BROUGHTON DISTRICT

BURKEMONT AVENUE HOTEL

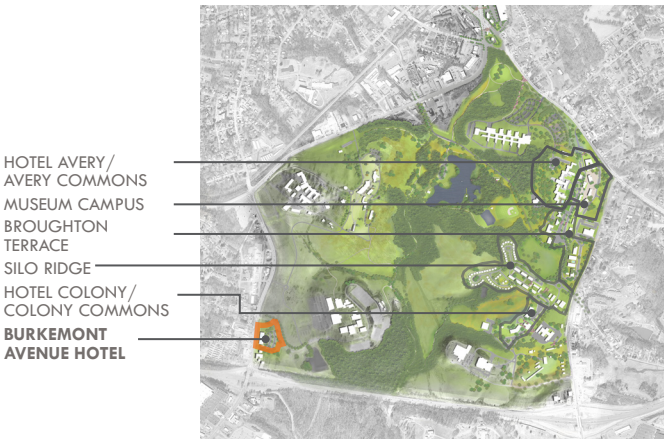


VISION STATEMENT

An upscale flag hotel bounds the southwestern corner of the Broughton District, adjacent to the Western Piedmont Community College (WPCC) and in close proximity to the District's many amenities. Guests of the hotel are well-situated to enjoy Morganton's charming downtown and Western North Carolina's exceptional beauty and outdoor recreation opportunities.

VALUE PROPOSITION

With excellent highway access and visibility, the Burkemont Avenue hotel attracts both passing visitors as well as patrons visiting Morganton for conferences, recreation, and events hosted by the local schools and universities. Beyond its well-apppointed rooms, a pool, meeting space and a fitness center, the flag hotel offers first-rate access to the region's numerous draws. The hotel meets an existing shortage of upscale accommodations for corporate gatherings, continuing education courses at WPCC, and local recreational draws including athletic tournaments, and music and art festivals.



OVERALL SITE PLAN



PROJECT SCOPE

PROGRAM	
HOTEL ROOMS	120 KEYS
AMENITIES	POOL, FITNESS CENTER (1000 SF), MEETING ROOMS (1500 SF)

AREA DRAWS

Morganton is situated near I-40, I-26, I-77, and I-85, one hour from both Charlotte, NC and Asheville, NC, positioning it as a convenient option for business and leisure travelers to the mountains from a wide geographic area. The site sees 46,000 automobile trips per day on adjacent routes.[1] Morganton is one of the most convenient destinations from Charlotte that provides access to the recreational amenities of western North Carolina, including the Blue Ridge Mountains, Pisgah National Forest, Linville Gorge and Lake James State Park, which attract visitors from North Carolina and surrounding southeastern states.[2] Last year, the Blue Ridge Parkway alone generated nearly 16.1 million visitors, 152,000 overnight stays, and 50,000 overnight stays in hotels.[3]

Burke County has experienced the second largest growth in tourism economic impact and visitor spending in the state in recent years, behind only Buncombe County.[4] Burke County hosts numerous recreational and cultural opportunities, such as the Annual Historic Morganton Festival, which draws 40,000 attendees;[5] the Red, White and Bluegrass Festival, drawing 1,000-3,000 attendees; and popular fall foliage tours in October that are correlated with markedly lower vacancy rates and higher revenue per available room (RevPAR) than the annual average for comparable hotel projects.[6]

The City's Parks and Recreation Department oversees extensive recreational facilities that draw regional and statewide visitors including nine baseball and softball fields at Catawba Meadows Park and over four miles of paved trails on the Morganton Greenway System. The local Catawba River Soccer Complex is currently being expanded to attract soccer tournaments that could generate overnight stays in Morganton.[7]

Morganton is also home to several educational institutions that account for over 7,000 students. These institutions will draw families for weekend visits and graduation ceremonies each year.[8] Additionally, Downtown Morganton, only 1.5 miles from the site, is served by several craft breweries and wineries, as well as an abundance of shops and restaurants that provide a charming small-town feel that makes Morganton an ideal vacation spot in western North Carolina.



TRAILS


HISTORIC MORGANTON FESTIVAL


PARKS


NORTH CAROLINA SCHOOL FOR SCEIENCE AND MATH FAMILY DAY

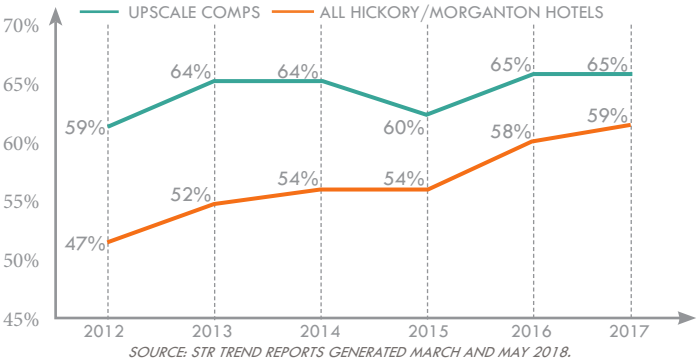
MARKET INDICATORS AND COMPS

Morganton's numerous area draws result in strong and growing demand for hospitality space, which is demonstrated through growth in comparable projects' occupancy (see Graph 1, below), average daily rate (see Graph 2, below), and revenue per available room (RevPAR). A slight dip in percent occupancy in 2015 reflects the addition of 113 rooms to the upscale market with the opening of the Hilton Garden Inn in Hickory in December 2014. However, overall occupancy actually increased in this time period.[9]

Despite the growth in profitability of hospitality space, the supply of hotel rooms in Morganton and Hickory has been relatively stable over the past several years, growing by only 7% since 2012. There has been no new construction of comparable hospitality offerings in Morganton since February 1999. However, this is not due to lack of demand for upscale accommodations or hospitality space more generally. There is, in fact, evidence of increasing pressure on the current market supply. The only comparable upscale establishment in Morganton, the Hampton Inn, refurbished its location in 2018. Furthermore, there is evidence to suggest that a current shortage of lodging options is masking additional unmet demand. Western Piedmont Community College leadership notes that demand for 2-to-3-day continuing education courses cannot be met due to inadequate accommodations for such events.[10] Similarly, in 2015, the North Carolina Main Street Conference drew enough attendees to overwhelm the supply of hospitality space in Morganton, and drive conference-goers to private residences, and nearby hospitality offerings in Catawba and McDowell Counties.

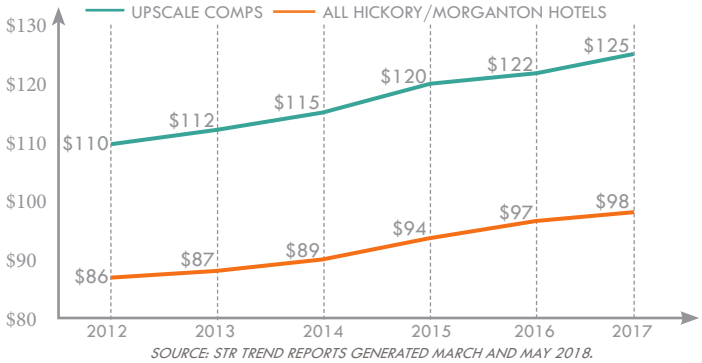
As demand for lodging grows and current stock ages, there will be opportunities to develop new hospitality offerings that capture the market pressure for upscale accommodations and amenity space that capitalize on the business and leisure draws to the region. The recent ground-breaking of an 85-key Fairfield Inn & Suites in downtown Morganton is one example of new product that targets this underserved segment.

GRAPH 1: PERCENT OCCUPANCY OF COMPARABLE PROJECTS, 2012 - 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.

GRAPH 2: AVERAGE DAILY RATE (ADR) OF COMPARABLE PROJECTS, 2012 – 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.



BLUE RIDGE PARKWAY



DOWNTOWN MORGANTON



MORGANTON RECREATION



MORGANTON HOTEL

FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources	Percent	Per Key	Per GSF	Total
Primary Mortgage Note	65%	$ 92,665	$ 297	$ 11,119,799
Equity	35%	$ 49,897	$ 160	$ 5,987,584
Total Sources		**$ 142,562**	**$ 456**	**$ 17,107,383**

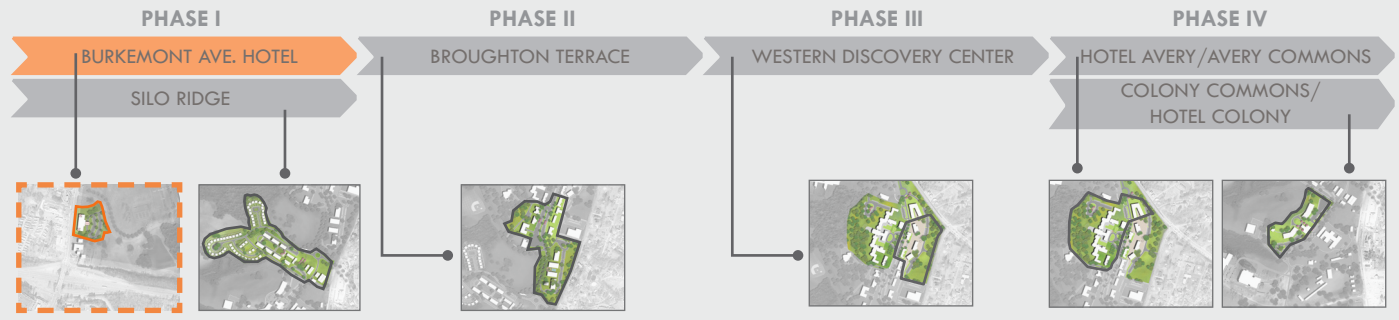
Development Budget	Percent	Per Key	Per GSF	Total
Acquisition	3%	$ 4,333	$ 14	$ 520,000
Hard Costs & Contingency	68%	$ 96,942	$ 310	$ 11,633,060
Soft Costs	9%	$ 12,953	$ 41	$ 1,554,323
FF&E & Pre-Opening Costs	20%	$ 28,333	$ 91	$ 3,400,000
Total Development Costs		**$ 142,562**	**$ 456**	**$ 17,107,383**

Project Cost of Capital & Returns	
Rate	6.5%
Amortization	25
Stabilized DSCR (Year 3)	1.70
Yield on Cost (Stabilized Year 3)	9%
Cash-on-Cash (Stabilized Year 3)	11%
Exit Cap Rate	8-8.5%
Equity Multiple (5 Year Hold)	2.0 - 2.2x
Internal Rate of Return (5 Year Hold)	16% - 19%

Development Budget	Per Key	Per GSF	Total
Acquisition Cost	**$ 4,333**	**$ 14**	**$ 520,000**
Sitework	$ 9,792	$ 31	$ 1,175,000
Building	$ 65,000	$ 208	$ 7,800,000
General Conditions	$ 4,333	$ 14	$ 520,000
Contingency	$ 4,446	$ 14	$ 533,500
Contractors Fee & Overhead	$ 6,686	$ 21	$ 802,280
A & E Fee	$ 6,686	$ 21	$ 802,280
Total Hard Costs	**$ 96,942**	**$ 310**	**$ 11,633,060**
Total FF&E & Pre-Opening	**$ 28,333**	**$ 91**	**$ 3,400,000**
Construction Period Taxes	$ 333	$ 1	$ 40,000
Legal & Accounting Fees	$ 917	$ 3	$ 110,000
Due Diligence	$ 371	$ 1	$ 44,500
Financing Cost	$ 2,317	$ 7	$ 277,995
Loan Carried Interest	$ 3,313	$ 11	$ 397,533
Developer Fee	$ 5,702	$ 18	$ 684,295
Total Soft Costs	**$ 12,953**	**$ 41**	**$ 1,554,323**
Total Development Costs	**$ 142,562**	**$ 456**	**$ 17,107,383**

Operating Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
Rooms	120	120	120	120	120
Available Room Nights	43,710	43,710	43,710	43,710	43,710
Occupancy	65%	72%	75%	75%	75%
Average Daily Rate	$ 135	$ 140	$ 146	$ 152	$ 158
ADR Rate Escalator	*4%*	*4%*	*4%*	*4%*	
INCOME STATEMENT					
Departmental Revenues	$ 4,176,491	$ 4,796,211	$ 5,180,160	$ 5,371,630	$ 5,570,760
Departmental Expenses	$ 1,091,002	$ 1,249,281	$ 1,345,520	$ 1,391,473	$ 1,439,264
Departmental Profit	**$ 3,085,489**	**$ 3,546,930**	**$ 3,834,640**	**$ 3,980,158**	**$ 4,131,496**
Undistributed Expenses	**$ 1,371,677**	**$ 1,556,808**	**$ 1,670,862**	**$ 1,727,336**	**$ 1,786,030**
G&A	$ 313,237	$ 359,716	$ 388,512	$ 402,872	$ 417,807
Marketing & Sales	$ 292,354	$ 335,735	$ 362,611	$ 376,014	$ 389,953
Repairs & Maintenance	$ 120,000	$ 123,600	$ 127,308	$ 131,127	$ 135,061
Utilities	$ 142,350	$ 157,680	$ 164,250	$ 164,250	$ 164,250
Telecomm	$ 62,647	$ 71,943	$ 77,702	$ 80,574	$ 83,561
Franchise Fees	$ 441,089	$ 508,134	$ 550,478	$ 572,498	$ 595,398
Gross Operating Profit	**$ 1,713,812**	**$ 1,990,122**	**$ 2,163,778**	**$ 2,252,822**	**$ 2,345,466**
% of Revenues	*41%*	*41%*	*42%*	*42%*	*42%*
Per Occupied Room	$ 60	$ 63	$ 66	$ 69	$ 72
Fixed Expenses	**$ 379,860**	**$ 398,452**	**$ 421,619**	**$ 436,891**	**$ 452,779**
Management Fees	$ 125,295	$ 143,886	$ 155,405	$ 161,149	$ 167,123
City of Morganton Taxes	$ 90,669	$ 90,669	$ 95,709	$ 99,831	$ 104,120
County of Burke Taxes	$ 118,896	$ 118,896	$ 125,505	$ 130,911	$ 136,535
Insurance	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000
FF&E Reserve	$ 83,530	$ 143,886	$ 207,206	$ 214,865	$ 222,830
NOI (after reserve)	**$ 1,250,422**	**$ 1,447,784**	**$ 1,534,953**	**$ 1,601,066**	**$ 1,669,857**
% of Revenue	*30%*	*30%*	*30%*	*30%*	*30%*
Per Occupied Room	$ 44	$ 46	$ 47	$ 49	$ 51
NOI Valuation	*$ 14,710,846*	*$ 17,032,756*	*$ 18,058,269*	*$ 18,836,070*	*$ 19,645,375*
Debt Service	$ 811,884	$ 900,980	$ 900,980	$ 900,980	$ 900,980
BTCF from Operations	**$ 438,538**	**$ 546,804**	**$ 633,973**	**$ 700,086**	**$ 768,877**
DSCR	*1.54*	*1.61*	*1.70*	*1.78*	*1.85*
Yield on Cost	7%	8%	9%	9%	10%
Cash on Cash	7%	9%	11%	12%	13%

10 - YEAR DEVELOPMENT TIMELINE



(1) *NCDOT AADT Mapping Application.*
(2) www.wncvitalityindex.org.
(3) National Park Service Integrated Resource Management Application (IRMA).
(4) The U.S. Travel Association.
(5) Morgantonfest.org.
(6) Comparable projects include hotels within Hickory or Morganton, NC, classified as either "Upper Midscale Class" or "Upscale Class" by STR Global. This comparable set includes the following hotels: Hampton Inn-Hickory; Hilton Garden Inn-Hickory; Courtyard-Hickory; Fairfield Inn & Suites-Hickory; and Hampton Inn-Morganton.
(7) Morganton News Herald.
(8) www.ncssm.edu; www.wpcc.edu; U.S. News & World Report.
(9) STR Data indicates that despite decline in percent occupancy, overall occupancy per day actually increased by 44 rooms on average over this time period.
(10) As reported by Hotel and Club Associates of Virginia in a custom report generated 9 September 2015; Morganton News Herald.

SILO RIDGE

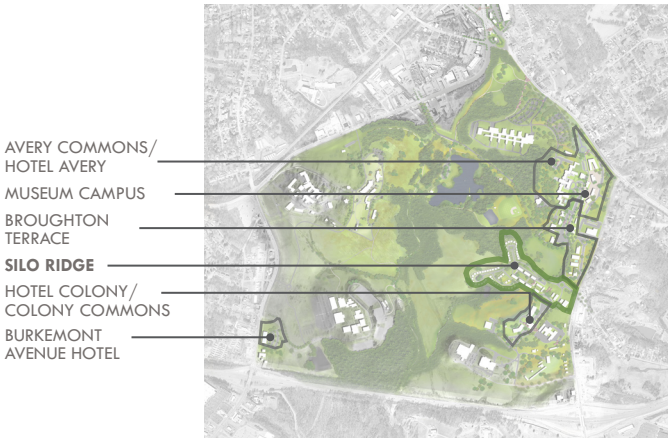


VISION STATEMENT

The Silo Ridge village adaptively reuses the iconic Silo Barn and other historic agrarian structures in the Broughton District as a destination for artisan retail and an anchor to complement new construction of a for-sale residential community of townhomes and single-family homes. The village sits along a high ridge on the District trail system that puts Western Piedmont Community College, NC School of Science and Mathematics, and downtown Morganton within walking and biking distance of these homes and shops.

VALUE PROPOSITION

As a horizontally mixed-use community, the Silo Ridge village leverages the authenticity of historic barns to create a retail destination that will add value to a diversity of new-construction home types. Coordinated development of the 45,000 SF of retail and 29 townhomes as the initial phase will allow the Village to generate brand awareness and pre-sales momentum for the build-out of a subdivision of 52 single-family homes. In a tight local housing market with significant recent job creation and an old housing stock, Silo Ridge will represent a premium product to help catalyze the Broughton District master plan.



OVERALL SITE PLAN



PROJECT SCOPE

PROGRAM	
TOWNHOMES	29 UNITS (1,500 SF/UNIT)
SINGLE FAMILY	52 HOMES (2,500 SF/EACH)
COMMERCIAL	45,300 SF

PRODUCT DESCRIPTION

The Silo Ridge village is a mix of newly constructed residential homes anchored to a cluster of shops built inside and around the historic Silo Barn. Residents live in either a 3-bedroom townhome (29 units in 6 blocks, avg. unit size 1500 SF) immediately adjacent to the Silo Barn, or in nearby 3- or 4-bedroom single-family homes (52 units, avg. size 2500 SF) gently stretching further into the pastoral setting. Homes and townhomes are clad in painted lap siding with brick accents, shaded porches, traditional double-hung windows, and gabled shingle roofs. Approaching through a landscaped brick plaza, village residents enter Silo Barn Market under its iconic spired double silos, strolling through what was once a historic livestock barn, past retail stands of fresh local produce, honey, cut flowers, and crafts. Skylights wash the market with natural light, illuminating exposed roof rafters and red brick masonry walls. At the end of the market is an attached two-story brick and wood-plank barn, as well as a cluster of other warehouses that have been adaptively reused as a coffee shop, tap room, art gallery, and other assorted destination retail.

AREA DRAWS

The City of Morganton offers a home for young professionals, families with children, and empty-nesters seeking a stimulating, yet affordable place to work and live. The City will host nearly 400 of the 900 new jobs projected over the next several years in Burke County. The public school district was recently ranked among the top 15 school districts in the State (out of 116 districts total).[1] Morganton attracts outdoor enthusiasts given its local recreational assets including golf courses, walking trails, athletic fields and a community greenway, as well as its easy access to national draws including Linville Gorge, Lake James, and Pisgah National Forest. Morganton's downtown has maintained a charming, small-town feel through preservation of its historic architecture, while also hosting the modern amenities of a larger city, including a first-run movie theater and a performing arts venue. There have been numerous examples of successful adaptive reuses of historic buildings into new craft breweries, farm-to-table restaurants and shops that have rejuvenated the downtown and made Morganton akin to popular Western North Carolina cities like Asheville.



TRAILS



HISTORIC MORGANTON FESTIVAL



PARKS



NCSSM FAMILY DAY



BLUE RIDGE PARKWAY



DOWNTOWN MORGANTON

MARKET INDICATORS AND COMPS

The Hickory-Lenoir-Morganton Metropolitan Statistical Area (MSA) is experiencing rising pressure on the local housing stock as a result of a growing economy, with a 4% increase in employment since 2015 and an unemployment rate below the state average in the last two years.[2] The MSA as a housing unit development of any MSA in the state (see Chart 1).[3] However, it also has the largest percentage of its housing stock built before 1980 of any MSA in the State, and the lowest percentage built since 2000 (see Chart 2).[4]

The City of Morganton will see a widening gap between housing demand and supply. In the last three years (2015-2017), Morganton issued building permits for an average of 69 new housing units per year.[5] Meanwhile, even as the median home value is rapidly rising,[6] Burke County is projected to add 690 households (60% owner-occupied, 40% renter-occupied) between 2017 and 2022, an average of 138 per year.[7] An aging housing stock and a low inventory of available homes for sale make the market ripe for new supply. Nearly 58% of owner-occupied housing in the City was built prior to 1970. Less than 9% of owner-occupied houses were built since 2000, compared to the State average of 26%. Among recent home sales, the median price for a home in the City is 5-7% more than the median sale price for a comparable home (bedroom/bath count) in the County, despite an older average year built. Only 1% of the for-sale housing stock in the entire County is for sale.[8]

New single-family and for-sale multi-family housing can attract a wide variety of buyers, including community professionals (such as teachers at NCSSM, NCSD, and WPCC), visiting physicians and interns at Carolinas Healthcare System – Blue Ridge or Broughton Hospital, the emerging tech workforce that will expand with the coming of Google, Facebook and Apple data centers to the region, and employees of manufacturing industries, which have experienced recent growth. One-third of all homeowners in the County are earning between $35,000 and $74,999; however, owner-occupied households earning $75,000 or more annually are projected to be the income bracket growing the most in the County between 2017 and 2022. Given these growth projections, the deepest segment of the for-sale market is anticipated to be for households earning $85,000 or more, looking for homes priced at $300,000 or more. The next deepest segment is for households earning $60,000-$84,999 looking for homes priced between $200,000 and $299,999.[9]

BURKE COUNTY – HOMES BUILT SINCE 2010	UNITS	PRICING
HOMES SOLD JAN. 2014-JAN. 2018	74 SALES	RANGE: $26,100-$656,000 MEDIAN: $185,500
HOMES LISTED FOR SALE AS OF JAN. 2018	20 LISTINGS	RANGE: $59,900-$1,150,000 MEDIAN: $279,450 MEDIAN $/SF: $165

SOURCE: BURKE COUNTY PRELIMINARY HOUSING NEEDS ASSESSMENT

CHART 1: EMPLOYMENT CHANGE PER NEW HOUSING UNIT WITHIN NC METROPOLITAN STATISTICAL AREAS, 2014-2016

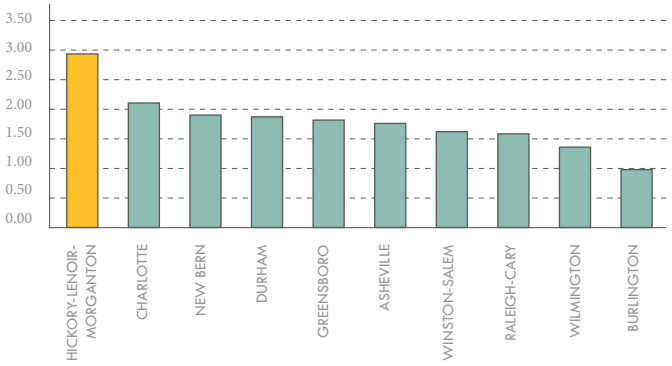
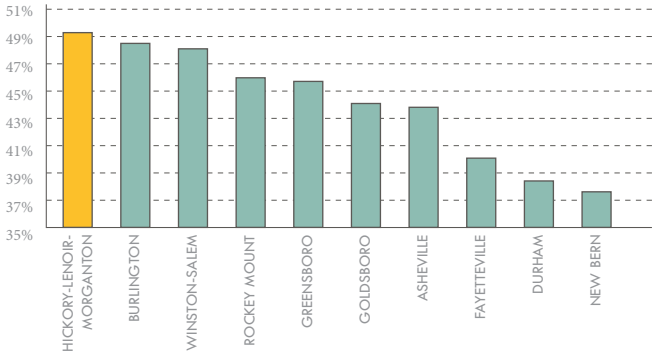


CHART 2: PERCENTAGE OF HOUSING BUILT BEFORE 1980 WITHIN NC METROPOLITAN STATISTICAL AREAS (AS OF 2015)



CASE STUDY

FEARRINGTON VILLAGE

- Location: Chatham County, NC
- Population: 69,000
- Program: Approx. 1,400 residential units within a mixed-use artisan retail community
- Completion Date: 2016
- Former Land Use: Dairy Farm
- Overview: Fearrington Village is anchored by an artisan retail village offering fine dining opportunities and boutique shopping in a rustic setting. The village was adapted from a family farm dating back to 1925, and its historic elements have been preserved and integrated with new construction and modern amenities to create a charming and unique village center.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

RESIDENTIAL

Development Budget

	Percent	Per Unit	Per GSF	Total
Acquisition	7%	15,907	$ 7	$ 1,288,500
Hard Costs - Townhomes	24%	58,128	$ 27	$ 4,708,382
Hard Costs - Single-family	65%	158,407	$ 74	$12,831,000
Soft Costs	5%	11,799	$ 6	$ 955,749
Total Development Costs		**244,242**	**$ 114**	**$19,783,631**

Permanent Capital Sources

	Percent	Per Unit	Per GSF	Total
Presales Deposits - Townhomes	1%	$ 2,153	$ 1	$ 174,375
Construction Loan - Townhomes	19%	$ 46,503	$ 22	$ 3,766,706
Developer Equity	26%	$ 62,345	$ 29	$ 5,049,951
Single-Family Buyer Financing	55%	$ 133,242	$ 62	$ 10,792,600
Total Sources		**$ 244,242**	**$ 114**	**$ 19,783,631**

Pricing and Timing

Product (Phase)	Units	Avg. SF	Avg. Unit Price	Project Month 100% Sold
Townhomes	29	1,500	$232,500	27
Single-Family (1)	16	2,500	$325,000	30
Single-Family (2)	18	2,500	$337,500	36
Single-Family (3)	18	2,500	$350,000	42

COMMERCIAL

Development Budget

	Percent	Per GSF	Total
Acquisition	4%	$ 12	$ 555,750
Hard Costs & Contingency	79%	$ 235	$ 10,642,461
Soft Costs	17%	$ 51	$ 2,296,616
Total Development Costs		**$ 298**	**$ 13,494,826**

Permanent Capital Sources

	Percent	Per GSF	Total
Historic Tax Credit Equity	24%	$ 72	$ 3,256,572
Primary Loan	52%	$ 156	$ 7,079,958
Seller Note	4%	$ 12	$ 555,750
Equity	19%	$ 57	$ 2,602,546
Total Sources		**$ 298**	**$ 13,494,826**

Commercial Operating Cash Flow

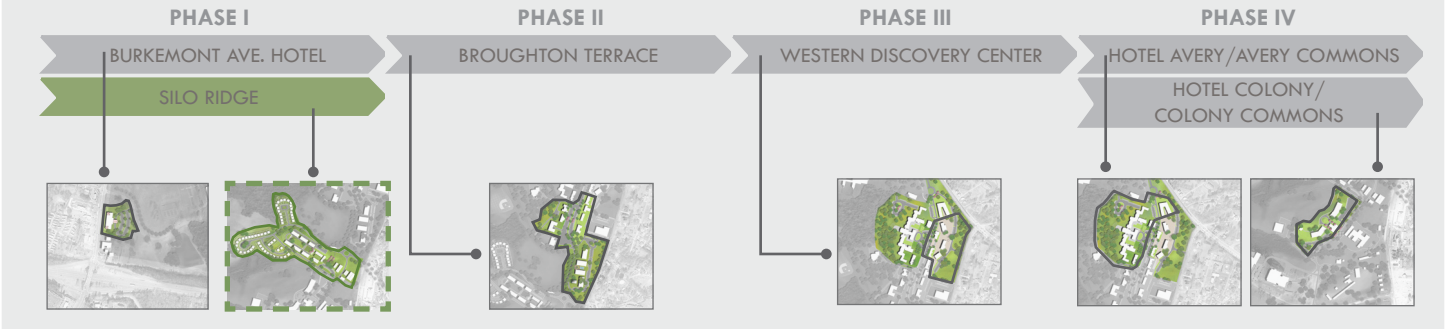
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Gross Revenues (NNN)		**$ 815,400**	**$ 839,862**	**$ 865,058**	**$ 891,010**	**$ 917,740**	**$ 945,272**
	$/SF	*$ 18*	*$ 19*	*$ 19*	*$ 20*	*$ 20*	*$ 21*
Vacancy (%)		41%	10%	10%	10%	10%	10%
Vacancy ($)		$ (335,250)	$ (83,986)	$ (86,506)	$ (89,101)	$ (91,774)	$ (94,527)
Gross Effective Income		**$ 480,150**	**$ 755,876**	**$ 778,552**	**$ 801,909**	**$ 825,966**	**$ 850,745**
Operating Expenses		$ 14,405	$ 22,676	$ 23,357	$ 24,057	$ 24,779	$ 25,522
NOI		**$ 465,746**	**$ 733,200**	**$ 755,196**	**$ 777,851**	**$ 801,187**	**$ 825,223**
	$/SF	*$ 10*	*$ 16*	*$ 17*	*$ 17*	*$ 18*	*$ 18*
	NOI Valuation	*$5,821,819*	*$9,164,994*	*$9,439,944*	*$9,723,142*	*$10,014,836*	*$10,315,282*
Total Ownership Expenses		**$ (465,746)**	**$ (530,239)**	**$ (619,793)**	**$ (630,180)**	**$ (630,180)**	**$ (630,180)**
Before Tax Cash Flow with Reserve		**$ 103,459**	**$ 202,961**	**$ 135,403**	**$ 147,671**	**$ 171,007**	**$ 195,043**

TOTAL PROJECT RETURNS

Project Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Residential							
Equity Contributed	$ (4,140,551)	$ (909,400)	$ -	$ -	$ -	$ -	$ -
Before Tax Cash Flow from Sale - Townhomes	$ -	$ -	$ 4,346,367	$ -	$ -	$ -	$ -
Before Tax Cash Flow from Sale - Single-Family	$ -	$ -	$ 1,007,200	$ 2,900,700	$ -	$ -	$ -
Total Cash Flows	$ (4,140,551)	$ (909,400)	$ 5,353,567	$ 2,900,700	$ -	$ -	$ -
Commercial							
Equity Contributed	$ (2,602,546)	$ -	$ -	$ -	$ -	$ -	$ -
Before Tax Cash Flow from Operations	$ -	$ 103,459	$ 202,961	$ 135,403	$ 147,671	$ 171,007	$ 195,043
Before Tax Cash Flow from Sale	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,843,901
Total Cash Flows	$ (2,602,546)	$ 103,459	$ 202,961	$ 135,403	$ 147,671	$ 171,007	$ 3,038,943
Master Development Cash Flows	**$ (6,743,097)**	**$ (805,940)**	**$ 5,556,528**	**$ 3,036,103**	**$ 147,671**	**$ 171,007**	**$ 3,038,943**

IRR	**16%**
Equity Multiple	**1.6x**

10 - YEAR DEVELOPMENT TIMELINE



(1) 2019 Best School Districts in North Carolina, Niche.com.
(2) Burke County Preliminary Housing Needs Assessment.
(3) 2017 "Burke County Housing Profile" Presentation.
(4) 2017 "Burke County Housing Profile" Presentation.
(5) U.S. HUD State of the Cities Data Systems Permit Database.
(6) Median home value in Burke County is expected to increase by 13% by 2022 according to ESRI Business Analyst.
(7) Burke County Preliminary Housing Needs Assessment.
(8) Burke County Preliminary Housing Needs Assessment.
(9) Burke County Preliminary Housing Needs Assessment.

BROUGHTON DISTRICT

BROUGHTON TERRACE

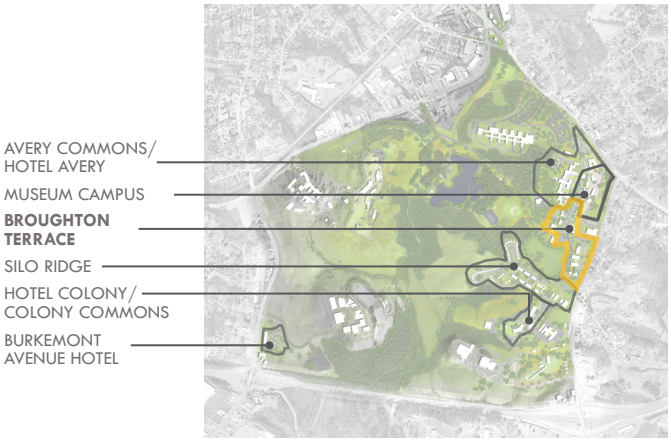


VISION STATEMENT

Adaptive reuse and new construction multifamily housing forms the southern edge of the Historic Broughton Campus, providing unique living opportunities in a mixed-use community, with close proximity to dining, arts and cultural offerings, educational assets like Western Piedmont Community College and the Western North Carolina Discovery Center, and outdoor recreation with stunning scenery.

VALUE PROPOSITION

Apartments attract young, single professionals and couples without children who seek living arrangements that offer onsite amenities, easy access to recreational and leisure opportunities, and close proximity to education and employment centers. There is an opportunity to capture increasing demand for both rental and for-sale units given the growth of key employers throughout the region, and to capitalize on the low vacancies, stagnant supply and aging stock of current housing options. On-site property management, a clubhouse, and a pool will further set this product apart with its amenities and level of service for residents.



OVERALL SITE PLAN



PROJECT SCOPE

PROGRAM	
HISTORIC ADAPTIVE REUSE	107 UNITS
GARDEN APARTMENTS (NEW CONSTRUCTION)	96 UNITS 153,600 SF

PRODUCT DESCRIPTION

A multifamily apartment community lies just south of the Avery Building, comprised of renovated historic buildings (Bates, Scroggs, Harper and Dining) repurposed as apartments, as well as newly constructed apartment buildings. Following the tree-lined plaza drive to the south, village residents stroll along a boulevard of modest two-to three-story renovated historic masonry hospital wards, while the landscape opens into a block of new garden-style apartment buildings. The historic buildings date from the late 1800s to the mid-1900s, reflect Classical, Colonial, and Art Deco styles, and feature red brick, concrete inlay and glass block details, gables, and slate roofs. The two- to three-story nature of the historic and new buildings provides a residential and human scale to the community.

AREA DRAWS

The City of Morganton offers an ideal home for young professionals, couples, and single adults seeking a stimulating, yet affordable place to live, that balances career and educational opportunities with top-notch access to outdoor recreation. The City of Morganton already has access to a large population of young adults due to its close proximity to major public universities including Appalachian State University (Boone), Western Carolina University (Cullowhee) and UNC-Asheville (Asheville), as well as institutions within the City boundaries: Western Piedmont Community College (WPCC), North Carolina School for the Deaf, and now, the new western campus of the North Carolina School of Science and Math.

Together, these institutions account for thousands of students receiving specialized and technical training in preparation for well-paying careers in technology, healthcare, and other industries that are represented in the regional job market. The City of Morganton has the opportunity to convert these students to permanent residents given its growing career opportunities, recreational and cultural assets, and affordable housing stock.[1]

Additionally, Morganton is well-positioned to attract outdoor enthusiasts given its local recreational assets including golf courses, walking trails, athletic fields and a community greenway, as well as its easy access to national draws including Linville Gorge, Lake James, and Pisgah National Forest. Morganton's downtown has maintained a charming, small-town feel through preservation of its historic architecture, while also hosting the modern amenities of a larger city, including a first-run movie theater and a performing arts venue. There have been numerous examples of successful adaptive reuses of historic buildings into new craft breweries, farm-to-table restaurants and shops that have rejuvenated the downtown and made Morganton akin to popular Western North Carolina cities like Asheville.



HISTORIC MORGANTON FESTIVAL



DOWNTOWN MORGANTON



CRAFT BREWERIES



TRAILS

MARKET INDICATORS AND COMPS

The Hickory-Lenoir-Morganton Metropolitan Statistical Area (MSA) is experiencing a rising pressure on the local housing stock as a result of a growing economy. The MSA has experienced the highest job creation relative to housing unit development of any MSA in the state[2] (see Chart 1), a result of a stagnant supply of housing. Even as the median home value is rapidly rising, Burke County is projected to add 690 households between 2017 and 2022, approximately 138 new households per year.[3] Yet, on average, only 69 new residential units were permitted per year over the past three years (2015-17).[4] Multifamily residential vacancy rate sits at 2% in Burke County,[5] and vacancy among stabilized market-rate multifamily properties in the City of Morganton sits at 1.5%.[6]

Compounding the challenges associated with demand growth, are limitations in the supply of multifamily housing in Burke County and the City of Morganton. Nearly 47% of renter-occupied housing and 58% of owner-occupied housing in Burke County was built prior to 1970.[7] Furthermore, 76% of all multifamily rental product within the county was built prior to 1990. Though overall vacancy in multifamily properties is low, properties built since 1990 are 100% occupied.[8] Five-year projections estimate the greatest demand for multifamily product for households with incomes above $45,000, which can support rents of approximately $1,100 per month. Specifically, projections indicate demand for 882 new, high-quality, amenitized rental units to support the growth of this income group given the currently-limited supply of high-quality rental product in Burke County.[9] Finally, there is currently an undersupply of 1-bedroom units in the market. Though 63% of all renter households in the County are 1- and 2-person households, less than 9% of market-rate units surveyed are 1-bedroom units.[10]

There have been recent efforts to accommodate this demand. Morganton Trading Company—the 2006 adaptive reuse of a former textile mill in downtown—has 43 market-rate 1- and 2-bedroom units. The property currently operates at 100% occupancy with a waiting list. One-bedroom, 1-bath units range in size from 700 SF to 1,185 SF earning rents of $850 to $1,000 per month. Two-bedroom, two-bath units range in size from 800 SF to 1,625 SF earning rents of $950 to $1,425 per month. Meanwhile, the Dunivent Lofts, a 47-unit market-rate adaptive reuse residential project in downtown Morganton, is under construction and slated to be completed in 2019.

The Broughton District offers an opportunity for developers to capitalize on stagnant supply and aging stock of housing to attract homeowners and renters for both current and projected populations in the Hickory-Lenoir-Morganton MSA.

CHART 1: EMPLOYMENT CHANGE PER NEW HOUSING UNIT WITHIN NC METROPOLITAN STATISTICAL AREAS, 2014-2016

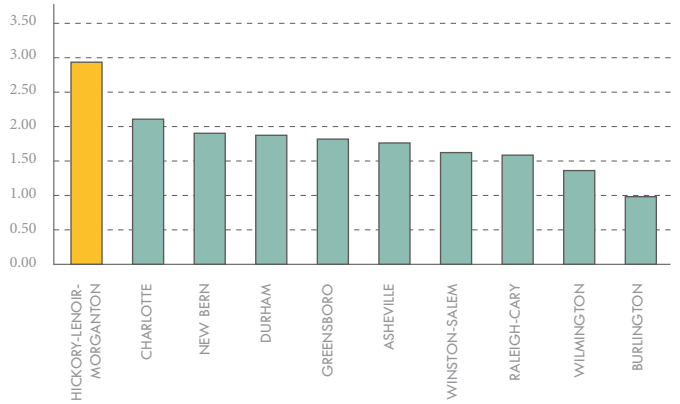
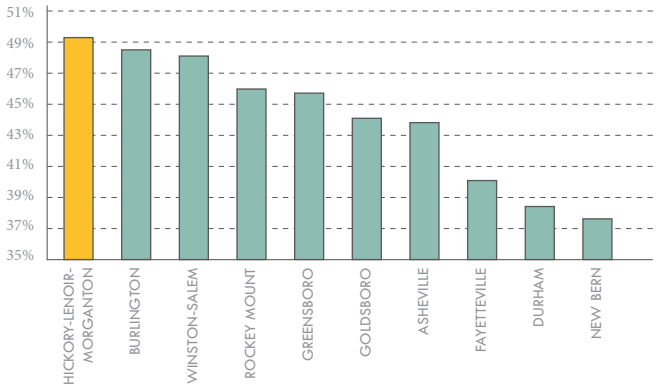


CHART 2: PERCENTAGE OF HOUSING BUILT BEFORE 1980 WITHIN NC METROPOLITAN STATISTICAL AREAS (AS OF 2015)





MORGANTON PARKS



BLUE RIDGE PARKWAY

FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources	Percent	Per Unit	Per GSF	Total
Historic Tax Credit Equity	12%	$ 20,779	$ 15	$ 4,218,060
Primary Loan	64%	$ 109,169	$ 80	$ 22,161,364
Seller Note	5%	$ 7,973	$ 6	$ 1,618,500
Equity	19%	$ 32,182	$ 24	$ 6,532,913
Total Sources		**$ 170,103**	**$ 125**	**$ 34,530,838**

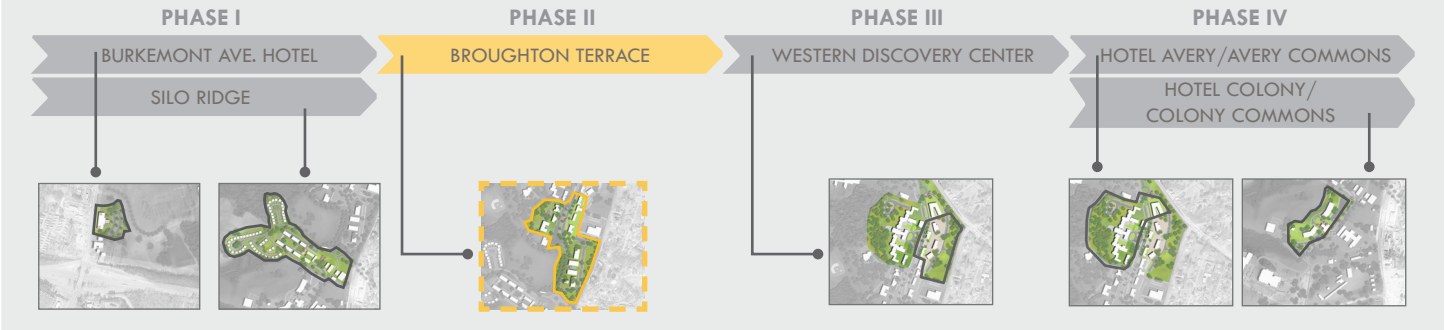
Project Cost of Capital & Returns	
Rate	6%
Amortization	30
Stabilized DSCR (Year 3)	$ 1.25
Yield on Cost (Stabilized Year 3)	6%
Cash-on-Cash (Stabilized Year 3)	5%
Exit Cap Rate	6.25 - 6.75
Equity Multiple (6 Year Hold)	1.8 - 2.2
Internal Rate of Return (6 Year Hold)	12% - 16%

Program and Rent Roll			
Unit Type	Unit Count	Mix	Avg. Unit $/Month
Efficiency	17	8%	$ 875
1 bedroom	106	52%	$ 1,160
2 bedroom	79	39%	$ 1,440
3 bedroom	1	0%	$ 1,700
	203		$1,248 weighted avg.

Development Budget	Per Unit	Per GSF	Total
Acquisition Cost	**$ 7,973**	**$ 6**	**$ 1,618,500**
HISTORIC APARTMENTS			
Sitework	$ 10,314	$ 8	$ 2,093,750
Building Renovations	$ 60,340	$ 44	$ 12,248,930
Contingency	$ 3,533	$ 3	$ 717,134
Contractors Fee & Overhead	$ 4,239	$ 3	$ 860,561
A & E Fee	$ 5,652	$ 4	$ 1,147,414
Total Hard Costs	**$ 84,078**	**$ 62**	**$ 17,067,790**
Construction Period Taxes	$ 98	$ 0	$ 19,827
Legal & Accounting Fees	$ 493	$ 0	$ 100,000
Due Diligence	$ 246	$ 0	$ 50,000
Bridge Loan Carried Interest	$ 1,600	$ 1	$ 324,706
Bridge Loan Origination Fee	$ 415	$ 0	$ 84,339
Total Soft Costs	**$ 2,852**	**$ 2**	**$ 578,872**
NEW CONSTRUCTION			
Sitework	$ 6,029	$ 4	$ 1,223,800
New Construction	$ 84,463	$ 30	$ 8,372,000
General Conditions	$ 2,562	$ 2	$ 520,000
Contingency	$ 2,492	$ 2	$ 505,790
Contractors Fee & Overhead	$ 3,139	$ 2	$ 637,295
A & E Fee	$ 2,836	$ 2	$ 575,748
Total Hard Costs	**$ 58,299**	**$ 43**	**$ 11,834,633**
FF&E - Leasing & Club House	$ 591	$ 0	$ 120,000
Financing Cost	$ 2,183	$ 2	$ 443,227
Loan Carried Interest	$ 3,603	$ 3	$ 731,325
Developer Fee	$ 6,804	$ 5	$ 1,381,234
Operating Reserve	$ 3,720	$ 3	$ 755,257
Total Soft Costs	**$ 16,902**	**$ 12**	**$ 3,431,043**
TOTAL DEVELOPMENT COSTS			**$ 34,530,838**

Operating Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Gross Revenues	$ 2,888,400	$ 2,975,052	$ 3,064,304	$ 3,156,233	$ 3,250,920	$ 3,348,447
Units	203	203	203	203	203	203
Maximum Monthly Rent	$ 240,700	$ 247,921	$ 255,359	$ 263,019	$ 270,910	$ 279,037
Rent Escalator	3%	3%	3%	3%	3%	
Vacancy Allowance	$ 866,520	$ 297,505	$ 153,215	$ 157,812	$ 162,546	$ 167,422
Vacancy Rate	30%	10%	5%	5%	5%	5%
Gross Effective Income	**$ 2,021,880**	**$ 2,677,547**	**$ 2,911,088**	**$ 2,998,421**	**$ 3,088,374**	**$ 3,181,025**
Operating Expenses	$ 847,910	$ 898,863	$ 916,566	$ 926,367	$ 936,432	$ 946,727
Administration	$ 48,213	$ 49,177	$ 50,160	$ 51,163	$ 52,187	$ 53,230
Marketing	$ 28,928	$ 29,506	$ 30,096	$ 30,698	$ 31,312	$ 31,938
Utilities	$ 78,155	$ 102,495	$ 106,110	$ 106,068	$ 106,068	$ 106,068
Repairs & Maintenance	$ 77,140	$ 78,683	$ 80,256	$ 81,862	$ 83,499	$ 85,169
Payroll	$ 154,280	$ 157,366	$ 160,513	$ 163,723	$ 166,998	$ 170,338
Replacement Reserve	$ 38,570	$ 39,341	$ 40,128	$ 40,931	$ 41,749	$ 42,584
Property Insurance	$ 34,713	$ 35,407	$ 36,115	$ 36,838	$ 37,574	$ 38,326
Operating Expense Escalator	2%	2%	2%	2%	2%	
Management Fee	$ 60,656	$ 80,326	$ 87,333	$ 89,953	$ 92,651	$ 95,431
City of Morganton Taxes	$ 156,607	$ 156,607	$ 156,607	$ 156,607	$ 156,607	$ 156,607
Burke County Taxes	$ 205,362	$ 205,362	$ 205,362	$ 205,362	$ 205,362	$ 205,362
NOI	**$ 1,173,970**	**$ 1,778,684**	**$ 1,994,523**	**$ 2,072,054**	**$ 2,151,941**	**$ 2,234,298**
% of Revenue	41%	60%	65%	66%	66%	67%
Per Occupied Unit	$ 8,262	$ 9,736	$ 10,342	$ 10,744	$ 11,159	$ 11,586
NOI Valuation	$ 17,392,143	$ 26,350,876	$ 29,548,486	$ 30,697,096	$ 31,880,612	$ 33,100,713
Total Ownership Expenses	**$ (1,412,003)**	**$ (1,497,567)**	**$ (1,777,884)**	**$ (1,777,884)**	**$ (1,777,884)**	**$ (1,777,884)**
BTCF with Reserve	**$ 353,001**	**$ 281,118**	**$ 337,516**	**$ 337,516**	**$ 374,058**	**$ 456,414**
DSCR	$ 1.25	$ 1.26	$ 1.25	$ 1.25	$ 1.27	$ 1.32
Yield on Cost	3%	5%	6%	6%	6%	6%
Cash on Cash	5%	4%	5%	5%	6%	7%

10 - YEAR DEVELOPMENT TIMELINE



(1) Burke County Preliminary Housing Needs Assessment.
(2) 2017 "Burke County Housing Profile" Presentation.
(3) Median home value in Burke County is expected to increase by 13% by 2022 according to ESRI Business Analyst; Burke County Preliminary Housing Needs Assessment.
(4) U.S. HUD State of the Cities Data Systems Permit Database.
(5) Burke County Preliminary Housing Needs Assessment.
(6) Ibid.
(7) Ibid.
(8) Ibid.
(9) Ibid.
(10) Ibid.

HOTEL AVERY



VISION STATEMENT

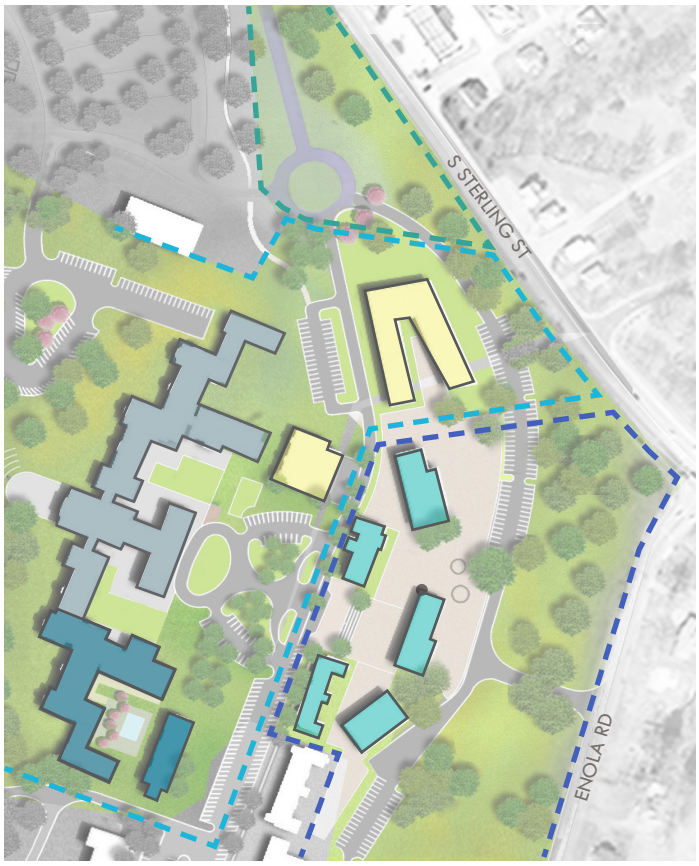
The Historic Broughton Campus' refurbished Avery building stands as a landmark feature in the District's northeastern corner, housing 53 condominiums and a 118-key boutique hotel adjacent to the Western North Carolina Discovery Center and a thriving restaurant. Visitors and residents alike enjoy historic architecture, striking natural beauty of the site's old-growth trees and rolling hills, and views of the Blue Ridge Mountains while taking advantage of both on-site amenities and nearby recreational draws.

VALUE PROPOSITION

The full-service boutique hotel draws visitors from across the southeast who seek upscale accommodations and a unique experience: a historic building in a bucolic setting with superior access to Morganton's nearby attractions, and corporate or educational events. The boutique hotel includes on-site amenities that meet the needs of its diverse patronage, including meeting space and dining options, which sets the property apart from "flag" hotels in the Hickory-Lenoir-Morganton metro market that demonstrates steady growth in occupancy and average daily rates with little new supply.



OVERALL SITE PLAN

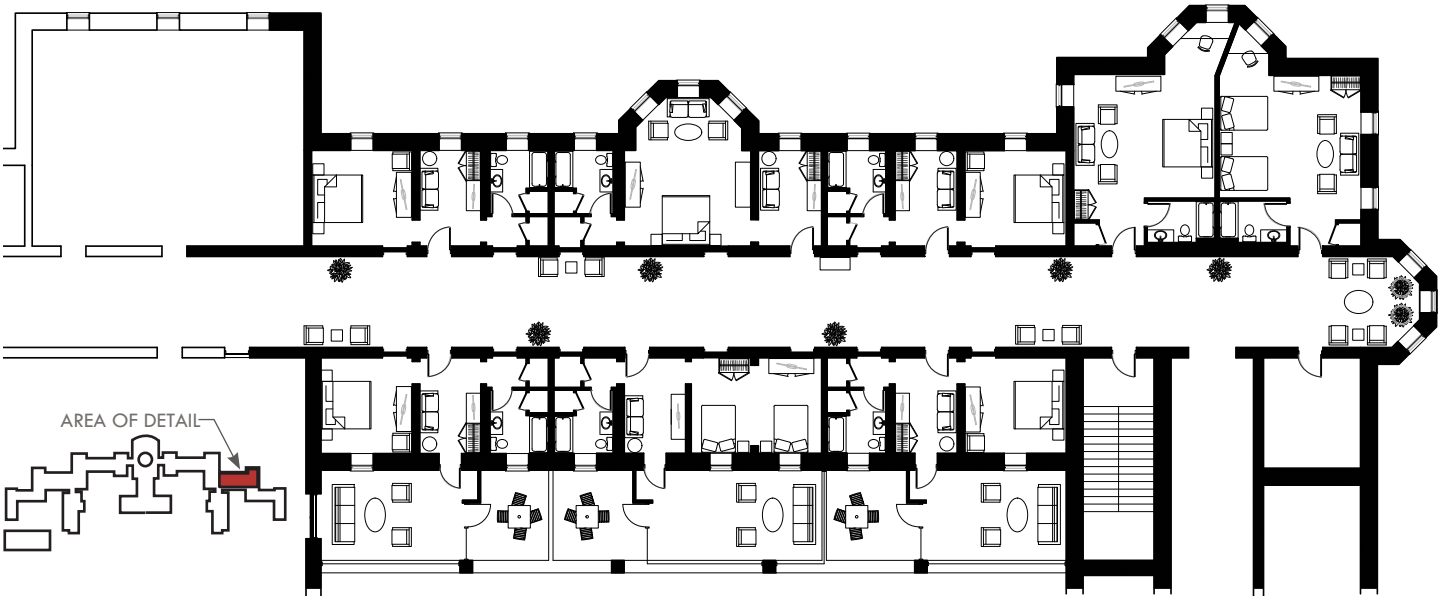


PROJECT SCOPE

PROGRAM	
HOTEL	118 KEYS
RESIDENTIAL	45 UNITS (SOUTH AVERY) 8 UNITS (REECE)
COMMERCIAL	40,992 SF
MUSEUM (DISCOVERY CENTER)	51,000 SF

A NEW VISION

HOTEL AVERY



FLOOR PLAN



HOTEL ROOM



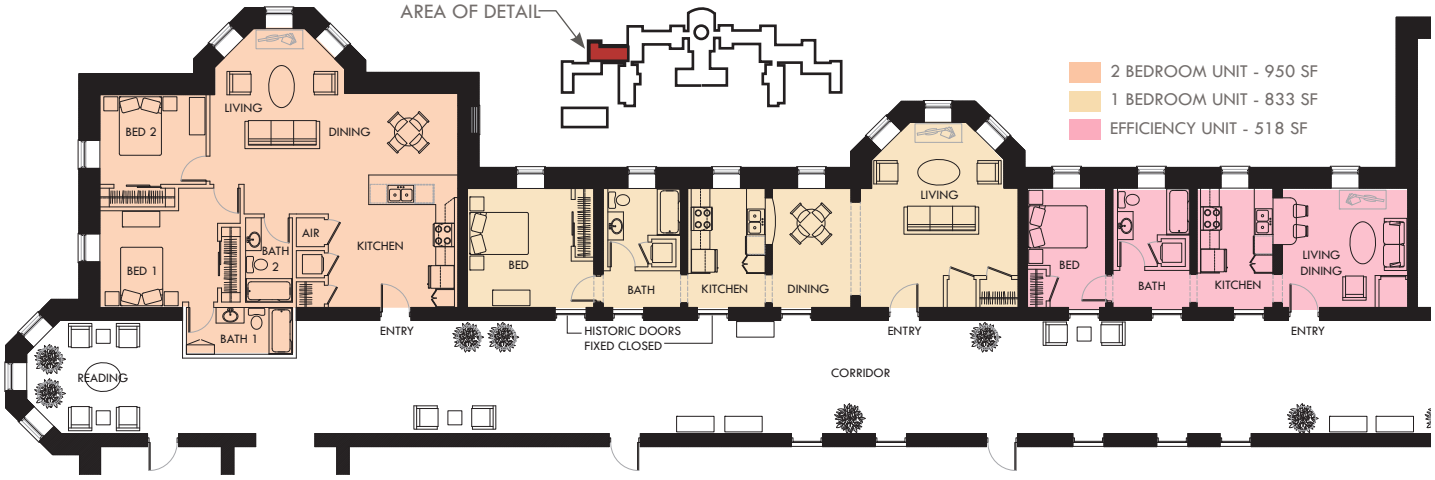
HOTEL CORRIDOR

PROJECT DESCRIPTION

A typical Hotel Avery Room greets the guest with a blend of refined historic finishes and warm modern amenities. Rooms are bright and airy with tall historic plaster ceilings, bathed in natural light from tall arch-topped window openings sculpted into historic masonry and plaster walls. Floors are a blend of historic caramel pebble terrazzo and modern warm accent carpets. Baths feature clean, modern fixtures and cabinetry, solid-surface vanity tops, with tile and glass bath surrounds. Furniture is unadorned and modern, coexisting with the room's historic architectural heritage.

A Hotel Avery guest approaches the building from a manicured elliptical drop-off courtyard, entering a 1-story reception and check-in wing. The reception wing is light-filled and airy, with high ceilings and an exposed historic roof structure. Flanking the reception area is a trendy breakfast café, as well as a white tablecloth restaurant offering freshly prepared meals with locally sourced ingredients. Following a central corridor into the hotel, guests follow a wide corridor with cherry-flecked ivory terrazzo floors and modern-patterned carpet runners. Soft lighting washes the detailed historic plaster walls. Passing secondary corridors to the north and south guestroom wings, guests find themselves in the central tower lobby, adjacent to stairs, elevator, hotel administration, and the Hotel Avery Gift Shop and Gallery. Attached to the north guestroom wing is a 2-story secondary wing containing a large conference center, spa, fitness center, and private conference rooms. For guests interested in taking a refreshing dip on a humid North Carolina summer day, a seasonal outdoor swimming pool is nestled in the landscaped courtyard between the South Wing and the Reece Building, surrounded by Hotel Avery's classical historic masonry facades. Pool-side food and beverage service is available.

AVERY RESIDENCES



FLOOR PLAN

Like the Hotel Avery guest rooms, Avery Residences offer a blend of refined historic finishes and warm modern materials in efficiency, 1-bedroom and 2-bedroom rental unit layouts. Kitchens and baths feature clean modern fixtures, appliances, cabinetry, solid-surface counter tops, with tile and glass bath surrounds. Each unit has a stacked washer-dryer closet. Public spaces and corridors are generous in width and ceiling height, with fine plaster walls and terrazzo floors. Sunny nooks and social foyers in the building's projections are regularly spaced along the corridors, naturally lit and visually connected to the outside with large window openings. Residents have the opportunity to join a club that provides access to all the hotel amenities, including the pool, spa and fitness center.

WESTERN NC DISCOVERY CENTER

The State's Department of Natural and Cultural Resources would create a regional Discovery Center museum for the western portion of the state. This 'Discovery Center' will focus on the cultural and natural history of the western portion of the state as well as showcase regional fine arts, and learning labs designed as immersive educational environments around natural sciences, history and outdoor learning.

The museum buildings will be connected via a plaza that integrates hardscaping and outdoor educational spaces that complement the private uses of Hotel Avery. A 30,000 SF privately developed commercial structure is proposed in this phase that will serve as the gateway piece into the museum and Hotel Avery.

Public Investment		
USE	SF	BUILDING
Permanent Exhibits	9,000	Laundry (Existing)
Fine Arts Gallery and Learning Labs	12,000	Steam Plant (Existing)
Temporary Gallery	4,000	Machine Shop (Existing)
Classrooms	12,484	Saunders (Existing)
Auditorium	14,000	New Construction



WESTERN NC DISCOVERY CENTER EXTERIOR PERSPECTIVE

AREA DRAWS

Morganton is situated near I-40, I-26, I-77, and I-85, one hour from both Charlotte, NC and Asheville, NC, positioning it as a convenient option for corporate events from a wide geographic area. The site sees 46,000 automobile trips per day on adjacent routes. The Historic Broughton Campus itself is located along South Sterling Street, a primary corridor in Morganton's downtown area, that sees an average of 22,000 automobile trips per day, ensuring visibility to the public.[1]

Morganton is one of the most convenient destinations from Charlotte that provides access to the recreational amenities of western North Carolina, including the Blue Ridge Mountains, Pisgah National Forest, Linville Gorge and Lake James State Park, which attract visitors from North Carolina and surrounding southeastern states.[2] Last year, the Blue Ridge Parkway alone generated nearly 16.1 million visitors, 152,000 overnight stays, and 50,000 overnight stays in hotels.[3]

Burke County has experienced the second largest growth in tourism economic impact and visitor spending in recent years, placing it behind only Buncombe County in the state.[4] Burke County hosts numerous recreational and cultural opportunities, such as the Annual Historic Morganton Festival, which draws 40,000 attendees;[5] the Red, White and Bluegrass Festival, drawing 1,000-3,000 attendees; and popular fall foliage tours in October that are correlated with markedly lower vacancy rates and higher revenue per available room (RevPAR) than the annual average for comparable hotel projects.[6]

The City's Parks and Recreation Department oversees extensive recreational facilities that draw regional and statewide visitors including nine baseball and softball fields at Catawba Meadows Park and over four miles of paved trails on the Morganton Greenway System. The local Catawba River Soccer Complex is currently being expanded to attract soccer tournaments that could generate overnight stays in Morganton.[7]

Morganton is also home to several educational institutions that account for over 7,000 students. These institutions will draw families for weekend visits and graduation ceremonies each year.[8] Additionally, Downtown Morganton, only 1.5 miles from the site, is served by several craft breweries and wineries, as well as an abundance of shops and restaurants that provide a charming small-town feel that makes Morganton an ideal vacation spot in western North Carolina.



TRAILS



HISTORIC MORGANTON FESTIVAL



PARKS



BLUE RIDGE PARKWAY

(1) NCDOT AADT Mapping Application.
(2) www.wncvitalityindex.org.
(3) National Park Service Integrated Resource Management Application (IRMA).
(4) The U.S. Travel Association.
(5) Morgantonfest.org.
(6) Comparable projects include hotels within Hickory or Morganton, NC, classified as either "Upper Midscale Class" or "Upscale Class" by STR Global. This comparable set includes the following hotels: Hampton Inn-Hickory; Hilton Garden Inn-Hickory; Courtyard-Hickory; Fairfield Inn & Suites-Hickory; and Hampton Inn-Morganton.
(7) Morganton News Herald.
(8) www.ncssm.edu; www.wpcc.edu; U.S. News & World Report.

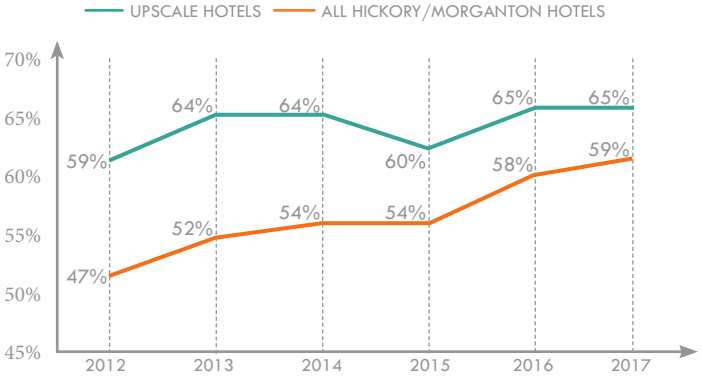
MARKET INDICATORS AND COMPS

Morganton's numerous area draws result in strong and growing demand for hospitality space, which is demonstrated through growth in comparable projects' occupancy (see graph 1, below), average daily rate (see graph 2, below), and revenue per available room (RevPAR). A slight dip in percent occupancy in 2015 reflects the addition of 113 rooms to the upscale market with the opening of the Hilton Garden Inn in Hickory in December 2014. However, overall occupancy actually increased in this time period.[9]

Despite the growth in profitability of hospitality space, the supply of hotel rooms in Morganton and Hickory has been relatively stable over the past several years, growing by only 7% since 2012. There has been no new construction of comparable hospitality offerings in Morganton since February 1999. However, this is not due to lack of demand for upscale accommodations or hospitality space more generally. In fact, there is evidence of increasing pressure on the supply in the market. The only comparable upscale establishment in Morganton, the Hampton Inn, refurbished its location in 2018. Furthermore, there is evidence to suggest that a current shortage of lodging options is masking additional unmet demand. Western Piedmont Community College leadership notes that demand for 2-to-3-day continuing education courses cannot be met due to inadequate accommodations for such events.[10] Similarly, in 2015, the North Carolina Main Street Conference drew enough attendees to overwhelm the supply of hospitality space in Morganton, and drive conference-goers to private residences, and nearby hospitality offerings in Catawba and McDowell Counties.

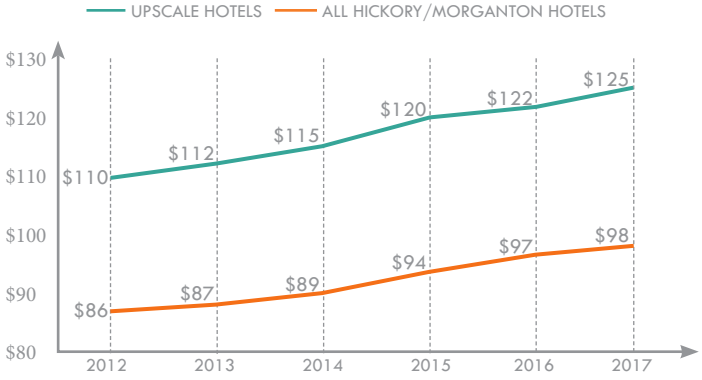
As demand for lodging grows and current stock ages, there will be opportunities to develop new hospitality offerings that capture the market for upscale accommodations and amenity space that capitalize on the business and leisure draws to the region. The recent ground-breaking of an 85-key Fairfield Inn & Suites in downtown Morganton is one example of new product that targets this underserved segment.

GRAPH 1: PERCENT OCCUPANCY OF LOCAL HOTELS 2012 - 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.

GRAPH 2: AVERAGE DAILY RATE (ADR) OF LOCAL HOTELS 2012 – 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.

CASE STUDY

HOTEL HENRY

- Location: Buffalo, NY
- Population: 259,000
- Size: 88 Rooms; the first phase of the Richardson Olmsted adaptive reuse project
- Completion Date: 2016
- Former Land Use: Buffalo Psychiatric Center
- Overview: The former Kirkbride-style Buffalo Psychiatric Hospital is repurposed as the Richardson Olmsted Campus--home to anchor tenant Hotel Henry, which features upscale accommodations, conference and event spaces, and a farm-to-table restaurant. The Lipsey Buffalo Architecture Center Museum is scheduled to move into the complex by the end of 2018.



(9) STR Data indicates that despite decline in percent occupancy, overall occupancy per day actually increased by 44 rooms on average over this time period.
(10) As reported by Hotel and Club Associates of Virginia in a custom report generated 9 September 2015; Morganton News Herald.

FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

HOTEL AVERY

Permanent Capital Sources	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	18%	$ 67,432	$ 32	$7,956,978
Primary Loan	57%	$ 210,308	$ 99	$ 24,816,353
Equity	25%	$ 91,724	$ 43	$ 10,823,442
Total Sources		**$ 369,464**	**$ 174**	**$ 43,596,774**

Project Cost of Capital & Returns	
Rate	6.5%
Amortization	25
Stabilized DSCR (Year 3)	1.67
Yield on Cost (Stabilized Year 3)	7.8%
Cash-on-Cash (Stabilized Year 3)	11.2%
Exit Cap Rate	8 - 8.5%
Equity Multiple (6 Year Hold)	2.7 - 2.9x
Internal Rate of Return (6 Year Hold)	20% - 22%

Development Budget	Per Key	Per GSF	Total
Acquisition Cost	**$ 13,642**	**$ 6**	**$ 1,609,697**
Sitework	$ 17,088	$ 8	$ 2,016,369
Building Renovations & TI	$ 193,768	$ 129	$ 22,864,600
General Conditions	$ 9,113	$ 4	$ 1,234,759
Contingency	$ 10,631	$ 5	$ 1,453,670
A & E Fee		$	$ 1,990,478
Contractors Fee and Overhead	$ 14,896	$ 7	$ 1,996,804
Total Hard Costs	**$ 225,895**	**$ 106**	**$ 31,556,680**
Total FF&E and Pre-Opening	**$ 50,890**	**$ 24**	**$ 6,305,000**
Construction Period Taxes	$ 84	$ 0	$ 9,859
Legal & Accounting Fees	$ 932	$ 0	$ 110,000
Due Diligence	$ 377	$ 0	$ 44,500
Financing Cost	$ 4,732	$ 2	$ 558,368
Loan Carried Interest	$ 7,519	$ 4	$ 887,185
Bridge Loan Carried Interest	$ 5,191	$ 2	$ 612,518
Bridge Loan Origination Fee	$ 1,348	$ 1	$ 159,096
Developer Fee	$ 12,942	$ 6	$ 1,743,871
Total Soft Costs	**$ 33,124**	**$ 16**	**$ 4,125,396**
Total Development Costs	**$ 323,551**	**$ 152**	**$ 43,596,774**

Operating Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	118	118	118	118	118	118
Occupancy	65%	72%	75%	75%	75%	75%
Average Daily Rate	$ 225	$ 234	$ 243	$ 253	$ 263	$ 274
ADR Rate Escalator	*4%*	*4%*	*4%*	*4%*	*4%*	
INCOME STATEMENT						
Departmental Revenues	$ 8,740,922	$ 9,937,098	$ 10,643,713	$ 10,957,513	$ 11,283,864	$ 11,623,269
Rooms	$ 6,286,044	$ 7,241,523	$ 7,844,983	$ 8,158,783	$ 8,485,134	$ 8,824,539
Spa	$ 698,449	$ 773,667	$ 805,903	$ 805,903	$ 805,903	$ 805,903
Food and Beverage	$ 1,536,589	$ 1,702,067	$ 1,772,987	$ 1,772,987	$ 1,772,987	$ 1,772,987
Marsh Restaurant Rent	$ 219,840	$ 219,840	$ 219,840	$ 219,840	$ 219,840	$ 219,840
Departmental Expenses	$ 3,116,893	$ 3,518,457	$ 3,737,108	$ 3,812,420	$ 3,890,744	$ 3,972,201
Departmental Profit	**$ 5,624,029**	**$ 6,418,641**	**$ 6,906,606**	**$ 7,145,093**	**$ 7,393,120**	**$ 7,651,068**
Undistributed Expenses	$ 2,801,398	$ 2,312,040	$ 2,450,379	$ 2,513,318	$ 2,578,647	$ 2,646,458
Gross Operating Profit	$ 2,822,631	$ 4,106,601	$ 4,456,226	$ 4,631,775	$ 4,814,473	$ 5,004,610
% of Revenues	*32%*	*41%*	*42%*	*42%*	*43%*	*43%*
Per Occupied Room	$ *101*	$ *133*	$ *138*	$ *144*	$ *149*	$ *155*
Fixed Expenses	**$ 571,572**	**$ 607,457**	**$ 628,655**	**$ 638,069**	**$ 647,860**	**$ 658,042**
Management Fees	$ 262,228	$ 298,113	$ 319,311	$ 328,725	$ 338,516	$ 348,698
City of Morganton Taxes	$ 87,891	$ 87,891	$ 87,891	$ 87,891	$ 87,891	$ 87,891
Burke County Taxes	$ 115,253	$ 115,253	$ 115,253	$ 115,253	$ 115,253	$ 115,253
Insurance	$ 106,200	$ 106,200	$ 106,200	$ 106,200	$ 106,200	$ 106,200
FF&E Reserve	$ 174,818	$ 298,113	$ 425,749	$ 438,301	$ 451,355	$ 464,931
NOI	**$ 2,076,241**	**$ 3,201,031**	**$ 3,401,822**	**$ 3,555,405**	**$ 3,715,259**	**$ 3,881,638**
% of Revenue	*24%*	*32%*	*32%*	*32%*	*33%*	*33%*
Per Occupied Room	$ *74*	$ *103*	$ *106*	$ *110*	$ *115*	$ *120*
NOI Valuation	$ *24,426,367*	$ *37,659,193*	$ *40,021,441*	$ *41,828,298*	$ *43,708,927*	$ *45,666,324*
Total Ownership Expenses	$ (1,729,523)	$ (1,772,203)	$ (2,193,621)	$ (2,193,621)	$ (2,193,621)	$ (2,193,621)
BTCF from Operations	**$ 346,718**	**$ 1,428,829**	**$ 1,208,202**	**$ 1,361,784**	**$ 1,521,638**	**$ 1,688,017**
DSCR	*1.29*	*1.98*	*1.67*	*1.75*	*1.83*	*1.91*
Yield on Cost	5%	7%	8%	8%	9%	9%
Cash on Cash	3%	13%	11%	13%	14%	16%

AVERY RESIDENCES

Permanent Capital Sources	Percent	Per Unit	Per GSF	Total
Historic Tax Credit Equity	24%	$ 69,152	$ 30	$ 3,665,052
Primary Loan	55%	$ 161,038	$ 69	$ 8,535,004
Equity	21%	$ 62,272	$ 27	$ 3,300,390
Total Sources		**$ 292,461**	**$ 126**	**$ 15,500,445**

Development Budget	Per Unit	Per GSF	Total
Acquisition	$ 8,13 9	$ 4	$ 431,393
Hard Costs & Contingency	$ 251,354	$ 108	$ 13,321,750
Soft Costs	$ 32,968	$ 14	$ 1,747,303
TOTAL DEVELOPMENT COSTS	**$ 292,461**	**$ 126**	**$ 15,500,445**

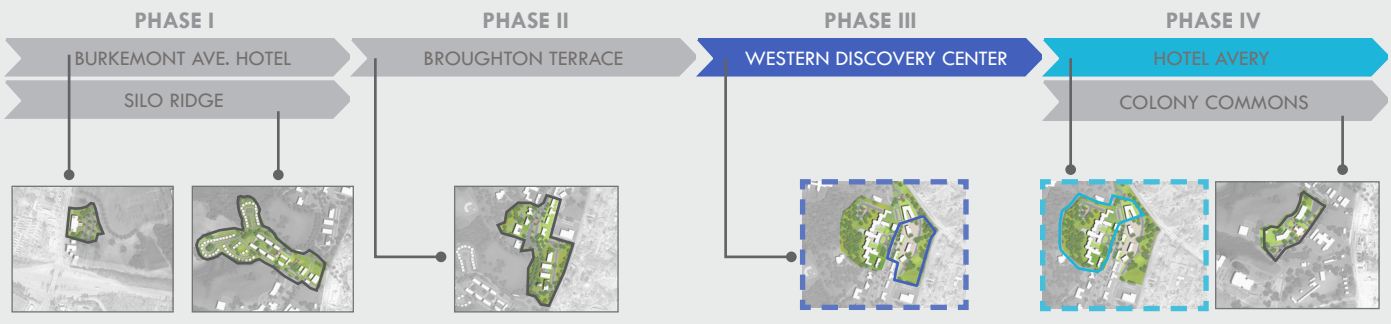
Rent Roll	Unit Count	Mix	Avg. Unit $/Month
Unit Type			
Efficiency	3	6%	$ 850
1 bedroom	20	38%	$ 1,250
2 bedroom	30	57%	$ 1,600
	53		$1,425 weighted avg.

TOTAL PROJECT RETURNS

Master Development Cash Flows	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Project Year							
Hotel							
Equity Contributed	$(10,823,442)	$ -	$ -	$ -	$ -	$ -	$ -
Before Tax Cash Flow from Sale - T	$ -	$ 346,718	$ 1,428,829	$ 1,208,202	$ 1,361,784	$ 1,521,638	$ 1,688,017
Before Tax Cash Flow from Sale - Sin	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,399,188
Total Cash Flows	**$(10,823,442)**	**$ 346,718**	**$ 1,428,829**	**$ 1,208,202**	**$ 1,361,784**	**$ 1,521,638**	**$ 23,087,205**
Residential							
Equity Contributed	$ (3,300,390)	$ -	$ -	$ -	$ -	$ -	$ -
Before Tax Cash Flow from Operati	$ -	$ 128,025	$ 109,466	$ 80,673	$ 100,346	$ 127,740	$ 155,970
Before Tax Cash Flow from Sale	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,171,824
Total Cash Flows	**$ (3,300,390)**	**$ 128,025**	**$ 109,466**	**$ 80,673**	**$ 100,346**	**$ 127,740**	**$ 4,327,793**
Master Development Cash Flows	**$ (14,123,833)**	**$ 474,743**	**$ 1,538,295**	**$ 1,288,874**	**$ 1,462,130**	**$ 1,649,378**	**$ 27,414,998**

IRR	18%
Equity Multiple	2.4

10 - YEAR DEVELOPMENT TIMELINE



COLONY COMMONS



VISION STATEMENT

An active adult community anchors the District's southeastern corner adjacent to new residential development and destination retail housed in adaptively reused barn structures. Residents enjoy the historic architecture of the Colony building, the surrounding community, and the natural beauty of the site's flourishing old-growth trees and Blue Ridge Mountain vistas. The larger District offers on-site amenities connected by a walkable greenway, as well as close proximity to local arts and cultural opportunities, extensive recreational assets, and support services that allow residents to age in place.

VALUE PROPOSITION

The property draws active seniors who seek to live in a stimulating yet small-town setting. Morganton's extensive senior-friendly leisure activities and specialized healthcare infrastructure will entice retirees from across western North Carolina and Charlotte. Local and regional growth in the 75 years+ household demographic coupled with an undersupply of age-restricted housing with amenities tailored to the active segment of this renter population create an opening in the market for a quality development.



OVERALL SITE PLAN



PROJECT SCOPE

PROGRAM	
NEW CONSTRUCTION	144 UNITS
RECEPTION AND AMENITY (COLONY BUILDING)	19,040 SF
SPA	2,080 SF

PROJECT DESCRIPTION

Colony Commons is an active adult community anchored around the historic Colony Building and Abattoir. Located behind and flanking the Colony Building, two newly constructed 3-story apartment buildings provide modern living environments, pastoral views across the campus, as well as the conveniences that come with urban density. Visually subordinate to the historic Colony Building, the apartment blocks provide a backdrop of modern-traditional architecture, clad with painted lap siding, smooth stucco panels and brick accents, and low slope shingled roofs with generous shaded overhangs. Punched glass window openings provide ample daylight into the apartments, while not overpowering the residential character of the buildings' exterior look.

Nestled between the two apartment blocks is the colonial brick and slate Colony Building, where resident amenities are housed. Residents stroll from their apartment building through a first floor glass connector into the main lobby of the Colony Building, where they access the building administration, laundry facilities, club house, mini-theater, salon and barber shop, as well as a craft room and the Colony Café, with its exterior porches overlooking idyllic rolling hills below. Historic interior finishes are showcased throughout the Colony Building, including pressed tin ceilings, plaster walls, refinished historic wood plank floors, wood wainscoting, and fluted columns. An open-air porch and balcony on the front of the building welcomes approaching residents and visitors.

A paved walking path passes the swimming pool and lush event lawn, connecting the apartment blocks to the historic brick and concrete Abattoir Building, where residents can exercise in a state of the art fitness center, or pursue wood-working activities in a fully outfitted craft shop. The property is connected via walkways to the Silo Ridge Village and additional outdoor recreation on the District greenways and parks that lead to downtown Morganton.

AREA DRAWS

Morganton boasts a wide array of draws for active adults including opportunities for recreation and education. Within several miles of the campus, residents have access to golf courses, walking and birdwatching trails in the 230-acre Catawba Meadows Park, and seasonal attractions including fall foliage tours, local apple picking and the Annual Historic Morganton festival. Just three miles from the site, WPCC's academic and continuing education courses are free of charge to seniors.[1] With an eclectic commercial core, two historic districts and numerous historic landmarks, downtown Morganton boasts active green spaces and year-round programming. Located only two miles from the site, the downtown is a regional draw.

Morganton also features support services that ensure that seniors can age in place in their community. The District offers first-rate access to health services including the Carolinas HealthCare System–Blue Ridge hospital, which is a 5-minute drive from the campus. Burke County is home to a cluster of healthcare services including family practice physicians, outpatient care, home health services and pharmacies, many of which are within a 15-minute drive from the campus.[2] Additionally, Burke County Senior Center organizes activities and programs for seniors including trainings, book clubs, creative writing groups, crafting, and recreation and travel opportunities.[3]

Finally, Morganton's many low- or no-cost amenities and activities and its low cost of living (compared to national averages)[4] makes the city an attractive place to retire for those on fixed incomes.



TRAILS



HISTORIC MORGANTON FESTIVAL



CAROLINAS HEALTHCARE SYSTEM BLUE RIDGE



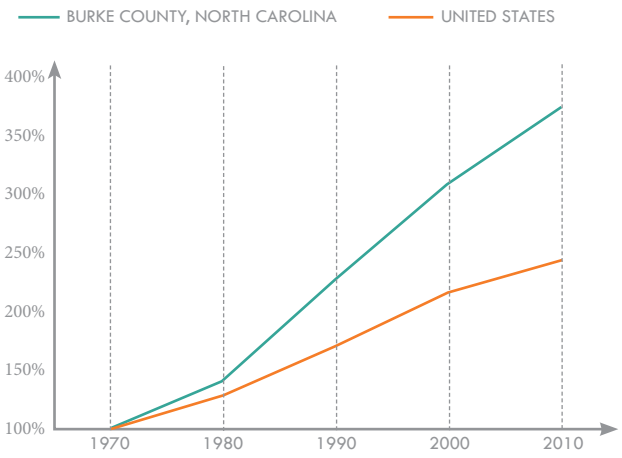
BURKE COUNTY SENIOR CENTER

MARKET INDICATORS AND COMPS

Morganton has an undersupply of suitable housing for its growing population of seniors. Only two comparable retirement communities (excluding nursing homes and assisted living facilities) operate within a 45-minute drive of the proposed project site (see Table 1), and only three within an hour drive. Of the six age-restricted communities surveyed in the Burke County Housing Needs Assessment, all are 100% occupied, with five properties operating wait lists of up to one year.[5] Furthermore, only 9.5% of apartment rentals in Burke County are age-restricted, despite the fact that adults over the age of 55 will represent 54% of the county's householdS by 2022.[6] Yet, Morganton's amenities are uniquely suited to the lifestyle of active seniors and have the potential to draw retired persons to the city if appropriate housing is available.

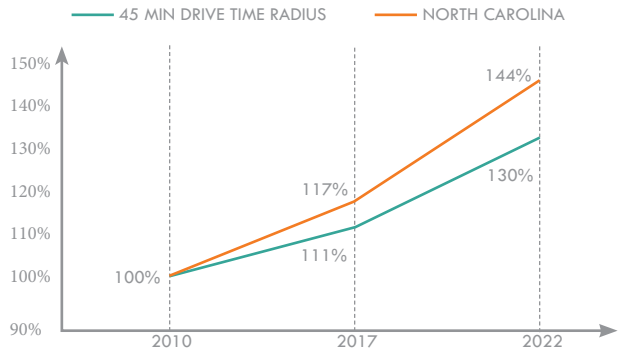
Population trends and projections also suggest that the number of seniors 75+ within a 45-minute drive-time radius of the District will have grown by 30% from 2010 to 2022[7] (see Graph 2, below), driving up local demand for senior living units. This trend is present at the state level, as well, which will put pressure on the existing supply of senior housing statewide. Given the projected number of households aged 75+ with annual incomes above $50,000 and the stock of competing senior living facilities within 45 minutes of the site, an estimated 226 – 316 additional units of senior housing will be supported by the market over the next five years (see Table 2, below) – well within the project's proposed scope.

GRAPH 1: HISTORICAL GROWTH IN POPULATION 75+ (INDEXED), 1970-2010



SOURCE: UNITED STATES CENSUS 1970 - 2010

GRAPH 2: INDEXED GROWTH IN POPULATION 75+ WITHIN 45 MINUTES OF THE SITE PROJECTED TO 2022



SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

TABLE 1: COMPARABLE PROPERTIES WITHIN A 45-MINUTE DRIVE					
PROPERTY	UNIT TYPE	UNITS	MONTHLY RENT	ENTRANCE FEE	DISTANCE TO SITE
GRACE RIDGE	IND. LIVING	154	$1,100-$3,000	$80,000-$200,000	3 MILES
PINECREST	IND. LIVING	123	$1,980-$3,150	NONE	28 MILES

TABLE 2: NEW SENIOR LIVING PRODUCT SUPPORTED IN MORGANTON IN 2022	
PROJECTED HOUSEHOLDS 75+ WITH INCOMES ABOVE $50,000 SUPPLY OF COMPETING SENIOR LIVING PRODUCT	4,792 - 277
NET PROJECTED DEMAND FOR SENIOR LIVING PRODUCT TARGET CAPTURE RATE OF A GIVEN PROJECT	4,515 X5% - 7%
SUPPORTED PROJECT SIZE IN MORGANTON, NC **EFFECTIVE CAPTURE RATE OF PROPOSED PROJECT (144 UNITS)**	226 - 316 3%
**MARKET AREA EXAMINED: 45 MINUTE DRIVE TIME FROM SITE*	

SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

CASE STUDY

GALLOWAY RIDGE AT FEARRINGTON VILLAGE

- Location: Chatham County, NC
- Population: 69,000
- Program: 183 independent living units, 49 cottages, 22 assisted living units and 16 skill nursing beds within a mixed-use artisan retail village
- Completion Date: 2005
- Former Land Use: Dairy Farm
- Overview: Galloway Ridge is a continuing care retirement community situated within the Fearrington Village, a mixed-use community occupying former agricultural land. Galloway Ridge offers on-site amenities including a theater, library, salon and a fitness center. Yet, the Fearrington Village also offers nearby boutique shopping, farm-to-table eateries and a charming, rustic atmosphere that stems from the preservation of the village's historic agricultural features.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	5%	$ 13,050	$ 15	$ 1,879,192
Primary Loan	77%	$ 220,500	$ 260	$ 31,751,967
Equity	18%	$ 51,578	$ 61	$ 7,427,229
Total Sources		**$ 285,128**	**$ 336**	**$ 41,058,389**

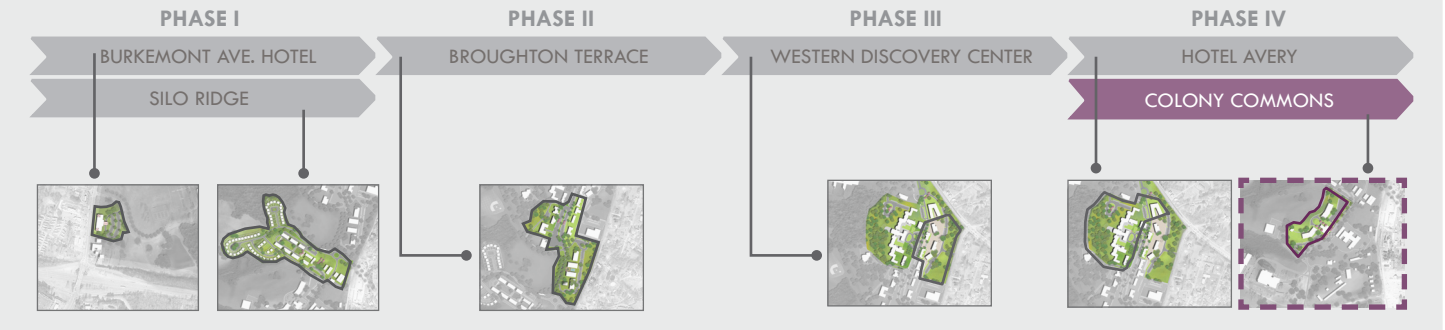
Project Cost of Capital & Returns	
Rate	6.0%
Amortization	25
Stabilized DSCR (Year 4)	1.24
Yield on Cost (Stabilized Year 4)	7%
Cash-on-Cash (Stabilized Year 4)	8%
Exit Cap Rate	6.75 - 7.25%
Equity Multiple (6 Year Hold)	2.6 - 3.1
Internal Rate of Return (6 Year Hold)	20% - 23%

Development Budget	Per Key	Per GSF	Total
Acquisition Cost	**$ 9,190**	**$ 11**	**$ 1,323,400**
Sitework	$ 19,148	$ 23	$ 2,757,250
Building Renovations & Construction	$ 167,326	$ 197	$ 24,095,000
General Conditions	$ 8,124	$ 10	$ 1,169,850
Contingency	$ 9,730	$ 11	$ 1,401,105
Contractors Fee and Overhead	$ 16,346	$ 19	$ 2,353,856
A&E Fee	$ 14,918	$ 18	$ 2,148,180
Total Hard Costs	**$ 235,592**	**$ 278**	**$ 33,925,241**
Total FF&E and Pre-Opening	**$ 7,488**	**$ 9**	**$ 1,078,200**
Construction Period Taxes	$ 113	$ 0	$ 16,212
Legal & Accounting Fees	$ 764	$ 1	$ 110,000
Due Diligence	$ 309	$ 0	$ 44,500
Financing Cost	$ 4,961	$ 6	$ 714,419
Loan Carried Interest	$ 7,276	$ 9	$ 1,047,815
Bridge Loan Carried Interest	$ 1,004	$ 1	$ 144,613
Bridge Loan Origination Fee	$ 261	$ 0	$ 37,562
Developer Fee	$ 11,405	$ 13	$ 1,642,336
Operating Reserve	$ 6,765	$ 8	$ 974,092
Total Soft Costs	$ 32,858	$ 39	$ 4,731,548
Total Development Costs	**$ 285,128**	**$ 336**	**$ 41,058,389**

Rent Roll	Unit Count	Avg. Unit $/Month	2nd Resident Fee	2nd Resident %
Efficiency	19	$ 2,000	$ 750	0%
1 BR	108	$ 3,100	$ 750	10%
2 BR	17	$ 3,300	$ 750	35%
	144	$ 2,978		
		weighted avg.		

Operating Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	144	144	144	144	144	144
Gross Revenues	**5,297,550**	**5,503,422**	**5,717,529**	**5,940,200**	**6,171,778**	**6,412,619**
Maximum Monthly Rent	$ 441,463	$ 458,619	$ 476,461	$ 495,017	$ 514,315	$ 534,385
Rent Escalator	4%	4%	4%	4%	4%	
Annual Rent Revenue	$ 5,297,550	$ 5,503,422	$ 5,717,529	$ 5,940,200	$ 6,171,778	$ 6,412,619
Vacancy Allowance	**$ 1,589,265**	**$ 660,411**	**$ 457,402**	**$ 475,216**	**$ 493,742**	**$ 513,010**
Vacancy Rate	30%	12%	8%	8%	8%	8%
Move-In Fees	$ 151,200	$ 38,880	$ 8,640	$ 71,539	$ 71,539	$ 55,642
Gross Effective Income	**$ 3,859,485**	**$ 4,881,891**	**$ 5,268,767**	**$ 5,536,523**	**$ 5,749,575**	**$ 5,955,251**
Operating Expenses	**$ 2,176,226**	**$ 2,325,341**	**$ 2,404,446**	**$ 2,467,166**	**$ 2,528,631**	**$ 2,591,252**
Admin	$ 132,480	$ 136,454	$ 140,548	$ 144,764	$ 149,107	$ 153,581
Marketing	$ 158,976	$ 163,745	$ 168,658	$ 173,717	$ 178,929	$ 184,297
Repairs & Maintenance	$ 211,968	$ 218,327	$ 224,877	$ 231,623	$ 238,572	$ 245,729
Utilities Per Occupied Room	$ 120,960	$ 156,626	$ 168,658	$ 173,717	$ 178,929	$ 184,297
Dietary	$ 529,920	$ 545,818	$ 562,192	$ 579,058	$ 596,430	$ 614,323
Housekeeping	$ 80,640	$ 104,417	$ 112,438	$ 115,812	$ 119,286	$ 122,865
Activities	$ 52,992	$ 54,582	$ 56,219	$ 57,906	$ 59,643	$ 61,432
Payroll taxes/benefits	$ 132,480	$ 136,454	$ 140,548	$ 144,764	$ 149,107	$ 153,581
Insurance	$ 66,240	$ 68,227	$ 70,274	$ 72,382	$ 74,554	$ 76,790
Replacement Reserve	$ 64,800	$ 64,800	$ 64,800	$ 64,800	$ 64,800	$ 64,800
Operating Expense Escalator	3%	3%	3%	3%	3%	
Management Fee	$ 192,974	$ 244,095	$ 263,438	$ 276,826	$ 287,479	$ 297,763
City of Morganton Taxes	$ 186,818	$ 186,818	$ 186,818	$ 186,818	$ 186,818	$ 186,818
Burke County Taxes	$ 244,978	$ 244,978	$ 244,978	$ 244,978	$ 244,978	$ 244,978
NOI	**$ 1,683,259**	**$ 2,556,550**	**$ 2,864,320**	**$ 3,069,357**	**$ 3,220,944**	**$ 3,363,999**
% of Revenue	44%	52%	54%	55%	56%	56%
Per Occupied Room	$ 16,699	$ 20,175	$ 21,621	$ 23,168	$ 24,313	$ 25,393
NOI Valuation	$ 23,217,364	$ 35,262,759	$ 39,507,867	$ 42,335,957	$ 44,426,810	$ 46,399,992
Total Ownership Expenses	**$ (1,905,118)**	**$ (1,943,216)**	**$ (2,521,951)**	**$ (2,521,951)**	**$ (2,521,951)**	**$ (2,521,951)**
BTCF from Operations	$ 476,280	$ 613,334	$ 582,865	$ 582,865	$ 698,993	$ 842,049
Debt Service Coverage Ratio	*1.25*	*1.34*	*1.25*	*1.25*	*1.30*	*1.35*
Yield on Cost	4%	6%	7%	8%	8%	8%
Cash on Cash	6%	8%	8%	8%	9%	11%

10 - YEAR DEVELOPMENT TIMELINE



(1) Western Piedmont Community College website.
(2) Bureau of Labor Statistics – 2016 Quarterly Census of Employment and Wages.
(3) Burke County Senior Center Newsletter – January/February 2018.
(4) "Cost of Living: Morganton, North Carolina." *Sperling's Best Places.*
(5) Burke County Preliminary Housing Needs Assessment.
(6) ESRI Business Analyst Online Age 50+ Profile; Burke County Preliminary Housing Needs Assessment.
(7) ESRI Business Analyst Online Age 50+ Profile.

HOTEL COLONY

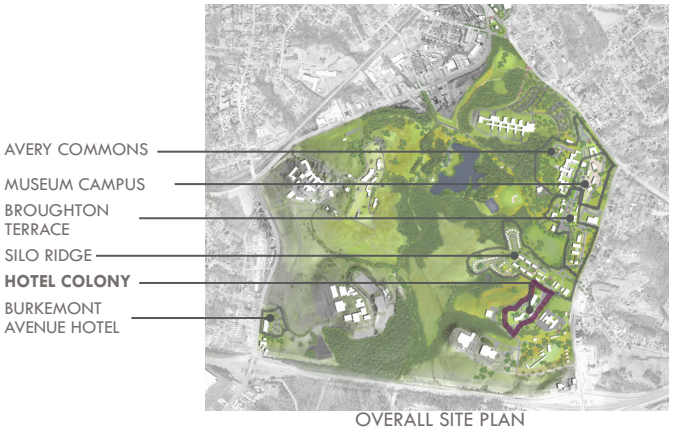


VISION STATEMENT

The refurbished Colony building houses a charming boutique hotel in the southeastern corner of the Broughton District, adjacent to a thriving mixed-use community with single-family residential and adaptive commercial development just a short walk away. Visitors enjoy the site's historic architecture, striking natural beauty of the District's old-growth trees and rolling hills, and views of the Blue Ridge Mountains while taking advantage of both on-site amenities and nearby recreational draws.

VALUE PROPOSITION

The full-service boutique hotel draws visitors from across the southeast who seek upscale accommodations and a unique experience: a historic building in a bucolic setting with superior access to Morganton's nearby attractions, and corporate or educational events. The boutique hotel includes on-site amenities that meet the needs of its diverse patronage, including meeting space and dining options, which sets the property apart from "flag" hotels in the Hickory-Lenoir-Morganton metro market that demonstrates steady growth in occupancy and average daily rates with little new supply.



OVERALL SITE PLAN



PROJECT SCOPE

PROGRAM	
NEW CONSTRUCTION	120 KEYS
RECEPTION AND AMENITY (COLONY BUILDING)	19,040 SF
SPA (ABATTOIR)	2,080 SF

PROJECT DESCRIPTION

The Hotel Colony is a 120-key hotel anchored between the historic Colony Building and Abattoir. Located behind and flanking the Colony Building, two newly constructed 3-story hotel blocks provide modern interior environments to guests with pastoral views across the District.

Hotel check-in and amenities are housed in the Colony Building, which is connected to the guest room buildings through a first-floor glass walkway into the main lobby of the Colony Building. The Colony Building also provides the concierge, gift shop, breakfast room, and the white tablecloth Colony Grill, a farm-to-table fine dining restaurant. Exterior porches provide patrons with seasonal idyllic views of the rolling hills below. Historic interior finishes are showcased throughout the Colony Building, including pressed tin ceilings, plaster walls, refinished historic wood plank floors, wood wainscoting, and fluted columns. Large double-hung historic wood windows and high ceilings provide ample daylight throughout all of the spaces, while an open-air porch and balcony on the front of the building welcomes guests weary from travel. A paved walking path passes the swimming pool and lush Event Lawn, connecting the hotel blocks to the historic brick and concrete Abattoir Building, where residents can exercise in a state of the art fitness center, or relax in the Colony Spa, a compact facility offering steam room, sauna, and massages by appointment.

AREA DRAWS

Morganton is situated near I-40, I-26, I-77, and I-85, one hour from both Charlotte, NC and Asheville, NC, positioning it as a convenient option for business and leisure travelers to the mountains from a wide geographic area. The site sees 46,000 automobile trips per day on adjacent routes. The Historic Broughton Campus itself is located along South Sterling Street, a primary corridor in Morganton's downtown area, that sees an average of 22,000 automobile trips per day, ensuring visibility to the public.[1]

Morganton is one of the most convenient destinations from Charlotte that provides access to the recreational amenities of western North Carolina, including the Blue Ridge Mountains, Pisgah National Forest, Linville Gorge and Lake James State Park, which attract visitors from North Carolina and surrounding southeastern states.[2] Last year, the Blue Ridge Parkway alone generated nearly 16.1 million visitors, 152,000 overnight stays, and 50,000 overnight stays in hotels.[3]

Burke County has experienced the second largest growth in tourism economic impact and visitor spending in the state in recent years, behind only Buncombe County.[4] Burke County hosts numerous recreational and cultural opportunities such as: the Annual Historic Morganton Festival, which draws 40,000 attendees;[5] the Red, White and Bluegrass Festival, drawing 1,000-3,000 attendees; and popular fall foliage tours in October that are correlated with markedly lower vacancy rates and higher revenue per available room (RevPAR) than the annual average for comparable hotel projects.[6]

The City's Parks and Recreation Department oversees extensive recreational facilities that draw regional and statewide visitors including nine baseball and softball fields at Catawba Meadows Park and over four miles of paved trails on the Morganton Greenway System. The local Catawba River Soccer Complex is currently being expanded to attract soccer tournaments that could generate overnight stays in Morganton.[7]

Morganton is also home to several educational institutions that account for over 7,000 students. These institutions will draw families for weekend visits and graduation ceremonies each year.[8] Additionally, Downtown Morganton, only 1.5 miles from the site, is served by several craft breweries and wineries, as well as an abundance of shops and restaurants that provide a charming small-town feel that makes Morganton an ideal vacation spot in western North Carolina.



NCSSM FAMILY DAY



MORGANTON PARKS



TRAILS



HISTORIC MORGANTON FESTIVAL

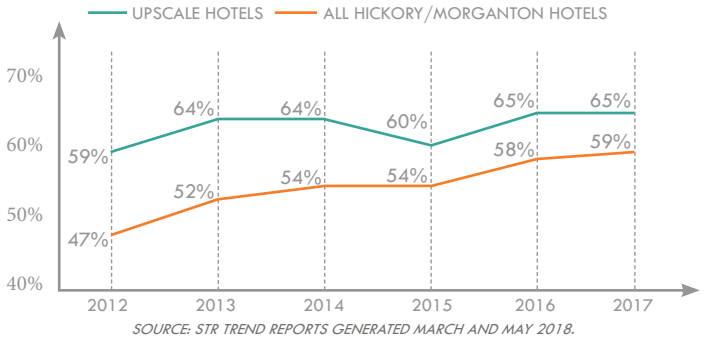
MARKET INDICATORS AND COMPS

Morganton's numerous area draws result in strong and growing demand for hospitality space, which is demonstrated through growth in comparable projects' occupancy (see graph 1, below), average daily rate (see Graph 2, below), and revenue per available room (RevPAR). A slight dip in percent occupancy in 2015 reflects the addition of 113 rooms to the upscale market with the opening of the Hilton Garden Inn in Hickory in December 2014. However, overall occupancy actually increased in this time period.[9]

Despite the growth in profitability of hospitality space, the supply of hotel rooms in Morganton and Hickory has been relatively stable over the past several years, growing by only 7% since 2012. There has been no new construction of comparable hospitality offerings in Morganton since February 1999. However, this is not due to lack of demand for upscale accommodations or hospitality space more generally. In fact, there is evidence of increasing pressure on the supply in the market. The only comparable upscale establishment in Morganton, the Hampton Inn, refurbished its location in 2018. Furthermore, there is evidence to suggest that a current shortage of lodging options is masking additional unmet demand. Western Piedmont Community College leadership notes that demand for 2-to-3-day continuing education courses cannot be met due to inadequate accommodations for such events.[10] Similarly, in 2015, the North Carolina Main Street Conference drew enough attendees to overwhelm the supply of hospitality space in Morganton, and drive conference-goers to private residences, and nearby hospitality offerings in Catawba and McDowell Counties.

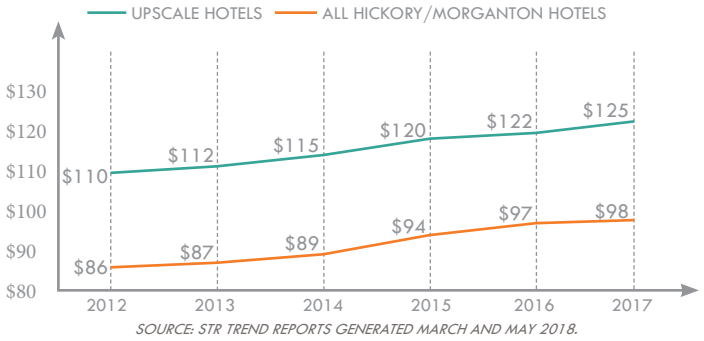
As demand for lodging grows and current stock ages, there will be opportunities to develop new hospitality offerings that capture the market for upscale accommodations and amenity space that capitalize on the business and leisure draws to the region. The recent ground-breaking of an 85-key Fairfield Inn & Suites in downtown Morganton is one example of new product that targets this underserved segment.

GRAPH 1: PERCENT OCCUPANCY OF LOCAL HOTELS 2012 - 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.

GRAPH 2: AVERAGE DAILY RATE (ADR) OF LOCAL HOTELS 2012 – 2017



SOURCE: STR TREND REPORTS GENERATED MARCH AND MAY 2018.



BLUE RIDGE PARKWAY



DOWNTOWN MORGANTON

CASE STUDY

BLACKBERRY FARM

- Location: Walland, TN
- Population: 200
- Program: 68 upscale accommodations
- Completion Date: 1976
- Overview: Blackberry Farm offers high-end rooms, suites and cottages on a resort adjacent to the scenic Great Smoky Mountains. Blackberry Farm offers nationally-renowned restaurants, locally-made artisan crafts as well as luxury amenities, including a spa and wellness center, a craft brewery, and a rustic picnic shelter that doubles as a performance venue and events space. Single family homes have been recently developed surrounding the farm.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

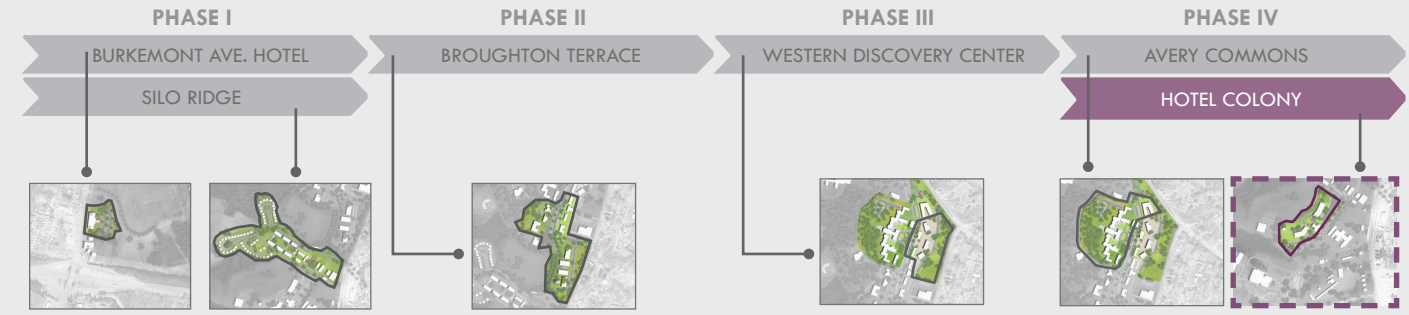
Permanent Capital Sources	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	6%	$ 16,144	$ 26	$1,937,318
Primary Loan	65%	$ 170,956	$ 273	$ 20,514,753
Equity	29%	$ 75,909	$ 121	$ 9,109,087
Total Sources		**$ 263,010**	**$ 420**	**$ 31,561,158**

Project Cost of Capital & Returns	
Rate	6.5%
Amortization	25
Stabilized DSCR (Year 3)	1.64
Yield on Cost (Stabilized Year 3)	8.7%
Cash-on-Cash (Stabilized Year 3)	11%
Exit Cap Rate	8 - 8.5%
Equity Multiple (6 Year Hold)	2.6 - 2.9x
Internal Rate of Return (6 Year Hold)	20% -22%

Development Budget	Per Key	Per GSF	Total
Acquisition Cost	**$ 11,050**	**$ 18**	**$ 1,326,000**
Sitework	$ 22,977	$ 37	$ 2,757,250
Building Renovations & Construction	$ 119,167	$ 190	$ 14,300,000
General Conditions	$ 9,749	$ 16	$ 1,169,850
Contingency	$ 7,632	$ 12	$ 915,855
Contractors Fee and Overhead	$ 12,822	$ 20	$ 1,538,636
A & E Fee	$ 11,372	$ 18	$ 1,364,580
Total Hard Costs	**$ 183,718**	**$ 293**	**$ 22,046,171**
Total FF&E and Pre-Opening	**$ 44,775**	**$ 72**	**$ 5,373,000**
Construction Period Taxes	$ 135	$ 0	$ 16,244
Legal & Accounting Fees	$ 917	$ 1	$ 110,000
Due Diligence	$ 371	$ 1	$ 44,500
Financing Cost	$ 3,847	$ 6	$ 461,582
Loan Carried Interest	$ 6,112	$ 10	$ 733,402
Bridge Loan Carried Interest	$ 1,242	$ 2	$ 149,089
Bridge Loan Origination Fee	$ 323	$ 1	$ 38,724
Developer Fee	$ 10,520	$ 17	$ 1,262,446
Total Soft Costs	**$ 23,467**	**$ 37**	**$ 2,815,987**
Total Development Costs	**$ 263,010**	**$ 420**	**$ 31,561,158**

Operating Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	120	120	120	120	120	120
Available Room Nights	43,710	43,710	43,710	43,710	43,710	43,710
Occupancy	65%	72%	75%	75%	75%	75%
Average Daily Rate	$ 200	$ 208	$ 216	$ 225	$ 234	$ 243
ADR Rate Escalator	4%	4%	4%	4%	4%	
INCOME STATEMENT						
Departmental Revenues	$ 7,955,220	$ 9,063,706	$ 9,714,110	$ 9,997,771	$ 10,292,778	$ 10,599,585
Departmental Expenses	$ 2,990,310	$ 3,372,769	$ 3,578,761	$ 3,646,839	$ 3,717,641	$ 3,791,274
Departmental Profit	**$ 4,964,910**	**$ 5,690,937**	**$ 6,135,350**	**$ 6,350,932**	**$ 6,575,137**	**$ 6,808,310**
Undistributed Expenses	**$ 2,611,000**	**$ 2,177,553**	**$ 2,307,118**	**$ 2,365,234**	**$ 2,425,548**	**$ 2,488,143**
G&A	$ 596,642	$ 679,778	$ 728,558	$ 749,833	$ 771,958	$ 794,969
Marketing & Sales	$ 556,865	$ 634,459	$ 679,988	$ 699,844	$ 720,494	$ 741,971
Repairs & Maintenance	$ 400,000	$ 412,000	$ 424,360	$ 437,091	$ 450,204	$ 463,710
Utilities	$ 284,700	$ 315,360	$ 328,500	$ 328,500	$ 328,500	$ 328,500
Telecomm	$ 119,328	$ 135,956	$ 145,712	$ 149,967	$ 154,392	$ 158,994
Franchise Fees	$ 653,465	$ 752,791	$ 815,524	$ 848,145	$ 882,070	$ 917,353
Gross Operating Profit	**$ 2,353,910**	**$ 3,513,384**	**$ 3,828,232**	**$ 3,985,698**	**$ 4,149,589**	**$ 4,320,167**
% of Revenues	30%	39%	39%	40%	40%	41%
Per Occupied Room	$ 83	$ 112	$ 117	$ 122	$ 127	$ 132
Fixed Expenses	**$ 632,966**	**$ 666,220**	**$ 685,732**	**$ 694,242**	**$ 703,092**	**$ 712,297**
Management Fees	$ 238,657	$ 271,911	$ 291,423	$ 299,933	$ 308,783	$ 317,988
City of Morganton Taxes	$ 123,873	$ 123,873	$ 123,873	$ 123,873	$ 123,873	$ 123,873
Burke County Taxes	$ 162,437	$ 162,437	$ 162,437	$ 162,437	$ 162,437	$ 162,437
Insurance	$ 108,000	$ 108,000	$ 108,000	$ 108,000	$ 108,000	$ 108,000
FF&E Reserve	$ 159,104	$ 271,911	$ 388,564	$ 399,911	$ 411,711	$ 423,983
NOI	**$ 1,561,840**	**$ 2,575,253**	**$ 2,753,935**	**$ 2,891,545**	**$ 3,034,785**	**$ 3,183,887**
% of Revenue	20%	28%	28%	29%	29%	30%
Per Occupied Room	$ 55	$ 82	$ 84	$ 88	$ 93	$ 97
NOI Valuation	$ 18,374,586	$ 30,297,091	$ 32,399,239	$ 34,018,171	$ 35,703,358	$ 37,457,495
Total Ownership Expenses	$ (1,359,978)	$ (1,372,205)	$ (1,720,576)	$ (1,720,576)	$ (1,720,576)	$ (1,720,576)
BTCF from Operations	$ 201,862	$ 1,203,047	$ 1,033,359	$ 1,170,968	$ 1,314,209	$ 1,463,311
DSCR	*1.17*	*1.93*	*1.64*	*1.72*	*1.80*	*1.89*
Yield on Cost	5%	8%	9%	9%	10%	10%
Cash on Cash	2%	13%	11%	13%	14%	16%

10 - YEAR DEVELOPMENT TIMELINE



(1) NCDOT AADT *Mapping Application.*
(2) www.wncvitalityindex.org.
(3) National Park Service Integrated Resource Management Application (IRMA).
(4) The U.S. Travel Association.
(5) Morgantonfest.org.
(6) Comparable projects include hotels within Hickory or Morganton, NC, classified as either "Upper Midscale Class" or "Upscale Class" by STR Global. This comparable set includes the following hotels: Hampton Inn-Hickory; Hilton Garden Inn-Hickory; Courtyard-Hickory; Fairfield Inn & Suites-Hickory; and Hampton Inn-Morganton.
(7) Morganton News Herald.
(8) www.ncssm.edu; www.wpcc.edu; U.S. News & World Report.
(9) STR Data indicates that despite decline in percent occupancy, overall occupancy per day actually increased by 44 rooms on average over this time period.
(10) As reported by Hotel and Club Associates of Virginia in a custom report generated 9 September 2015; Morganton News Herald.

AVERY COMMONS



VISION STATEMENT

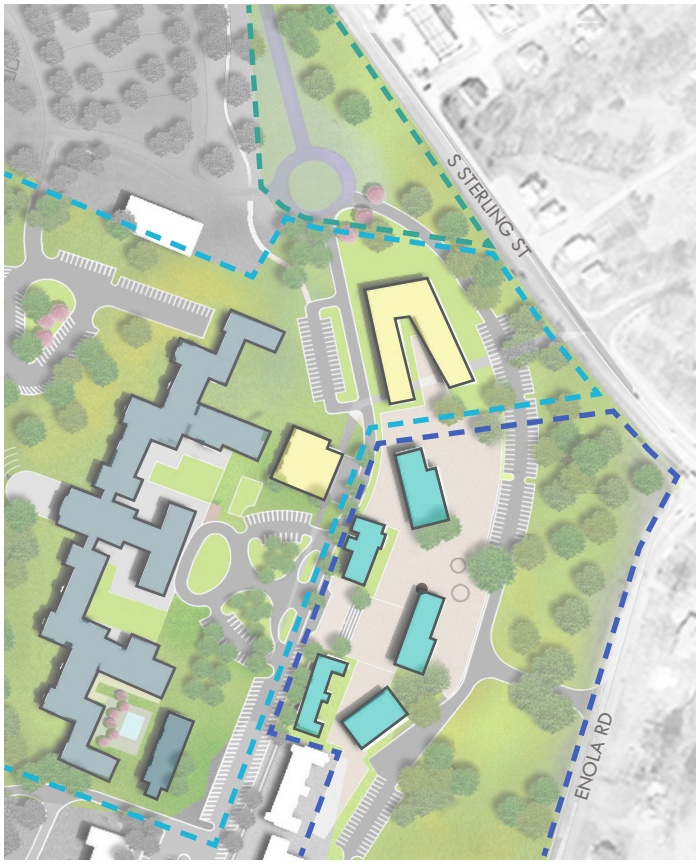
An active adult community anchors the District's northeastern corner alongside the Western North Carolina Discovery Center and a successful restaurant. Residents enjoy the historic architecture of the campus and the surrounding community, as well as the natural beauty of the site's flourishing old-growth trees and Blue Ridge Mountain vistas. The Avery Commons offers on-site amenities connected by a walkable greenway, as well as close proximity to local arts and cultural opportunities, extensive recreational assets, and support services that allow residents to age in place.

VALUE PROPOSITION

The property draws active seniors who seek to live in a stimulating yet small-town setting. Morganton's extensive senior-friendly leisure activities and specialized healthcare infrastructure will entice retirees from across western North Carolina and Charlotte. Local and regional growth in the 75 years+ household demographic coupled with an undersupply of age-restricted housing with amenities tailored to the active segment of this renter population create a opening in the market for a quality development.



OVERALL SITE PLAN

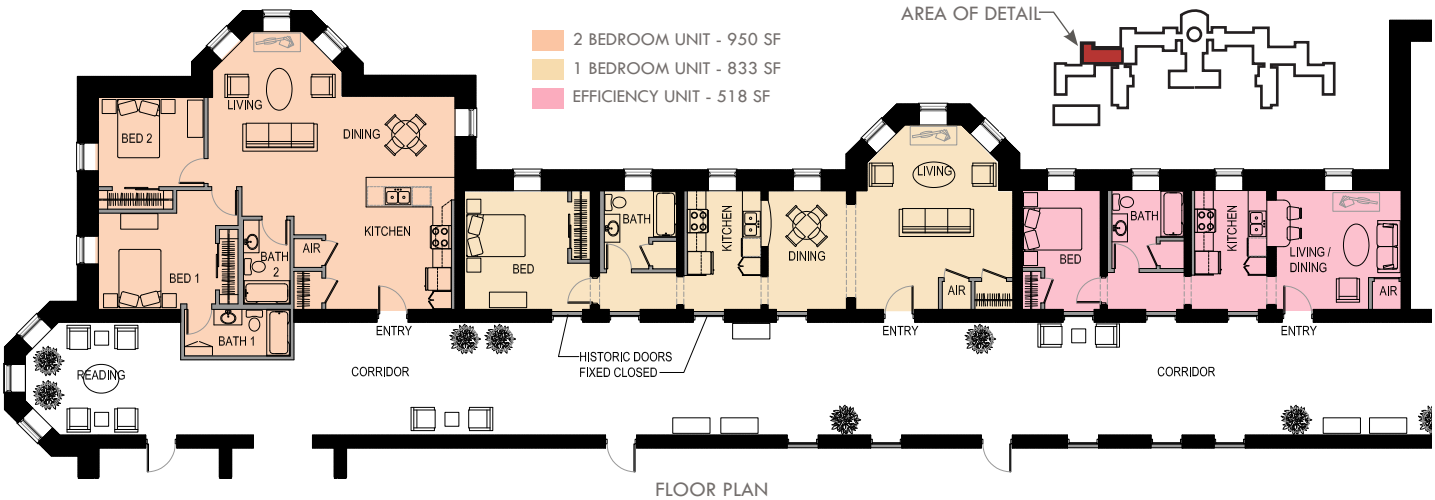


PROJECT SCOPE

PROGRAM	
ACTIVE ADULT LIVING	144 UNITS
COMMERCIAL	40,992 SF
MUSEUM (DISCOVERY CENTER)	51,000 SF

A NEW VISION

ACTIVE ADULT LIVING



FLOOR PLAN

PROJECT DESCRIPTION

Avery Commons apartments offer a blend of refined historic finishes and warm modern materials. Rooms are bright and airy with tall historic plaster ceilings, bathed in natural light from tall arch-topped window openings sculpted into historic masonry and plaster walls. Floors are a blend of historic caramel pebble terrazzo and modern warm accent carpeting. Kitchens and baths feature clean modern fixtures, appliances, and cabinetry, solid surface counter tops, with tile and glass bath surrounds. Public spaces and corridors are generous in width and ceiling height, with fine plaster walls and terrazzo floors. Sunny reading nooks and sitting areas in the building's projections are regularly spaced along the corridors, naturally lit with large window openings. A bevy of in-building community amenities are available to residents, all within a 2-3 minute walk within the historic building, including:

- library,
- movie theater,
- laundromat,
- woodworking shop,
- art studio and classrooms,
- full-service dining room,
- pub and coffee shop,
- billiard room,
- fitness center,
- salon / barber shop, and
- outdoor pool.

The property is connected via walkways to a commercial, farm-to-table restaurant and event space in the historic Marsh building, the Discovery Center—a family-friendly destination for all ages—the Silo Ridge village, and additional outdoor recreation on the District greenways and parks.

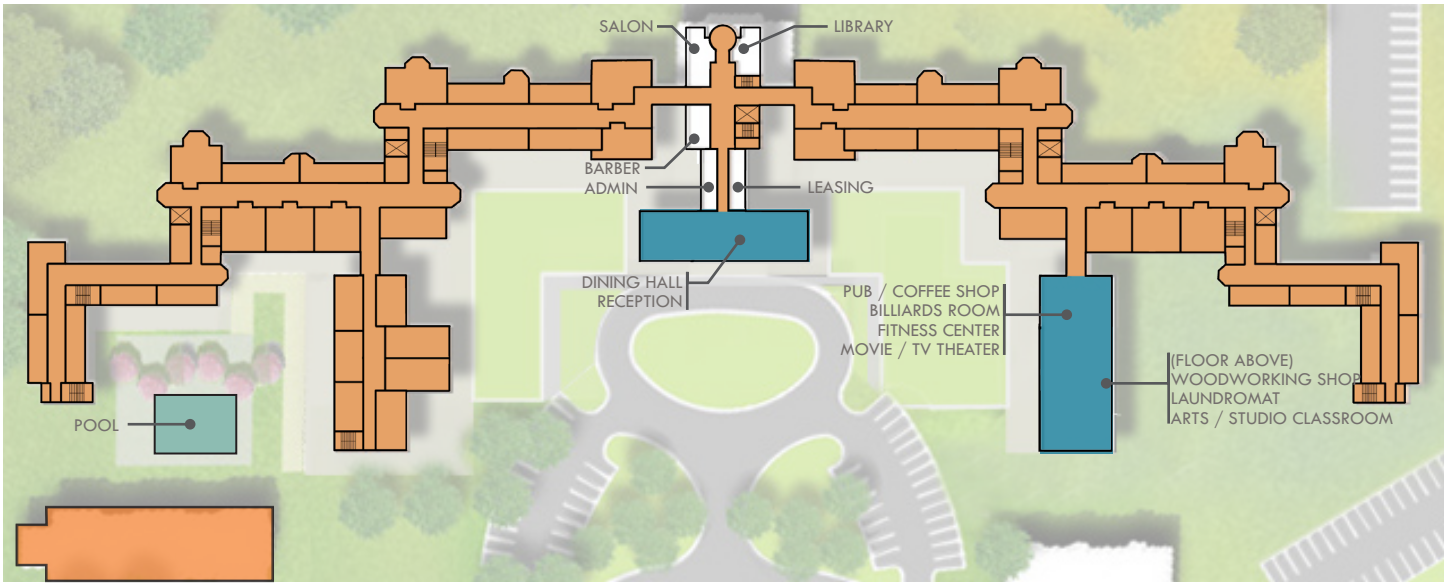


ROOM



CORRIDOR

PROPERTY AMENITIES



WESTERN NC DISCOVERY CENTER

The State's Department of Natural and Cultural Resources would create a regional Discovery Center museum for the western portion of the state. This 'Discovery Center' will focus on the cultural and natural history Western North Carolina as well as showcase regional fine arts, and learning labs designed as immersive educational environments around natural sciences, history and outdoor learning.

The museum buildings will be connected via a plaza that integrates hardscaping and outdoor educational spaces that complement the private uses of Avery Commons. A 30,000 SF privately developed commercial structure is proposed in this phase that will serve as the gateway piece into the museum and Avery Commons.

Public Investment		
USE	SF	BUILDING
Permanent Exhibits	9,000	Laundry (Existing)
Fine Arts Gallery and Learning Labs	12,000	Steam Plant (Existing)
Temporary Gallery	4,000	Machine Shop (Existing)
Classrooms	12,484	Saunders (Existing)
Auditorium	14,000	New Construction



WESTERN NC DISCOVERY CENTER EXTERIOR PERSPECTIVE

AREA DRAWS

Morganton boasts a wide array of draws for active adults including opportunities for recreation and education. Within several miles of the campus, residents have access to golf courses, walking and birdwatching trails in the 230-acre Catawba Meadows Park, and seasonal attractions including fall foliage tours, local apple picking and the Annual Historic Morganton festival. Just three miles from the site, WPCC's academic and continuing education courses are free of charge to seniors.[1] With an eclectic commercial core, two historic districts and numerous historic landmarks, downtown Morganton boasts active green spaces and year-round programming. Located only 1.5 miles from the site, the downtown is a regional draw.

Morganton also features support services that ensure that seniors can age in place in their community. The District offers first-rate access to health services including the Carolinas HealthCare System–Blue Ridge hospital, which is a 5-minute drive from the campus. Burke County is home to a cluster of healthcare services including family practice physicians, outpatient care, home health services and pharmacies, many of which are within a 15-minute drive from the campus.[2] Additionally, Burke County Senior Center organizes activities and programs for seniors including trainings, book clubs, creative writing groups, crafting, and recreation and travel opportunities.[3]

Finally, Morganton's many low- or no-cost amenities and activities and its low cost of living (compared to national averages)[4] makes the city an attractive place to retire for those on fixed incomes.



PARKS



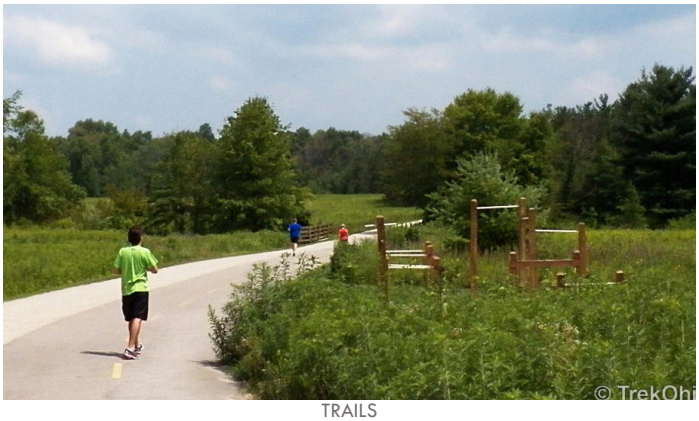
BLUE RIDGE PARKWAY



CAROLINAS HEALTHCARE SYSTEM–BLUE RIDGE HOSPITAL



BURKE COUNTY SENIOR CENTER



TRAILS



HISTORIC MORGANTON FESTIVAL

MARKET INDICATORS AND COMPS

Morganton has an undersupply of suitable housing for its growing population of seniors. Only two comparable retirement communities (excluding nursing homes and assisted living facilities) operate within a 45-minute drive of the proposed project site (see Table 1), and only three within an hour drive. Of the six age-restricted communities surveyed in the Burke County Housing Needs Assessment, all are 100% occupied, with five properties operating wait lists of up to one year.[5] Furthermore, only 9.5% of apartment rentals in Burke County are age-restricted, despite the fact that adults over the age of 55 will represent 54% of the county's households by 2022.[6] Yet, Morganton's amenities are uniquely suited to the lifestyle of active seniors and have the potential to draw retired persons to the city if appropriate housing is available.

Population trends and projections also suggest that the number of seniors 75+ within a 45-minute drive-time radius of the District will have grown by 30% from 2010 to 2022[7] (see Graph 2, below), driving up local demand for senior living units. This trend is present at the state level, as well, which will put pressure on the existing supply of senior housing statewide. Given the projected number of households aged 75+ with annual incomes above $50,000 and the stock of competing senior living facilities within 45 minutes of the site, an estimated 226 – 316 additional units of senior housing will be supported by the market over the next five years (see Table 2, below) – well within the project's proposed scope.

TABLE 1: COMPARABLE PROPERTIES WITHIN A 45-MINUTE DRIVE

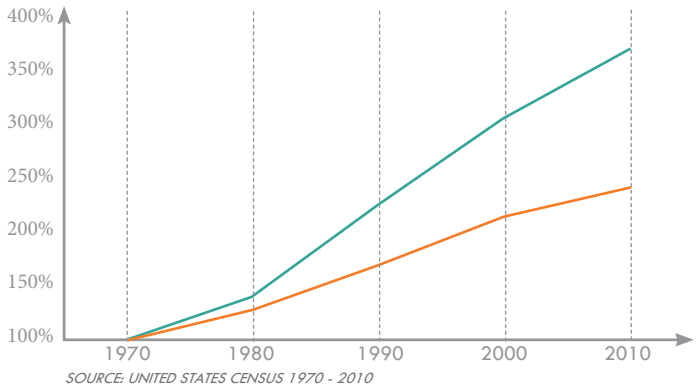
PROPERTY	UNIT TYPE	UNITS	MONTHLY RENT	ENTRANCE FEE	DISTANCE TO SITE
GRACE RIDGE	IND. LIVING	154	$1,100-$3,000	$80,000-$200,000	3 MILES
PINECREST	IND. LIVING	123	$1,980-$3,150	NONE	28 MILES

TABLE 2: NEW SENIOR LIVING PRODUCT SUPPORTED IN MORGANTON IN 2022

PROJECTED HOUSEHOLDS 75+ WITH INCOMES ABOVE $50,000	4,792
SUPPLY OF COMPETING SENIOR LIVING PRODUCT	- 277
NET PROJECTED DEMAND FOR SENIOR LIVING PRODUCT	4,515
TARGET CAPTURE RATE OF A GIVEN PROJECT	X5% - 7%
SUPPORTED PROJECT SIZE IN MORGANTON, NC	226 - 316
EFFECTIVE CAPTURE RATE OF PROPOSED PROJECT (144 UNITS)	3%
**MARKET AREA EXAMINED: 45 -MINUTE DRIVE TIME FROM THE SITE*	

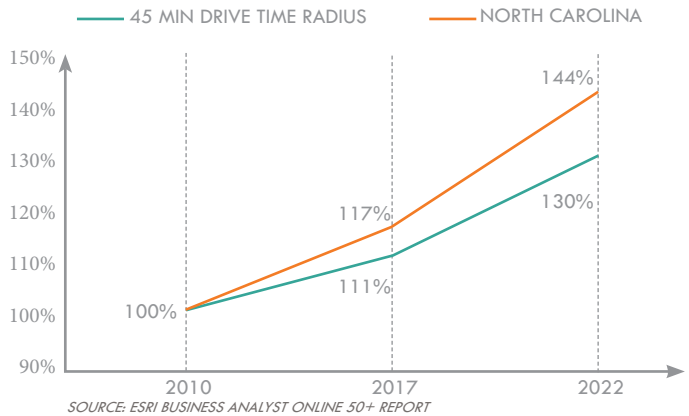
SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

GRAPH 1: HISTORICAL GROWTH IN POPULATION 75+, (INDEXED) 1970-2010



SOURCE: UNITED STATES CENSUS 1970 - 2010

GRAPH 2: INDEXED GROWTH IN POPULATION 75+ WITHIN 45 MINUTES OF THE SITE, PROJECTED TO 2022



SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

CASE STUDY

CORDIA AT GRAND TRAVERSE COMMONS

- Location: Traverse City, Michigan
- Population: 15,000
- Program: 110 senior units incorporated into a 750,000 sq. ft mixed-use center that includes 41,000 sq. ft. of ground floor marketplace, and over 100,000 sq. ft. of commercial and residential space.
- Completion Date: 2014
- Former Land Use: Northern Michigan Asylum
- Overview: Formerly a Kirkbride-style asylum, Grand Traverse Commons is now a mixed-use home to residential, commercial, and office spaces including the Cordia active adult community. Cordia residences preserve the original architectural details of the iconic building, including large windows, cathedral ceilings and exposed brick walls. The community offers an amenity rich environment for active seniors including a courtyard, lounge, pub, movie theatre, salon and spa, woodworking studio, and fine dining options.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	18%	$ 73,984	$ 31	$ 10,653,637
Primary Loan	62%	$ 250,687	$ 105	$ 36,098,923
Seller Note	5%	$ 19,861	$ 8	$ 2,860,000
Equity	15%	$ 59,537	$ 25	$ 8,573,376
Total Sources		$ 404,069	$ 169	$ 58,185,936

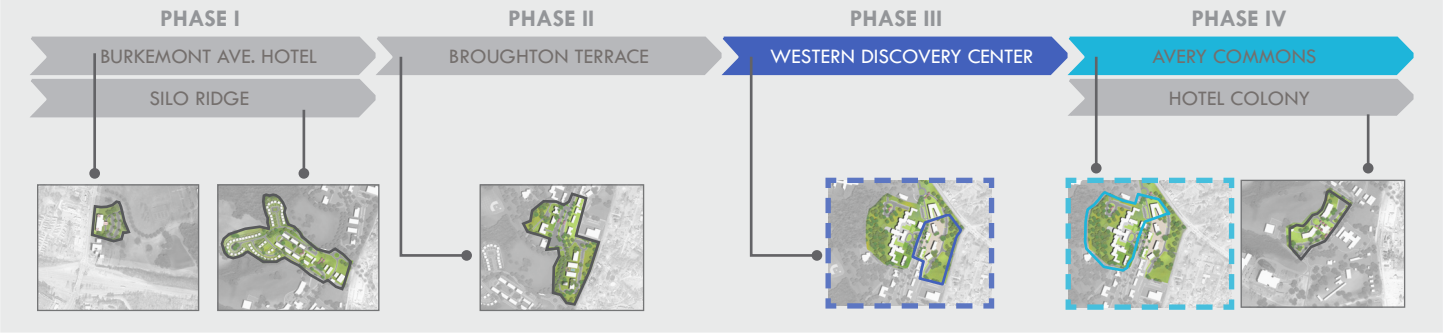
Project Cost of Capital & Returns	
Rate	6.0%
Amortization	25
Stabilized DSCR (Year 4)	1.21
Yield on Cost (Stabilized Year 4)	6%
Cash-on-Cash (Stabilized Year 4)	6%
Exit Cap Rate	6.75-7.25%
Internal Rate of Return (6 Year Hold)	15-19%
Equity Multiple (6 Year Hold)	2.1-2.6x

Development Budget	Per Key	Per GSF	Total
Acquisition Cost	**$ 19,861**	**$ 8**	**$ 2,860,000**
Sitework	$ 20,736	$ 9	$ 2,986,000
Building Renovations, Construction & TI	$ 237,048	$ 99	$ 34,134,921
General Conditions	$ 11,348	$ 5	$ 1,634,063
Contingency	$ 13,457	$ 6	$ 1,937,749
Contractors Fee and Overhead	$ 16,955	$ 7	$ 2,441,564
A&E Fee	$ 20,394	$ 9	$ 2,936,698
Total Hard Costs	**$ 319,937**	**$ 134**	**$ 46,070,995**
Total FF&E and Pre-Opening	$ 17,970	$ 8	$ 2,587,610
Construction Period Taxes	$ 122	$ 0	$ 17,518
Legal & Accounting Fees	$ 764	$ 0	$ 110,000
Due Diligence	$ 309	$ 0	$ 44,500
Financing Cost	$ 5,640	$ 2	$ 812,226
Loan Carried Interest	$ 8,273	$ 3.46	$ 1,191,264
Total Bridge Loan Carried Interest	$ 5,696	$ 2	$ 820,161
Total Bridge Loan Origination Fee	$ 1,479	$ 1	$ 213,029
Developer Fee	$ 16,163	$ 7	$ 2,327,437
Operating Reserve	$ 7,856	$ 3	$ 1,131,197
Total Soft Costs	**$ 46,301**	**$ 19**	**$ 6,667,331**
Total Development Costs	**$ 404,069**	**$ 169**	**$ 58,185,936**

Rent Roll	Unit Count	Avg. Unit $/Month	2nd Resident Fee	2nd Resident %
Efficiency	18	$ 2,000	$ 750	0%
1 BR	108	$ 3,100	$ 750	10%
2 BR	18	$ 3,300	$ 750	35%
	144	$ 2,988		
		weighted avg.		

Operating Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	144	144	144	144	144	144
Gross Revenues	**$ 5,316,300**	**$ 5,522,796**	**$ 5,737,552**	**$ 5,960,898**	**$ 6,193,178**	**$ 6,434,749**
Maximum Monthly Rent	$ 443,025	$ 460,233	$ 478,129	$ 496,741	$ 516,098	$ 536,229
Rent Escalator	4%	4%	4%	4%	4%	
Annual Rent Revenue	$ 5,316,300	$ 5,522,796	$ 5,737,552	$ 5,960,898	$ 6,193,178	$ 6,434,749
Vacancy Allowance	**$ 1,594,890**	**$ 662,736**	**$ 459,004**	**$ 476,872**	**$ 495,454**	**$ 514,780**
Vacancy Rate	30%	12%	8%	8%	8%	8%
Move-In Fees	$ 151,200	$ 38,880	$ 8,640	$ 71,539	$ 71,539	$ 55,642
Move-In Fee	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
Marsh Restaurant Rent (net)	$ 219,840	$ 224,237	$ 228,722	$ 233,296	$ 237,962	$ 242,721
Storage Unit Rent	$ 48,000	$ 48,960	$ 49,939	$ 50,938	$ 51,957	$ 52,996
Gross Effective Income	**$ 4,140,450**	**$ 5,172,137**	**$ 5,565,848**	**$ 5,839,799**	**$ 6,059,181**	**$ 6,271,328**
Operating Expenses	**$ 2,058,181**	**$ 2,207,760**	**$ 2,287,207**	**$ 2,350,237**	**$ 2,412,018**	**$ 2,474,962**
Admin	$ 132,480	$ 136,454	$ 140,548	$ 144,764	$ 149,107	$ 153,581
Marketing	$ 158,976	$ 163,745	$ 168,658	$ 173,717	$ 178,929	$ 184,297
Repairs & Maintenance	$ 211,968	$ 218,327	$ 224,877	$ 231,623	$ 238,572	$ 245,729
Utilities	$ 120,960	$ 156,626	$ 168,658	$ 173,717	$ 178,929	$ 184,297
Dietary	$ 529,920	$ 545,818	$ 562,192	$ 579,058	$ 596,430	$ 614,323
Housekeeping	$ 80,640	$ 104,417	$ 112,438	$ 115,812	$ 119,286	$ 122,865
Activities	$ 52,992	$ 54,582	$ 56,219	$ 57,906	$ 59,643	$ 61,432
Payroll Taxes/Benefits	$ 132,480	$ 136,454	$ 140,548	$ 144,764	$ 149,107	$ 153,581
Insurance	$ 66,240	$ 68,227	$ 70,274	$ 72,382	$ 74,554	$ 76,790
Replacement Reserve	$ 64,800	$ 64,800	$ 64,800	$ 64,800	$ 64,800	$ 64,800
Operating Expense Escalator	3%	3%	3%	3%	3%	
Management Fee	$ 207,023	$ 258,607	$ 278,292	$ 291,990	$ 302,959	$ 313,566
City of Morganton Taxes	$ 129,667	$ 129,667	$ 129,667	$ 129,667	$ 129,667	$ 129,667
Burke County Taxes	$ 170,035	$ 170,035	$ 170,035	$ 170,035	$ 170,035	$ 170,035
	$ 2,082,269	**$ 2,964,377**	**$ 3,278,642**	**$ 3,489,563**	**$ 3,647,163**	**$ 3,796,366**
NOI % of Revenue	50%	57%	59%	60%	60%	61%
Per Occupied Room	$ 20,657	$ 23,393	$ 24,748	$ 26,340	$ 27,530	$ 28,656
NOI Valuation	$ 28,720,953	$ 40,887,961	$ 34,222,644	$ 48,131,897	$ 50,305,701	$ 52,363,663
Total Ownership Expenses	**$ (2,223,135)**	**$ (2,439,409)**	**$ (3,097,374)**	**$ (3,097,374)**	**$ (3,097,374)**	**$ (3,185,641)**
BTCF with Reserve	555,784	524,968	504,002	504,002	549,790	610,725
DSCR	*1.25*	*1.33*	*1.25*	*1.25*	*1.27*	*1.28*
Yield on Cost	4%	5%	6%	6%	6%	7%
Cash on Cash	7%	6%	6%	6%	6%	7%

10 - YEAR DEVELOPMENT TIMELINE



(1) Western Piedmont Community College website.
(2) Bureau of Labor Statistics – 2016 Quarterly Census of Employment and Wages.
(3) Burke County Senior Center Newsletter – January/February 2018.
(4) "Cost of Living: Morganton, North Carolina." *Sperling's Best Places.*
(5) Burke County Preliminary Housing Needs Assessment.
(6) ESRI Business Analyst Online Age 50+ Profile; Burke County Preliminary Housing Needs Assessment.
(7) ESRI Business Analyst Online Age 50+ Profile.