

Phase 1 Pre-Development Feasibility Analysis



UNC School of Government



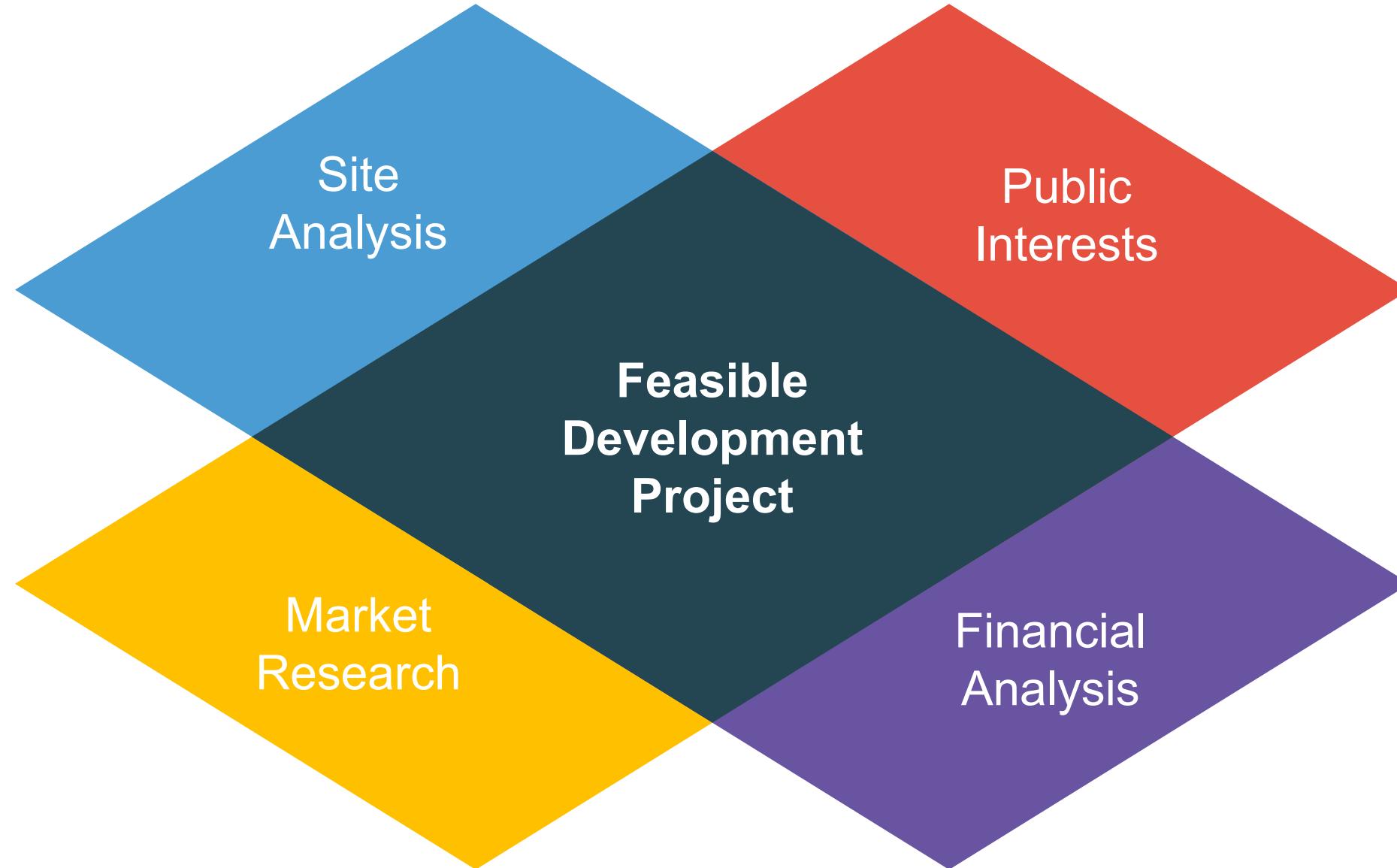
UNC Chapel Hill's School of Government is the largest university-based local government training, advisory, and research organization in the United States, and serves more than 15,000 public officials each year.

Why DFI?

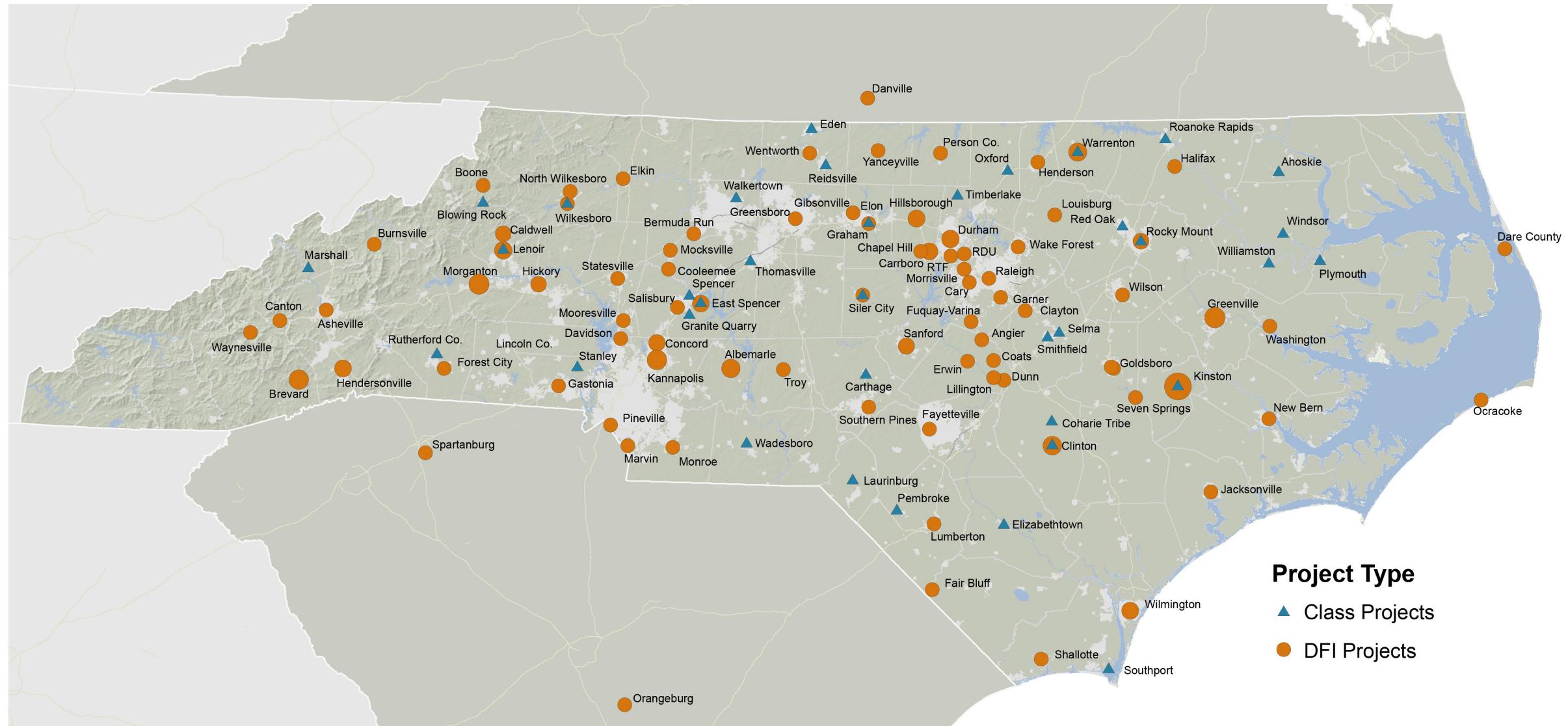
- Local governments are engaged in private sector development activities (proactive & reactive)
- Statutes authorize activities, but real estate development expertise typically not on staff
- Request assistance from School of Government
- LGFCU seed funding



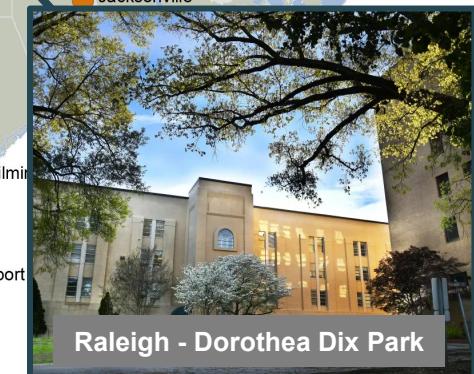
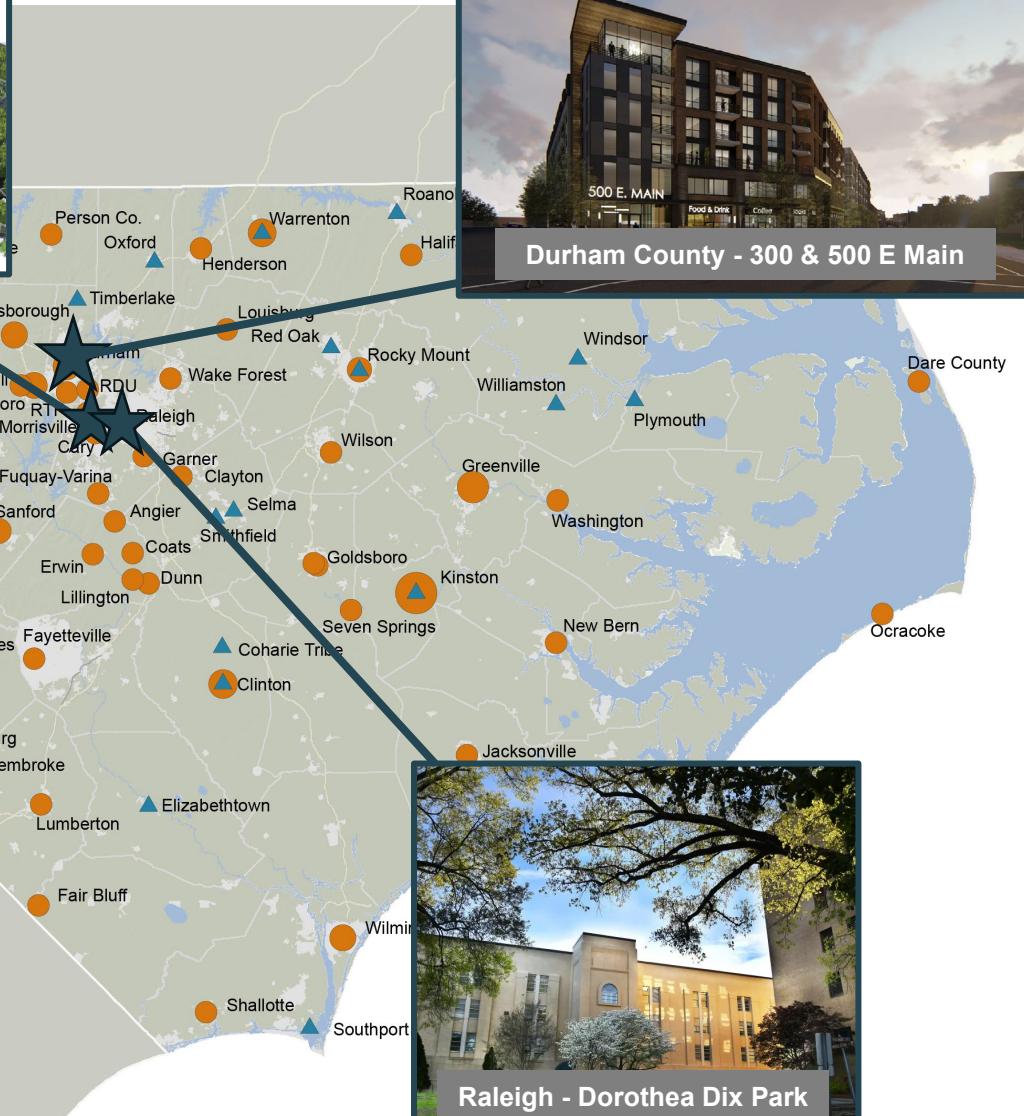
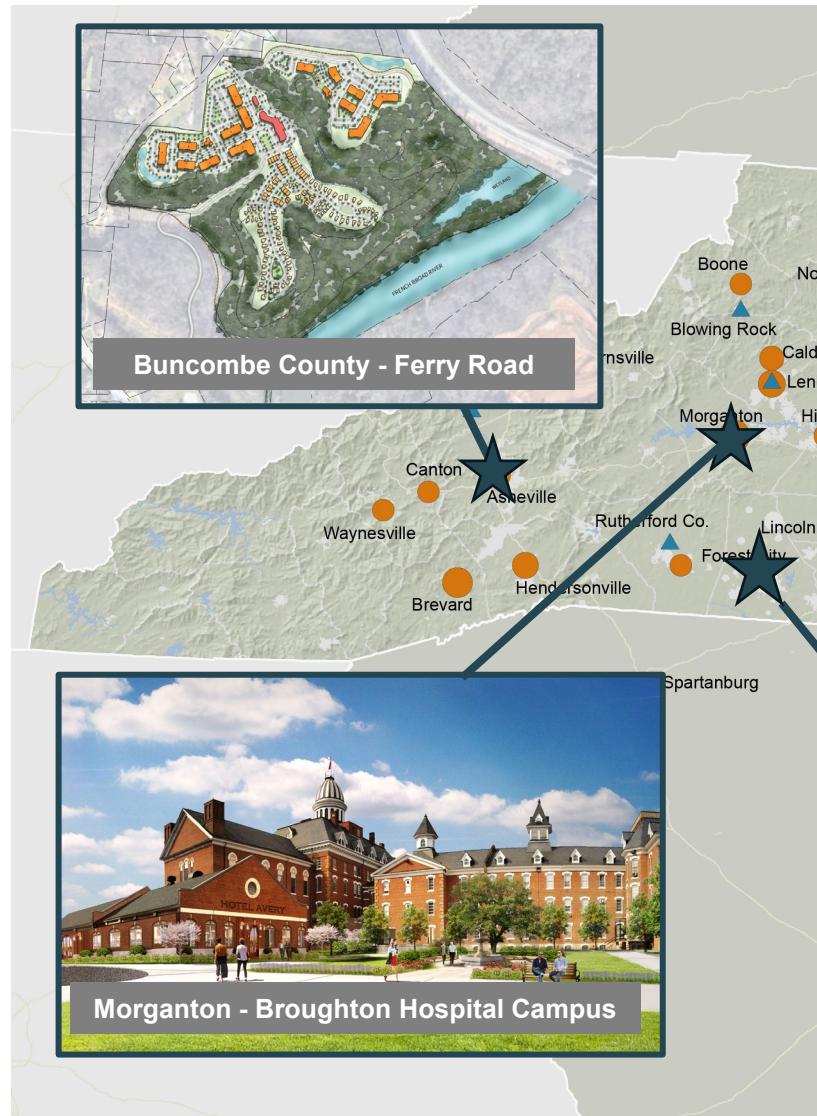
Pre-Development Process



DFI Projects



Relevant DFI Projects



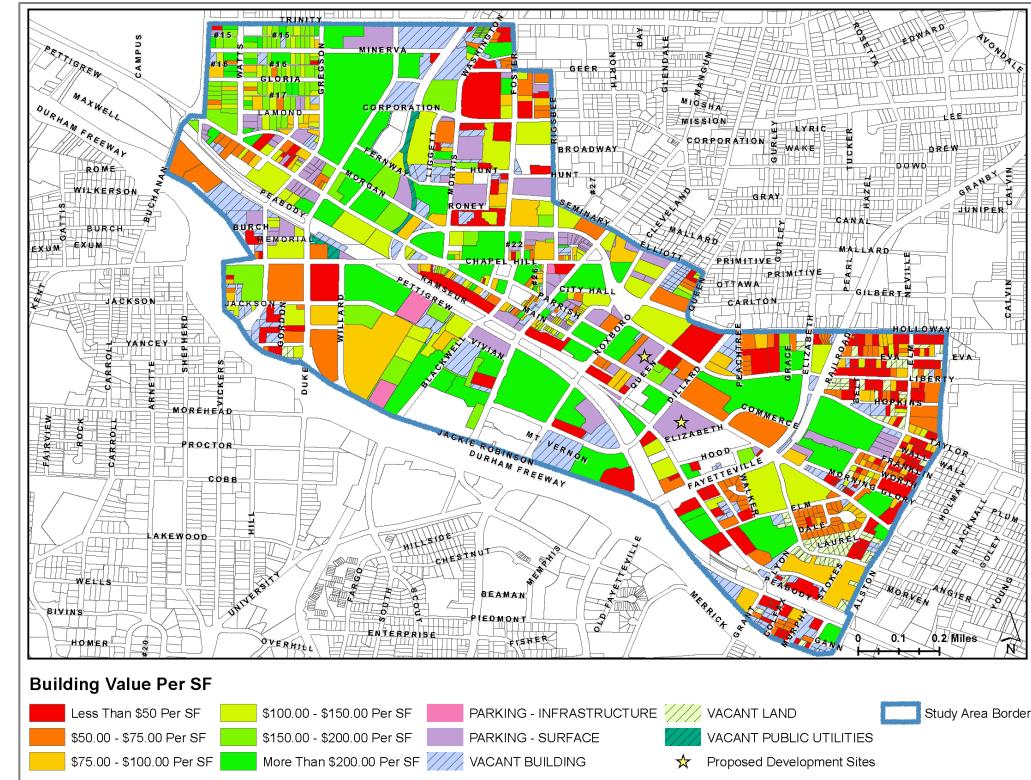
Phase 1 Feasibility Assessment

- **Community Scan and Stakeholder Engagement**
 - Review current and historic plans, third party studies and assessments, notes from public input sessions and other materials relevant to the development of the site and surrounding area
 - Evaluate demographic and socioeconomic data for the area
 - Engage with key stakeholders to understand priorities and vision
 - Establish priorities for the development



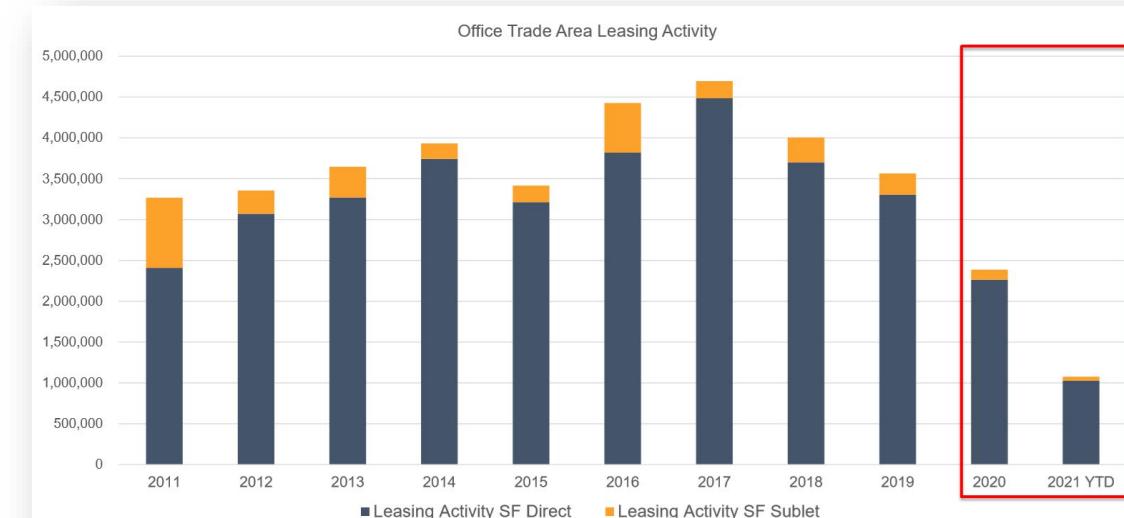
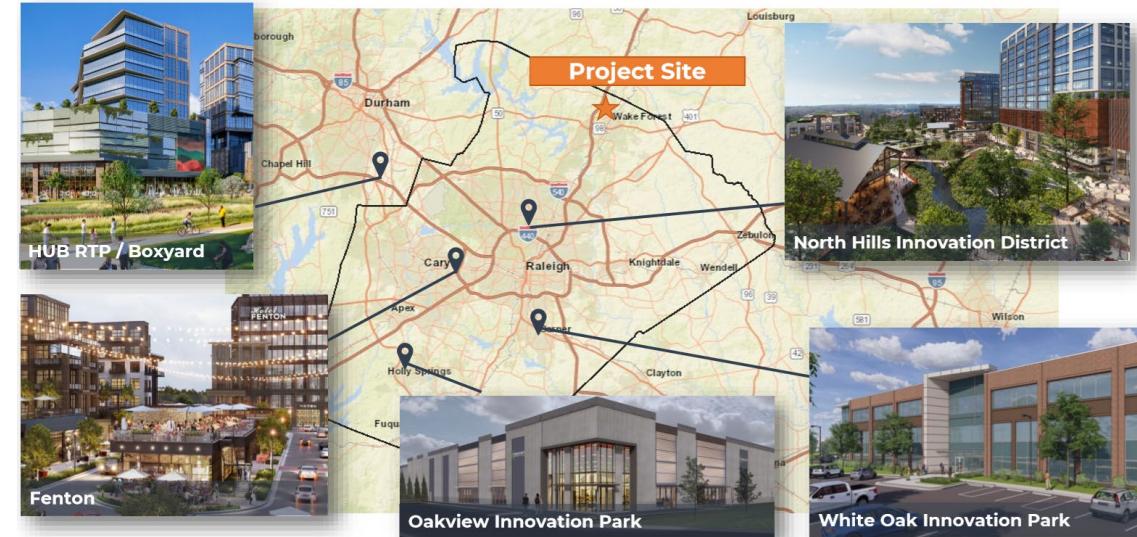
Phase 1 Feasibility Assessment

- Community Scan and Stakeholder Engagement
- Parcel Analysis**
 - Collect and analyze relevant data for a parcel analysis to understand current conditions (sales trends, vacancy, land use, ownership, and underutilization) for the area surrounding the site.



Phase 1 Feasibility Assessment

- Community Scan and Stakeholder Engagement
- Parcel Analysis
- **Market Analysis**
 - Conduct a market analysis to assess the site-specific demand for residential and commercial uses.



Phase 1 Feasibility Assessment

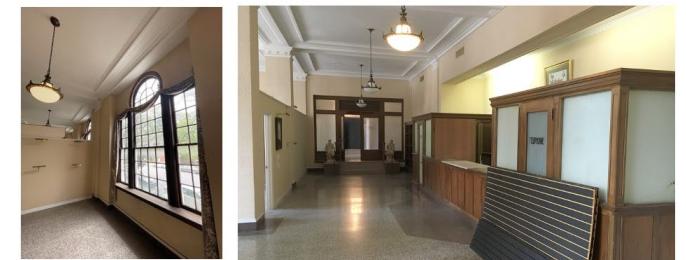
- Community Scan and Stakeholder Engagement
- Parcel Analysis
- Market Analysis
- **Site Analysis**
 - Conduct a high-level site analysis to test fit development scenarios and gain a general understanding of development opportunities and constraints of the site.



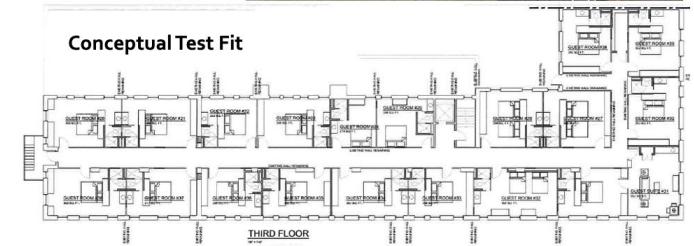
Historic Boutique Hotel Development Program

Development Program

Building square feet	32,000 SF
Estimated # of Keys	35-38 Keys
Food and Beverage Opportunity	~5,000 SF
Additional Retail Opportunity	~7,000 SF



Conceptual Test Fit



Phase 1 Feasibility Assessment

- Community Scan and Stakeholder Engagement
- Parcel Analysis
- Market Analysis
- Site Analysis
- **Financial Feasibility Analysis**

- Conduct a high-level financial analysis to determine the feasibility of attracting private investment to the project and identify development finance tools (federal and state tax credits, district designations, etc.) that may be available to assist with financing.

Preliminary Project Feasibility

The Hotel Charles redevelopment strategy targets an 18% internal rate of return (IRR) over a 5-7 year hold.

Estimated Sources:

Historic Tax Credit Equity	\$3.5M	35%
Debt: Construction Loan	\$3.5M	35%
Equity	\$3M	30%
Total	\$10M	100%

Estimated Uses:

Building Acquisition	\$850,000	9%
Hard Cost	\$7.5M	75%
Soft Cost	\$1.6M	16%
Total	\$10M	100%



Scenario 3: Funding Overview

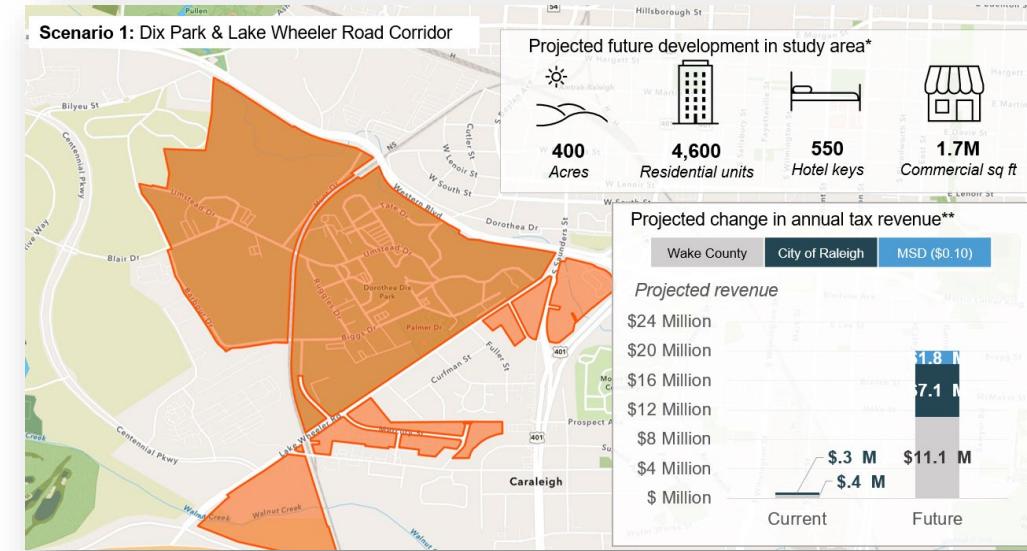
Project Funding Source	Est. Total (\$)	% of Total
LIHTC Equity	\$11,300,000	72%
Primary Loan	\$2,800,000	18%
RPP Loan	\$900,000	6%
Deferred Developer Fee	\$300,000	2%
Estimated Funding Gap	\$400,000	3%
Total	\$15,700,000	100%

Land conveyance assumed at \$1.1M. All numbers are rounded estimates.



Phase 1 Feasibility Assessment

- Community Scan and Stakeholder Engagement
- Parcel Analysis
- Market Analysis
- Site Analysis
- Financial Feasibility Analysis
- Make Recommendations



The Hotel Charles redevelopment strategy has an estimated 10% internal rate of return (IRR) over a 7-year hold period.

Estimated Sources:	Amount Millions	Percent
Historic Tax Credit Equity / Bridge Loan	\$3.1	23%
Equity	\$3.6	27%
Construction Loan	\$6.3	47%
Deferred Developer Fee	\$0.4	3%
Total	\$13.4	100%
Estimated Uses:		
Building Acquisition	\$0.85	7%
Hard Cost	\$9.0	67%
Soft Cost	\$3.5	26%
Total	\$13.4	100%

The current strategy incorporates the following key inputs:

- State and Federal Historic Tax Credits
- 70% Occupancy Rate
- \$150 estimated average daily rate (ADR)

Timeline and Fee

Phase 1 Feasibility Assessment

- 5 to 6-month timeline
- \$72,400

Core Project Team: Sonyia Turner (lead) and Sarah Odio

Opportunity for Phase 2 - Refinement and Solicitation of Development Partners

Questions

Marcia Perritt, Director, mperritt@sog.unc.edu

Sarah Odio, Associate Director, sodio@sog.unc.edu

Sonyia Turner, Senior Project Manager, turner@sog.unc.edu





SCHOOL OF GOVERNMENT
Development Finance Initiative

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL