

WAUKESHAW DEVELOPMENT, INC

230 East Bank Street, Petersburg, Virginia 23803

p. 804/677-5728 f. 804/715-9286

October 19, 2017

Town of Bedford
Bart Warner, Town Manager
P.O. Box 807
Bedford VA 24523

RE: Bedford Middle School RFP

Mr. Warner:

I am writing in response to the Request for Proposals for the Bedford Middle School property and its improvements at 503 Longwood St in the Town of Bedford. To date, I have developed two historic properties within 1 mile of the subject property (The Bedford Lofts and Beale's Brewery) comprising more than \$6 Million in adaptive reuse investment in the Town of Bedford; I am committed to the Town, and feel I am uniquely qualified to develop this property in a way that will honor its iconic past while at the same time giving the campus new life.

Waukeshaw Development, Inc. (Waukeshaw) hereby offers to enter into a long-term lease of more than 37 years for the entire campus, and as the Master Tenant shall develop the property in several phases, as follows:

First, the conversion of "Old Yellow" into a 30+ room boutique hotel. I have inspected the property and feel it is in salvageable condition, and could easily be adapted into a premier independent hotel. The project cost is expected to exceed \$3M, and would be a huge boost to tourism both downtown and throughout the county.

In a Second phase, Waukeshaw will convert the Middle School building into market-rate apartments. These shall be of the same quality upfit as we have already done at the Bedford Lofts, and will not include any low-income units whatsoever. If parking allows, we will retain the field in the rear of the building, and open and maintain it for community use. A multi-family component not only retains residents in the downtown area, but also provides a financing engine for the project overall, as lenders see this product type as the lowest risk, and "anchor" for the more speculative phases of the project.

In a third phase, the 8,000-sf cafeteria building will be converted into incubator space for the purpose of economic development. This would be a building that would provide flex space for start-up businesses, and be subletted to those groups offering training, small business guidance and classes on finance and operations. In addition, some of the classes

in the rear gym shall be used in a similar fashion, while the gym will be retained and maintained for destination sports and community use.

Waukeshaw shall enter into the lease for \$1 per annum for 37+ years in order to meet the IRS requirements for a 'long lease' the purposes of syndicating historic tax credits. At the same time, Waukeshaw and the Town of Bedford or its EDA shall enter into an option with a provision that a Waukeshaw-affiliated company can purchase the properties at a 10-year mark for the same amount, provided it has operationally succeeded.

Hours of operation shall vary based on the use in each building. Hours would be the same as any multi-family development, with access to the redeveloped Property by its tenants 24-7. While check-in times at a hotel are also widely varied, the hours of the main portion of the business would be between 8 am and 9 pm. The incubator space will have hours of 8 – 5, and the gym will be dependent on the use.

Financing and tax credit syndication has already been tentatively secured for each of these phases provided that Waukeshaw is able to attract a variety of grants and incentives that would be typical for such a development. Waukeshaw's depth of experience with adaptive reuse and historic tax credit development, and its specific knowledge of the Bedford market, make it an attractive borrower and grant recipient for such a project.

This offer makes many assumptions about the property, including, but not limited to, certain zoning provisions and changes, historic tax credits, knowledge of tap fees, the ability to obtain grants, parking waivers, environmental studies, etc, all of which will be discovered as part of a negotiated due diligence period that Waukeshaw will request from the Town as it enters into a contract for the property.

Waukeshaw will represent itself in this transaction – my contact information can be found at the top of this letter. I hope this offer is received with the same enthusiasm with which I submit it, and look forward to discussing the Project in more detail.

Sincerely,

A handwritten signature in black ink, appearing to read "J. David McCormack", with a stylized, flowing script.

J. David McCormack
Waukeshaw Development Inc.