Preliminary Conceptual Design and Financial Feasibility Study for Redevelopment of the Wells Lamont Glove Factory

204 N. Houston Street

Mount Vernon, Texas

Prepared for:

B.F. Hicks, Property Owner

Prepared by:

The Texas Historical Commission's Town Square Initiative

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In addition to the property owner, the report is intended for use by:
Mount Vernon Main Street
The City of Mount Vernon, Texas

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Executive Summary

The Town Square Initiative Team has been working on a coordinated downtown revitalization strategy for Mount Vernon since December 2014. The strategy is intended to address the challenge of vacant and under-utilized historic structures and create a more diverse and sustainable business mix in the downtown area. The resulting Downtown Strategy Report will serve as a sequenced action plan to help guide future decision-making for the City of Mount Vernon and the many stakeholders involved in downtown.

Even though Mount Vernon has an active Main Street program and a network of individuals and organizations dedicated to both cultural and historic preservation, downtown still struggles. The vacancy rate for ground floor space consistently hovers around 20% with a number of key historic buildings vacant, equating to about 20,000 square feet. While the Downtown Strategy Report makes a number of general downtown improvement recommendations, a substantial change in the existing conditions noted above is probably not very likely without a major redevelopment project.

One of the key historic buildings prioritized for redevelopment in the Downtown Strategy Report is the Wells Lamont Glove Factory. Constructed in the early 1950s, the impressive industrial structure is approximately 30,000 square feet and is in good condition. The building's size, proximity to the square and the notable architecture make this an important asset for downtown Mount Vernon. Currently for sale, the team has met multiple times with the property owner, Mr. B.F. Hicks, about the potential for redevelopment. City leadership has also expressed interest in marketing the site to serve as a catalyst project to support a future Tax Increment Finance Zone and spur surrounding reinvestment in the existing downtown commercial properties. The building has much potential – it could be especially attractive to small manufacturers producing artisan goods; it could serve as a cultural venue; or, with its nearly 11 acres of land, it presents interesting opportunities for residential infill.

The TSI Team has developed a preliminary feasibility analysis for reuse and redevelopment of the Glove Factory which includes preservation of the architecture and an overall programming strategy for sustainable arts-based economic development in downtown. The report is based on an analysis of current market conditions in Mount Vernon and Franklin County, which experiences a large influx of seasonal and weekend population from the Dallas-Fort Worth area. Many come to enjoy the exceptional East Texas outdoor and recreational opportunities including birding, hunting, boating and wine-tasting – and Mount Vernon is at the picturesque center of these attractions.

The team analyzed several different options for redevelopment including the following:

Option A – Art Center
The Glove Factory is rehabilitated as a revenue-generating art center with exhibitions, classes, studios, special event space, café and caterer.

Option B – Apartments
The Glove Factory is rehabilitated as a mixed-income residential project. The building is proposed to contain 20 apartments – 14 will be market rate and six will remain affordable for households at 30% and 50% area median income, respectively. The residential units will be designed to maintain the industrial feel of the building and could be adapted specifically for live/work studio spaces.

Option C – Mixed Use (Art Center with Infill Residential)
The Glove Factory is rehabilitated and leased to a private art institution while infill residential is constructed on the nearly11 acre site. The proposed residential units include 20 upscale urban flats and 10 affordable live/work spaces for artists.

All three options proposed above assume that the building is eligible to be listed on the National Register of Historic Places; therefore, the financing plan includes use of the federal and state historic tax credit programs. Options A and B reimagine only the existing structure, while Option C is much larger in scope by proposing the development of a portion of the additional acreage. The infill residential model offers the opportunity to create an arts enclave with the Glove Factory facility as a focal point – a feature that could be highly marketable. While ambitious, successful revitalization of downtown Mount Vernon will require a catalyst project to create a sustainable economic development strategy. In this instance, that strategy is proposed to be arts-driven. **The goal is not just to find a new use for the Glove Factory, but to begin to sustainably increase the downtown population in order to support additional retail and business activity.**

Based on the analysis, the most likely scenario for redevelopment of the Glove Factory would be a concept along the lines of Option A, where the property is revenue-generating but has an arts-related community use. The TSI team identified a total project cost of approximately $4.4 million with a gap of approximately $800,000 which could be met through several different economic development tools or fundraising. This is not such an overwhelming amount if the planned facility is something that engages the community and generates support as similar projects in other Texas cities Clifton and Bastrop have demonstrated. Should the use remain private, such as a brewery, winery or some type of light manufacturing, it is quite conceivable that a private investor could generate enough cash flow to support the financing, but then the city and possibly the county would need to create a set of incentives to fill the gap. In this case, it would be imperative that the proposed use provide significant benefits for the entire downtown market such as new jobs, number of visitors, amount of sales tax generated, etc.

While the addition of a significant number of new residential units in downtown Mount Vernon would provide the needed activity and energy for the market, it will be more difficult to make the numbers work by converting the Glove Factory itself or adding residential to the site. However, it may be possible with the right developer, vision and financing alternatives to help narrow the gap. Alternative financing options are offered on pages 29-30.

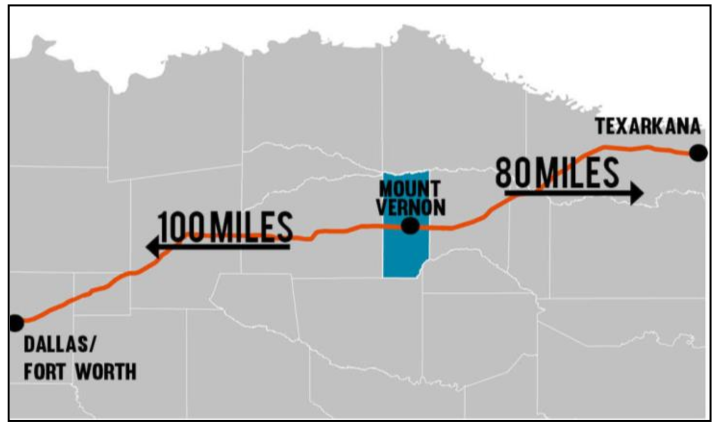
The conceptual designs and financial feasibility estimates are intended to be a starting point for discussion of the possible re-use of this unique, historic building. The report is intended to illustrate the site's redevelopment potential and shows how the combining of financial resources might be able to reduce project costs. The current property owner and the City of Mount Vernon should work together to attract private sector interest in the property. The study should be shared freely with interested private investors, city and county officials and other professional audiences with expertise in historic real estate development for feedback and continuing dialogue.

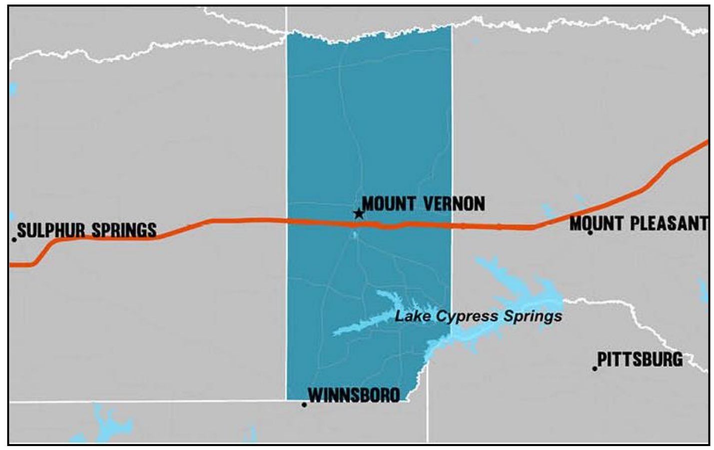
Building Context and History

Regional Context

Mount Vernon is strategically located in rural northeast Texas. The county seat of Franklin County, the town is 100 miles from the Dallas-Fort Worth metroplex and 80 miles to Texarkana. Lake Cypress Springs, a popular recreational lake, is located approximately 12 miles south. The lake area has attracted many higher income part-time residents from the Dallas-Fort Worth area seeking exceptional lakefront amenities within a reasonable driving distance.

Mount Vernon is at the northern point of the Piney Woods Wine Trail and is a short drive to many of the area's wineries. The region is also home to some of the highest quality disc golf courses in the world located just a few miles north of town at Selah Ranch. Abundant wildlife and nature preserves also attract birders and outdoor enthusiasts in significant numbers. Finally, hunters and anglers are also drawn to the region by the ultra-private Hageman Reserve which offers its exclusive members world-class hunting, fishing and outdoor adventures.





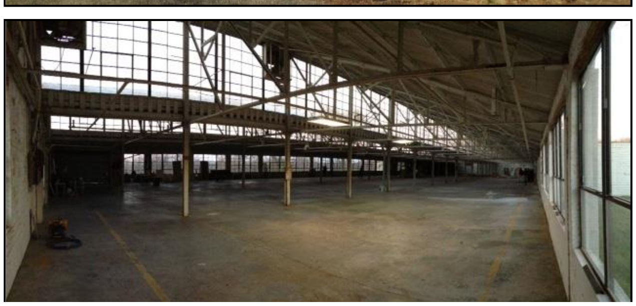
Figures 1 and 2. Mount Vernon is the county seat of Franklin County located strategically between Dallas and Texarkana.

Local Context

The Glove Factory is located on the northeast corner of the courthouse square in downtown Mount Vernon. It is two blocks north of US Highway 67 which is the historic Bankhead Highway and two miles north of Interstate 30. The nearly 11 acre site is developed on the west and south side and undeveloped on the east and north boundaries.

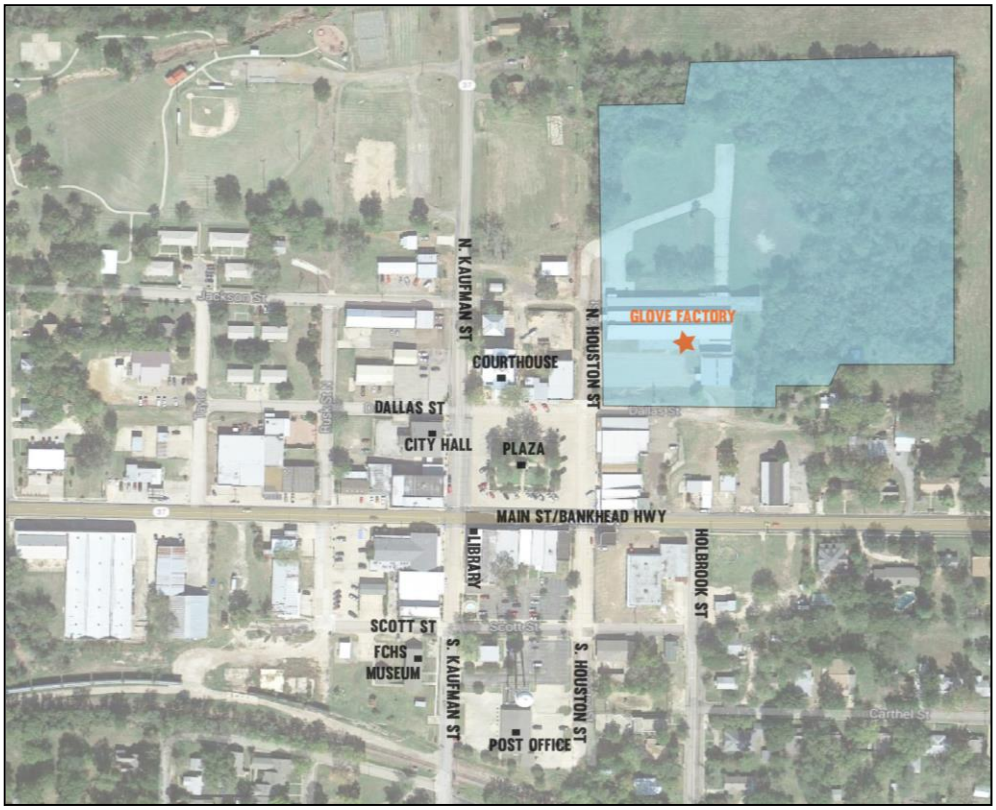
There are two buildings on the site. The historic footprint of the Glove Factory was 24,206 sq. ft. A 1,980 sq. ft. addition to the east and a 2,784 sq. ft. office addition to the south now make the main building just shy of 29,000 sq. ft. A newer 6,000 sq. ft. auxiliary warehouse building has been constructed to the south, creating an "L" shape facing the courthouse square. There is approximately 15,200 sq. ft. of parking paved with asphalt.

The buildings are located at the highest elevation on the tract and the land gently slopes down to a wooded area to the north and east. Dallas Street runs across the southern boundary and Houston Street runs north/south on the western boundary of the property. The road easements are platted, but both roads are unpaved past the Houston and Dallas Street intersection.



Figures 2 and 3. View of the Glove Factory from the courthouse square (above) and interior view.

Building History



When constructed in the early 1950s, the Wells Lamont company was the largest single manufacturer of work and semi-dress gloves in the US. Their factories employed around 300 people and the corporation required that a building footprint be around 30,000 square feet. When the Mount Vernon factory opened, it helped to diversify the small town's economy. The population had been declining for several decades in Franklin County largely due to decreased farming activity. The Glove Factory was one attempt by city leadership to create new industrial employment opportunities.

Figures 3, 4, and 5. The Glove Factory's nearly 11 acres are shown relative to downtown.

The Glove Factory did not remain open for long, but the building has housed several other manufacturers over the years and was under ownership of the Franklin County Industrial Foundation for a period of time. The Franklin County Historical Association purchased it in 2006 and it was subsequently sold to the current owner, Mr. BF Hicks in 2007, whose father was the general contractor in the early 1950s. It was most recently improved to accommodate construction staging during the Franklin County Courthouse Restoration project, completed in 2014. The owner desires that the building be returned to a use that will benefit Mount Vernon and is seeking a new owner/investor with an appropriate vision.

Zoning

The site is currently zoned II - Intensive Industrial and R-3- Residential. Intensive Industrial is "designed to serve the wide range of zone needs for manufacturing and industrial activities" and allows manufacturing, wholesale, storage, distribution, automobile salvage and wrecking operations, brick/concrete manufacturing, cotton ginning, grain and feed milling, public utility uses, railroad yards and terminal uses, and sand/gravel processing and storage.

R-3 allows single-family, public schools, public centers, libraries and fine art centers, public safety facility and a golf course.

The rest of downtown is zoned General Business. While still functional for a town with a population of less than 3,000, the zoning districts identified for the majority of downtown are not conducive to a revitalization effort. The TSI team has recommended adoption of a basic mixed use ordinance for the downtown core which would permit lodging and residential throughout, as well as multiple uses on one parcel.

In 2013, Mount Vernon adopted an ordinance permitting the sale of alcohol both for on and off-premise consumption. Currently the sale of alcoholic beverages for on-premises consumption is allowed only by restaurants or hotels/motels holding a food and beverage certificate. They are permitted in the following zoning districts: Local Retail (LR), General Business (GB), Industrial (II) and Outdoor Commercial (OC). The restaurant's revenue from the sale of alcohol is required to be less than fifty percent of its gross revenue.

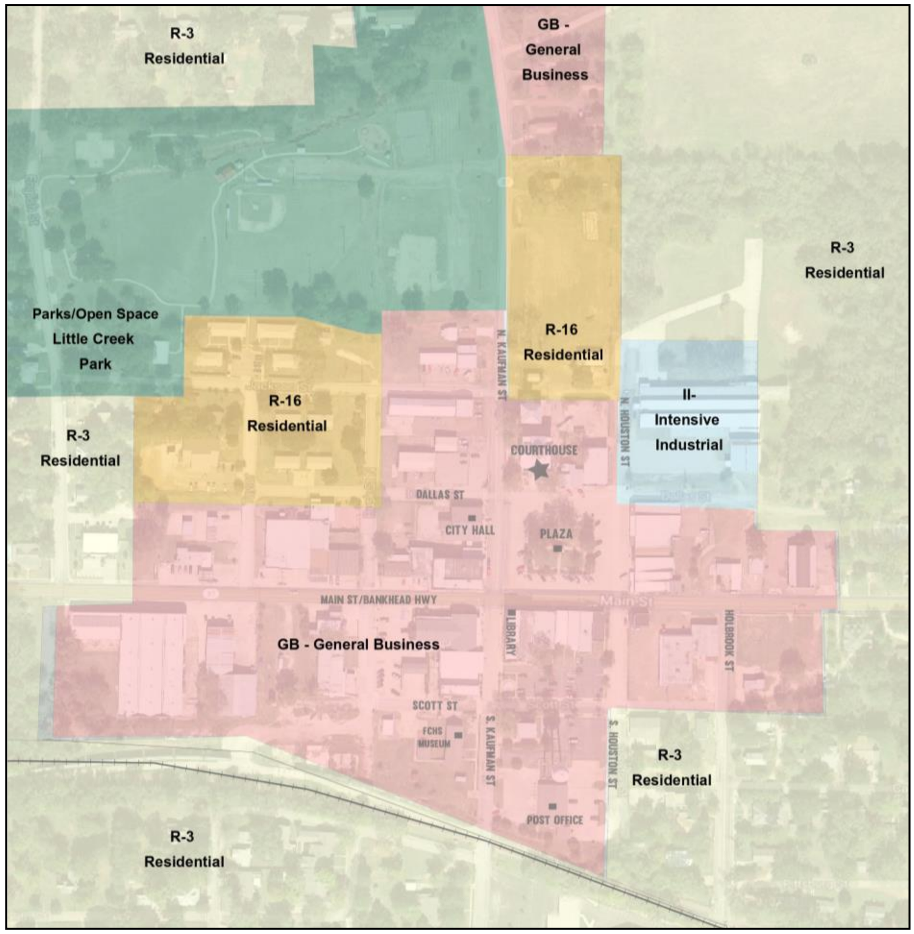


Figure 6. Current zoning in downtown Mount Vernon. The Glove Factory is the only Intensive Industrial.

Flood Plain

According to FEMA Map 480821A effective 6/19/1985 (www.fema.gov) this property is located in Zone C, an area outside the 500-year flood plain.

Topography and Drainage

The land slopes gently to the north. There currently is no storm water drainage infrastructure in place. There is ample room for low impact development storm water management on this site.

Utilities, Easements and Encroachments

Utilities are located in the right-of-ways for Houston and Dallas streets. While these are not paved the length of the tract, the easements are platted. The sewer line is a 6" line and the water line is a new 8" line.

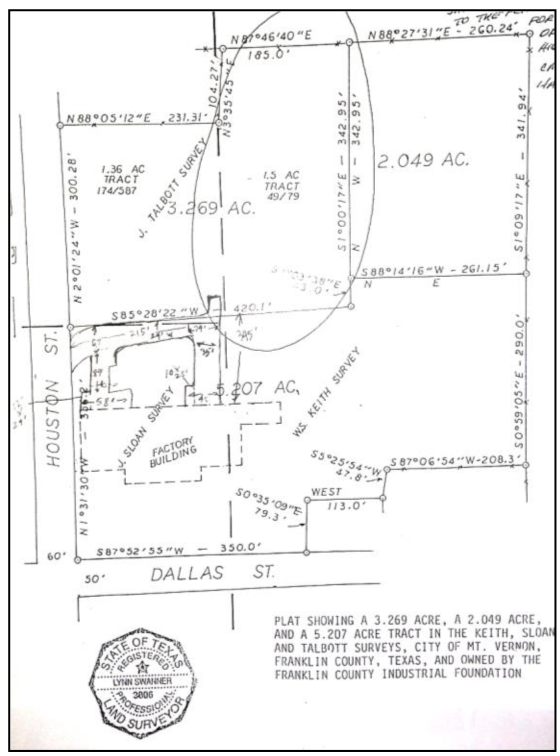


Figure 7. Existing survey of the property.

Conceptual Design Options

Potential Uses

The TSI team has developed a preliminary feasibility analysis for redevelopment of the Glove Factory through the use of available preservation tools and economic incentives. The analysis examines three redevelopment options:

Option A – Art Center
The Glove Factory is rehabilitated as a revenue-generating art center with exhibitions, interactive studio space, special event space, café and caterer.

Option B – Apartments
The Glove Factory is rehabilitated as a mixed-income residential project. The building is proposed to contain 20 apartments – 14 will be market rate and six will remain affordable for households at 30% and 50% area median income, respectively. The apartments will be designed to maintain the industrial feel of the building and could be adapted specifically for live/work studio spaces.

Option C – Mixed Use (Art Center with Infill Residential)
The Glove Factory is rehabilitated and leased to a private art institution while infill residential is constructed on a portion of the 11 acre site. The proposed residential units include 20 upscale urban flats and 10 affordable live/work spaces for artists.

The TSI team focused on housing and arts-related uses to develop the three scenarios. This is a result of the existing strong arts community, the design opportunities provided by the inherent qualities of the building and site itself and the market conditions of Franklin County which demonstrate weekend and seasonal influxes of higher income households.

It is important to note that the building is in good condition and may be occupied in its current state. The information included in this report can be used by any potential investor or new owner to refine their existing concept or perhaps see the potential that exists.

All three options proposed above assume that the building is eligible to be listed on the National Register of Historic Places; therefore, the financing plan includes use of the federal and state historic tax credit programs. Options A and B reimagine only the existing structure, while Option C is much larger in scope by proposing the development of a portion of the additional acreage. The infill residential model offers the opportunity to create an arts enclave with the Glove Factory as a focal point – a feature that could be highly marketable. While ambitious, successful revitalization of downtown Mount Vernon will require a catalyst project to create a sustainable economic development strategy. In this instance, that strategy is proposed to be arts-driven. **The goal is not just to find a new use for the Glove Factory, but to begin to sustainably increase the downtown population in order to support additional retail and business activity.**

The purpose of this analysis is to show the potential for the site to be redeveloped using preservation tools and to provide necessary information and visuals to assist the current property owner, the City of Mount Vernon and Franklin County with attracting private sector interest in the property. The proposed redevelopment scenarios are conceptual only and will require additional analysis, concept development, investment partnership-building and design to become feasible.

Development partners for scenarios such as this must bring substantial experience, knowledge and commitment to historic-preservation based redevelopment projects.

Development Plan for Option A – Art Center

In Option A, the Glove Factory is rehabilitated as an Art Center that could potentially serve the region. The building is proposed to feature museum quality exhibit space, interactive arts space (studios, meeting rooms, instructional space, etc.), a café and caterer. The building will accommodate approximately 25,000 sq. ft. of exhibit and interactive arts space. Approximately 3,750 sq. ft. will be designated for food and beverage leasable spaces for the café and caterer. Due to its historic character, much of the interior will maintain its open feel. Walls and partitions are not recommended to be constructed. The auxiliary building provides an ideal space for service areas with 1,300 sq. ft. for a commercial kitchen, 1,000 sq. ft. for public restrooms, 600 sq. ft. for mechanical systems, 1,000 sq. ft. for administrative offices, and 600 sq. ft. for admissions and souvenirs, and 1,200 sq. ft. for exhibit storage.

Figures 7 (above) and 8 (right). The Glove Factory is reimagined as a community art center with public gathering spaces. Renderings by THC staff.

Development Plan for Option B – Apartments

In Option B, the Glove Factory is proposed to be rehabilitated into apartments. A conceptual design plan estimates that the existing footprint could accommodate 20 units and the design would maintain the open, airy and industrial feel. These are planned to be mixed income so that the developer could take advantage of multiple tax credit programs. Thirteen units will be 1 bedroom/1 bath and measure approximately 1,000 sq. ft. Of these, six will be reserved for families at or below 50% of the median family income (rents will range from $400 to $605 per month). Five apartments will be 2 bedroom/2 baths ranging in size from 1,200 sq. ft. to 1,500 sq. ft. The remaining two apartments will be 3 bedrooms/ 2 baths with an office measuring 1,750 sq. ft. These are spacious units intended to appeal to people of various ages and lifestyles who want to live downtown in a unique setting. They are not intended to be artist housing, although they could easily be adapted to appeal to artists. The larger square footage would allow for combination living, dining and studio.

Figure 9. A conceptual design plan identifies space for apartments in the building (shown in blue). Red is common space and yellow could provide gallery/exhibit space.

Development Plan for Option C – Mixed Use (Art Center with Infill Residential)

Option C will rehabilitate the Glove Factory in the same way as described in Option A, as an Art Center, but will add residential to the property allowing Mount Vernon the opportunity to introduce new infill construction in downtown. This development is proposed to include 15 buildings organized to the north and east of the Glove Factory. Each building will feature two units: 970 sq. ft. of live/work unit on the ground floor and 1,765 sq. ft. of luxury living on the second and third floors. These units are planned to be more urban and modern in detail, with eco-friendly features and private yards or roof top terraces. The larger flats will each have two-car garages while the live/work units will share covered parking. The design scheme is proposed to reflect the architecture of the Glove Factory in roofline and materials.

Ten of the ground floor live/work units are planned to be affordable. Five will be reserved for households whose incomes are at or below 30% of area medium family income – monthly rents for these will start at $400. Five more will be reserved for household whose incomes are at or below 50% of the area median family income with monthly rents starting at $605. The remaining five ground floor live/work units will be market rate and are projected to lease from $1,350 monthly. These live/work units could provide housing for an artist-in-residence program. The fifteen larger flats are projected to lease from $1,700 and will consist of either two or three bedrooms.

In this scenario, the Glove Factory is imagined to be a focal point for the residential development providing working studio space and private amenities for the residences, but also still retain art center functions for the public. This will truly be an arts community which would require specialized marketing for potential residents. However, the experience and amenities would be one-of-kind for this area and the proposal has the potential to generate significant activity and energy in downtown.

Figures 9 (Top). The Glove Factory site is illustrated with 15 residential buildings each with a live/work unit on the ground floor and a two-story urban flat above. Figures 10 and 11. The interior is shown as a modern gallery space. Renderings by THC staff.

Figures 12 and 13. The urban flat concept is shown in detail. The view on the left is from walking north on Houston street down the hill. The view below is the interior courtyard with the new flats to the north and the Glove Factory to the south. Renderings by THC staff.

Table 1. Design Plan and Lease Rates for Proposed Redevelopment Options

Option	Design Plan	Proposed Lease Rates
Option A: Art Center (Glove Factory Building Only)	*Exhibit Area/Interactive Art Space* *Café* *Caterer*	$2,500.00 $3,500.00 $2,000.00
Option B: Apartments* (Glove Factory Building Only) **Not proposed as artist housing, but could easily be adapted.*	*14 Market Rate Apartments* 1-bedroom – 7 (1,000 sq. ft.) 2-bedroom – 5 (1,200 sq.. ft.) 3-bedroom – 2 (1,750 sq. ft.) *6 Affordable Apartments* 1-bedroom – 6 (1,000 sq. ft.)	Affordable from $400-$605 1-bedroom from $1100 2-bedroom from $1550 3-bedroom from $1750
Option C: Mixed Use (Art Center and Infill Residential)	*Exhibit Area* *Studio Space for Working Artists* *20 Upscale Flats* 1-bedroom – 5 (1,000 sq. ft.) 2 bedroom – 15 (1,765 sq. ft.) *10 Affordable Artist Live/Work Units* 1-bedroom – 10 (970 sq. ft.)	Affordable Live/Work from $400 1-bedroom live/work from $1350 2-bedroom flat from $1700

Precedents and Case Studies

Clifton, Texas – Bosque Art Center

Characteristics include:

- Historic rehabilitation of institutional building
- Sympathetic new addition
- Regional art center as economic driver in town with a population less than 5,000

Figures 13 and 14. The Bosque Art Center pictured – the historic 1923 Lutheran College building above and the new addition (below). Courtesy: www.bosqueartscenter.org

Art centers in small town Texas are not uncommon, especially if a strong arts community already exists. One of the best examples is the Bosque Art Center in Clifton, Texas. The BAC has been operating for more than 30 years and consolidates all facets of art under a single umbrella in rural Bosque County. Housed primarily in a former Lutheran College administration building, it gave a physical home to an area known as an artist's mecca when it opened in 1982. The then-vacant building had been previously a machinist shop after the college closed in 1954. The building was designated a Texas Historical Landmark and rehabilitated into a non-profit cultural art center. An endowment for the Bosque Art Center was started with 33 individual donors each contributing $1,000.

Currently, the Bosque Art Center houses classroom and workshop space, a permanent photography collection, an art gallery, and the Tin Building Theatre for performing arts groups. The Theatre hosts live stage productions, both dinner theatres and standard stage performances, multiple times per year. The classroom and workshop provides space for community art clubs and classes with master artists. The Bosque Art Center is an appealing artistic, entertainment, and educational venue for residents and tourists. Over the past three years, the facility has attracted over 11,000 visitors annually. The center's year-round programming provides a stable customer base for local shops, restaurants, and downtown art galleries. Without this important group of customers, it would be difficult for some businesses to remain open.

The Bosque Art Center not only draws tourists and new residents to Clifton, but the organization has successfully raised donations from donors living outside of the region. In 2010, approximately 21 percent of Bosque Art Center members lived outside of Bosque and McLennan County. Having a large portion of non-local members also provides the local arts community access to visitors, financial resources, and spending power beyond the means of Bosque County residents.

The Bosque Art Center annual auction raises more than $250,000. Since its inception in 1981, the Bosque Art Center has received a total of $3,676,969 in private donations and financial support. The BAC clearly provides an important quality of life asset to attract retirees and tourists to Bosque County and to engage local citizens

The BAC completed a $2 million renovation and expansion in 2006 and serves as an important regional economic driver:

- The BAC attracts over 11,000 visitors annually;
- 21% of BAC members live outside McLennan County;
- The BAC raises more than $250,000 each year;
- Since 2007, nearly 50% of all purchased properties and dollars spent on renovation/rehab were downtown;
- 20% of tourism spending in Bosque County is related to the arts compared to the state average of 10%.

Bastrop Texas – Lost Pines Art Center and Sculpture Garden

Characteristics include*:*

- Renovation of four 100 year old silos combined with new construction
- Community focused use with combination of exhibit space, classrooms, coffee and wine bistro and retail space for arts-related businesses
- Represents and serves the region

The Bastrop Fine Arts Guild is a non-profit artist organization that works to promote local art and artists and build appreciation and cultural interest for fine art. The group secured the site near downtown Bastrop and has fundraised the $3.6 million necessary to construct the facility. It is anticipated to open in 2017.

The new 12,000-square-foot art center will house exhibit space, classrooms, a coffee and wine bistro and retail space for art-related businesses. The project will also renovate four 100-year-old silos that were part of the historic Powell Cotton Seed Mill. Three silos will be used as studios – one each for pottery and glass, and one for metal, wood and stone carving. The fourth silo will be converted to an apartment for a visiting artist-in-residence who will exhibit his or her art and teach classes and workshops for local artists. A commemorative sculpture garden is also planned and it will focus on the Bastrop County wildfires that burned more than 34,000 acres and 1,600 homes and businesses, many of which belonged to local artists who lost their work and studios.

Figure 16. Rendering of the proposed Lost Pines Art Center in Bastrop courtesy: www.bastropfineartsguild.com

Satellite Art Museums

A new regional art center or museum is ambitious; however, satellite locations for established museums are quite common. This could be an option to attract a potential tenant to the Glove Factory, should the community decide a locally run art center is beyond their capacity. Attracting an existing institution to expand may be more achievable. For example, when a mid-century bank building was threatened in Palm Springs, California, the curator of the Palm Springs Art Center persuaded the center to buy the building and create a satellite branch focused on architecture and design.[1] The Chinati Center is Marfa, Texas, owns three downtown buildings that have been architecturally adapted to feature the installation of 22 large sculptural pieces by John Chamberlain.[2] Visitors are directed to these buildings from the main center. A similar experience could work in Mount Vernon as the vast industrial space lends itself to large sculptural work, which would also minimize the expenses related to climate-control, lighting, security, etc. required of more traditional fine art galleries.

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[1] http://archrecord.construction.com/news/2014/11/141118-Palm-Springs-Art-Center-Branches-Out.asp?WT.mc_id=rss_archrecord

[2] https://www.chinati.org/collection/chamberlainbyjudd.php

Market Analysis

A feasibility study is a general term, implying analysis aimed at discovering whether or not a specific project can be carried out successfully, with success usually indicating a sufficient return on capital required to attract investors. This typically includes two basic and interdependent analyses: a market analysis to determine supply, demand and potential absorption rates, and a financial analysis to determine whether or not the proposed project can be economically justified over a period of time. This report contains both: the more broad study of the market demand, which follows, and the more detailed financial feasibility study to determine overall project success.

Community Overview

It is possible for Mount Vernon to consider new downtown residential of 20+ units due to the influx of population to the beautiful rural setting on weekends and holidays. The area, and particularly Lake Cypress Springs, has attracted a wealthy contingent of weekenders from the Dallas/Fort Worth. These, the TSI team learned, are affectionately referred to as “Lake People” by the locals.

According to the 2013 Retail Coach study, the population of Mount Vernon’s primary retail trade area (5 mile radius) is 6,361 with 22.9% of households with incomes above $75,000. The population of the city’s secondary trade area is 27,000 (15 mile radius) with an average household income of $62,772. In the secondary retail trade area (15 mile radius) 26.4% of households (10,243) had annual incomes above $75,000.

The average sale price on Lake Cypress Springs in 2012 was $484,000 – 91% of the 1,400 homes are 2nd residences. Approximately one third of all the Lake Cypress residents, primarily from the Dallas/Fort Worth area, return each weekend seeking recreation, entertainment and leisure activities. This concentration of second residences causes the population of the county to increase between 3,000 and 8,000 people on weekends and during holidays, according to estimates by the Franklin County Water District.

In addition to this weekend leisure population, Mount Vernon has strong arts and cultural institutions with four museums including Franklin County Historical Association Museum that offers the Don Meredith exhibit and a very rare bird egg display attracting 5,000 visitors annually. The Franklin County Arts Alliance is an active art group made up of many professional and aspiring local artists. The Arts Alliance has several shows, retreats and workshops throughout the year helping to support and foster a strong regional arts culture. Mount Vernon Music is a 501(c) 3 dedicated to providing live music to communities in Northeast Texas. Founded by professional musicians from the Dallas/Fort Worth area, they host

Table 2. Mount Vernon Retail Trade Area, 2014	
City Population	2,668
Population Growth within 25 mile radius (2000-2014)	14.48%
Population 15 mile radius	27,743
Average household income 15 mile radius	$62,772
Average age 15 mile radius	39.9
Workplace Population 15 mile radius	4,581
Average Sale Price - Lakefront Property on Lake Cypress Springs	$484,000
Population 25 mile radius	93,305
Interstate 30 and Hwy 37 Intersection Traffic Count	26,000+ per day
No. of colleges within 60 mile radius	7
Source: Mount Vernon Economic Development Corporation	

professional quality chamber music, jazz and other styles of performances in a restored church, as well as educational programs that encourage the interaction of the performing and visual arts. The courthouse plaza, with its restored courthouse is a gathering spot for spring and summer concerts. These are assets that can be cultivated to provide enduring community value and economic stability.

Beyond the lake, Franklin County contains a diverse tourism economy as well. The rural landscape attracts avid bird watchers to the various sanctuaries; some of the world's best known disc golf courses are located just north of Mount Vernon at Selah Ranch; and, the ultra-private Hagemen Reserve attracts hunters and outdoor sports enthusiasts from around the world. Memberships are reported to reach the six figure range.

Demographics - The city of Mount Vernon has a total population of 2,662 listed at the 2010 Census, up from a total population of 2,286 in 2000 for an increase of 16.4%. Franklin County is one of the smallest counties in Texas by land area (294.8 square miles), but its assets have a large impact on the economic well-being of Mount Vernon. As of 2010 Census, Franklin County had a population of 10,605, up from 9,458 in 2000 (12.13% growth).

Table 3. Mount Vernon At a Glance	
City Population	2,668
Median Age	31.8
Educational Attainment - Percent high school graduate or higher	80.40%
Total Housing Units	1,113
Median Household Income	$39,519
Individuals Below Poverty Line	29.70%
Source: 2013 American Community Survey	

Figures from 2013 show that the median age for the city is 31.8 and 42.6 for Franklin County. The median age for the city is slightly lower than the Dallas-Fort Worth-Arlington MSA (33.9) and the Texas median age (33.8). However, the county's median age is significantly higher than both. The 0-14 age group makes up 26% of the total population of the city. Ages 15-34 make up a total of 30%, ages 35-54 a total of 23%, and ages 55+ a total of 21%. The City of Mount Vernon reflects a similar percentage of the 15-34 age group when compared to the Dallas-Fort Worth MSA (30% and 29% respectively), while Franklin County is 21%.

In order to create a sustainable economy, it is important to have a balanced population. Most vibrant high growth areas have a high percentage of the 0-34 age group. Places with a younger population base create opportunities for a more vibrant regional market. This is attractive to young singles and families, as well as investors and corporations looking to expand and take advantage of the creative talent pool provided by the younger workforce. However, an older population can also benefit the Mount Vernon area economy, as retirees have a greater ability to travel and typically create demand for higher-quality housing, health care and wellness, and have higher disposable incomes.

Recent studies by the Urban Land Institute show that both younger and older populations have a higher preference for urban residential products. Downtown options can be a strong driver of sustainable development and a benefit to the city. A higher population density downtown can be supported at a lower cost per capita due to the economies of scale and compact infrastructure requirements. It is more efficient to deliver public services in downtown areas and these areas often have greater access to education, healthcare, city services, retail, entertainment, and recreation.

Race/Ethnicity – The racial composition of the Cty of Mount Vernon is more diverse than that of Franklin County. Statistics in 2013 reflect a total of 1,584 people recorded as white alone (59.4%) while Franklin County's statistics showed 8,545 people (80.5%) recorded as white alone. The City of Mount Vernon recorded a total of 462 (17.3%) people as black whereas the county recorded a total of 486 (4.6%). For Hispanic or Latino alone, the City of Mount Vernon totaled 518 people (19.4%) and the county totaled 1370 people (12.9%).

Income – Statistics in 2013 show that the City of Mount Vernon has an average household income of $39,519, which is less than the Franklin County average ($45,523) and the state average ($71,251). Figures also show that 48% of households earn greater than $50,000 a year. Median per capita income in the county is $28,189. Higher levels of income typically equate to more retail expenditure, or the reverse – lower levels of income equate to less retail expenditure.

Consumer Survey

In addition to studying the basic demographic data, inputs to TSI's market analysis included field reconnaissance and site analysis to assess the overall marketability of the downtown, three public meetings that attracted over 160 participants, and business visits with owners of eight properties on the square. Additionally an online retail survey was launched with assistance from Mount Vernon's Main Street program that that elicited 163 individual responses indicating consumer preferences and housing spending aptterns.

The most prevalent citizen comments included the need for more and varied retail, expansion of events and downtown programming and activities that were family-friendly. Approximately 28.7% of Mount Vernon residents are single with children and another 30.6% are married with children, which reinforces the survey's desire for family-friendly offerings.

The participants identified family-friendly activities, musical events and wine-related events as attractions that would bring them downtown. A 2013 Retail Coach Retail Gap Analysis identified a market leakage of -100% by SIC Code in Special Foods (7223) and Drinking Places (7224). There is clear indication that a regional market exists for specialty foods and drinking places as 70% of 163 survey participants indicated that they are willing to travel more than 20 miles for similar retail and entertainment services. Approximately 60% of respondents noted that they purchase between $31 and $75 worth of retail and entertainment services every weekend with an additional 29% purchasing in excess of $75.

The largest number of survey responses came from the following zip codes:

- 75457: 70% (Mount Vernon)
- 75480: 5% (Scroggins)
- 75494: 5% (Winnsboro)
- 75487: 4% (Talco)
- 75455: 4% (Mount Pleasant)

Residential Development Opportunity

It is likely that the more upscale residential product proposed for the Glove Factory in Option C would appeal to the same demographic as those purchasing homes on Lake Cypress – the Dallas/Fort Worth weekender seeking to escape the city. While many are pursuing lakefront property, there is a growing population of retirees looking to downsize and move into an urban-style housing product like a loft or townhome with minimal maintenance and convenient amenities. It is a trend seen frequently in many of the Texas Main Street program cities- rehabilitated loft style units are rented quickly and attract a wide range of ages and incomes, from young professionals to retirees.

Within the City and ETJ, duplexes, townhomes, and multiple family units compose 17.8% of the housing stock. Although no new housing developments have been constructed in Mount Vernon in more than 15 years, a shift in the housing mix could provide alternative housing opportunities to those found at Lake Cypress Springs. In the city's secondary retail trade area (15 mile radius) 26.4% of households (10,243) had annual incomes above $75,000.

The average home price in Mount Vernon is $166,750 with an average home price per square foot of $79. Average sale prices per square foot for waterfront homes along the 3,500 acre Lake Cypress Springs sold in any one year range from $200 to $220.

Throughout the county, the housing stock is largely single-family detached (81.9%) and 2013 data shows a 1.9% homeowner vacancy rate and 7.9% rental vacancy rate with 58% of owner-occupied units debt-free. The 2013 median rent for all housing was $581 with a median home value of $92,500.

Despite these modest numbers, a basic demand analysis using current census data shows an average estimate of 58 new households moving to Franklin County annually, of which approximately 75% will be homeowners. There is potential demand for single family homes across all incomes although the demand is greatest for homes priced below $100,000. There is a market for higher end ($300,000 +) single family and there is also demonstrated demand for seasonal homes – between 2000 and 2010 there was a 30% increase in the number of seasonal homes (864 compared to 1125).

Table 4. Lake Cypress Springs Real Estate Demand	
Currently Listed	6/30/2015
Lake Cypress Springs Waterfront Homes	42
Average Price	$528,370
2015 Year- to-Date Number of Waterfront Homes Sold	29
Average Selling Price for Waterfront Homes	$445,034
Average Price Per Square Foot	$222
Average Days on Market	114
Source: Century 21 Realtors, Summer 2015	

Potential demand for housing was analyzed by examining current and future household data for Franklin County across multiple income categories. The demand is greatest for owner-occupied single family homes priced under $100,000, but the analysis also shows a need for approximately five homes annually in the $300,000+ range.

Table 5.	**Estimated Annual Demand Potential for Single Family Residential Based on Franklin County 2010-2020 Demographic Trends**							
Home Value	Less than $99,000	100,000 149,999	150,000 199,999	200,000 299,000	$300,000 $399,999	400,000 499,999	$500,000 And above	
Qualifying Income	Less than 40,000	40,000- 59,000	60,000- 99,000	100,000 124,999	125,000 149,000	150,000 $200,000	$200,000+	Total
2010 Total Households 2020 Projected Total Households Avg. Annual Household Growth	4159 4747[3] 58							
New Household Growth								
Total Annual New Households[4]	58	58	58	58	58	58	58	
% Income Qualified[5]	45%	15%	23%	7%	3%	4%	4%	
# Income Qualified	26	9	13	4	2	2	2	
Owner Propensity[6]	75%							
New Owner Households	19.5	6.75	9.75	3	1.5	1.5	1.5	43.5
Existing Households								
Total Households (2013 ACS)	4304	4304	4304	4304	4304	4304	4304	
% Income Qualified	45%	15%	23%	7%	3%	4%	4%	
Total Existing Owner Households Qualified to Purchase	1937	646	990	301	129	172	172	
Annual Average Turnover Rate[7]	4%							
Qualified Owners in Turnover	77	26	40	12	5	9	9	
Percentage that remain in County[8]	4.4%							
Owner Propensity	75%							
Existing Owner Households with Potential to Buy Again	2.31	.78	1.2	.36	.15	.27	.27	5.34
Total Potential New Single Family Demand	**21.81**	**7.53**	**10.95**	**3.36**	**1.65**	**1.77**	**1.77**	**48.84**

[3] The 2020 population projection was calculated by using 2000-2010 annual growth rate of 1.213%. The projected population increase for the county between 2010 and 2020 (1359) was then divided by the average 2010 household size of 2.52, and then again by 10 to provide an estimate for annual average growth of new households.

[4] Projected annual households is divided by the number of years (10).

[5] Income distribution for Franklin County from 2013 ACS HOUSEHOLD INCOME In THE PAST 12 MONTHS (2013 inflation adjusted dollars)

[6] Renter vs Owner Occupied – 2010 Census Occupied Housing Units (75.4% own vs 25.6% rent)

[7] August 2015 National Average reported by Zillow Metrics 4.05

[8] 2013 ACS - Geographical Mobility In The Past Year By Age For Current Residence In The United States

Even though the area has attracted a number of retirees and serves as a weekend destination, the rental market is much smaller and the demand is less. However, demographic trends suggest the need for about 16 new rental units annually across all income levels in Franklin County.

Table 6.	**Estimated Annual Demand Potential for Rental Based on Franklin County 2010-2020 Demographic Trends**[9]					
Monthly Rent	$300-$750	$750-$1000	$1000-$1500	$1500-$2000	$2000 And Up	
Qualifying Income	Less than $35,000	$35,000-$50,000	$50,000-$75,000	$75,000-$100,000	$100,000+	Total
2010 Total Households	4159					
2020 Projected Total Households	4747					
Avg. Annual Household Growth	58					
New Household Growth						
Total Annual New Households	58	58	58	58	58	
% Income Qualified	39%	13%	17%	13%	17%	
# Income Qualified	22.62	7.54	9.86	7.54	9.86	
Renter Propensity	25%					
Potential New Renter Households	5.655	1.885	2.465	1.885	2.465	14.36
Existing Households						
Total Households (2013 ACS)	4304	4304	4304	4304	4304	
% Income Qualified	45%	15%	23%	7%	3%	
Total Existing Owner Households	1937	646	990	301	129	
Annual Average Turnover Rate	4%					
Qualified Owners in Turnover	77	26	40	12	5	
Percentage that remain in County	4%					
Renter Propensity	25%					
Existing Owner Households with Potential to Rent	0.77	0.26	0.4	0.12	0.05	
Total Potential New Rental Demand	**6.425**	**2.145**	**2.865**	**2.005**	**2.515**	**15.96**

[9] Data in this table is derived from the same sources detailed in Table X – Single Family Demand including the 2000 and 2010 US Census and the 2013 American Community Survey.

Financial Feasibility

The three proposed options are intended to show a range of redevelopment possibilities for the Glove Factory. The larger scale housing development is no doubt ambitious for a town the size of Mount Vernon in rural East Texas. However, the city is in need of an initiative that can bolster investor confidence and brand the city as a regional destination. Accordingly, our financial feasibility study made bold assumptions on how the Glove Factory and the surrounding acreage might be repurposed. Our study makes the following assumptions:

- The historic rehabilitation of the Glove Factory can act as an anchor for the downtown and catalyze future redevelopment.
- The mixed income residential component intended to attract local and regional artists will qualify for use of the 4% Low Income Housing Tax Credit program (LIHTC)
- The rehabilitation of the Glove Factory as a revenue-generating space will qualify for state and federal historic tax credits as well as the 39% New Market Tax Credit program.

While this section explores the financial feasibility of the three redevelopment options and alternative financing options are proposed on pages 29 and 30.

Financial Feasibility for the Art Center

This section explores the financial feasibility for redeveloping the Glove Factory into a revenue-generating arts space. These figures can be applied to Options A or C – where the building is a stand-alone community arts center, or the focal point for a new arts-based residential development.

While the Glove Factory is in good working order and essentially a blank slate, significant HVAC, plumbing and electrical improvements are anticipated to make the space function for an arts-related use. As a rule of thumb, exhibition space typically accounts for at least half of a traditional museum space. While the Glove Factory is proposed to function more as a community arts center than a traditional museum, these calculations were still relevant. Therefore, 15,000 sq. ft. of the building's nearly 29,000 sq. ft. (51.8%) will be dedicated as exhibition space. As the cost of exhibition space can vary from $75 to $550 per sq. ft., our analysis used a conservative $125 per sq. ft. in the calculations. Depending on the vision of the community and potential developer interest, the construction costs could vary significantly:

- A local art facility could likely be accomplished at $75 per sq. ft. (hard costs). This would create a center of local exhibits of flat art work and sculpture with little mount making or rigging.
- A regional art center could be accomplished around $95 per sq. ft. (hard costs).
- A destination museum with high quality exhibit halls would start around $190 per sq. ft. (hard costs).

In developing construction estimates, it was presumed that the exhibit areas, event spaces, café, etc. will be floated within the 28,952 sq. ft., building to preserve the architectural features and industrial character. It is proposed that the commercial kitchen, public restrooms, administrative offices and storage space will be located in the adjoining auxiliary building that will be connected to the art center by a glass atrium. Construction estimates for the center do not include walls or partitions to separate uses. Instead, center activities will be separated using low level screening and plant material to preserve the building's seamless flow, light and sightlines. It is anticipated that much of the renovation costs

(85% to 90%) will be dedicated to flooring, windows, lighting, mechanical, plumbing, restrooms and other permanent building improvements so as to take full advantage of available tax credit programs.

Our financial analysis separates the 28,952 sq. ft. center building into four functions - exhibit, interactive/studio, café and catering. The majority of the space – 15,000 sq. ft. – is dedicated to exhibit space, followed by approximately 10,300 sq. ft. for interactive arts/studio space. This could serve as meeting rooms, instructional space or working studios which could potentially be part of an artists-in-residence program for the large-scale development described in Option C. Should this space become working studios, they could be open to the public to provide a more dynamic experience that will encourage return visitation. The real time element of the artist studios will keep the exhibits fresh and provide interactive educational opportunities for visitors.

The seating area for the café space is proposed to be 2,650 sq. ft. in the main building. This will provide limited menu service to patrons and the public. The café will enjoy a 1,300 sq. ft. commercial kitchen and space for storage, which will be located in the adjoining auxiliary building. The café will also provide catering services when the art center is reserved for private parties. An important component of the revenue-stream is making the center available for weddings, reunions and community events. On-site catering will provide an attractive amenity for those seeking special event spaces in this region.

The auxiliary building will accommodate public restrooms, administrative offices, admissions and souvenirs, and mechanical systems, totaling approximately 4,400 sq. ft.

It is conservatively estimated that the hard and soft costs for this type of renovation would be $125.77 per sq. ft. and take between 12 and 18 months. Our financial analysis assumed that the 1950s industrial style building could take advantage of the 20% federal and 25% state historic tax credit programs. Additionally, it was assumed that the project could avail itself of the recently set-aside of $4.5 million of New Market Tax Credits offered by the National Trust Community Investment Corporation specifically for Main Street communities. Funds are still available for 2015 projects and similar allocation is anticipated by summer 2016.

Cumulatively, the Glove Factory might qualify for as much as $2,516,161 in tax credit equity (57%) on a $4,401,881 project.[10] Gross revenues from rents and admissions come to $134,880 annually with a net cash flow of $7,716 that increases to nearly $12,000 by year 15. The development worksheets are provided in the Appendix.

However, even after utilizing all potentially available tax credits, there remains a $795,582 gap that would need to be addressed before the project can proceed. Financing alternatives are summarized on pages 29-30. The TSI team understands that community art centers are a challenge to make self-sustaining. However, they generate energy and build community as part of a revitalization strategy. They have proven in other communities to elevate surrounding commercial and retail activity, as well as retain and grow the population.

[10] The project assumes Federal Historic Preservation Tax Credit investment at $.88 per dollar and Texas Historic Preservation Tax Credit investment at $.93 per dollar.

Table 7A. Project Development Costs and Funding Sources – Art Center			
Project Development Costs		**Funding Sources**	
Acquisition Cost	$279,000	Permanent Loan	$925,601
Interior Finish-out	$1,941,598	NMTC Equity	$959,539
Mechanical, Electrical, Plumbing	$660,282	Federal HTC Equity	$670,662
Environmental Testing/Abatement	$40,000	State HTC Equity	$885,960
Architectural, Engineering Fees	$294,013	Deferred Developer Fees	$164,537
Inspections	$24,122		
Materials Testing	$14,473		
Developers Fee	$169,218		
Contingency, Overhead, Fees	$979,175		
Total Development Costs	**$4,401,881**	**Total Funding Sources**	**$3,606,299**
		Financing Gap	***$795,582***

Since the Art Center scenario relies upon leases to support the financing debt, it is important to demonstrate sufficient revenue can be generated by future tenants. An analysis was undertaken to determine the potential revenues from the Art Center. The three revenue streams our analysis explored were entrance fees, catering, and a café. The use of the federal and state historic tax credits require the end user to be a for-profit entity. In this scenario, it is likely that an LLC would secure a master lease for the building and sub-lease to the caterer, café, and an arts foundation. This tenant structure is only one option. **Overall the building must generate approximately $135,000 in gross revenue to support the financing described above – there are many other opportunities for potential tenants such as a winery, brewery, destination restaurant, artisan manufacturer, etc. The TSI team selected these uses to support an arts-driven revitalization strategy for the property and downtown Mount Vernon.**

Entrance Fees - Catering and entrance fee revenues were calculated from visitor attendance based upon the Art Center providing private events six days a week. It was assumed that the center would donate work space to practicing artists that would also serve as exhibit space. Artists would be encouraged to hold classes and provide educational discussions to supplement the center's programming and drive attendance. Private events such as lectures, fundraisers, business networking, and social gatherings would be programmed monthly to maximize attendance and drive revenues.

Visitor attendance for private events were separated into six broad based categories (philanthropic, business, educational, inspirational, community and health) to calculate potential population size, frequency and revenue based upon entrance fees for each category. We assumed that the center was open six days a week, closed Mondays, and would host 432 events throughout the year drawing 8,640 visitors. We conservatively estimated that entrance fees for private events were set at $2.00 for philanthropic, educational, inspirational, community and health events and increased to $3.00 per visitor for business functions. We acknowledge that for our analysis we chose to calculate the number of individual users at a specific admission rate. Arguably, a more practical scenario may be to charge a flat fee per event. In either case, the point is to emphasize that strong event programming will be required for the Art Center to become the downtown catalyst that it promises to be.

From the assumed entrance fee structure for private events we were able to calculate that 36 private monthly events would generate $3,240 in income and $38,880 on an annual basis. We increased the art center's number of monthly private events by two for each of the next four years. Increases were made to the number of private events in anticipation of demand as the center's exhibits and programming grew in quality and notoriety. It was assumed that the programming and annual operating costs would be shared through a cooperative agreement of local governments or that the center might operate under an umbrella arts foundation that could manage exhibits, recruit artists, solicit donations and cultivate donors. However, as the range of management possibilities are extensive, our analysis did not consider the range of possible operating expenses associated with the art center other than to identify typical exhibition operating expenses at $40 per sq. ft.

Finally, we assumed that Mount Vernon's businesses, arts community, Chamber of Commerce, ISD, city, county, churches, and clubs would regularly utilize the center as a show of community support. It is safe to assume that the center's general admission attendance could rival or eclipse that of the 5,000 annual visitors to the Franklin County Historical Association museum. In fact, it is quite probable that the art center might experience higher visitor attendance due to the center's architectural features, location, programming, and food services. The average admission price (including free admission centers) for museums in the United States is $8.00 per person. Were the Art Center to add $40,000 ($8.00 admission x 5,000 visitors) of General Admission fees it would enjoy a first year net cash flow of $37,043 with a DSCR of 1.72.

Event Catering - We calculated catering revenues from attendees to private events held at the art center. Our analysis relied upon the same number of weekly calendar events with a weekly visitor attendance of 180. Our analysis assumed that a for-profit caterer would provide limited food and beverage service, (appetizer, dessert, non-alcoholic beverage, beer and wine), to afternoon and evening event visitors. We estimated that most private event visitors would part take of the limited food service offerings during events. It is common for patrons of privately held events to take advantage of the on-premises catering services as visitors are a "captive audience" and food is typically themed to co-exist with the event and oftentimes incorporated into the admission price. The number of individual food orders or "covers" was multiplied by the average price point per menu item, ranging from $2.25 for non-alcoholic beverages to $6.75 per appetizer, to determine total annual catering revenues. We anticipated different capture rates between day and evening visitors estimating that only 5% of daytime patrons would consume alcohol, wine and beer, whereas, evening alcohol consumption was increased to 15% and 20%.

The Events Summary spreadsheet illustrates that catering and entrance fee revenues from 432 private events would total $175,550 in the first year. The Profit & Loss Statement illustrates that the center's caterer could generate a net operating income of $3,607 before taxes in the first year of operation. Operating expenses for the caterer utilized industry standards as a fixed percentage of revenues. It is worth pointing out that our analysis assumed that the caterer was not financially responsible for any lease-hold improvements or costs associated with re-purposing the building.

Center Café - Finally, we projected that a center café would provide catering services for private events and offer the same menu selections to the general public in a café environment. The café would be equipped with 20 tables that would comfortably seat 60 diners. We estimated the turnover rate per shift (1.0 to 2.3) for the days of the week multiplied by the café's seating capacity to determine the café's weekly customer base. Once we determined the total number of diners we refined our estimate by anticipating the capture rate for each menu item (appetizer, dessert, non-alcoholic beverage, wine and beer) based upon industry standards. For simplicity, we chose not to differentiate the price of lunch items from that of dinner. Weekly sales revenues of the café are projected to be $8,173 from 827 diners with an annual gross income of $392,212.

In Table 7B, we undertake an annual income and expense analysis for the Art Center based on the revenue sources described in detail above. The Art Center generates gross revenue of $134,880 annually. Adjusting for annual operating expenses of $75,725 (56%), net operating income becomes $59,155. The anticipated income stream from rents and special event admission fees is capable of supporting $929,000 of debt at 3.9% for a term of 30-years. With an annual debt service payment of $51,439 the Art Center generates a net cash flow of $7,716 in year one of operation.

Table 7B. Cash Flow Analysis – Art Center		
	Monthly Revenue	**Annual Revenue**
Admission	$3,240.00	$38,880.00
Caterer Monthly Lease Rate	$2,000.00	$24,000.00
Center Café Monthly lease Rate	$3,500.00	$42,000.00
Arts Foundation Monthly Lease Rate	$2,500.00	$30,000.00
Total Gross Revenue		$134,880.00
	Monthly Expenses	**Annual Expenses**
Annual Operating Expenses	$6,310.00	$75,725.00
Annual Net Operating Income	$4,929.00	$59,155.00
Debt Service Annually	$4,286.00	$51,439.00
Net Cash Flow		$7,716.00
Debt Service Coverage Ratio		1.15

Financial Feasibility for the Apartments

As previously described in the development plan, Option B imagines the Glove Factory as a residential project with 20 mixed income apartments. The design features thirteen 1-bedroom/1 bath, five 2-bedroom/ 2- bath, and two 3-bedroom/2-bath/office. To qualify for the 4% Low Income Housing Tax Credits two apartments will be set aside for a tenant whose household income is at or below 30% Franklin County's area median income (AMI) of $39,500 and these will rent for $400 per month. Another four apartment units will be set aside for tenants whose household income is at 50% AMI with rents set at $605 per month. A utility allowance of $75.00 per month for the affordable units has been factored into the project's operating expenses as required by the LIHTC program.

Repurposing the Glove Factory for mixed income housing allows the development to combine $945,000 of equity from the LIHTC program, $1,105,184 equity from the Federal Historic Tax Credit program, and $1,459,974 equity from the Texas Historic Tax Credit program. The $6.6 million project budget might quality for as much as $3,510,158 (52.9%) of equity to repurpose the Glove Factory for mixed income housing. Even with this tax credit equity, a project gap of $1.8 million still exists. Some alternatives are offered at the conclusion of this section.

Our financial analysis of the project indicates that the 20 apartments, with a constant 7% vacancy rate, would produce $94,223 of net operating income in the first year. The project's revenues are capable of supporting $1,323,000 of permanent financing and deferred developer fees with a debt service coverage ratio (DSCR) of 1.16 with a first year's earnings before taxes and insurance of $13,057 that steadily increases to $22,455 by year 15. It is conservatively estimated that the Glove Factory's after rehabilitation appraised value of $1,009,536 ((NOI/Cap Rate).75)) would generate

$24,012 in annual county and municipal property taxes. Moreover, the downtown resident population would begin to increase driving demand for retail services. Applying HUD's occupancy guidelines for the number of family members allowed per bedroom, the 20 apartment units could accommodate as many as 44 to 58 new downtown residents.

Table 8A. Project Development Costs and Funding Sources – 20 Apartments			
Project Development Costs		**Funding Sources**	
Acquisition	$279,000	Permanent Loan	$1,100,000
Interior Finish-out	$3,225,000	State HTC Equity	$1,459,974
Mechanical, Electrical, Plumbing	$1,075,000	Federal HTC Equity	$1,105,184
Architectural, Engineering Fees	$479,300	State LIHTC Equity	$945,000
Inspections	$36,354	Deferred Developer Fees	$223,000
Materials Testing	$21,812		
Developers Fee	$502,357		
Contingency, Overhead, Fees	$1,015,135		
Total Development Costs	**$6,633,958**	**Total Funding Sources**	**$4,833,158**
		Financing Gap	***$1,800,800***

Table 8B. Cash Flow Analysis – 20 Apartments	
Annual Net Operating Income	$94,223
Annual Debt Service	$81,167
Net Cash Flow	$13,057
Debt Service Coverage Ratio	1.16

Financial Feasibility for the Infill Residential

While the building itself is a tremendous asset, the large tract of underdeveloped land presents an opportunity that could not go unexplored. The TSI investigated a number of different infill housing products and have conservatively estimated that 30 flats collectively measuring 45,000 sq. ft. could be built on the site. As described in the development plan above, this plan consists of 15 buildings with 30 units. Ten of these (30%) will be set aside for income-eligible residents. To support an arts-driven revitalization strategy, the 970-sq. ft. units can potentially provide living space for an artists-in-residence program. An additional five 1-bedroom units will be market rate along with fifteen 2-bedroom units measuring 1,765 sq. ft.

The affordable 1-bedroom units will be ground floor units and will receive rent subsidies through the 4% Low Income Housing Tax Credit program. Participating artists-in-residence could be granted studio privileges at the art center in the Glove Factory for a period of 12 to 18 months. Rents for the affordable bedroom units will conform to the U.S. Department of Housing and Urban Development's income requirements and will be adjusted in accordance with program allowances. It is believed that an influx of affordable housing for artists will allow the City of Mount Vernon to capitalize upon its deeply ingrained artistic history and solidify downtown as the cultural hub for the region.

Table 9A. Project Development Costs and Funding Sources - 30 Flats			
Project Development Costs		**Funding Sources**	
Acquisition	$279,000	Permanent Loan	$2,900,000
Construction	$4,800,000	State LIHTC Equity	$945,000
Architectural/Engineering	$600,700	Deferred Developer Fees	$487,751
Materials Testing	$29,042		
Inspections	$48,403		
Developers Fee	$919,780		
Contingency, Overhead, Fees	$2,155,826		
Total Development Costs	**$8,832,751**	**Total Funding Sources**	**$4,332,751**
		Financing Gap	***$4,500,000***

Table 9B. Cash Flow Analysis – 30 Flats	
Annual Net Operating Income	$213,222
Annual Debt Service	$183,874
Net Cash Flow	$27,347
Debt Service Coverage Ratio	1.16

Initially the TSI team analyzed the feasibility of constructing market rate housing that would be offered for sale. However, it was determined that a mixed income rental product is more economically feasible as it opens up the possibility of using the Low Income Housing Tax Credit (LIHTC) program. The LIHTC program can be used to provide significant construction equity or provide ten year of annual operating subsidies. The population growth rate in Franklin County suggests that the construction of 15 to 30 rental units could be readily absorbed. Moreover, the influx of downtown market rate flats will offer Cypress Lake's residents, and those to follow, a housing product that may appeal to a younger generation.

The 4% LIHTC program is administered by the Texas Department of Housing and Community Affairs and is non-competitive as long as the project meets the necessary income eligibility criteria. Artists have long been recognized by HUD as a protected class and non-profits such as Artspace, LLC have become national developers of artist-based affordable housing.

Of the 30 flats, ten of the 1-bedroom units will be set-aside for persons at 30% and 50% of Franklin County's 2015 Area Median Income (AMI) for a family of four is $63,900. Rents for the 1-bedroom units will remain affordable for 30 years as per program requirements with periodic rent increases established by HUD. The Fair Market Rents (FMR) in Franklin County has risen on average 2.34% annually. The market rate two-story flats are constructed above the live/work units. According to local building costs, we projected the hard construction costs for the townhomes at $151.63 per sq. ft. with an additional $44.65 per sq. ft. in soft costs.

The net operating income from the flats totals $213,222 which is capable of supporting $3,387,751 of permanent financing and deferred developer fees with annual debt service payments of $183,874 with a debt service coverage ratio

(DSCR) of 1.16. However, in order to qualify for the 4% LIHTC, the developer must demonstrate an ownership interest in the property. Accordingly, we presumed that the developer would commit $487,751 (53%) of $919,780 in development fees to the project and that repayment of the fees could be spread over 15 years at 4% interest with an annual debt service payment of $43,296. Even after satisfying a DSCR of 1.16 the rental income from the project produces a first year cash flow of $27,347 and by the 15th year produces earnings before taxes and insurance of $53,311.

The City of Mount Vernon has roots in the arts that provide a foundation for constructing rental housing for artists. It is completely permissible that the affordable rental units demonstrate a preference for artists. However, as a default, the affordable units may also be rented to anyone who satisfies the income eligibility requirements. As the affordable units are all ground floor, the garden style flats may appeal to senior citizens who are looking to downsize or in search of a more urban environment. According to 2015 U.S. Census Data of the Franklin County 10,600 residents, 5,618 (53%) of residents have household incomes that would qualify them for the 30% AMI townhomes and 7,632 (72%) of residents have household incomes that would qualify for the 50% AMI units. Constructing affordable housing in downtown Mount Vernon may have regional appeal should the project be unable to fill all of its available units with artists.

The analysis demonstrates that the use of the 4% LIHTC will provide $945,000 (10.7%) of equity for the $8.8 million project. However, there remains a significant gap of $4,500,000, which may be too large to overcome. We anticipate that the completed flats will appraise for $3,553,695 and will generate $94,528 in property taxes for the city and county. The city could consider designating downtown as a Tax Increment Reinvestment Zone (TIRZ) and use the tax increment generated to reduce the project's financial gap. Administered via a development agreement, this could support additional permanent financing or encourage the developer to bring more equity to the project. However, the real value of the residential development cannot be measured in dollars alone. The residential component will help shift community and private market focus to the downtown and brand the city as the cultural and entertainment hub of the region.

And perhaps the most challenging aspect of the infill proposal is the public improvement costs including streets and utilities. It is conservatively estimated that the required infrastructure improvements for the 30 flats will add an additional $2.5 million to the project budget. The TIRZ could alternatively be used as a tool to reimburse public improvement costs, as explored in the alternatives on page 29. As the artist flats and art center are inextricably linked, their development is meant to create a regional destination. It is quite conceivable that a project of this magnitude will increase real estate values for all property located within the TIRZ district providing a larger pool of funds to reinvest in downtown.

Alternative Financing Options

Each of TSI's redevelopment scenarios for the Glove Factory creates opportunities for a regional destination for downtown Mount Vernon. It appears that the historic rehabilitation of the Glove Factory is feasible subject to:

1. The ability for the Glove Factory to be listed on the National Register of Historic Places or a contributing structure in a National Register Historic Commercial District;
2. The continued availability of state and federal tax credits and investors desire to utilize these tax credits; and,
3. The securing of funding to meet the identified financing gap.

Based on the analysis, the most likely scenario for redevelopment of the Glove Factory would be a concept along the lines of Option A, where the property is revenue-generating but has an arts-related community use. The identified gap of approximately $800,000 could then be met through fundraising. This is not such a daunting amount if the planned facility is something that engages the community and generates support as similar projects in Clifton and Bastrop have demonstrated. Should the use remain private, such as a brewery, winery or other type of light manufacturing, it is conceivable that a private investor could generate enough cash flow to support the financing, but then the city and possibly the county would need to create a set of incentives to fill the gap. In this case, it would be imperative that the proposed use provide significant benefits for the entire downtown market such as new jobs, number of visitors, amount of sales tax generated, etc.

Redeveloping the Glove Factory property as mixed-income housing in Option B may prove challenging as it produces nearly a $1.8 million construction gap that would have to be met through other economic means. However, Mount Vernon might adopt a housing strategy to increase population density as a way to compete for new residents and their consumption. For example, the City of Niagara Falls, New York, provides housing subsidies to college graduates to purchase homes within the city. Technology firms in Austin collaborate with local universities to ensure that students are exposed to state-of-the-art technologies and availed of local career opportunities.

And finally, while the additional acreage surrounding the Glove Factory would seem to provide a great benefit to a future investor or developer, the cost of building high quality infill residential development, including the public improvements, would make Option C the most difficult to accomplish. However, an infill residential strategy would more likely come to fruition should an aggressive re-use of the Glove Factory be used to brand downtown as a regional destination.

The following financing options identify tactics that might be considered to reduce project costs or defer expenses so that a new development with the Glove Factory, as the focal point, may proceed:

1. Instead of selling the 11 acre site to the developer of the mixed-income flats, the owner might consider a lot split and donate the vacant land to the project. In return, upon completion of construction of the flats, the property owner would be guaranteed the full asking price of $279,000 or more. Moreover, there may be tax benefits to the owner under some of the redevelopment scenarios should the property be deeded to a non-profit organization.

2. The City of Mount Vernon might underwrite the project so that a more favorable interest rate might be obtainable. If the city could effectively reduce the interest rate on the permanent financing from 4.0% to 3.5% on a 30-year note, the project could support an additional $188,808 of permanent financing.

3. The City of Mount Vernon might provide 10-year tax abatement for the 30 flats. With an appraised value of $3,553,695 the project will produce $94,528 of property taxes. In order to qualify for the LIHTC, the Department of Housing and Urban Development will require some financial participation from the local municipality. Should the County and City agree to 10-year tax abatement at 75% it would produce a cumulative savings of $708,960 that could be used to secure additional project financing or support additional developer equity.

4. Negotiate the level of equity that the developer will commit to the project. On the 30 mixed-income residential project it was assumed that a developer might demand a fee of 12%. However, in exchange for a 12% fee the developer might commit more than 53% ($487,751 / $919,780) to the project. It is not uncommon for a developer to support a tax credit project with over 50% of deferred developer fees with payments over a 10-15 year period.

Preliminary Conceptual Design and Financial Feasibility Study for Redevelopment of the Wells Lamont Glove Factory

204 N. Houston Street

Mount Vernon, Texas

Appendix

About the Town Square Initiative

The Town Square Initiative provides services to spur preservation-based projects so that local, small-scale and high quality development becomes more achievable in historic Texas downtowns. Through a team-based approach, development barriers are addressed, a market driven perspective is realized and vacant and under-utilized properties become desirable investment opportunities.

In November 2014, Main Street surveyed the level of vacant downtown property among its then, 89 Main Street cities. A response rate of 86.5 percent (77 out of 89) showed that of 1,340 buildings, approximately 17 percent of first floor retail space is vacant. The number would likely more than double if it included the number of occupied but still underutilized buildings or upper floors in the survey. Nationwide retail vacancies have averaged around 9 percent over recent years, with figures in the 3-5% range for healthy markets. Nationwide office vacancies have averaged 12 percent. These comparisons show that historic downtowns in Texas contain significantly higher vacancy rates than market averages.

Most of these buildings are vacant and not actively listed for sale or lease. Some are for sale and lease but marketed only locally. Others are for sale at inflated prices. These deteriorated buildings are typically perceived at the local level as a liability, rather than an asset, and their unchanging condition deters further investment in downtown. TSI was developed to enhance a community's existing historic preservation-based economic development strategies by providing project-specific support for vacant and underutilized buildings.

The intent is to create a vision for these properties, to prove a market for them and expose them to an audience capable of investment. Their potential is brought to light as they are re-imagined as catalysts for downtown redevelopment. The core service is a preliminary conceptual design and financial feasibility study, which includes renderings, market data and a pro-forma. These detailed design and financial analyses assist property owners and city leadership with initial calculations to determine the scope of the project and how to proceed. Information gathered during this study is also condensed into marketing materials directed to appropriate real estate and economic development audiences. In addition, if barriers to redevelopment are discovered during the feasibility study, TSI addresses comprehensive policy issues through a series of recommendations – including ordinances, economic incentives, long-term planning, etc. – that may be deterring investors. The team can continue to work closely with downtown decision-makers on taking the appropriate policy steps to remove these barriers.

Please contact the Texas Historical Commission Town Square Initiative Team with additional questions:

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The Town Square Initiative's products are intended to provide visual concepts, general market data and financial estimates to assist in the preliminary phase of project design and planning. All drawings and development budget estimates are limited to conceptual design and are not for regulatory approval, permitting, or construction.

HISTORIC REDEVELOPMENT OPPORTUNITY

Mount Vernon,
TEXAS

The Wells Lamont Glove Factory

TEXAS HISTORICAL COMMISSION
real places telling real stories

Strategically located off I30 between Dallas and Texarkana, this 1950s industrial gem is available now for light industrial or future mixed-use redevelopment.

THE OPPORTUNITY

Known as the "Glove Factory," the building's stunning industrial architecture, large lot, proximity to a quintessential East Texas courthouse square, and existing weekend get-away culture for the DFW area combine to create a unique opportunity for the right investor.

Interior view of the historic factory.

OVERVIEW

The Glove Factory is currently available for sale and a priority property for downtown redevelopment.

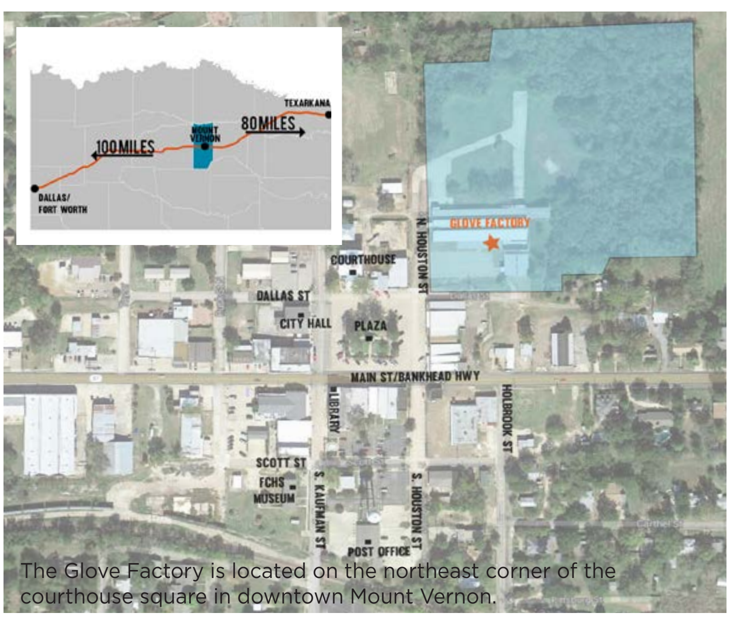
LOCATION:
204 N. Houston Street
Mount Vernon, Texas

SQUARE FOOTAGE:
28,000 square feet

AVAILABILITY:
For sale at $279,000.

INCENTIVES: Available via Chapter 380 development agreement; Potential eligibility for historic tax credits; Priority site for downtown redevelopment.

ZONING: Light industrial, rezoning for mixed use possible.



The Glove Factory is located on the northeast corner of the courthouse square in downtown Mount Vernon.

Franklin County Courthouse, Mount Vernon.

COMMUNITY PROFILE

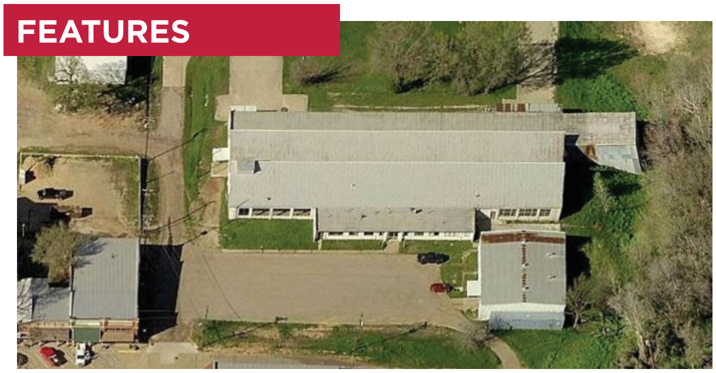
City Population	2,668
Median Age	32
Educational Attainment: Percent high school graduate or higher	80.40%
Total Housing Units	1,113
Median Household Income	$39,519
Individuals Below Poverty Line	29.70%

MARKET POTENTIAL

MOUNT VERNON RETAIL TRADE AREA, 2014	
City population	2,678
Population growth within 25 mile radius (2000-2014)	14.48%
Population 15 mile radius	27,743
Average household income 15 mile radius	$62,772
Average age 15 mile radius	39.9
Workplace population 15 mile radius	4,581
Average sale price Lakefront Property on Lake Cypress Springs	$484,000
Interstate 30 and Hwy. 37 Intersection traffic count	26,000+ per day
Number of colleges within 60 mile radius	7

Source: Mount Vernon Economic Development Corporation

FEATURES



The Glove Factory is located across the street from the charming courthouse square. It features:

- Incredible saw tooth inspired roof line and dramatic windows
- 28,000 sq ft in the main building; 6,000 sq ft in newer warehouse
- Approximately 11 acres of land
- 15,000 sq ft asphalt parking area
- Recent office area improvements for tenant

The Glove Factory is illustrated as an arts center (above and right) providing outdoor space for concerts and indoor gallery and studio space.

CONTACT INFO

LOCAL CONTACT

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Produced for
Mount Vernon Main Street
by the Texas Historical
Commission's Town Square
Initiative.
To learn more, please visit
www.thc.state.tx.us

TEXAS HISTORICAL COMMISSION
real places telling real stories

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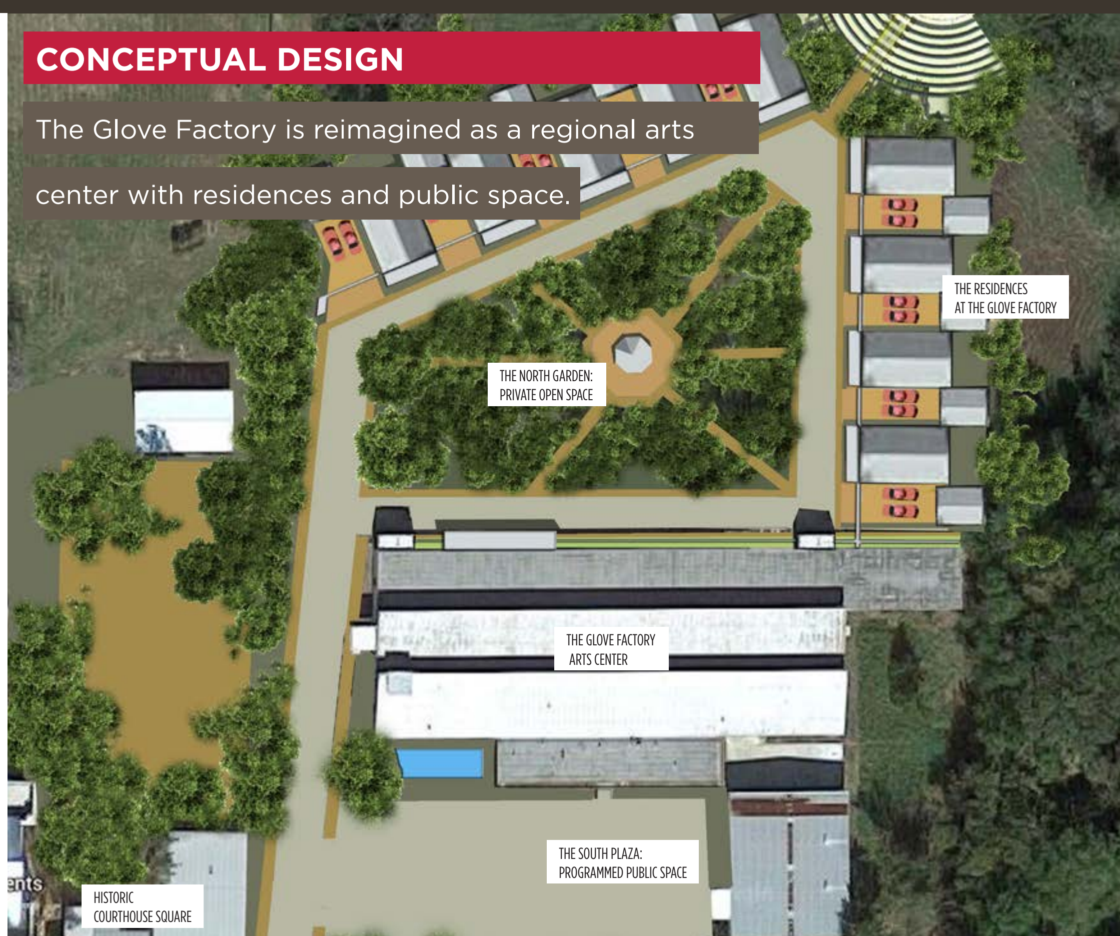
CONCEPTUAL DESIGN

The Glove Factory is reimagined as a regional arts center with residences and public space.



Glove Factory Art Museum	Units:	3					
	CURRENT AS OF:	1/7/2016					
GENERAL INFORMATION					**INCOME**		
Fed. LIHTC	NO				Total Land Area (Acres)	11.00	
State LIHTC	NO				Gross Building Sq. Ft.	35,000	SF
LIHTC Development Type	0.0793		YES		Net Rentable Sq. Ft.	34,852	SF
NMTC Project	YES		NO		Efficiency	100%	
Fed. Historic Credits	YES				Net Rentable Sq. Ft.	0.32	
State Historic Credits	YES				Market Rate Rent Sq.Ft.	1.40	34,852
QCT	YES				Café Sq. Ft.	8,500	1
Lease Pass Through	NO				Art Gallery Sq. Ft.	25,352	1
Acquisition Credit	YES				Catering Sq. Ft.	1,000	1
9% Rate	7.60%				**UNIT TYPE**	**AVG RENT**	**UNITS**
4% Rate	3.45%				Café	$3,500.00	1
Federal Historic Rate	20%				Efficiency (30% TC)		
State Historic Rate	25%	**BASIS CALCULATIONS**			Efficiency (40% TC)		
NMTC Rate	39%		NMTC BASIS	$4,100,595	Efficiency (50% HOME)		
Developer Return on Acquisition	7%		HISTORIC BASIS	$3,810,580	Efficiency (60%)		
Developer Return on Development	11%		LIHTC BASIS	$0	Efficiency (market):		
Contractor General Requirement	6.0%	LIHTC BASIS (Pass-through)		$0	Art Gallery	$2,500.00	1
Contractor Over Head	2%		ACQUISITION BASIS	279,000	1br (30% TC)	-	-
Contractor Profit	5%				1br (40%TC)	-	-
Construction Interest Rate	3.80%	**CREDITS**			1br (50% HOME)	-	-
Construction Loan Origination Fee	1%	Total State Historic Credits		$952,645	1br (60%)	-	-
Commercial Construction Cost/Sq.Ft.	$74	Total Fed. Historic Credits		$762,116	1br (market)	-	-
Construction Cost per/residential unit	$0	Total Eligible LIHTC Credits		$212,040	Catering	$2,000.00	1
Residential Land/Building Acq. Cost/Unit	93,000	Requested LIHTC Credits		$2,700,000	2br (30% TC)	-	-
Total Cost/Unit	$112,748	New Market Tax Credits		$1,599,232	2br (40% TC)	-	-
Total Cost/Unit w/ Const. Contingency	$199,477				2br (50% HOME)	-	-
					2br (60%)	-	-
SOURCE OF FUNDS					2br (market)	-	-
Fed. LIHTC Equity	0	cents/$	100.00%	$0	% Market Rate Units	99.58%	3
Fed. Hist. Equity	88	cents/$	100.00%	$670,662	Monthly Gross: Café	$3,500	
State LIHTC Equity	0	cents/$	100.00%	$0	Monthly Gross: Art Gallery	$2,500	
State Hist. Equity	93	cents/$	100.00%	$885,960	Monthly Gross: Catering	$2,000	
NMTC	60	cents/$	100.00%	$959,539	Commercial Month Income	$8,000	
City				$0	Admission	$3,240	
Deferred Dev. Fee				$164,537	# of Parking Spaces	0	
GAP				$795,582	Rent per Stall	0	
Permanent Loan				$925,601	Parking Income	0	
			Total Sources	**$4,401,881**	Commerical SFT	35,000	
					Commercial Rent/SF NNN	$2.74	
USES OF FUNDS					Commerical Month Income	8,000	
Building Acquisition Cost	279,000	279,000	279,000	279,000	% Commercial Rent	71.18%	
Land Value	0	0	0	0	**TOTAL MONTHLY INCOME**	**$11,240**	
Residential Construction				0			
Commercial Construction			2,601,880	2,601,880	**UNDERWRITING**		
Const. Orig. Fee				14,558	Gross Revenue	$134,880	
Construction Interest	22,286	22,286	22,286	39,764	Vacancy Rate	0.00%	
Contractor General Conditions				156,113	Vacancy	$0	
Contractor Overhead				52,038	Expenses/Unit	$12,408	
Contractor Profit				130,094	Ann.Operating Exp. + Res	$75,725	
Contingency				260,188	NOI	$59,155	
					Cap Rate	7.00%	
Environmental Abatement				25,000	Total Appraised Value	$633,805	
Parking					Appraised Value/Unit	$211,268	
FF&E					Perm. Loan Amount	925,601	
Developer Overhead/Conditions/Fee				169,218	Perm Loan Interest Rate	3.75%	
Engineering				88,204	Subordinate Loan Rate	1.50%	
Architectural				205,809	1st Debt Service	51,439	
Environmental Testing				15,000	Sub Loan Debt Service	0	
Appraisal				10,000	Mortgage Insurance Premi	0	
Cost Certification				25,000	Total Debt Service	51,439	
Closing Costs				15,000	Cash Flow Annually	7,716	
Operating Reserve		89,015	89,015	89,015	Min. DSCR	1.15	
Replacement Reserve		15,000	15,000	15,000	Actual DSCR	1.15	
Marketing Reserve		23,000	23,000	23,000	15 year Average DSCR	1.20	
Rent-Up Reserve		45,000	45,000	45,000	LTV	146.04%	
Master Lease Fees		20,000	20,000	20,000	Max. Loan	925,601	
Bond Allocation Fee		0	0	0	Loan Term	30	15
Lender, Issuer & Trustee Fees		0	0	0	Construction Loan Amoun	1,455,838	
Bond Counsel & FNMA Fee		0	0	0	Construction Interest	39,764	
Compliance Monitoring Fee		0	0	0	Construction Period (mont	12	
Underwriting/Placement Fee		25,000	25,000	25,000	Seasoning Period (months	12	
Tax Credit Fees		15,000	15,000	15,000			
Permanent Financing Fees		23,000	23,000	23,000			
Syn. Fees/ Legal Fees/ NMTC Org Fees		30,000	30,000	30,000	Total Unit Cost / Unit	$1,467,294	

20 Mixed-Income Apartment Units	Units:	20					
	CURRENT AS OF:	1/7/2016					
GENERAL INFORMATION						**INCOME**	
Fed. LIHTC	NO				Total Land Area (Acres)	11.00	
State LIHTC	YES				Gross Building Sq. Ft.	35,000	SF
LIHTC Development Type	0.0793		YES		Net Rentable Sq. Ft.	23,100	SF
NMTC Project	NO		NO		Efficiency	66%	
Fed. Historic Credits	YES				Apt Rent/Net Rentable Sq. Ft.	0.78	
State Historic Credits	YES				Market Rate Rent/Sq.Ft.	0.15	23,100
QCT	YES				1-bed, 1 bath	1,000	13
Lease Pass Through	NO				2-bed, 2-bath	1,200	3
Acquisition Credit	YES				2-bed, 2-bath	1,500	2
9% Rate	7.60%				3-bed, 2-bath /Office	1,750	2
4% Rate	3.45%				**UNIT TYPE**	**AVG RENT**	**UNITS**
Federal Historic Rate	20%				Efficiency (30% TC)		
State Historic Rate	25%	**BASIS CALCULATIONS**			Efficiency (40% TC)		
NMTC Rate	39%		NMTC BASIS	$6,354,957	Efficiency (50% HOME)		
Developer Return on Acquisition	7%		HISTORIC BASIS	$6,279,457	Efficiency (60%)		
Developer Return on Development	11%		LIHTC BASIS	$0	Efficiency (market):		
Contractor General Requirement	4.0%	LIHTC BASIS (Pass-through)		$0	1br (Homeless)	1	0
Contractor Over Head	2%		ACQUISITION BASIS	279,000	1br (30% TC)	400	2
Contractor Profit	5%				1br (40%TC)	345	0
Construction Interest Rate	3.80%		**CREDITS**		1br (50% HOME)	605	4
Construction Loan Origination Fee	1%		Total State Historic Credits	$1,569,864	1br (60%)	490	0
Commercial Construction Cost/Sq.Ft.			Total Fed. Historic Credits	$1,255,891	1br (market)	1,100	7
Construction Cost per/residential unit	$215,000		Total Eligible LIHTC Credits	$212,040	2br (Homeless)	1	0
Residential Land/Building Acq. Cost/Unit	13,950		Requested LIHTC Credits	$2,700,000	2br (30% TC)	325	0
Total Cost/Unit	$238,650		New Market Tax Credits	$2,478,433	2br (40% TC)	375	0
Total Cost/Unit w/ Const. Contingency	$259,090				2br market	1,250	3
					2br market	1,550	2
SOURCE OF FUNDS					3br market /office	1,750	2
Fed. LIHTC Equity	0	cents/$	100.00%	$0	% Market Rate Units	70.00%	20
Fed. Hist. Equity	88	cents/$	100.00%	$1,105,184	Monthly Gross: 1-bed, 1-bath	$7,700	13
State LIHTC Equity	35	cents/$	100.00%	$945,000	Monthly Gross: 2-bed, 2-bath	$3,750	3
State Hist. Equity	93	cents/$	100.00%	$1,459,974	Monthly Gross: 2-bed, 2-bath	$3,100	2
NMTC	0	cents/$	100.00%	$0	Monthly Gross 3-bed, 2-bath	$3,500	2
EDC Grant					Residential Monthly Income	$18,050	
Deferred Dev. Fee				$223,000	# of Parking Stalls	0	
Financial GAP				$1,800,800	Rent per Stall	0	
Permanent Loan				$1,100,000	Parking Income	0	
			Total Sources	**$6,633,958**	Commerical SFT		
					Commercial Rent/Sq.Ft. NN	$0.00	
USES OF FUNDS					Commerical Monthly Income	0	
Building Acquisition Cost	279,000	279,000	279,000	279,000	% Commercial Rent	0.00%	
Land Value	1	1	1	1	**TOTAL MONTHLY INCOME**	**18,050**	
Residential Construction				4,300,000			
Commercial Construction			0	0	**UNDERWRITING**		
Const. Orig. Fee				0	Gross Revenue	$216,600	
Construction Interest	0	0	0	0	Vacancy Rate	7.00%	
Contractor General Conditions				172,000	Vacancy	$15,162	861,800
Contractor Overhead				86,000	Expenses/Unit	$5,361	
Contractor Profit				215,000	Ann.Operating Exp. + Res.	$107,215	
Contingency				388,800	NOI	$94,223	
					Cap Rate	7.00%	
Environmental Abatement				0	Total Appraised Value	$1,009,536	
Parking		0	0	0	Appraised Value/Unit	$50,477	
Site Survey				20,000	Perm. Loan Amount	1,100,000	
Developmer Overhead/Conditions/Fee				502,357	Perm Loan Interest Rate	3.80%	
Engineering				143,790	Def. Developer Interest Rate	3.90%	
Architectural				335,510	1st Debt Service	61,506	
Environmental				15,000	Def Developer Fee	19,660	
Appraisal				5,000	Mortgage Insurance Premium	0	<-- Needs
Cost Certification				10,000	Total Debt Service	81,167	
Closing Costs				5,000	Cash Flow Annually	13,057	
Operating Reserve				20,000	Min. DSCR	1.15	
Replacement Reserve				10,000	Actual DSCR	1.16	
Marketing Reserve		20,000	20,000	20,000	15 year Average DSCR	1.22	
Rent-Up Reserve				28,000	LTV	108.96%	
Master Lease Fees		5,000	5,000	5,000	Max. Loan	1,465,323	
Bond Allocation Fee		10,000	10,000	10,000	Loan Term	30	15
Accounting Fees		5,000	5,000	5,000	Construction Loan Amount	(0)	
Bond Counsel & FNMA Fee		10,000	10,000	10,000	Construction Interest	0	
Compliance Monitoring Fee		1,500	1,500	1,500	Construction Period (months)	12	
Underwriting/Placement Fee		4,000	4,000	4,000	Seasoning Period (months)	12	
Tax Credit Fees		10,000	10,000	10,000			
Financing Fees		0	0	0			
Syn. Fees/ Legal Fees/ NMTC Org Fees		10,000	10,000	10,000	Total Unit Cost / Unit	$331,698	

Development of 30 Flats	Units:	30					
	CURRENT AS OF:	1/6/2016					
GENERAL INFORMATION						**INCOME**	
Fed. LIHTC	NO				Total Land Area (Acres)	11.00	
State LIHTC	YES				Gross Building Sq. Ft. (not inc. basem	45,000	sq. ft.
LIHTC Development Type	0.0793		YES		Net Rentable Sq. Ft.	38,100	sq. ft.
NMTC Project	NO		NO		Efficiency	84.67%	
Fed. Historic Credits	NO				Apartment Rent/Net Rentable Sq. Ft.	1.01	
State Hisotric Credits	NO				Market Rate Rent/Sq.Ft.	1.00	33,100
QCT	YES				Avg. Sq. Ft. 2-br Market	1370	10
Lease Pass Through	NO				Average Sq. Ft. 2-bedroom market	1765	0
Acquisition Credit	NO				Average Sq. Ft. 1-bedroom affordable	970	20
9% Rate	7.60%				**UNIT TYPE**	**AVG RENT**	**UNITS**
4% Rate	3.45%				Efficiency (Homeless)	1	0
Federal Historic Rate	20%				Efficiency (30% TC)	400	5
State Historic Rate	25%		BASIS CALCULATIONS		Efficiency (40% TC)	345	0
NMTC Rate	39%		NMTC BASIS	$ 8,553,750	Efficiency (50% HOME)	550	5
Developer Return on Acquisition	8%		HISTORIC BASIS	8,139,830	Efficiency (60%)	490	0
Developer Return on Development	12%		LIHTC BASIS	0	Efficiency (market):	1,375	0
Contractor General Requirement	8%		LIHTC BASIS (Pass-through)	0	1br (Homeless)	1	0
Contractor Over Head	2%		ACQUISITION BASIS	0	1br (30% TC)	325	0
Contractor Profit	4%				1br (40%TC)	375	0
Construction Interest Rate	3.80%		**CREDITS**		1br (50% HOME)	525	0
Construction Loan Origination Fee	1%		Total State Historic Credits	2,034,957	1br (60%)	545	0
Commercial Construction Cost/Sq.Ft.	$100		Total Fed. Historic Credits	0	1br (market)	1,375	0
Residential Construction Cost/Unit	$160,000		Total Eligible LIHTC Credits	0	2br (Homeless)	1	0
Residential Land/Building Acq. Cost/Un	9,300		Requested LIHTC Credits	2,700,000	2br (30% TC)	325	0
Total Cost/Unit	182,400		New Market Tax Credits	3,335,963	2br (40% TC)	375	0
Total Cost/Unit w/ Const. Contingency	200,983			0	2br (50% HOME)	540	0
					2br (60%)	575	0
	SOURCE OF FUNDS				2br (market)	1,550	20
Fed. LIHTC Equity	0	cents/$	100.00%	0	% Market Rate Units	66.67%	30
Fed. Hist. Equity	0	cents/$	100.00%	0	Monthly Gross: Efficiency	4,750	
State LIHTC Equity	35	cents/$	100.00%	945,000	Monthly Gross: 1br	0	
State Hist. Equity	0	cents/$	100.00%	0	Monthly Gross: 2br	31,000	
NMTC	60	cents/$	99.99%	0	Residential Monthly Income	35,750	
Sponsor Equity				0	Other Mthly Income (parking, storage)	0	
Deferred Dev. Fee				487,751	# of Parking Stalls	0	
Financing GAP				4,500,000	Rent per Stall	0	
Permanent Loan				2,900,000	Parking Income	0	
			Total Sources	**8,832,751**	Commerical SFT	5,000	
					Commercial Rent/Sq.Ft. NNN	$7.00	
USES OF FUNDS	Non-NMTC	Non-HIST	Non-LIHTC		Commerical Monthly Income	2,917	
Building Acquisition Cost	279,000	279,000	279,000	279,000	% Commercial Rent	8.16%	
Land Value	1	1	1	1	**TOTAL MONTHLY INCOME**	**38,667**	
New Residential Construction				4,800,000			
Commercial Construction			500,000	500,000	**UNDERWRITING**		
Const. Orig. Fee				-150	Gross Revenue	464,000	
Construction Interest	0	0	0	0	Vacancy Rate	7.00%	
Contractor General Conditions				384,000	Vacancy	32,480	
Contractor Overhead				96,000	Expenses/Unit	7,027	
Contractor Profit				192,000	Ann.Operating Exp. + Res.	218,298	
Contingency				532,500	NOI	213,222	
					Cap Rate	6.00%	
Environmental Abatement				5,000	Total Appraised Value	3,553,695	
Parking		10,000	10,000	10,000	Appraised Value/Unit	118,457	
FF&E		25,000	0	25,000	**Perm. Loan/Bond Amount**	**2,900,000**	
Developmer Overhead/Conditions/Fee				919,780	Perm. Interest Rate/ Bond Rate	3.50%	
Engineering				180,210	Mortgage Insurance Premium Rate	0.0%	
Architectural				420,490	Perm Loan Debt Service	156,268	
Market Study & Environmental Report				10,000	Deferred Developer Fee Debt Service	27,607	4%
Appraisal				5,000	Mortgage Insurance Premium	0	
Cost Certification				45,000	Total Debt Service	183,874	
Closing Costs				10,000	Cash Flow Annually	29,347	
Operating Reserve		281,521	281,521	281,521	Min. DSCR	1.15	
Replacement Reserve		10,500	10,500	10,500	Actual DSCR	1.16	
Marketing Reserve		25000	25,000	25,000	15 year Average DSCR	1.23	
Rent-Up Reserve		25,000	25,000	25,000	LTV	81.61%	
Bwr. Legal/Master Lease Fees		0	0	0	Max. Loan/Bond Amt.	3,440,826	
Bond Allocation Fee		0	0	0	Loan/Bond Term	30	15
Lender, Issuer & Trustee Fees		0	0	0	Construction Loan Amount	(15,000)	
Bond Counsel & FNMA Fee		0	0	0	Construction Interest	0	
Compliance Monitoring Fee		6,900	6,900	6,900	Construction Period (months)	12	
Underwriting/Placement Fee		0	0	0	Seasoning Period (months)	12	
Tax Credit Fees		10,000	10,000	10,000			
Permanent Financing Fees		0	0	0			
Syn. Fees/ Legal Fees/ NMTC Org Fees		20,000	20,000	20,000	Total Unit Cost / Unit	294,425	

PRESERVATION TAX INCENTIVES

The Federal Historic Preservation Tax Incentives program includes a 20% income tax credit for the rehabilitation of historic, income-producing buildings and a 10% income tax credit for rehabilitation of non-historic buildings. Recently, the Texas Legislature established a state tax credit for the rehabilitation of historic buildings. Each year, an average of over $85 million is reinvested in the Texas economy from participation in the federal program and we expect an even greater impact once the state credit is available.

The 1910 building that once housed the Dallas Coffin Company has been rehabilitated into the Nylo Southside Boutique Hotel.

Texas Historic Preservation Tax Credit Program

During the 83rd legislative session, the Texas Legislature passed House Bill 500, which establishes a state tax credit for the certified rehabilitation of certified historic structures. This incentive requires that work to a historic property meet the Secretary of the Interior's Standards for Rehabilitation (Standards) to qualify for the credit. Certified historic structures can include properties that are currently listed in the National Register of Historic Places, either individually or as part of a historic district, or designated as Recorded Texas Historic Landmarks, or State Antiquities Landmarks. The credit is worth 25% of the eligible rehabilitation costs for the project which must be at least $5,000 in value to qualify. In the absence of a state income tax, the credit is applied against a business's franchise tax liability. It is anticipated that many projects will seek to pair this tax credit with the federal 20% tax credit for rehabilitation (see below).

The Texas Historic Preservation Tax Credit Program became effective January 1, 2015 for properties placed in service on or after September 1, 2013. Administrative rules for implementation of the Texas Historic Preservation Tax Credit Program have been adopted as Sections 13.1–13.8 of Chapter 13 (Title 13, Part II of the Texas Administrative Code).

Federal Historic Preservation Tax Incentives

A 20% federal income tax credit is available for the rehabilitation of historic, income-producing buildings that are listed in or determined eligible for listing in the National Register of Historic Places. Established in 1976, the federal rehabilitation tax credit program is administered in Texas by the National Park Service (NPS) in partnership with the Internal Revenue Service (IRS) and the Texas Historical Commission (THC). As the State Historic Preservation Office for Texas, the THC works in conjunction with the NPS to review proposed work to ensure it complies with the Standards.

Eligible Buildings and Costs for the Federal Credit

- **The building must be listed individually in the National Register of Historic Places, contributing to the significance of a historic district, or determined to be eligible for listing in the National Register.** A building determined eligible for National Register listing does not need to be officially listed at the time the tax credit is claimed but must be listed within 30 months of claiming the credit.

- **Only buildings qualify for the tax credit.** Structures such as bridges, ships, railroad cars, grain silos, and dams are not eligible for the credit.

• **The building must be income-producing.** For example, it may be used as a hotel or for offices; commercial, industrial, or agricultural purposes; or for rental housing. Owner-occupied residential properties are not eligible for the credit.

• **The work to the building must be a substantial rehabilitation** and not a small remodeling project. In general, the rehabilitation costs must exceed the greater of $5,000 or the adjusted basis of the building. The adjusted basis is the purchase price, minus the cost of the land, plus improvements already made, minus depreciation already taken.

• **The work undertaken as part of the project must meet the Standards for Rehabilitation.** The entire project is reviewed, including related demolition and new construction, and is certified, or approved, only if the overall rehabilitation project is determined to meet the Standards.

• **Most rehabilitation costs qualify for the credits**, such as structural work, building repairs, electrical, plumbing, heating and air conditioning, roof work, and painting. Architectural and engineering fees, site survey fees, legal expenses, development fees, and other construction-related costs are also qualified expenditures if such costs are reasonable and added to the property basis. Some costs are not eligible for the credit, such as property acquisition, new additions, furniture, parking lots, sidewalks, and landscaping.

• **The building must be placed in service (returned to use) after the rehabilitation.** The tax credit is generally allowed in the taxable year that the rehabilitated property is placed in service.

Eligible Buildings and Costs for the State Credit, in Addition to the Qualifications Listed Above:

• The building must be listed in the National Register of Historic Places, either individually, or as part of a historic district, or designated as Recorded Texas Historic Landmark or State Antiquities Landmark at the time the credit is taken, that is, when taxes are filed for work completed in the previous year.

• The qualified rehabilitation costs must exceed $5,000 for any single application. Applications may be submitted in consecutive years for new projects.

• Buildings with a nonprofit use, as well as buildings with a for-profit use, can qualify for the state credit.

• Documentation of the Placed in Service Date (project completion date) must be provided by means of a Certificate of Occupancy, or an architect's Certificate of Substantial Completion.

The Application Process

Applications for Federal and state tax credits may be submitted simultaneously or separately if the applicant's intention is to apply for one of the credits, but not for the other. An application for the tax credits must be submitted before the project is completed, although work may begin prior to the application or approval. Ideally, the application should be submitted during the planning stages of the work so the owner can receive the necessary guidance to ensure that the project meets the Standards for Rehabilitation and therefore may qualify for the credits. The application process consists of three parts:

Part 1 or A of the application, the Evaluation of Significance, determines if the building already has a historic designation or if the property is eligible for the National Register or contributes to the significance of a National Register historic district.

Part 2 or B of the application, the Description of Rehabilitation, describes the existing condition of the building and the proposed work. Photographs are required showing the major character-defining features of the building prior to the start of work.

Part 3 or C of the application, the Request for Certification of Completed Work, is submitted upon completion of the work and documents that the work was completed as proposed and in keeping with any conditions required at the review of Part 2/B of the application. Once the NPS (federal credit) or THC (state credit) certifies that the completed work meets the Standards and approves Part 3/C of the application, the project is a "certified rehabilitation" and qualifies for tax credits.

Please note that THC staff cannot give tax advice. Consult a tax advisor regarding the IRS regulations or Texas franchise tax rules and their implications for your particular tax situation.

For More Information

Visit www.thc.state.tx.us for more information about the federal and state rehabilitation tax credit programs.

TEXAS HISTORICAL COMMISSION
real places telling real stories

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