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Chadbourn Square

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Chadbourn
S Q U A R E

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Development Proposal

Prepared for: The Wellmon Family and Clemson University

Prepared by: Cardinal Development

April 3, 2015

Letter to the Jury

We are pleased to present our practicum project, Chadbourn Square, to you. Thank you for taking time to be part of our capstone experience which marks the pinnacle of our education in the Clemson Master of Real Estate Development (MRED) program. The program would not have gained the reputation that it has achieved over the past decade if not for the generous support of faculty, alumni, advancement board members and friends of the program. We are extremely grateful to all of you for your support.

Our team has been working hard on this proposal over the past few months, and we look forward to your commentary and critiques as both will help us further our knowledge of the real estate development process. This exercise represents the culmination of our time in the program, and we have put together a plan that pulls from all aspects of our academic endeavors. Most importantly, this proposal represents our plan for a new Charlotte landmark to be enjoyed by residents, tenants, and visitors alike.

We firmly believe in the MRED program's ethos which encourages the creation of not just great buildings, but great places. We have made a conscious effort to ensure that this development proposal reflects that sentiment. Chadbourn Square is more than the sum of its individual parts because each building and use will interact with the others in a way that encourages people to enjoy the built environment in a sincere and appreciative manner.

Thank you to the Wellmon family for allowing us to use their property for the creation of this proposal. We hope the family will find value in our proposal, and that it serves as an impetus for many creative and worthwhile conversations about the future of the site. We look forward to seeing what the future holds for Chadbourn Mill.

Sincerely,

Cardinal Development

Blake Muldrow

Michael Simmons

Rob Turk

Purpose

The intent of this academic exercise is to evaluate and present a feasible development project. The data, conclusions, and recommendations are stated assumptions to be interpreted as speculation.

Images & Characters

All characters, logos, or images have been either altered or taken from original sources and are not intended for proprietary use. Characters, logos and images used are properly sourced with the purpose of providing the overall development design. These are not intended to depict actual development designs, but to be used solely in this academic exercise.

Confidentiality Notice & Disclaimer

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This report has been prepared based on assumptions reflected therein believed to be reasonable under existing circumstances and conditions. Nevertheless there can be no assurance that the project will be constructed or operated in accordance with the report.

THE DEVELOPMENT TEAM



Blake Muldrow

Clemson University, B.S. in Construction Science and Management

Blake is from Charleston, South Carolina and graduated from Clemson University with a degree in Construction Science and Management and a minor in Business Administration. He has previous experience with Trident Construction, a commercial contractor in Charleston, SC. In 2014 Blake interned with Johnson Development Associates' multi-family development team in Washington, DC. He oversaw the construction of two luxury apartments totaling 350 units and some of his responsibilities included owner acceptance of 200+ units, construction draw loan approvals, weekly progress reports, and government inspections. Upon graduation he will be joining Homes Urban in Greenville, South Carolina.



Michael Simmons

University of Southern Mississippi, B.S. in Business Administration with Finance concentration

A native of the Mississippi coast, Michael graduated from the University of Southern Mississippi with a degree in finance in 2010. Recently, he's worked with the Atlanta office of Ernst & Young's Transaction Real Estate practice on a variety of valuation engagements. After his first year in the Clemson MRED program, Michael gained real estate development experience with Johnson Development Associates in Spartanburg, South Carolina. At JDA he assisted the finance team which supports the company's active pipeline of multifamily, industrial, and self-storage projects. Michael began his career in Charlottesville, Virginia where he worked for two early-stage technology companies in e-commerce and healthcare software.



Rob Turk

Wofford College, B.A. in History

Rob is from Jacksonville, Florida and is a graduate of Wofford College, where he obtained a B.A. in History. Previous internship experience with 303 Associates, an investor/owner of a diversified portfolio of retail, office, hospitality and residential real estate. Responsibilities included developing multiple Cash Flow models for the company's proposed projects, forecasting future rents, projecting financing terms and reconciling them with brokers, property managers and site visits. Previous work experience as a Financial Solutions Advisor with Merrill Lynch Wealth Management, where he developed extensive relationship skills and the ability to address client needs in a timely and professional manner. Also obtained Series 7 license.

Development Overview



343
APARTMENTS

25,000
SQ FT OF OFFICES

17,500
SQ FT OF ENTERTAINMENT

10,000
SQ FT OF RETAIL/
RESTAURANT

7,500
SQ FT ART
GALLERY

THE RESIDENCES AT CHADBORN SQUARE:

343 Luxury Apartments, Restaurant and Retail

Building 1: Five floors, 60 feet tall, podium construction with wood framing above; 127 units with leasing and amenity space included on the first floor

Building 2: Four floors, 48 feet tall, wood frame construction; 101 units

Building 3: Four floors, 50 feet tall, wood frame construction with steel members in the restaurant space; 115 apartment units, 10 live/work units, restaurant and retail space included on the first floor

Parking: 3 floors, 350 space parking deck; 175 surface parking spaces

THE SMOKESTACK AT CHADBORN SQUARE:

Office, Entertainment and Art Gallery

The existing 120,000 SF Chadborn Mill will be partially demolished and converted into office and entertainment space; this space will be known as The Smokestack at Chadborn Square

First Floor: 25,000 SF total; 17,500 SF entertainment space with full service bar and restaurant, boutique bowling alley, lounge areas and outdoor space; 7,500 SF art gallery fronting North Brevard Street

Second Floor: 25,000 SF office space; floor plans ranging from 2,000-5,000 SF

Site Analysis

Regional Overview

The subject site is located in the Charlotte-Concord-Gastonia, NC-SC Metropolitan Statistical Area (MSA), which comprises seven counties in North Carolina and three in South Carolina. It is the 23rd largest MSA in the United States and has a population of 2.3 million according to the 2013 Census estimates.

Charlotte is the largest city in the state of North Carolina, and serves as the business and cultural capital of the Carolinas.



The Charlotte region is home to eight Fortune 500 companies including Bank of America, Duke Energy, and Lowe's Home Improvement Stores. It is recognized as a major US financial center, and is the second largest banking center in the

country behind New York City. The city also boasts several professional sports franchises including the NFL's Carolina Panthers, the NBA's Charlotte Hornets, and the AAA-baseball Charlotte Knights.



Over recent decades, the Charlotte metropolitan area has continued to become an increasingly dynamic region. It is home to a number of institutions of higher learning,

including the University of North Carolina at Charlotte, Queens University, Johnson C. Smith University, and Davidson College. The city also boasts a number of cultural institutions such as the Bechtler Museum of Modern Art, the Mint Museum, Levine Museum of the New South, NASCAR Hall of Fame, and the Blumenthal Performing Arts Center.

Surrounding Area

The site sits adjacent to the North Davidson (NoDa) Arts and Entertainment District, but is generally considered part of the NoDa neighborhood. The area has experienced a revitalization in recent years with the opening of a number of locally owned restaurants, art galleries, breweries, and bars. The primary area of new development has been along North Davidson Street between 34th Street to the southwest and Mercury street to the northeast. This area is considered the heart of NoDa and has become a destination for all of Charlotte to visit.



Many of these projects have been adaptive re-use projects that have repurposed the old textile mills that exist in the community. For example, Winter Properties converted the abandoned Highland Mill into 166 residential units, and Community Builders is converting Johnston and Mecklenburg Mills into apartments. As a result of this development, NoDa is attracting a new mix of renters and buyers, thus creating growing demand for new product in the area.



Adjacent Land Uses

The site has many unique adjacent uses including a sausage factory, bakery, and residential homes. To the north, on Charles Avenue, are five small residential houses, which appear to be in varying states of disrepair. They date back to when Chadbourn Mill was operational. To the east is Neese's Country Sausage, which is famous for its pork sausage. Amelie's French bakery is to the south along North Davidson Street, and it has become a popular community gathering spot known for its eclectic atmosphere and pastries. Behind Amelie's is a 5 story condominium building that was constructed in 2008. The area is also home to many local breweries, the most notable of which is NoDa Brewing Company, which is just around the corner from Chadbourn. Opposite Jordan Place is NoDa Storage, a single-story industrial complex. To the west are a single-family residence and a supply company.

Subject Property

The subject site, known as Chadbourn Mill, is located at 451 Jordan Place in the NoDa neighborhood in Charlotte, North Carolina. The site consists of six tax parcels (08306707, 08306710, 08306711, 08306708, 08305101, 08305105) totaling 8.43 acres on both sides of Jordan Place. All six parcels are owned by the Wellmon family through a limited partnership entity, Wellmon Family LP. The entity acquired the six parcels with a deed recorded on February 29, 2000. The site is currently zoned I-2 (Heavy Industrial). However, the family recently filed a rezoning petition for the zoning to be changed to TOD-M (Transit Oriented Development - Mixed Use).



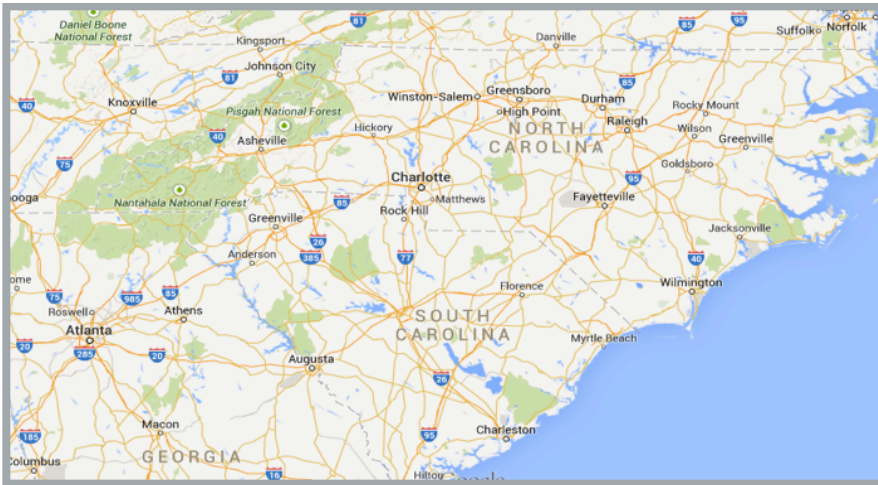
While NoDa has many historic mills, Chadbourn Mill is not in the typical vein of historic mills as much of it was constructed after World War II. Therefore, it does not possess many of the classic hallmarks of surrounding mills.

Currently, there is a 120,000 SF, two-story brick structure and a smokestack onsite. The building has a large, open floor plan but it is easy to see how there were additions on over time. From an architectural standpoint, Chadbourn Mill lacks the characteristics of older, larger mills throughout the south. Chadbourn has few exterior windows making it look similar to an industrial warehouse. The most unique and prominent feature on the site is the Chadbourn smokestack (pictured on the previous page). The smokestack has been incorporated into the design and will be a focal point for people riding the LYNX Light Rail System .



Site Access

Charlotte is served by several major highways. The city is the intersection of Interstate 85 (southwest to northeast) and Interstate 77 (south to north). Interstate 85 stretches from I-65 in Montgomery, Alabama to I-95 in Petersburg, Virginia. Interstate 77 splits from I-26 in Columbia, South Carolina and terminates at I-90 in Cleveland, Ohio. Additionally,



Interstate 485 serves as the “outer beltway” around the Charlotte area while Interstate 277 provides a loop around downtown Charlotte and sits just 2 miles from the site. Other major highways in Charlotte include US Highway 74 (known locally

as Independence Freeway) which begins in Uptown Charlotte and terminates in Matthews, NC. US Highway 29 runs from downtown to the University of North Carolina at Charlotte. The site is easily accessible to each of these major highways; it is approximately ½ mile from Highway 29, 1.5 miles from I-277, 2 miles to Independence Freeway, and less than 3 miles from I-85 and I-77. In addition to the major highways, the site has excellent access to downtown via North Davidson Street and North Brevard Street. It also has great circulation within the surrounding neighborhoods via Matheson Avenue and Norris Avenue.

In addition to the extensive highway system, Charlotte is served by Charlotte-Douglas International Airport (CLT). CLT serves as a hub for US Airways (now American Airlines) and is the sixth-busiest airport in the United States. Airlines offer over 140 nonstop destinations from CLT and an average of 703 flights per day. In addition to passenger travel, United Parcel Service and Federal Express use CLT for shipping operations. The airport is easily accessible from the subject site, sitting approximately 10 miles to the west and reachable by car in less than 20 minutes.

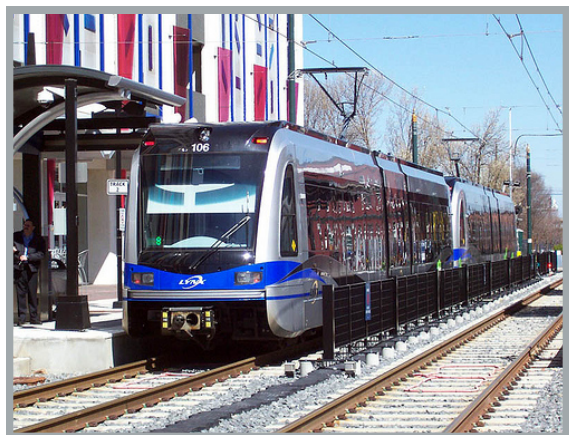
Charlotte, North Carolina is within short distances of several notable cities. It is 90 miles from Columbia, SC; 100 miles from Greenville, SC; 125 miles from Asheville, NC; 150 miles from Raleigh/Durham/Chapel Hill, NC; 200 miles from Charleston, SC; 250 miles from Atlanta, GA. All of these cities are reachable in less than a 4-hour drive time by car.

Public Transportation

Charlotte is in the midst of a massive transportation infrastructure improvement project which will bring light rail from Downtown Charlotte to the main campus of UNC-Charlotte. This 9.3 mile extension of the existing light rail will add 11 stations and cost \$1.16 billion. The existing light rail system that travels south of downtown has spurred development and economic growth, particularly in the South End, which has seen a massive boom of residential, office, retail and mixed-use projects.

This new extension, which is currently under construction and projected to open in 2017, will provide connectivity and convenient access to gathering points such as Time Warner Cable Arena, UNC-Charlotte Main Campus, Carolinas Medical Center and the NoDa area.

The site is served by the Charlotte Area Transit System (CATS) which provides bus, light rail, and special needs service throughout the Charlotte area. CATS is the largest transit system between Washington, DC and Atlanta, GA with over 70 bus routes and a popular light rail system; in all, the system provides more than 23 Million trips each year. Most significantly, the site is near the planned 25th Street stop on the LYNX Blue Line Extension.



The 25th Street Station will be located less than 3 blocks from the subject site. The site is located within the 25th Street Transit Station Area which has a unique plan and specific requirements from the Charlotte-Mecklenburg Planning Department. Within the Concept Map, the site sits in the Transit Oriented Mixed Use zone which recommends more intense, transit-supported development. It is noted that the City will support these developments “by improvements to enhance accessibility and safety for pedestrians, vehicles, and cyclists, including a multi-use path along the rail line.” Within the Land Use plan, the site sits in the L-1 area. Within this area the city wants to “promote a mix of transit-supportive land uses (residential, office, retail, civic/institutional, and park/open space) through new development and redevelopment.” The concept map for the 25th Street Transit Station Area is provided below.



Environmental

Chadbourn Mill was a hosiery factory originally built in 1937. Given this former use, Cardinal Development assumes that there are environmental issues on the site. Therefore, the development team has budgeted for a Phase I and Phase II environmental analysis, as well as applied for the Brownfields Redevelopment program. The site is not in a regulated flood zone and the closest water quality buffer is over 500 feet away from the site, as can be seen in the image below. Precaution should be exercised during construction to prevent contamination and runoff into the water quality buffer zone.

Topography

The subject site has 14' of grade change, sloping downwards from North Davidson Street to North Brevard Street. The site sits higher than the surrounding area and currently has unobstructed westward views of Uptown Charlotte. Given the presence of a high risk development area surrounding the floodplain that is in the path of the views, it is unlikely that these views will be diminished in any major way in the near future. The cost to develop in a floodplain can be prohibitive.



Zoning

As mentioned previously, the site is zoned I-2 for Heavy Industrial. This fits with the site's historic use as a textile mill. However, with the changing uses in the NoDa area, along with the Blue Line Extension construction currently underway, the site's zoning will likely be re-zoned to a commercial/residential use such as Transit Oriented Development. Such a proposal has been filed with the city by the Wellmon family, who wishes to re-zone the property as TOD-M (Transit Oriented Development - Mixed Use). The Charlotte-Mecklenburg Planning Department has already proposed station area plans, and the site is included in the 25th Street Station plan.

Utilities

The subject site is developable based on the availability of utilities such as water and sewer which are located along Jordan Place. Charlotte Water will service all water to the site. Charlotte Water reviews and approves the plans prepared by an engineer for water distribution and sanitary sewer. They witness construction and upon final completion, Charlotte Water takes ownership and maintenance of the systems.

Duke Energy supplies electricity to the site. Proper permits and inspections must be completed in order for Duke to connect for temporary service. This service will be used during construction; upon completion and after an inspection, Duke will transfer it to permanent service. Piedmont Natural Gas will supply the natural gas if needed. There are multiple providers for internet and phone in Charlotte, including AT&T, Comcast, and Verizon.

Fire Station 7 is 0.6 miles from the site and the North Tryon Division is the closest police station at 1.4 miles. All police, fire, and public safety services are provided by the City of Charlotte.

Easements

The subject site had multiple easements including temporary construction easements and permanent utility easements, though Cardinal Development has determined that the construction easements have expired. The only easements taken into consideration for this proposal are the utility easements, which also include overhead utility lines along Jordan Place.

History of Chadbourn Mill

Chadbourn Mill dates back to the 1930's when the original mill, Larkwood Hosiery Mill, was constructed. Larkwood Hosiery Mill operated on the site until J. Chadbourn Bolles purchased the company in 1945 and took over the operations under the name Chadbourn Hosiery Mills, Inc. Over the next three years, additional knitting machines and finishing facilities were added, effectively tripling the company's production. Over the next three decades, Chadbourn Hosiery Mills, Inc. became a leading provider of hosiery products in the United States and the Charlotte plant became the company's flagship operation (Phase II Historic Resources Report). As a result, the mill was enlarged again in the 1960's to expand on-site warehouse space. These additions resulted in the section of the building that is visible today from North Davidson Street. The mill operated until 1978 when Chadbourn Hosiery Mills disbanded. After the company vacated the space, the mill was used as a warehouse by a mill salvage company.

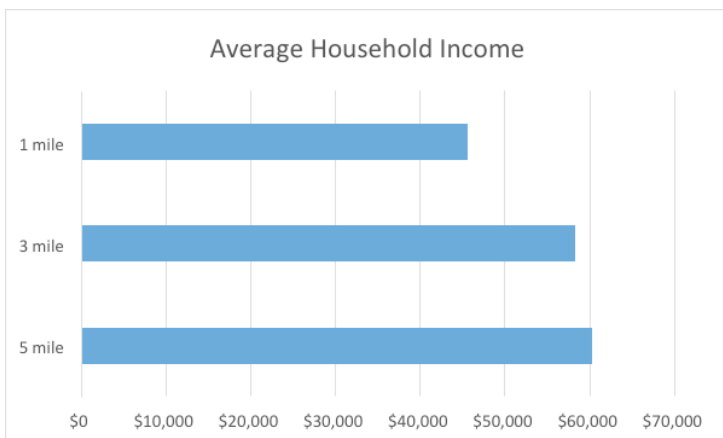
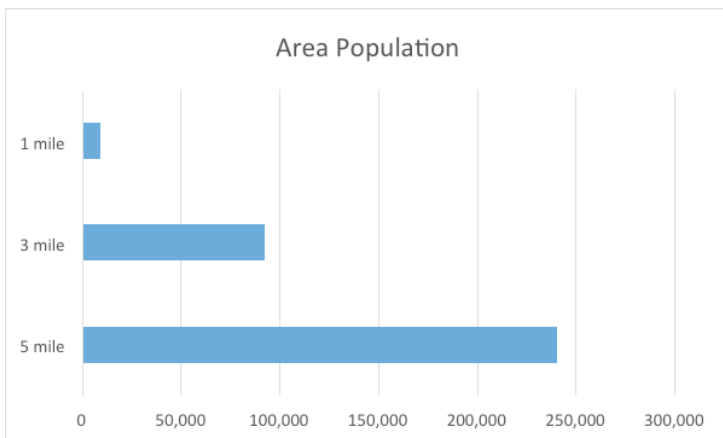


Market Analysis

Demographics

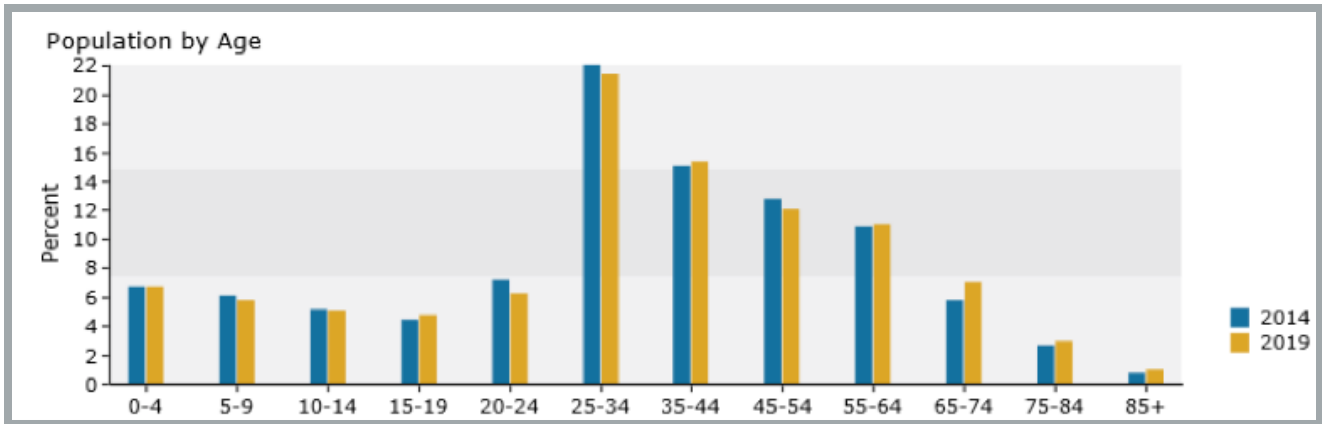
Within a 1 mile radius of the subject site, the population is 9,166. However, the population within 3 and 5 mile rings makes a significant jump to 92,463 and 240,070, respectively. Average household income within 1 mile of the site is \$45,657. Within 3 and 5 miles of the site, average household income jumps to \$58,318 and \$60,262, respectively.

The population of the North Davidson area is undergoing significant changes as the neighborhood gains popularity, new businesses open and new real estate products come online. An expected annual population growth rate of 1.33% is expected from years 2014-2019, which is slightly lower than the Metro average yet still strong.

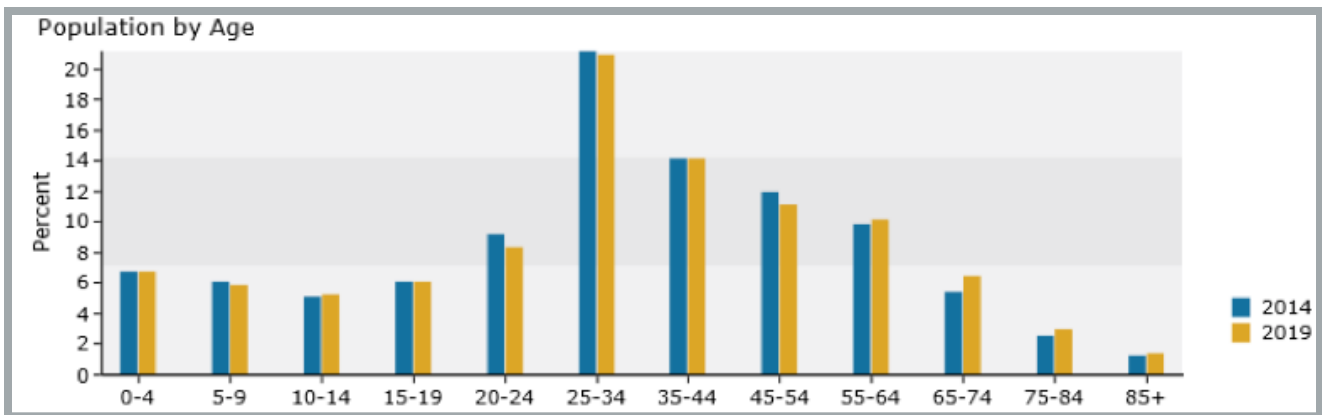


One trend that is of particular note is the age range of the population living within 1, 3 and 5 miles of the subject site. The areas around the subject site are dominated by the 25-34 year old age group, thus indicating a large number of millennials living around the site. The subsequent graphs demonstrate this trend which has been taken into account in the development plans for the subject site in the sense that millennials represent the target demographic of Cardinal Development's proposal for Chadbourn Square. The subsequent graphs depict this trend.

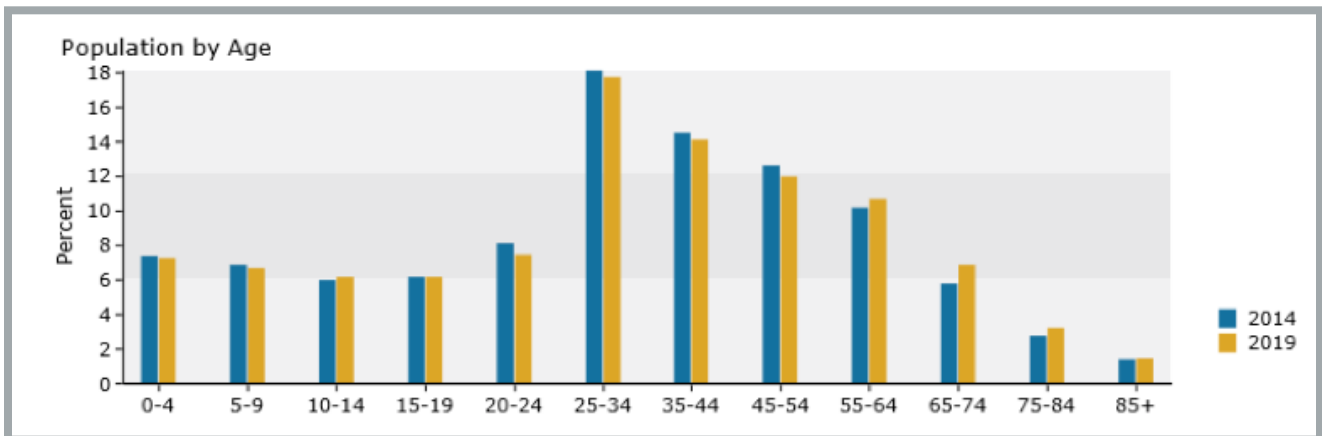
1 Mile Radius:



3 Mile Radius:



5 Mile Radius:



The tenure of North Davidson residents is also indicative of a growing and increasingly popular neighborhood. According to ESRI data for occupied housing units within 1 mile of the subject site, 50.7% of householders moved into their residence between the years of 2000 and 2014, marking a drastic growth spurt in the area. In addition to this, roughly one fifth of the housing stock within 1 mile of the subject site was built within the past 15 years, thus signifying significant growth that the area has experienced since the turn of the century.

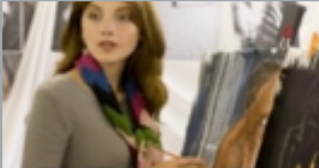
The residents in a 1 mile radius from the site are experiencing strong income growth, as suggested by the average Household Income increasing 8.9% from years 2014 to 2019, thus showing more evidence of the rapid changes that are taking place in the North Davidson area.

60% of residents within 1 mile of the subject site fall into two categories according to the ESRI psychographic data classifications. These groups are Emerald City and Modest Income Homes.

Major Groups within 1 Mile of Subject Site:


Group	% of Area Residents	% of National Residents
Emerald City	37.30%	1.40%
Modest Income Homes	22.90%	1.40%


According to census data, there is a large segment of NoDa residents who are younger, well-educated individuals who work in white collar jobs. Roughly 38% of area residents are between the ages of 24 and 44, with 52% obtaining some level of college education. Just over 61% of residents work in white collar professional jobs, with 17.1% of residents working in management/business/financial positions and 22% working in professional roles. Residents who fall into this category are considered to be a part of the Emerald City classification.



LifeMode Group: Middle Ground

Emerald City





Households: 1,677,000

Average Household Size: 2.05

Median Age: 36.6

Median Household Income: \$52,000

WHO ARE WE?


Emerald City's denizens live in lower-density neighborhoods of urban areas throughout the country. Young and mobile, they are more likely to rent. Well educated and well employed, half have a college degree and a professional occupation. Incomes close to the US median come primarily from wages and self-employment. This group is highly connected, using the Internet for entertainment and making environmentally friendly purchases. Long hours on the Internet are balanced with time at the gym. Many embrace the "foodie" culture and enjoy cooking adventurous meals using local and organic foods. Music and art are major sources of enjoyment. They travel frequently, both personally and for business.

OUR NEIGHBORHOOD

- There are mostly older, established neighborhoods with homes built before 1960; around 30% built before 1940.
- Just over half of all homes are renter occupied.
- Single-person and nonfamily types make up over half of all households.
- Median home value and average rent are slightly above the US levels; around half of owned homes are worth \$150,000-\$300,000.

SOCIOECONOMIC TRAITS

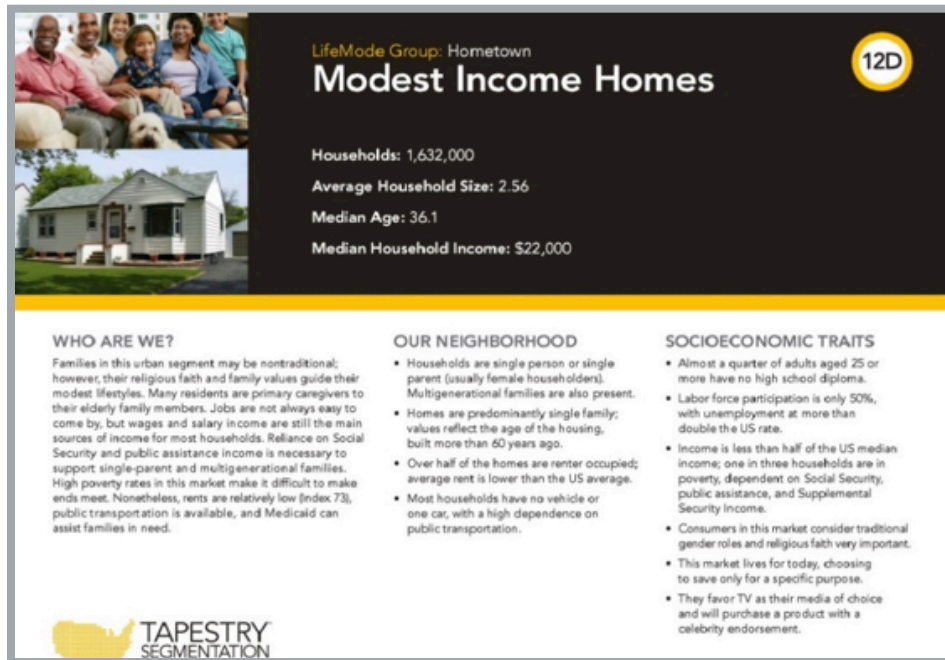
- Well educated, these consumers research products carefully before making purchases.
- They buy natural, green, and environmentally friendly products.
- Very conscious of nutrition, they regularly buy and eat organic foods.
- Cell phones and text messaging are a huge part of everyday life.
- They place importance on learning new things to keep life fresh and variable.
- They are interested in the fine arts and especially enjoy listening to music.



TAPESTRY SEGMENTATION
esri.com/tapestry

Note: This value represents the ratio of the segment size to the US size multiplied by 100. Consumer preferences are estimated from data by ZIP code.

Another large contingent of NoDa residents are classified under the Modest Income Homes category. These residents typically earn well below the national median income, do not have a college degree and are more likely to be unemployed even in their prime earning years. This group of citizens is well represented in NoDa, with 19.7% of residents making between \$15,000 and \$24,999 annually. In addition to this, 22.9% of NoDa residents have no high school diploma. These residents are likely to work in retail, service and hospitality industry roles.



LifeMode Group: Hometown
Modest Income Homes 12D

Households: 1,632,000
 Average Household Size: 2.56
 Median Age: 36.1
 Median Household Income: \$22,000


WHO ARE WE?
 Families in this urban segment may be nontraditional; however, their religious faith and family values guide their modest lifestyles. Many residents are primary caregivers to their elderly family members. Jobs are not always easy to come by, but wages and salary income are still the main sources of income for most households. Reliance on Social Security and public assistance income is necessary to support single-parent and multigenerational families. High poverty rates in this market make it difficult to make ends meet. Nonetheless, rents are relatively low (Index 73), public transportation is available, and Medicaid can assist families in need.

OUR NEIGHBORHOOD

- Households are single person or single parent (usually female householders). Multigenerational families are also present.
- Homes are predominantly single family; values reflect the age of the housing, built more than 60 years ago.
- Over half of the homes are renter occupied; average rent is lower than the US average.
- Most households have no vehicle or one car, with a high dependence on public transportation.

SOCIOECONOMIC TRAITS

- Almost a quarter of adults aged 25 or more have no high school diploma.
- Labor force participation is only 50%, with unemployment at more than double the US rate.
- Income is less than half of the US median income; one in three households are in poverty, dependent on Social Security, public assistance, and Supplemental Security Income.
- Consumers in this market consider traditional gender roles and religious faith very important.
- This market lives for today, choosing to save only for a specific purpose.
- They favor TV as their media of choice and will purchase a product with a celebrity endorsement.

 TAPESTRY SEGMENTATION

These two groups that make up 60% of the population within 1 mile of the subject site represent the changes that are currently occurring in NoDa. Traditionally, the neighborhood has been made up of working class families, many of whom have lived in the area for generations and had relatives who worked in the mills that previously dominated the area’s economy. However, with the growth that is occurring in NoDa, a new demographic is moving in; that is, the younger, well-educated person with a high paying job and disposable income. These new residents are attracted to the area due to its diverse range of entertainment, nightlife, arts and dining options, and many of the new developments are targeted towards them. One of the major challenges facing NoDa in the coming years is how to reconcile this growth and the associated demographic changes with the area’s history and long-time residents.

Multifamily For-Rent Analysis

National Overview

The national multifamily market outperformed expectations for 2014, according to the Marcus & Millichap apartment overview report published in early 2015. This is due in large part to strong job gains, preferences for renting and remaining pent up demand reaching the market after the most recent recession. Net absorption outpaced completions every year between 2010 and 2013, with 2014 coming very close to doing so as well, according to a recent REIS report on the current state of the multifamily market. 2009 saw a high number of completions compared to other years during the recession, likely as a result of pre-recession projects coming online. The effects of the recession were truly being felt in 2011 and 2012, as is noted by the low number of completions during those years. However, 2013 saw the highest number of completions since 2009, which is indicative of the national multifamily market making a comeback. 2014 saw an even higher number of completions, and 2015 is expected to set a high water mark as well. Completions are expected to remain high until at least 2019 according to the REIS report. This high number of completions expected within the next few years is coupled with relatively stagnant net absorption, indicating that vacancy will begin to rise consistently in 2015 for the first time since before the recession.

Year	Completions	Net Absorption	Vacancy %
2009	138,515	-2,077	8.0
2010	100,804	229,436	6.6
2011	42,803	173,567	5.3
2012	79,267	137,547	4.6
2013	134,309	159,723	4.3
2014	161,518	161,187	4.2
2015	230,411	156,344	4.8
2016	197,324	155,612	5.1
2017	177,131	137,158	5.4
2018	130,258	107,228	5.5
2019	110,831	77,378	5.8

Source: REIS Apartment Reports

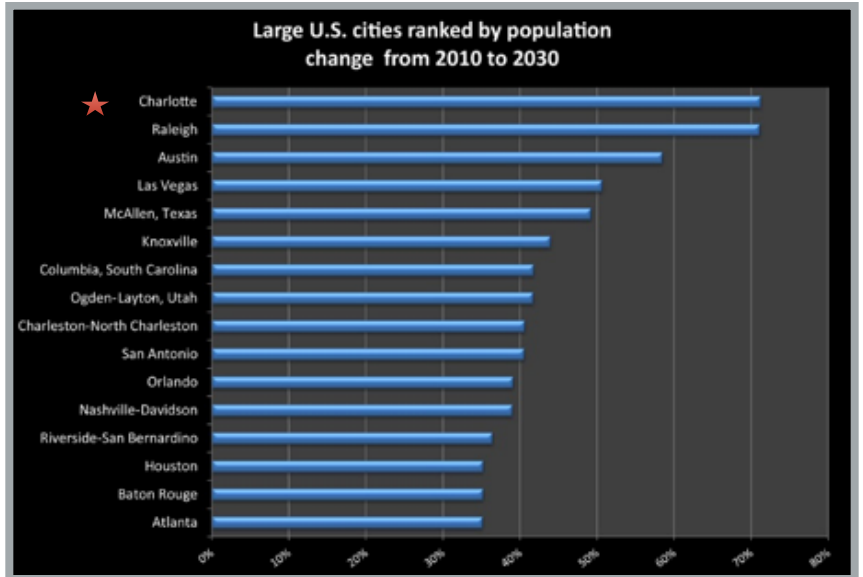
Regional Overview

The Charlotte unemployment rate in December 2014 was approximately 4.4%, which stands well below the North Carolina unemployment rate of 5.5% and the national unemployment rate of 5.6% for the same time period. This encouraging statistic, coupled with business expansions and an influx of new residents, suggests that the market will remain healthy for the foreseeable future. According to the Charlotte Chamber of Commerce, the city has added just under 54,000 jobs since 2010. In addition to this, the Charlotte Chamber also points out that the city was the sixth fastest growing metro area by GDP in the US since 2000.

Year	Firms	Jobs	SF (MM)	Investment (MM)
2014	1,133	13,134	3.7	\$723.20
2013	1,138	11,530	5.7	\$854.90
2012	1,180	9,595	6.9	\$1,252.70
2011	1,089	8,850	6.2	\$669.40
2010	912	10,781	6.4	\$1,063.70
Total	5,452	53,890	29	\$4,563.90

Source: Charlotte Chamber of Commerce

Charlotte’s population has grown by 40% in the past 15 years, making it the second fastest growing large metro area since 2000, and Forbes ranked the city as the 9th fastest growing metro area in 2015. This trend is expected to continue, as noted in a recent United Nations study which predicts that Charlotte will experience the highest population growth of any large U.S. city between 2010 and 2030, even going as far as predicting that Charlotte’s population will grow 70% during this time period.



Source: United Nations, Department of Economic and Social Affairs

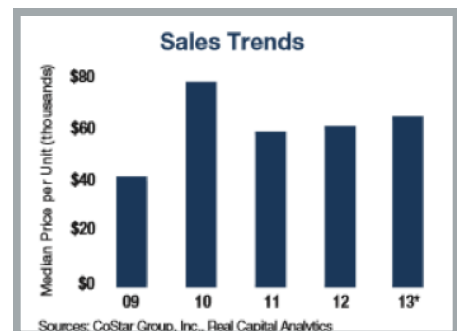
A similar study conducted by the Urban Institute has what is in all likelihood a more realistic population growth figure of 47% during the same time frame. Even the low end of the estimates published in this study are encouraging, with growth rates predicted to be 21% in the next 15 years. Coupled with the city revitalization movement and the generational shift of millennials wishing to be in dense, walkable environments, many signs point towards an encouraging future for multi-family housing in the Charlotte market, particularly in the traditional urban core and inner-ring neighborhoods.

Supply

Marcus & Millichap's national report for the multi-family market in 2015 has Charlotte ranked in the top 30 MSA's for apartment investment, ahead of other major Southeastern Markets such as Atlanta and Nashville, as well as other markets like Jacksonville and Orlando.

All of Charlotte's positive growth in the economic sector has created an influx of jobs and residents that has resulted in a new wave of developments within the city's traditional urban core. According to Real Data market reports, there are approximately 10,000 multifamily housing units under construction in Charlotte and about 10,000 more units planned, many of which are in the Uptown, South End, South Park, Plaza Midwood and North Davidson areas.

This high number of units that are either proposed or under construction demonstrates the fact that many investors feel like Charlotte is a strong market for apartment investment. This is also supported by the sales price per unit of apartments. Currently, Charlotte sales prices per unit are experiencing an upward trend, as the number has grown every year since 2011. At the peak of the market, Charlotte had a median sales price per unit of just under \$80,000. Currently, that number is approximately \$60,000. While this is a strong number, it also takes into account the entire MSA which brings the number down. Sales prices per unit are much higher in the traditional urban core, as will be discussed in the Sales Comparison portion of this Market Analysis.



Demand

While there is an influx of multi-family product planned for the Charlotte market, yearly absorption is still very strong. The Charlotte Observer states that the market has traditionally absorbed 2,417 units per year, while in 2014 the market absorbed 3,439. This positive absorption well above the yearly average is much of the reason why developers are still willing to build more multi-family developments.

However, given Charlotte’s rapid growth in the multi-family sector, many observers believe that this is a sign of an overbuilt market. This sentiment is lightly echoed by a recent Marcus & Millichap market report suggesting that vacancy rates in Charlotte are expected to rise 40 basis points in 2015 after rising 30 basis points in 2014. The report also suggests that rent growth may be slowing as well, given that rents are expected to rise 3.1% in 2015, after a 3.6% rise in 2014 and a 4.0% average yearly growth rate since 2010. In addition to this, Integra Realty Resources reports believe that the Charlotte multi-family market is in the final phase of expansion before reaching hyper-supply. Fitzhugh Stout with Integra Realty Resources stated in the Charlotte Observer that he believes that as new products come online, vacancies will rise, rent growth will slow and concessions will start to become more common. These predictions are supported by the Marcus & Millichap market report data regarding rising vacancy and reduced rent growth in the market.



However, even with rising vacancies and slower rent growth, there is still a demand in the market for new multi-family product, as the absorption over the past few years indicates. As previously noted, Marcus & Millichap ranked Charlotte in the top 30 MSA's for apartment investment.

Despite the rising vacancies and slower rent growth, many people in the Charlotte market believe that these factors are not as troublesome as they may appear, and that the new wave of supply coming online will be received well in the market by potential renters. According to Ken Szymanski, executive director of the Greater Charlotte Apartment Association, the larger trends surrounding the Charlotte market outweigh the rising vacancies and slowing rent growth. These larger trends chiefly include the huge surge in Charlotte's population and the rising number of renters in the market. With an additional 872,000 people projected to move to Charlotte by 2030, Szymanski believes that the multifamily market in Charlotte has a healthy future ahead of it. Many of the people who are moving to Charlotte are young adults who wish to rent. Currently, 42% of the population are renters, which is noticeably higher than the traditional number of 33%, according to the Charlotte Observer (2/6/15). These rising population numbers and higher percentage of renters are all good news for the multi-family market, particularly the sub-markets of the urban core and inner ring neighborhoods, given the fact that many of these new residents wish to live close to the traditional urban core. The space constraints of these neighborhoods make multi-family housing one of the most efficient, if not the only, way to house these new residents in these locations.

Multifamily Rental Comps

As discussed in the Site Analysis, the North Davidson (NoDa) submarket is experiencing rapid changes as it solidifies its reputation as one of Charlotte's premier submarkets for the arts, entertainment and dining. Because of this growth, rental rates for multifamily products in NoDa have been increasing in recent years. These trends are expected to continue, and even intensify, when the Blue Line Extension opens in 2017. As a result of these factors, there are a number of new multifamily developments that are either recently completed, under construction or planned for the area.

In terms of the Blue Line Extension, it is important to look at the South End of Charlotte and the transformation that it experienced as a result of the light rail that began service there in the latter part of the previous decade. The South End has experienced exponential growth as a result of the light rail project; this growth is reflected in the subsequent graphic by the rents that developments such as Three30Five and Camden Southline are receiving. While the effects of the light rail on NoDa's growth are yet to be seen, it is safe to assume that the new light rail service will only intensify the growth that the area is already experiencing and as a result, lead to increased asking rents in the area.

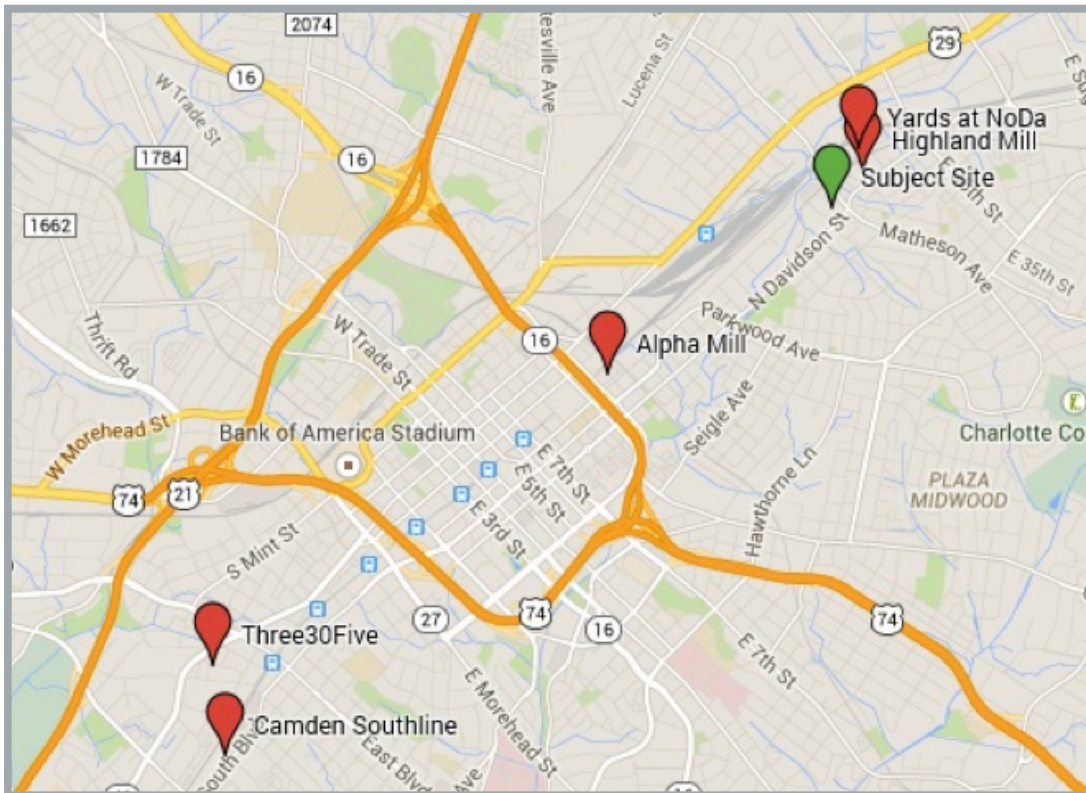
Alpha Mill was an early arrival in the NoDa submarket and represented a new breed of development that builds on the historic character of the area while providing premier living facilities for its residents. Housed in a historic mill, this project has ushered in a new era of development that is being replicated throughout the submarket. Highland Mill is a similar product that was introduced to the market in 2012, and has been very successful; the sale of this property is discussed in the subsequent Sales Comps section of this Market Analysis.

New construction is also occurring in NoDa, most recently in the form of The Yards at NoDa, a 182 unit apartment complex that opened in 2014. It is important to note that this community is experiencing rents that are at the top end of the range for the submarket. These rents are also in-line with those that many communities in the high end areas of Uptown and South End are receiving. This fact indicates that rents in NoDa are trending towards the higher end of the price range for apartments in Charlotte.

Multifamily Rental Comps

Property	Distance	Units	Property Type	Year Built	Rent/SF Studio	Rent/SF 1 BR	Rent/SF 2 BR
Yards @ Noda	.5 miles	182	Urban Mid-Rise	2014	\$1.59-\$2.06	\$1.42-\$1.65	\$1.39-\$1.49
Highland Mill	.4 miles	166	Mill Renovation	1900/2012	\$1.59	\$1.25-\$1.31	\$1.13-\$1.27
Alpha Mill	1.6 miles	152	Mill Renovation	1901/2006	\$1.55-\$3.01	\$1.18-\$2.46	\$1.18-\$1.89
Three30Five (1st Phase)	4.7 miles	164	Urban Mid-Rise	2014	\$1.89-\$2.02	\$1.46-\$1.82	\$1.39-\$1.60
Camden <u>Southline</u>	4.7 miles	266	Urban Mid-Rise	2015	\$2.00-\$2.07	\$1.80-\$1.88	\$1.64-\$1.71
Total & Avg.	---	930	---	---	\$1.98	\$1.62	\$1.47

Map of Multifamily Rental Comps



Multifamily Sales Comps

The sales market for multifamily complexes in Charlotte, and more specifically in the traditional urban core and surrounding neighborhoods, is very strong at this time. As mentioned in the supply section of this analysis, the median sales price per multifamily unit in Charlotte is \$60,000. However, this number is much higher in the urban core.

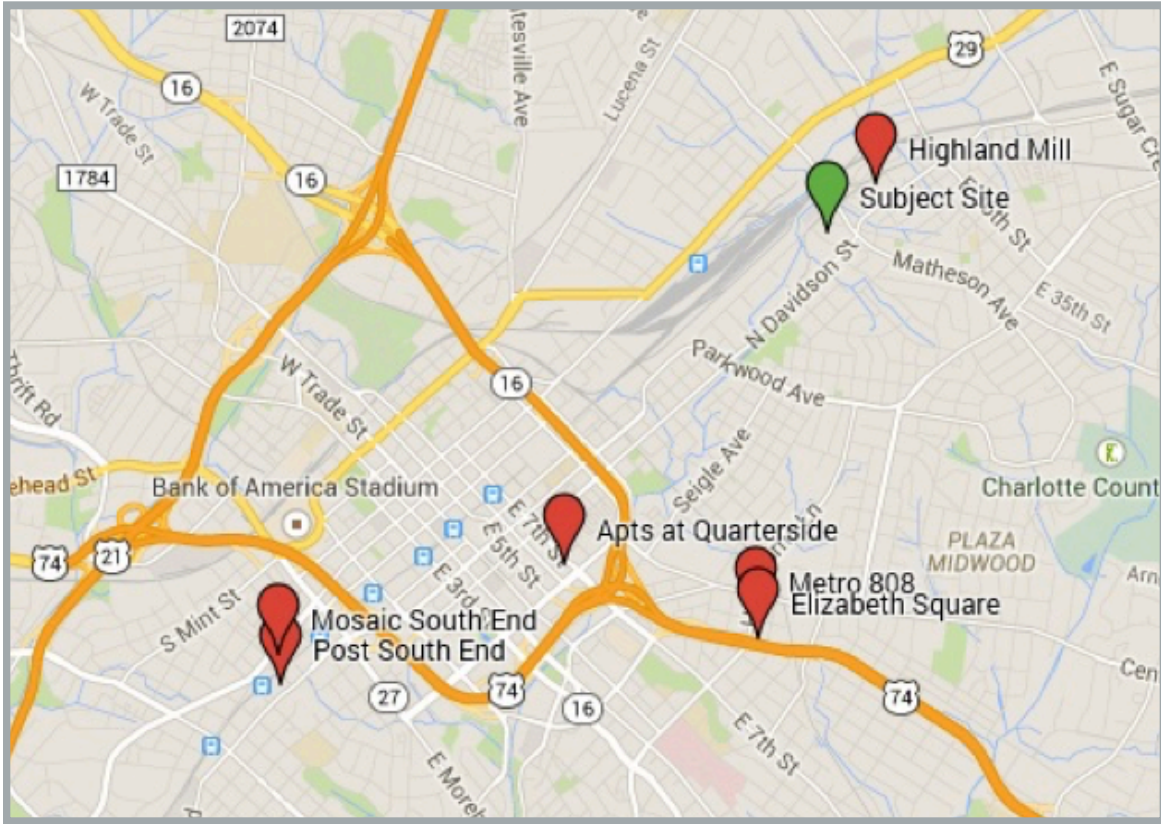
Highland Mill, which is a restored mill .3 miles from Chadbourn Mill, sold in December of 2013 for \$21,000,000, or \$126,500 per unit, more than doubling the median sales price for the MSA overall. The Apartments at Quarterside, located just under two miles from the subject site in Uptown Charlotte, sold in February of 2014 for \$169,565 per unit, yet again doubling the median sales price for Charlotte. These examples show that the traditional urban core of Charlotte is an outlier in the overall market where sales prices per unit are far greater than the overall metro average.

Once again, properties outside of NoDa, specifically from the South End, Plaza Midwood and Uptown were analyzed for this exercise. This is due to two factors; one being that development in NoDa has not progressed to the point so as to allow for a comprehensive analysis of comparable properties that have recently sold. The other factor is the result of Cardinal Development’s belief that NoDa will become more similar to the South End and surrounding submarkets when the Blue Line Extension opens and development continues to progress in the area. When observing the sales prices of properties in the South End, it is important to note that they are receiving a much higher premium than the rest of the Charlotte MSA, and even other areas in the urban core, including NoDa.

Multifamily Sales Comps

Project Name	Address	Sale Date	Price	Bldg. SF	Units	\$/Unit	Distance
Highland Mill	2901 N. Davidson St.	12/10/2013	\$21,000,000	216,957	166	\$126,506	.3 mi
<u>Apts @ Quarterside</u>	810 E. 7th St.	2/4/2014	\$31,200,000	164,036	184	\$169,565	2.1 mi
Metro 808	808 Hawthorne Lane	12/21/2012	\$41,450,000	291,451	237	\$174,894	2.3 mi
Elizabeth Square	730 Hawthorne Lane	12/29/2010	\$40,525,000	239,183	267	\$151,779	2.4 mi
Post South End	222 E. Bland St.	7/23/2012	\$74,000,000	429,404	360	\$205,555	3.9 mi
Mosaic South End	1312 S. College St.	7/29/2011	\$43,500,000	353,143	296	\$146,959	3.9 mi
Average	---	9/8/2012	\$41,945,833	282,362	252	\$162,543	2.48 mi

Map of Multifamily Sales Comps



New Construction Comps

There are currently two adaptive reuse projects occurring in NoDa today in the form of Johnston Mill and Mecklenburg Mill. The Mecklenburg Mill will contain 48 affordable housing units; however, the unit mix of Johnston Mill is not known at this time, nor is the price point for either project.

In terms of traditional new construction, Southern Apartment Group is planning to construct 250 multifamily units on 3.6 acres on North Davidson Street between E. 26th and E. 27th streets. This site is three blocks closer to Uptown than the subject site. Construction has not commenced on this project and a timeline for the project has not been announced. Woodfield Capital is currently constructing Mercury NoDa, a 241 unit apartment complex in the heart of downtown NoDa, directly behind the Neighborhood Theatre and Boudreaux's restaurant. Northwood Ravin has recently completed a new phase of the Alpha Mill development that contains 100 freestanding multifamily units that are separate from the original mill.

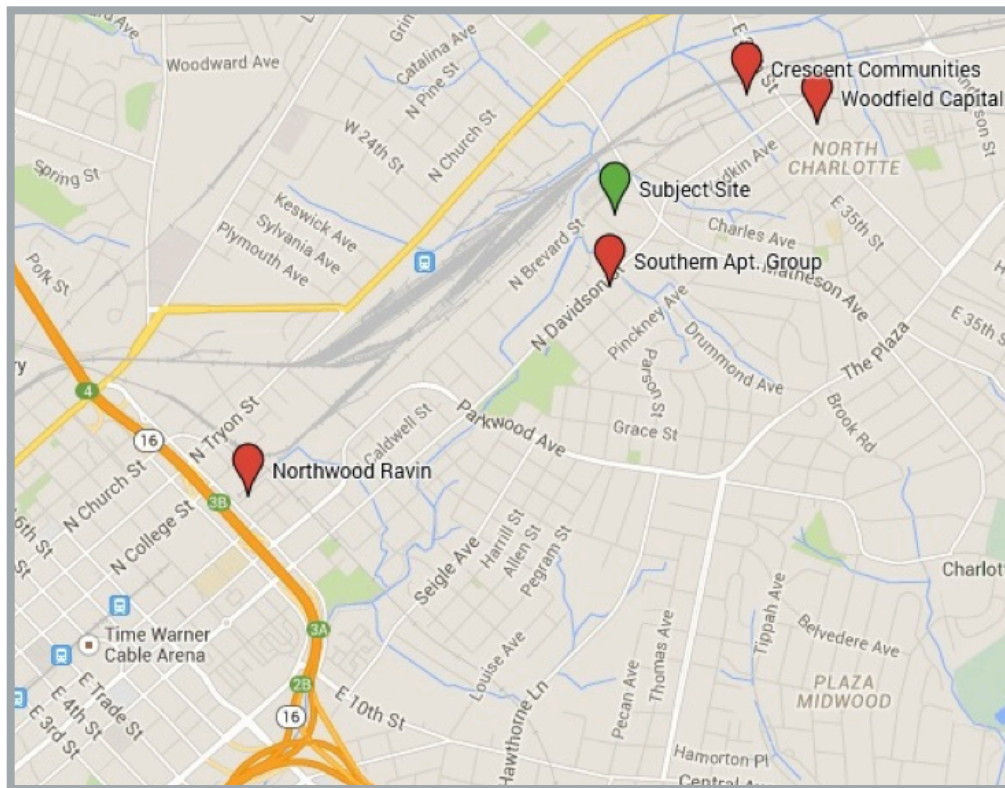
The original phase of the Alpha Mill was developed by Cullman Properties. Lastly, Crescent Communities has filed a rezoning petition for a site on E. 36th Street at Cullman Avenue where they plan to construct up to 350 units of multifamily units. There are also plans for possibly including a hotel on the site, which is adjacent to the 36th Street station of the Blue Line Extension.

These new developments represent a new era in NoDa's history which will add to the area's growth and continue to change the demographics. They also indicate that large, institutional developers are willing to risk their capital in an emerging market, thus giving credibility to the area and its upward trajectory from a real estate development standpoint.

NoDa Multifamily Construction

Developer	Location	Type	# Units	Exp. Comp.	Status	Distance
Southern Apartment Group	N. Davidson St. @ E. 26th/27th St.	Apartment	250	---	Proposed	.14 mi
Woodfield Capital	N. Davidson @ E. 36th St.	Apartment	241	Sep-15	Under Constr.	.64 mi
Northwood Ravin	447 E. 12th St. @ N. Brevard St.	Apartment	100	May-14	Complete	1.3 mi
Crescent Communities	E. 36th St. @ Cullman Ave.	Apartment	350	---	Proposed	.64 mi

Map of NoDa Multifamily Construction

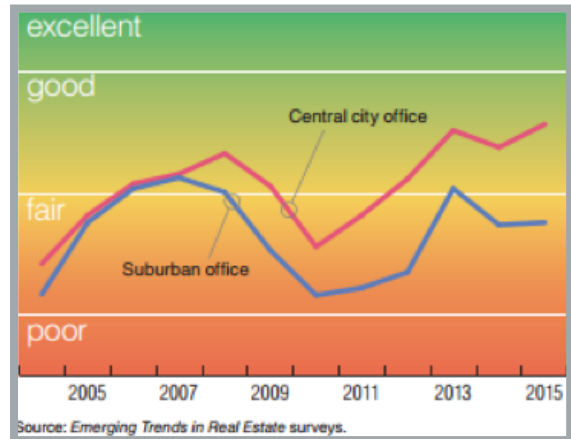


Conclusion

The strong growth of the Charlotte economy and influx of residents are both expected to continue well into the future, which creates a positive outlook for the long term health of the Charlotte real estate market. Given these trends, as well as the growing preference of millennials to rent instead of own, it is reasonable to expect the multifamily units under construction and in the pipeline will be absorbed within a reasonable amount of time. However, rising vacancies and declining rent growth on the national, regional and local level should influence developer's decisions in regards to multifamily development at this time. If an economic downturn occurs during this massive lease-up period, it could heavily disrupt the multifamily market. Even if this occurs, the market is expected to be healthy enough to recover in relatively short order.

Office Analysis

According to the Urban Land Institute's *Emerging Trends in Real Estate 2015*, the office sector was the second product type, behind multifamily, to emerge from the recent recession. Emerging Trends points out that the one of the more powerful trends in recent years is the resurgence of office development in secondary markets such as Charlotte. They note this trend has been driven in large part by the resurgence in downtown living, and workers' desire to be in urban environments. Further, the publication mentions that the rise transit-oriented developments has produced more complex urban centers with a mix of uses which provide externalities that enhance quality of life as well as increase values of office buildings. Nationally, transaction volume in downtowns was up 35 percent according to Real Capital Analytics, and respondents to the Emerging Trends survey have been increasingly optimistic about central city office space in recent years.



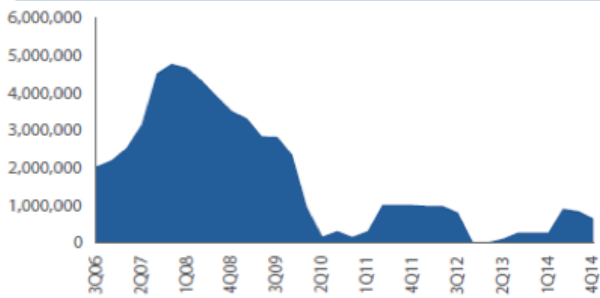
As of the end of 2014, the Charlotte market consists of roughly 50,000,000 square feet of multi-tenant office space encompassing approximately 550 buildings. Net absorption for the year out-paced completions by a rate of 2:1 with 560,000 SF of net absorption. As to be expected with an upward trending market, new construction starts for the year were strong and numerous new projects have been proposed. Among the biggest Charlotte real estate headlines in 2014 were the announcements of several major office towers in Uptown Charlotte, including the 630,000 square foot 300 South Tryon which Spectrum Properties broke ground before year's end.

The subject site is within the Northeast submarket of Charlotte. The office market in Northeast Charlotte has been strong in recent years. In addition to the NoDa area, the submarket also includes the University City area where a number of financial and technology firms have moved back office operations which has contributed to the strong demand of the submarket.

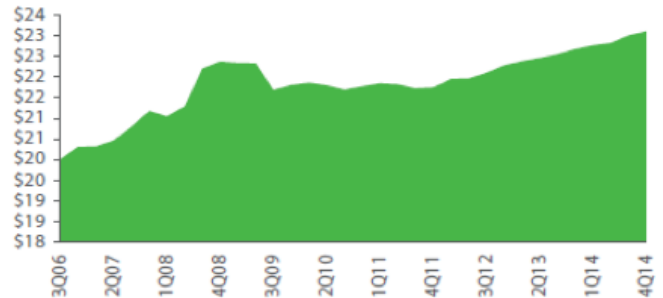
Area	Buildings	Inventory	Vacant	Vacancy Rate	Avg. Rent	SF U/C	Net Absorption	SF Proposed
Charlotte	549	49,896,508	7,124,908	14.28%	\$ 23.11	653,613	559,550	9,000,373
Northeast Submarket	52	5,142,792	753,174	14.65%	\$ 18.85	-	298,779	1,888,647

Source: The KARNES Report

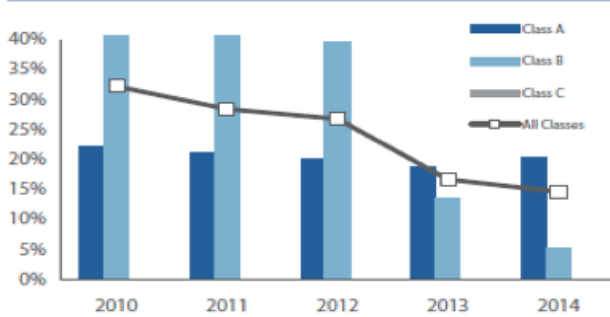
Charlotte Office Under Construction Trends



Average Rent Trends



Vacancy Trends by Class



Average Rent Trends by Class

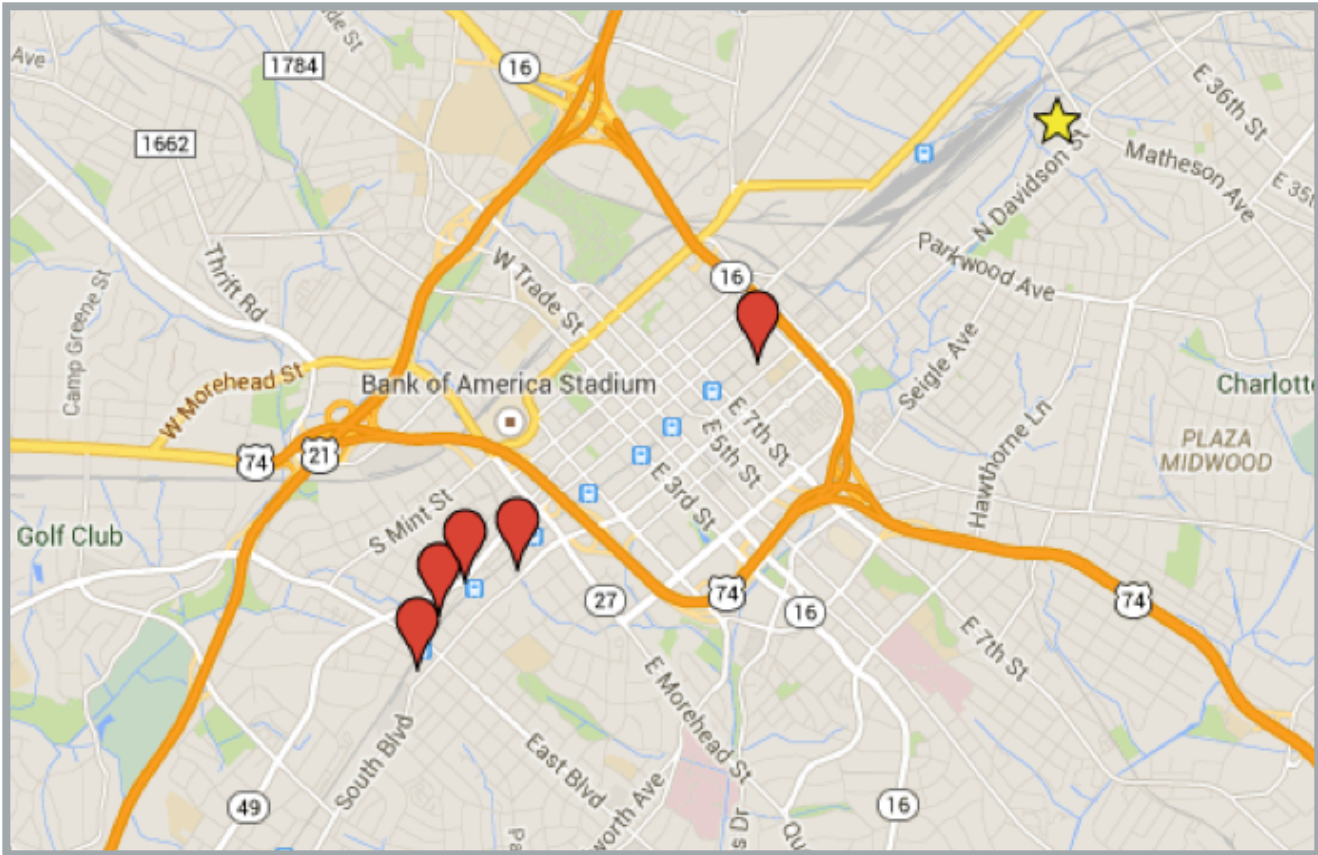


Source: The KARNES Report

Charlotte Office Rent Comps:

Source	Property	Address	Property SF	Rent/SF	Property Type
REIS	Highland Mill	2901 N. Davidson St.	11,200	\$ 16.40	Mill renovation
REIS	301 E. 9th St.	301 E. 9th St.	31,733	\$ 22.65	Historic rehab/creative lofts
Listing	1900 Steel Yard	1900 South Blvd.	38,880	\$ 24.00	Mixed-use mill renovation on light rail
Listing	Fowler Building	1447 S. Tryon St.	19,371	\$ 24.00	Adaptive re-use on light rail
Listing	1616 Center	1616 Camden Rd.	65,000	\$ 29.50	New construction on light rail
				AVERAGE	\$ 23.31

Map of Charlotte Office Rent Comps:



Conclusion

The Charlotte office market is experiencing a strong rebound after a slowdown of construction and absorption during the most recent recession. The Northeast submarket is reflective of the greater Charlotte office market as a whole, as both are experiencing declining vacancies and increasing rents. Further, the opening of the light rail in 2017 is expected to provide an extra boost to the area’s office market given its convenient location in between Uptown and University City. Based on comparable properties and conversations with local office brokers, the market will be able to absorb the 25,000 SF in The Smokestack at Chadbourn Square with rents in the \$23-\$25 range.

Retail Market Analysis

The national retail market has struggled to recover from the recent recession. According to ULI’s *Emerging Trends in Real Estate*, the retail sector’s strength ranks as the lowest of all major property types according to survey respondents. Real estate professionals attribute the slow recovery to the slow pace of job growth and lack of wage growth. However, the outlook is not the same for all segments of the retail sector. Neighborhood and community retail is performing quite well, as evidenced by the *Emerging Trends* survey in which 47% of respondents rated it a “Buy” and only 17% rated it a “Sell”. The report notes that a key factor is flexibility for future uses as brick and mortar retailing is increasingly about convenience, service, and experience for the consumer.

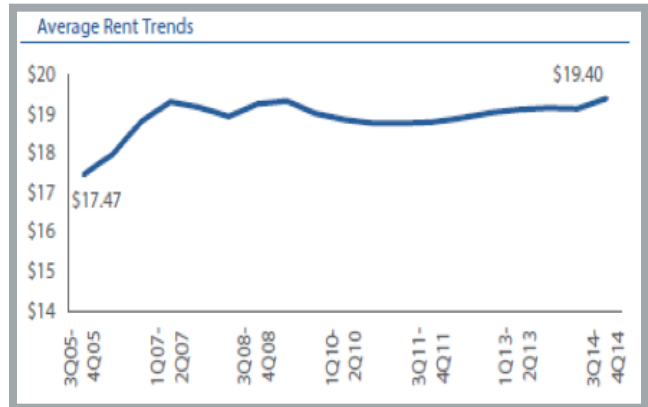
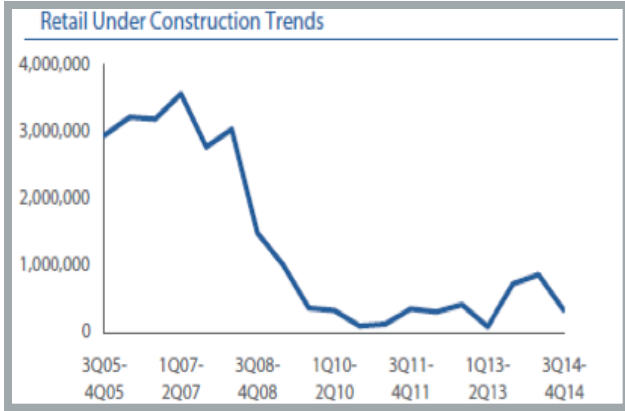
As of the end of 2014, the Charlotte market is made up of 62,000,000 square feet of multi-tenant retail space located in 633 buildings. Net absorption was strong for the year at 319,806, although outpaced by completions, which totaled 787,846. While supply seemingly outpaced demand, these numbers also include the completion of Tanger’s 400,000 SF Charlotte Premium Outlet. Over the last few years, net absorption has outpaced completions each year since 2010. Additionally, the amount of retail space under construction fell during 2014 finishing the year at 321,220 SF.

Based on our analysis of the current retail market, the site with its light rail access and location in the emerging NoDa neighborhood is well positioned to include retail space. Rents in the \$18-\$21 per SF range could be achieved. Below is a summary of retail supply and demand for Charlotte and the Northeast submarket, as well as market trends and comparable properties.

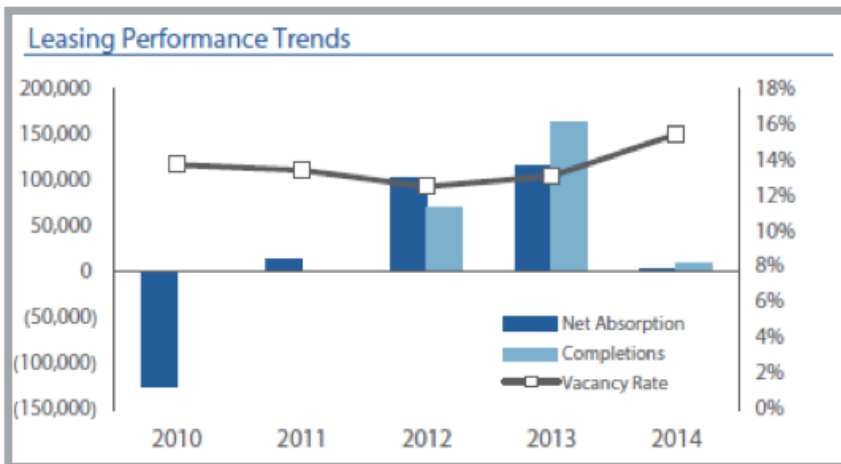
Area	Buildings	Inventory	Vacant	Vacancy Rate	Avg. Rent	SF U/C	Net Absorption	SF Proposed
Charlotte	633	62,033,492	5,483,260	8.84%	\$ 19.40	321,220	319,806	7,528,570
Northeast Submarket	54	4,989,637	770,305	15.44%	\$ 17.93	6,000	4,009	338,472

Source: The KARNES Report

Charlotte Market Retail Trends



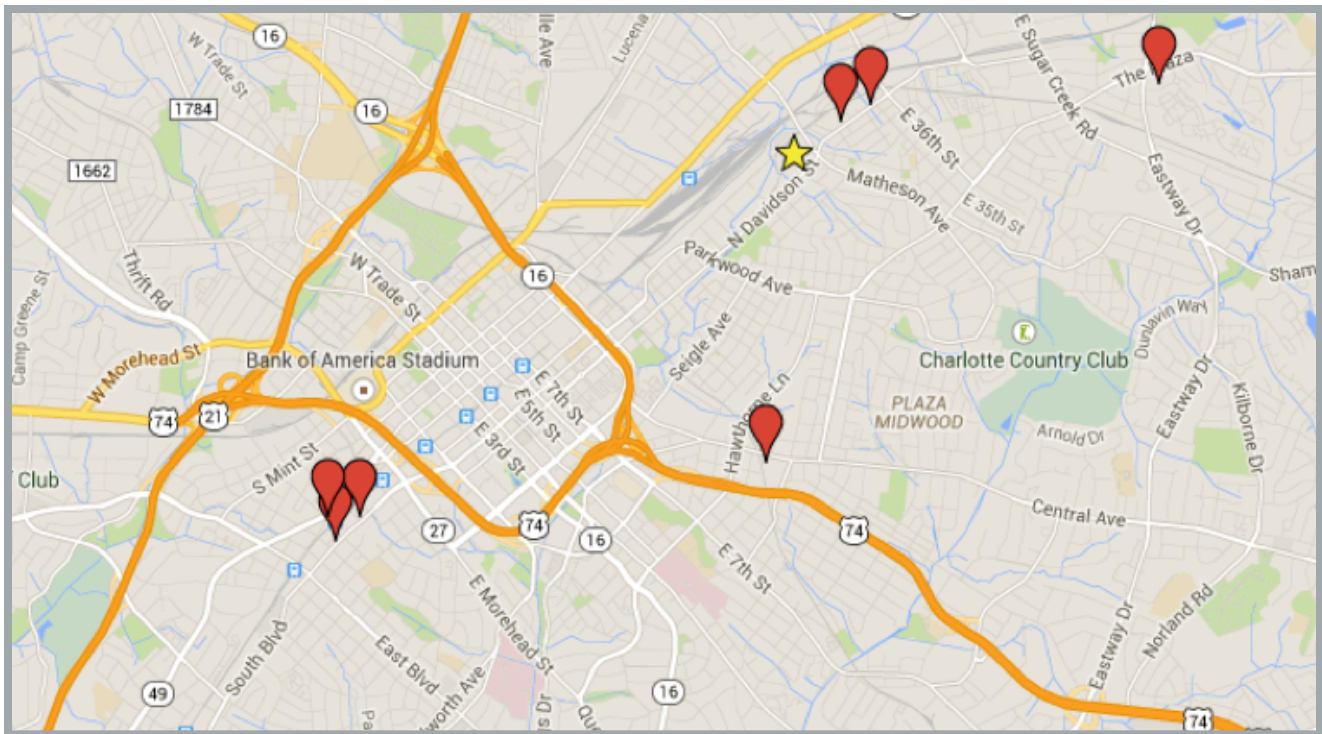
Northeast Submarket Retail Trends



Selected Comparable Properties

Source	Name	Address	Property SF	Rent	Type	Tenant Mix	Notes
Listing	Fat City Retail	3123 N. Davidson St.	7,605	\$ 21.50	Street Retail	National/Local	Downtown NoDa; beneath residential
Listing	Fat City Retail	3123 N. Davidson St.	7,605	\$ 17.00	Street Retail	National/Local	No frontage to N. Davidson
Listing	Central Square Shopping Center	1330 Central Ave.	42,900	\$ 24.00	Strip Center	National/Local	Neighborhood strip center, non-credit
Listing	Fowler Building	1447 S. Tryon St.	18,190	\$ 23.00	Street Retail	Local	Mixed-use near light rail / urban retail
Listing	Park Avenue	1520 South Blvd.	91,860	\$ 24.00	Street Retail	Local	Transit-oriented retail/office
Listing	Factory South	1300 South Blvd	11,687	\$ 25.00	Street Retail	Local	Transit-oriented retail/office
REIS	Shoppes at Gitside	4430 The Plaza	75,485	\$ 16.50	Neighborhood	National/Local	Bi-Lo anchored; signalized intersection
REIS	Highland Mill	2901 N. Davidson St.	11,200	\$ 16.40	Mill renovation	Local	3 blocks from Chadbourne; popular brewery as tenant
			AVERAGE	\$ 20.93			

Map of Selected Comparable Properties



Entertainment Market Analysis

With the influx of active millennials in the Charlotte market, there is increasing demand for more entertainment options throughout the city. One business model that has proven to be successful in other Southeastern markets (Nashville, Raleigh, Charleston and Columbia) is an interactive venue that provides food, drinks, bowling and a variety of other games. Given NoDa's status as a destination for entertainment, a similar venue would be feasible in Chabourn Square and provide a unique draw to the subject site.



Development Plan

THE RESIDENCES AT CHADBOURN SQUARE:

343 Luxury Apartments, Restaurant and Retail



MULTIFAMILY

The 343 apartment units in The Residences at Chadbourn Square offer the opportunity to live in a vibrant area that is in the midst of an incredible resurgence. Located conveniently between Uptown and NoDa, The Residences provide convenient access to two of the city’s most popular destinations. In addition to a great location, residents will have the opportunity to live, work and play within the confines of Chadbourn Square. Complimentary on-site uses such as office, entertainment and retail will create a vibrant atmosphere day and night. Many of the units will have pristine views of the Charlotte skyline that take advantage of the site’s elevation and unobstructed view.

RETAIL/RESTAURANT

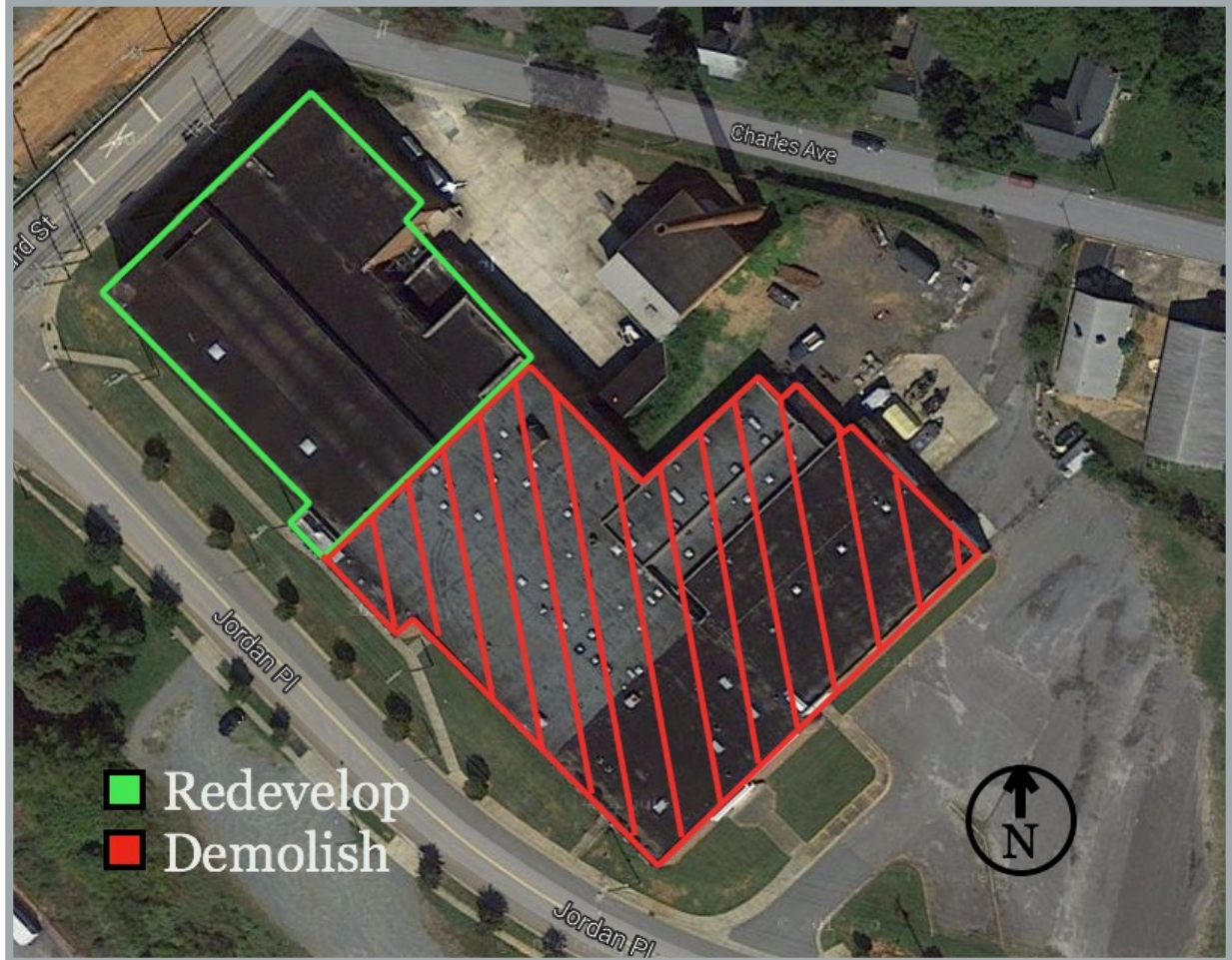
Cardinal Development proposes 4,000 SF of retail shops in Building 3. These retail spaces will contribute to the pedestrian nature of the development and encourage residents, tenants and visitors to explore the development on a more personal level. The development team also proposes a 6,000 SF restaurant or brewpub in Building 3 on the corner of North Davidson and Jordan Place complete with outdoor seating and valet parking. Ten 750 SF live/work units on the first floor of Building 3 will provide small, local artists and innovators a more affordable option to create, display and sell their work. Together, these elements will activate the street with pedestrians and form a visual focal point for the development.

AMENITIES

- Saltwater Pool
- Poolside Bar
- Cabana Lounge Area
- Outdoor Grills
- Rooftop Deck with Skyline Views
- 24 Hour Fitness Center
- iMac Business Center
- Commercial Grade Kitchen with Wine Storage for Residents
- Valet Trash Service

THE SMOKESTACK AT CHADBOURN SQUARE:
Office, Entertainment and Art Gallery

Cardinal Development plans to demolish the area of the mill shown in red and redevelop the area shown in green. The remaining 50,000 SF of the historic mill will be known as The Smokestack at Chadbourn Square and will house offices, entertainment uses and an art gallery. The offices will be located on the second floor, while the entertainment space and art gallery will be located on the first floor.



THE SMOKESTACK AT CHADBOURN SQUARE:
Office, Entertainment and Art Gallery



OFFICE

Once complete, the new office space on the second floor of the redeveloped mill will provide tenants with inspiring and exciting loft office space with exposed beams, wood ceilings, brick walls, floor to ceiling windows, and a clerestory window that runs the length of the building. The Smokestack at Chadborn Square is located between Uptown and the University area, which provides tenants with convenient access to two of the busiest commercial districts in Charlotte.

ENTERTAINMENT & ART GALLERY

The entertainment space and art gallery at Chadborn Square will be located on the first floor of the redeveloped mill. After renovations, the space will contain new windows to allow natural light while keeping many of the industrial traits of the original mill in order to evoke the character of its former use. The entertainment space will include a full service bar and restaurant, a boutique bowling alley, multiple lounge areas and an inviting outdoor space complete with water features and dramatic views of the towering Chadborn smokestack. Inspired by places such as Pinewood Social Club in Nashville and The Alley in Charleston, this exciting new venue will be the first of its kind in Charlotte. The goal is to create a lively gathering space that will encourage people to congregate there at different times of the day for different purposes. It will provide an energetic setting for office tenants who need a change of scenery during the day and an exciting place for friends who wish to have dinner or cocktails after work.

The art gallery at Chadborn Square will be a space for local artists to showcase their work. Cardinal Development will allow a local non-profit organization to oversee the operations of the art gallery. This organization will not be charged rent. The space will also be available to other community organizations for meetings and events.

By creating a welcoming atmosphere, The Smokestack at Chadborn Square will be an anchor for the site

GREEN SPACE



In order to create a place that is more natural and pedestrian friendly, Cardinal Development has plans for over 13,000 SF of green space throughout Chadbourne Square. The majority of green space is along Jordan Place which will be anchored by a pocket park on the corner of North Brevard St. and Jordan Place. This will provide connection to the proposed multi-use trail and linkage to the Little Sugar Creek Greenway.

Deal Summary

Cardinal Development plans to purchase the entire property, and then parcel the property under two separate entities. By developing Chadbourn Square under two separate entities, the future disposition of either property will be simplified. One entity will develop, own and operate The Residences at Chadbourn Square, which contains 343 apartment units and 10,000 SF of retail/restaurant space. The other entity will develop The Smokestack at Chadbourn Square, the 50,000 SF office, entertainment and art gallery portion of the development. The Wellmon family will contribute the one acre of land necessary for The Smokestack at Chadbourn Square. This will serve as an equity contribution which will provide the family with a 45% equity stake in The Smokestack at Chadbourn Square.

The entire development consists of 8.43 acres. Based on the market and comparable land sales, the development team values the property at \$35/SF. In the development of The Residences at Chadbourn Square, Cardinal Development will buy 7.43 acres for \$11,327,778, less \$350,000 of demolition costs for the 70,000 SF of mill to be demolished. The effective purchase price will be \$10,977,778.

Cardinal Development will bring in an equity partner to provide 90% of the project's total required equity and Cardinal Development will provide the remaining 10%.

Construction is scheduled to begin on The Smokestack at Chadbourn Square in January 2016, with this portion of the development opening in January 2017. Shortly after construction begins on The Smokestack at Chadbourn Square, construction will begin on The Residences at Chadbourn Square. The construction of the residential portion of the site will be staggered, with buildings coming online in the second, third and fourth quarters of 2017.

The North Carolina Brownfields Program provides developers with a mechanism to reduce future liability for environmental issues on contaminated or potentially contaminated sites. It also provides certain tax abatements for developers. Given Chadbourn Mill's previous use as a hosiery mill with dyeing and finishing facilities, the site is considered a brownfield site. Cardinal Development will take advantage of this program.

Financial Analysis

The Residences at Chadbourn Square

Development Budget					
Land	Quantity		\$	Total	Per Unit
Purchase Price	323,651		\$ 35	\$ 11,327,778	
Demolition	70,000		\$ 5	\$ (350,000)	
Total Land Cost				\$ 10,977,778	\$ 32,005
Hard Costs					
Site Work					
Grading, Erosion, Stormwater	7.40		\$ 175,000	\$ 1,295,000	
Environmental Remediation			\$ 250,000	\$ 250,000	
Water Lines	600		\$ 50	\$ 30,000	
Sewer Lines	600		\$ 50	\$ 30,000	
Landscaping				\$ 400,000	
Total Site Work				\$ 2,005,000	\$ 5,845
Vertical Construction					
Surface Parking	50		\$ 2,000	\$ 100,000	
Parking Structure	350		\$ 15,000	\$ 5,250,000	
Apartments - 4 level wood frame					
Building 2	98,000		\$ 85	\$ 8,330,000	
Building 3	127,000		\$ 85	\$ 10,795,000	
Podium w/ wood frame above					
Building 1	131,250		\$ 125	\$ 16,406,250	
Upfit - Retail	4,000		\$ 40	\$ 160,000	
Upfit - Restaurant	6,000		\$ 100	\$ 600,000	
Furniture, Fixtures, and Equipment	343		\$ 1,000	\$ 343,000	
Pool				\$ 200,000	
Total Vertical Construction				\$ 42,184,250	\$ 122,986
Total Hard Cost				\$ 44,189,250	
Contingency	2.5%		\$ 1,104,731		
Hard Cost plus Contingency				\$ 45,293,981	\$ 132,052
Soft Costs					
Architect	3.0%	Hard Cost		\$ 1,325,678	
Engineering and Testing	2.0%	Hard Cost		\$ 883,785	
Construction Loan Fee	0.5%	Hard Cost		\$ 220,946	
Capitalized Interest				\$ 1,620,262	
Legal, title, and recording	0.5%	Hard Cost		\$ 220,946	
Environmental (Phase I and II)	0.5%	Hard Cost		\$ 220,946	
Brownfield Program			\$ 50,000	\$ 50,000	
Appraisal			\$ 100,000	\$ 100,000	
Impact/Permit Fees	0.5%	Hard Cost		\$ 220,946	
Start-up Marketing				\$ 50,000	
Development Fee	3.0%			\$ 1,325,678	
Total Soft Cost				\$ 6,239,187	
Total Development Cost				\$ 62,510,946	\$ 182,248

Unit Mix							
Type	Avg. SF	Rent	Rent per Unit	Annual	# of Units	Annual Revenue	
Studio	650	\$ 1.90	\$ 1,235	\$ 14,820	121	\$ 1,793,220	
1 BR	850	\$ 1.70	\$ 1,445	\$ 17,340	102	\$ 1,768,680	
2 BR	1100	\$ 1.60	\$ 1,760	\$ 21,120	120	\$ 2,534,400	
Average/Total	867	\$ 1.74			343	\$ 6,096,300	
Premiums							
	Units	Monthly	Monthly Total	Annual			
Premium Views	60	\$ 100.00	\$ 6,000	\$ 72,000			
Storage Units	50	\$ 60.00	\$ 3,000	\$ 36,000			
Total				\$ 108,000			
Commercial							
	SF	Quantity	Rent / SF	Annual			
Restaurant	6,000		\$ 25.00	\$ 150,000			
Retail 1	2,000		\$ 20.00	\$ 40,000			
Retail 2	2,000		\$ 20.00	\$ 40,000			
Leasing Commission		6.0%		\$ (13,800)			
Work Units	750	10	\$ 15.00	\$ 112,500			
Total Revenue				\$ 328,700			
Total w/ Vacancy		10%		\$ 295,830			
			Other Income	\$ 403,830			
Assumptions							
Annual Vacancy	7.0%						
Rent Escalation	3.0%						
Expense Escalation	3.0%						

Expenses			
		Exp/Unit	Total
Controllable Expenses			
Payroll		\$ 1,250	\$ 428,750
Utilities		\$ 250	\$ 85,750
Repairs & Maintenance		\$ 500	\$ 171,500
Landscaping		\$ 200	\$ 68,600
Leasing & Marketing		\$ 150	\$ 51,450
Administrative		\$ 200	\$ 68,600
Total Controllable		\$ 2,550	\$ 874,650
Non-controllable			
Management Fee	3.0%	\$ 585	\$ 200,489
Insurance		\$ 250	\$ 85,750
Real Estate Taxes		\$ 1,756	\$ 602,168
Total Non-controllable		\$ 2,590	\$ 888,407
Capital Reserves		\$ 250	\$ 85,750
Asset Management Fee	1.0%		\$ 66,830

Capital Stack		
Development Cost	\$ 62,510,946	
Construction Debt	\$ 46,883,210	75%
Equity	\$ 15,627,737	25%
<i>Cardinal Development</i>	\$ 1,562,774	10%
<i>Investor</i>	\$ 14,064,963	90%
Preferred Return		9%
Interest on Unpaid Pref		3%

Construction Loan (1/1/2016)	
Interest Rate	3.5%
Term (Months)	36
I/O	Yes
Permanent Loan (1/1/2019)	
Cap Rate	6.50%
Value	\$ 75,459,487
Value per Unit	\$ 219,999
Interest Rate	4.5%
Term (Months)	120
Amortization (Months)	300
LTV	65%
Loan Amount	\$ 49,048,667
Loan Fee (1.5%)	\$ 735,730
Loan Proceeds	\$ 48,312,937
After Const. Loan Paid	\$ 1,429,727

Debt Metrics	Construction	Permanent
Debt Yield	10.3%	9.9%
DSCR	2.21	1.48

Equity Metrics				
	Equity Invested	Hold	Leveraged IRR	CF Multiple
Investor	\$ 14,064,963	10 Years	19.6%	3.44x
Cardinal Development	\$ 1,562,774	10 Years	24.8%	7.11x

Tax Calculation	
Assessment as % of Cost	75%
Assessed Value	\$ 46,883,210
Millage Rate	1.2844
Mecklenburg	0.8157
Charlotte	0.4687
Property Taxes	\$ 602,168
per unit	\$ 1,756

North Carolina Brownfield Program Tax Savings							
	2016	2017	2018	2019	2020	2021	2022
Original Value	\$ 911,300	\$ 911,300	\$ 911,300	\$ 911,300	\$ 911,300		
New Value			\$ 46,883,210	\$ 46,883,210	\$ 46,883,210	\$ 46,883,210	\$ 46,883,210
Original Taxes	\$ 11,704	\$ 11,704	\$ 11,704	\$ 11,704	\$ 11,704	\$ 11,704	\$ 11,704
Tax w/o Exclusion			\$ 602,168	\$ 602,168	\$ 602,168	\$ 602,168	\$ 602,168
Difference			\$ 590,464	\$ 590,464	\$ 590,464	\$ 590,464	\$ 590,464
% of Exclusion			90%	75%	50%	30%	10%
BFA Savings			\$ 531,418	\$ 442,848	\$ 295,232	\$ 177,139	\$ 59,046
Tax w/ Exclusion			\$ 70,750	\$ 159,320	\$ 306,936	\$ 425,029	\$ 543,122

Lease-Up Detail

					Stabilization											
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019	2019	2019
Rent Esc.	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Expense Esc.	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Potential Apartment Revenue					\$ 1,605,912	\$ 1,617,956	\$ 1,630,091	\$ 1,642,317	\$ 1,654,634	\$ 1,667,044	\$ 1,679,547	\$ 1,692,143	\$ 1,704,834	\$ 1,717,621	\$ 1,730,503	
Units Available	0	0	0	0	0	127	228	343	343	343	343	343	343	343	343	343
Units Absorbed	0	0	0	0	0	60	60	60	60	60	26					
Units Leased	0	0	0	0	0	60	120	180	240	300	319	319	319	319	319	319
% Vacant	100%	100%	100%	100%	100%	83%	65%	48%	30%	13%	7%	7%	7%	7%	7%	7%
(Vacancy)					\$ (1,324,994)	\$ (1,051,907)	\$ (774,650)	\$ (493,174)	\$ (207,432)	\$ (116,693)	\$ (117,568)	\$ (118,450)	\$ (119,338)	\$ (120,233)	\$ (121,135)	
Apartment Revenue					\$ 280,918	\$ 566,049	\$ 855,441	\$ 1,149,143	\$ 1,447,202	\$ 1,550,351	\$ 1,561,978	\$ 1,573,693	\$ 1,585,496	\$ 1,597,387	\$ 1,609,367	
Other Income									\$ 100,958	\$ 101,715	\$ 102,478	\$ 103,246	\$ 104,020	\$ 104,801	\$ 105,587	
Effective Gross Income					\$ 280,918	\$ 566,049	\$ 855,441	\$ 1,149,143	\$ 1,548,159	\$ 1,652,065	\$ 1,664,456	\$ 1,676,939	\$ 1,689,516	\$ 1,702,188	\$ 1,714,954	
Controllable Expenses					\$ 218,663	\$ 220,302	\$ 221,955	\$ 223,619	\$ 225,297	\$ 226,986	\$ 228,689	\$ 230,404	\$ 232,132	\$ 233,873	\$ 235,627	
Non-controllable Expenses					\$ 222,102	\$ 223,768	\$ 225,446	\$ 227,137	\$ 228,840	\$ 230,557	\$ 232,286	\$ 234,028	\$ 235,783	\$ 237,551	\$ 239,333	
Total Operating Expenses					\$ 440,764	\$ 444,070	\$ 447,401	\$ 450,756	\$ 454,137	\$ 457,543	\$ 460,974	\$ 464,432	\$ 467,915	\$ 471,424	\$ 474,960	
Net Operating Income					\$ (159,847)	\$ 121,979	\$ 408,041	\$ 698,387	\$ 1,094,022	\$ 1,194,523	\$ 1,203,482	\$ 1,212,508	\$ 1,221,601	\$ 1,230,763	\$ 1,239,994	
% of Construction Loan Drawn			10%	25%	50%	75%	90%	100%	100%	100%	100%	100%				
Interest Expense	Equity	\$ 54,697	\$ 136,743	\$ 273,485	\$ 410,228	\$ 492,274	\$ 546,971	\$ 546,971	\$ 546,971	\$ 546,971	\$ 546,971	\$ 546,971				
Capitalized Interest		\$ (54,697)	\$ (136,743)	\$ (273,485)	\$ (570,075)	\$ (370,295)	\$ (138,930)	\$ -	\$ -	\$ -	\$ -					
CF Available for Distribution								\$ 151,416	\$ 547,052	\$ 647,552	\$ 656,511					

Permanent Loan

Cash Flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Sale	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Potential Rental Revenue	\$ -	\$ 4,853,959	\$ 6,643,541	\$ 6,845,101	\$ 7,050,454	\$ 7,261,967	\$ 7,479,826	\$ 7,704,221	\$ 7,935,348	\$ 8,173,408	\$ 8,418,610		
(Vacancy)	\$ -	\$ (3,151,551)	\$ (934,867)	\$ (479,157)	\$ (493,532)	\$ (508,338)	\$ (523,588)	\$ (539,295)	\$ (555,474)	\$ (572,139)	\$ (589,303)		
Other Income	\$ -	\$ -	\$ 305,150	\$ 417,654	\$ 430,183	\$ 443,089	\$ 456,382	\$ 470,073	\$ 484,175	\$ 498,701	\$ 513,662		
Effective Gross Income	\$ -	\$ 1,702,408	\$ 6,013,823	\$ 6,783,597	\$ 6,987,105	\$ 7,196,718	\$ 7,412,620	\$ 7,634,999	\$ 7,864,049	\$ 8,099,970	\$ 8,342,969		
Controllable Expenses		\$ 660,920	\$ 904,591	\$ 932,035	\$ 959,996	\$ 988,796	\$ 1,018,460	\$ 1,049,014	\$ 1,080,485	\$ 1,112,899	\$ 1,146,286		
Non-controllable Expenses		\$ 671,315	\$ 918,819	\$ 946,695	\$ 975,096	\$ 1,004,349	\$ 1,034,479	\$ 1,065,514	\$ 1,097,479	\$ 1,130,404	\$ 1,164,316		
Total Operating Expenses		\$ 1,332,235	\$ 1,823,410	\$ 1,878,731	\$ 1,935,093	\$ 1,993,145	\$ 2,052,940	\$ 2,114,528	\$ 2,177,964	\$ 2,243,303	\$ 2,310,602		
Net Operating Income		\$ 370,173	\$ 4,190,413	\$ 4,904,867	\$ 5,052,013	\$ 5,203,573	\$ 5,359,680	\$ 5,520,471	\$ 5,686,085	\$ 5,856,667	\$ 6,032,367		
Capital Reserves			\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	\$ 85,750	
Asset Management			\$ 60,138	\$ 67,836	\$ 69,871	\$ 71,967	\$ 74,126	\$ 76,350	\$ 78,640	\$ 81,000	\$ 83,430		
Available for Debt Service		\$ 370,173	\$ 4,044,525	\$ 4,751,281	\$ 4,896,392	\$ 5,045,856	\$ 5,199,804	\$ 5,358,371	\$ 5,521,694	\$ 5,689,918	\$ 5,863,188		
Debt Service													
Interest	\$ 546,971	\$ 1,722,958	\$ 2,187,883	\$ 2,184,961	\$ 2,135,044	\$ 2,082,833	\$ 2,028,224	\$ 1,971,106	\$ 1,911,365	\$ 1,848,878	\$ 1,783,522		
Principal			\$ 1,086,580	\$ 1,136,497	\$ 1,188,708	\$ 1,243,317	\$ 1,300,435	\$ 1,360,176	\$ 1,422,663	\$ 1,488,019			
Total Debt Service	\$ 546,971	\$ 1,722,958	\$ 2,187,883	\$ 3,271,541	\$ 3,271,541	\$ 3,271,541	\$ 3,271,541	\$ 3,271,541	\$ 3,271,541	\$ 3,271,541	\$ 3,271,541		
Brownfield Program Tax Savings			\$ 531,418	\$ 442,848	\$ 295,232	\$ 177,139	\$ 59,046						
Cash Flow available for Distribution		\$ 2,388,060	\$ 1,922,588	\$ 1,920,083	\$ 1,951,454	\$ 1,987,309	\$ 2,086,830	\$ 2,250,153	\$ 2,418,377	\$ 2,591,647			
Capital from Permanent Financing													
Investor	100%		\$ 1,429,727										
Preferred Return													
Distributed													
Cardinal Development	\$ -	\$ -	\$ 238,806	\$ 193,746	\$ 138,467	\$ 131,332	\$ 123,273	\$ 114,166	\$ 103,343	\$ 90,076	\$ 74,102		
Investor	\$ -	\$ -	\$ 2,149,254	\$ 1,486,360	\$ 988,855	\$ 924,641	\$ 852,107	\$ 770,141	\$ 672,737	\$ 553,337	\$ 409,565		
Cash Flow after Pref Distribution			\$ -	\$ 242,482	\$ 792,761	\$ 895,480	\$ 1,011,929	\$ 1,202,523	\$ 1,474,074	\$ 1,774,964	\$ 2,107,980	\$ 52,760,815	
Return of Equity													
Cardinal Development	10%		\$ 24,248	\$ 79,276	\$ 89,548	\$ 101,193	\$ 120,252	\$ 147,407	\$ 177,496	\$ 210,798	\$ 612,554		
Investor	90%		\$ 1,647,961	\$ 713,484	\$ 805,932	\$ 910,736	\$ 1,082,271	\$ 1,326,666	\$ 1,597,467	\$ 1,897,182	\$ 2,653,536		
Split after Return of Equity													
Cardinal Development	20%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,898,945	
Investor	80%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,595,780	
Equity Flows	IRR												
Cardinal Development	24.8%	\$ (1,562,774)	\$ -	\$ 238,806	\$ 217,994	\$ 217,743	\$ 220,880	\$ 224,466	\$ 234,418	\$ 250,750	\$ 267,573	\$ 284,900	\$ 10,511,499
Investor	19.6%	\$ (14,064,963)	\$ -	\$ 2,149,254	\$ 4,564,048	\$ 1,702,339	\$ 1,730,574	\$ 1,762,843	\$ 1,852,412	\$ 1,999,403	\$ 2,150,804	\$ 2,306,747	\$ 42,249,315
Unleveraged	9.20%	\$ (62,510,946)	\$ 370,173	\$ 4,575,943	\$ 5,194,129	\$ 5,191,624	\$ 5,222,995	\$ 5,258,850	\$ 5,358,371	\$ 5,521,694	\$ 5,689,918	\$ 5,863,188	\$ 88,398,829
Cash on Cash Return	Avg												
Cardinal Development	20.3%	0.0%	15.3%	14.2%	14.9%	16.1%	17.7%	20.4%	25.1%	32.5%	46.5%		
Investor	30.4%	0.0%	15.3%	41.5%	16.6%	18.3%	20.6%	24.8%	32.5%	47.3%	86.9%		

Financial Analysis

The Smokestack at Chadbourn Square

Development Budget				
Land	Quantity	\$ / Unit	Total	PSF
Purchase Price	43,560	\$ 35	\$ 1,524,600	
Total Land Cost			\$ 1,524,600	
Hard Costs				
Site Work				
Grading, Erosion, Stormwater	1.0	\$ 175,000	\$ 175,000	
Water Lines	0	\$ 50	\$ -	
Sewer Lines	0	\$ 50	\$ -	
Surface Parking	125	\$ 2,000	\$ 250,000	
Parking Structure	0	\$ 15,000	\$ -	
Total Site Work			\$ 425,000	
Vertical Construction				
Existing Building Renovation				
Shell w/ new roof and windows	50,000	\$ 95	\$ 4,750,000	
Upfit - Office	25,000	\$ 40	\$ 1,000,000	
Upfit - Entertainment (Developer)	17,500	\$ 25	\$ 437,500	
Upfit - Entertainment (Tenant)	17,500	\$ 50	\$ 875,000	
Upfit - Gallery Space	7,500	\$ 10	\$ 75,000	
Total Vertical Construction			\$ 6,187,500	
Total Hard Cost			\$ 6,612,500	
Contingency	5.0%	\$ 330,625		
Hard Cost plus Contingency			\$ 6,943,125	\$ 138.86
Soft Costs				
Architect	3.0%	Hard Cost	\$ 198,375	
Engineering and Testing	2.0%	Hard Cost	\$ 132,250	
Construction Loan Fee	0.5%	Hard Cost	\$ 33,063	
Permanent Loan Fee				
Legal, title, and recording	0.5%	Hard Cost	\$ 33,063	
Environmental (Phase I and II)	0.5%	Hard Cost	\$ 33,063	
Interest Expense			\$ 137,000	
Appraisal		\$ 100,000	\$ 100,000	
Permits	0.5%	Hard Cost	\$ 33,063	
Start-up and Marketing			\$ 50,000	
Development Fee	3.0%		\$ 208,294	
Total Soft Cost			\$ 958,169	\$ 19.16
Total Development Cost			\$ 9,425,894	\$ 188.52

	RSF	Rent PSF	Annual Rent
Office	25,000	\$ 24.00	\$ 600,000
Entertainment	17,500	\$ 22.00	\$ 385,000
Gallery	7,500	\$ -	\$ -
Total	50,000		\$ 985,000

Capital Stack		
Acquisition Loan	65%	\$ 6,034,928
Equity	35%	\$ 3,390,965
<i>Cardinal Development</i>	55%	\$ 1,866,365
<i>Wellmon Family</i>	45%	\$ 1,524,600

Acquisition Loan	
Rate	4.50%
Amortization	300
LTC	65%
Term	180
Loan Amount	\$ 6,126,831
Fee	1.50%
Proceeds	\$ 6,034,928
Annual Payment	\$ (402,529)
Equity Required	\$ 3,390,965

Metrics	
Average Cash on Cash	10.0%
Leveraged IRR	13.3%
Yield on Cost	8.0%
Average DSCR	1.99
Debt Yield	12.4%

Cash Flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Potential Rental Revenue	\$ 985,000	\$ 1,014,550	\$ 1,044,987	\$ 1,076,336	\$ 1,108,626	\$ 1,141,885	\$ 1,176,142	\$ 1,211,426	\$ 1,247,769	\$ 1,285,202	\$ 1,323,758		
(Vacancy)	\$ (60,000)	\$ (61,800)	\$ (63,654)	\$ (65,564)	\$ (67,531)	\$ (69,556)	\$ (71,643)	\$ (73,792)	\$ (76,006)	\$ (78,286)	\$ (80,635)		
Entertainment Upfit Reimbursement	\$138,740	\$138,740	\$138,740	\$138,740	\$138,740	\$138,740	\$138,740	\$138,740					
Effective Gross Income	\$ 1,063,740	\$ 1,091,490	\$ 1,120,072	\$ 1,149,512	\$ 1,179,835	\$ 1,211,068	\$ 1,243,238	\$ 1,137,633	\$ 1,171,762	\$ 1,206,915	\$ 1,243,123		
Operating Expenses	\$ 312,500	\$ 321,875	\$ 331,531	\$ 341,477	\$ 351,722	\$ 362,273	\$ 373,141	\$ 384,336	\$ 395,866	\$ 407,742	\$ 419,974		
Net Operating Income	\$ 751,240	\$ 769,615	\$ 788,541	\$ 808,035	\$ 828,114	\$ 848,795	\$ 870,097	\$ 753,298	\$ 775,897	\$ 799,174	\$ 823,149		
Debt Service	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)	\$ (402,529)		
DSCR	1.87	1.91	1.96	2.01	2.06	2.11	2.16	1.87	1.93	1.99			
Available after Debt Service	\$ 348,711	\$ 367,086	\$ 386,012	\$ 405,506	\$ 425,585	\$ 446,266	\$ 467,568	\$ 350,769	\$ 373,368	\$ 396,644			
Leasing and Capital Cost													
Tenant Improvements				\$ 50,000			\$ 55,000			\$ 60,000			
Leasing Commission	\$ 64,800			\$ 70,809			\$ 77,375			\$ 84,549			
Capital Reserve	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048			
Cash Flow for Distribution	\$ 273,911	\$ 356,786	\$ 375,403	\$ 273,770	\$ 414,330	\$ 434,673	\$ 323,252	\$ 338,470	\$ 360,700	\$ 239,047	\$ 6,261,170		
Leveraged IRR	13.3%	\$ (3,390,965)	\$ 273,911	\$ 356,786	\$ 375,403	\$ 273,770	\$ 414,330	\$ 434,673	\$ 323,252	\$ 338,470	\$ 360,700	\$ 239,047	\$ 6,261,170
Cash on Cash Return	10.0%	8.08%	10.52%	11.07%	8.07%	12.22%	12.82%	9.53%	9.98%	10.64%	7.05%		
Distributions													
Cardinal Development	\$ 150,759	\$ 196,372	\$ 206,619	\$ 150,681	\$ 228,044	\$ 239,241	\$ 177,916	\$ 186,292	\$ 198,527	\$ 131,570	\$ 3,446,108		
Wellmon Family	\$ 123,152	\$ 160,413	\$ 168,784	\$ 123,089	\$ 186,285	\$ 195,432	\$ 145,336	\$ 152,178	\$ 162,173	\$ 107,477	\$ 2,815,063		

Construction Schedule

Cardinal Development plans to close on the property January 1st, 2016 and immediately begin the demolition of a portion of the existing mill. Once complete, site work will begin on the 8.43-acre site. After 2.5 months of site work, construction will begin on Building 1, the 5-story, wood frame above podium residential building containing 127 units. This building is projected to take thirteen months. Five months into the construction of Building 1, the construction of Building 2, which is a 4-story wood frame building with 101 units, will begin. Building 3 begins four months after the start of building 2. Building 3 is a 4-story wood frame building with steel members in the restaurant space. It contains 115 apartments, 10 live/work units and 10,000 SF of restaurant and retail space.

The renovation of The Smokestack at Chadbourn Square, which is housed in the original portion of the mill, will begin after the demolition of the rest of the mill. This process will take 12 months. Cardinal Development has scheduled construction of the parking structure to be finished when The Smokestack at Chadbourn Square opens.

Case Studies

Pinewood Social Club

Pinewood Social is an entertainment venue, restaurant and bar located in Nashville, Tennessee. It is housed in one of six renovated Trolley Barns in Nashville's Rolling Mill Hill neighborhood. When purchased by a group who wanted to redevelop these historic structures, the Trolley Barns were dilapidated and underutilized.

According to Nashville's Center for Historic Preservation, these historic structures were built by the WPA between 1939 and 1941 and interestingly never housed trolleys. Instead, they housed several city public works departments, including engineering and water works.

The neighborhood that is home to the Trolley Barns, Rolling Mill Hill, experienced a decline starting in the 1970's, but is now experiencing a revitalization. This is a very similar narrative to that of NoDa and Chadbourn Mill in the sense that it is a historic structure located in a recently revitalized neighborhood that is still going through major changes.

Pinewood Social is housed in 13,000 SF and is owned and operated by brothers Benjamin and Max Goldberg, who are local entrepreneurs that have opened a number of successful restaurants and entertainment venues in and around Nashville. The five other renovated Trolley Barns surrounding Pinewood Social are home to a number of small businesses and entrepreneurial firms. Neighboring tenants include an accounting firm, an architecture firm, a nonprofit group and a law firm. This mix of tenants creates a mini office and entertainment district within a unique neighborhood in Nashville, which is very similar to the mix that Cardinal Development will provide in the Smokestack at Chadbourn Square. In addition to this, the type of office tenants that are located in the other Trolley Barns are the kind of tenants that Cardinal Development will attract to The Smokestack at Chadbourn Square.

Pinewood Social thrives on its combination of uses and the fact that the venue can serve different purposes at different times of the day. The coffee bar provides a great place for a casual business meeting in the morning, while the restaurant can serve as a lunch spot for coworkers. However, the venue is most popular as a bar and entertainment venue for the after work and weekend crowds. It has established itself as a legitimate nightlife hotspot by attracting an eclectic crowd that includes young professionals, musicians and creative entrepreneurs. It has done so by offering an inspiring food menu, which has received many accolades from various local and national publications, creative cocktails and entertainment options that range from bowling to karaoke. This vibrant and eclectic atmosphere is what the development team envisions for The Smokestack at Chadbourn Square. It is intended to be a destination for a variety of different demographics, and one that caters to different groups for different purposes.



Case Studies

The Alley

The Alley is a bowling and entertainment venue as well as a restaurant and bar located one block off of historic King Street at 131 Columbus Street in Charleston, South Carolina. The venue includes eight bowling lanes, a 40 foot bar, a mix of video arcade games, a full service kitchen that serves lunch and dinner, and an upstairs event space equipped with a second bar that can be rented out for private parties.

It is housed in a rehabilitated warehouse and encompasses 16,870 square feet. The long vacant warehouse was up-fitted to modern standards while still maintaining many of its historic features, including 25 foot ceilings with exposed steel beams and exposed brick walls. These important design decisions lend the building an immediate sense of place and authenticity that contribute to the lively atmosphere of The Alley. The fact that The Alley is in a rehabilitated warehouse lends credence to the plans of Cardinal Development to house their entertainment space in the first floor of a renovated mill and gives a sense of what the space will feel like once it is updated.

Business partners David Crowley and brothers Chris and Jimmy Poole opened The Alley in 2012 after finding success with a similar venture in Raleigh, North Carolina. The LLC which operates the venture leases the space from Arnold Properties who owns the building, which provides a similar structure to what Cardinal Development is proposing for the entertainment space at Chadbourn Mill.

The structure is located one block off of the rapidly changing Upper King area of downtown Charleston. It is directly across from the Post & Courier newspaper headquarters and next door to a U-Haul rental facility.

The trajectory of the Upper King area is very similar to that of NoDa, in the sense that it is experiencing a renaissance in the form of new businesses and residences. Both areas are known for their vibrant arts scene, restaurants and entertainment options. Traditionally, the streets off of Upper King were marked by industrial and warehouse users, thus discouraging pedestrian traffic. However, The Alley provides residents and tourists a reason to explore the areas off of the traditional main street, thus bringing new pedestrian activity and activating a new area of the city.

This is very similar to Chadbourn Square in the sense that Chadbourn Square will also activate the traditionally non-pedestrian friendly streets of North Davidson, Jordan Place and North Brevard. Given the similarities between the sites and the fact that both entertainment spaces are in rehabilitated industrial spaces, The Alley provides a great case study for what the entertainment space at Chadbourn Square will turn into.



Case Studies

Pepperell Center

The downtown of Biddeford, Maine was once home to numerous textile mills but as the economy shifted in the United States and abroad, the area declined and the mills were abandoned. A true testament to the decay of Biddeford was when the city built a trash incinerator in the middle of downtown in the late 1980s. Biddeford was a place you moved away from.

Today Biddeford is entering a new era thanks to visionary developers such as Doug Sanford who had the insight to undertake the redevelopment of the Pepperell Mill Campus. The campus consists of fifteen separate buildings being developed in phases. Pepperell Center is 180,000 square feet and has been divided into office bays. Sanford offers interior space for \$5 per foot and space with exterior windows starts at \$6 per foot (Note that the office market in Biddeford is substantially weaker than in Charlotte). This base price includes:

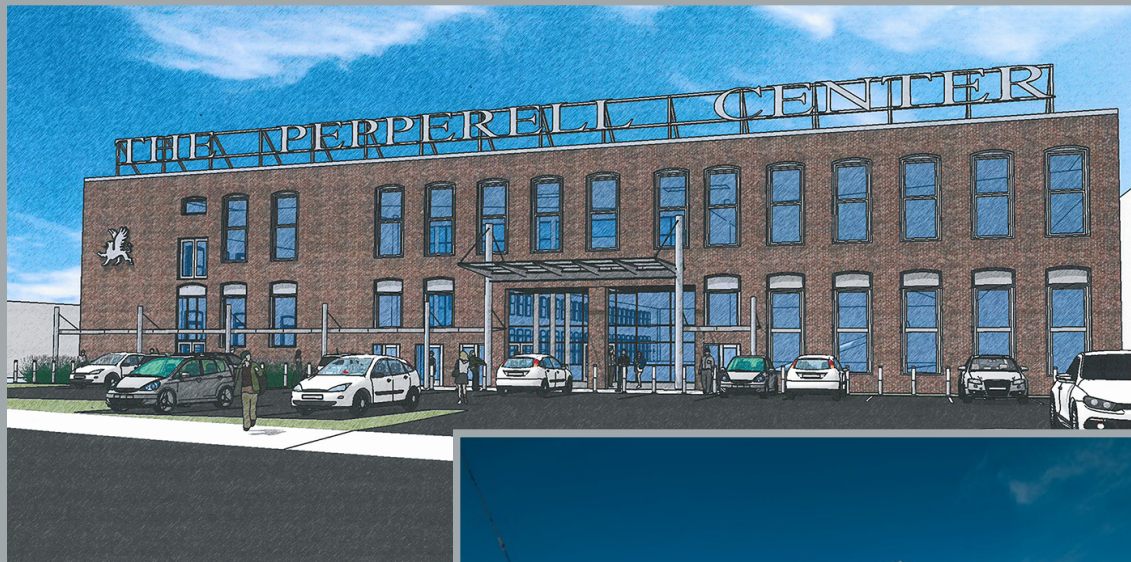
- Exterior framing of the space
- Insulation of the exterior wall
- Interior drywall brought to a finish but not painted
- Fixed glass exterior windows
- An electrical panel with the power to meet your needs
- Entrance door

Pepperell Center is a great example of how an old, dilapidated mill can be successfully redeveloped into office space. Pepperell is 180,000 square feet, which is substantially larger than what Cardinal Development is proposing for Chadbourn at 26,000 square feet, but it proves that thoughtful redevelopment can positively impact a community and increase the bottom line financially.

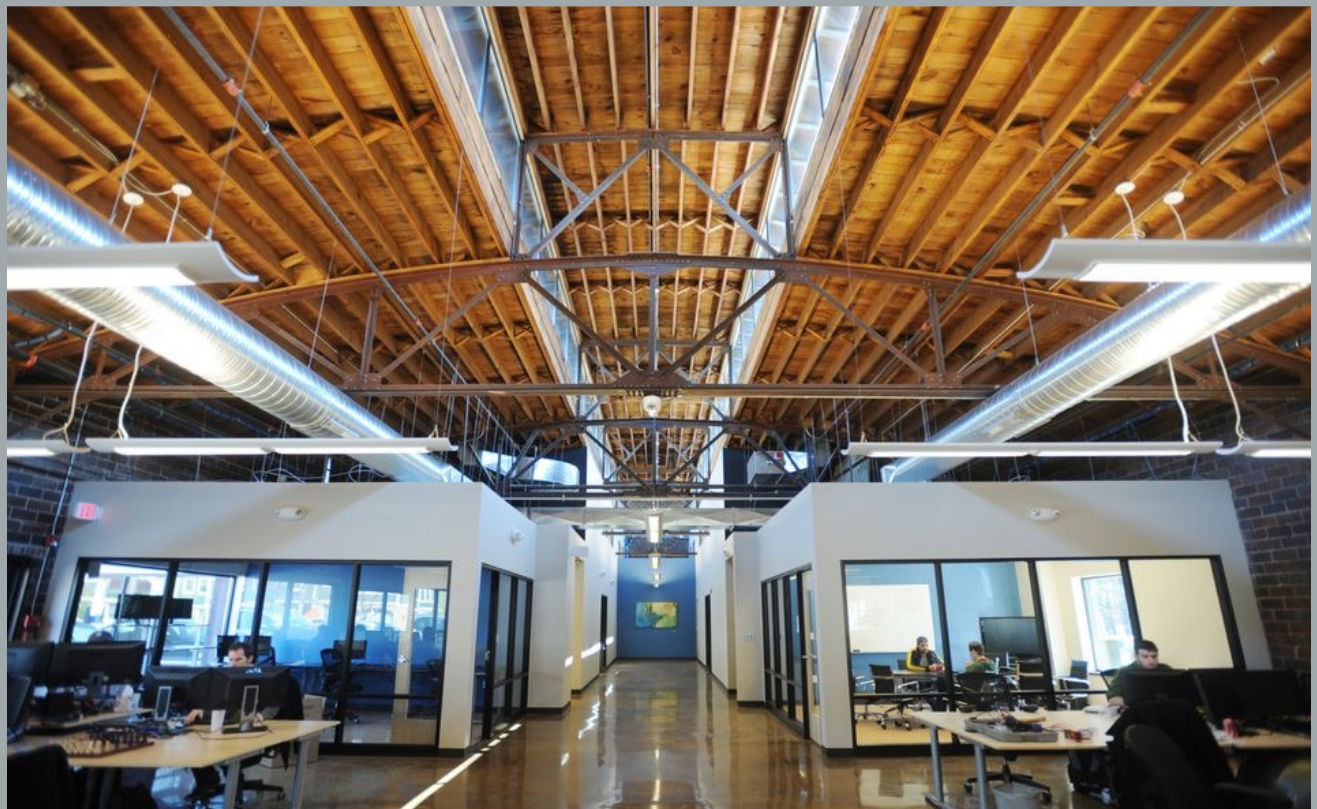


Architectural Typologies

THE SMOKESTACK AT CHADBOURN SQUARE: EXTERIOR



THE SMOKESTACK AT CHADBOURN SQUARE: OFFICE INTERIOR



THE SMOKESTACK AT CHADBOURN SQUARE: OFFICE INTERIOR



THE SMOKESTACK AT CHADBOURN SQUARE: ENTERTAINMENT INTERIOR



THE RESIDENCES AT CHADBOURN SQUARE:



THE RESIDENCES AT CHADBOURN SQUARE: LIVE WORK UNITS



THE RESIDENCES AT CHADBOURN SQUARE: RETAIL



GREEN SPACE





THE SMOKESTACK
at Chadbourn Square

THE RESIDENCES
at Chadbourn Square

Legend

-  Office/ Entertainment
-  Residential
-  Retail/ Restaurant

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