

March 13, 2023

Jim Halasz, City Manager  
City of Lexington  
300 East Washington Street, Lexington, Virginia 24450  
T: 540-462-3700, E: [jhalasz@lexingtonva.gov](mailto:jhalasz@lexingtonva.gov)

**A Proposal for the Purchase and Development of the 5.47± acre City-owned property at 626 Waddell Street, Lexington, VA 24450 (includes 646 Waddell St, 810 S. Main St, and 820 S. Main St)**

Dear Mr. Halasz:

Please find here our proposal to purchase and develop the 5.47± acre property at 626 Waddell Street (includes 646 Waddell St, 810 S. Main St, and 820 S. Main St) owned by “The City of Lexington, Virginia” (“Site”). We propose redeveloping the Site into a mid-rise 3-4 story residential rental unit complex.

Please watch a [short video](#) describing our proven process of working with community leaders. We have a long track record of successfully redeveloping municipally owned decommissioned properties. Please review many of [our projects here](#). Our quality housing product is often utilized as an active recruitment tool by area employers. Several of the projects have commercial components of varying types. Our team has managed the construction of 600+ units, and has an additional 2,350+ units under design or construction right now, including approximately 650 adaptive reuse units and 1,700 new construction units.

This development will be a joint venture with [UrbanCore Construction](#), whose experience with this product type includes construction and associated site development for mixed-use market-rate urban infill multifamily apartments and retail, as well as construction, site development, infrastructure, and amenities for multifamily workforce housing.

We propose to purchase the Site for the purchase price paid by the City to VDOT plus 10% [ $\$659,000 \times 1.10 = \$724,900$ ]. Once purchased, we will rezone, design, and then comprehensively redevelop the Site into a mid-rise 3-4-story residential rental unit complex (unit count to be determined at design, but current goal is approx. 200 units) targeting the area professional and regional retiree. We will create space for a commercial component fronting a portion of Waddell Street, designed with neighborhood retail, office, or medical office tenants in mind.

Attractive and affordable housing is critical 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 keep their economic impact local to area businesses. Our design will focus primarily on 1-bedroom and 2-bedroom units (some with offices) to allow for smaller/more-affordable units. We will reserve up to 20% of the units for making 80% AMI or less.

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, rezone the Site, and proceed with design efforts for the Site. 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) 18 months prior to purchase
- 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 (at least first phase, which shall contain not less than 75 units) within 24 months after construction begins

**City Obligations**

- Allow for a due diligence period by the Developer of a maximum 18 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 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 within 15 days of an executed contract
- Provide written verification of telecommunication/high-speed Internet availability to the Site at a capacity that will be sufficient for the project within 15 days of an executed contract
- Provide - at City cost - a current title report for the Site
- Waiver of any applicable utility tap or connection fees
- Sell the Site to a to-be-formed Developer-controlled single-purpose limited liability company
- 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 are surely unwelcome, but they are typical of what a Seller must do to prepare any commercial property for sale to any Buyer. We wish any City costs to be minimized; let's work together to ensure that 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. 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,



Edwin Gaskin - President, Echelon Resources, Inc.

**Developer Description**

[UrbanCore Construction](#) is a full-service construction firm based out of Richmond, VA, and has been doing business for 9 years. UrbanCore specializes in multifamily housing and special projects with an emphasis on whole-team collaboration, planning, process consistency, and over-communication for expectation alignment. Their culture of accountability and communication helps to eliminate surprises for the Owner and gives the project team opportunities to make the right decisions instead of “right now” decisions that could have unintended cost and time consequences.

Their approach is best summarized in the enclosed Proven Process. The key to success in their Proven Process is consistency and accountability, so they have developed a framework of systems to move a project through its entire lifecycle with the overall goal of providing an amazing customer experience. Their system is purposefully designed around a framework to give their teams and their customers the freedom and ability to innovate and creatively solve problems, while the predictable and repeatable steps of a project are systemized. They trust their teams to operate freely within the boundaries of this framework to put the priorities and interests of the Owners first.

**URBANCORE CONSTRUCTION CURRENT WORK VALUATION AND COMPLETION SCHEDULE:**

Project Name	Contract Amount	% Complete	Remaining Backlog	Expected Completion
Cameo Apartments	13,609,438	69	4,175,702	July 2023
Watermark Gardens	13,088,833	82	2,306,538	May 2023
The Cove	10,719,035	46	5,700,687	Oct 2023
Winchester 9%	14,739,844	9	13,346,668	April 2024
Winchester 4%	17,763,415	1	17,072,862	April 2024
<b>Total Work In Progress</b>	<b>69,426,647</b>			

[Echelon Resources, Inc.](#) is a Virginia-based real estate team that develops infill sites into walkable and experience-driven communities, as well as redeveloping historic buildings that have outlived their original use and that often are blighting their host communities. The development of such sites reinvigorates the surrounding neighborhoods, and doing so transforms what were once financial negatives to become healthy financial contributors. These development projects produce new taxes, new jobs, new residents, new revenues for local businesses, and a renewed relevance of the sites for future generations. Over the last 20 years, our team has completed investments in multifamily and mixed-use properties totaling approximately \$110,000,000, several of which have earned project awards. Currently, our pipeline of future projects includes 2,350± residential units with additional commercial uses, totaling approximately \$470,000,000 in total future investments. Our team manages projects from concept to completion, including analyzing site feasibility, developing project financial models, managing investor participation, directing construction activities, and supervising sales and/or leasing activities. Please review project info [here](#).

**Development Team Description:** The to-be-formed purchasing entity shall include Edwin Gaskin and Randy Cosby from Echelon Resources Inc along with Andy Beach & Jeff Bunch as principals from UrbanCore.

**Andy Beach:** Andy Beach is a real estate developer and entrepreneur whose focus is on historic renovations and in-fill development in the greater Richmond area. After graduating from Virginia Polytechnic Institute and State University in 2002, Andy started his career with one of the nation's largest home builders. Moving quickly through the company he gained invaluable experience in all facets of real estate and construction. In 2010, Andy co-founded UrbanCore Development and Progress Realty Group with the goal of providing quality and affordable housing options. Away from work, he enjoys spending time with his wife Lauren, and their three children Ellie, Brooks, and Berkley. In his free time, he enjoys staying active through Crossfit, running, and playing golf.

**Jeff Bunch:** Jeff Bunch has worked in Real estate for the past 10 years. He has worked for national homebuilders, real estate brokers, and investors. He spent 5 years with Ryan Homes developing his construction knowledge and project management skills. After working in the sales department, he decided to leave and become a real estate agent as well as form Progress Realty Group with Andy Beach, a real estate investment company that specializes in urban infill and renovation in Richmond Virginia. Four years after founding Progress Realty Group Jeff partnered with Andy Beach to form UrbanCore Construction. Jeff is passionate about urban housing and enjoys seeing his projects progress from start to finish.

**Randy Cosby:** As a developer with a passion for creating impactful community places, Randy draws on his diverse background in commercial brokerage, soil and environmental science, and construction. In Randy's view, no two sites are the same, and what he enjoys most is the process of creating a tailored vision for community development opportunities that are "outside of the box". Randy brings a deep sophistication and appreciation for leveraging a property's unique assets to help it reach its full potential, and partners with like-minded organizations and individuals to deliver the highest-quality projects. He is an expert in various real estate financial models and capital vehicles and is adept at navigating sensitive local governmental and political processes to bring projects to fruition.

**Edwin Gaskin:** Edwin Gaskin has 20+ years of experience redeveloping historic buildings across Virginia and North Carolina. He specializes in small market deals, structuring project financing, collaborating with local government partners, and directly managing the entire development process. He is also a Virginia Class A General Contractor (via Zachoro LLC). Edwin also has worked extensively at the state and local government levels, with a background in economic development and revenue analysis, having been both a Certified Economic Developer (CEcD) as certified by the International Economic Development Council and an Economic Development Finance Professional (EDFP) as certified by the National Development Council. Edwin is founder and president of Echelon Resources, Inc. and has often consulted for other development companies as well as local governments - providing community economic impact models, project fiscal impact estimates, project ROI models, and structuring incentive packages. Edwin also has extensive economic development leadership experience at both the state and local government levels.

**AVAILABILITY INFO:** If selected, all four principals involved will make themselves available for project needs via the same systematic project management process that results in our collective successful track record.

**Relevant Experience****BICKERSTAFF CROSSING** - (UrbanCore Construction General Contractor)

- **Owner:** Surber Development
  - Contact: Jen Surber (276-698-8760)
  - Address: 529 Taylor Street Bristol, TN 37620
- **Timeline:** Completed July 2022
- **Architect:** Martin Riley Associates
  - Contact: (404-373-2800)
  - Address: 215 Church Street Suite 200 Decatur, GA, 30030
- **Description:** Multifamily 60-unit workforce housing new construction with associated site development
  - Costs: \$9,665,000 initial, \$11,843,300 final
  - All changes by Owner: lumber allowance, HIEE upgrades, unforeseen site conditions
  - 9% LITHC
  - Zero Energy Ready Home (ZERH)
  - EarthCraft Gold rating
  - 78,000 s.f.

**SCOTT'S COLLECTION (I, II, AND III) - (UrbanCore Construction General Contractor)**

- **Owner:** Capital Square 1031
  - Contact: Michael Ollinger (703) 300-2910
  - Address: 10900 Nuckols Road, Suite 200 Glen Allen, VA 23060
- **Timeline:** Phase III completed September 2022
- **Architect:** 510 Architects
  - Contact: (804) 353-1576
  - Address: 3330 W Leigh St. Suite A Richmond, Virginia 23230
- **Description:** Mixed-Use, 209 total units, urban infill market-rate new construction apartments with associated site development and retail
  - Costs: \$37,360,815
  - 256,400 s.f.

**IMPERIAL LOFTS (SOUTH BOSTON, VA) - (Echelon Resources)**



- **Description:** Redevelopment of a larger former textile mill into mixed-use.
  - Approx. 132,604 gsf, apartments (71), storage, SVHEC R&D Center (via Virginia DGS), business center, 30,000 sf of self-storage.
  - Public financing (Approx. \$10M) - later refinanced to a non-recourse lender, and HTCs.
- **Challenges:** A very-large building in a very-small, very-unproven market. Extreme deterioration of the building. Large footprint with little interior light for units. Little commercial bank interest in the market. Surrounded by low-income and deteriorated housing options.
- **Solutions:** Phasing of building redevelopment. Demolition of a non-historic infill section to create a lightwell for units. Design for upscale finishes to boldly depart from the local market options. Construction financing provided by the Town IDA. Aggressive marketing campaign to regional professionals. A 15-year phasing plan was accomplished in 5 years.

**PEANUT CROSSING (SUFFOLK, VA) - (Echelon Resources)**



- **Description:** Redevelopment of a large-campus peanut factory (mixed-use).
  - Seven distinct buildings in Phase 1, apartments (225 units zoned total, Phase 1 - 58 units). Business incubator, covered parking, and commercial storage.
  - Commercial lender financing (Approx. \$7.5M) and HTCs.
- **Challenges:** Large campus in a challenging neighborhood known for crime. Neglected industrial campus. Building in various states of disrepair. No proven comps in the area.
- **Solutions:** Phasing of campus redevelopment. Design for upscale finishes to boldly depart from the local market options. Grants from City EDA and DHCD. Fully-leased the first week it was open, despite literal gunfights on the street outside. Currently planning for Phase 2 (91 units - adaptive reuse) and selling off the last portion to another developer for Phase 3 (76 units - new construction).

**WHIRLIGIG STATION (WILSON, NC) - (Echelon Resources)**



- **Description:** Redevelopment of a large tobacco warehouse (mixed-use).
  - Approx. 99,169 gsf, apartments (95), storage, Vollis Simpson Whirligig Park Visitor Center, restaurant space.
  - Commercial lender financing (Approx. \$18M) and HTC's (federal) and NC mill credits.
- **Challenges:** Unproven downtown market. Extreme building deterioration. Challenging locality. Little lender interest in this unproven market.
- **Solutions:** Sheer tenacity. Since opening both the project and the adjacent park are lauded for setting a high standard for place-making and visitor experience in this area.

## **Approach to Fulfilling Project Objectives**

### **Product Being Proposed:**

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 keep 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 as 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.

This proposal is for the development of an upscale apartment community containing approximately 200 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. We will reserve up to 20% of the units for making 80% AMI or less.

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. This project will play an important role in contributing to solving the City-wide housing shortage. The City of Lexington has a unique and highly desirable character with a range of historical influences 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 B**) from Poole & Poole architecture as a tool to initiate the discussion.

### **Rezoning Strategy:**

Once purchased, we will rezone, design, and then comprehensively redevelop the Site into a mid-rise 3-4-story residential rental unit complex containing approximately 200 units. A maximum of 152 units can be achieved via the current RLC zoning with a Conditional Use Permit, so our proposal would require a PUD. A PUD approach will likely also be necessary for the planned commercial component fronting a portion of Waddell Street, designed with neighborhood retail, office, or medical office tenants in mind.

**Rationale & Comp Plan:**

- [Comprehensive Plan](#)
  - Pages 86 & 91 show the Waddell site as an "Opportunity Area" and also adjacent to the City's second largest "Gateway"
- [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
  - Housing (p.75)
    - Additional appropriate and compatible multifamily, rental housing
    - Continued promotion of adaptive reuse, revitalization, and infill development
  - Notes
    - Page 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 [\*Note this site was not owned by the City at the time of the comp plan update, but it has since been acquired by the City and is well positioned to serve as an important connector.]
    - Page 114 shows Bicycle infrastructure as a HIGH need for the city's transportation

**Projected Project Timeframe:**

- Study Period: 18 months from the date of a fully executed Purchase Agreement. This time shall be used to refine the overall project design, complete the rezoning process, and secure all permits necessary to begin construction.
- Construction: Our proposal includes a contractual obligation to begin construction within 12 months of Closing on the property and complete construction (of the first phase) within 24 months of commencing construction.

**Projected Fiscal Impact:**

Using the City's cost-benefit analysis spreadsheet template, the below estimates indicate what the project will generate, depending on the final unit count, 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 ±\$375,000-\$500,000 in tax revenue to the City each year.

- 150 Units: \$4,040.907 over 10 years

- 200 Units: \$5,141,524 over 10 years

*\*Note: Excluded in the above calculations are revenues from Meals Tax, Sales Tax, and Water/Sewer fees, as well as costs for water/sewer fees. To be conservative, the fiscal impact from any potential future commercial uses was also excluded. Included in the above calculation were the property acquisition proceeds, real estate tax, personal property tax, and building permit fees.*

**Estimated Traffic Impact:** The proposed building is considered "ITE #221 - Multifamily Housing (Mid-Rise)" by the 11th edition of the Institute of Transportation Engineers' (ITE) Trip Generation Manual. This ITE#221 designation projects 4.54 VPD per unit or 908 VPD for these 200 units. During AM Peak Hour the ITE#221 designation projects 0.37 trips per unit, or 74 total trips during this hour. During PM Peak Hour the ITE#221 designation projects 0.39 trips per unit, or 78 total trips during this hour.

**Estimated Water Usage Impact:** A "ballpark" estimate was provided by a licensed civil engineer for a similar project, and using those rules of thumb we anticipate that this project should use approximately 641 gpm (it was 154 gpm for 36 unit building) gallons per minute on average.

**Economic Impact:** 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 the ongoing, annual jobs impact of new construction is 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 create 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 and 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 through 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.

**Exhibit A – Conceptual Site Plan** (shown as draft concept only, subject to change.)



SITE DATA	
Site Acreage	5.70
Site SF	248,292
BLDG 1 TYPE 4 gross unit SF	46,128
BLDG 2 TYPE 4 gross unit SF	46,128
BLDG 3 TYPE 4 gross unit SF	46,128
Clubhouse SF	4,000
<b>SITE BLDGS GROSS SF</b>	<b>142,384</b>
Parking/Green Space (remaining SF)	105,908
Parking/Green Space (remaining Acreage)	2.43
1 BR Units	63
2 BR Units	90
3 BR Units	0
<b>TOTAL UNITS</b>	<b>153</b>
<b>TOTAL PARKING</b>	<b>245</b>
Target Parking - 1 per bedroom	243
Parking Per Unit	1.6
Total Units - previous site plan	182
Unit Deficit	29
Total Parking - previous site plan	270
Parking Deficit	25

**Exhibit B – Inspiration Pictures**



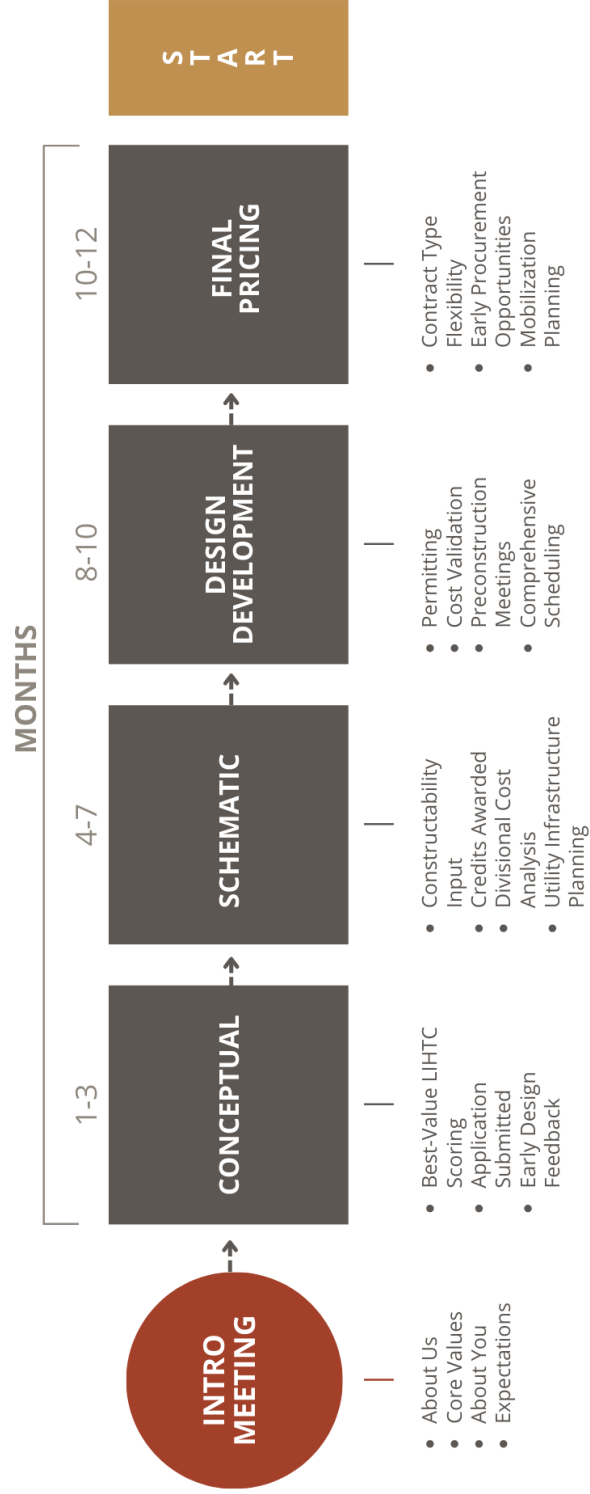
**Exhibit B – Inspiration Pictures (cont.)**



**Exhibit B – Inspiration Pictures (cont.)**

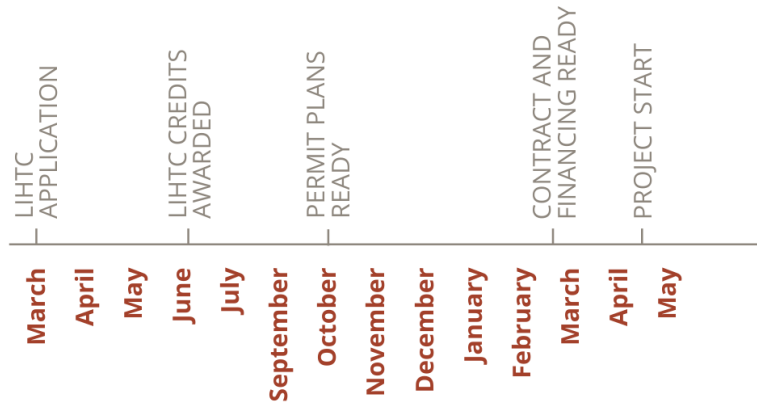


## 12 Month QuickStart Timeline



THE URBANCORE VALUES

KEY DATES



**Always Do The Right Thing**

Doing the Right Thing is our moral compass: We choose the hard, right decision over the easy, wrong one.

**No Excuses**

Construction is fraught with unforeseen conditions and for generations, this industry has had a culture of avoiding responsibility and passing blame. Not at UrbanCore.

**Details Matter**

The unforeseen is inherent in this business — it's how you plan for and mitigate it to ensure safety and success.

**Amazing Customer Experience**

We believe construction management is a customer service business: We do what we say and say what we do, and that's what sets us apart.

**Have Fun**

Our work is mitigating and managing challenges, and paired with a good attitude and staying a positive influence on others around you drives superior results.

**OPERATIONS**

- Expedited buyout, enhanced material procurement tracking
- Consistency brings predictable results
- Culture of accountability
- Extreme ownership
- Trade partnerships

**TAKT PRODUCTION SYSTEM**

UrbanCore utilizes a Takt Production System on every multifamily project to systemize the workflow to drive consistency, accountability and predictability into every project. Takt is a one-page trade flow schedule, and paired with lean concepts, is the most efficient tool for scheduling in the industry.

**PROJECT DELIVERY**

- Red Zone meetings
- Efficient close-out
- Warranty process
- Continuous improvement

