

The Historic Albemarle Hotel

A Case Study in Facilitating Downtown Revitalization

by

Tanner R. Dudley

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Approved by:

READER (optional)

PRINT NAME

ADVISOR SIGNATURE

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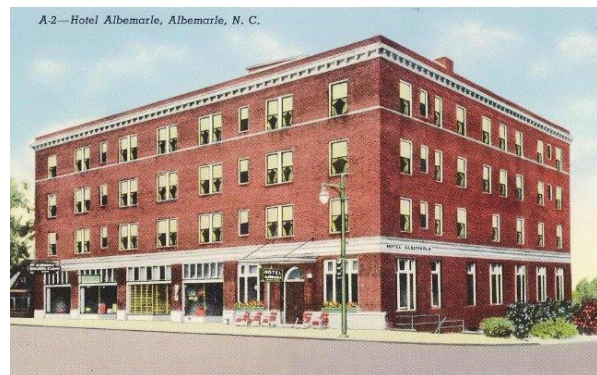
Context and Overview

Public-private real estate development partnerships (PPPs) have been implemented in the United States for many years, taking many forms with connotations both good and bad (Forrer, 2010). Over the past few decades public-private partnerships have become an increasingly popular method for cities and towns to achieve their development or revitalization goals, by leaning on private sector expertise and capital as public sector coffers have continued to shrink (Sagalyn, 2012). Simultaneously, in the wake of the 2008 U.S. Credit Crisis, as lending standards have tightened, private sector firms have become increasingly interested in partnering with public sector agencies to fill the financing gap that often exists in development projects (Sagalyn, 2012). This mutual need for innovative financing solutions has led to increased implementation of PPPs across cities and towns here in North Carolina to facilitate community revitalization.

A public-private partnership can be defined and implemented in many different ways, depending on the needs of a community and the availability, expertise and capacity of both public and private sector participants. A more traditional form of public-private partnership typically involves public ownership of a parcel or building and outsourcing of design, construction, operation, financing or maintenance to the private sector (NCPPP, 2015). In many of these cases the private sector partner incurs project development costs with a portion reimbursed by a city, county or other public agency, representing the component that is required or desired by the public sector. One such example is a project currently underway in Wilmington, North Carolina involving the city's partnership with a private sector developer to build on a key piece of city-owned property in downtown. From mid-2013 through the spring of 2015 the city worked with the Development Finance Initiative (DFI), a non-profit group based in North Carolina, to complete a pre-development analysis culminating in a request for proposal (RFP) process sourcing and vetting private sector developers (Development Finance Initiative, 2015). Developers submitted proposals for a high-rise mixed-use development including residential, retail and public open space wrapping structured parking on the site. Ultimately the selected developer will enter a partnership to purchase air rights from the city, develop on the site and receive a reimbursement for costs to build the structured parking deck. Once complete, the city will operate and maintain a portion of the parking deck for public use (Development Finance Initiative, 2015). While this project in Wilmington, NC represents a more traditional public-private partnership, this master's project will provide a detailed overview of a somewhat non-traditional public-private partnership currently underway in Albemarle, NC.

The Albemarle Hotel Project

From August 2014 through April 2015 (ongoing), the Development Finance Initiative (DFI) at University of North Carolina at Chapel Hill's School of Government has been engaged in a contract with the City of Albemarle, NC to provide recommendations for revitalization of the city's downtown, centered on redevelopment of a prominent historic property, the Albemarle Hotel. The following master's project



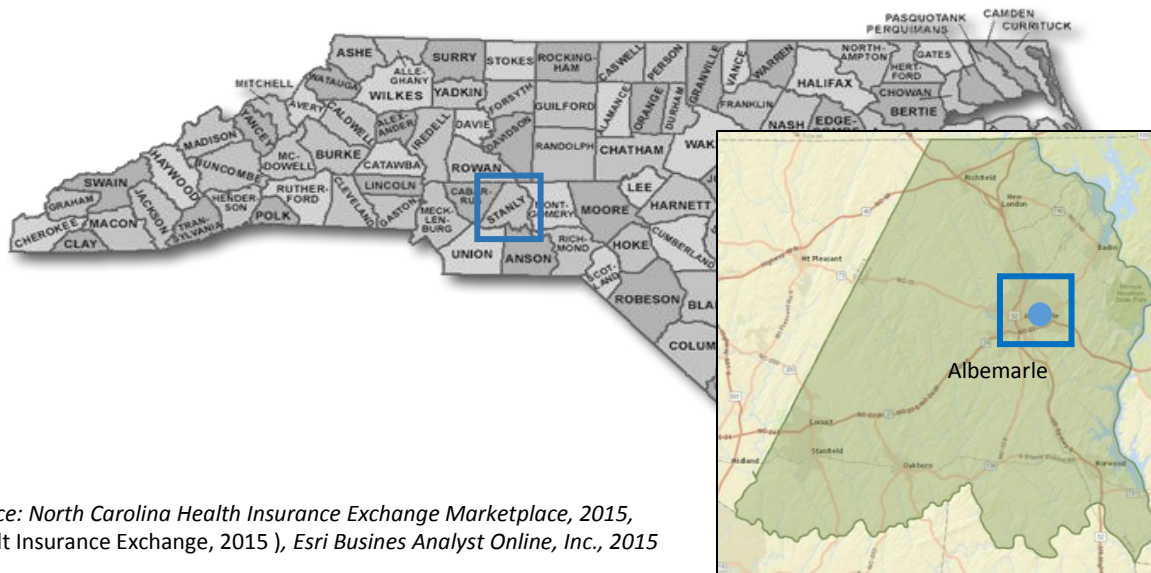
The Albemarle Hotel in its heyday, 1965
Source: (Stanly County Museum, 2015)

provides a detailed review of the analysis and recommendations provided by DFI to the City of Albemarle and the property's current owner, which outlines a form of public-private partnership to be established between the City and hotel owner to stimulate revitalization in the city's downtown.

City of Albemarle and the Albemarle Hotel

Historical Context and Albemarle Today

Located on the southwestern side of North Carolina's Uwharrie Forest, roughly forty miles northeast of Charlotte, NC, Albemarle, NC is the county seat of Stanly County and its largest city. Stanly County was originally established in the early 1840s out of neighboring Montgomery County to the east, and today is touched by Cabarrus County to the west, Union and Anson counties to the south, and Rowan County to the north (City of Albemarle, 2015). While the city of Albemarle had its original settling in the early



Source: North Carolina Health Insurance Exchange Marketplace, 2015, (Health Insurance Exchange, 2015), Esri Business Analyst Online, Inc., 2015

1660s, the city was officially incorporated in 1857 following the donation of a 50-acre tract of land by the prominent Hearne family, establishing the county seat (City of Albemarle, 2015). Throughout much of the 19th century Albemarle remained a rural community within Stanly County, then with the arrival of the railroad in the early 20th century became the county's primary center for commerce and trade (Albemarle Downtown Development Corp., 2015). Like many North Carolina communities, the arrival of the railroad and onset of the industrial revolution drastically changed the community fabric, creating jobs and producing significant wealth. Albemarle benefitted from a growing textile manufacturing industry throughout the south, as evidenced by the mills that dot the city and its surrounding communities (City of Albemarle, 2015). Today Albemarle has a population of roughly 16,100 and is the county's largest city, followed by a handful of much smaller towns along the edges of county, all with populations of roughly 2,000 residents, including Badin, Norwood, Stanfield and Oakboro (U.S. Census Bureau, 2014).

Downtown Albemarle



Source: www.searchstanly.com

of September 11th (Albemarle Downtown Development Corp., 2015).

Albemarle's downtown includes a number of relatively well-maintained, historic buildings with unique character that contribute to the downtown's sense of place and serve as a point of pride for many city residents. The City of Albemarle's Historic Resources Commission has taken great effort and time to protect these historic properties by establishing the Albemarle Local Historic District which encompasses all of the downtown core and has specific guidelines for those properties that lie within it (City of Albemarle, 2015). Within downtown there are also three properties listed on the National Register of Historic Places and four national historic districts: the Downtown Albemarle Historic District, Five Points Historic District, Pee Dee Avenue Historic District and the Second Street Historic District (U.S. National Park Service , 2015).

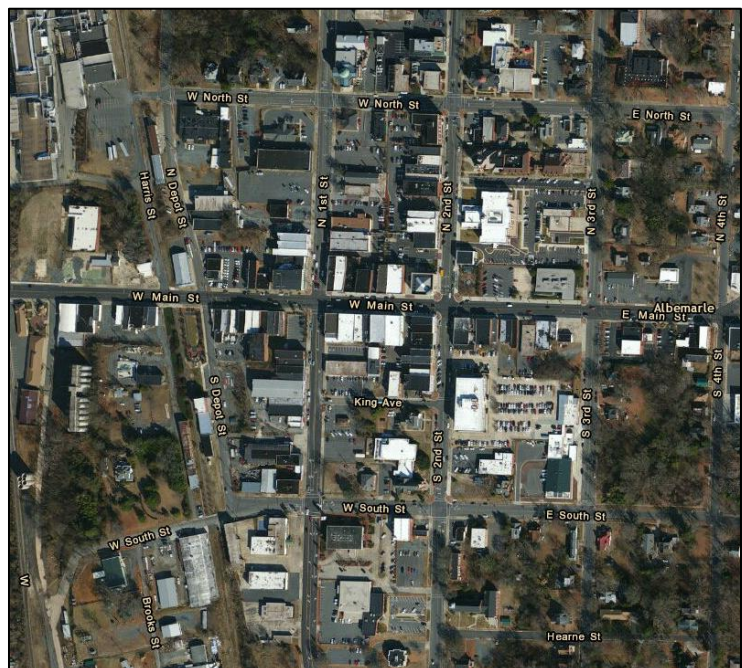
As the county seat, many structures in the downtown are oriented to government and public services including the Stanly County Courthouse, a renovated City Hall, the Stanly County Public library, and the city's Post Office. Encompassing all of downtown is the city of Albemarle's Municipal Services District (MSD). Through this MSD, the City of Albemarle assesses an additional 0.01% tax to those property owners within the MSD to fund a variety of enhancements in the city's downtown, which in Albemarle primarily include sign, façade and landscaping grants (Albemarle Downtown Development Corp., 2015).

The Albemarle Hotel

Located in the core of Albemarle's downtown, at the corner of North Second and West North Streets, is the Albemarle Hotel. Built in 1923 the hotel has been an

Located at the crest of a hill in the center of the city, Albemarle's downtown has a beautiful view looking out to the Uwharrie Forest toward the east and the hills of western North Carolina to the west. The city's downtown includes a number of historic buildings dating back to the early 1900's, as well as a number of spaces dedicated to public gathering, including Courthouse Square Park, a small public space in the core of downtown at West Main and North Second Streets (see exhibit I); Market Station, home of the Stanly County Farmer's Market; and Liberty Garden, a public space dedicated to victims

Exhibit I: Downtown Albemarle



Source: Esri Business Analyst Online, Inc.

iconic structure in Albemarle for decades and is well known by many residents as a city landmark (Dick, 2015). When the hotel first opened its doors in February of 1923, it was heralded as one of the most “outstanding hotels in the state” given its location in a thriving business community and the luxuries it then included such as state of the art elevator access and telephone connections to each of its 60 rooms (Homes of Hope, 2014). Despite its prominent location and iconic status among residents, with its closing as a hotel in 1964, the building has remained largely vacant, dilapidated and underutilized for the better part of the last two decades (Dick, 2015).

The hotel sits on a 0.45 acre, corner lot, comprising roughly 27,000 total square feet across four main floors and a walk-out basement which opens to the south and west (Stanly County GIS Department , 2015). Based on the building’s current layout, the structure’s main entrance, to what was once a hotel lobby, is located at the corner of N. Second and W. Main Streets, with adjacent ground floor space along N. Second Street, previously dedicated to four retail storefronts. Both the ground floor and basement of the building comprise the full footprint of the site, while floors 2-4 are L-shaped to allow for hotel room views from the building’s prominent location atop the hill in downtown.



Albemarle Hotel, Albemarle, NC, 1965

Source: Stanly County Museum (Stanly County Museum, 2015)

The building’s former hotel lobby, which once also included a small restaurant, has connections to both the upper hotel room floors and the walk-out basement. A well-known basement tenant of the hotel from the 1960s was the WABZ radio station as seen in the image at left (Stanly County Museum, 2015).

The Albemarle Hotel is currently owned by Uwharrie Bank, a well-respected Albemarle-based banking institution that owns a number of properties in downtown and has held the Albemarle Hotel for roughly 15 years (Dick, 2015).

While in the hands of Uwharrie Bank, a number of redevelopment attempts have been made, though unsuccessful due to a mix of unfortunate market events and lack of commitment and capacity within the Albemarle community. Most recently in 2014 Uwharrie Bank established a partnership with Homes of Hope, Inc., a local Albemarle affordable housing nonprofit, to redevelop the property into a mixed use site including affordable and market-rate housing, as well as retail and office space (Uwharrie Capital Corporation, 2014). Units across the building’s upper floor were proposed to include units serving low income families, seniors and individuals identified by Homes of Hope, as well as for sale units for individuals in the area seeking smaller units with close proximity to the downtown (Uwharrie Capital Corporation, 2014). Redevelopment plans further called for the building’s ground floor to be slated for restaurant and office space serving the local community (Uwharrie Capital Corporation, 2014). Uwharrie’s capital campaign proposed a three-year pledge pay-out community capital campaign which was to include the formation of an endowment to fund ongoing maintenance of the building (Uwharrie Capital Corporation, 2014). Despite a well-designed and structured campaign, Uwharrie Bank saw limited support from the local community and the plan was unsuccessful.

Problem Definition, Project Stakeholders, and Scope of Analysis

Despite Albemarle's rich history, picturesque downtown and prominence as the seat of Stanly County, like many former manufacturing communities throughout rural North Carolina, Albemarle has seen disinvestment in its downtown core over the past few decades. With declining job growth and similarly slow growing population throughout the county, Albemarle has struggled to maintain vibrancy in its downtown core. As one of the largest and most prominent properties in downtown, the vacant and dilapidated Albemarle Hotel has contributed to this problem. To address this, in 2014 the City of Albemarle, representing a group of private and public entities, engaged the Development Finance Initiative (DFI) at UNC Chapel Hill's School of Government to perform an analysis of downtown Albemarle and the Albemarle Hotel to inform recommendations for how to stimulate revitalization. Below is a complete summary of those groups involved in this engagement and their connection to the project.

Key Project Stakeholders

Development Finance Initiative – In an effort to serve cities and towns throughout the state of North Carolina, the Development Finance Initiative (DFI) was established at University of North Carolina at Chapel Hill's School of Government to provide local governments with specialized finance and development expertise to attract private investment into their communities and facilitate transformative projects. DFI utilizes its diverse team of experienced real estate, legal, urban planning and public health professionals to provide innovative solutions to solve the complex issues that many North Carolina communities face in revitalization (Development Finance Initiative , 2015). Team members involved in the Albemarle Hotel project include Rory Dowling, Project Manager at DFI, Christy Raulli, Interim Associate Director at DFI, along with Tanner Dudley, DFI Fellow.

City of Albemarle Economic Development Department – As the county seat of Stanly County, Albemarle serves as one of the primary centers for commerce and job growth for the area. As such, the city has an active Economic Development Department which has recognized revitalization of the Albemarle downtown as a priority in recent years. As of 2014, Mark Donham assumed the role of Director for the Albemarle Economic Development Department and is the City of Albemarle's primary point of contact with the Development Finance Initiative at UNC.

Uwharrie Bank – With its headquarters in Albemarle, NC, Uwharrie Bank has served as an important source of employment and community development financing in Albemarle and elsewhere throughout Stanly County. As owner of the Albemarle Hotel, Uwharrie Bank has made significant effort in recent years to revive the hotel with the goal of revitalizing the Albemarle downtown. Individuals leading this effort include Vicki Coggins, special projects coordinator at Uwharrie Bank and former chair and founder of the Albemarle Downtown Development Corporation (ADDC). As representative of Uwharrie Bank, Vicki was designated as primary contact for all relations with DFI. Alongside Vicki, Uwharrie Bank president and CEO Roger Dicks has been committed to redevelopment of the Albemarle Hotel in recent years and engaged in conversations with DFI.

Albemarle Downtown Development Corporation (ADDC) – Established in 1990 as the byproduct of a revitalization program initiated by Albemarle’s City Council, the Albemarle Downtown Development Corporation (ADDC) was established to address revitalization of the Albemarle downtown. In 1993, Albemarle was selected by the North Carolina Department of Commerce for the state’s Main Street program, which helped to revitalize communities and protect historic districts (Stanly News & Press, 2010). Vicki Coggins, now special projects coordinator at Uwharrie Bank, was the founder and first director of ADDC, which in 2010 transferred to Shannon Johnson, the current director of ADDC and primary contact for the Albemarle Hotel redevelopment project.

Scope of DFI Analysis

Below is a detailed summary of analysis completed by DFI, which will be explained in greater detail throughout the remainder of this report:

- Study area: determination of project analysis study area
- Parcel analysis: in-depth parcel analysis of existing properties within identified study area
- Site visit: site assessment of the Albemarle Hotel
- Feasibility analysis: evaluate redevelopment potential through market feasibility and demand analysis assessing various uses including residential, retail, office, parking and other potential uses determined in analysis.
- District designations: advise city on potential modifications to existing district designations (MSD, historic district, etc.) to facilitate city goals in the study area.
- Potential partners and strategies: throughout the project advise the city on potential partners and strategies to attract private investment to the study area while minimizing public investment.
- Program and pro forma: determine preliminary program and development cash flow pro forma based on feasibility analysis.
- Funding sources: advise the city on potential sources of funding including and state and federal grant programs.
- Evaluate proposals: during the term of the engagement advise property owner on any redevelopment proposals brought forth.
- Private investment: advise property owner on finance and structuring options, potential development partners and other strategies to attract additional private investment to properties owned in Albemarle.

Source: Development Finance Initiative, UNC Chapel Hill School of Government

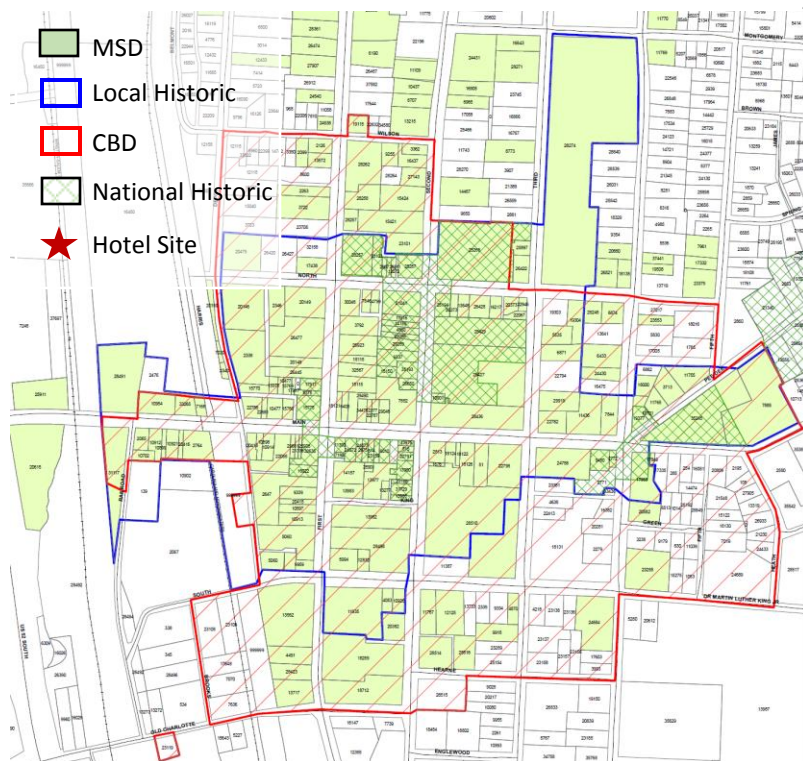
Site Analysis

Study Area

Identifying an appropriate study area for Albemarle's downtown analysis involves careful review of parcels within Albemarle that are important elements of the city core, contribute to city commerce and its sense of place, and that have relevance to a potential hotel redevelopment scenario. The defined study area must also recognize existing districts within the city, which in this case include the Albemarle Central Business District (CBD), its Municipal Services District (MSD) as well as local and national historic districts, all of which are shown in exhibit II.

By examining relevant parcels in the downtown and incorporating the location and extent of the city's downtown districts, a relevant, more narrowed study area was determined to perform an in-depth parcel analysis for Albemarle's downtown, as seen in exhibit III.

Exhibit II: Downtown Albemarle Districts



Source: City of Albemarle

Exhibit III: Project Study Area



Source: Stanly County GIS Database

Parcel Analysis

The final project study area selected for Albemarle's downtown parcel analysis, as seen in exhibit III, includes 314 total parcels, 127 acres, and 1.53 million built square feet with a density of roughly 12,000 SF of built space per acre and development totaling \$77.3 million in total assessed value (Stanly County Tax Assessor, 2014). This study area represents the vast majority of downtown and what is generally considered the "core" of Albemarle. To the southeast of the study area shown in exhibit III, a large cluster of retail space serves the city and much of the surrounding county, which will be explained further later in this report. Appendix exhibit A shows a breakdown of properties by land use in the study area indicating that the downtown is largely comprised of commercial, public-owned or church-owned properties (i.e. "exempt"), with some

residential parcels in the northwest and southeast portions of town. An examination of average taxable values per square foot across the study area, as seen later in exhibit VI, shows that government and institutional space represents the highest value space in Albemarle, which is consistent with Albemarle as the seat of Stanly County where significant investment has been made in public buildings within the downtown.

In order to implement redevelopment at both the property-specific and district level, it's important to understand what groups or individuals will be integral to negotiations and participating in potential land assemblage scenarios. Exhibit IV shows a detailed breakdown of ownership across the study area, showing that ownership is fairly concentrated with over 50% of the study area owned by the top 15 landowners in Albemarle. Uwharrie Bank is the largest landowner on a square footage basis owning 15% of total square footage in the study area, driven by their headquarters, ownership of the Albemarle Hotel, as well as other significant holdings throughout downtown. Other significant landowners include public groups such as the county, the city school system and the city itself, which is expected given that Albemarle is the seat of Stanly County. Looking at the five largest landowners on a property count basis, the local Hearne Family stands out as top landowner with 19 properties, which is consistent with our knowledge of the city's history and conversations with city officials who confirmed that the family has been a significant landowner dating back to its incorporation in the 1800s (Stanly County Tax Assessor, 2014).

Exhibit IV: Top 15 Landowners in Study Area by Built Square Feet

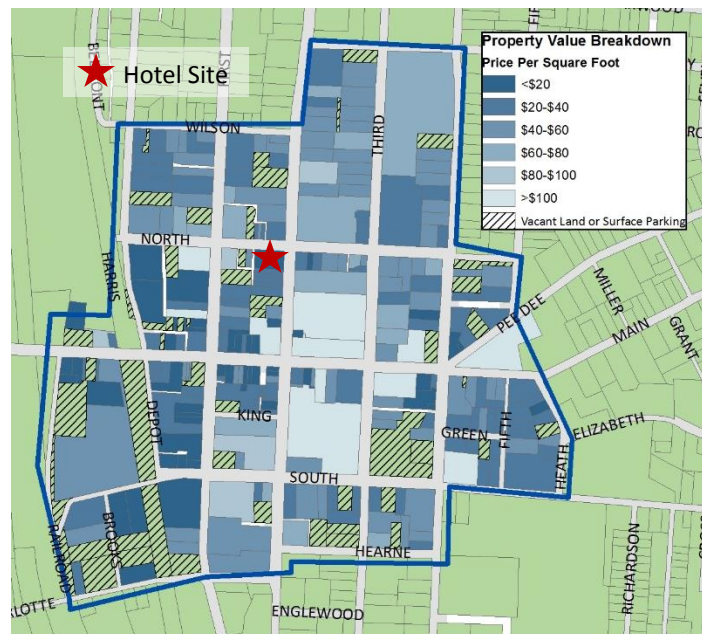
Property Owner (ranked by SF ownership)	Total Square Footage	Total Parcels	Total Acreage	Total Tax Value
1 UWHARRIE BANK	123,356	15	4.5	\$ 3,926,369
2 STANLY COUNTY	103,323	6	7.4	\$ 14,900,407
3 ALBEMARLE CITY SCHOOLS	97,596	1	6.0	\$ 7,197,552
4 CITY OF ALBEMARLE	91,767	8	7.4	\$ 7,270,482
5 HEARNE DAVIDSON RITCHIE	79,723	19	4.8	\$ 1,446,540
6 FIRST PRESBYTERIAN CH ALB NC	58,110	2	1.0	\$ 3,554,446
7 BANAKES DEAN E	35,620	3	1.5	\$ 589,191
8 ATLANTIC PACIFIC HOLDINGS LLC	32,823	3	0.7	\$ 739,156
9 STANLY COUNTY NEWSPAPERS INC	30,287	2	1.3	\$ 385,494
10 STANLY HARDWARE CO	30,220	2	1.3	\$ 345,349
11 FIRST BAPTIST CHURCH OF ALB	29,124	1	2.5	\$ 2,184,092
12 LOWDER W HORACE ET AL	27,020	1	0.4	\$ 84,330
13 STANLY HERITAGE PROPERTIES LLC	20,340	2	0.4	\$ 449,791
14 TREECE CONSTRUCTION	20,170	7	2.4	\$ 658,948
15 HOME SAVINGS BANK OF ALBEMARLE	19,140	2	0.8	\$ 2,272,528
TOTAL	798,619	74	42	\$ 46,004,675

Source: Stanly County GIS Database

Many factors can contribute to disinvestment within a downtown, but one common metric to quantify this level of disinvestment is to assess the level of property “underutilization” or “distress” based on

property value per square foot (Development Finance Initiative , 2015). A review of assessed property value per square foot in the downtown study area, as seen in exhibit V, indicates that over 53% of parcels in downtown are assessed at less than \$40 per square foot, represented largely by commercial

Exhibit V: Property Value Assessment



Source: Stanly County GIS Database

and on-the-ground property assessment to truly ascertain a reasonable level (Development Finance Initiative , 2015). Part of understanding an appropriate “distressed” threshold also involves understanding county-level methodology in arriving at assessed property value, which in many cases is formulaic based on predetermined neighborhood characteristics, not representative of assessed market value and potentially misleading (Stanly County Tax Assessor, 2014). Therefore, while evaluating assessed property value per square foot provides helpful context when assessing a study area, it is important to understand its inherent limitations. As part of DFI’s analysis of downtown Albemarle, a driving tour was performed to assess a pre-determined list of downtown properties identified as “distressed”, defined as below \$30 per square foot. It was found that many properties valued as low as \$22 per square foot, while some vacant, appeared relatively well maintained and having a positive contribution to the downtown (Development Finance Initiative , 2015).

Based on this analysis it is clear that as the city of Albemarle considers options for revitalization and redevelopment in the downtown, given ownership concentration as determined in the above parcel analysis, it is important to understand that likely key partners in addition to Uwharrie Bank, may include the Hearne Family.

space in the downtown, as shown in exhibit VI. The vast majority of the highest-value properties in downtown are city or county-owned structures, with average values at over \$135 per square foot.

Identifying an appropriate dollar-per-square-foot threshold for what constitutes “distressed” can be difficult given that property values across many of North Carolina’s rural counties, like Stanly County, are lower than those seen in more affluent, populated areas like the Research Triangle or Charlotte. In some instances, for projects completed elsewhere in North Carolina \$30.00 per square foot is used as a reasonable level below which a property may be considered “distressed”; however, this is highly dependent on the community and requires both a scan of market pricing

Exhibit VI: Project Area Overview

Albemarle Project Area						
Property Use	Properties (#)	Acreage	Built SF	% of Total Built SF	Tax Value (\$)	Average Value Per SF
Commercial	131	39.9	825,404	53.9%	\$ 25,370,584	\$ 30.7
Residential	116	41.8	262,425	17.1%	\$ 11,357,114	\$ 43.3
Industrial	1	0.7	6,000	0.4%	\$ 71,754	\$ 12.0
Total Private	248	82.4	1,093,829	71.4%	\$ 36,799,452	33.6
Government	7	11.4	159,982	10.4%	\$ 21,676,047	\$ 135.5
Institutional	9	15.5	277,306	18.1%	\$ 17,596,750	\$ 63.5
Total Public	16	26.9	437,288	28.6%	\$ 39,272,797	89.8
Parking	15	3.6	---	---	\$ 411,883	---
Vacant	35	14.0	---	---	\$ 830,950	---
Total Open	50	17.6	---	---	\$ 1,242,833	---
TOTAL	314	126.8	1,531,117	100.0%	\$ 77,315,082	---

Source: Stanly County GIS Database

Market Feasibility Analysis

Findings from the downtown Albemarle parcel analysis provide helpful context for understanding the current uses, ownership and property values in downtown Albemarle. With this understanding, the next step performed in this set of analysis involves a market feasibility analysis to understand viable redevelopment options for the Albemarle Hotel. The following analysis evaluates current market conditions across the City of Albemarle and Stanly County, looking at residential, office, retail and hotel uses, to inform what may be a viable redevelopment scenario for the Albemarle Hotel.

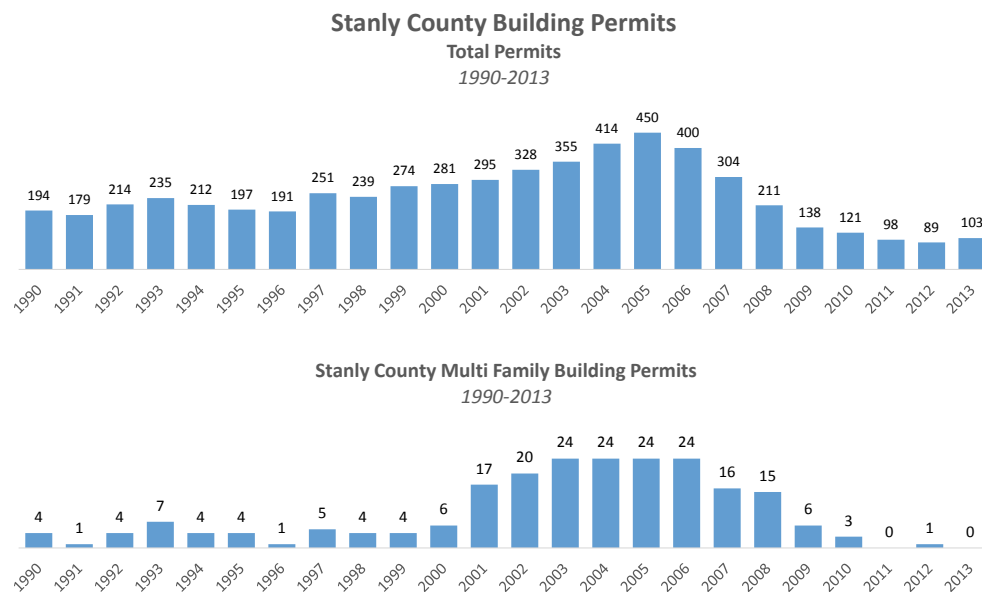
Residential

With a population of roughly 16,100 residents as of 2014, the City of Albemarle represents roughly one-quarter of Stanly County's total population. Given this significant share, for the purposes of this analysis the City of Albemarle is identified as the primary residential study area (Primary Study Area), estimating that roughly 70-80% of residential demand will be derived from this area. The remaining study 20-30% of residential demand is expected to be sourced from cities and towns elsewhere throughout Stanly County more broadly (Development Finance Initiative , 2015). As of the 2014 U.S. Census American Community Survey, median household income in Albemarle was roughly \$36,000, below the county-wide median of \$44,000, with an average home value of roughly \$168,000, also below the county-wide average of roughly \$174,000 (U.S. Census Bureau, 2014).

Exhibit VII shows that total building permits across Stanly County have tapered off considerably since the 2008 Housing Crisis, as seen throughout much of the United States, with virtually no multi-family permits issued in Stanly County over the past few years (U.S. Census Bureau , 2014). A study of Albemarle's existing residential housing supply by DFI shows that virtually no new, high quality residential property has been developed in the city for years, aside from low income housing, senior assisted living and a single, 5-unit, for-sale apartment project on the edge of Albemarle's downtown (Development Finance Initiative , 2015).

Appendix exhibit B shows that population growth projections for Albemarle and Stanly County over the next 5 years are modest at 1.1% and 1.7%, respectively, equating to less than 0.25% growth per year in Albemarle. Performing a simple capture rate analysis based on the current share of residential housing in the City of Albemarle, as derived from Stanly County tax assessor data, combined with 5 year housing unit projections provided by the U.S. Census Bureau, it is estimated that downtown Albemarle will see modest growth of roughly one housing unit per year over the next five years (U.S. Census Bureau, 2014). Given these projections and the context of growth trends throughout Stanly County, the demand for residential housing in Albemarle is modest, with some potential for high quality new development given the complete lack of new, high quality supply added.

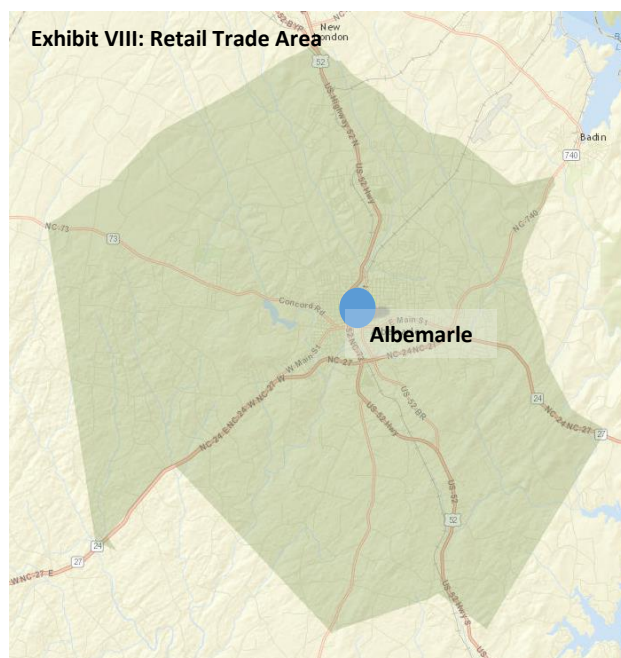
Exhibit VII: Building Permits



Source: U.S. Census Bureau Building Permit Database.

Retail

Located just outside of Albemarle's historic downtown, along Route 73, is a large retail center comprised of several "big box" retailers such as Walmart Supercenter and Lowe's Home Improvement Center, as well as dozens of smaller scale retailers and chain restaurants. The size and scale of this retail node represents the largest retail hub in the county and one of only a few places where "big box" retail is available. Based on a comparison of county and city retail sales data provided by Esri Business Analyst, it is estimated that the City of Albemarle represents roughly 60% of all of



Stanly County's retail trade (U.S. Census Bureau , 2014). Given the scale of retail space offered in Albemarle, for the purposes of this analysis a relevant retail trade area was defined as a 10 minute drive-time from downtown Albemarle, as shown in green in exhibit VIII. A ten minute drive time from downtown Albemarle captures a significant portion of Albemarle and surrounding residents while not capturing other second level towns in Stanly County such as Badin, Locust, Norwood and Oakboro, where other small scale retail is provided.

Using the trade area defined in exhibit VIII a retail gap analysis was performed which found that a \$133 million trade surplus exists across all retail trade and food & drink categories. A trade surplus may indicate that residents from outside the trade area are coming into the trade area to shop, which is consistent with the notion that Albemarle serves as Stanly County's primary retail hub. Further analysis indicates that approximately 45 square feet of retail space exists per person within the retail trade area. A simple calculation applying this ratio to estimated U.S. Census population growth projections over the next five years, indicates that approximately 10,500 SF of additional, new retail space may be supported (U.S. Census Bureau , 2014). While this analysis is relatively blunt, it very simply shows that growth across the county is limited and additional demand for retail space is relatively low; however if growth in retail space were to occur in Stanly County, Albemarle is the center of retail trade and where that growth would occur (Development Finance Initiative , 2015).

Office

An examination of Stanly County property records indicates that roughly 50% of all dedicated office space within Stanly County is located in Albemarle, which is consistent with the city's role as the county seat (Stanly County GIS Department , 2015). Job growth projections as provided by the North Carolina Department of Commerce indicate that Stanly County is expected to see modest 11.5% job growth over the next 10 years, equating to less than 1% growth in jobs annually (North Carolina Department of Commerce , 2013). Further analysis indicates that over the next 10 years less than 260 net new jobs are expected to be added in office-occupying industry sectors such as information, professional scientific and technical services, management of companies and enterprises and finance and insurance (North Carolina Department of Commerce , 2013). Based on a simple capture rate analysis combining these job growth projections and an assumption of 215 SF of office space per employee, indicates that over 5 years roughly 14,000 SF of projected new square footage may be demanded in Albemarle (Development Finance Initiative , 2015). While these estimates are modest at less than 3,000 SF per year, given Albemarle's prominence as the county seat, any office demand in the county will likely occur in the city.

Hotel

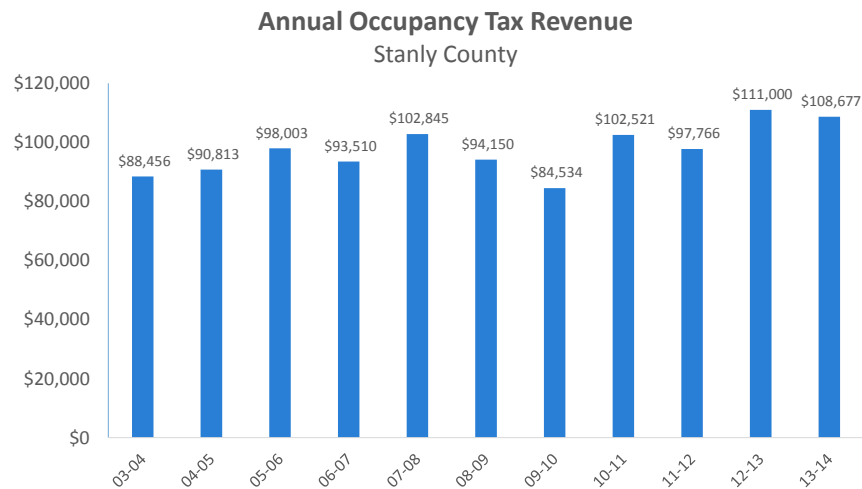
A review of existing hotels in Stanly County indicates that there are approximately eleven hospitality-related establishments, seven of which are located within Albemarle, as seen in exhibit IX. The average daily rate across all establishments is roughly \$76 dollars, with most hotels having been built over 15 years ago. A review of Stanly County occupancy tax revenue, as seen in exhibit X, indicates that while revenues fell following the 2008 crisis, they have continued to grow above levels seen in years past. Despite this trend, given that 404 hotel rooms already exist in Albemarle, representing 91% of all rooms in the county, demand for a hotel in downtown Albemarle is difficult to justify given expense associated with a full hotel redevelopment and would likely be difficult to attract a hotel developer.

Exhibit IX: Stanly County Hotels

Name	Location	Type	# Units	Average Rate	Distance to Downtown Albemarle (miles)	Date Built
Quality Inn Albemarle	Albemarle	Hotel	108	\$ 81	2.1	1988
Americas Best Value Inn	Albemarle	Hotel	33	\$ 55	2.1	1995
Heart of Albemarle Motel	Albemarle	Motel	85	\$ 45	0.4	1966
Badin Inn & Gold Club	Badin	Resort	12	\$ 110	7.4	1913
Sleep Inn & Suites Albemarle	Albemarle	Hotel	57	\$ 93	2.7	N/A
Holiday Inn Express	Albemarle	Hotel	61	\$ 112	2.7	2001
Best Western Albemarle Inn	Albemarle	Hotel	49	\$ 114	2.1	1995
Pineview Motel	New London	Motel	10	\$ 40	11.1	N/A
Garden Inn	Richfield	Motel	12	\$ 40	10	N/A
The Fork Lodge Bed and Breakfast	Norwood	B&B	4	\$ 113	16.6	N/A
Ritchie's Motel	Albemarle	Motel	11	\$ 38	2.5	N/A
TOTAL			442	\$ 76	5.4	
Albemarle-only			404	\$ 77	---	

Source: Stanly County Office of Tourism

Exhibit X: Stanly County Occupancy Tax Revenue



Source: City of Albemarle Office of Tax Collection

Rental Pricing

An in-depth review of rental pricing was performed by surveying residential and retail space throughout Albemarle and the immediate surrounding communities, as well as engaging in conversations with local real estate brokers to confirm and refine these findings. As expected and seen in the table below, through this survey it was determined that rental rates in Albemarle are low, likely below levels that could support redevelopment on the hotel site:

Building Use	Average Annual Rent Per Square Foot
Residential	\$8-10

Retail	\$7-9
Restaurant	\$8-10

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

It should be noted that the quality and type of space proposed as part of redevelopment of the Albemarle Hotel is not seen elsewhere in Stanly County and therefore current rents in the county are not indicative of those to be expected at the Albemarle Hotel.

Redevelopment Analysis

Baseline Redevelopment Recommendation and Analysis

Despite the somewhat bleak demand and pricing outlook across Albemarle most markets throughout Stanly County, given the hotel site's prominent location in the heart of Albemarle's downtown, commitment and support by both private sector owners and public sector stakeholders, and a growing interest in downtown living across much of the United States, there is an opportunity to create a new market in downtown Albemarle through redevelopment of the Albemarle Hotel. A public-private partnership taking advantage of city, state and federal subsidies as well as private sector contributions can facilitate a mixed use redevelopment that will revitalize the Albemarle downtown.

Program

Based on key findings in the market feasibility study and a review of the hotel's current floor plan indicate that the building could support the following approximate use mix:

Program Component	Unit Count
Residential	18 units
	12, 1-Bedroom, 600 SF
	6, 2-Bedroom, 800 SF
Retail	4 retail storefronts
	3,235 SF total
Restaurant or Brewery	2 floors
	4,200 SF
Basement Storage	22 storage pods (residents & retail)

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

Note that the proposed program above calls for all residential units to be market rate *rental* apartments; however, based on conversations with Uwharrie Bank, there may be interest in selling all units in the building as condominiums (both residential and retail stalls). Cash flow analysis performed later in this report will model disposition of the hotel as condo units, which will be explained in greater detail in that portion of the report.

Capital Budget

Any redevelopment of the Albemarle Hotel will require a substantial investment incorporating significant rehabilitation of the roof and windows, full interior demolition and installation of an elevator, among other investments. Based on the projected mix, there will be significant costs associated with

retail and restaurant up-fit, adding to the already hefty proposed budget. A summary of these redevelopment costs are provided in the table below:

	Estimated Cost
Building Acquisition	\$300k *
Total Construction Hard Costs	\$3.1M
Total Soft Costs	\$360k
Developer Fee	\$635k
Operating Reserve	\$36k
Total Development Costs	\$4.7M **

* Estimated fair market value (Dick, 2015)

** Including acquisition and developer fee.

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

These total development costs equate to roughly \$165 per square foot.

Proposed Pricing and Projected Revenue

Given that the Albemarle Hotel redevelopment will represent a catalyst project in downtown, creating a new market, it is expected that the project will capture above market rents. Based on the DFI team's experience working in distressed communities across the state, facilitating transformative projects, it is estimated that rents on the site could command a 20-30% premium to average pricing across the county (Development Finance Initiative , 2015). The table below provides a summary of expected rental revenue to be generated in the redeveloped Albemarle Hotel and what has been modeled in the pro forma cash flow analysis to follow.

	Price Per Square Foot (Annual)	Estimated Gross Rental Revenue (Annual)
Residential	\$12.00	\$144,000
Retail	\$10.00	\$32,000
Restaurant	\$10.00	\$42,000
Storage	\$6.00	\$26,000
TOTAL		\$245,000

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

While initial cash flow modeling of the Albemarle Hotel has focused on rental apartment units, given Uwharrie Bank's expressed interest in a condo disposition scenario, below is a summary of expected condo pricing based on market analysis and other comparable projects in central North Carolina.

	Sale Price per Square Foot
Residential Condos	\$250
Retail Space (For Sale)	\$125

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

Given the above rental rate premiums, it is projected that annual gross rental revenue across all uses of the proposed hotel redevelopment will total \$245,000, based on the mix of residential, retail, restaurant/brewery and storage unit rents. For cash flow pro forma modeling purposes, a year 1 vacancy rate of 50% has been assumed, with a long-term stabilized vacancy of 10%. These vacancy rates reflect

relatively conservative assumptions indicative of the risk inherent developing within a community like Albemarle (Development Finance Initiative , 2015). Based on these assumptions, the program is projected to achieve the following stabilized, year-2 gross revenue, expenses and net operating income:

	Stabilized Year-2
Effective Gross Income	\$234k
Annual Operating Expenses	\$61k
Net Operating Income	\$173k

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

Baseline Gap Financing: Tax Credits, Deferred Fees and Mezzanine Financing

Historic Tax Credits

Given the Albemarle Hotel's historical significance and prominence in downtown it is a prime candidate for tax credit financing, one of the most effective financing tools available to make redevelopment of the hotel feasible. Eligibility for federal and state credits require that the building be listed as a historic structure on the local or national register of historic places, or is designated as a contributing structure to either a local or national historic district (National Park Service , 2015). At present the hotel is listed as a contributing structure in both the national and local historic districts in downtown Albemarle, so is eligible for federal and state credits. As a designated historic property there are a number of restrictions regarding modifications that can be made to the exterior (and often interior) of the building, or that require a certificate of appropriateness issued by the local historic commission (NC SHPO, 2015). Additionally, any project that uses historic tax credit financing must be held for a minimum of 5 years by the initial owner/developer in order to retain project tax credit equity (NC SHPO, 2015).

Tax credit financing has become a highly effective tool in preserving historic properties by closing the often large funding gap that exists for historic projects where redevelopment costs are high and funding capacity is very low. Federal tax credits in the amount of 20% of qualified rehabilitation expenditures (QRE) are awarded to specific historic redevelopment projects across the country by the National Park Service. While the 20% federal historic tax credit program is alive and well in the United States, the North Carolina state credit program (previously a 20% credit) expired in December of 2014 and has not been reinstated (NC SHPO, 2015). New legislation is currently before the North Carolina general assembly proposing reinstatement of the credit in 2015. Given past success of the program in North Carolina, preservation experts are optimistic the program will be reinstated (Triangle Business Journal, 2015). Once tax credits have been secured for a specific projects, developers can sell their credits through a syndication process in exchange for up front equity (National Park Service , 2015). For the purpose of this analysis, both federal and state level historic tax credits have been incorporated into this cash flow modeling. Below is a summary of the total historic tax credit equity available to the project based on its total qualified rehabilitation expenditures (QRE) and tax credit pricing at \$0.95 and \$0.80 per dollar for federal and state credits, respectively.

Federal Historic Tax Credits		
Qualified Rehabilitation Expenditures	\$	3,816,514
Historic Tax Credit %	20%	
Historic Tax Credits	\$	763,303
Historic Tax Credit Price	\$	0.95
Net Federal Historic Tax Credit Equity	\$	725,138
State Historic Tax Credits		
Qualified Rehabilitation Expenditures	\$	3,816,514
State Historic Tax Credit %	20%	
State Historic Tax Credits	\$	763,303
State Historic Tax Credit Price	\$	0.80
Net State Historic Tax Credit Equity	\$	610,642
Total Tax Credit Equity	\$	1,335,780

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

Estimated total historic tax credit equity available for the project amounts to over \$1.3 million, providing a significant source of equity financing to enhance project feasibility.

Deferred Developer Fee

As a means of further reducing up front equity required of project investors, the project developer may choose to defer a portion of their development fee allowing the deferred portion to be paid out at disposition (i.e. an equity stake in the project). By doing so the developer reduces a significant capital budget cost item and ongoing operating expense, thereby increasing project feasibility and reducing overall risk of the project. Exact terms and payout schedule of a deferred fee would be negotiated through any development agreement between the property owner and the selected developer. Since the developer is taking on additional risk by deferring their fee as equity into the project, a higher developer fee is typically assessed (Development Finance Initiative , 2015). For the purposes of this analysis, a 20% developer fee is assumed, assessed on the project's total development costs, equating to roughly \$635,000 (Development Finance Initiative , 2015). For purposes of this analysis it is assumed that 80% of the total developer fee will be deferred, equating to roughly \$508,000 in deferred fees or up front equity to the project. Note that later in this report the developer fee is referred to as a "source" of project funds given that fee deferment reduces up font equity required for the project.

Permanent Financing

Based on estimated project revenues as highlighted above, it was determined that the maximum permanent loan amount available for a project of this scale and cash flow profile is roughly \$1.9 million (Development Finance Initiative , 2015). This loan amount was determined as the most conservative of three approaches to loan sizing: stabilized NOI method, loan-to-value method (LTV) and loan-to-cost method (LTC). Each method, along with assumed loan terms, is outlined in the exhibit below.

Loan & Financing Assumptions	
	Permanent
Interest Rate	3.50%
Amortization (Years)	25
Desired DSCR	1.20
Actual LTV	85%
Actual LTC	47%
Loan Amount	\$ 1,947,797
Annual Debt Service	\$ 117,014
<u>Stabilized NOI Method</u>	
Stabilized NOI (Bef DS)	\$ 172,880
Annual DS	\$ 144,067
Monthly DS	\$ 12,006
Implied Loan Size	\$ 2,398,125
<u>LTV Method</u>	
Stabilized Valuation	\$ 2,305,071
LTV	80%
Implied Loan Size	\$ 1,844,057
<u>LTC Method</u>	
Total Cost	\$ 4,122,734
LTC	75%
Implied Loan Size	\$ 3,092,051

Source: Development Finance Initiative, UNC Chapel Hill's School of Government

Note: Eligible permanent loan amount based on lowest implied loan size of the three loan methods. "Loan Amount" also includes total bridge loan interest as modeled in the construction cash flow portion of this analysis. Note the stabilized valuation method assumes valuation of the property at a 7.5% cap rate.

Mezzanine Financing

Despite significant up front equity sources provided through historic tax credit equity and a deferred developer fee for the project, all totaling \$1.8 million, as well as permanent financing in the amount of \$1.9 million, a gap remains to cover the project's \$4.4 million in development costs. Within this pro forma cash flow analysis it is expected that the remaining gap can be covered through mezzanine financing. Mezzanine debt is a form of financing subordinate to a permanent loan, often with interest-only terms at rates higher than most permanent mortgages (Watkins, 2003). For the purposes of this analysis an interest-only mezzanine loan has been modeled at 10% interest (Development Finance Initiative , 2015). Based on conversations with Albemarle city officials and members of the Uwharrie Bank team, it is expected that this loan could potentially be sourced from wealthy and engaged community members who have an interest in redevelopment of the hotel, or a high quality bank lending partner (Dick, 2015).

Baseline Feasibility and Return Expectations

Under a baseline redevelopment scenario, based on a 6-year hold condo disposition, the Albemarle Hotel project is infeasible. Below is summary of key inputs to this baseline analysis, followed by expected returns to the project.

Sources			Uses		
Deferred Developer's Fee	11%	\$508k	Acquisition	7%	\$300k
HTC Equity	29%	\$1.3M	Hard Costs	70%	\$3.1M
Mezzanine Loan	16%	\$694k	Soft Costs	8%	\$360k
Loan	44%	\$1.9M	Other Costs	15%	\$670k
Total Sources	100%	\$4.4M	Total Uses	100%	\$4.4M

	Stabilized Year 2
Effective Gross Income	\$234k
Annual Operating Expenses	\$61k
Net Operating Income	\$173k

Based on these baseline input assumptions, the Albemarle hotel project is insolvent, unable to service its permanent and mezzanine debt obligations given the project's relatively low net operating income and significant debt service requirements (Development Finance Initiative , 2015). Given this, additional cash flow subsidy mechanisms will be required to increase cash flow and make the project feasible. Once solvency is achieved, the project must also realize a sufficient IRR to attract a developer. Based on DFI's experience working with similar development projects throughout the state, it is understood that private sector developers seek project returns of 17% - 20% in order to take on the risk of development, particularly in a community like Albemarle where market risks are potentially greater (Development Finance Initiative , 2015).

Additional Gap Financing Measures through a Public-Private Partnership

Given the high redevelopment costs and relatively low operating income commanded by the Albemarle Hotel project, redevelopment of the site requires contributions from both public and private sector participants to ensure its success. Through extensive engagement with Albemarle city officials and Uwharrie Bank leadership, it is clear that both parties are committed to redevelopment of the site as a catalyst for downtown community revitalization and willing to engage in a partnership that will ensure its success. The following represents a menu of additional public and private sector gap financing participation options identified as potential components of a redevelopment public-private partnership:

Public Gap Financing Options

- *Operating Grant: Albemarle Downtown Area Revitalization Program (ADAR)*
 - The purpose of Albemarle's ADAR Program is to encourage/promote infill growth with historic preservation and new commercial development, including mixed use, within Albemarle's Municipal Services District (MSD). The operating grant is also provided to to improve the appearance and viability of the downtown MSD.
 - The ADAR provides an incentive in the form of a 5-year operating grant distributed through reduced property taxes paid by the owner to the city and county (beginning in year 2 of the project).

- The value of this grant, as established by the Albemarle City Council, is set at \$0.56 per \$100 of property valuation (100% of city property taxes) as well as \$0.10 per \$100 of property valuation (100% of MSD taxes) of the difference between the current or pre-construction appraised tax value of parcel(s) of a property and the post-construction appraised tax value of same said parcel(s).
- *Historic Landmark Status*
 - Conferring local Landmark Status implies that a property has significant historic value to a community and that the integrity of the property should be preserved into the future.
 - Local historic landmarks are sites designated by a local governing body (Albemarle City Council) following the study and recommendation of the site by an appropriately appointed local historic commission (Albemarle Historic Resources Commission).
 - In order to preserve local landmarks, owners of these properties are limited in their ability to make exterior alterations:
 - Owners of landmark properties must receive approval in the form of a certificate of appropriateness (COA), by a local historic commission, for any exterior changes to the property.
 - Historic landmark properties are subject to a 365-day stay on all demolition requests.
 - The benefit of local landmark status is that the property owner receives a 50% property tax deferment as long as the property maintains its historic landmark status. Local Landmark Status reduces taxable value of the property by 50% so any special taxes (i.e., Municipal Services District or MSD) are also reduced. The value of these deferred taxes are held as a lien against the property; should the property lose its status (in situations other than fire or natural disaster), deferred taxes for the previous three years are payable by the owner.

Private Gap Financing Options

- *Property Contribution as Equity*
 - Uwharrie Bank, as owner of the Albemarle Hotel, may contribute the hotel property as equity into redevelopment of the property, versus outright sale of the building to the redevelopment partner. This allows the bank to maintain a stake in the project while contributing to the project's overall feasibility by reducing the outright, upfront cost to the developer.
- *Permanent Lending Partner*
 - Uwharrie Bank, as a community lending partner, may provide a project loan to the redevelopment partner once identified. Sourcing a lender in any development project is a major concern and challenge, therefore having a lending partner confirmed early on in the project significantly reduces overall financing risk to the development partner.

Other Financing Options (Source to be determined)

- *Mezzanine Financing*
 - While other above-mentioned financing mechanisms will reduce the financing gap, a mezzanine loan may act as a necessary component of the overall redevelopment scenario to close that gap. This loan may be provided by either a public or private sector participant, the terms of which can be determined once a development agreement has been established.

Public-Private Partnership

Partnerships Structure and Components

Based on a revised 6-year hold, condo disposition scenario analysis performed by the Development Finance Initiative, it was determined that all five of the above-mentioned gap financing mechanisms are required to achieve a viable redevelopment project for the Albemarle Hotel (Development Finance Initiative , 2015). While the assembling of these financing contributions do not represent a true-form public-private partnership, as defined earlier in this report whereby ownership is shared between stakeholders, commitment by both parties in the form of financial contribution through a partnership are essential to make this project possible. Based on this analysis, without the public sector's grant contribution and permanent historic landmark tax reduction, Uwharrie Bank would be unable to close the financing gap and attract a private sector developer to move the project forward.

Below is a more detailed summary of each gap financing participation component included in the project's redevelopment model, followed by a detailed breakdown of project sources and uses as well as expected returns.

- *ADAR Operating Grant:* Implementation of Albemarle's ADAR operating grant results in over \$62,000 in tax savings (city and county) for five years of the project's life (beginning in year two), increasing the project's operating revenue. This reduction in tax liability increases the project's overall net operating income, allowing the project to cover its debt service obligations.
- *Landmark Status:* By designating the property as a historic landmark, the project is able to save roughly an additional \$80,000 in tax savings over the six year period before disposition, increasing project operating revenue. Over the longer 20-year period modeled as part of this cash flow analysis, the project is estimated to save over \$385,000 in tax expense, 50% of which would have been paid in taxes over the period otherwise.
- *Property Contribution:* Based on tax records the Albemarle Hotel is currently assessed at roughly \$250,000 (Stanly County Tax Assessor, 2014). Furthermore, based on conversations with Uwharrie Bank members, it is estimated that a reasonable appraised fair market value for the building is \$300,000 (Development Finance Initiative , 2015). This cash flow analysis has assumed that Uwharrie Bank will contribute the building as equity into the project at its estimated fair market value of \$300,000, providing yet another reduction in upfront equity required to execute the hotel project.
- *Permanent Lending Partner:* While there is no tangible increase to returns by securing a lending partner early on in the development process, having a confirmed project lending partner significantly reduces overall project risk and helps attract a private sector developer. Uwharrie

Bank leadership has indicated they would potentially participate as lending partner on the project, after an extensive vetting process both by the DFI team to determine the developer's development experience and ability, as well as the bank's credit team to determine the developer's financial capacity to provide a personal guarantee (Dick, 2015). As a community lender Uwharrie Bank has participated in a number of projects in and around Albemarle as the primary lender (Uwharrie Bank, 2015). Based on incorporation of other above-mentioned gap financing mechanisms, it is determined that the project could support a \$2.2 million permanent loan based on a loan-to-value of 80% and stabilized NOI valuation based on a 7.5% exit capitalization rate.

- *Mezzanine Financing:* Incorporating of a mezzanine loan, sourced from local community members or perhaps a local bank (e.g. Uwharrie Bank), can provide additional financing required to ensure project feasibility. Based on this analysis a gap of roughly \$136,000 remains, which has been modeled as an interest-only mezzanine loan at 10% annual interest.

Project Returns

Below is a detailed summary of project sources and uses, operating revenue and projected returns, incorporating these gap financing mechanisms.

Sources			Uses		
Deferred Developer's Fee	12%	\$509k	Acquisition	0%	N/A*
HTC Equity	31%	\$1.3M	Hard Costs	75%	\$3.1M
Mezzanine Loan	3%	\$136k	Soft Costs	9%	\$377k
Loan	54%	\$2.2M	Other Costs	16%	\$672k
Total Sources	100%	\$4.1M	Total Uses	100%	\$4.1M

* Analysis assumes property contribution as equity from Uwharrie Bank (\$300,000).

	Stabilized Year 2
Effective Gross Income	\$234k
Annual Operating Expenses	\$36k
Net Operating Income	\$198k

Based on these project inputs, the Albemarle Hotel project is able to achieve nearly a 19% IRR assuming a condo disposition in year 6 based on sale price per square foot figures highlighted earlier in this analysis.

Gross Sale Proceeds	\$4.1M
Net Sale Proceeds to Equity Investors *	\$1.9M
Project IRR	18.6%
Equity Multiple	2.75x

* Accounts for permanent loan payback of \$1.9M, balloon mezzanine loan payback of \$136,179, 3.00% cost of sale at roughly \$123,000.

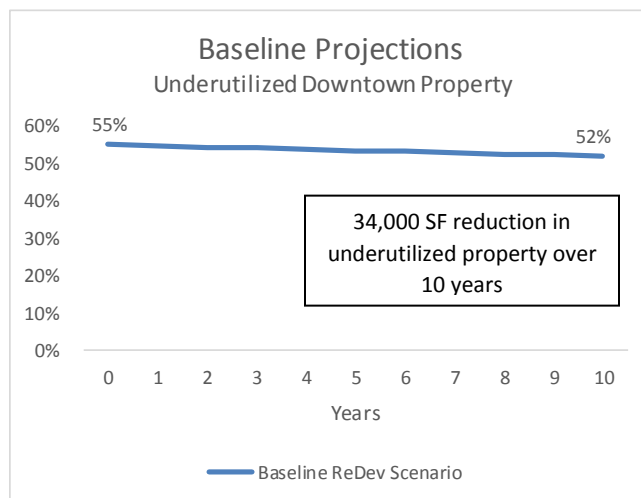
Based on this analysis it is determined that the Albemarle Hotel project is feasible when a public-private partnership is established whereby participants provide financial contributions to reduce the project's financing gap and overall risk.

Stakeholder Benefits

After sitting vacant for over fifteen years with multiple redevelopment attempts over that period, it has become clear that a partnership of public and private sector contributions is essential to the success of this project. Through a public-private partnership, this analysis indicates that redevelopment of the Albemarle Hotel can be financially profitable for all stakeholders involved. As owner of the property Uwharrie Bank would benefit financially by contributing the hotel as equity into the project, as well as through collection of interest and fees should they participate as the project's lending partner.

From a public sector perspective, as one of the largest and most iconic structures in the downtown, redevelopment of the building will not only bring increased resident and visitor traffic to the downtown, as well as increased property tax revenue (even when factoring in the grant and landmark tax reductions), it will serve as a primary catalyst for redevelopment in the city's downtown. Baseline development projections based on the current pace of development in Albemarle, as determined in DFI's market feasibility analysis, indicate that if redevelopment continues to occur at its current pace the level of distressed or underutilized properties in the downtown will remain essentially the same over the next 10 years. Exhibit XI below shows that under the current baseline scenario, downtown will see a modest 3% reduction in underutilized square feet, or a total of 34,000 square feet.

Exhibit XI: Projected Downtown Albemarle Underutilization



Source: Development Finance Initiative, UNC Chapel Hill's School of Government.

Note: Represents baseline redevelopment in downtown Albemarle based on current pace of development as determined through historical market trend analysis.

With over 27,000 square feet of total space, based on these projections the single Albemarle Hotel project could represent redevelopment that would otherwise take nearly eight years to complete under the current pace of baseline development in downtown. At such a large scale, the Albemarle Hotel could serve as the transformative project in downtown to catalyze widespread revitalization.

Conclusion and Lessons Learned

While the Albemarle Hotel Project is currently still in process and the public-private partnership continues to evolve, a few key lessons have emerged early on, which may inform best practices for applying this model to similar projects elsewhere in other communities.

Clear Shared Vision: From day one of DFI's engagement with the City of Albemarle and Uwharrie Bank as property owner, it has been clear that both were passionate about a transformative project on the hotel site. However, as conversations evolved it also became clear that each stakeholder had slightly different expectations for the project, both in terms of what is feasible and what is desirable on the site. Success of this project and an effective public-private partnership requires that stakeholders clearly communicate their vision for the project and engage in conversations to agree on a shared vision.

Communication is Key: Closely aligned with the previous best practice, it is paramount that communication between stakeholders is open and free. All meetings and presentations held throughout the course of this relationship involved representatives from both stakeholder groups, which ensured that informed decisions were made and that feedback from each participant directed how the project moved forward.

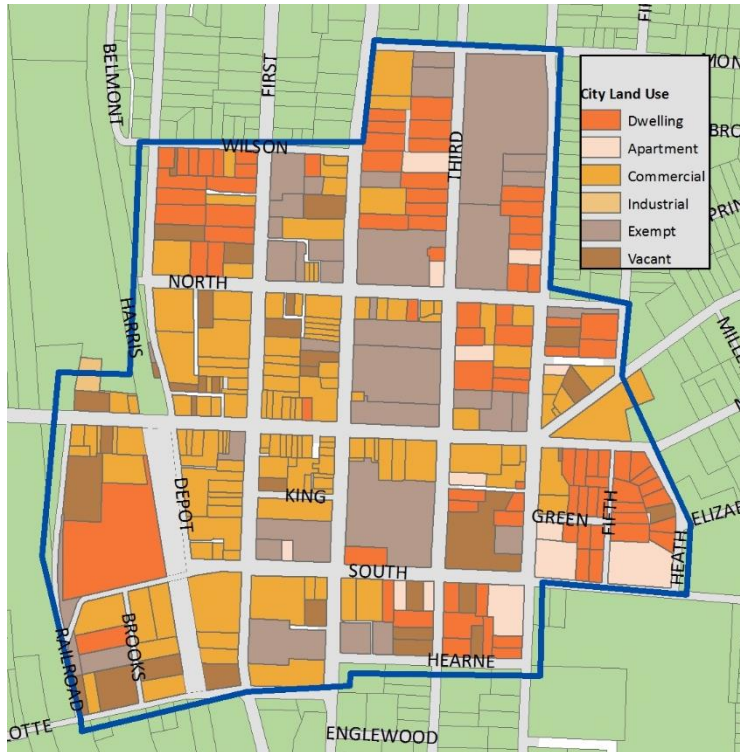
Digging for Details: Often times in small communities where development activity is sparse or where resources are limited, knowledge of capacity for public sector contribution can be limited. In the case of Albemarle, due to recent turnover in public sector staff, it wasn't known until relatively late in the process that an operating grant program was available from the city of Albemarle. Working with public sector officials to perform in-depth due diligence on all options available is necessary to determine the best, most viable option available in redevelopment projects like this.

Community Advocates: Thus far the Albemarle Hotel project has benefitted from a number of public sector figures who strongly support the project and have been vocal about its potential success. This positive momentum has benefited progress on the Albemarle project and facilitated its overall viability with the community. Whenever possible, it is important to seek out public and private sector individuals to champion a project as part of building momentum behind a project.

The issues of disinvestment and underutilization that Albemarle currently faces in its downtown are not unique. As the result of shifts in the global economy and still lingering effects of the 2008 financial crisis, many rural communities throughout North Carolina and the United States face very similar challenges. Through innovative public-private partnerships like the one currently in development in Albemarle, NC, cities and towns across North Carolina can achieve their development goals and achieve meaningful community revitalization.

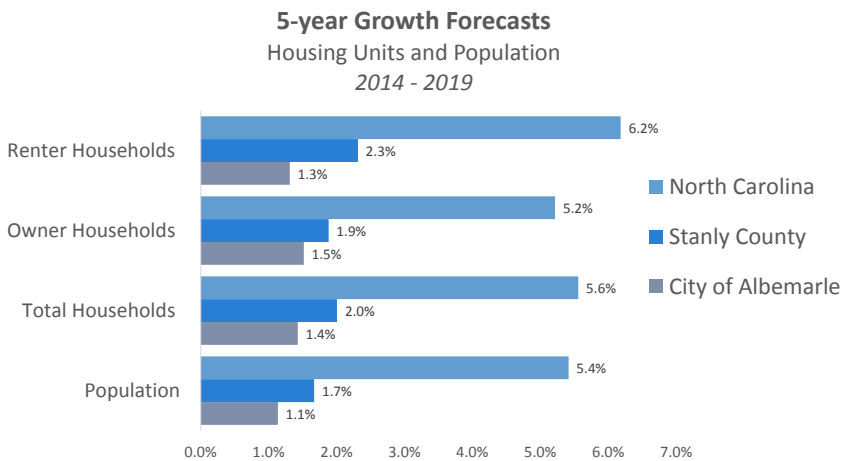
Appendix

Appendix Exhibit A: Land Use Breakdown



Source: Stanly County GIS Database

Appendix Exhibit B: Growth Projections



Source: Esri, Inc., Business Analyst Online, U.S. Census Bureau

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