

Cherry Hotel

Wilson, NC

Mixed-Use Redevelopment Opportunity

September, 2016



UNC
SCHOOL OF GOVERNMENT



About This Solicitation

This document is an invitation for interested partners to submit design concepts for redevelopment of the historic Cherry Hotel in downtown Wilson, NC. Submissions will be reviewed by staff members at the Development Finance Initiative (DFI), and DFI will assist developers with understanding and responding to the City's requirements for the Hotel's reuse. DFI is a program of the UNC School of Government which assists local governments with attracting private investment for transformative projects, and providing specialized finance and development expertise. DFI partners with communities on projects including building reuse, community development, downtown revitalization, economic development, and neighborhood redevelopment. Once DFI and City staff have reviewed all proposals, they will be presented to Wilson's City Council with a recommendation for endorsement. While an endorsement by Council is not final approval, it will trigger an exclusive period of negotiation between the City and their selected partner for a development services agreement for the project.

The Opportunity

The Cherry Hotel, located at 333 East Nash Street in Wilson, NC, represents a prime opportunity for the mixed-use historic redevelopment of a prominent downtown property. Located along Nash Street, Wilson's historic main corridor, the Cherry Hotel was once Wilson's premier downtown hotel, and is listed on the National Register of Historic Places. Furthermore, strong demographic trends, the success of recent residential and commercial projects in the area, and the opportunity for significant public support make the project attractive for a potential development partner.



Cherry Hotel: Downtown Redevelopment Opportunity 2

The Hotel

The Cherry Hotel was built in 1917 to cater to the growing City's needs. Six stories tall and approximately 58,000 sq feet in size, the Hotel remains one of Downtown Wilson's largest properties. According to its Historic Register listing, "all the big celebrities who came to Wilson stayed there. Perry Como, Arthur Godfrey, Guy Lombardo, and the Fontaine Sisters were among the many." Among the Hotel's visitors were businessmen coming to Wilson for the banking or tobacco trades, travellers resting along the rail line between New England and Florida, and locals seeking the social center of town.

According to the Hotel's National Register listing, "the interior was inspired by the Art Deco style and much of the original trim remains intact. The hotel is a reminder of the elegance of hotels during the early twentieth century both in the architectural and social aspect." Further, "the six-story brick building typifies the many medium-sized hotels built in small cities in the early twentieth century, echoing in simplified fashion the base-shaft-capital organization and Beaux Arts detail of the nation's railroad oriented hotel architecture. Like its several contemporaries in North Carolina, it occupied a key role in the early twentieth century development of the town in which it stood."

Any developer who revitalizes the Cherry Hotel has the opportunity to restore a focal asset to the City of Wilson, while participating in the growth of their downtown core.



Cherry Hotel: Downtown Redevelopment Opportunity 3

Project Development

The City of Wilson has engaged the Development Finance Initiative (DFI) at the UNC School of Government to conduct predevelopment services for the Hotel and determine feasibility for its redevelopment. DFI has made recommendations to the City Council regarding public participation options and is currently soliciting interest from developers for the project.



Project Development Timeline

The next steps in the City's timeline for this development project are estimated as follows:

Development Partner Proposals Due	January 15 2017
Private Development Partner Chosen	February 2017
Memorandum of Understanding	March 2017
Development Agreement	May 2017
Site Plan Review and Permitting	Summer 2017
Project Breaks Ground	Fall/Winter 2017

Predevelopment Work Completed to Date

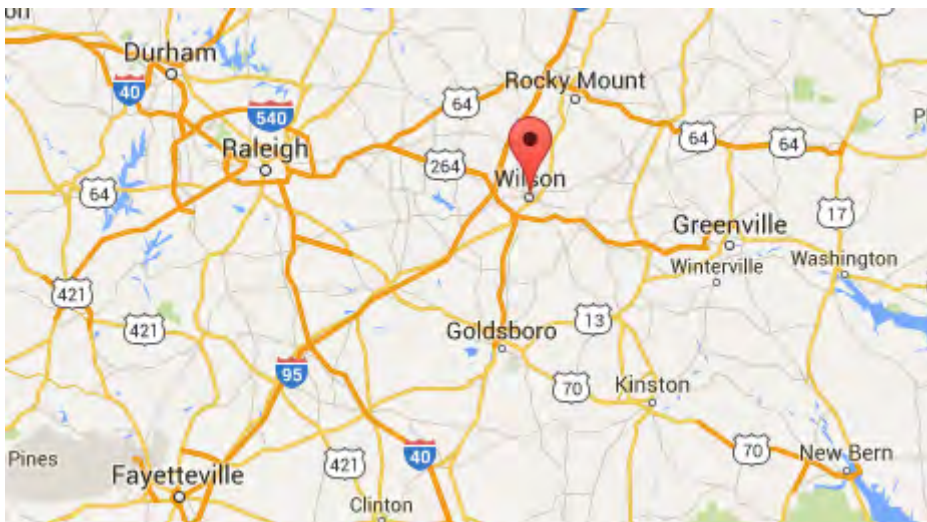
DFI has performed a five-part assessment to arrive at the recommended redevelopment program, which includes:

- **Market Assessment:** studying the supply and demand for potential private uses, including residential, office, retail, hotel, and events. A summary of the findings from this assessment is available upon request.
- **Site Assessment:** studying the physical constraints of the existing building and site to determine the highest and best potential re-use. DFI has also worked with the City to perform a Phase I Environmental assessment. A summary of these findings is available upon request.
- **Public Interests:** engaging with the various stakeholders who are interested in the redevelopment of the site, including surrounding business and property owners, residents, downtown office workers, and city staff/elected officials.
- **Financial Feasibility:** modeling the development costs and projected cash flows of the proposed program to ensure the viability of the project for private investors. DFI's detailed financial analysis is available upon request.
- **Public Participation:** identifying the potential avenues by which the public sector can participate in redevelopment to ensure that the Cherry Hotel is an attractive sector redevelopment opportunity.

The Location

The City of Wilson, located forty minutes east of downtown Raleigh at the intersection of I-95 and US Highway 264, is the 18th largest municipality in North Carolina, and the historic banking heart of the eastern part of the state. It is a center for manufacturing, and hosts a large administrative office for BB&T, the 14th largest bank by assets in the United States. In recent years, Wilson has experienced a downtown renaissance with a number of new public and private real estate investments, including:

- Imagination Station Children's Museum
- Nash Street Lofts and Furniture Lofts, both high-end apartment projects completed in 2013 (no vacancies)
- Whirligig Park, a central gathering space in downtown Wilson currently under construction
- Planned brewery project adjacent to Whirligig Park
- Whirligig Station and Visitor Center, an 88-unit mixed use redevelopment of the historic Hi-Dollar tobacco warehouse (planned)



Key Location Assets

- County Seat (2,400 county employees)
- Home of Barton University (1,500 students and 700 employees)
- Major employers include BB&T Bank (2,000 employees), Bridgestone Tire Manufacturing Facility (1,800 employees), The Wilson Medical Center (1,340 employees), ST Wooten Corporation (950 employees), Smithfield Packing Company (700 employees)

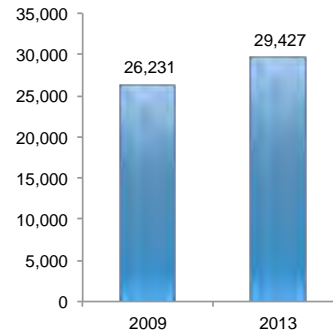


Downtown Wilson (Detail)

Market Overview

Downtown Wilson has experienced a surge of both public and private investment over the past five years, during which time 292 residential units have been built within five minutes of downtown, with 88 more units planning to break ground in the near term. This downtown residential growth captures 30% of the City's total new/planned residential construction, and is driven by demand for a walkable downtown living environment. Recent employment trends have been positive, averaging growth of 3% per year since 2009. There is significant unmet demand for downtown retail, with the potential to capture substantial leakage from nearby establishments.

Total Jobs
City of Wilson



2009-2013:
Annual Growth Rate:
+3%

Downtown Investment 2009-2016

Tax Year	Total Investment	Public	Private
FY 09 – 10	\$970,920	\$511,035	\$459,885
FY 10 – 11	\$1,115,365	\$310,365	\$805,000
FY 11 – 12	\$2,745,234	\$142,941	\$2,602,293
FY 12 – 13	\$5,732,989	\$739,149	\$4,993,840
FY 13 – 14	\$5,452,254	\$1,472,127	\$3,980,127
FY 14 – 15	\$9,634,652	\$1,105,202	\$8,529,450
FY 15 – 16	\$9,975,628	\$1,038,375	\$8,937,253
Total	\$35,627,042	\$5,319,194	\$30,307,848

Based on these emerging trends, DFI estimates the following 5-year growth forecast:

Property Type	Annual Projected Growth	5-Year Projected Total
Residential	~24 Units (24K SF)	~120 Units (120K SF)
Retail	4,000 SF	20,000 SF
Office	10,000 SF	50,000 SF
Total	38,000 SF	190,000 SF



Nash Street Lofts, Redeveloped in 2013

Preliminary Concept

Due to its location, historic significance, and current floorplan, the Cherry Hotel presents a prime opportunity to take advantage of Wilson's growth trends.

DFI and the City have worked through multiple iterations of the project with Tise Kiester Architects of Chapel Hill, NC to arrive at a redevelopment program that captures what we believe is the highest and best use of the historic hotel, and technical drawings provided by Tise Kiester Architects of the proposed redevelopment are available in Appendix B. Based on these discussions and DFI's recommendations, the City Council has endorsed the following program:

Development Program	
Retail (2 Storefronts)	1,500 SF
Event (Ballroom Space & Lobby)	4,000 SF
Office (1 st and 2 nd Floor)	7,500 SF
Residential (40 One and Two Bedroom Apts, floors 3-6)	29,000 SF
Total	42,000 SF

The current parking lot for the building accommodates 40+ vehicles intended for residential use, and surrounding public parking can adequately support the additional proposed uses.

Unit Mix and Rents

Based on DFI's analysis of the local market, the following rents are projected upon completion of the project:

Stabilized Revenue Stream			
Event	\$1,000/ event	125 events/yr	\$125,000
Retail	\$12/SF Annually	10% Vacancy	\$15,000
Office	\$14/SF Annually	10% Vacancy	\$105,000
Residential	\$1.25/SF Monthly	7.5% Vacancy	\$415,000
Effective Gross Income			\$660,000
<Less> Operating Expenses			\$315,000
Annual Net Operating Income			\$350,000

*It is expected that the Event space would be leased and managed by a third party.

Projected Costs and Returns

Development Cost**

DFI estimates total development costs of this project at just under \$9 million, including acquisition costs and a 12% Developer's Fee:

Development Costs

Acquisition	\$450,000
Hard Costs	\$6,540,000
Soft Costs	\$440,000
Other Costs (Financing, Reserves)	\$480,000
Developer's Fee (12%)	\$870,000
Total Costs	\$8,780,000

**Detailed development budget estimates available by request.

Financial Sources

Because the Cherry Hotel is on the National Historic Register, it qualifies for both state and federal Historic Tax Credits.

Given the Hotel's location along Wilson's historic main commercial corridor, DFI believes that this project will qualify for one of the North Carolina Department of Commerce's grants. The City of Wilson is prepared to apply for these grants on behalf of a private partner. More information on available grants can be provided upon request.

Furthermore, in order to reduce the amount of private equity needed to finance this redevelopment project, the City may be open to funding a mezzanine loan to a private development partner that offers an appealing proposal and demonstrates necessity for such a loan.

Financial Sources

Private Equity (12% TDC)	\$1,100,000
HTC (excluding last installment)	\$2,300,000
Permanent Loan	\$4,000,000
Mezzanine Loan from City	\$500,000
NC Dept of Commerce Grant	\$250,000
Deferred Developer's Fee (8%)	\$630,000
Total Sources	\$8,780,000

Public Participation

The City of Wilson is prepared to work with a development partner to ensure that the Cherry Hotel becomes an attractive downtown asset. Public participation may include:

- **Local Historic Landmark Designation**, which provides a 50% tax deferral into perpetuity, so long as the designation is maintained
- **Remediation Grant** to provide for the need for asbestos removal identified in a recent Phase 1 Environmental Assessment
- **Mezzanine Financing** for up to \$500,000 through the provision of an interest-only loan for 5-7 years
- **Event Space Partnership** as a possible lessee or manager of the Hotel's event space

Projected Returns

Using the above program and projected rents, DFI has modelled the project to determine overall feasibility and returns for the Developer and potential Equity Investor(s). Detailed versions of the financial assumptions, operating cash flows, and projected returns can be made available upon request. DFI estimates that the developer of this project can achieve market rate returns, and is currently estimating an IRR of 20% and an annual yield of 8%.

Cherry Hotel: Downtown Redevelopment Opportunity 8

Submission of Proposals

Developers shall organize their proposals in the format described below. Please submit the requested information in appropriate detail to allow adequate review and evaluation of qualifications and plans. Any information that a respondent requests to remain confidential should be s under a separate cover (see below Submission Procedures).

1. Letter of Introduction

Include a summary of the respondent's basic qualifications, experience, and reasons for interest in this opportunity. The letter should be signed by a principal or authorized officer for the entity.

2. Proposal

Program for site, including the mix and scale of uses, as follows:

- Residential (number of units, average unit site, total gross square footage, tenancy [rental vs. ownership], amenity package)
- Commercial (total gross square footage, intended use by square footage)
- Parking requirements

Design Schematics:

- Illustrative sketches, including the following:
 1. Preliminary plans for each floor
 2. Unit test fits

DFI and the City have worked through multiple iterations of a feasible project on the Project Site with Tise Kiester Architects, Chapel Hill, NC. For additional access to the concept plans appearing in this RFP, contact Phil Kiester at pkiester@tisekiester.com.

Development Assumptions:

- Site purchase price
- Detailed development budget
- Expected rents for residential, retail, and other private uses
- Parking assumptions (lease rates for private spaces)

Financing Assumptions:

- Expected amounts and sources of debt and equity
- Status of commitments from lenders and investors
- Identification of lead development company, including name, address, e-mail, and telephone number



Whirligig Park, Wilson NC (Source: NEA)

3. Development Team

- Identification of up to three partner firms and roles, including co-developers, architects/designers, and general contractor.
- Overview for each firm on the team, including brief history of firm, past experience working with the developer, and relationship of the firm's parent company with the office responsible for this project, if applicable.
- Identification and resumes of lead staff (principals and project managers) that will be responsible for negotiating a development agreement with the City and completing the remainder of the preconstruction approval process.

4. Experience and References

- Provide relevant development experience, particularly in developing mixed-use projects with public agencies. Provide information on at least three, and no more than five projects. Each comparable development should detail the following information:
- Location and name of project
- Scope and scale of development program (including residential uses, commercial uses, public uses, and infrastructure improvements, if applicable)
- Photos/illustrations of completed project
- Total development budget by use
- Amounts and sources of debt and equity funds used to finance the project, including governmental sources.

Please provide a point of contact for each capital provider for the project.

- Contact information for a representative of the primary public agency partner in the project
- Developer's role in and ownership for each project (e.g., fee developer, equity investor, and/or property manager).

5. Financial Capacity

Provide evidence of sufficient financial strength to undertake and successfully complete a project of this scale. Please also identify any projects/financing on which the team collectively or individually has defaulted.



Cherry Hotel: Downtown Redevelopment Opportunity 10

6. Disclosures

- Disclosure of any potential conflicts of interest that could be relevant to this project in any manner
- Disclosure of whether the developer or any officer, director, or owner thereof has had judgments entered against him or her within the past 10 years for the breach of contracts for governmental or nongovernmental construction or development
- Disclosure of whether the developer has been in substantial noncompliance with the terms and conditions of prior construction contracts with a public body
- Disclosure of whether any officer, director, owner, project manager, procurement manager, or chief financial official thereof has been convicted within the past 10 years of a crime related to financial fraud or to governmental or nongovernmental construction or contracting
- Disclosure of whether any officer, director, or owner is currently debarred pursuant to an established debarment procedure from bidding or contracting by any public body, agency of another state, or agency of the federal government

Evaluation Criteria

The evaluation of developers responding to this solicitation will be undertaken in order to select a partner and plan that is viable, will best serve public interests, and can be completed in a reasonable time frame. The following evaluation criteria will be used to make that selection:

- Qualifications and experience of the development team, with preference given for experience with mixed-use development (specifically the mix of uses in respondent's plan for the site)
- Quality of the proposed building design and its fit with the surrounding urban fabric
- Demonstrated ability to secure funding to execute a project of similar scale and complexity in a reasonable timeframe
- Financial benefits to City from the proposed project
- List of active development projects and demonstration of current capacity

Submission Procedure

Development Partner proposals are due at 5:00 p.m. EDT on December 1, 2016. Proposals should be submitted electronically in PDF format to dowling@sog.unc.edu. Proposals must be prepared in conformance with the guidelines described under "Submission Requirements." The e-mail subject must be "Development Partner Proposal: Cherry Hotel, Wilson NC."

All responses are subject to public disclosure under the North Carolina Public Records Law. DFI recognizes that respondents must submit information that it may deem confidential and proprietary in order to comply with the requirements of this solicitation. Respondents are entitled to request that certain information remain confidential, when permitted by law, as follows: (1) the respondent identifies the confidential proprietary portions of the response, (2) the respondent identifies as confidential and proprietary only those portions of the submittal that actually are confidential and proprietary, and (3) the respondent states why protection is necessary. Respondents shall not designate their entire response as confidential and proprietary, nor shall they so designate information that is already public.

Any information that the respondent would like to remain confidential should be e-mailed under separate cover to dowling@sog.unc.edu. The e-mail subject must be "PROTECTED: Development Partner Proposal: Cherry Hotel, Wilson NC."

For information concerning the procedure for responding to this Solicitation for Development Partners or clarifications of the terms, conditions, and requirements of this SDP, please e-mail Rory Dowling, Project Manager, DFI, at dowling@sog.unc.edu.

Selection Process

DFI will review all responses, contact references, and coordinate interviews as necessary. After a review of submitted proposals, clarifications may be requested. Unless requested by DFI, no additional information may be submitted by developers after the January 15, 2017 deadline. DFI will enter discussions with the developers having the most viable proposals before finalizing its recommendation of a partner to the Wilson City Council. An endorsement by Council of a development partner is not final approval. Rather, it will trigger an exclusive period of negotiations between the City and their selected partner for a development services agreement for the project., DFI will advise the City in the negotiation of a formal development agreement.

Selection Timeline

Development Partner Proposals Due	January 2017
Private Development Partner Chosen	February 2017
Memorandum of Understanding	March 2017
Development Agreement	May 2017
Site Plan Review and Permitting	Summer 2017
Project Breaks Ground	Fall/Winter 2017

Cherry Hotel: Downtown Redevelopment Opportunity 12

Additional Information

Consultant Fee

DFI's predevelopment work thus far will benefit the private developer taking on the project by significantly reducing the time, effort, and expense required to move the project through the City's public planning process. The City has therefore agreed in a contract fully executed on May 19, 2015, to include a "Development Services Fee" contingent upon the execution of one or more agreements regarding any aspect of the Project or any portion thereof. The Development Services Fee shall be an amount equal to 1.5% of the total project costs. The terms of the fee are further described in Appendix A of this document.

Disclaimers

All facts and opinions stated in this solicitation are based on available information and are believed to be accurate. Nevertheless, neither the City of Wilson nor the UNC School of Government, nor any of their officers, agents, or employees, shall be responsible for the accuracy of any information provided to any respondent as part of this solicitation or vetting process. All respondents are encouraged to independently verify the accuracy of any information provided. The use of any of this information in the preparation of a response to this request is at the sole risk of the respondent.

Those submitting responses to this solicitation assume all financial costs and risks associated with the submission. No

reimbursement or remuneration will be made by the City or UNC to cover the costs of any submittal, whether or not such submittal is selected or utilized.

The City reserves the right to reject any or all submittals at its sole and absolute discretion and accepts no responsibility for any financial loss by such action.

Any agreements that may be entered into between the developer(s) and the City, including but not limited to a Development Services Agreement, are subject to approval by the City Council. DFI does not act as a broker or agent of the City, and no representation made by DFI during the solicitation and vetting process shall be binding on the City.

The City reserves the right to waive irregularities or informalities in any submittal in the exercise of its sole and absolute discretion.

The City of Wilson is an equal opportunity employer. It encourages minority- and women-owned firms to respond to this and all other solicitations.

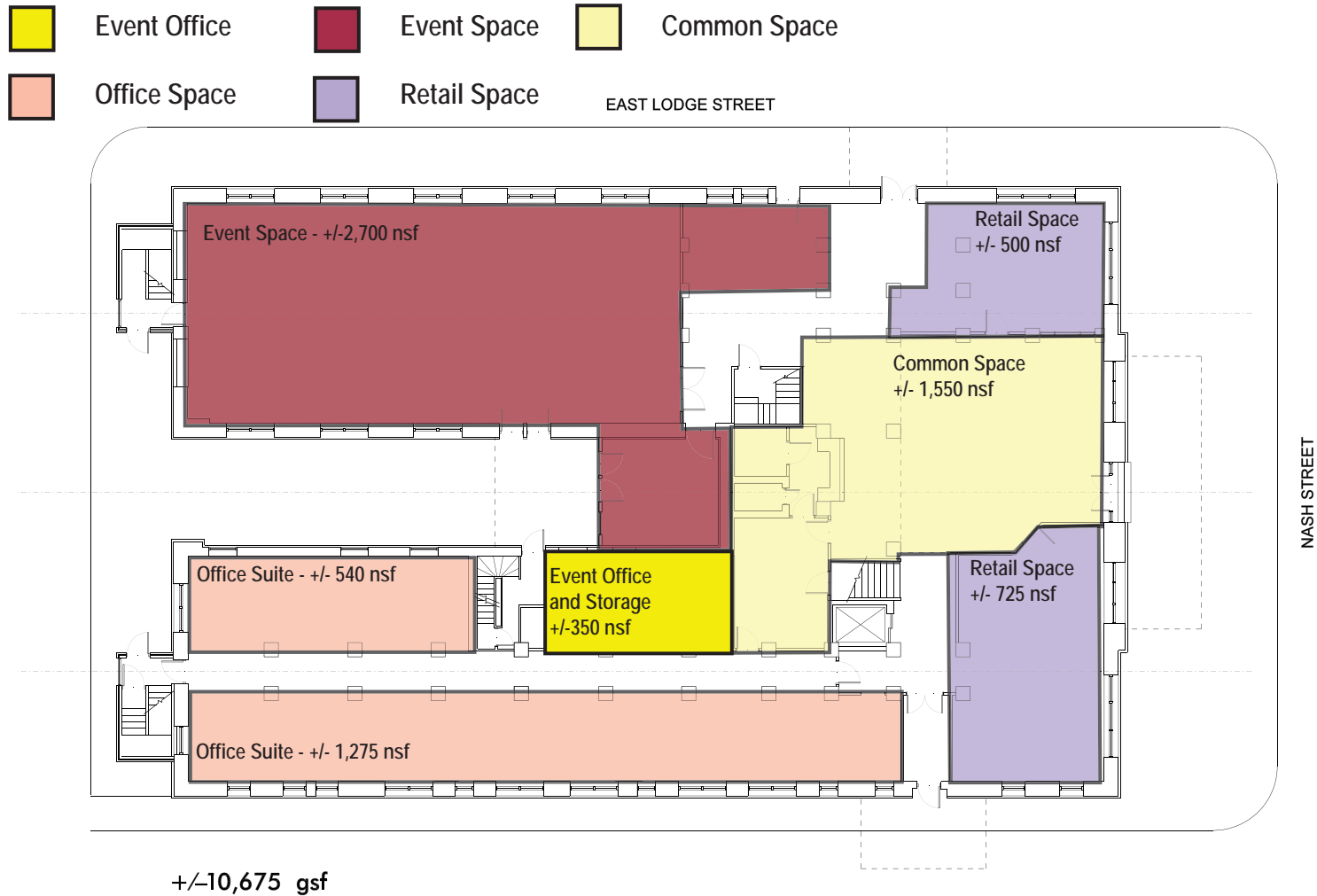
Appendix A: Predevelopment Fee Agreement

The conveyance or lease of the property described herein (the "Property") to the successful bidder and its successors and assigns (the "Developer") shall be conditioned upon the execution of an agreement (the "Development Services Agreement") between the City and the Developer pertaining to the responsibilities of either the City or the Developer, or both, regarding any aspect of the development of the Property or any portion thereof (the "Project"). As part of the Development Services Agreement, the Developer shall agree to pay a fee to the City's consultant ("SOG") and its successors and assigns for predevelopment services provided to the City, and the Development Services Agreement shall provide that SOG is an intended third party beneficiary of the Development Services Agreement. The fee shall be an amount equal to 1.5% of the total costs of development of the Project as calculated by the Developer in the most recent version(s) of pro forma and other financial projections (the "Developer Financials") prepared by the Developer and delivered to lenders and/or investors prior to the execution of the Development Services Agreement, and in the event of any inconsistencies in the projected total costs among different versions of the Developer Financials, the version of the Developer Financials showing the greatest total costs of development of the Project shall be used to calculate the Development Services Fee. The Development Services Fee shall be due and payable in full to SOG no later than 30 days following execution of the Development Services Agreement. An alternative payment schedule for payment of the Development Services Fee to SOG may be developed

as mutually agreed in writing by Developer and SOG; by way of illustration only, such schedule of payments could be tied to the receipt of any developer fees by Developer. Developer's obligation to pay Development Services Fee shall not be assignable by Developer to any other entity, nor shall any assignment relieve Developer of its obligation to pay Development Services Fee, except upon written consent of SOG.

Appendix B

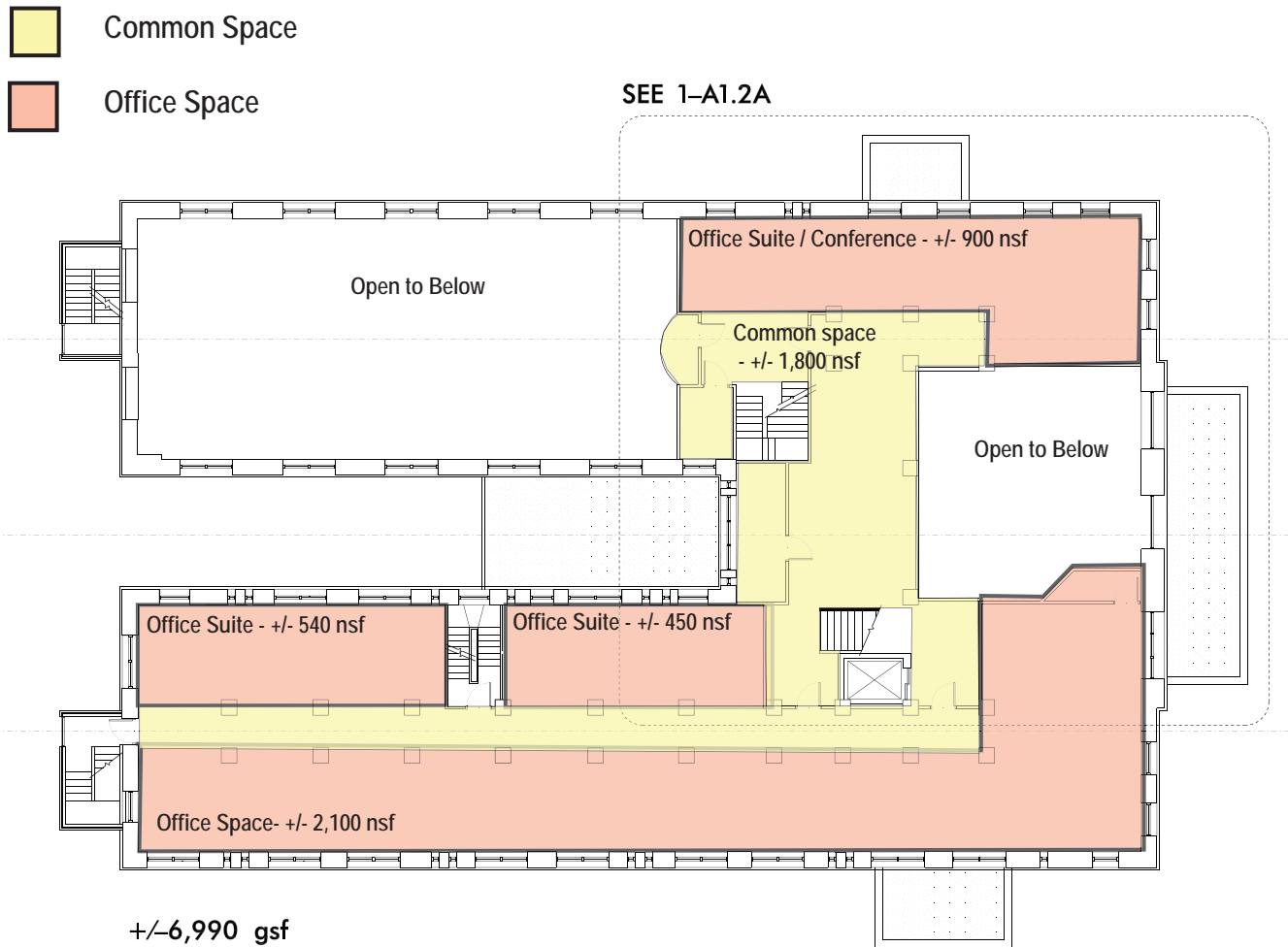
Plans by Tise Kiester Architects



Main Floor

Appendix B

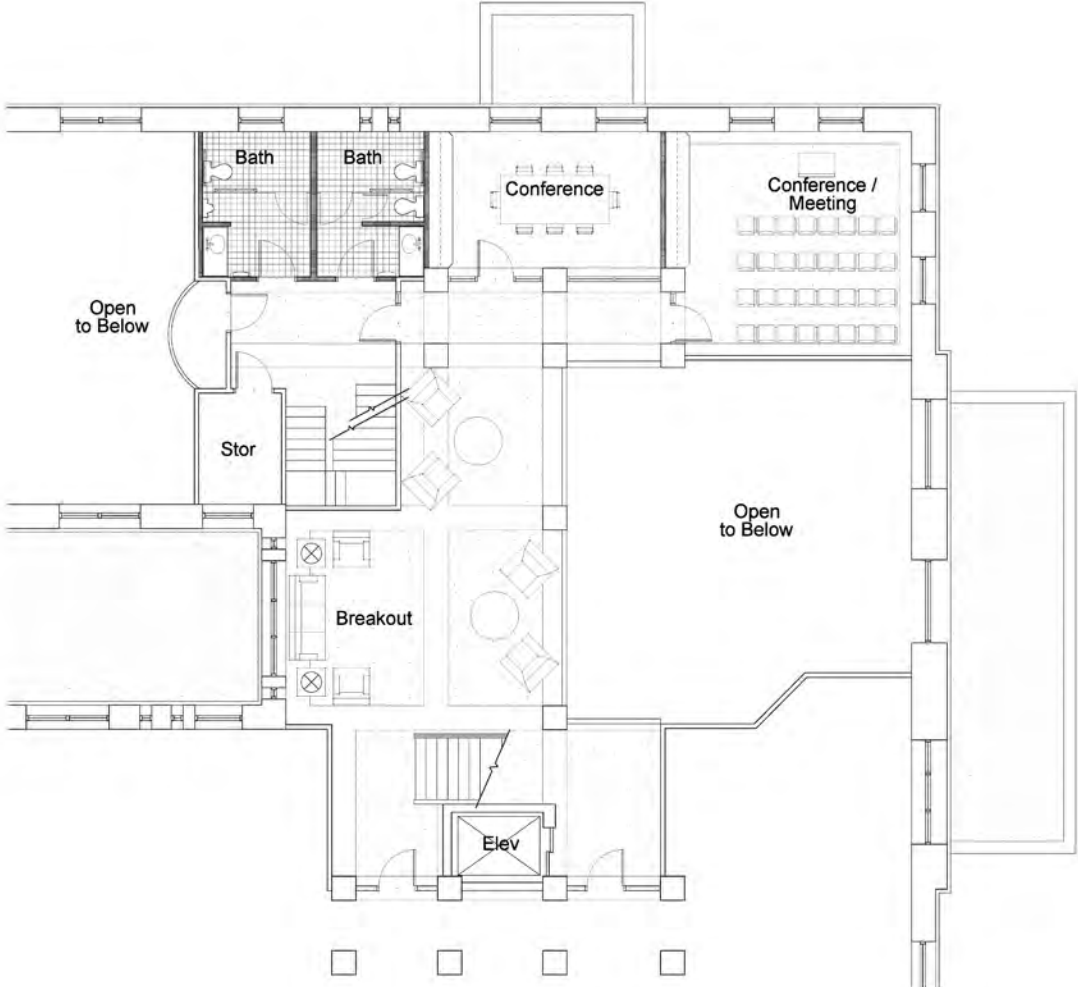
Plans by Tise Kiester Architects



Mezzanine Floor

Appendix B

Plans by Tise Kiester Architects



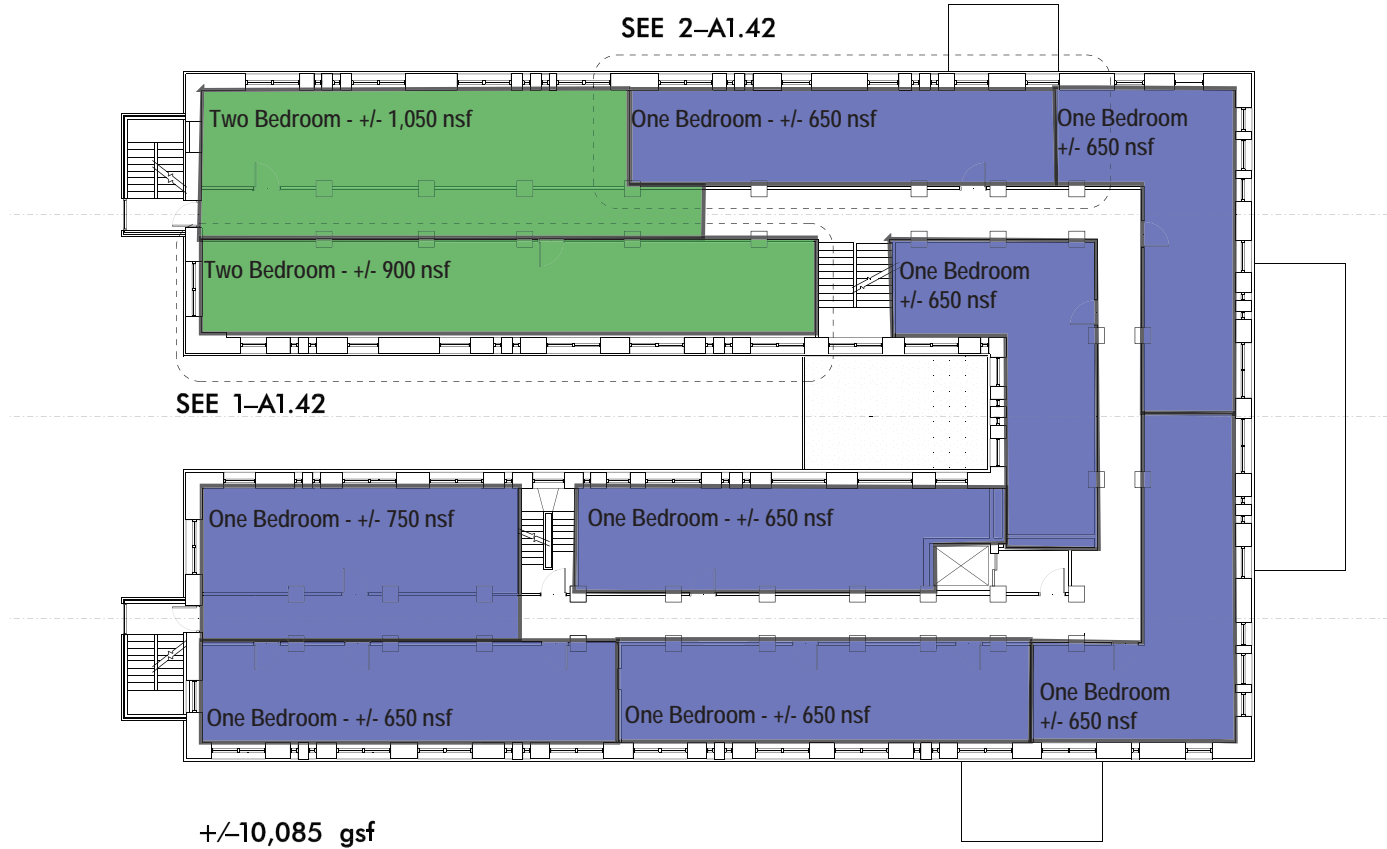
Shared Office Space Concept for Mezzanine Level

Appendix B

Plans by Tise Kiester Architects

- One Bedroom Unit
 - Two Bedroom Unit
- Eight (8) One Bedroom Apartments
Two (2) Two Bedroom Apartment

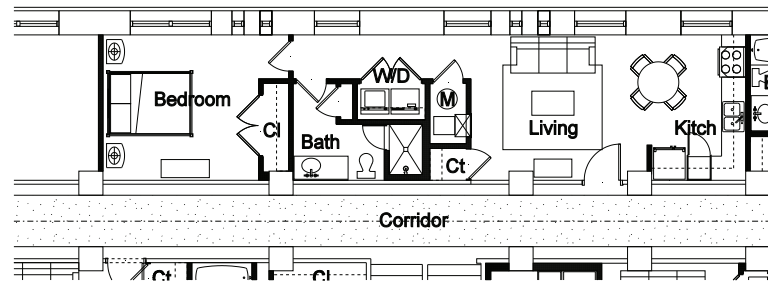
Ten (10) Units Total per floor



Residential Floors (3-6)

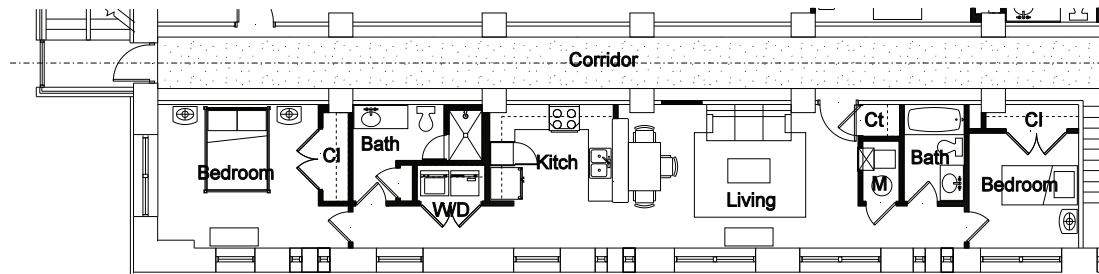
Appendix B

Plans by Tise Kiester Architects



+/-650 nsf

Typical One Bedroom Unit – PROPOSED 2
Scale: 1/4" = 1'-0"



+/-900 nsf

Potential Apartment Plans