

Downtown Living Presentation Walking and Bus Tour



Mr. Ed Walker
Social Entrepreneur / Lawyer
October 7, 2011

Agenda

- Introduction
- Why Roanoke and Why Downtown?
- Recent Developments
 - 204 Jefferson
 - The Hancock Building
 - The Cotton Mill
 - The Patrick Henry
 - The Ice House
- Available Tax Incentive Programs
- Financing in this Market
- Construction Comments
- Market Dynamics

Roanoke's Downtown Economy Burgeoning

- Burgeoning – means to “grow or flourish”
- Downtown is a vital growing market
- Targeting the Millennium Generation
- Average age living Downtown is 27 years old
- City Market – food, bars, restaurants, crafts, arts, studios, free wifi
- Transportation – Trolley Bus, Valley Metro, Bus Station, Smart Bus
- Work – Businesses, Carilion Medical, Financial Institutions, etc
- Downtown has a 94% occupancy rate – 2010
- Culture – Art Museum, Center in the Square, Transportation Museum, History Museum, Science Museum, Old Winston Link Museum
- Schools – Community High School, Higher Education Center
- Recreation – biking, hiking, YMCA, Mill Mountain Star, Zoo, etc..
- Library – books, music, entertainment, Virginia Room
- Hotels – Historic Hotel Roanoke

Museums



**Why
Downtown?**

Play



Art



History



Food



Retail



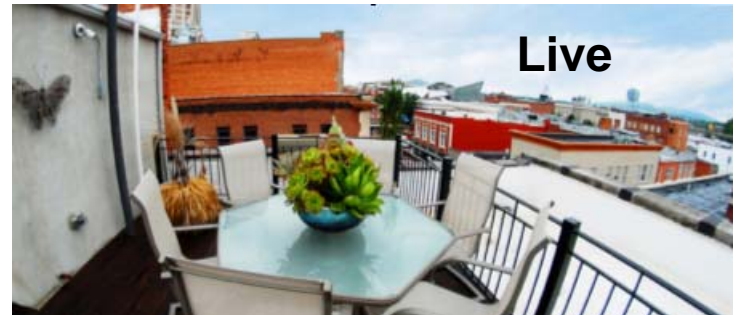
Shop



Ride



Live



Ed Walker's Downtown Vision

Developer Ed Walker has been the point man for what has become a downtown living renaissance in Roanoke. His multiple historic building renovations (the Cotton Mill, the Hancock, the Patrick Henry Hotel, the Home-town Bank building) have created a whole new demographically mixed community of center-city residents. That is beginning to result in new services emerging from other property transformations – rehabs of other historic properties and all that entails.

He has gone beyond simply making buildings available for people: He is partially responsible for the dynamic Music Lab at the Jefferson Center, for Kirk Avenue Music Hall, and for what has become a clinic in his "interesting community" of businesses in his bank of offices on Kirk Ave. His idea for the Patrick Henry Hotel is to combine downtown living with that same dynamic business presence in a place "where the lights are always on."

Walker has a plan and an overall vision and here is his explanation of some of it:

"Whether asking about today or 25 years in the future, what's critically important for Roanoke in general is what's critically important for downtown specifically.

"In 25 years I would hope to see greater numbers of dynamic people living, working, and thriving in a comprehensively healthy downtown – interesting people pursuing interesting opportunities of every kind in education, commerce, good government, and arts and culture. Roanoke must also seek opportunities to engage with the 'outside' world by getting to know itself better and by taking some of Roanoke's greatest assets afield and inviting leaders from other cities and countries here for mutually beneficial purposes.

Education: "There is no clearer path to greatness for downtown Roanoke than through extraordinary education opportunities. Education at every level and for every age must be the defining characteristic of the community, and it should be focused throughout our urban core.

"We need award-winning public education for our children, an intellectually engaged and curious adult population, and extraordinary cooperation and engagement with all of the area's higher education institutions.

"In 25 years I hope the Jefferson College of Health Sciences and the Virginia Tech/Carilion Medical School students and faculty will be a major and vital presence and that we will successfully engage as many of our regional educational powerhouses as possible. Because we weren't blessed with the alchemy of a four-year higher education presence in Roanoke City, through perseverance and creativity we will have to create cir-



Walker: "No clearer path to greatness than education."

cumstances by which we can create as many of those benefits as possible.

Commerce and Money: "We must have conditions and levels of sophistication that allow entrepreneur and business managers every advantage to make as much money as their ability can create. For those who do not choose the accumulation of money for its own end, we must be a community that defines itself by impressive financial and personal finance knowledge. Simply put, whether you are chasing money or not, we must become a wealthier and more financially savvy community.

Arts and Culture: "This is an area in which Roanoke's arts and culture mavericks have made amazing progress. Compared to even two or three years ago, Roanoke is a much more interesting and dynamic place to live, and this has an enormous impact on quality of life and economic development. Our arts and culture opportunities are extraordinary. We must continue progress in these areas. Only the strong and smart operations will survive, and we may see fewer but stronger cultural institutions.

Good Government: "If Roanoke doesn't have deeply talented, energetic, open-minded, and honest government – both at the professional and political levels – we are doomed. To overcome great obstacles, we must have great government, smart candidates and smart professional management.

Roanoke and the World: "Downtown Roanoke will be the focus as Roanoke exports itself and its ideas to major places around the world where cultural, commercial, or educational benefits exist to strengthen this city and for us to help other places and people thrive as well." –Dan Smith

Summary of Ed Walker's Downtown Vision

- Education
 - Must be the defining characteristic of the community
 - Projects the Jefferson College of Health Sciences and the Va Tech/Carilion Medical School students and faculty will be a major presence
 - We need to create circumstances by which we can create as many of those benefits as possible
- Commerce and Money
 - We must be a community that defines itself by impressive financial knowledge
 - We must become a wealthier and more financially savvy community
- Arts and Culture
 - Roanoke has made amazing progress in the last few years
 - We must continue to grow here as it has a definite impact on the quality of life and economic development
- Good Government
 - A community needs talented, energetic, open-minded, and honest government
 - To overcome great obstacles we must have great government

Tax Incentives Available for Renovating Historic Downtown

- State and City Enterprise Zone Incentives
 - grants available for job, property investment, facade, development fees, business security
- City Real Estate Tax Exemptions
 - 10 year exemption on the value added to a historic structure
- Rental Rehabilitation Program
 - Offers loans per unit in properties in Conservation, Rehab, and Historical District
- State Rehabilitation Tax Credits
 - Provides State credits for properties on the Virginia Landmarks Register
- Federal Rehabilitation Tax Credits
 - Offers up to 20% of rehab cost on Historic Buildings
- Partial Tax Exemption on Rehabilitated Buildings
 - For buildings 25 years and older
- Partial Tax Exemption on Energy Efficient Buildings
 - Offers reduced real estate tax rate for 5 years on bldgs exceeding standards by 30%
- Disabled Access Tax Credit
 - Available to eligible and small business for improving disabled access

Recent Developments

204 Jefferson

- Before Rehab



- After Rehab



History of 204 Jefferson

- Old Colonial American Bank Building
- Built in 1926
- Architect Frye and Stone
- Added in 1983 to National Register of Historic Places
- Formally the site of the 8 story Terry Building (Roanoke's first skyscraper)
- Clock is original
- Purchased in 2003 for \$1,400,000
- Rehabilitated in 2006 into 10 residential units and a bank

Rehab Abatement Credit for 204 Jefferson

- Example:

| | |
|--------------------|--------------------|
| Before Rehab Value | \$1,491,400 |
| After Rehab Value | <u>\$9,868,800</u> |
| Difference | \$8,377,400 |

(Values do not include land values)

Abatement $\$8,377,400$ (difference) X $.0119$ (tax rate) = $\$99,691$

RE Taxes on $\$9,868,800$ = $\$117,438$ ($\$9,868,800$ X $.0119$)

RE Taxes on $\$9,868,800$ Using the Rehab program:

$\$117,438 - \$99,691 = \$17,747$

Savings: $\$117,438 - \$99,691 = \$17,747$ per year

Over a 10 Year Period: $\$17,747$ X 10 years = $\$177,470$

The Hancock Building

- Before Rehab



- After Rehab



History of The Hancock Building

- Site originally consisted of multiple buildings, including Hancock Dry Goods
- Built in 1898
- In 1929, purchased by N.W. Pugh Department Store and were fully unified through the construction of the mosaic terra cotta façade.
- In 1965, Grand Piano and Furniture purchased the building and the exterior was entirely bricked over.
- Paid \$530,000 in 2004
- In 2007, the non historic facade was removed and the building was rehabilitated into 58 residential units and 1 commercial space.

Rehab Abatement Credit for The Hancock Building

- Example:

| | |
|--------------------|--------------------|
| Before Rehab Value | \$ 131,000 |
| After Rehab Value | <u>\$6,334,300</u> |
| Difference | \$6,203,300 |

(Values do not include land values)

Abatement $\$6,203,300$ (difference) $\times .0119$ (tax rate) = $\$73,819$

RE Taxes on $\$6,334,300$ = $\$75,378$ ($\$6,334,300 \times .0119$)

RE Taxes on $\$6,334,300$ Using the Rehab program:

$\$75,378 - \$73,819 = \$1,559$

Savings: $\$75,378 - \$73,819 = \$1,559$ per year

Over a 10 Year Period: $\$1,559 \times 10$ years = $\$15,590$

The Cotton Mill

- Before Rehab



- After Rehab



History of The Cotton Mill

- Built in 1919
- Built by the Marshall Field Co. of Chicago
- The Cotton Mill was one of Roanoke's largest employers with 750 employees.
- In 1959, 80% of the employees were women producing as many as 140,000 articles of clothing per week.
- Closed in 1996 and vacant for 13 years
- Paid \$850,000 in 2005
- Rehab Began in 2008
- Now 108 apartment units – leased in 3 days

Rehab Abatement Credit for The Cotton Mill

- Example:

| | |
|--------------------|--------------------|
| Before Rehab Value | \$ 404,400 |
| After Rehab Value | <u>\$7,601,900</u> |
| Difference | \$7,197,500 |

(Values do not include land values)

Abatement $\$7,197,500$ (difference) $\times .0119$ (tax rate) = $\$85,650$

RE Taxes on $\$7,601,900$ = $\$90,463$ ($\$7,601,900 \times .0119$)

RE Taxes on $\$7,601,900$ Using the Rehab program:

$$\$90,463 - \$85,650 = \$4,813$$

Savings: $\$90,463 - \$85,650 = \$4,813$ per year

Over a 10 Year Period: $\$4,813 \times 10$ years = $\$48,130$

The Patrick Henry Hotel

- Before Rehab



- After Rehab



History of The Patrick Henry

- Opened in 1925
- Designed by New York architect, William Lee Stoddart as a high-rise Georgian Revival building.
- Patrick Henry name was chosen by a naming contest and the winner was a young John Payne, who later became a famous actor in 40's and appeared on Miracle on 42nd Street.
- National Historic Register and the Virginia Landmarks register
- Paid \$1,300,000 in 2009
- Currently under rehab application (Jan 2010) and final value pending.

Rehab Abatement Credit for The Patrick Henry Hotel

(not complete-abatement pending)

- Current Assessed Value:

- | | |
|----------------------|------------------|
| Land Value | \$827,100 |
| Improvement Value | <u>\$841,900</u> |
| Total Assessed Value | \$1,669,000 |

The Ice House

- Before Rehab



- After Re-zoning

The five-story Ice House building overlooking the Roanoke River and the greenway is one of 17 properties that the Roanoke City Council has rezoned to accommodate retail, residential and light industrial spaces. It is owned by developer Ed Walker.



The Roanoke Times

History of The Ice House

- Built in 1924
- Known as The Ice House Building, which was the home of ice and cold storage for 77 years
- Closed in late 1990's
- Paid \$441,000 in 2004
- Rezoned 17 properties from Industrial to accommodate residential, retail and light industrial
- Plans to have a mix-use building with 100 apartments, art center, and commercial tenants.
- This rehab will be called the River House

Rehab Abatement Credit for The Ice House

(not complete-abatement pending)

- Current Assessed Value:

- | | |
|----------------------|------------------|
| Land Value | \$53,600 |
| Improvement Value | <u>\$311,300</u> |
| Total Assessed Value | \$364,900 |

Financing in this Market

- Cash
- Owner Financing
- VHDA
- Federal Loans
- Construction Loans
- Grants

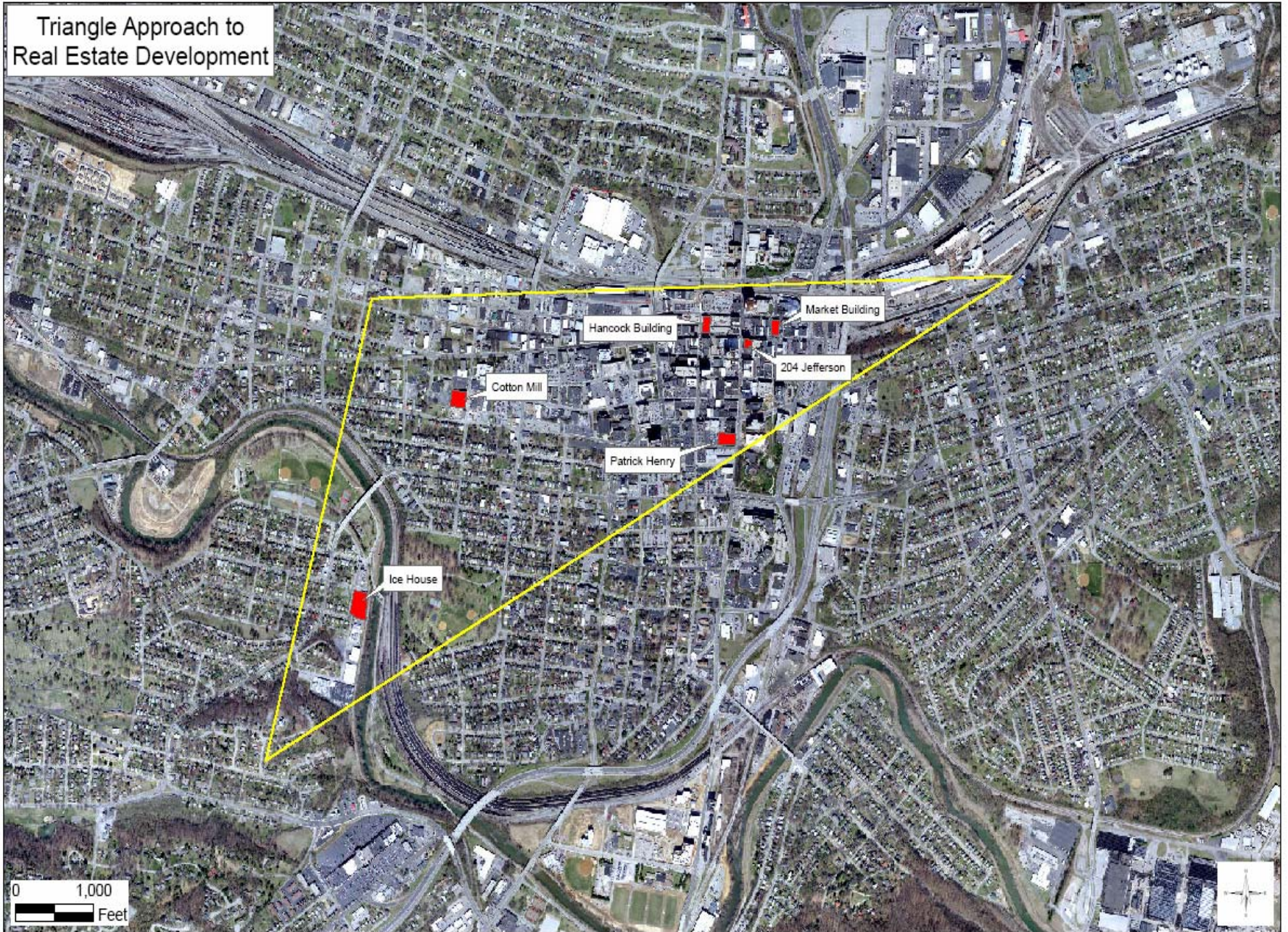
Construction

- Construction Cost
 - Labor
 - Building Cost
 - Materials Cost
 - Cement, steel, lumber
- Percent Changed from prior years
- Market Indicators
 - What does the future hold in these cost

Market Dynamics

- Explain Triangle Approach to Developing
- Trends for Apartments vs. Condo's
- Amenity Package
- Parking Downtown

Triangle Approach to Real Estate Development



In Closing – Ed Walker Off the Cuff...

- **Create Great Teams to Help You** - It takes extraordinary people to do extraordinary things. These are extraordinary projects and I have a good team in place who know what to do and how to get it done.
- **Be flexible** - Plans were changed in mid stream on the Hancock Building. The economy took a downward turn, financing changed, and the demand for condos changed. Our focus was altered to apartments rather than condos and we had to adapt to this new market.
- **Popular and Trendy Venues for Bringing People Downtown** – Example: new downtown radio station, music lab, coffee shops, vintage clothing, etc..
- **Stay focused on your Vision** – Combine downtown living with the same dynamic business presence in a place “where the lights are always on.”

Questions?