



October 29, 2021

Jim Halasz, City Manager
City of Lexington
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A Proposal for the Purchase and Redevelopment of the 2.365± acre City-Owned “Spotswood Drive” Parcels (Tax Map IDs 29-1-29, 29-1-31)

Dear Mr. Halasz:

Please find here our proposal to purchase and redevelop the 2.365± acre “Spotswood Drive” Parcels (Tax Map IDs 29-1-29, 29-1-31) owned by “The City of Lexington, Virginia” (“Site”), as shown in Exhibit B. We propose redeveloping the Site into a mid-rise 3-4 story residential rental unit complex. Please find attached to this letter answers to the questions you posed in your 7/6/2021 email.

Please watch a [short video](#) describing our proven process working with community leaders.

Currently we are about to start the redevelopment of a large historic military barracks in Northern Virginia and then our 8th historic school redevelopment (in Pulaski). We have a long track record of successfully redeveloping decommissioned properties. These sites then enjoy a new chapter of relevance to the community and the investments reinvigorate the surrounding neighborhoods. Some examples of completed projects include:

- [Maury Commons](#) (Fredericksburg) Condominiums/office
- [Hopewell Lofts](#) – Apartments/community meeting space
- [Chatham Lofts](#) – Apartments/ storage using private equity
- [Cape Charles Lofts](#) – Apartments in small/rural market
- [Halifax Lofts](#) – Our 5th historic school conversion, apartments
- [Imperial Lofts](#) – Redevelopment of larger former textile mill (mixed-use) in a small market
- [Peanut Crossing](#) – Redevelopment of large-campus peanut factory (mixed-use)
- Please review more of [our projects here \(echelonresourcesinc.com\)](http://echelonresourcesinc.com)

The above were all formerly derelict properties whose owners were spending large sums to maintain the same. Each property now has been converted from “blight to bright,” and is now paying taxes and generating community pride, not scorn as before. All now provide lovely housing to area professionals such as teachers, public safety personnel, and others transitionally in those areas. The quality housing product we provide is often utilized as an active recruitment tool by area employers. Several of the projects have commercial components of varying types.

Currently, the Site is a challenged property with underground and above-ground utility locations that challenge its redevelopment. We propose to purchase the Site for \$350,000. Once purchased, we will comprehensively redevelop the Site into a mid-rise 3-4-story residential rental unit complex. These will be

“loft-style” residences, with the targeted client being the area professional and regional retiree. The quality of design and finishes will need to impress for this residential product to succeed.

Attractive and affordable housing is key to any community’s sustainable growth. Many employers choose to locate where their employees live, and attractive housing options for the professionals working in a community keeps their economic impact local to area businesses. Our design will focus primarily on studio and 1-bedroom units (some with offices) to allow for smaller/more-affordable units. No more than 30% of the units will be 2-bedroom units.

Should this proposal be acceptable to City leadership, the next step would be to develop and execute a purchase contract with the City for the Site, and then proceed with preliminary design efforts for the Site. We have some documents we can use as a starting point from other projects; we envision the following basic business terms for the contract:

Developer Obligations

- Commit to the project as generally-described above
- Conduct due diligence during the (maximum) 12 months prior to purchase
- If needed, act as Agent of City to secure any needed rezoning actions for the Site to allow for the proposed uses
- Begin construction on Site within 12 months after conveyance
- Complete Site redevelopment within 24 months after construction begins

City Obligations

- Allow for a due diligence period by the Developer of a maximum 12 months
- Provide all available Site plans/surveys/reports requests within 15 days of executing contract
- Prior to design phase, allow Developer to act as Agent to to secure any needed rezoning actions to allow for the proposed uses, cooperate as needed with applications/support letters
- Provide written verification of water/sewer utility availability to the site at a capacity that will be sufficient for the redevelopment uses
- Provide written verification of telecommunication/high-speed Internet availability to the Site at a capacity that will be sufficient for the project
- Provide - at City cost - a current title report for the Site
- Provide - at City cost - a Phase 1 ESA report for the Site
- Waiver of any applicable utility tap or connection fees. FYI the cost estimate for 1 building (which might require a 2” meter) is approximately \$12,000 (based on prior dialogue with the City).
- Sell the Site to a to-be-formed Developer-controlled single-purpose limited liability company for a purchase price of \$350,000.
- Convey the Site without title defects, encumbrances, or leases that thwart any proposed use
- Allow the Site components to be connected to public water and sewer located at property line
- Post-design/pre-conveyance, issue project site plan/building permit approvals as applicable

Any costs proposed to be borne by the City (title, Phase 1 ESA, etc.) are surely unwelcome, but they are typical of what a Seller must do to prepare any commercial property for sale to any Buyer, more so since this



is an unusual property. We wish any City costs to be minimized; let's work together to ensure that the City costs in this transaction are as low as possible.

Once redeveloped, the City will enjoy new taxes, new residents and a renewed relevance of the Site. Project financial viability is always our priority; we pride ourselves in being able to execute projects, not just talk about them.

We have caught the vision of what the Site might become as we work together to create a viable investment in a product the community can be proud of. We are committed to working with City leadership to ensure this is a shared success.

We hope this proposal is received with the same enthusiasm with which we are sending it. We look forward to your response; thanks for your consideration.

Sincerely,

A handwritten signature in dark blue ink, appearing to read "Edwin Gaskin", with a stylized flourish at the end.

Edwin Gaskin - President, Echelon Resources, Inc.

Exhibit A

1. Preliminary Site Plan: A conceptual site plan showing the location of water, sewer, and stormwater has been provided. Please see Exhibit C. This plan contains 62 apartments, which is within the permitted density allowed under the R-LC zoning ordinance with a Conditional Use Permit. The current parking ratio as shown in the concept plan is 1.5 spaces per unit, which based on our proposed unit mix, is greater than the code required parking ratio of 1.39 parking spaces per unit.

2. Projected Project Timeframe:

- Study Period: 12 months from the date of a fully executed Purchase Agreement. This time shall be used to refine the overall project design, to complete the rezoning/CUP process, and to secure all permits necessary to begin construction.
- Closing: Within 30 days following the expiration of the Study Period.
- Construction: Our proposal includes a contractual obligation to begin construction within 12 months of Closing on the property, and complete construction within 24 months of commencing construction.

3. A description of the uses on-site, including proposed price ranges or rents for any housing types being proposed and reasons for building to meet said demand. If other uses than residential are proposed, what unmet community business need is being addressed by the proposal?: This proposal is for the development of an upscale apartment community containing 62 units, with a projected unit mix of approximately 70% 1-bedrooms and 30% 2-bedrooms. Rental rates for 1-bedroom units are projected to be in the \$1,200-1,400 per month range, while 2-bedroom units are projected to rent in the \$1,600-1,900 per month range. As indicated in the 7/12/2019 market study by Danter & Associates, the data shows a severe shortage of available professional grade housing in Lexington. Although the overall demand far exceeds these 62 proposed units, this project will play an important role in contributing to solving the City-wide housing shortage.

4. Purchase Price for subject property (2.365 acres): \$350,000

5. A good faith estimate of the taxes paid to the City upon project completion and a date for completion:

Using the City's cost-benefit analysis spreadsheet template, it is estimated that this project will generate \$2,523,120 in gross tax revenue over a 10 year period, inclusive of the 2 year period for entitlements and construction. Once built, the project will generate on average \$250,000± in tax revenue to the City each year. Please reference Exhibit D for the cost benefit analysis.

6. Any zoning or rezoning requests that are anticipated: The current zoning designation is R-LC (Residential Light Commercial), which allows multifamily dwellings with a Conditional Use Permit. Our intention is not to rezone the property, but rather to secure the needed Conditional Use Permit and then develop the site under the current R-LC zoning. The proposed unit count of 62 units will not require an exception to the density under this proposed zoning.

7. Description of legal entity & ownership: The to-be-formed purchasing entity shall include Edwin Gaskin and Randy Cosby from Echelon Resources Inc. The general contractor is likely to be Urban Core, though other

options exist for this role. Collectively, Randy and Edwin have successfully developed over 17 projects, managed the construction of 600+ units, and have an additional 1,300+ units under development and/or construction right now. Our current development pipeline contains approximately 500 adaptive reuse units and 800 new construction units. These successful projects have been executed in markets of all sizes, from Richmond and Northern VA, to smaller markets such as Woodstock and Martinsville, VA. Though we have several large (300+ unit) projects in our pipeline, our bread and butter project could be described as an infill site containing 50-150 units.

8. Estimate of traffic volumes generated by the project: The proposed building is considered "ITE #221 - Multifamily Housing (Mid-Rise)" by the 10th edition of the [Institute of Transportation Engineers' \(ITE\) Trip Generation Manual](#). This ITE#221 designation projects 5.44 VPD per unit, or 337.38 VPD for these 62 units. During PM Peak Hour the ITE#221 designation projects 0.44 trips per unit, or 27.28 total trips during this hour.

9. Estimated utility usage (water): A "ballpark" estimate was provided by Balzer engineering that this 62 unit project should use approximately 85 gallons per minute on average.

10. Impacts on surrounding uses and mitigation strategies for minimizing these impacts:

Based on feedback from the community listening sessions earlier this year, our revised proposal now:

- Reduces the unit count to 62
- Lowers the building height (3 full stories plus a basement story fronting Spotswood)
- Increases the parking ratio beyond the zoning requirements
- Moves the massing of the proposed building farther away from Houston Street
- Increases the buffer between the building itself and the Houston Street properties to exceed zoning requirements

We think these adjustments address the density, traffic, massing, height, and parking concerns raised earlier this year.

11. Local business sectors impacted or supported:

The economic contribution a new apartment community makes to its host community is notable. The first and most obvious factor is construction spending, and the National Association of Home Builders (NAHB) has estimated that estimated the ongoing, annual jobs impact of new construction to be 38 jobs for every 100-unit apartment complex built (One-year impact – 151 jobs, Recurring impact – 38 jobs). But that's just the tip of the iceberg: The financial contribution of ongoing operations, not to mention resident spending, paints a much more complete picture of multi family's contribution to local businesses.

The jobs, taxes and fees generated from real estate construction are sometimes described as "direct", "indirect" and "induced" impacts:

- Direct impacts – related to the industry under study; for construction, this includes all spending by developers and those hired to build a property, exclusive of property acquisition;

- Indirect impacts – spending by suppliers of materials/services and others to keep up with business, including overhead and jobs; and
- Induced impacts – spending of earnings from both direct and indirect activities that creates economic benefits including jobs; for example a construction worker's purchases of groceries.
- Overall, these models provide projections for jobs, earnings, taxes and total economic impact.

A new construction project supports and impacts local businesses by procuring local supplies and subcontractors such as plumbers, electricians, and other local vendors they have worked with. Local businesses benefit from this increased patronage, from the sale of construction supplies, as well as from sales to the new residents.

New apartments also often mean that there will be new residents moving into the community, which increases the local economy by the expenditure activity of those new residents. Once open and operating, the new tenants will often patronize local businesses, ensuring that a significant amount of that expenditure benefit stays in the community. The resulting tax revenues stay within the local community and support local schools, parks, and community activities. These are new dollars coming into the local economy that would not be there but for this new project. In turn, local businesses tend to patronize their own, giving some of the profits from their businesses back to the community, sparking more growth.

12. Unserved or underserved needs or niches that will be met:

Attractive and affordable housing is key to any community's sustainable growth. Many employers choose to locate where their employees live, and attractive housing options for the professionals working in a community keeps their economic impact local to area businesses. Lexington has a housing shortage that is constraining its economic potential. Some workers recruited to work in Lexington may have to live elsewhere, thus denying the City a large portion of the economic benefit that otherwise would come from those new residents.

Recently the Virginia Economic Development Partnership rolled out their "Virginia Talent Accelerator Program" which - among other things - focuses on what's needed to attract people to new job and lifestyle opportunities. The bottom line regarding their focus on housing is that "if there's nowhere to live, incoming workers simply can't make the move". VEDP is now actively encouraging localities to "start securing and preparing housing sites the same as they do for industrial sites." They go so far to suggest "doing as much of this as possible in advance would make the proposed housing solution that much more plausible to the big prospects...and the first communities to do something like this will have a big leg up on their out-of-state rivals, not to mention being more competitive with larger population centers."

We've been developing professional-grade rental housing for almost two decades, and it's terrific to watch those apartments fill up with new employees recruited to the area seeking a wonderful place to live. In some of the smaller markets we operate in, some of our properties are actually on the "prospect tour" agenda for business recruitment targets...so those employers can see options where their incoming workforce might live. We are proud to be part of this vital economic development effort.



13. Aesthetics or appeal of the project: The City of Lexington has a unique and highly desirable character with a range of historical influence displayed throughout the City's architecture. We would welcome input from City staff and Council input on the building façade as we can accommodate a broad range of architectural styles, but we've included the attached inspiration pictures (Exhibit E) from Poole & Poole architecture as a tool to initiate the discussion.

14. A sample contract that you are prepared to execute: Attached is a purchase contract that has been reviewed and edited by the City of Lexington attorney. This was presented as part of a prior proposal. Once all parties are ready to sign we can simply update the dates and execute the document.

ECHELON RESOURCES INC.

Exhibit B – Preliminary Plat

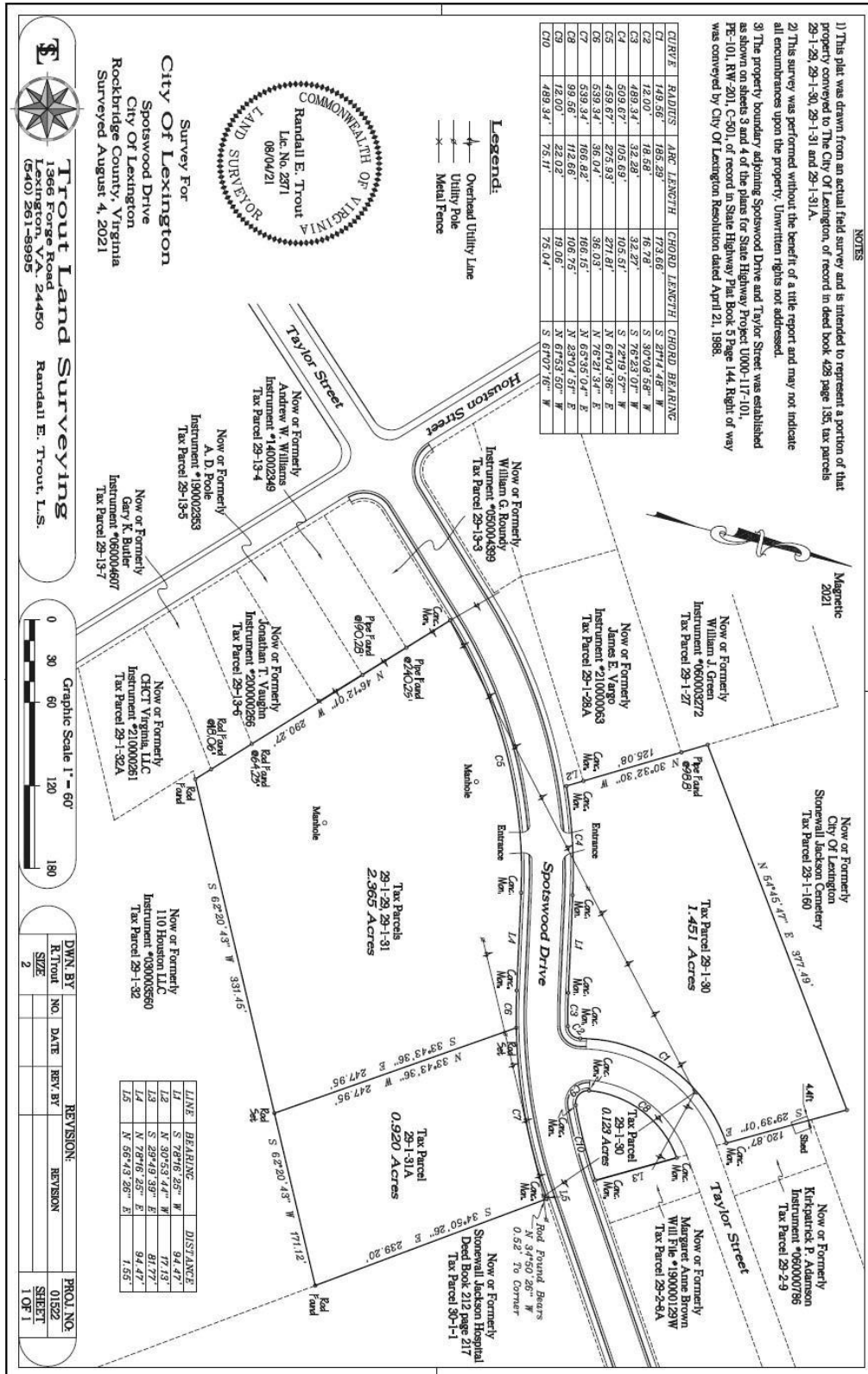


Exhibit C – Conceptual Site Plan



PROJECT DATA

Building 1
3 Story Residential with Basement
55,813 CSF
62 units @ 750 SF each
93 Parking Spaces @ 1.5 Ratio

Lexington, VA

1 Site Plan - Option 1
Scale: 1/64" = 1'-0"

Plan

October 21, 2021

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Exhibit E – Inspiration Pictures







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