



3/29/2022: City Criteria for Consideration of a Developer Partner to Develop the Spotswood Site - Response by Echelon Resources, Inc. - 3/30/2022

Demonstrated experience in and capability for designing, permitting, developing and managing similar projects.

We are very proud of our projects, each of which involved extensive activities of design, permitting, development, and management. Please review our project portfolio here (click on each project tile for more information): <http://echelonresourcesinc.com/projects/>

Anyone can talk themselves up; we would rather let others tell you about our demonstrated experience and capability:

"The Echelon Resources team worked with the City to redevelop a large important and historic industrial site adjacent to our downtown. The former Golden Peanut site was an 11 acre vacant peanut factory campus that suffered from disinvestment for almost three decades. The Echelon Resources team took on what others would not. Their transformative project, Peanut Crossing, not only cleaned up an eyesore of a site, but brought upscale professional housing which leased up very quickly. This project and this site was a critical renovation project for our Downtown Master Plan, and we are very proud of the results of the Peanut Crossing project." - K. HUGHES, SUFFOLK ECONOMIC DEVELOPMENT DIRECTOR

"The Echelon Resources team successfully navigated some passionate opposition to the project, with respect, empathy, and calm composure. They took the time to engage the community in a meaningful way, and welcomed conversations and questions....even new ideas. They then delivered the highest-quality adaptation for the vacant school, to the point that even some of the harshest former critics marveled at the transformation. Ultimately they succeeded in merging the developers' expertise and vision with the neighborhood's sense of place...with a wonderful result embraced by the community." - C. ESPY, TOWN MANAGER

The Echelon Resources team worked with the Town of Woodstock and Shenandoah County to redevelop two historically significant buildings in Woodstock – a former school and a former bank. Both buildings are prominent buildings within our downtown and mean a great deal to our community. The renovations were done in a timely manner and the quality of the work was excellent. These projects met a growing need for upscale professional housing in our community and leased up very quickly. The quality downtown housing helps our downtown businesses and contributes to the vitality of our community. We have been thrilled to see



these important buildings brought back to life by the Echelon Resources team!" - J. McCLEARY, MAYOR

"The Echelon Resources team worked with the Town to redevelop a 135,000 sf, 3-level old tobacco processing facility that was deteriorating fast. The building would have cost the Town over \$1.5 million to tear down, but now instead - because of this redevelopment investment we have a \$7 million first-class mixed-use building on the tax rolls. The neighborhood has been dramatically improved because of this transformation, and the Town is very proud of the results." - T. RAAB, SOUTH BOSTON TOWN MANAGER

"The project was an excellent project that saved the Town the significant cost of tearing down our abandoned Water and Electric facilities, and instead turning them into greatly needed apartments for the community as well as creating another greenway connection to our parks system." - C. HIVELY, TOWN MANAGER

Community Leader References:

- Suffolk VA: Kevin Hughes, khughes@suffolkva.us, 757-514-4043
- Halifax VA - Halifax Lofts: Carl Espy, townmanager@townofhalifax.com, 434-476-2343
- Woodstock VA: Mayor Jeremy McCleary, mcclearylaw@gmail.com, 540-459-2444
- South Boston VA - Imperial Lofts: Tom Raab, traab@southbostonva.us, 434-575-4222
- Culpeper VA - Culpeper Lofts: Chris Hively, CHively@culpeperva.gov, 540-829-8250

Outcomes of comparable projects undertaken by the development team, including developments you wish to highlight.

We have a long track record of successfully developing properties, particularly challenging sites that were under intense scrutiny by the community. Please review our project portfolio here (click on each project tile for more information): <http://echelonresourcesinc.com/projects/>

In all those cases these sites then enjoyed a new chapter of relevance to the community and the investments reinvigorated the surrounding neighborhoods, often with truly transformative effects.

Profiling just a few development examples is very challenging though, as:

- None of the completed projects matches the Spotswood site characteristics exactly
- Not all of the projects are available to tour (some are condo-ed, and/or owned by others)
- Most of the projects are far from the Lexington area making a site visit difficult
- Each project offers different development lessons relevant to the Spotswood site

In short, our profiled projects are each imperfect to the comparison task, but still important in terms of relevant "development lessons". However, for your consideration we offer up (hyperlinks offer more info and resources):

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- [Imperial Lofts](#) – Redevelopment of a large former textile mill (mixed-use) in a small market. [Project photo library](#). *Relevant Lessons*: An important project for locality in a distressed area, challenging then-current market conditions. An extensive sitework package with multiple phases. A complex series of conjoined buildings built over time with different construction methods. Site had massive deterioration and water issues.
- [Peanut Crossing](#) – Redevelopment of large-campus peanut factory (mixed-use). [Project photo library](#). A low-income area, large industrial complex, warehouse format. [Virtual Tour Links](#) (scroll down to unit numbers and click). *Relevant Lessons*: A strategic redevelopment site for the City. Low-income context challenging market-rate business plan. An extensive sitework package with multiple phases and public infrastructure improvements. A complex series of conjoined buildings built over time with different construction methods, a mix of historic and non-historic buildings. Complex had massive deterioration issues.
- [Vint Hill Lofts](#) - Not yet under construction but this 183-unit (2-phase) project in Fauquier County has been a 4-year journey to date through extensive community engagement (7+ official community meetings), navigating a “no-growth” locality, and several strenuous and atypical negotiations with the National Park Service over the complicated sitework. [Relevant Lessons](#): extensive sitework package requiring coordination between private and public utility providers for master plan level infrastructure upgrades.
- [Hopewell Lofts](#) – 50 Apartments/community meeting space in a prominent historic school. [Project photo library](#). Completed in 2010. Won “Best Preservation Project, 2010” from the Historic Hopewell Foundation. *Relevant Lessons*: Extensive sitework that was negotiated with DHR/NPS (front drive and the large live oaks were considered primary features), and City priority for a rooftop viewing deck for the cherished historic football venue next door.
- [Chatham Lofts](#) – 31 Apartments/ storage in a prominent historic school. [Project photo library](#). Completed in 2013. *Relevant Lessons*: Difficult negotiation with County who was antagonistic towards Town, project was saved by local boosters group. Public road improvements along historic Main Street.
- [Maury Commons](#) (Fredericksburg) 31 Condominiums in a prominent historic school. The basement commercial space was sold to City/subleased to [Central Rappahannock Heritage Center](#). Condo project, unable to tour. *Relevant Lessons*: Extensive sitework amidst extremely historic neighborhoods close to downtown, very sensitive community issues involving the large playing fields next door. Surprise/stress of discovering graves and resulting archeological dig.
- [Berry Burk](#) – [31 apartments](#) with basement parking and 1st floor retail space in downtown Richmond. Completed in 2006 and [Sold in 2016](#) to hotel group, no ability to tour. Won the 2007 Golden Hammer Award for “Best Commercial Renovation of a Historic Structure” from ACORN (Alliance to Conserve Old Richmond Neighborhoods) *Relevant Lessons*: At the time a very blighted urban setting which has since prospered on a massive scale...this catalytic project was the “first light on” in this area.
- [Ginter Place](#) - 69 condos, not available to tour, done in 2008 and weathered the Great Recession. Redevelopment of a historic hospital which created its own challenges.



Additionally we have 440 units (approx.¾ of which are new construction) going through zoning in Winchester, 310 new construction units that we're about to begin construction on in Midlothian, as well as 390 proposed new construction units in the planning stages in Harrisonburg. Other historic redevelopment projects and new construction projects are also in the pipeline.

Experience working with environmental agencies and other similar, permitting agencies where approvals are likely to be needed.

In general we have worked successfully on projects with the U.S. Army Corps of Engineers, U.S. Environmental Protection Agency, U.S. Fish and Wildlife Service, Department of Environmental Quality, Virginia Marine Resources Commission, Virginia Institute of Marine Sciences, and Virginia Department of Game and Inland Fisheries.

We have extensive experience working with the Virginia Department of Environmental Quality on brownfields remediation and/or abatement grant projects: Culpeper Lofts (VRP), Imperial Lofts (leaking tank removal), Pulaski Lofts (VBAF abatement), Woodstock Lofts (VBAF abatement).

We have been a keynote speaker at the VDEQ Brownfields Conference in the past and have recently been asked to do so again at their conference this summer.

To be clear though, we do not think the Spotswood site will require VDEQ involvement (at least, we hope not!).

Other Site approvals should be at the City level only (building permit, site plan) with some related state approvals (SWPPP/VSMP, Land Disturbance Permit, etc.).

Property management experience for other, similar projects.

We currently directly manage 231 residential apartments across seven distinct properties, ranging from 7 units on the small end to 71 at the largest. This doesn't include the various commercial suites and storage units also being managed at these properties.

For those 231 residential apartments this represents:

- Annual Est. Gross Rents: \$3,206,147.28
- Total NSF Under Management: 188,737
- Avg Unit Gross Rent (Month): \$1,156.62
- Avg NSF Gross Rent (Month): \$1.42

We have 5 additional properties encompassing approximately 250 units that are managed by true third-party property management companies.



As would be expected, we spend a lot of time on the directly-managed properties, with daily interactions with field teams and weekly regular meetings, quarterly reporting, etc.

The out-sourced managed properties also require monthly meetings and quarterly reporting, etc.

In Lexington, we would likely contract with a local or regional property management firm of great reputation. But we can - where we can't find the right third party property management talent locally - assemble a local team of service providers, including a dedicated property manager, cleaner, maintenance person, and lawncare person and manage that team via our established and proven property management team as we do in other markets. As owners we know that one cannot outsource one's responsibility and we as owners are directly available to both tenants and neighbors (and community leaders) if something goes awry with our property management strategy.

Financial capacity and ability to complete the project, including securing interim financing.

Project financial viability is always our priority; we pride ourselves in being able to execute projects, not just talk about them. We believe our approach will save the Site from its current fallow state and facilitate its transformation into something great. Once redeveloped, the City will enjoy fewer expenses, new tax revenues, new residents, and a renewed relevance of the Site for future generations.

Once under contract to purchase, fully-rezoned, and some initial designs have been completed, we will refine a draft financial pro forma for the Project, as well as draft projections (subject to change) for operating revenues/expenses, construction hard costs, construction soft costs, and construction loan estimates. Then we will approach our financial contacts for project underwriting review. We won't do this though formally until the Site is fully rezoned as we value those relationships and don't want to waste their time with a site not yet ready for investment.

We pride ourselves in being creative regarding project financing. Beyond historic tax credits, we have utilized:

- VA DEQ with their Voluntary Remediation Program
- VA DEQ & VEDP with their VBAF programs
- Virginia Enterprise Zone incentives
- IRF grants
- DHCD study funding (and other programs)
- CDBG funding



We've begun initial dialogue with select lender candidates that we've worked with in the past, and they've expressed some conditional interest in the Site. Given that, we believe that we are well-qualified to seek and implement the financing needed for the development of the Site.

We have financed projects in a variety of ways, including:

- Commercial bank financing
- Public financing from both localities themselves and also Fannie/Freddie loan products
- Private equity

Lender References:

- Virginia Community Capital: Bill Greenleaf, bgreenleaf@vccva.org, 804-939-6165
- Virginia Credit Union: Brian Noel, Brian.Noel@vacu.org, 804-614-3249
- Berkadia: Costa Canavos, costa.canavos@berkadia.com, 804-780-9235
- Towne Bank: Mike Burke, Michael.Burke@townebank.net, 804-967-7028 ext. 2270
- Truist: Bradley Francis, brad.francis@truist.com, 804-787-1075

Conformity with City Council vision.

We have been working with City staff for over a year on this site and have reviewed all the related City planning documents. Our project - from our perspective conforms in the following ways with the following documents:

- Comprehensive Plan
 - Pages 86 & 91 show Spotswood site as "Mixed Use Neighborhood" and "Opportunity Area"
- Lexington 2040 Comprehensive Plan
- Planning Objectives for Opportunity Areas (p.87)
 - Focus on infill redevelopment
 - Design for pedestrian & bicycle friendly community
 - Connect neighborhoods through a network of green infrastructure
 - Encourage mixed use development
 - Improved streetscaping & landscaping
 - Enhanced design & development standards
 - Enhance & protect natural resources and open space
 - Build on and promote local character and identity
 - Foster the development of a variety of housing types, including affordable housing
 - Incorporate sustainable development standards
- Planning Objectives for Mixed Use Neighborhood (p.88)
 - Focus on infill or redevelopment
 - Implement traffic calming measures
 - Design for pedestrian & bicycle friendly community

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- Connect neighborhoods through a network of green infrastructure
- Encourage mixed use development
- Improved streetscaping & landscaping
- Enhanced design & development standards
- Build on and promote local character and identity
- Foster the development of a variety of housing types, including affordable housing
- Incorporate sustainable development standards
- **Notes**
 - 37 shows the City's Existing Assets and suggests these Sites, Linkages & Waterways be used as connectors & create opportunities or residents to enjoy the natural environment
 - 114 shows Bicycle infrastructure as a HIGH need for the city's transportation

Furthermore, the City Council has expressed a desire for a professionally-managed upscale rental community at this site. This is what we do, successfully - across many sites we own/operate.

Other points that you desire to be considered.

This has been a long selection process, and as thorough as it has been it does not immunize the selected candidate from risks of project failure, as there are no guarantees in this industry. We feel the burden of expectations by City Council/City staff that - should we be selected - the project will happen without impediment. But this would not be the case with any development team selected. All projects have risks. Here are some we've identified for this Site:

- ***Project delay risk:***
 - The already-long selection process continues. Being over a year into this process, the construction cost escalations have been enormous during that time, and there is no escaping those impacts on the project financial model.
 - If the purchase contract document development process lasts a long time, this will exacerbate the negative effect described above
 - If the rezoning process lasts a long time, this will exacerbate the negative effect described above
 - If the any other City approval process lasts a long time, this will exacerbate the negative effect described above
- ***Construction cost risk:***
 - The underground utilities may not match expectations
 - Materials cost might continue to increase at 20%+/year
 - The supply chain logistics afflicting the construction industry might continue
 - Construction labor shortages continue to shrink contractor availability
- ***Interest rate risk:*** If interest rates continue to rise dramatically, most real estate projects will stall. Disconcertedly, the effective interest rates for many similar projects



are rising right now because the spreads are increasing dramatically, primarily because of the uncertainty across all markets (because lenders insert a bigger spread during times of uncertainty). Hopefully some of this calms down later this year, but it may not!
