

Addison Mill Loft (Kendall Project)

100 CTC Drive, Edgefield, South Carolina



Investment Opportunity

The Dubin Guru Group (DGG) and Chicago Based Group present an exciting opportunity for investment in state and federal historic tax credits generated by the restoration and conversion of the Kendall Mill in Edgefield, South Carolina. Originally built as a textile mill over a century ago, this historic landmark will be transformed into trendy residential rental apartments, contributing to Edgefield's downtown renewal and preserving its rich history.

About two decades ago, the building was repurposed into a call center, likely leading to improvements in its infrastructure. The proposed project, known as "The Addison Kendall Mill Lofts Project," ("Kendall Project), involves the adaptive reuse of the iconic Kendall Mill Textile Building and its surrounding land parcel ("Kendall Mill Property"). The plan is to renovate the structure to accommodate approximately 100 rental apartments, providing attractive workforce housing options with competitive rents. The Kendall Mill Property or Property has a total of about 22 acres including the Kendall Mill Textile Mill, two beautiful ponds, abundant nature and greenery and land that can be developed in the future after the historic compliance period is over subject to approvals in the future and therefore offers a future upshot with development potentials. Any development in the future can take advantage of textile mill credits which is a substantial financial support available.

Currently, the Kendall Project qualifies for the regular 5-year federal historic tax credit generating around \$ 4,741,051 in Federal Historic Tax Credits. Additionally, the project may leverage the South Carolina Mill Tax Credit and other local subsidies to further enhance its financial viability.

The partnership is considering a master-lease structure but may opt for a single-tier transaction if necessary to secure investor support. However, funding for construction and permanent debt will primarily rely on Net Operating Income, which puts the project under rigorous underwriting pressure to meet the standards of the lending and investment community in addition to the rising interest rate environment.

The project team received Part 1 Historic National Register placement approval in the first quarter of 2022, based on positive feedback from the State Historic Preservation Office (SHPO). A conditional Part 2 approval has been issued in the first quarter of 2023, enabling the project to undergo financial underwriting for debt and tax credit syndication, a process that typically takes 4 to 6 months.

Construction is anticipated to commence between the first half of 2025, depending on the type of construction debt secured. During construction, the project is estimated to create approximately 150 construction jobs and at least 25 permanent direct, indirect, and induced jobs. Once completed and occupied, it is expected to stimulate economic activity as more than 100 families move into and become part of the community.

Preliminary analysis of the Sources Uses indicates that the total renovation cost, including contingencies, will be approximately \$27 million, with an initial hard cost estimate of around \$18 million, also including contingencies. However, these figures may change due to competitive cost bids and potential supply chain issues, possibly leading to higher construction hard costs.

To bridge the financial gap, the project team has obtained local government approvals for 100% property tax relief for the first 10 years and at least 50% tax relief for years 11 through 20.

Overall, the project's main goal is to convert the vacant historic building into much-needed workforce housing, positively impacting the community while preserving an invaluable piece of history with a strong potential to develop residential developments in the Property in the future. The partnership's decades of construction experience will be leveraged to innovatively control costs and ensure the success of the project.

Tax Credit Delivery Year:	Targeted for 2025 - Estimates
Federal Historic Tax Credits (100%):*	\$ 4,741,051
State HTC*	\$2,370,525
Text Mill Credits (100%) *	\$5,926,313
Total Development Cost:	\$27,484,604
Estimated Eligible Basis:	\$ 23,705,254
Permanent Loan upon stabilization:	\$12,971,912
Anticipated Construction Loan including Bridge loan for tax credits: (expected under 67% of LTC)	\$20,000,000
Federal and State HTC Bridge Loan: (TBD)	
Anticipated Permanent Loan:	\$12,971,912
Anticipated FMV upon completion 6.6 cap	\$32+ million
Initial Operating Reserve:	\$450,000
Development Fee (100% cash): **	\$3,402,340
Anticipated Closing Date (earlier possible)	December, 2024

*Estimates

**Subject to Decision of Financial Parties

History

The Edgefield Cotton Mill – Addison Mill is situated in the southwest region of South Carolina in Edgefield, which serves as the governmental seat and largest municipality of Edgefield County. The mill has undergone gradual expansion during the late 19th and early 20th centuries through the construction of additional buildings and structures to facilitate its operations. Presently, five structures remain intact—the 1896 mill, which was expanded to the north in 1909 and 1918; the 1896 smokestack; a circa 1920 garage/workshop; and circa 1910 and 1920 in-ground reservoirs—all of which are in good condition.

The primary manufacturing plant features a long, linear design with a low-pitched-gable roof adorned with rounded rafter ends supporting deep eaves. The walls are constructed using common-bond variegated-red-brick, complemented by tall segmental-arched window and door openings, and slightly projecting cast-stone window sills. In 1999, the mill underwent renovation to preserve its historical significance. During the same period, the 125-foot-tall, freestanding smokestack executed in a five-to-one common bond was stabilized.

The mill was initially commissioned by the Edgefield Ginning, Milling, and Fertilizer Company, leading to the construction of the first industrial building on the site—the 1890 cotton seed oil mill, designed by mill engineer, builder, and equipment supplier Daniel A. Tompkins based in Charlotte, North Carolina. The oil mill, which is no longer in existence, comprised four interconnected sections: a three-story ginney, a two-story engine room, a two-story oil mill, and a large one-story warehouse with a meal storage room. This complex allowed for the extraction and processing of cotton seeds for use as fertilizer and livestock feed. Other buildings, including a boiler house, cotton seed house, and storage buildings, were also part of the original setup.

In 1896, D. A. Tompkins designed the two-story brick cotton mill, complemented by a one-story east boiler and engine room wing, and a 125-foot-tall freestanding round smokestack. Production commenced on August 1, 1898. Subsequent improvements included updates to the oil mill equipment in 1903, enabling the ginning of 1,500 bales of cotton during the 1903-1904 season. Additional expansions and enhancements were carried out in subsequent years to increase the mill's manufacturing capacity.

Throughout the years, various additions, including a 1918 expansion and subsequent constructions like a garage/workshop and reservoirs, were completed to support the mill's operations. Some structures were demolished over time, while others, such as the smokestack, garage/workshop, and reservoirs, have been preserved to this day. The mill and its associated resources possess the necessary historic integrity to qualify for National Register designation, meeting the criteria of location, setting, feeling, association, design, materials, and workmanship.

Project Name:	Kendall Project		
Street Address/Location:	Kendall Mill, 100 CTC Drive, ,		
City:	Edgefield	County:	USA
State:	South Carolina	Zip:	29824
MSA:		CensusTract:	

The Project

The proposed Addison Mill Lofts is an upcoming residential community comprising 100 rental units, thoughtfully adapted from the former Kendell Mill, located near downtown Edgefield. The project will be partly financed through a USDA Section 538 loan, resulting in all units being designated for households earning up to 115 percent of the Area Median Income (AMI). However, due to the majority of renter households in the area earning below this threshold and the competitive rents offered, the community will effectively function as a market-rate rental community.

Addison Mill Lofts will target moderate-income renter households, appealing primarily to single individuals and couples. The majority of the community will consist of one and two-bedroom units, making up approximately 80 percent of the total units. A smaller number of three-bedroom units will be available for smaller households seeking more space and possibly families with children.

The residential community will be housed in a well-designed two-story building with a terrace level, featuring elevators and interior corridors for accessibility. Its all-brick exterior, adorned with large fixed-pane windows and architectural elements reminiscent of its former use as a mill, will add character to the development. The main mill building will be surrounded by a looping access road/parking lot known as CTC Drive on the northern half of the site, while an accessory building will house the community's management/leasing office and indoor amenities on the southwestern side, adjacent to the western parking lot. The southern half of the site, heavily wooded, will remain undeveloped.

The 100 residential units will be distributed as follows: 23 one-bedroom units (23 percent), 57 two-bedroom units (57 percent), and 20 three-bedroom units (20 percent). The unit sizes, measured in gross heated square feet, are comparable to those of existing communities in the area.

One-bedroom units will have one bathroom and measure 610 gross heated square feet, with proposed net rents ranging from \$703 to \$950 or \$1.15 to \$1.56 per square foot. Two-bedroom units will have two bathrooms and encompass 940 gross heated square feet, with proposed net rents ranging from \$845 to \$1,405 or \$ 0.90 to 1.50 per square foot. Lastly, the three-bedroom units will feature two bathrooms and cover 1,007 gross heated square feet, with proposed net rents ranging from \$975 to 1,510 or \$0.97 to \$1.50 per square foot.

Addison Mill Lofts offers an impressive array of unit features and community amenities, ensuring residents enjoy a comfortable and modern living experience. The residential units are equipped with energy-efficient stainless-steel appliances, including a refrigerator with an ice maker, range, dishwasher, and microwave, making daily chores a breeze. The kitchen boasts elegant solid surface countertops, while residents have the option of either hardwood or polished concrete flooring, adding a touch of sophistication to their homes. Convenience is at its peak with in-unit washers and dryers, and the high ceilings and window blinds create a spacious and inviting ambiance. The loft architectural elements, such as exposed brick walls and wood beams in select units, provide a unique and charming living environment. Some units even come with loft workspaces, ideal for professionals seeking a versatile home office setup.

Beyond the individual units, Addison Mill Lofts' community amenities are designed to foster a sense of community and enrich residents' lives. The community room features a resident lounge and a fully equipped kitchen, providing an ideal space for social gatherings and events. For those who need to stay connected, a computer center is readily available. A fitness center ensures that residents can maintain an active lifestyle without leaving the premises. Elevators offer ease of access throughout the building, while the dog park and pet spa cater to residents with furry companions, providing ample space and facilities for their pets to enjoy. Bike storage and tenant storage closets allow for convenient organization and storage solutions. Parcel/package lockers offer a secure and efficient way to receive deliveries. To further enhance residents' connectivity, free WIFI is available in the community room. Finally, a park area provides a tranquil and green space where residents can unwind and enjoy the outdoors. With these unit features

and community amenities, Addison Mill Lofts stands as a vibrant and inclusive community, offering a delightful living experience for its residents.

Development Type:	Acquisition / Adaptive Re-use				
Development Design:	Historic Conversion / Renovation				
Year Built:	1896				
Targeted Demographic:	Family				
Number of Units:	100				
Unit Breakdown Summary:	BR	Bath	# Units	Heated Area	Net Rents
	1	1	5	610 SF	\$703
	1	1	6	610 SF	\$900
	1	1	12	610 SF	\$950
	2	2	12	940 SF	\$845
	2	2	45	940 SF	\$1,405
	3	2	4	1,007 SF	\$975
	3	2	16	1,007 SF	\$1,510
Unit Amenities Summary:	Energy efficient stainless appliances including a refrigerator with icemaker, range, dishwasher, and microwave, Solid surface kitchen countertops, Hardwood or polished concrete flooring, In-unit washers and dryers, High ceilings, Window blinds, Loft architectural elements including exposed brick walls and wood beams (columns and ceilings), Loft work space (select units)				
Project Amenities Summary:	Community room with resident lounge and kitchen, Computer center, Fitness center, Elevators, Dog park, Bike storage, Tenant storage closets, Parcel/package lockers, Free WIFI in community room, Pet spa, Park area				

Financing

The project will be financed using conventional debt, state and federal historic tax credit equity, State Mill Credit. The developer is currently reviewing proposals from construction and permanent lenders for a construction/permanent loan of approximately \$ 12,971,912. It is anticipated the loan documents will include a Subordination and Non-Disturbance Agreement ("SNDA") or satisfactory forbearance language to cover the term of the historic tax credit compliance period. An affiliate of Dubin Guru Group will syndicate the state and federal historic tax credits. This equity contribution shall satisfy any HVCRE Banking Regulations as required by lenders.

Tax Credit Information

The project is expected to yield approximately \$4,741,051 in Federal Historic Tax Credits, in addition to an anticipated \$2,370,525 in State Historic Tax Credits and \$5,926,313 in Textile Mill Credits. Carolina Historic DG Redevelopment I, LLC, a South Carolina limited liability company (referred to as the "Taxpayer"), acquired the historical Kendall Mill property, commonly known as TMS No. 137-08-01-042-000, situated at 100 CTC Drive, Edgefield, South Carolina (hereafter, the "Property"). The intention behind the acquisition is to restore and rehabilitate the property in a manner that qualifies for South Carolina income tax credits under the South Carolina Textiles Communities Revitalization Act, S.C. Code Section 12-65-10 et. seq. (the "Act").

The Market

Drawing from our analysis of absorption histories from three near-market communities and considering various market factors, Addison Mill Lofts is expected to experience a steady lease-up rate. The property's competitive site location and appeal to the intended target markets are favorable aspects contributing to its positive outlook. Moreover, the stable aggregate vacancy rate of 4.8 percent among all surveyed near-market rental communities, coupled with a modest projected household growth of 45 households per year in the market area, further reinforces this positive projection.

Real Property Research Group (RPRG) conducted a comprehensive market study, which included an analysis of absorption histories from three near-market communities and various market factors. Based on this thorough analysis, Addison Mill Lofts is projected to maintain a steady lease-up rate. Over the past 12 years, the market area surrounding the property has consistently witnessed household growth, and this trend is expected to continue for the next five years. The net demand analysis indicates a sufficient market capacity to support the subject property, with an additional demand for 40 units over the next three years. Furthermore, there are enough income-qualified renter households in the market area, capable of supporting both existing comparable units and the subject property at the proposed rents.

Considering its competitive site location, appeal to the intended target markets, and competitive rental rates, Addison Mill Lofts is poised to attract prospective tenants. The introduction of the property's units is not expected to have a negative impact on existing rental communities, given the scarcity of comparable housing in the market area and the stable regional rental market conditions. As a result, the general occupancy for multi-family rental stock in the market area is projected to remain at 95 percent or higher in the near term.

The market study conducted by RPRG reinforces the project's potential for success and its positive impact on the local economy. Addison Mill Lofts is positioned to meet the demands of its target demographic and address the shortage of market-rate rental housing in the region. The competitive product is anticipated to be well-received by moderate-income renter households living and working in the area. Based on these findings, the project is projected to achieve success upon its entrance into the rental market.

Development Team

Developer:

The Dubin Guru Group ("DG") is a Chicago-based real estate development firm that has been in business for over 30 years and has developed over 1,200 residential units to include historic conversions for multifamily rental housing and high-end for-sale condominiums. Additionally, DG has developed over 50,000 square feet of community-impact commercial and retail space. DG's trademark is its ability to work closely with local officials to structure complex public-private partnerships that leverage TIF, CDBG, Tax Abatements, brownfield remediation programs, and other subsidies. DG's portfolio is predominantly located in Illinois and Minnesota with expansion plans to include Iowa, Texas, and West Virginia.

Co-Developer and Guarantor:

To be determined

Historic Consultants Team:

For the first part, the company enlisted the expertise of Fearnbach History Services, Inc., as a Historic Advisor led by the renowned native of Winston-Salem, Heather Fearnbach. Heather's academic journey spanned multiple states, including North Carolina, Mexico, New York, and Arizona, where she pursued her undergraduate studies. She further honed her skills by undertaking graduate coursework in Tennessee and North Carolina. With a passion for preserving historical heritage, Heather returned to her hometown in 2003 and established Fearnbach History Services, Inc. in May 2008.

With Heather Fearnbach and Fearnbach History Services, Inc. as the project's historic advisor, the team gained valuable insights into preserving the region's historical significance while navigating the intricacies of heritage conservation.

After the successful approval of the first part, the remaining part was done under the meticulous guidance of Dubin Guru Group (DGG) and the expertise of architect James Maynard. With Part 1 setting a strong foundation, the team was well-equipped to tackle the subsequent part and got it approved. For more information about James Maynard refer Project Architect section of this report.

General Contractor:

Currently, Dubin Guru Group is actively engaged in the bidding process for the General Contractor position. The company anticipates finalizing the selection by the end of Dec 2024. We have meticulously vetted and shortlisted three highly experienced and reputable General Contractors for the project.

Project Architect:

Per the architect's website, James Maynard is an accomplished architect with a wealth of experience in residential design spanning over 20 years, complemented by a decade of expertise in retail design. He earned his architecture degree from Virginia Tech in 1999.

Central to James's approach is the belief that every client's vision should be fully expressed and celebrated in the final built design. He engages closely with clients to craft architecture that goes beyond mere functionality, embracing beauty and timelessness as key elements. One of his clients aptly described the experience as "like coming home, but better."

For more detailed information about James and his work, please visit www.maynardarchitect.com.

Project Level and HTC Syndication Counsel:

Naganat Guru, (“Guru”), the Partner and CFO of the Project is actively engaged with investors and syndicators. . The much-awaited term sheet is expected in the near future.

The Project is likely to have a few counsels. The lead tax credit counsel is Chris Rogers who is a very experienced counsel in such matters. Per his LinkedIn profile, Chris earned his Juris Doctor and Master of Business Administration degrees from the University of South Carolina. In addition, he earned a Master of Laws in Taxation from the University of Florida. From this multi-dimensional perspective, Chris counsels business, real estate, and nonprofit clients on a wide variety of matters. Chris may collaborate with other legal professionals given the complexity of the Project.

Project Accountant:

Mr. David M. Herdlick is the third party accountant. . David M. Herdlick, Certified Public Accountant (CPA) and founder of Herdlick Tax Credit, LLC. With a specialization in tax credit consulting, Mr. Herdlick's expertise revolves around various tax credit projects at both the federal and state levels within the United States. He is particularly well-versed in historic tax credits, different State credits, low-income housing tax credits, new markets tax credits, and renewable energy tax credits. For more information on David M. Herdlick, please visit <http://herdlicktaxcreditllc.com>.

Pictures Follow

Exterior Photos



Interior Photos

