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**Charlotte Mecklenburg Historic Landmark Commission (“HLC”)**  
**Request for Additional Funds**  
**February 1, 2016**

**Request:**

- \$2 million added to the HLC Revolving Fund (“Fund”) for use in preserving historic structures, properties and artifacts in Mecklenburg County.

**Justification:**

- Additional funds will allow the HLC to be more aggressive in acquiring structures important to the County’s history and assuring their preservation. Since the Fund’s establishment in 1991, the HLC has used the money for 42 properties (plus two vehicles), which were sold or transferred with deed covenants that will prevent their destruction.
- Without additional funds, the current uncommitted amount of about \$4.2 million is tight relative to the HLC’s plans for the next 5 years. After setting aside funds for a \$1.5 million restoration project under consideration with Johnson C Smith University (JCSU) and planned expenditures of about \$3.9 million next year, the revolver balance will be reduced to about \$260K. Planned expenditures for the following years will result in a deficit for the next 3 years even after projected property sales. In the last plan year of FYE21, the revolver will return to a \$1.6 million balance as sales of properties acquired in prior years materialize.
- Preservation of historic properties has important benefits:
  1. Gives a sense of place and unique identity (Matthews, Davidson, JCSU area)
  2. Stabilizes communities and encourages economic development (Examples: Matthews, Pineville, Fourth Ward, NODA and South End).
  3. Increases the tax base (Charlotte Cotton Mill).
  4. Provides a strong component of heritage tourism (South End, Davidson and Matt

**Background:**

<u>Chart 1</u> <u>Current Balance of HLC Revolving Fund</u>		
Available Balance of Revolving Fund on January 6, 2016		\$4,934,218
Less: Contracted/Committed Funds		<u>811,791</u>
Available Cash		\$4,179,274
Less: Cushion for Unanticipated Needs		<u>1,000,000</u>
Available Cash After Cushion		\$3,179,374

- The Revolving Fund was started in 1991 with a \$1 million bond issue. Two subsequent bond issues (including \$7.5 million in 1999) added \$8 million to the Fund. In FYE 2014, the County allocated \$1 million to the Fund.
- The purpose of the Revolving Fund is to provide funds for the purchase and stabilization of historic properties. These properties are then sold with the sales proceeds used to replenish the Fund. Proceeds from sales of the properties are often below the HLC’s investment resulting in a declining Fund balance.

- This tendency to “revolve down” for a revolving fund is a common outcome. Historic properties often show a loss when sold due to the high cost of stabilization/restoration, which often cannot be recovered in the sales price.
- The HLC’s replenishment level of the Fund has been 78.3% of expenditures on the 20 properties sold since 2000 (88.5% when 4 properties with unusual circumstances effecting cost and selling price are excluded). This represents about a \$3.4 million reduction of the Fund amount. For detail on individual properties see Exhibit I

**Expenditure Plan the 5 years ending FYE 2021:**

- With the Charlotte region’s strong economy, many designated landmarks and other historic structures are potentially threatened as infill and development of new land continues to occur throughout the county. On the other hand, the strong economy presents opportunities to purchase and rehabilitate existing older structures such as 1940’s and 1950’s buildings and sell them for new uses. These improvements and repurposing could be a stimulus for additional development in areas such as the Moorhead/Freedom/Wilkinson Corridor and North Charlotte near the new light rail line.
- The HLC proposes an aggressive plan to spend about \$15MM over the next 5 years to preserve threatened designated landmarks and other important historic properties (potential projects are discussed subsequently in this document). This amount will includes a potential \$1.5 million for conversion of the Mount Carmel Baptist Church for classroom/office use at JCSU currently under consideration. Although funds will not be advanced until FYE 17. \$1.5 million will need to be shown as encumbered in FYE16 if approved by the HLC.
- In Chart 2 below, the planned expenditures are shown in the Projected line under Expenses (Property). In all 5 years of the plan, a base amount of about \$1.9 million is assumed to be spent on multiple projects that are smaller (\$250K to \$750K range) and are the typical size that have been done by the HLC over the past 15 years. In FYE17 and FYE19, an additional \$1.9 million is proposed to allow for purchase of larger, single properties. The proposed expenditures include both an amount for purchase of the property and an amount to cover the costs of stabilization/other expenses equal to about 27% of the purchase price. The 27% figure is based on HLC experience over the last 15 years, excluding four properties with unusual circumstances\*.
- Income from property sales will be about \$10.2 million through FYE 21 (with additional funds coming in later years for properties purchased later in the forecast period). This includes sale of properties currently owned by the HLC as well as sales of properties purchased during the plan period. For the latter, it is assumed that net sales proceeds will be 88.5% of the purchase price plus expenses. This calculation is based on actual sales over the past 15 years excluding four properties with unusual circumstances\*. It is assumed that the two single properties proposed for purchase in FYE17 and FYE19 will sell in FYE19 and FYE21, respectively. Multiple properties are assumed to be sold over six years with timing based on actual HLC experience excluding four properties with unusual circumstances\*. 50% of properties are assumed sold within 2 years of purchase, 30% within 4 years and 20% within 6 years.

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- In coming up with assumptions for the plan, four properties were excluded from calculations for additional expenditures, price received relative to costs and months to sell. Both the Cotton Mill (payments for parking spaces and selling in a poor office space market) and the Grier Rea House (expense of purchasing a lot and moving to a new site) had unusual aspects that justify exclusion for analytical purposes. Additionally the Grier Rea House and the other two houses had internal improvements that went beyond stabilization. This occurred before the HLC’s 2003 adoption of a policy limiting such expenditures. See Exhibit IIC Assumptions for more information.

- Income from notes of \$2.4 million during the 5 years ending FYE21 includes two existing notes and two potential notes including a loan to JCSU for \$1.5 million. Johnson C Smith University plans to rehabilitate the Mount Carmel Baptist Church (a designated landmark). The HLC will provide the \$1.5 million of funds towards the total restoration cost of \$4.75 million. The finished church space will be used as classroom and office space. JCSU will pay the HLC back over 7 years.

<u>Chart 2</u>							
Projected Sources and Use of Revolving Funds							
(NO INCREASE IN REVOLVER FUNDS – FULL FORECAST IN EXHIBIT IIA)							
		<u>FYE16</u>	<u>FYE17</u>	<u>FYE18</u>	<u>FYE19</u>	<u>FYE20</u>	<u>FYE21</u>
<u>Beg Revolver Balance</u>		<b>4,934</b>	<b>2503</b>	<b>260</b>	<b>(406)</b>	<b>(505)</b>	<b>(175)</b>
<u>Income</u>							
	<u>Property Sales</u>		1,493	841	3,301	1,346	3,195
	<u>Note Payments</u>	<u>62</u>	<u>148</u>	<u>393</u>	<u>403</u>	<u>885</u>	<u>471</u>
	<u>Total</u>	<u>62</u>	<u>1,641</u>	<u>1,234</u>	<u>3,703</u>	<u>2,231</u>	<u>3,667</u>
<u>Expenses (Property)</u>							
	<u>Committed (a)</u>	812	--	--	--	--	--
	<u>Projected (b)</u>	<u>1,680</u>	<u>3,884</u>	<u>1,901</u>	<u>3,801</u>	<u>1,901</u>	<u>1,901</u>
	<u>Total</u>	<u>2,492</u>	<u>3,884</u>	<u>1,901</u>	<u>3,801</u>	<u>1,901</u>	<u>1,901</u>
<u>End Revolver Balance</u>		<b>2,503</b>	<b>260</b>	<b>(406)</b>	<b>(505)</b>	<b>(175)</b>	<b>1,591</b>
<u>Cushion (c)</u>		<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<u>Available after Cushion</u>		<b>1,503</b>	<b>(740)</b>	<b>(1,406)</b>	<b>(1,505)</b>	<b>(1,175)</b>	<b>591</b>
(a) Committed funds expected to be spent in FYE 16 or encumbered for expenditures in later years.							
(b) Projected expenditures for property purchase and stabilization. FYE16 includes \$1.5 million for Mt Carmel Baptist Church							
(c) Cushion is amount that is available to cover unanticipated property purchases/expenses.							

Need for Additional Funds:

- As seen in Chart 2, by the end of FYE16, available cash under the Fund (as measured by the ending revolver balance will have dropped to about \$2.5 million (\$1.5 million after cushion for unanticipated expenses) after setting aside funds for the JCSU project and completing an expected \$180,000 property purchase in Huntersville.
- The cash situation becomes tight beginning in FYE17 when the plan proposes spending \$3.9 million on properties. The ending revolver balance is \$260K before the cushion. For the following 3 years, the ending revolver balance is a deficit. It returns to a positive of nearly \$1.6 million the last year of the plan as sales of earlier purchased properties materialize.
- For the HLC to fulfill its plan to purchase a higher number of properties over the next 5 years, an additional \$2 million of funds is needed. As shown in Chart 3, a \$2 million infusion eliminates deficits in the ending revolver balance in all 5 years of the plan and provides a \$1 million cushion for unanticipated needs.

<b>Chart 3</b>							
<b>Projected Sources and Use of Revolving Funds</b>							
<b>(\$2 MILLION INCREASE IN REVOLVER FUNDS – FULL FORECAST IN EXHIBIT IIB)</b>							
		<u>FYE16</u>	<u>FYE17</u>	<u>FYE18</u>	<u>FYE19</u>	<u>FYE20</u>	<u>FYE21</u>
<u>Beg Revolver Balance</u>		<b>6,934</b>	<b>4,503</b>	<b>2,260</b>	<b>1,594</b>	<b>1,495</b>	<b>1,824</b>
<u>Income</u>							
	<u>Property Sales</u>		1,493	841	3,301	1,346	3,195
	<u>Note Payments</u>	62	148	393	403	885	471
	<u>Total</u>	62	1,641	1,255	3,725	2,262	3,687
<u>Expenses (Property)</u>							
	<u>Committed (a)</u>	812	--	--	--	--	--
	<u>Projected (b)</u>	1,680	3,884	1,901	3,801	1,901	1,901
	<u>Total</u>	2,492	3,884	1,901	3,801	1,901	1,901
<u>End Revolver Balance</u>		<b>4,503</b>	<b>2,260</b>	<b>1,594</b>	<b>1,495</b>	<b>1,825</b>	<b>3,591</b>
<u>Cushion (c)</u>		<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<u>Available after Cushion</u>		<b>3,503</b>	<b>1,260</b>	<b>594</b>	<b>495</b>	<b>825</b>	<b>25915</b>
(a) Committed funds expected to be spent in FYE 16 or encumbered for expenditures in later years.							
(b) Projected expenditures for property purchase and stabilization. FY16 includes \$1.5 million for Mt Carmel Baptist Church							
(c) Cushion is amount that is available to cover unanticipated property purchases/expenses.							

Potential Projects:

- Fifty-three potential projects for purchase/stabilization are shown on Exhibit II Potential Projects. Four goals primarily drove the identification of the types of preservation projects:
  1. *Structures associated with African American history* – Examples: Mount Carmel Baptist Church (JCSU); traditional houses in Cherry;
  2. *Houses/sites related to the County’s agriculture and textile past* - Examples: Hodges House and Farm (Rocky River Road, North Charlotte); mill houses associated with Hoskins, Thrift and Pineville mills;
  3. *Buildings that if restored could stabilize a community and/or encourage economic development*; Examples: Structures in Moorhead/Freedom/Wilkinson and North Graham (near Uptown) corridors;
  4. *Properties that are threatened because of their location in rapidly growing areas in and around Uptown Charlotte* - Examples: Leeper & Wyatt Store (South End) on South Boulevard); Walter Brem House (South End on East Boulevard).

The potential preservation projects are located throughout the County but in light of the above goals, many are concentrated in the Westside, Northside and Uptown areas of Charlotte.

<u>Potential Projects by Type</u>	
African American	14
Agriculture/Textiles	13
Economic Development Stimulus	12
Potentially Threatened	7
Other	7
Total	<u>53</u>

<u>Potential Projects by Location</u>	
Charlotte – Central Areas:	
Uptown/South End/Dilworth	6
Cherry	2
Plaza Midwood/Elizabeth	2
Moorehead/Freedom/Wilkinson	<u>5</u>
	15
Charlotte - Monroe Rd Corridor:	
Grier Heights	3
Oakhurst	<u>2</u>
	5
Charlotte – Westside:	
Beatties Ford Rd Corridor	2
Biddleville	2
Enderly Park	2
Hyde Park	2
McCrorey Heights	2
Other Areas	<u>8</u>
	18
Charlotte - Northside	8
Cornelius	1
Huntersville	2
Matthews	1
Pineville	<u>3</u>
Total	<u>53</u>

- Of the 53 identified properties, 20 are designated historic landmarks and could be acquired by the HLC now. The remaining undesignated properties would require approval by the appropriate local governing body. The undesignated properties in many cases are meant to be examples of the types of properties to be acquired and not restricted to the ones shown on Exhibit II.

For example, in the Cherry neighborhood the two properties shown have a highly visible location near the park across from the designated landmark Morgan School. However, there are many other houses in the neighborhood suitable for consideration. Acquiring any of the 53 properties would be subject to a number of factors including the owner's willingness to sell, price, condition and historic significance.