone, air-cooled, chiller. The chiller was manufactured by Trane in 1998 and has screw compressors, R-22 refrigerant and a nominal capacity of 80 tons. Multi-zone air handling units are located on each floor in mechanical rooms. There is an individual split-system unit for one portion of the building. The unit was manufactured by Trane in 2006 and has a nominal capacity of 10 tons.
- Electrical: The Bates Building has 2 electrical services: one is located in the center and one to the north: we will call these Bates Central and Bates North for purposes of this report. The building has 2 existing Pyrotronics fire alarm control panels. These are old, conventional systems that we would like recommend replacing. It is possible that they could be reused. Pyrotronics was bought out by Siemens in the late 90's.
The Central electrical service is comprised of an existing 350 amp disconnect, a 112.5 kva step-down transformer, a 400 amp normal panel, a 400 amp ATS, and a 400 amp emergency panel. It is likely that this "service" is fed from the north electrical service. The main electrical equipment is relatively new and could easily be reused in the future- depending on the future use.
The North electrical service is served by a 300 kVA, 480 V, PMT. Meter number 077551416. There is an existing 600 amp service panel, 400 amp disconnect, a 112.5 kva

step-down transformer, a 400 amp ATS, and a 400 amp emergency panel. A portion of this service appears to be backed up by a Generator. The Generator is a Cummings, 230 kW, 480V unit. We understand that the state maintains the generator and ATS well and would assume these components would be fine for reuse. The main electrical equipment is old and we would likely recommend replacement. Some of the gear in the main electrical room is relatively new and could easily be reused in the future- depending on the future use. Again, it is likely that the North electrical service feeds the Central electrical "service" but further investigation would be required.

- Plumbing: Plumbing fixtures were generally in fair condition. Fixtures included typical bathroom and break room type fixtures; flush valve water closets, urinals, lavatories, floor drains, sinks, and water coolers.

Reece Building Findings:

- Mechanical: We did not survey this building. The building has steam radiators and no central cooling. Window mounted air conditioning units are used for cooling.
- Electrical: We did not survey inside the Reece building but were told by Bruce that the Reece building is fed (electrically) from the Avery Building. We assume from Avery South.
- Plumbing: We did not survey this building.

Harper Building Findings:

- Mechanical: This building is served by multi-zone air handling units with steam and chilled water coils. Units are located in mechanical rooms on each floor. Units are provided with ventilation air.
- Electrical: This building is served by a 500 kVA, 480 V, PMT. Meter number 077551384. There is an existing 400 amp disconnect, a 112.5 kva step-down transformer, a 400 amp ATS, and a 400 amp emergency panel. The service appears to be backed up by a Generator. The Generator is a Cat, 335 kW, 480V unit. We understand that the state maintains the generator and ATS well and would assume these components would be fine for reuse. The main electrical equipment is old and we would likely recommend replacement.
The building has an existing Pyrotronics fire alarm control panel. This is an old, conventional systems that we would like recommend replacing. It is possible that it could be reused. Pyrotronics was bought out by Siemens in the late 90's.
- Plumbing: Plumbing fixtures were generally in fair condition. Fixtures included typical bathroom and break room type fixtures with tamper proof trim as well as healthcare type fixtures; flush valve water closets, urinals, lavatories, floor drains, sinks, water coolers, bath/shower systems, etc.

Scroggs Building Findings:

- Mechanical: This building is served by multi-zone air handling units with steam and chilled water coils. Units are located in a central penthouse. Units are provided with ventilation air.
- Electrical: This building is served by a 75 kVA, 208 V, PMT. Meter number 077551418. There is an existing 600 amp service. The building has an existing Pyrotronics fire alarm control panel. This is an old, conventional systems that we would like recommend replacing. It is possible that it could be reused. Pyrotronics was bought out by Siemens in the late 90's.
- Plumbing: Plumbing fixtures were generally in fair condition. Fixtures included typical bathroom and break room type fixtures with tamper proof trim as well as healthcare type fixtures; flush valve water closets, urinals, lavatories, floor drains, sinks, water coolers, bath/shower systems, etc.

Jones Building Findings:

- Mechanical: This building is served by multi-zone air handling units with steam and chilled water coils. Units are located in mechanical rooms on each floor. Units are provided with ventilation air. Units utilize a return air plenum.
- Electrical: This building is served by a 500 kVA, 208 V, PMT. Meter number 077551422. There is an existing 2000 amp service main panel, a 1200 amp panel, a 600 amp ATS (delayed transfer), and a 400 amp ATS (emergency). The existing 1200 amp panel and ATSs are relatively new and could easily be reused in the future- depending on the future use. The 2000 amp panel is old and we would recommend replacement. There is an existing Caterpillar generator (225 kva?) that backs up portions of this building. The generator could also be reused. The building has an existing Simplex 4100 fire alarm control panel. This is an old, conventional systems that we would like recommend replacing. It is possible that it could be reused. The fire alarm system is proprietary.
- Plumbing: Jones, the tallest building on campus, does not have any active pressure boosting system, indicating sufficient pressure to serve the highest fixtures. The lowest level of Jones housed legacy pressure tanks and pumps for both domestic cold water and hot water systems. The tanks and pumps were no longer in service. In the same area, there is access to utility tunnels used for the domestic hot water system distribution. Plumbing fixtures were generally in fair condition. Fixtures included typical bathroom and break room type fixtures with tamper proof trim as well as healthcare and laboratory type fixtures; flush valve water closets, urinals, lavatories, floor drains, sinks, water coolers, stainless steel lab sinks, bath/shower systems, etc.

Hooper Building Findings:

- Mechanical: This building has steam heat but no central air conditioning system. Steam unit heaters are used for the storage areas. The kitchen is served by ventilation units with steam heat located in a penthouse. Individual split-system units are used to condition several office spaces.
- Electrical: This building is served by a 500 kVA, 208 V, PMT. Meter number 077551385. There is an existing 2500 amp service, an ASCO 7000 ATS, and a 1200 amp distribution section. This building is at least partially backed up by a generator. The enclosure was locked and we were unable to get an additional information on the generator. We understand that the state maintains the generator and ATS well and would assume these components would be fine for reuse. The main electrical panels are relatively new and could easily be reused in the future- depending on the future use. The building has an existing Simplex fire alarm control panel. This is an old, conventional systems that we would like recommend replacing. The fire alarm system is proprietary.
- Plumbing: Hooper houses the main kitchens on campus, and as such, has many commercial kitchen grade plumbing fixtures. All fixtures in use appear to be in good condition. Fixtures included typical bathroom and break room type fixtures as well as commercial kitchen type fixtures; flush valve water closets, urinals, lavatories, floor drains, floor sinks, sinks, water coolers, stainless steel stand alone work surfaces with integral kitchen sinks, three bowl sink, pre-rinse sprayer, commercial grade dish machines (both conveyor and hood type), bath/shower systems, etc.

Laundry Building Findings:

- Mechanical: This building has steam heat but no central air conditioning system. Steam unit heaters are used throughout. The building has it's own natural gas service.
- Electrical: This building is served by a 225 kVA, 208 V, PMT. There is an existing 800 amp service. Meter number 077551413. The existing electrical equipment is old and we would likely recommend replacing it. The building has an existing Simplex 4010 fire alarm control panel and 2080-9024 booster panel that could be reused. The fire alarm system is proprietary.
- Plumbing: The laundry building has significant plumbing systems serving the commercial washers. The laundry has a steam to hot water generator. There appears to be a preheat system utilizing waste heat from the laundry process. This preheats water fed into the hot water generator. Fixtures included typical bathroom and break room type fixtures as well as commercial laundry fixtures; flush valve water closets, urinals, lavatories, floor drains, service sinks, water coolers.

Gym Building Findings:

- Mechanical: This building has steam heat but no central air conditioning system. Steam is provided through a stand-alone, steam boiler located in the basement. The steam boiler was manufactured by Peerless Boiler in 2011. The gym is served by steam unit heaters and ventilation fans. The classroom area are served by steam radiators.
- Electrical: This building is served by a 75 kVA, 208 V, PMT. Meter number 077551386. There is an existing 600 amp service that is old and we would likely recommend replacement.
- Plumbing: The domestic water service is protected by an RPZ type backflow preventor. Make-up water is provided to a dedicated boiler, including water conditioning. Plumbing fixtures were generally in poor to fair condition. Existing showers were not observable, as they have been blocked off to avoid patient use/tampering. Fixtures included typical bathroom and break room type fixtures with tamper proof trim; flush valve water closets, urinals, lavatories, floor drains, sinks, water coolers, bath/shower systems, etc.

PME Systems Matrix:

Building	Electrical Service	Fire Alarm Panel	Plumbing Systems	HVAC Systems
Power House	O	X	X	X
Chiller Building (Avery)	O	N/A	O	O
Chiller Building (F-2)	O	N/A	X	X
Avery	O	X	O	O
Employee Cafeteria	N/A	N/A	N/A	X
Marsh	O	X	X	X
Bates	O	O	O	O

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Reece	N/A	N/A	N/A	X
Harper	X	O	O	X
Scroggs	O	O	O	X
Jones	O	O	O	O
Hooper	Y	O	Y	X
Laundry	X	O	O	X
Gym	X	X	O	O

X - System needs to be replaced

* For Electrical this means everything except the underground feeder into the building, the PMT, and Generator if applicable. For Fire alarm this means all equipment would need to be replaced.

O - Potential reuse of some system components is possible

* For Electrical this means some of the main distribution equipment and underground feeder into the building, the PMT, and Generator (if applicable) can be reused. All wiring devices and fixtures would be replaced. For Fire alarm this means the main panel could be reused (more information in write up) but likely all notification and SLC devices would need to be replaced.

Y - System easily adapted for reuse

* For Electrical this means all distribution equipment and underground feeder into the building, the PMT, and Generator (if applicable) can be reused. Some/All wiring devices and fixtures could be reused.

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CIVIL ASSESSMENT



Civil Narrative

Historic Broughton Campus (Residential School)

The existing buildings to be rehabilitated in the Broughton Area are serviced by an existing 8-inch water main that provides fire protection and potable water. The existing building water supply will be used to provide potable water and the existing hydrants will provide fire projection.

The Broughton Area is serviced by an existing sanitary sewer network that outlets into the City of Morganton main located in S. Sterling Street. The existing sewer system will be utilized to provide sewer service to the rehabilitated buildings.

The existing stormwater infrastructure will be used or modified as necessary to collect stormwater and direct it away from roads and buildings. The site will be required to meet NPDES Phase II requirements and the City of Morganton Code of Ordinances in place at the time of development.

All existing roadways within the Broughton Area to be milled and overlaid with 1.5-inches of asphalt. The proposed road connecting the Broughton Area to W Fleming Drive is to be designed and constructed per AASHTO and NCDOT specifications.

Southeast Site (Hotel)

New and existing buildings in the County Services area will be serviced by a new water main that will connect to the existing main in College Drive. Both domestic and fire services will be provided off of the new main. The existing fire hydrants along College Drive will be used for fire protection as well as new hydrants as necessary.

Sanitary Sewer service will be provided by extending the existing City of Morganton Sewer main located in Enola Road with a new 8-inch sewer main through the County Services Area.

There is some existing stormwater infrastructure located in the County Services Area but it is not adequate enough for the new development. The stormwater system will need to be upgraded and expanded to accommodate the development. The site will be required to meet NPDES Phase II requirements and the City of Morganton Code of Ordinances in place at the time of development.

The existing College Drive needs to be widened to accommodate two-way traffic. Proposed roads are to be designed and constructed to meet AASHTO and NCDOT specifications.

Northwest Site (Senior Living)

Water for the new Senior Living area is to be provided by extending the existing 12-inch that enters the site from W Fleming Dr. The City of Morganton does not have installation information on file and this line may need to be replaced after further investigations. The new waterline will extend through the Senior Living area to provide potable water and fire protection services.

The existing City of Morganton sewer main that is located adjacent to the stream is to be extended northward through the Senior Services area with a new 8-inch sewer main. The new buildings will be provided sewer service through the new main.

New stormwater infrastructure will be provided to collect runoff from the new impervious areas and directed to the existing creek. The site will be required to meet NPDES Phase II requirements and the City of Morganton Code of Ordinances in place at the time of development.

The existing drive off of W Fleming St. will need to be widened to accommodate two-way traffic and turn lanes. All new roads within the Senior Living Area will be designed and constructed to meet AASHTO and NCDOT specifications.



MEMORANDUM

DATE: 3/30/16

FROM: Michael Batts, Stewart
Brett Mabe, Crenshaw
Kyle Ramsey, CT Wilson
Eddie Belk, Belk Architecture

TO: Peter Cvelich, DFI

PROJECT: Broughton Master Plan

SUBJECT: Operating Expenses Clarification

1. Operating expenses of the historic Broughton campus as a mothballed, vacant campus

- Mothballing assumptions
 - Existing utility systems to remain moderately operational to provide ventilation and minor conditioning of interior space
 - All existing buildings would remain
- Utility Operating Costs
 - **\$0.33/SF per year to carry vacant buildings**
 - data provided by the NC Department of Energy Building Data Book
 - Chapter 3 - Chart shows the energy intensity average (EIA) by building activity.
 - The average for Education / Lodging / Office would be close to 92 kBtu/sf and the average for vacant is 21 kBtu/sf.
 - This leads us to using 21/92 or 23% of the current energy usage for a "mothballed" number.
 - utilities included in operating costs
 - gas
 - electric
 - water
- Repairs/Maintenance Operating Costs
 - \$0.12/SF which is 20% of operating costs for an operational school
 - Data provided by AS&U's 38th Annual Maintenance & Operations Cost Study for Schools

2. Post-rehab operating expenses of the historic Broughton campus as a boarding school

- Utility Operating Costs
 - **\$1.51/SF per year**
 - data provided by the NC Department of Energy Building Data Book
 - Chapter 3 - Table 3.3.10 - pg 131 - Chart breaks down energy expenditures by building vintage. May be good to estimate percentage changes from remodel / new.
 - A 5% additional cost was added due to the existing older building's inefficiencies in air-tightness

- utilities included in operating costs
 - gas
 - electric
 - water

- Repairs/Maintenance Operating Costs
 - **\$0.57/SF per year**
 - Data provided by AS&U's 38th Annual Maintenance & Operations Cost Study for Schools

3. New construction operating expenses of a boarding school

- Utility Operating Costs
 - **\$1.43/SF per year**
 - data provided by the NC Department of Energy Building Data Book
 - Chapter 3 - Table 3.3.9 - pg 131 - Chart shows average energy expenditures per building type in dollars/sf

- utilities included in operating costs
 - gas
 - electric
 - water

- Repairs/Maintenance Operating Costs
 - **\$0.57/SF per year**
 - Data provided by AS&U's 38th Annual Maintenance & Operations Cost Study for Schools



5

*BROUGHTON HOSPITAL
HISTORY*

HOSPITAL HISTORY

North Carolina opened its first asylum, in Raleigh, in 1856.¹ That first asylum, which had been proposed by Governor John Motley Morehead in 1842, was not realized until Dorothea Dix appealed to state legislators in 1848, following 10 weeks observing the conditions of the mentally ill around the state.²

The Raleigh facility was soon overcrowded, and legislators voted in 1875 to construct a new asylum—the Western North Carolina Insane Asylum—to serve the western part of the state.³ Though the cities of Statesville, Hickory, Asheville, and Morganton all tried to secure the facility, it was Morganton’s offer of sufficient money and as much land as might be required that swayed the joint committee of the General Assembly into locating the asylum in Morganton.⁴

The main building, now known as Avery Building, was designed by Samuel Sloan. Sloan was an architect of national prominence who, in addition to several asylums around the country, designed the North Carolina executive mansion and the University of North Carolina at Chapel Hill’s Memorial Hall. Sloan was personally recommended for the job by Thomas Kirkbride,⁵ a pioneer in the design of psychiatric facilities.

Kirkbride designed asylums to facilitate such therapeutic treatment, and his plans valued both siting and layout. His asylums were to be grand buildings in beautiful areas. He favored building in rural, instead of urban, areas to give patients access to better airflow and cleaner air than they would have in congested cities. A rural setting, he believed, could also positively influence the spiritual and physical health of patients: siting an asylum atop a hill would encourage exercise and exertion.⁶ All this counteracted the pressure inherent in urban living, which he and many other doctors saw as a cause of mental illness.

“Kirkbrides,” as hospitals designed by Thomas Kirkbride have come to be called—and of which the Avery Building is one—had a linear layout. They featured a central building, often of five stories, with two wings, often of three stories each. The wings, laid out with double-loaded corridors, cascaded back from the center. The wards—each ward was one floor of a wing—were short to allow for ventilation, and also to allow the division of patients by degree of insanity. In addition, the loudest patients could be placed furthest from the central area. Men’s and women’s wards were typically in opposing wings.⁷ One benefit of the layout was its ability to expand indefinitely; wings could be added to the facility without interfering with the daily management of the hospital.⁸ Though the Kirkbride plan called for no more than 250 patients, many hospitals quickly grew beyond this number. Central to Kirkbride’s design was the belief that insanity was often a temporary affliction cured in part by predictable routines and kind caregivers.⁹

Kirkbride’s influence on Sloan’s design is evident in the Avery Building, with its five-floor central area flanked by cascading, three-story wings. The main wing was finished in late 1882 and patients were admitted by the end of March 1883. The admittance of more than 250 patients between 1883 and

1885—most sent from Raleigh to relieve overcrowding there—soon overwhelmed the new building, and construction of an additional wing, to house another 150 patients, was completed in October 1886. It was designed by AG Bauer, a former assistant of Sloan’s, who also went on to design the nearby School for the Deaf. The asylum officially became a hospital in 1890, and in 1959 was renamed for former governor Melville Broughton.¹⁰

Dr. Patrick Murphy, asylum superintendent for the institution’s first 25 years,¹¹ strongly believed that work and exercise were effective forms of therapy for patients,¹² even as they beliefs lost broader appeal in the medical community and hospitals shifted to more custodial roles, often permanently housing large numbers of patients.¹³ In Morganton, though, Murphy put patients to work: by 1886, 70 percent of patients worked on the grounds.¹⁴ Females, who Murphy believed were not safe outdoors, cooked, cleaned, did laundry, and made clothing, mattresses, curtains, and other items for the hospital.¹⁵ Males, owing to their largely agricultural backgrounds, worked on the farm and on the grounds. Those few with mechanical skills worked in shops on the site.¹⁶

In addition to the farm and shops that grew out of Murphy’s emphasis on patient labor, several other elements of the hospital’s current footprint are a result in changing views of patient care. As the patient population surged around the turn of the 20th century, Murphy believed that the continued growth of the main building would fail to effectively serve patients and staff. As a result, Murphy called for a “colony farm” of detached buildings away from the main building, which would provide house-like accommodations for patients that needed to be institutionalized but did not need medical care or close supervision. The idea had been used in Europe and elsewhere in the United States.¹⁷

Murphy envisioned patients keeping house, cultivating their own gardens, and relaxing. This would hasten their recuperation as well as ease the strain on the main hospital building. The first colony building was completed in 1903.¹⁸ Ultimately, there were three colony groups, with a total of 10 buildings and 350 patients. Several colony-era buildings and barns exist south of the main hospital campus, on what is now the property of Western Piedmont Community College. Due to a more rigid shift in focus from custodial care to intensive treatment, the colony system was abandoned fully by 1950.¹⁹

Around the turn of the century, as the colony buildings grew to the south, the main campus expanded, as well. Many buildings from this time still stand, such as Harper, South, Reece, and F2 Dining. Several

¹⁰. National Register, “Broughton Hospital: Main Building.”

¹¹. Avery, “Broughton: New Ideas in Treating Mentally Ill.”

¹². Getz, “A Strong Man of Large Human Sympathy,” 46.

¹³. Getz, “A Strong Man of Large Human Sympathy,” 35.

¹⁴. Report of the Board of Directors of the Western North Carolina Insane Asylum at Morganton (From December 1, 1884 to November 30, 1886), 1887, Lynne Getz’s Broughton Hospital Student Project, Appalachian State University Belk Library.

¹⁵. Ibid., 46.

¹⁶. Report of the Board of Directors of the Western North Carolina Insane Asylum at Morganton (From December 1, 1884 to November 30, 1886), 1889, Lynne Getz’s Broughton Hospital Student Project, Appalachian State University Belk Library.

¹⁷. Ibid.

¹⁸. Ibid.

¹⁹. Avery, “Broughton: New Ideas in Treating Mentally Ill.”

¹. Getz, “A Strong Man of Large Human Sympathy,” 32.

². National Register, “Broughton Hospital: Main Building.”

³. Getz, “A Strong Man of Large Human Sympathy,” 32.

⁴. CK Avery, “Broughton: New Ideas in Treating Mentally Ill,” *News Herald* (Morganton, NC), May 1964.

⁵. National Register, “Broughton Hospital: Main Building.”

⁶. Yanni, *Architecture of Madness*, 58.

⁷. Ibid., 59-61.

⁸. Ibid., 56.

⁹. Lynne Getz, “A Strong Man of Large Human Sympathy,” 37.

buildings went up in the early 20th century that still stand in what is no longer part of the hospital campus. This includes ten residences on Bickett Street and Sterling Street.

Between the 1920s and 1940s, the hospital's main campus grew even more dense, with the addition of buildings such as the Art Deco-influenced power house and its smoke stack, the machine shop, Bates, Saunders, Marsh, and Thomas. Several staff houses and frame barns from this era no longer stand. Construction of the new hospital led to the demolition of several large buildings from this era, as well, including Hoey, Morrison, and McCampbell.

Little construction, other than additions to older buildings, has occurred on the site since the mid-20th century. Exceptions include the gymnasium and chapel, built in 1960 and 1975, respectively. This is due in part to a continuing trend of deinstitutionalization, which has limited the need for expanded facilities.

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6

*CASE STUDIES OF
PSYCHIATRIC HOSPITAL
REDEVELOPMENTS*

CASE STUDIES

COMMUNITY PROFILE (2014)	MORGANTON, NC	HICKORY-LENOIR-MORGANTON METRO AREA
POPULATION	16,816	363,936
POPULATION DENSITY (PER SQ. MILE)	878	222.3
TOTAL LAND AREA (SQ. MILES)	19.15	1637.38
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	\$35,144	\$40,820

TRAVERSE CITY, MI

The case of the Village of Grand Traverse Commons illustrates how a large hospital site can be redeveloped over time by a master developer that has access to public tools and incentives and a vision that respects the historic nature of the site and includes a mix of uses.

COMMUNITY PROFILE (2014)	TRAVERSE CITY, MI	TRAVERSE CITY MICRO AREA	MORGANTON, NC
POPULATION	15,006	145,374	16,816
POPULATION DENSITY (PER SQ. MILE)	1,802.3	86	878
TOTAL LAND AREA (SQ. MILES)	8.33	1,691.07	19.15
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	\$47,836	\$50,817	\$35,144

The Northern Michigan State Hospital was a Kirkbride-plan facility that opened in 1885. The wings of the 387,000 main building were abandoned in 1970 and the entire facility closed in 1989. It was vacant until 1998 when a local nonprofit convinced a city redevelopment board not to demolish it.¹

The Minervini Group acquired the 27-building, 63-acre site for \$1 in 2002. By 2005, the 150,000 square foot opened as residential, office, and independent shops/restaurants. At build-out, the Village of Grand Traverse Commons will have 1,000 residents and 800 workers. Residential units range from 300 square foot studios to 3,800 square foot luxury condos. As of spring 2013,

total development cost for 700,000 square feet of the site was \$60 million.² The gradual development was intentional, according to Raymond Minervi: “I knew that to be successful it would take a long time for the concept to evolve. This is a small city and only capable of absorbing so much residential and commercial space.”³

As of 2016, the site contains:⁴

- Residential units, including 68 affordable housing apartments and vacation rentals;
- A senior living community;
- 14 retail shops, mostly in the 100,000 square foot “Mercato,” an “indoor street” of shops;
- Nine food and beverage establishments, including a winery and a coffee roastery;
- 33 professional offices, including attorneys, counseling, yoga, and a salon.

The redevelopment process had several elements:⁵

- The local redevelopment board made an agreement with Minervini Group that the former would gain clear title to the land and buildings for \$1 in return for putting a roof on developing 20,000 square feet of the main building;
- The project received \$2 million in state brownfield grants;
- The site received state renaissance zone designation, meaning that residents and businesses will pay no state income taxes or property taxes until the benefit expires in 2017;
- The majority of the buildings on the site are eligible for historic tax credits;
- Minervini Group is a comprehensive developer and manager of the site: they will finance, supply, design, construct, sell, lease, rent, maintain, and manage everything on the site.

The site has a trail network and arboretum. The campus has a weekly farmer’s market and several festivals.⁶

DANVERS, MA

The Danvers project is an example of a development that was successful, in part, because of favorable growth trends and massive demolition that allowed for less costly redevelopment, but left only a small part of the Kirkbride’s façade intact. By leaving only a section of the front wall standing, and completely demolishing most of the wards, the developers angered some and partially appeased other preservationists and local community members who feared losing the iconic building. The project also tapped into a growing residential market, as Danvers is located just 20 miles outside of Boston and the development is only a mile from I-95.

¹ Berger, Chris, “Nothing Crazy About Living in this Former Insane Asylum,” *Curbed*, 12 March 2013.

² Berger.

³ Schneider, Keith, “From Ex-Mental Hospital to a New Mixed-Use Life,” *New York Times*, 9 November 2010.

⁴ The website of the Village of Grand Traverse Commons, <http://www.thevillagetc.com>.

⁵ Schneider.

⁶ Berger.

COMMUNITY PROFILE (2014)	DANVERS, MA	MORGANTON, NC
POPULATION	27,075	16,816
POPULATION DENSITY (PER SQ. MILE)	2,039.4	878
TOTAL LAND AREA (SQ. MILES)	13.28	19.15
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	\$77,404	\$35,144

The State Lunatic Hospital at Danvers opened in 1878 on nearly 200 acres of land in Danvers, Massachusetts. Architect Nathaniel Bradlee designed a building influenced by the Kirkbride plan: it had a large, central administrative building with three step wings on each side. The building was constructed of granite⁷ and was more than 700,000 square feet.⁸

According to a report prepared by Danvers Town Archivist Richard B Trask in 1981, the gradual phase-out of patients began in the 1970s.⁹ The Kirkbride building was closed in 1989 and patients were moved to another facility. The entire hospital was closed in 1992.¹⁰



Original 1875 architect drawing (Source: Danvers State Insane Asylum)

Following the hospital's closure, the State's Division of Capital Asset Management (DCAM) mothballed the building, and reports from the time indicate that local officials were frustrated to see the building sit idle, unable to be sold until the legislature passed a bill allowing it. In 1997, the House and Senate approved such a bill, and also allowed the State to issue a bond for up to \$5 million to prepare the site for disposition.¹¹

DCAM issued a request for proposals and received 11 responses. The Citizens Advisory Council, a group formed through the enabling legislation, considered five of those responses substantial,

⁷ Trask, Richard, "Danvers State Hospital," from the website of the Danvers Archival Center at the Peabody Institute Library, March 1981, http://www.danverslibrary.org/archive/?page_id=1096.

⁸ Brooks, Rebecca Beatrice, "History of Danvers State Hospital," History of Massachusetts, 19 September 2012, <http://historyofmassachusetts.org/history-of-danvers-state-hospital>.

⁹ Trask.

¹⁰ Brooks.

¹¹ Ramseur, Michael, *Haunted Palace: Danvers Asylum as Art and History*, Artship, 2005, 211.

and recommended that DCAM choose Archstone Communities as the buyer and developer, because Archstone had promised to preserve the entire Kirkbride. Archstone then reneged and proposed a plan in which they would preserve less than one third of the Kirkbride, which DCAM accepted. Archstone ultimately withdrew, at which point DCAM chose AvalonBay as the buyer and developer without soliciting public input.¹²

AvalonBay Communities purchased the property for \$18.1 million in 2005.¹³ Its residential development sits on approximately 51 acres of hilltop space; the total site is approximately 500 acres, most of which is protected agricultural land.¹⁴ The firm spent \$72 million turning the hospital into luxury apartments over the next three years.¹⁵ AvalonBay demolished six of the eight wards and all but the façade of the remaining two wards and main administrative building.¹⁶ Preservationists tried, unsuccessfully, to save more of the original building.¹⁷ Ultimately, Avalon Bay's development preserved only one ninth of the Kirkbride.¹⁸

The original plan was to have 433 rental apartments that would start at \$1,350 per month and 64 condos that would range from \$390,000 to \$500,000.¹⁹ Fifteen percent of the 433 units were to remain affordable.²⁰

By leaving only a partial façade, the company may have mitigated some of its potential buyers' fears of inhabiting a psychiatric hospital. According to AvalonBay's vice president of development, Scott Dale, "We were attracted to the site because of the quality of the real estate...It is, quite simply, a beautiful piece of land that overlooks Boston."²¹

Avalon sold 8.2 of the 17.2 low-lying acres it owned to Northeast Health System, the parent company of Beverly Hospital, which in 2007 opened a medical and day-surgery center. Avalon planned to sell the remaining low-lying acreage for development as a skilled nursing center.²²

Avalon also gave the Town of Danvers \$2.35 million to "mitigate the effect on the town," according to the *Boston Globe*. This included "money for the schools, affordable housing, historic preservation, and athletic fields."²³

Avalon Danvers was sold in 2014 for \$108.5 million.²⁴ It is now called Halstead Danvers.

¹² Ibid.

¹³ Castelluccio, John, "Boston Group Buys Avalon Danvers for \$108.5M," *Salem News* (MA), 3 July 2014.

¹⁴ Laidler, John "Despite Slow Economy, Danvers State Project Forges Ahead," *Boston Globe*, 10 June 2010.

¹⁵ Greenfield, Beth, "At Home in Infamous Surroundings," *New York Times*, 14 October 2007.

¹⁶ Brooks.

¹⁷ Greenfield.

¹⁸ Ramseur, 212.

¹⁹ Greenfield.

²⁰ Laidler.

²¹ Greenfield.

²² Laidler.

²³ Ibid.

²⁴ Castelluccio.

NEWTOWN, CT

The case of Fairfield State Hospital in Newtown, Connecticut illustrates how local residents who fear the effects of residential growth and a local government that attempts to singlehandedly control the future of a site without seeking other public partners (such as the state government) or accommodating the needs of potential private partners can face a long, slow pre-development process. In the twenty years since the hospital closed, little private development has occurred on the site, local costs continue to accrue, and almost all the historic buildings have deteriorated beyond the point at which development is feasible. Not only can they not be redeveloped, but until they are demolished, their condition represents a significant deterrent to private development.

COMMUNITY PROFILE (2014)	NEWTOWN, CT	MORGANTON, NC
POPULATION	2,027	16,816
POPULATION DENSITY (PER SQ. MILE)	878.7	878
TOTAL LAND AREA (SQ. MILES)	2.31	19.15
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	124,688	\$35,144

Fairfield State Hospital in Newtown admitted its first patients in 1933.²⁵ The hospital sits on one of the highest points in town, on a 186-acre campus of rolling hills. The site contains 16 primary buildings. The State Department of Mental Health closed the facility in 1996 and in 1999 the State issued a request for qualifications from master development entities. Four development entities were invited to submit proposals after the RFQ stage, and three did. The State's review of development entities was suspended when the Town of Newtown exercised its right of first refusal and the Town's board submitted a letter of intent to purchase the site in early 2000. This LOI was issued following the newly formed Fairfield Hills Authority's review of the three proposals and its determination that only by purchasing the property, which sits in the geographic center of the town, could the local community, not the State or a private developer, ensure the campus redevelopment served the local community's interests.²⁶ Specifically, by voting to purchase the property, residents were trying to keep the site out of the control of residential developers.²⁷ The Town of Newtown closed on the property for \$3.9 million.²⁸

Newton voters had approved a bond for \$48 million ahead of the purchase: this included \$3.9 million for the purchase, an unspecified amount for demolition, abatement, and the creation of athletic fields, and \$27 million for a new intermediate school which opened in 2003.



Image: Bing Maps

The Authority made a master plan in 2003, which it has updated at least every five years since. The plan called for open space, recreation, municipal, educational, cultural, and commercial uses, including restaurants, medical offices, corporate offices, spas, banks, a performing arts center, museums, and art galleries.²⁹ It specifically prohibited residential development as a way to limit the growth that was putting pressure on schools and other public services.

Public disagreement about the future of the site surrounded the creation of the first plan. One controversial element of the plan was the allocation of \$8.5 million to build a new town hall on the site. In addition, a community group formed to oppose the sale of any property on the site, and proposed that the entire site be used for public purposes, with very little commercial use. Residents interviewed by the *New York Times* in 2003 indicated that they believed the process was moving too quickly and they feared losing a public resource.³⁰ By the time the first master plan was presented to the public, it included a provision that land should only be leased, not sold, to private entities.³¹ It also removed references to the idea of a corporate office park on one part of the site.³²

Eventually, the Town decided to relocate municipal offices to an existing building on the site, and spent \$6 million renovating Bridgeport Hall.³³

²⁵ From FairfieldStateHospital.com, Accessed 3 March 2016.

²⁶ "Background Information," from the website of the Town of Newtown, Accessed 3 March 2016, http://www.newtown-ct.gov/public_documents/NewtownCT_FFHills/background.

²⁷ Prevost, Lisa, "Warily, Newtown Weighs New Housing," *New York Times*, 20 January 2011.

²⁸ Hutson, Nanci G., "Fairfield Hills Leaders See 2015 as a Year to Market the Campus," *CTPost.com*, 26 December 2014.

²⁹ Hutson.

³⁰ Doniger, Nancy, "In Newtown, A Master Plan Creates a Stir," *New York Times*, 9 February 2003.

³¹ "Fairfield Hills Master Plan (Amendment) 2013," from the website of the Town of Newtown, http://www.newtown-ct.gov/public_documents/NewtownCT_FFHMPP/index.

³² Doniger.

³³ Hutson.

Even boarded up, the hospital was a draw: a newspaper article from 2004 detailed the 15 trespassing violations local police had issued to young people on the hospital grounds in three separate incidents in the preceding 10 days. Town officials described how people regularly broke into the buildings, going as far as tearing plywood off windows and doors and cutting holes in chain link fences. Officials worried about the implications of someone getting hurt or killed while in a closed building, and as one said at the time, “All it takes is a half-decent lawyer to call it an attractive nuisance.”³⁴

Six years in, the only private activity that had occurred on the site was an 86,000 square foot sports and fitness academy. The 2013 update to the plan states that private developers have found the current buildings, due to deterioration and configuration, infeasible. The plan states that the presence of the buildings “likely represents a substantial barrier to realizing the economic development potential as well as the recreation and public use themes desired by residents.” The plan states that as of 2012, only four buildings appeared salvageable, and eight other major buildings had likely deteriorated beyond being reusable.³⁵

The 2013 plan amendment allows some rental housing on the upper floors of commercial buildings, which it previously did not allow. Still, all buildings would remain in Town ownership. The plan acknowledges that the active discouragement of development proposals that included housing “may have resulted in a loss of development that would have benefitted the community.” The plan stipulates that housing must be ancillary and not a primary use.

The 2013 capital improvement plan sets out almost \$4.5 million for the next five years for demolition and walking trail creation.

An unclear power structure, in which the development process has no clear “quarterback,” may also slow progress. The Fairfield Hills Authority is an appointed group that considers development proposals and manages leases to developers. But a 2014 article suggests that the authority is “little more than a sounding board” because the board of selectman, zoning officials, and other officials maintain control of what happens on the site. Since its forming, the authority has not proactively pursued development and has instead waited for others to approach it.³⁶

In 2013, local leaders shared a plan to offer \$1 a year, 30-year leases to developers, who would then be responsible for remediation and demolition costs³⁷

In 2013, Town was planning a 4,000 square foot ambulance facility and a parks and recreation center. They have discussed a fire station and police station, as well. As of 2013, five hospital buildings had been demolished.

Though the Town became a major anchor tenant as a way to support the success of Fairfield Hills, its municipal offices move was not without consequence. In February 2016, a town selectman alerted the Town’s Board of Finance that the former town hall, which the Town vacated when it moved to Fairfield Hills, is on its way to exhausting all of its financial resources within a year. The historic structure was home to the Town operations until 2009, when the Town moved and stopped paying rent. The publicly-owned building has been unable to generate sufficient revenues since its major tenant moved out, and elected officials proposed increasing their annual subsidy to the building to \$75,000 per year, or half its operating expenses.³⁸

STAUNTON, VA

The ongoing redevelopment of the former Western State Hospital site in Staunton, Virginia illustrates how a creative public-private partnership with clear inter-governmental cooperating can serve a master redevelopment. It is an instructive project in its similarities to historic Broughton as well: the large site is in a similarly-sized downtown, with interstate frontage, neighboring a school for the deaf and blind, with the new hospital relocated adjacent to the site.

COMMUNITY PROFILE (2014)	STAUNTON, VA	STAUNTON- WAYNESBORO, METRO AREA	MORGANTON, NC
POPULATION	24,132	119,016	16,816
POPULATION DENSITY (PER SQ. MILE)	1,208.1	118.8	878
TOTAL LAND AREA (SQ. MILES)	19.98	1,002.01	19.15
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	\$39,982	\$49,262	\$35,144

The Western State Hospital, which was most recently used as a prison, closed in 2003.³⁹ In 2006, the Commonwealth decided to replace the Western State Hospital and the General Assembly approved \$112.5 million for the new facility.⁴⁰ The new hospital was built on adjacent

³⁴ Driscoll, Eugene, “Warning: Stay Away from Fairfield Hills,” *News-Times* (Danbury, CT), 28 September 2004.
³⁵ “Fairfield Hills Master Plan (Amendment).”
³⁶ Hutson.
³⁷ Ibid.
³⁸ “Edmond Town Hall Facing Financial Difficulties,” *Newtown Bee*, 25 February 2016.
³⁹ Peters, Laura, “More Renovations Begin at Villages at Staunton,” *News Leader*, 15 December 2015.
⁴⁰ “Fact Sheet: New Western State Hospital and Economic Development of Western State Property in Staunton,” from the website of the City of Staunton, 9 July 2009, http://www.staunton.va.us/directory/departments-a-g/economic-development/western-state/documents/WSH_Fact_Sheet_7-9-09.pdf.

property. Construction for the hospital broke ground in late 2009, and pre-development activities for the former hospital property began in early 2010.⁴¹

The City of Staunton contributed \$15 million toward the relocation of the hospital and in return the Commonwealth deeded the City 265 acres of the old hospital campus that sits along I-81. The City contributed to the project as a way to free up the old hospital campus; the Commonwealth’s allocation would have funded some new facilities within the old campus, but kept some hospital functions in the old buildings. With the City’s contribution, the new hospital could be built on an entirely different property in one phase.⁴²

The City planned to have a single master developer working on the site as a way to coordinate development activities and maximize value. The City was advised on master developer selection by a private firm whose CEO was a former Commonwealth secretary of commerce and trade.⁴³ The master developer, Staunton Gateway Partners, was chosen from several companies that responded to a solicitation by the Staunton Industrial Development Authority.⁴⁴

“Staunton Crossing” is the name of the master development. To prepare the site, the City has made several investments, including building a four-lane boulevard entrance to the site and demolishing some buildings.⁴⁵ Delays in the construction of the boulevard and traffic circle, which has cost \$2.1 million and began in spring 2015, has slowed down the larger project. The road is expected to be completed in April 2016.⁴⁶

“The Villages at Staunton” is meant to be a village-like community within the city. Adaptive reuse and new construction that complements the historic nature of the campus will serve residential, office, hospitality, entertainment, and commercial uses.⁴⁷

The development is in process. As of December 2015, two sets of condominium developments and another home development have occurred on the site. A 45,000 square foot building is currently being developed into office space.⁴⁸ A hotel, called Blackburn Inn, is in the planning stages.

BUFFALO, NY

The Richardson Olmsted Complex in Buffalo, New York, serves as an example of a Kirkbride redevelopment that while seemingly successful in terms of reuse, has taken decades and large infusions

of public money. After decades of neglect and negotiation over reuse, the complex is being redeveloped solely with public money—the development failed to leverage large and sustained public investments to attract private partners, and thus the citizens of New York fully bear the potentially nine-figure cost.

COMMUNITY PROFILE (2014)	BUFFALO, NY	BUFFALO- CHEEKTOWAGA- NIAGARA FALLS METRO AREA	MORGANTON, NC
POPULATION	259,959	1,135,667	16,816
POPULATION DENSITY (PER SQ. MILE)	6,437.2	725.6	878
TOTAL LAND AREA (SQ. MILES)	40.38	1,565.05	19.15
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	\$31,668	\$50,726	\$35,144

The Buffalo State Asylum for the Insane opened in 1880, eight years after construction began on what is now known as the Richardson Olmsted Complex in Buffalo, New York.⁴⁹ Architect Henry Hobson Richard designed the Kirkbride building. Landscape architect Frederick Law Olmsted, designer of New York City’s Central Park, designed the grounds.⁵⁰

The hospital’s history is similar to that of Broughton: the hospital grew through the first half of the 20th century and patient labor played an important role in maintaining the large complex. Amidst national moves toward rehabilitation and community care, the hospital demolished three of the Richardson building’s patient wards in 1968 to build a one-story rehabilitation center in 1970. In 1974, all patients were moved out of the original Richardson Building and into a newer complex. Administrative offices remained in the building until the 1990s.⁵¹ The building was placed on the National Register of Historic Places in 1973 and was declared a national historic landmark in 1986.⁵²

⁴¹ “Pre-Development Agreement for Old Western State Authorized,” WHSV.com, 8 January 2010.
⁴² Fact sheet.
⁴³ Ibid.
⁴⁴ “Pre-Development Agreement for Old Western State Authorized.”
⁴⁵ “Commercial Development Coming to Former Western State Site,” WHSV.com, 22 October 2015.
⁴⁶ Peters, Laura, “Staunton Crossing Moving Forward,” *News Leader*, 28 January 2016.
⁴⁷ The website of the Villages at Staunton, <http://www.villagesatstaunton.com>.
⁴⁸ Peters, Laura, “More Renovations Begin at Villages at Staunton.”

⁴⁹ From the website of the Richardson Olmsted Complex, Accessed 7 February 2016, <http://www.richardson-olmsted.com>
⁵⁰ Ibid.
⁵¹ “Richardson Olmsted Complex Structures Report,” prepared by Goody Clancy, July 2008: 110, http://www.richardson-olmsted.com/files/documents/planning_and_reports/historic_structures_full_report.pdf
⁵² The website of the Richardson Olmsted Complex.



The Richardson Olmsted Complex (Map data: Google)

Largely unoccupied, the main building deteriorated throughout the 1970s and 80s, despite various attempts, including a governor’s task force in 1984, a 1986 adaptive reuse design competition, and a \$3.5 million interior and exterior rehabilitation in 1989. The building was significantly boarded up in 1989 in response to continued acts of vandalism.⁵³ In 1998, then-mayor Anthony Masiello successfully requested that Governor Pataki not include the building in attempts to sell 12 of New York’s psychiatric hospital buildings to private developers. The mayor hoped to redevelop the site into a magnet school and residential development.⁵⁴

Still, the hospital sat unused. In 2004, a group of local citizens filed a lawsuit to bring attention to the facility’s deterioration. The State allocated \$5 million toward stabilization. In 2006, Governor Pataki pledged \$100 million to redevelop the 500,000 square foot complex. A quarter of those funds were used to create an art museum and pavilion; the remainder has “funded important activities to prevent further deterioration of the Complex and to ready it for reuse.” The Richardson Center Corporation (RCC), composed of community members and appointees of the governor, was made responsible for exploring adaptive reuse feasibility.⁵⁵

In 2007, the Urban Land Institute (ULI) began to study the feasibility of redeveloping the site. Within a year, historic structures and cultural landscapes reports were completed and a \$2 million stabilization effort began. In 2010, another nearly \$8 million was put toward further stabilization.⁵⁶

In 2011, a master plan was completed, which focused on a hotel and conference center and city architecture center. The State also enacted special legislation to allow the conveyance of the property to the Richardson Center Corporation.⁵⁷

In 2013, the South Lawn was re-greened, as a precursor to greater development activity. This included the planting of 125 trees, creation of environmentally friendly rain gardens, and the building of a pedestrian loop trail.⁵⁸

The first phase of the building redevelopment centers on an 88-room hotel and conference center. Construction began in late 2014 and was expected to take two years. Local hospitality management firm InnVest Lodging will operate the hotel, known as the Hotel Henry Urban Resort Conference Center.⁵⁹

The Richards Center Corporation is the developer. Total development cost is estimated to be \$69 million. The project is being funded by \$54 million in state money and \$16 million in state and federal historic tax credits. Empire State Development, the state economic development agency, provided grants for predevelopment, stabilization, and re-greening. Several foundations have provided unspecified support for the project, as well.

MORRIS PLAINS, NJ

The pre-development process and eventual demolition of the Greystone Park Kirkbride building demonstrates the pitfalls of a confusing and seemingly opaque process for determining the fate of an historic hospital. The State of New Jersey, by rejecting redevelopment proposals in favor of a costly publicly-funded demolition, lost a landmark building, missed what several developers saw as an opportunity to attract investment and create local economic value, and outraged and lost the trust of a portion of the public. The public sector, as this case suggests, can inhibit development, just as in other cases, it can enable it.

COMMUNITY PROFILE (2014)	MORRIS PLAINS, NJ	NEW YORK- NEWARK-JERSEY CITY, NY-NJ-PA METRO AREA	MORGANTON, NC
POPULATION	5,635	6,550,191	16,816
POPULATION DENSITY (PER SQ. MILE)	2,203.8	1,720	878
TOTAL LAND AREA (SQ. MILES)	2.56	3,808.17	19.15
MEDIAN HOUSEHOLD INCOME (IN 2014 DOLLARS)	\$110,167	\$74,217	\$35,144

Greystone Park opened in 1876 as the New Jersey State Lunatic Asylum at Morristown. The main building was a 675,000 square foot, five-story Kirkbride. It has three, three-story wings. Its

⁵³ “Richardson Olmsted Complex Structures Report,” 118.

⁵⁴ Rozhon, Tracie. “A Fight to Preserve Abandoned Asylums; Sales Seen as Threat to Landmarks Of Architecture and Idealism,” *New York Times*, 18 November 1998.

⁵⁵ The website of the Richardson Olmsted Complex.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

three-foot thick walls are made of gneiss.⁶⁰ Samuel Sloan, Broughton architect, was Greystone’s architect, as well. He followed the Kirkbride plan.⁶¹



Greystone Park
(Source: Preserve Greystone)

Similar to Broughton, Greystone was constructed between the 1870s and mid-20th century and contains a mix of Victorian and modern architecture.⁶² It has underground tunnels used for patient transport, similar to Broughton.⁶³ The buildings are on a large site that once contained occupational therapy and a self-supporting agricultural operation.⁶⁴

The hospital was at its highest patient capacity, 6,719 people, in 1954. The process

of deinstitutionalization, along with a class-action lawsuit, led to the reduction in patients served from the 1950s on.⁶⁵ The state opened a new hospital adjacent to the original hospital in 2008. The Kirkbride was permanently closed after those patients were transferred to the new facility that year.⁶⁶

The state commissioned a redevelopment feasibility assessment for the main building, which was delivered in early 2013.⁶⁷ The report deemed the main building’s condition to range from “good” to “failed,” and identified the deteriorated roof as a major cause of damage, which it also attributed to a lack of climate control, vandalism, and age. Based on its market analysis, the report considered three redevelopment scenarios, all of which it concluded were economically infeasible without decreasing development costs, providing State incentives to developers to encourage larger private investment, or permitting new construction on other parts of the site to create additional economic value.

	DEVELOPMENT COST	AVAILABLE FUNDING	FUNDING GAP
315 APARTMENTS	\$112,500,000	\$101,425,000	\$11,075,000

⁶⁰ Hurley, Dan, “Preservationists Fight to Save a Former Asylum in New Jersey,” *New York Times*, 18 August 2014.
⁶¹ “History of Greystone Park Psychiatric Hospital,” Preserve Greystone, accessed 10 September 2015, <http://www.preservegreystone.org/history.html>.
⁶² “Greystone Played a Significant Role in the Evolution of Mental Health Treatment,” New Jersey State Division of Property Management and Construction, accessed 8 September 2015, <http://www.state.nj.us/treasury/dpmc/Assets/Files/A1132%20Greystone%20campus%20timeline.pdf>.
⁶³ Ben Horowitz, “State Awards \$34 Million Contract to Tear Down Historic Greystone Building,” *Star-Ledger* (New Jersey), 18 August 2014.
⁶⁴ “Greystone Played a Significant Role in the Evolution of Mental Health Treatment.”
⁶⁵ Ibid.
⁶⁶ Ibid.
⁶⁷ Urban Partners, *Greystone Park Hospital Main Building Redevelopment Feasibility Assessment*.

MIXED-USE: 181 APARTMENTS, ASSISTED-LIVING FACILITY, INN	\$103,025,000	\$77,275,000	\$25,750,000
199 APARTMENTS CONVERTED TO CONDOS AFTER TAX CREDIT PERIOD	\$107,375,000	\$95,500,000	\$11,875,000

Following the feasibility report, the state issued a request for expression of interest. Six firms responded with proposals of varying specificity for how they could redevelop the building (a seventh came later). The State ultimately rejected all seven responses it received. Instead, they awarded a \$34 million demolition contract. Quoted in the *New York Times*, State Treasurer Andrew P. Sidamon-Eristoff said, “We are sympathetic to those who are passionate about architectural preservation. However, the Kirkbride building’s advanced deterioration, which has worsened since 2011, massive size and challenging configuration present unique obstacles to a viable redevelopment.”⁶⁸

A local group, Preserve Greystone, sued to prevent demolition. The group’s president said that a private developer could put the building “to good use at no cost to taxpayers,” while the State instead spent \$35 million to demolish it.⁶⁹ Star-Ledger reporter Mark Di Ionna articulated many of the strong citizen objections to the State’s decision and its opaque decision making process: “If it doesn’t stink, then it’s just lazy. Or lacks vision and creativity. Or shows an unwillingness to compromise. But we don’t know, because the process wasn’t open.”⁷⁰ Di Ionna notes that the State’s stated reasons for tearing down the building were that it was too deteriorated to save and that it would require public money to reuse, but no officials have elaborated on the process or criteria used to reach these conclusions.

The six proposals that the State received before the response deadline had varying degrees of specificity, though each included a way to preserve the main building and overcome the funding gap that the feasibility report had identified.

Developer Resource Group’s proposal to the State, which centered on a sustainable agriculture and education program, included a plan for fully financing the estimated \$98 million development with private capital in return for full ownership of the property following development.⁷¹

Building and Land Technology Corporation proposed at least 550 residential units in the Kirkbridge building, 100 new townhouses, and 5,000 square feet commercial and office space. Financing would come from a first mortgage, federal and state historic tax credits, equity, and

⁶⁸ Ibid.
⁶⁹ Ibid.
⁷⁰ Di Ionna, Mark, “Something Stinks about the Greystone Deal,” *NJ.com*, 9 April 2015.
⁷¹ Developer Resource Group’s response to a request for expression of interest in the redevelopment of the former Greystone Psychiatric Hospital, 28 May 2013, <http://www.state.nj.us/treasury/dpmc/Assets/Files/GCA%20Management%2005-28-13.pdf>

an inventive grant from the State's Economic Development Authority. Their proposal was the most specific, and listed the following required incentives:⁷²

- Title to the 90 acres for a \$1 consideration.
- The approval of a Part 1 for the entire property by the NJ SHPO and the NPS, as well as Part 2 and Part 3 applications for each building as they are renovated in accord with the Standards of the Secretary of the Interior.
- An award of State Economic Incentive Tax Credits of a minimum of \$20,000,000, the sum necessary to cover the site work, demolition, abatement, and remediation necessary to undertake the rehabilitation.
- The adoption of State Historic Tax Credit legislation to provide a minimum of \$15,000,000 per annum of State Historic Tax Credits for qualified commercial structures.

Forest City's proposal centered on high-end rental residential and a mix of other uses that tie into the neighboring public recreation facilities. They acknowledged that a public-private partnership would be an important element of a successful redevelopment. The firm highlighted its experience securing tax credit financing to make projects feasible.⁷³

Cross Properties proposed a 310-unit residential development. Its financial assessment was vague: the proposal said the firm did not foresee funding gaps, and would respond to any gaps by selling land, seeking grants, seeking public investment, tax abatement, an easement donation, and historic tax credits.⁷⁴

Greystone Community Innovation Team proposed a smart growth, village-style development that centered on a range of residential options and a mix of commercial, and recreation uses, including an organic farm.⁷⁵

Auto Mart, a West Virginia firm responsible for preserving the Trans-Allegheny Lunatic Asylum and operating it as a paranormal tourist attraction, proposed a similar program for Greystone. Their proposal appears to assume similar development costs and schedules, with development phases being funded by visitor revenues as they are received. Their five-year development costs

for the Trans-Allegheny Lunatic Asylum were \$6.2 million, reflecting in-house preservation and demolition and limited redevelopment.⁷⁶

Reporter Mark Di Ionno spoke with representatives of two of the responding firms following the State's rejection of their responses. Both said the State did not acknowledge or respond to their responses, or explain why they had rejected them.

Demolition of 26 structures and their connecting tunnels began in the spring of 2015 and was completed by October.⁷⁷ The state is planning to then deed the site to the county for use as open space. The state is saving some elements of the Kirkbride, such as the stone veneer and some columns, to honor the site's history.⁷⁸

⁷² Building and Land Technology Corporation's response to a request for expression of interest in the redevelopment of the former Greystone Psychiatric Hospital, May 2013, <http://www.state.nj.us/treasury/dpmc/Assets/Files/kirkbride%20building%20response-13may21.pdf>.

⁷³ Forest City's response to a request for expression of interest in the redevelopment of the former Greystone Psychiatric Hospital, May 2013, <http://www.state.nj.us/treasury/dpmc/Assets/Files/Greystone%20RFEI%20-%20ForestCity.pdf>.

⁷⁴ Cross Properties' response to a request for expression of interest in the redevelopment of the former Greystone Psychiatric Hospital, 30 May 2013, <http://www.state.nj.us/treasury/dpmc/Assets/Files/Greystone%20RFEI%20-%20Cross.pdf>.

⁷⁵ Greystone Community Innovation Team's response to a request for expression of interest in the redevelopment of the former Greystone Psychiatric Hospital, 30 May 2013, <http://www.state.nj.us/treasury/dpmc/Assets/Files/Greystonevillage5-30-13final.pdf>.

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7

LETTERS OF SUPPORT

STATE HISTORIC PRESERVATION OFFICE



North Carolina Department of Natural and Cultural Resources

State Historic Preservation Office

Ramona M. Bartos, Administrator

Governor Pat McCrory
Secretary Susan Kluttz

Office of Archives and History
Deputy Secretary Kevin Cherry

February 22, 2016

Mr. Peter Cvelich
Development Finance Initiative/School of Government
University of North Carolina at Chapel Hill
Campus Box 3330, Knapp-Sanders Building
Chapel Hill, NC 27599

Re: Broughton Hospital and North Carolina School for the Deaf Historic Districts
Conceptual Reuse Plans
Morganton, Burke County, NC

Dear Mr. Cvelich:

Thank you for your study submittal regarding the proposed conceptual reuse plans for the Broughton Hospital and North Carolina School for the Deaf buildings and sites within both National Register Historic Districts. Our staff has reviewed the information you provided, and we offer the following comments within the body of your February 10, 2016 email below.

During the course of the Broughton Hospital Study, DFI has developed a conceptual strategy for reusing and significantly improving the majority of historic hospital buildings and attracting additional private investment to surrounding public property. These conceptual plans would respect historic architecture and would expect to benefit from the Historic Preservation Tax Credits in so doing. Nevertheless, to adaptively reuse the historic buildings would require some modification to the historic campus and structures.

Per our prior conversations with your team at the N.C. State Historic Preservation Office (SHPO), we understand that there is agreement in principle to our proposed adaptive reuse strategies and conceptual site plans based on the historic district nomination forms and your interpretation of the scope of the proposed rehabilitation work, assuming it adheres to the following conditions:

- *Before any contributing structure be demolished, all alternatives to its preservation be explored.*
HPO response: In general demolition may be acceptable when the building or component is outside the period of significance of the district, it is so deteriorated or altered that its integrity has been irretrievably lost, or it is a secondary building or component that lacks historic, engineering, or architectural significance or does not occupy a major portion of the site and persuasive evidence is present to show that retention is not technically or economically feasible.
- *Interior architectural features and finishes in public lobbies and corridors and other principle interior spaces be preserved or are altered in accordance with the Standards based on review of detailed architectural drawings.* **HPO response: We concur.**

Mr. Peter Cvelich
February 22, 2016
Page 2

- *New building construction be sited and designed to be compatible with the historic scenic character and views of the site, based on review of detailed site plans and architectural drawings.* **HPO response: We concur.**

We respectfully request a signed letter from SHPO by Feb. 22, confirming that draft plans provided to SHPO for review are consistent with those principles, with the understanding that 1) decisions regarding HTC eligibility and qualified rehab expenses would not be rendered until specific application with development plans would be made to SHPO, and that 2) those decisions ultimately lie with the federal National Park Service and IRS. **HPO response: We concur.**

Please let me know if this is a reasonable time frame for SHPO to provide such a letter or if you have questions.

As a summary, below is the scope of site planning and building rehabilitation from the conceptual plans that we have presented and discussed:

- *Broughton Hospital historic district:* **HPO response: We concur, with one comment below.**
 - *Modifications to the Avery Building, a landmark property:*
 - *Construction of porches on back façade to match existing porches on two wings*
 - *Penetrations through parting walls between patient rooms on interior*
 - *Demolition of building fabric that is non-contributing:*
 - *Appendages to Avery and Machine Shop*
 - *Bricked-in porches on Bates*
 - *Walkways between Avery and Jones, Avery and Reece, Scroggs and F2-Dining, F2-Dining and Harper, F2-Dining and Thomas, and between sections of Bates*
 - *Demolition of non-contributing and unidentified structures outside the period of historical significance from the nomination:*
 - *Jones*
 - *Moran*
 - *Carpenter (aka Nurses Dorm)*
 - *Chiller Building*
 - *Demolition of a contributing structure that has been significantly modified so as to have lost any of its historic architectural character:*
 - *Thomas*
 - *Preservation of non-contributing, but culturally significant structures: The Chapel*
 - *Relocation of contributing structures:*
 - *Relocation of five small sheds in southern portion of district.* **HPO response: Relocation must be sited to be compatible with the historic scenic character and views of the site, based on review of detailed site plans and architectural drawings.**
- *NC School for the Deaf Historic District:* **HPO response: We concur.**

Mr. Peter Cvelich
February 22, 2016
Page 3

- *Demolition of non-contributing structures:*
 - *Rankin*
 - *Joiner Warehouse*
 - *Jeter*
 - *Henderson*
- *New construction: Nothing taller than 5 stories and sited so as to preserve prominent views to and from icon architecture and landscapes. HPO response: New building construction must be sited and designed to be compatible with the historic scenic character and views of the site, based on review of detailed site plans and architectural drawings.*

We appreciate the opportunities our staff had to meet with everyone. These meetings allowed for an understanding of the respect for the historic architecture being taken as well as the conceptual reuse plans for the buildings and sites within both National Register Historic Districts.

These comments are made in accord with G.S. 121-12(a) and Executive Order XVL. If you have any questions regarding them, please do not hesitate to contact Renee Gledhill-Earley, Environmental Review Coordinator, at 919-807-6579 or renee.gledhill-earley@ncdcr.gov or Tim E. Simmons, Senior Preservation Architect and Income-producing Tax Credit Coordinator, at 919-807-6585 or tim.simmons@ncdcr.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bartos" followed by a small "for" written below it.

Ramona Bartos, Deputy
State Historic Preservation Officer

cc: Patricia Mitchell
Michael Lemanski
Tyler Mulligan
Renee Gledhill-Earley
Tim E. Simmons

BURKE COUNTY CHAMBER OF COMMERCE RESOLUTION



RESOLUTION

WHEREAS, the mission of the Burke County Chamber of Commerce is to “Grow business” and “Build community;” and

WHEREAS, building a secure future for Burke County requires the creative use and re-use of the community’s many resources, both natural and man-made, historic and contemporary; and

WHEREAS, the Reimagining Broughton study exemplifies this imperative, as it respects the historic significance and importance of both the original and new Broughton Hospital, while presenting an equally extraordinary opportunity to re-envision of the use of the 800 acres of publicly-owned land surrounding the hospital, Western Piedmont Community College, the North Carolina School for the Deaf, and the North Carolina School of Science and Mathematics; and

WHEREAS, a study conducted by the Development Finance Initiative of the School of Government at the University of North Carolina determined that public-private partnerships across this land will generate economic returns for investors and the public, while preserving the site’s cultural legacy; and

WHEREAS, per the study, these investments have the potential to attract more than \$150 million in private capital to create a new mixed-use district; and

WHEREAS, components of this new district, once developed, would reflect a microcosm of Burke County’s economy including education, healthcare, technology, retail, agriculture, tourism, recreation, housing, and the arts and have a positive financial impact on Burke County’s tax base; and

WHEREAS, implementing the Reimagining Broughton study will create an exciting new gateway into Morganton and serve as a living symbol of Burke County’s promise and potential; and

WHEREAS, since the North Carolina General Assembly authorized the Reimagining Broughton study in 2014, the Department of Health and Human Services, the Department of Administration, the City of Morganton, Burke County and others have championed it as a unique and historic opportunity. THEREFORE BE IT

RESOLVED, that the Burke County Chamber of Commerce expresses its enthusiastic support for implementation of the Reimagining Broughton study as a transformative endeavor in the best interests of the greater community; and

BE IT FURTHER RESOLVED, that the Chamber calls upon all key stakeholders to commit to building on the momentum gained thus far and take all actions necessary to bring the Reimagining Broughton study to reality.

Adopted this 12th Day of March in the Year of Our Lord Two-thousand Eighteen.


Kathy C. Bailey
Chairman, Board of Directors


Jerry R. Davis
President & CEO

BURKE COUNTY TOURISM DEVELOPMENT AUTHORITY RESOLUTION

BOARD RESOLUTION OF BURKE COUNTY TOURISM DEVELOPMENT SUPPORTING "REIMAGINING BROUGHTON PROJECT"

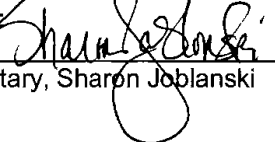
DULY PASSED ON March 20, 2018

- Whereas, the Mission of the Burke County Tourism Development Authority (TDA) is to develop and coordinate visitor-related activities and services in Burke County and to implement marketing programs that will grow the Travel and Tourism Economy in Burke County; and
- Whereas, the Reimagining Broughton Project has a strong hospitality and tourism component
- Whereas, the Hospitality Village concept has the potential to create accommodations opportunities including a hotel site
- Whereas, Tourism Economic Development will increase in Burke County with the addition of a broad campus structure where all areas of hospitality may be fostered and developed
- Whereas, this Transformative Opportunity for Burke County is happening now in 2018 and over the next few years

NOW, THEREFORE, BE IT RESOLVED that the Burke County Tourism Development Authority fully supports and endorses the Reimagining Broughton initiative and encourages all local and state government entities to move forward with this project.

Adopted this the 20th day of March, 2018.


Chair of the Board/ Polly Leadbetter

Attest: 
Secretary, Sharon Joblanski



8

EXPANDED CITATIONS

FROM DEVELOPER DEALBOOK

EXPANDED CITATIONS

BURKEMONT AVENUE HOTEL

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Flanagan, Glen Luke. “A New Hotel Could Boost Morganton’s Economy, Officials Say.” Morganton News Herald, 3 April 2015. https://www.morganton.com/news/a-new-hotel-could-boost-morganton-s-economy-officials-say/article_38b38d8e-da5a-11e4-aace-e340f4f97fe5.html. Accessed 6 June 2018.

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