



Bakersville Property – A Place for New Housing?

Presented By:

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31 College Place, Building B
Asheville, NC 28801
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Overview

- Property Basics (Location, History, etc.)
- Tax Credit Standards
- Real Estate Market
- Urban Redevelopment Law
- Brownfields
- Lead and Asbestos Abatement



Bakersville Location

- 0.57 miles South of E. Main Street
- 0.72 miles North of US 74A Bypass



E Main Street

Oakland Road

Withrow Road

74A Bypass

K Mart (Closed)





History of the Property

- Rental units built by Mr. A.R. Thompson around 1959 and 1964.
- Sold by the A.R. Thompson Estate over 25 years ago.
- Property records indicate that the property has been bought and sold several times in the last 25 years.
- Current owner, Mr. Gerald Mcclamrock, purchased in 1998.
- There were more buildings on the property in the past. Some have been torn down and others have burned.



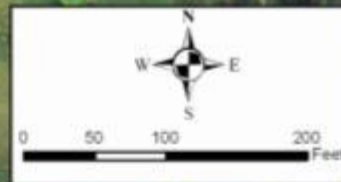
What is on the Property

- Currently 19 houses
- All but one is vacant
- All made of cinder block walls, slab floors
- Buildings are without heat, air conditioning, or insulation
- Approximately 672 square feet of living space in each house
- 5 built in 1959
- 14 built in 1964
- 2007 Tax Value: \$39,000 (19 houses)
- All but one listed as “Not Livable” by the tax assessor’s office, one is “Badly Worn”

Watts Drainage

Power Substation

TRP Bumper Service









Parcel and Land Use

LAND

- 3.21 Acres
- 2007 Tax Value: \$27,200
- Zoned R-20

R-20 (Multi-Family Residential)

- The R-20 district allows for multi-family dwellings. The first dwelling unit requires 20,000 square feet of land. Each additional dwelling unit can have 5,000 square feet.

SURROUNDING LAND USES

Adjoining Zoning

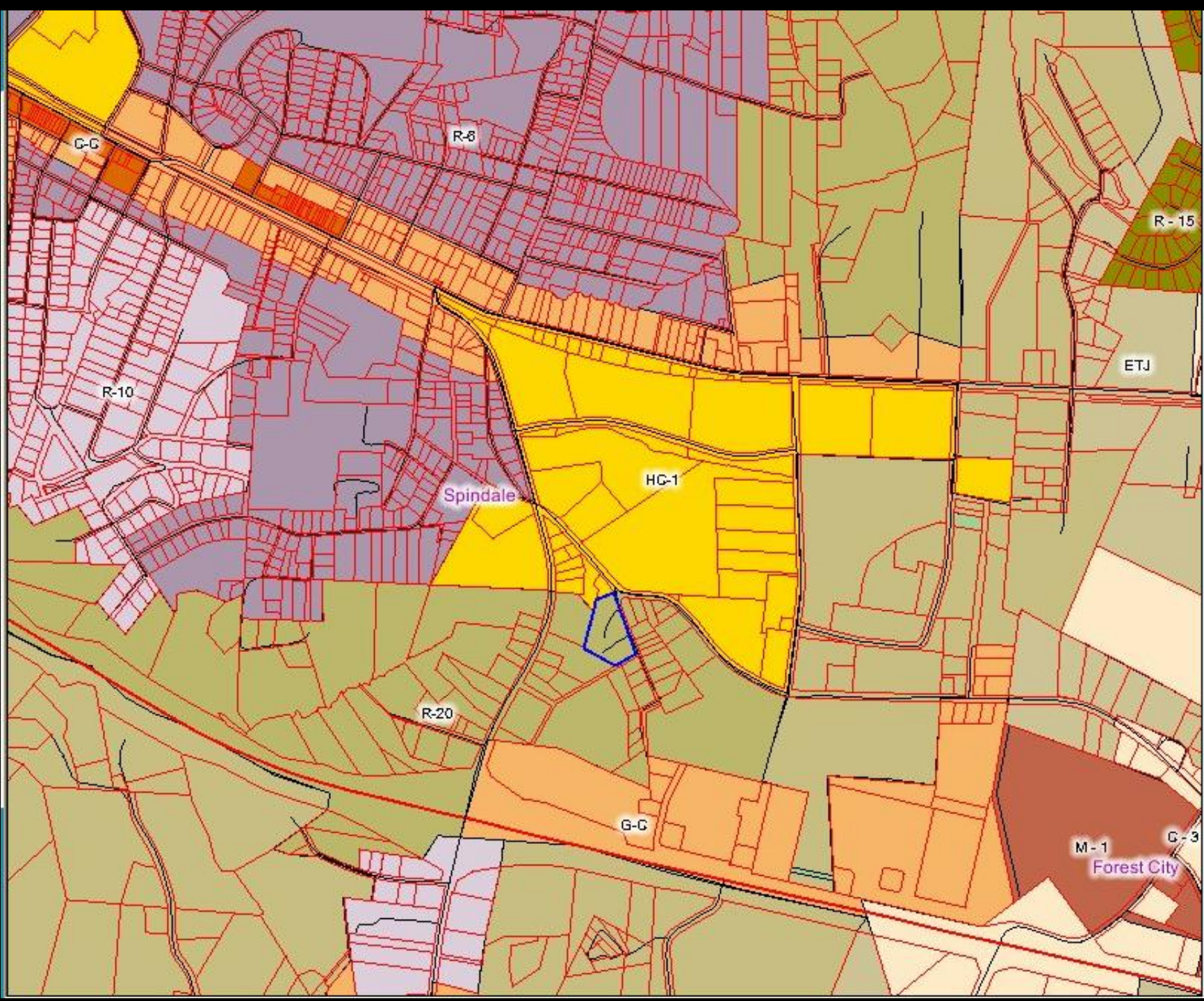
- R-20
- HCI (Heavy Commercial Industrial)

Areas Near the Property, Not Adjoining

- R-6
- GC (General Commercial)
- County (No zoning)

Uses

- Industrial
- Institutional
- Commercial
- Residential





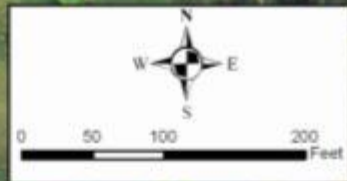
Environmental Concerns

- Lead paint
- Asbestos flooring and/or pipe covering
- Septic system
- Potential contamination from the scrap yard bordering the southwest corner of the property (ground water contamination, metals, petroleum products)

Watts Drainage

Power Substation

TRP Bumper Service





Demolition Costs/Tipping Fees

- Estimated Costs: \$1,500-\$4,000/house
- Total Cost: \$28,500 - \$76,000 +



Conversation with Gerald Mcclamrock

- Mr. Mcclamrock purchased the property for rental income. Over the years, he has stopped renting all but one of the units.
- Would eventually like to rent some of the houses again. He wants to retire and hopes to have income from the units.
- Open to further conversation and wants to be kept in the loop.
- Is willing to think about an offer if it was brought to him.
- In the past, the Town of Spindale has had to put pressure on Mr. Mcclamrock to maintain the property. Recently he has kept the buildings boarded and the property in decent condition.



Tax Credit Eligibility and Highest and Best Use (Real Estate Market Perspective)



Tax Credits

- Now finance virtually all the new affordable rental housing built in the United States (www.nchfa.com/Rental/RDweoffer.aspx)
- Inject equity into a project so that rents can remain below a community's market rate.
- Administered through the NC Housing Finance Agency (NCHFA).
- Administrative rules and requirements are written by the Internal Revenue Service, NC General Assembly, and NCHFA.



Tax Credit Applications — Selection Criteria

Prior to submitting the application the developer must have:

- A site that will accommodate the number and type of units proposed.
- **Site control in the form of an option, contract, or deed.**
- A plot plan.
- Required zoning (prior to full application submission).
- Utilities to serve the site (water, sewer, electricity).
- Access to the site by publicly maintained roads or a plan and budget to get road and utilities to the site.



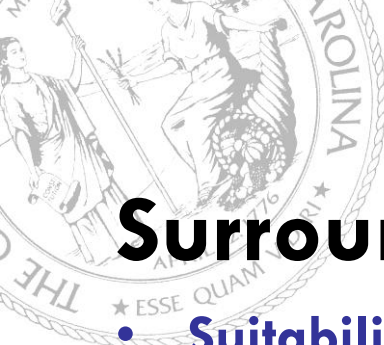
Selection Criteria—Cont'd

Site Score Evaluation

- Evaluation of land uses within one-half mile of the site.

Neighborhood Characteristics

- Trend and direction of real estate development
- Area economic health
- Physical condition of buildings and improvements
- Concentration of affordable housing



Selection Criteria—Cont'd

Surrounding Land Uses and Amenities

- **Suitability of surrounding development.**
- **Land use pattern is residential in character (single and multifamily housing) with a balance of other uses (particularly retail and amenities).**
- **Availability, quality and proximity of services, amenities and features.**
- **Effect of industrial, large-scale institutional or other incompatible uses, including by not limited to: wastewater treatment facilities, high traffic corridors, **junkyards**, prison, landfills, large swamps, distribution facilities, frequently used railroad tracks, **power transmission lines and towers, factories or similar operations,** sources of excessive noise, and **sites with environmental concerns.****
- **Amount and character of vacant, undeveloped land.**



Site Criteria—Cont'd

Site Suitability

- Adequate traffic controls
- Burden on public roads
- Access to mass transit (if applicable)
- Degree of on-site negative features and physical barriers that will impede project construction or adversely affect future tenants; for example: **power transmission lines and towers**, flood hazards, steep slopes, large boulders, ravines, year-round streams, wetlands or other similar features
- **Similarity of scale and aesthetics/architecture between project and surroundings**
- **Visibility of buildings and location of project sign(s) in relation to traffic corridors.**



Tax Credit Market Analysis

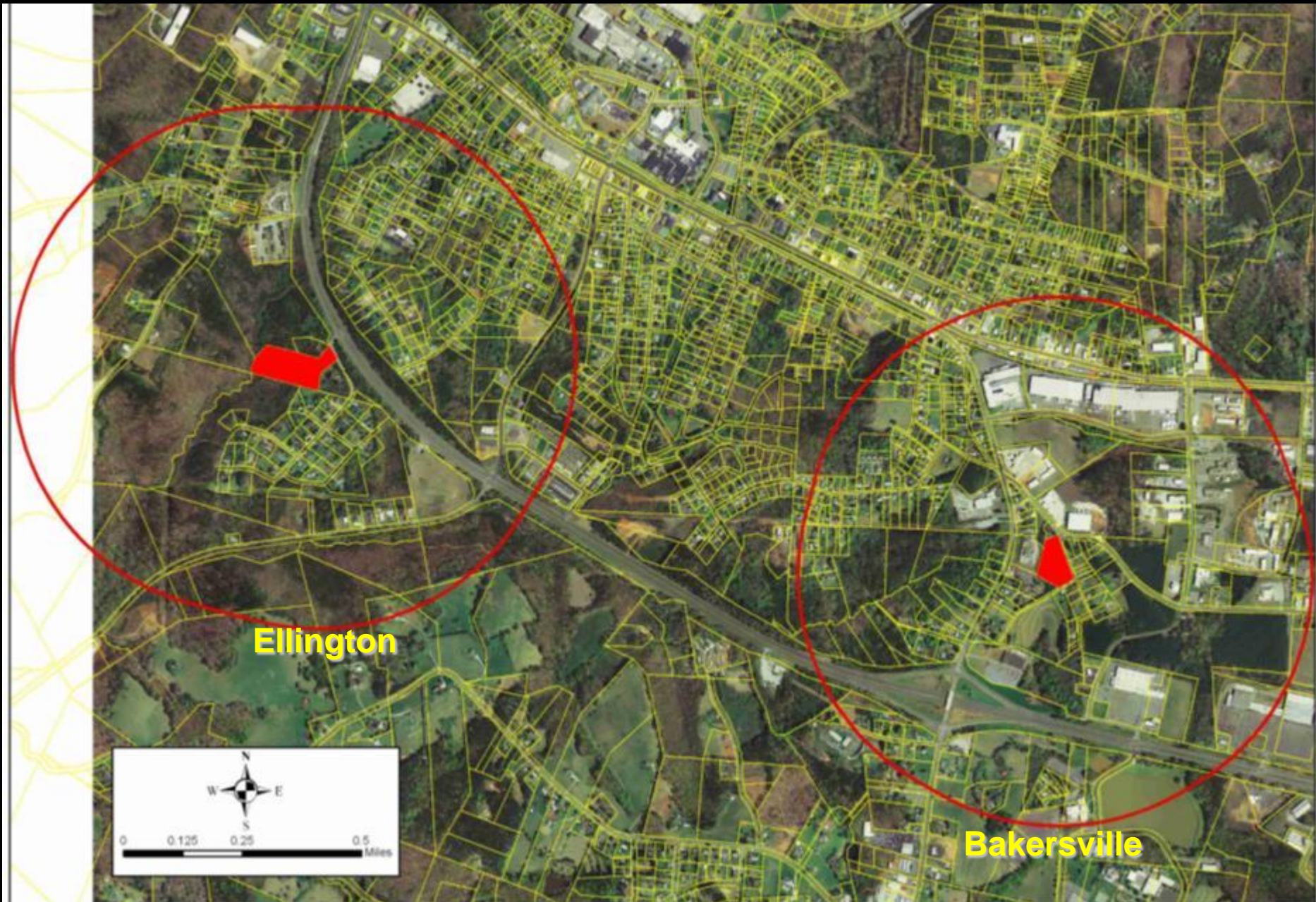
- Looks at four criteria:
 - **Capture rate**
 - A community's demand for a particular type of unit
 - The proposed project's affect on that demand
 - How much of the market need is “captured” by the proposed project
 - Absorption rate
 - How quickly the new units will be rented
 - Vacancy rate of comparable properties
 - Effect on existing or awarded tax credit properties

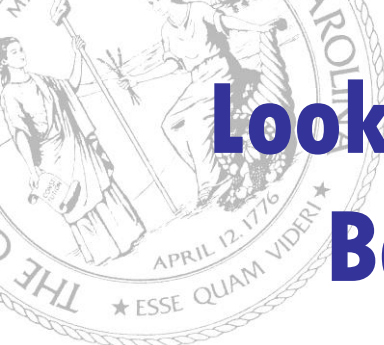


Other Selection Criteria

- Use of Federal Rental Assistance
- Mortgage Subsidies and Leveraging
- Tenant Rent Levels
- Project Development Costs
- Development Capability of the Project Team
- Unit Mix and Project Size
- Special Criteria and Tiebreakers

Red Circles = 1/2 Mile Radius from Property Boundaries

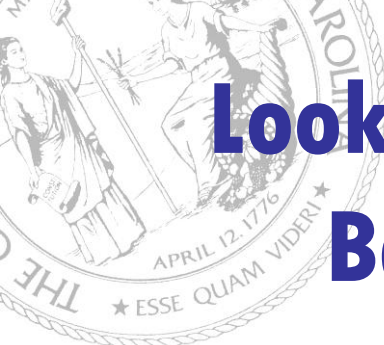




Looking at the Numbers—Comparing Bakersville to Ellington Heights

	Bakersville		Ellington Heights	
Number of Parcels	354		340	
Total Acres	630		842	
Acres Vacant	175	28%	437	52%
Acres Built	454	72%	405	48%

Total Tax Value of Area (Current Tax Records)	\$ 72,836,050		\$ 25,510,550	
Residential	\$ 10,125,550	14%	\$ 15,941,950	62%
Commercial	\$ 41,041,700	56%	\$ 4,070,300	16%
Industrial	\$ 1,530,800	2%	\$ 1,077,200	4%
Institutional	\$ 12,468,200	17%	\$ 375,900	1%
Other (Church, Govmnt)	\$ 6,031,800	8%	\$ 953,100	4%



Looking at the Numbers—Comparing Bakersville to Ellington Heights

	Bakersville		Ellington Heights	
Total Value of Residential	\$ 10,125,550		\$ 15,941,950	
% Building	\$ 4,499,300	44%	\$ 12,962,050	81%
% Land	\$ 6,608,050	65%	\$ 3,261,400	20%

Housing Tenure				
Owner Occupied	80	41%	112	55%
Not Owner Occupied	95	48%	55	27%
Unknown*	22	11%	36	18%
Total	197	100%	203	100%

*Unknown indicates a PO Box address or incomplete tax record.



Site is Not Appropriate for a Tax Credit Development—Why?

- Trend and direction of real estate development leans toward industrial and commercial.
- Economic health of the area is weak—as demonstrated by the low value of housing.



Site is Not Appropriate for a Tax Credit Development—Why?

- Physical condition of the residential units in the area. (As reported in Rutherford County Tax Records)

Property Tax Ratings

	BV	EH
Average	15%	92%
Fair	54%	5%
Poor	7%	0%
Not Listed	24%	3%



Site is Not Appropriate for a Tax Credit Development—Why?

- Land use pattern is not residential in character
- Power substation
- Junkyard/Scrap yard
- Potential for environmental problems
- Won't do well on the market analysis for the above reasons.
- Low capture rate (small property)



Real Estate Market Perspective

Conversation with Mr. John Padgett, Broker in Charge at John F. Padgett Real Estate and Auction Sales, on April 5, 2007.

Mr. Padgett has been involved with real estate in Rutherford and surrounding counties since 1967. He is very knowledgeable about the County's real estate market.



Best Use Is Commercial/Industrial

- Mr. Padgett believes the Bakersville property is best suited for some type of industrial use. Supporting reasons for **industrial/commercial use** include:
 - Proximity to the Duke Power Substation along the West side of the property.
 - Electricity availability to business—from the substation (Positive).
 - Proximity to other industrial and commercial businesses.
 - Proximity to 74A Bypass and other road connections.
 - Availability of surrounding vacant land around the property. The parcel can be expanded through additional land purchases.
 - Not closing in on a large residential area.
 - Level ground (if cleared).
 - Water and sewer access can easily be brought to the site.
- Estimate Listing Price: \$30-35,000/acre; \$96,300 – \$112,350 for 3.21 acres



E Main Street

Oakland Road

Withrow Road

K Mart (Closed)





Why Not Residential?

Supporting reasons against residential include:

- Duke Power Substation is a detractor. Mr. Padgett provided an example of a subdivision development southeast of Forest City that has lots very close to a power substation. The developers of this subdivision have had difficulty selling them.
- Proximity to TRP Bumper Service (junk yard) is also a detractor.
- The commercial and industrial uses around the property make new residential construction less desirable.
- It would be difficult for a for-profit builder to make a profit if building residential units if they needed to be subsidized.



Other Thoughts...
Urban Redevelopment Law
Brownfield Agreement
Lead and Asbestos



Urban Redevelopment Law

- NC General Statutes--160A-500 to -527, Urban Redevelopment Law
- Define Redevelopment Area/Conduct Redevelopment Study-- §160A-503 (16)
- Appoint a Redevelopment Commission §160A-503 (5)
- Adopt a Redevelopment Plan §160A-503 (18)
- Citizen Involvement Requirements



Urban Redevelopment Law

- Blighted Residential Area--§160A-503 (16), §160A-503 (2)
 - Primarily residential in character
 - 2/3 of counted buildings contributing to blight
- Nonresidential Development Area--§160A-503 (16), §160A-503 (10)
 - Predominantly non-residential
 - 1/2 of counted buildings contributing to blight
- Rehabilitation, Conservation and Recondition Area §160A-503 (21); §160A-503 (10)
 - Must be one of the above (not both)
 - Looks at buildings that are blighted or contribute to blight
 - Addresses areas that may become blighted without intervention.



Brownfield Agreement (EPA)

- If the property is contaminated from the junkyard or other factors.
- Junkyards are known to produce subsurface contamination (petroleum, metals).
- Brownfield cleanup standards are based on the projected end use.
 - Housing—more stringent cleanup standards
- Evaluates the public health risk vs what can be managed.



Brownfield Agreement (EPA)

- Come to the program with the end use in mind and a site plan in hand
- Pre-planning helps determine the scope of the assessment
- Evaluate business use/economic value of entering the program
 - Need to be prepared to move slowly (not appropriate for someone who needs to move quickly)
- Grants are not available to for-profits
- Town could apply for a grant and sell it at the end of the process (Town would be eligible for grant)



Brownfield Agreement (EPA)

- For more information, contact:

Tracy Wahl (NC DENR Employee)

Land of Sky Regional Council

Regional Brownfields Representative

(828) 251-6622 Ext. 150

Email: tracyw@landofsky.org



Lead and Asbestos

- If there is lead and asbestos in the houses:

Jeff Dellinger

NC Dept. of Health and Human Services

Division of Public Health

Phone: (919) 707-5972

Email: jeff.dellinger@ncmail.net

<http://www.epi.state.nc.us/epi/lead/lhmp.html>



QUESTIONS