

Summary document outlining use of Textile Plant for Technology Center

Building Overview

Roughly nine years ago work was done to renovate this plant for retail and residential usage. For a variety of reasons, not the least of which was the tightening of funds due to the most recent recession, this project was halted in 2007. Our review of this building shows that a number of tasks were either in process or completed by the prior owners:

- Industrial equipment was removed for scrap.
- Windows were installed nearly throughout.
- A building (boiler room) was razed to make room for a proposed brewery.
- Main floor was prepped for leveling.
- Light fixtures were removed though no PCB abatement was completed.
- Roughly 60% of the roof renovation was completed though there exist numerous tasks remaining to complete it:
 - close skylight openings...install skylights
 - complete soffit and fascia work
 - complete re-roofing effort
- Lead paint on interior walls stripped with walnut shells.
- Foundation for electrical room in place.

For the last seven years this building has remained virtually untouched and has remained open to the elements where work was left undone. The result of this negligence has led to numerous additional deficiencies that will need to be addressed by the new owners:

- There exists a 'bubble' in the brick wall near where the stairwell meets the roof.
- There exists a separation in the brick wall on the main floor of the main elevator shaft.
- There exists beam damage on the third floor due to the placement of roofing materials in a small area of the roof.
- Numerous places on the third floor have had significant flooring damage due to the water damage from this building negligence.
- There exists possible water damage on all three floors from ongoing building neglect. This needs to be addressed in a structural review of this property.
- The pond no longer holds water due to work that the prior owners started in that area.
- Numerous broken windows and interior damage.

Vision for Building

It is proposed that this building be renovated to create a technology center. The purpose of this building would be to co-locate tech-centric firms in a setting where they can leverage common administrative and professional services to increase their profitability. Further, this co-location is intended to provide a natural synergy among these technology based businesses. It is generally understood that, while many businesses possess a saleable product, there exists a lack of general understanding in and/or a lack of desire to focus on the non-technical aspects successfully delivering their product to market. To assist (accelerate) this desired growth in tech businesses co-located in this building, it is proposed to provide access to the following services within this facility:

- Common computer 'war room' and use of co-located cloud computing hub.
- Common use of facilities such as reception area (with one point of entry for public to building), conference room, lunch area, and other speciality areas specific to this industry silo.
- Marketing expertise for use in creation of clear messaging and all general marketing materials necessary to advance these individual businesses.
- Common copy room and/or print center.
- Common legal expertise for use in all aspects of business development with experience in M&A, VC funding, public trading, and other methods used to advance these individual businesses.
- Common HR services with individual expertise in staffing for this vertical. This individual will be responsible for the representation of the businesses co-located at this center, such as they will provide potential individuals to these businesses for their ongoing growth.
- Possible common individual responsible for grant-writing and general funding assistance.

Other common tasks may be identified that, when offered as a common service there exists fiscal efficiencies for the co-located businesses. Where this arises, determination will be made whether it is appropriate to offer these services.

It is proposed that these common services will be paid from the (est.) 20-25% increase to the square footage leased space for these co-located businesses. Some of the early adapters to our concept may deliver these individuals to this project, if they already exist in their business. This will be an option of the building/concept management.

Benefits realized by businesses participating in this concept:

- Location in often sought-after space in renovated historic building with its unique ambiance.
- Ease of commute to rural location on twinned highway; roughly 40 min from Halifax.
- Ability to relocate family to this area to realize the benefits of home ownership in rural community.
- Ability to relocate family to this area to enjoy the benefits of superior schools for children.
- Benefits from not carrying expense of commonly offered services on their individual books.
- Benefits from use of expertise offered to this vertical market as these services are tuned to the needs of this silo.
- Natural synergies created by co-locating businesses from same or similar business vertical in one location.
- Fiscal benefits realized from all of the above points.

Other possible offerings available to businesses include:

- proposed restaurant, and
- proposed lecture area.

The former will assist by providing ideal location for business meetings, catering for meetings, meals for staff, etc. The latter will provide the opportunity for drawing speakers, who will advise the co-located businesses in methodologies, concept creation, growth strategies, demand awareness, as well as possibly offering brainstorming opportunities for participating businesses.

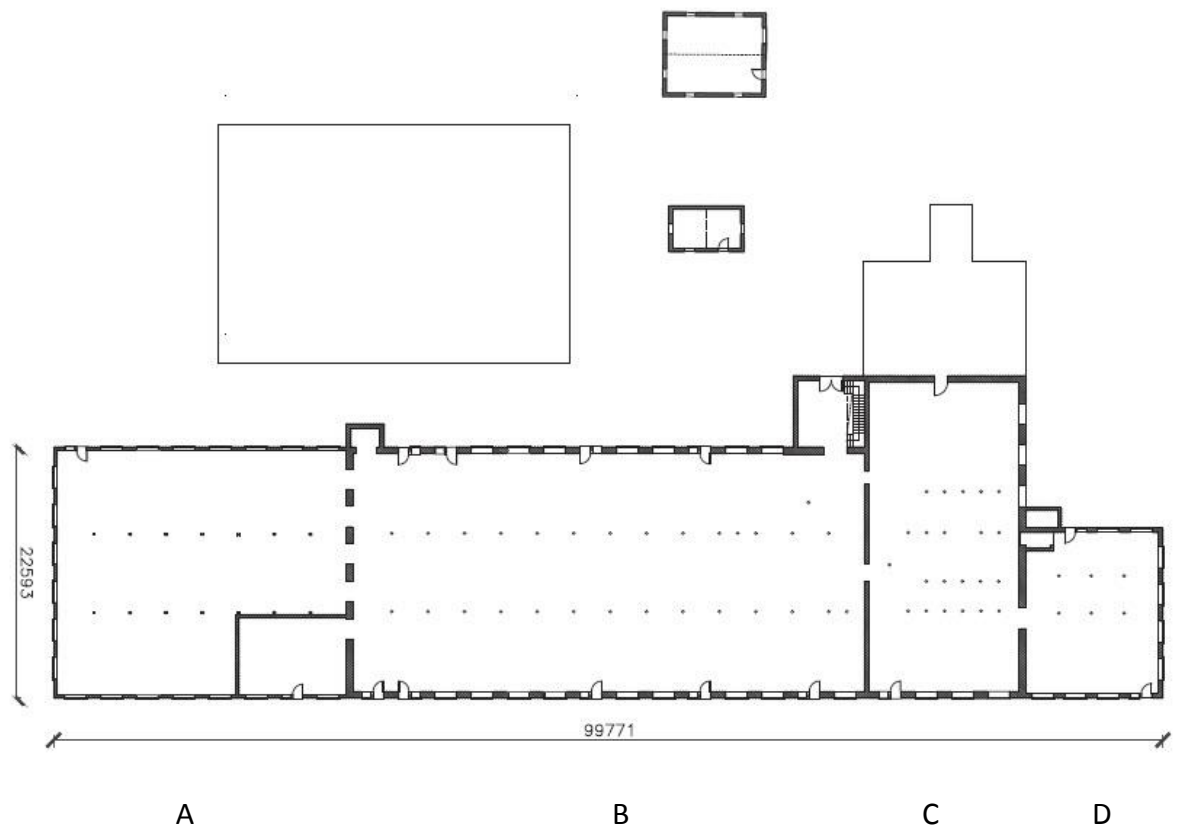
Other points of consideration:

1. It has been proposed to the Department of Transportation that, when the twinning of the causeway is undertaken, consideration be given to moving this exit to a place roughly 400' ahead of the existing exit. This will allow direct access from Hwy. 101 directly to Nesbitt St., thus providing immediate highway access to this location. Nesbitt connects to Colonial and wraps back to the overpass and back into Windsor with this building remaining in the center of this loop. This proposal is preferred, as it prevents the use of the land directly adjacent to this building from being used for the exit ramp and it eliminates the need to drive through the distressed island community to reach this facility.

2. Long range planning includes the assumption that Nesbitt Island will ultimately become predominantly commercial in nature. One option for the residential buildings on this island is that they be obtained and converted to 'eclectic' retail offerings. In various other locations residential housing has been successfully converted to retail opportunities to create a draw to this region. This could become a mecca for the arts community where these buildings could provide affordable option for artists while creating a destination for this area. It would be proposed that these buildings be used to create non-franchise offerings. i.e. one-of-a-kind businesses. An example of this strategy can be viewed at http://www.gilmanvillage.com/about_a001.php3
3. Consideration should be given to the surrounding properties such that land be identified for future growth. The success of this concept will increase the need for additional residential and commercial space near this site.



Building floor plan (main floor):



There exists today, ten sections to this 77,000 sq. ft. building. As shown above there exists four segments on the main floor (represented by A-D). The main floor has an additional small room, seen in the lower right portion of section 1A. The second floor has a similar four sections, sans the additional small room), and the third floor has two sections (3A and 3B-3D).

Development Strategy

It is proposed that the renovation of this building for the creation of a technology center be done such that it is allowed to develop organically. To this end, it is proposed that all structural issues be identified and corrected immediately. Once the building is water tight, the utilities will be brought to the building (electricity, water, sewer, fiber optic lines, etc.). This will require the relocation of the electrical room, the foundation of which was poured on the left side of 1A. It is preferred that the side of the building (the image of the building) not be defaced by a

concrete structure that does is contrary to the texture and the symmetry of the building. Curb & gutter and paving of the parking lot will take place in the initial phase of renovation. Environmental issues will be addressed with this task.

Concurrently, the internal staircase location will be identified and the work to create this will be completed. It is anticipated that there will be an internal open staircase with a small atrium area near the main entrance of the building (lower left portion of 1B). Until this is in place, there will not be an opportunity to lease space above the main floor (excepting the design and development of the computer 'war room').as the existing staircase should be able to be used to access this room (with possible repair/updating needed).

Section 1A has been chosen as the initial leasable space because it is the newest portion of this building and because of its location near the main entrance. Each of the ten sections is separated by fire doors that can be used to manage any renovation activity in adjacent areas of the building. Some of these doors can be closed and others may require a temp door to be placed in the opening to allow access.

The best estimate for a roll-out strategy for the building would be that after 1A, 2A be offered, followed by 2B. Obviously, section 1B will also have a high priority for renovation, but it is unclear at this point whether this space will be tech-centric or general retail in nature. This may be answered by the organic development of this space.

The location of the computer 'war room' is still in question, except that it would be practical to house this on one of the upper two floors to allow for proper certifications that take into account catastrophic water events to this area. Analysis should be done to determine the most practical and cost effective location for this space, given that the building will need to draw wiring from this site to all technology businesses located in this building.

It is anticipated that from 50-70% of the renovation budget will be used to deliver the initial lease space (1A) and, once this is accomplished, the rollout will be incrementally expensed. This allows for the building to start creating revenue without needing to wait for completion. It also allows for the individual businesses to participate in the design and creation of their individual leased spaces.

For an example of a similar (though significantly larger) renovation, visit <http://www.butlersquare.com/profile.htm> Butler Square is located in the Warehouse District of downtown Minneapolis, MN, USA. There are similarities in the anticipated interior that include the exposure of the wood beams and supports, the open atrium in the heart of the building that creates common space to separate the co-located businesses from the retail section of the building. Below is the entrance to this building. Imagination can be used to see a similar, though only three-floors in height, look to this technology center.



Together, we can make this happen...here in Nova Scotia, here in Windsor!

One final thought on the urgent need to realizing this vision. The Ivany Report could not speak louder and more directly to the promotion of this project. It is an active step toward creating a living, organic, growing enterprise center for technologists. Possibly one of the most important reasons to see this project advance is for the youth of our region. Today, there exists the opinion that, once the age of majority is reached, youth must leave the province to advance their experience and their ability to earn a living income. This center will be the first step in changing those perceptions as it will create opportunities for education, experience, and employment. This singular project can propel this region from a municipality in decline to one of prosperity. It provides personal and professional growth opportunities for many local businesses during its development and after it is in full operation.

Housing needs will increase as will needs from numerous local businesses. While the project goal is to create success for regional tech-centric businesses, there will be a natural spill-over to the local community with the influx of the 3-500 individuals who will be employed in this

technology center. Salaries for the region will increase as a skilled sector is the target tenancy for this building.

Can we afford to do this?

It could be proposed that a better question would be, “Can we afford NOT to do this?”

The alternative to taking action now to take control over the future of our region is that this area will continue to decline. Windsor was once a proud and vibrant area, but has been reduced to an area of economic pessimism, where the residents continue to age, the youth continue to leave, and the services to the community will continue to disappear. This building holds the best opportunity for the reversal of the present trend. This building may arguably be the singular resource in the area that can provide this opportunity for renewal.

From an exceedingly high level, the financial decision to progress with this project appears obvious. The estimated cost to acquire this building is from \$600k-\$1.3mm. I would suggest that the real number is closer to the low end of this range, given that this building has been on the market for six+ years with no concern for the harm that has been realized by the complete neglect to this building. Any improvements to the value of this building are offset by the harm done from water and vandalism.

Improvements to this building to achieve the end result are estimated to run from \$3-5mm. At full occupancy, this building should realize yearly revenue of roughly \$1mm. It is proposed that this building will realize additional revenues from providing cloud services for businesses in need of redundant, off-site back-up information services. The estimated revenue from this service has not been scoped at this time.

Once this building is complete, its value should be appraised in the area of \$8-10mm. Certainly, it could not be replaced for anything less than this. Given these numbers, a worst case ROI would look to be 59% with a best case scenario ROI coming in at 122%.

The next steps, which can run concurrently, are to:

1. Identify funding sources.
2. Finalize class D estimates for renovation outlined in this document.