

OLD MIDDLE SCHOOL PROPERTY **REDEVELOPMENT AGREEMENT FACT SHEET**

This fact sheet is designed to summarize the most important parts of the proposed Performance Agreement between the Town of Bedford, the Economic Development Authority of the Town of Bedford, and Waukeshaw Development, Inc. to redevelop the Old Middle School property with a boutique hotel, apartments, and civic spaces. This is not a complete explanation; only the full, 40-page Agreement can do that. But it will summarize the main points to ease understanding of the Agreement.

What property are we talking about here?

The property of a little more than eight acres that includes the recently-closed Old Bedford Middle School, ‘Old Yellow’ historic structure, the cafeteria and gymnasium structures, and the athletic fields in the back of the property.

Why doesn’t the Town just hold onto the property?

Currently, the property costs money—more than \$50,000 a year just in utilities. When things go wrong, it can cost tens or hundreds of thousands more to repair or replace items as they reach the end of their useful lives. Although the Town gets significant use out of the auditorium, athletic fields, and gymnasium, the other areas structures are not useful to the Town and are slowly deteriorating through disuse. However, the ‘Old Yellow’ structure, because of its age, historical value, and architectural value, is likely a contributing feature to a federal historic district, and it and the Middle School structure are eligible for listing on the National Register of Historic Places. The property generates minimal lease revenue. And the property is completely off the tax rolls.

By getting the portions of the property that are not useful to the Town into private hands, we can increase their use, generate revenue to maintain them, and get them back onto the tax rolls. This will also generate business in downtown Bedford and contribute to its continued revitalization that the Town Council has successfully led in recent years.

How did the Town choose this developer?

The Town issued a request for proposals (RFP) for ideas on how to redevelop the property. The deadline for proposals was November 1, 2017, and the Town received three proposals.

The Town Council deemed the Waukeshaw proposal as the best one for the Town to pursue. After that decision, the Town Manager, the Town Attorney, and the Town’s special counsel, Mike Lockaby of Guynn, Waddell, Carroll & Lockaby, have spent the last year negotiating and drafting the specifics of a detailed agreement (the “Performance Agreement”) between the Town, the Town Economic Development Authority, and Waukeshaw. The Town EDA must be involved to act as a conduit under Virginia Law in order to make lawful inducements to the developer so that the project will be commercially feasible.

Waukeshaw Development has a track record of success with similar projects. It has successfully done similar redevelopments in Richmond, Petersburg, Vinton, and Amherst. It successfully developed the Beale’s restaurant and brewery here in Bedford. It is currently working on a project similar to this in Madison Heights. Its senior management has excellent contacts within

this development world. Town staff have confidentially reviewed its financials, and it is a very financially strong development company.

So what would happen first if the Town and other parties entered into the Performance Agreement?

Waukeshaw has already begun tentatively doing due diligence on the property, but once the Performance Agreement is signed, due diligence will begin in earnest. This means that Waukeshaw will be carrying out surveys, developing architectural plans for conversion of the spaces, doing environmental assessments, applying for listing on the National Historic Register, and—probably most importantly—obtaining financing for the necessary renovations.

In order to carry out this due diligence, the Economic Development Authority will make an incentive grant to Waukeshaw. Waukeshaw under the proposed agreements would be able to draw on a fund of up to \$400,000 to reimburse it for carrying out due diligence items as approved by the Authority. The Town and the Authority will also receive copies of the information developed in the process.

Waukeshaw has six months, which may be extended to 12 months at its option, to carry out the due diligence.

What happens after due diligence?

After Waukeshaw has made its necessary studies during the due diligence period and has decided to proceed with the project, the parties will enter into the lease of the property for Waukeshaw for 40 years, and Waukeshaw will start work. After closing and upon commencement of work, the Authority will give the remainder of the \$400,000 due diligence grant as a cash grant to Waukeshaw.

Can Waukeshaw walk away, or is it required to close on the lease?

Yes, Waukeshaw may walk away up to the conclusion of due diligence. However, it will receive the remainder of the incentive grant only if it closes on the 40-year lease. Consequently, it is unlikely to walk away unless the project is truly not financially feasible. If it is not, the Town will receive all rights to the due diligence information so that the Town has the knowledge to move to Plan B for the property.

So what happens after closing?

Waukeshaw must begin developing the property within six months of signing of the Performance Agreement and closing of the deed to the Authority and execution of the lease, and Waukeshaw must complete construction of the development within 30 months from commencement. During the construction period Waukeshaw, pursuant to its contracts, will comprehensively renovate and modernize the interiors of the structures, and will reconfigure the traffic circulation and parking improvements. The interior redesign will be historically appropriate based on National Historic Register standards.

How will it be redeveloped?

The Old Yellow building will be redeveloped as a boutique hotel, possibly including a restaurant.

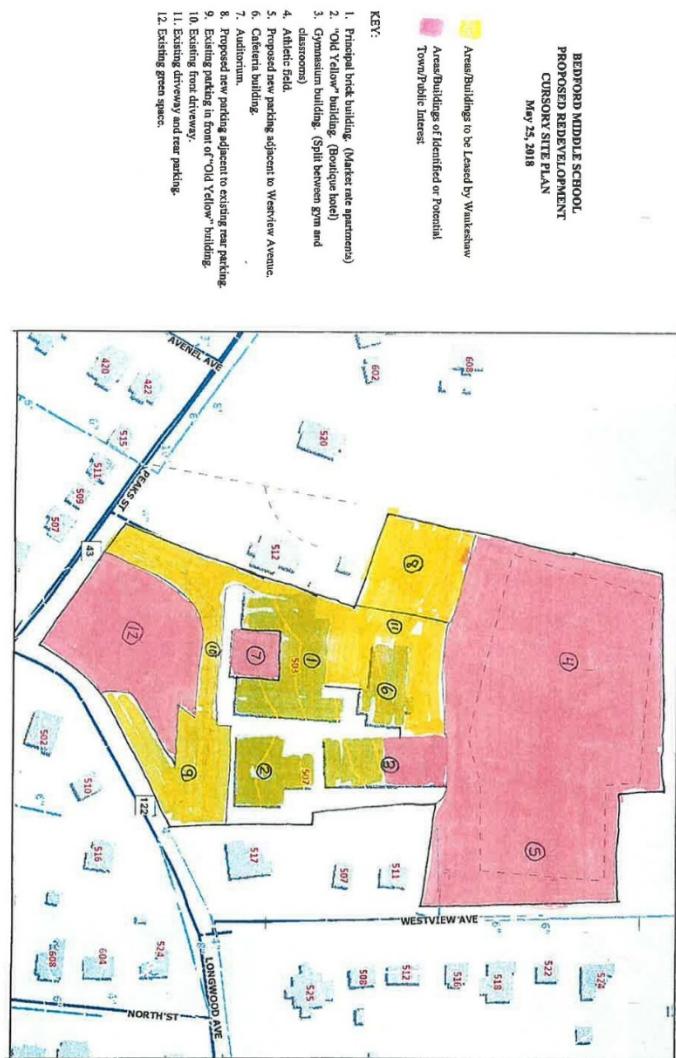
The Old Middle School building will be developed like a donut: The former classrooms will become apartment units. The auditorium will be subleased directly to the Town, and it will continue to be used for concerts and civic events.

The current cafeteria structure will be subleased for office space. One likely idea suggested by Waukeshaw is an educational or business incubator space, much like the Co-Lab in Roanoke or the GoWork in Botetourt County.

The portions of the gymnasium structure that are not actual gym space will be partially subleased for office space, but the existing gymnasium and locker rooms will continue to be used by the Town for public use.

The athletic fields will continue to be athletic fields for school and parks and recreation use.

A rough map of the layout is below:



What about traffic and parking?

The expected uses likely will not be a significant increase in traffic as compared to the previous school use, but the traffic will be more spread out through the day. However, there will be a need for more parking. Therefore, parking spaces are expected to be added in front of the Old Middle School building. Waukeshaw also proposes to add a paved lot where the tennis courts are currently, and a gravel lot adjacent to the athletic fields along Westview Avenue. The Zoning Administrator has determined that this should be sufficient parking to meet the Town Code.

Will any buildings be torn down?

No. There will be modifications, but under the proposed documents buildings on the property cannot be torn down without the Town Council's consent regardless of who owns the property during the 40 year period of the lease.

The cafeteria and gymnasium structures have too much value as office and commercial space to be torn down. Currently, the Old Middle School and Old Yellow are “contributing features” to a federal historic district, and Waukeshaw proposes to list them on the National Historic Register, which means that they will be tastefully redeveloped with appropriate colors and materials.

How can we be sure the developer won’t disappear in a few years?

The future is always unknown, but we have used several methods to cover ourselves. This is a reputable developer with a strong track record. We have also put into the Agreement that he cannot assign the property without the Town’s agreement and if the developer becomes bankrupt or critically insolvent, the property comes back to the Town. Finally, Waukeshaw is required to apply for a rezoning the property that will lock it into apartment, office, and hotel uses as long as the Town Council wishes to continue those uses. So even if someone else owns the property, they’ll still have to operate apartments, a first-class hotel, and office space.

Can the developer buy the property?

Yes, he has purchase options at several points. However, the developer and any successor will be bound by the Performance Agreement for the full 40 years.

What revenue does this generate for the Town?

Revenue projections are always sketchy. However, this would mean increased lodging tax, meals tax, and electric utility revenues. There also likely will be some level of increase in real estate and personal property tax, although those items are difficult to project. There also will be some lodging revenues, conservatively estimated at approximately \$15,570 annually and meals tax revenues at 4% once the hotel and apartments are up and running. The Town also will hand off the majority of the maintenance and upkeep costs, 100% which the Town has to pay until a plan is implemented for economic use of the structures.

Should I come to the public hearing?

ABSOLUTELY. Hear what others have to say, and make your opinion known so that this can be the best deal possible. This isn’t just about a deal that will “make the Town money” or “be a good deal”—it’s also about continuing to build our Town into the place we want it to be. This will have positive spinoffs in terms of driving business for other establishments, more opportunity, more fun events, and more valuable property. But to make that work, we need the involvement of smart people from all walks of life to bring their insights to the table.