



# Vaughan Furniture Building

Galax, VA | Spring 2021



# EXECUTIVE SUMMARY

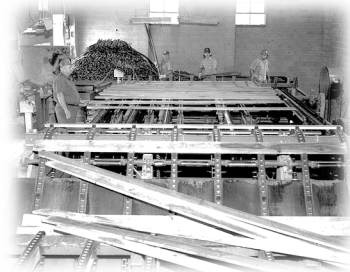
- The Vaughan Furniture Building (the “VFB”) is a unique opportunity to **transform an historic downtown** with a mixed-use live/work/play development
- With 400,000 square feet of **industrial blank canvas** and a **century of historical character**, the vast former factory building is a **bounty of possibilities**
- A quaint Southwest Virginia city at the foot of the Blue Ridge Mountains, Galax is conveniently located and well known for its **abundant outdoor recreational activities** and **rich musical heritage**
- The building’s local ownership group is **motivated and engaged**, actively seeking development, investment, and operator partners while maintaining a **steadfast commitment to the community**



# HISTORY OF THE VAUGHAN FURNITURE COMPANY

**1923 - 1930**  
Vaughan expands from one building to six, employing nearly 270 people by 1930

**1938**  
All ~270 employees strike after a pay reduction, leading to a stockholder vote to liquidate; 200 employees return in 1939 and later unionize



**1956 - 1965**  
Buildings 8, 9, 10, and 11 constructed

**1976**  
Vaughan purchases half interest in Webb Furniture Enterprises

**1991**  
Vaughan builds the Chestnut Creek Veneer Plant

**1995**  
Building 7 constructed



**2015**  
Vaughan permanently shuts its doors

1920      1930      1940      1950      1960      1970      1980      1990      2000      2010      2020

**1923**  
Brothers Taylor G. Vaughan, Sr. and Bunyan C. Vaughan found the Vaughan Furniture Company, specializing in dining room furniture

**1937**  
The *Galax Gazette Rotogravure* calls Galax “the second largest furniture manufacturing center in the state”



**1969**  
Vaughan purchases the Empire Furniture Corp. of Stuart

**1973**  
Vaughan builds B.C. Vaughan Plant



**1984**  
Vaughan builds E.C. Dodson plant

**1998**  
Vaughan’s six plants employ >2,200 people

**2003**  
Vaughan joins Bassett Furniture and others to advocate that the U.S. government investigate imported furniture practices

# THE VAUGHAN FURNITURE BUILDING

## KEY FACTS

- Street Address:** 100 T George Vaughan Jr. Road
- City / State:** Galax, VA
- Total Square Feet:** ~400,000 over 11 attached buildings
- Site:** 5.2 acres
- Years Constructed:** 1923 - 1995
- Architecture:** Commercial / industrial
- Exterior:** Primarily brick, some metal
- Prior Use:** Furniture factory / warehouse
- Vacant Since:** 2015

## THE FACTORY TODAY





# GALAX IS...

- A small, vibrant city of ~7,000 with >100,000 people within a 45-minute drive
- Committed to a thriving downtown with a mix of high- and low-income housing and plentiful shopping, lodging, and restaurants
- Both supportive of redevelopment and protective of its historical and natural assets
- Eager to promote its >\$110 million<sup>1</sup> tourism industry



1) 2019 figure includes Galax and the Twin Counties



# GALAX IS...

- One of two southern terminuses for the New River Trail State Park, which sees >1 million visitors spending >\$25 million annually
  - ~53k hikers enter trailhead across from VFB every year
  - ~19k in daily traffic on VFB's Route 58 northern border
- Conveniently located
  - ~20 minutes to I-77, ~30 minutes to I-81, and ~10 minutes to the NC border
  - ~1.5 hours from Roanoke, ~2 hours from Charlotte, and ~2.5 hours from the Research Triangle



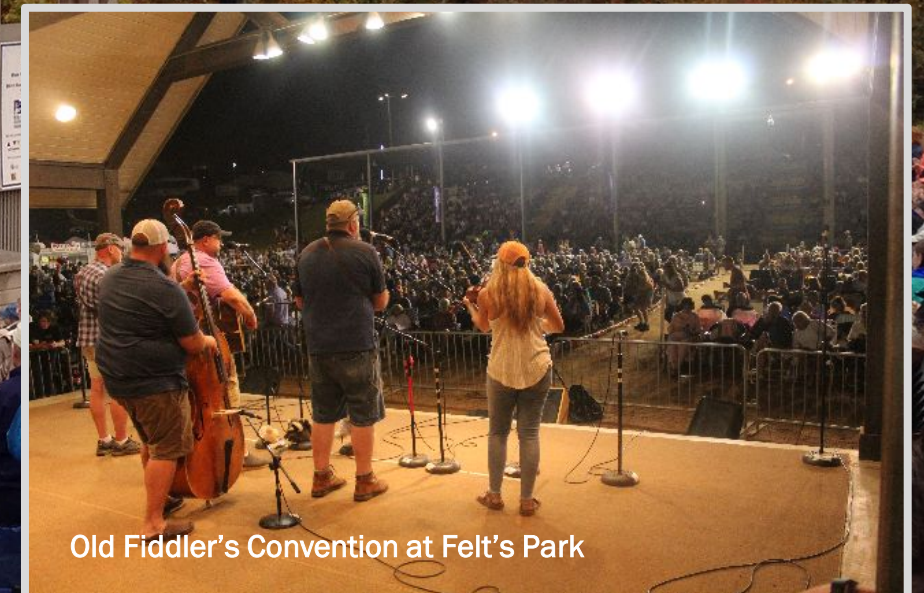


# GALAX IS...

- “World Capital of Old Time Mountain Music”, attracting ~130,000 annual event attendees
- Host of the Old Fiddler’s Convention, the longest running U.S. music festival, since 1935
- ~12 miles from the Blue Ridge Music Center amphitheater at Milepost 213 of the Blue Ridge Parkway
- One of the major venues along The Crooked Road, Virginia’s Heritage Music Trail



# ...HOME TO RICH MUSICAL HERITAGE



Old Fiddler's Convention at Felt's Park

Blue Ridge Music Center



# GALAX IS...

- Ripe for downtown businesses
  - Outdoor outfitters and recreation
  - Specialty food/wine/beer
  - Fine dining and an incubator kitchen
  - “Open” event spaces
  - Boutique hotel
- An attractive place to live
  - Affordable for those wanting to downsize from a large plot of land outside the city
  - “Edgy” adaptive reuse developments are popular with young adults

# ...A DOWNTOWN PRIMED FOR LIVE/WORK/PLAY DEVELOPMENT

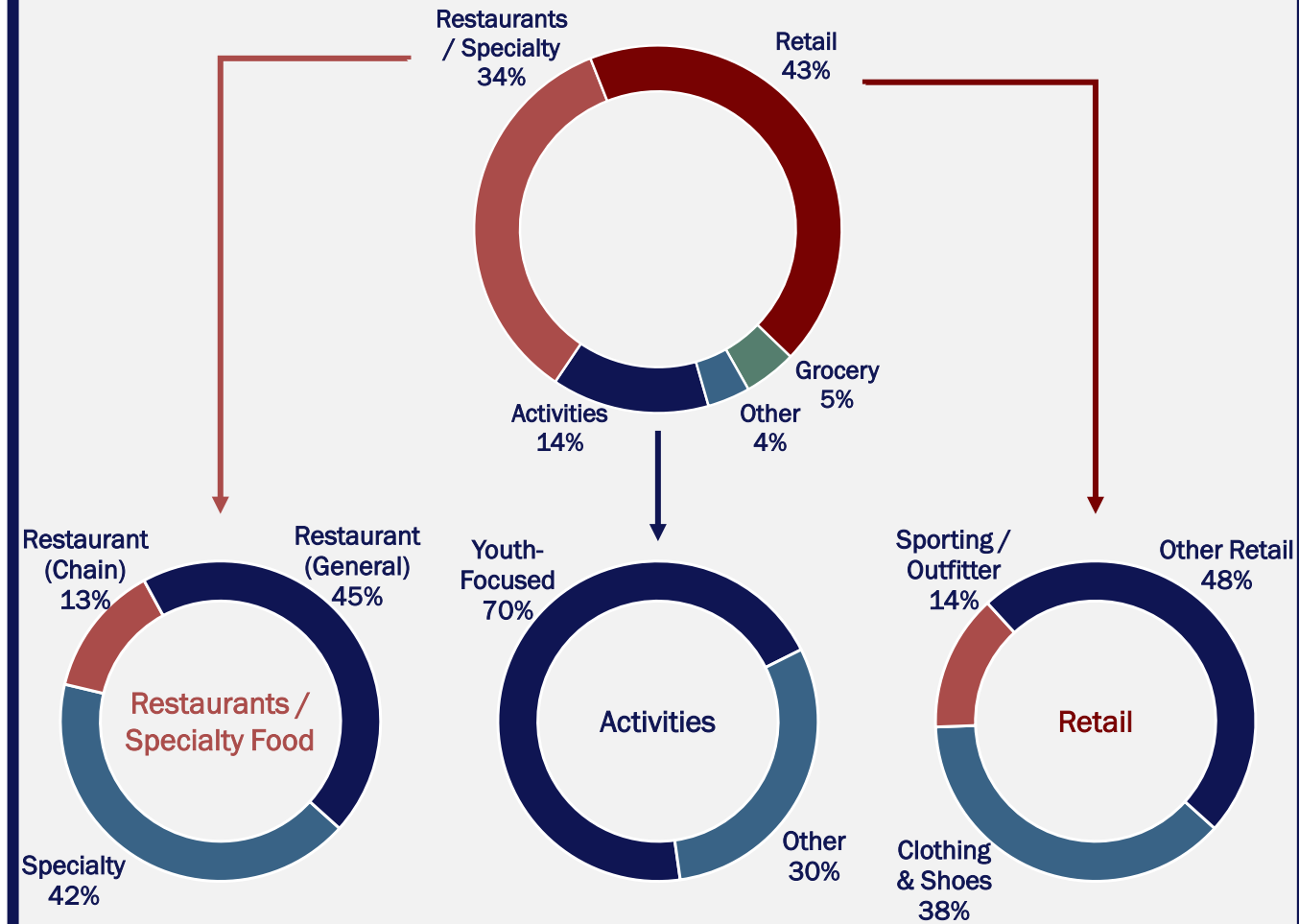




# COMMUNITY FEEDBACK

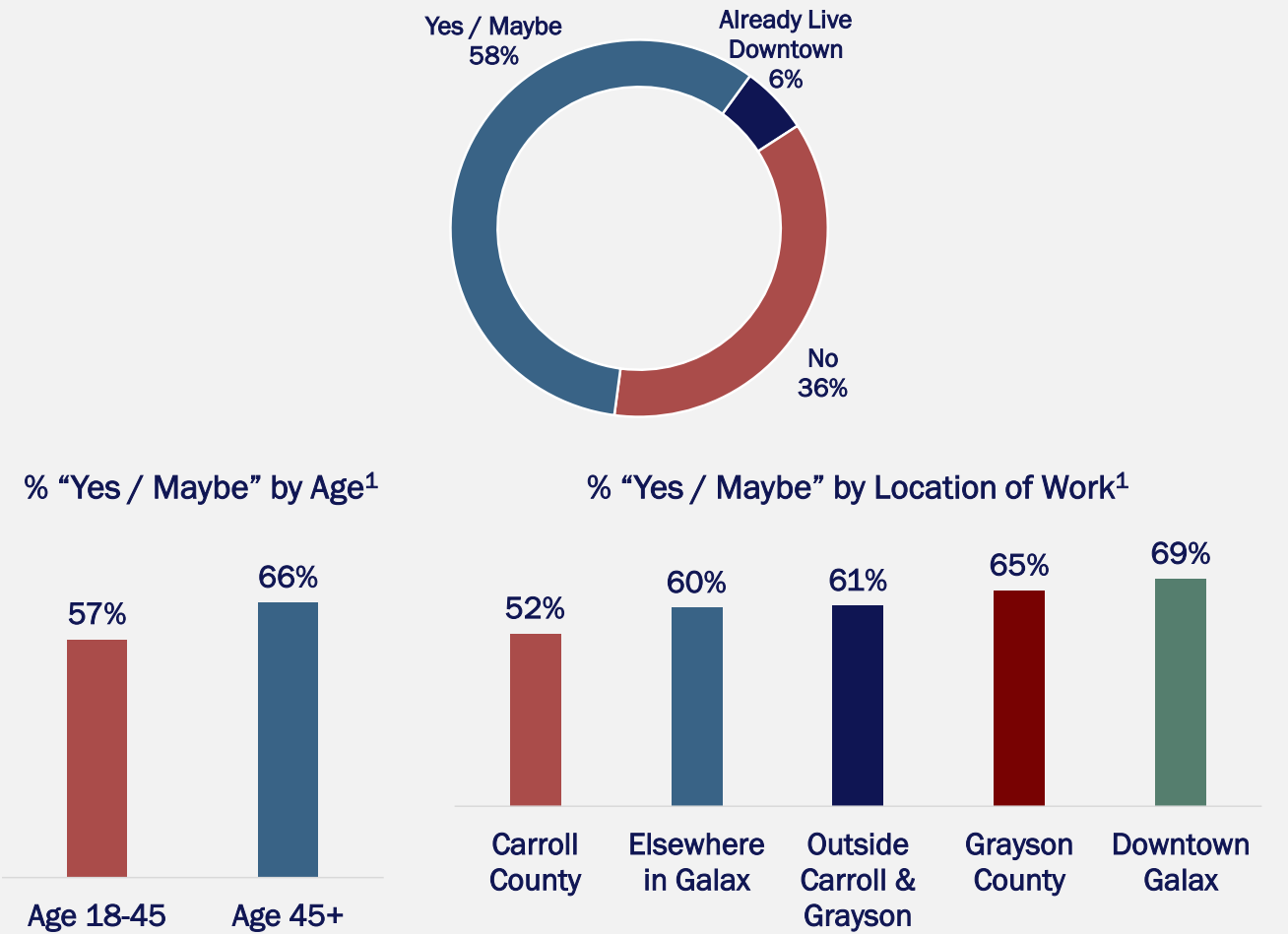
## BUSINESS

What business types would you like to see downtown that are not currently present?



## HOUSING

Would you live in Downtown Galax if you could?



1) Excludes "Already Live Downtown"



# COMMUNITY FEEDBACK, CONTINUED

“Husband wants land to live on. Me not so much. **We are getting too old to continue to keep up our land and house.** Would require a lot of thinking.”

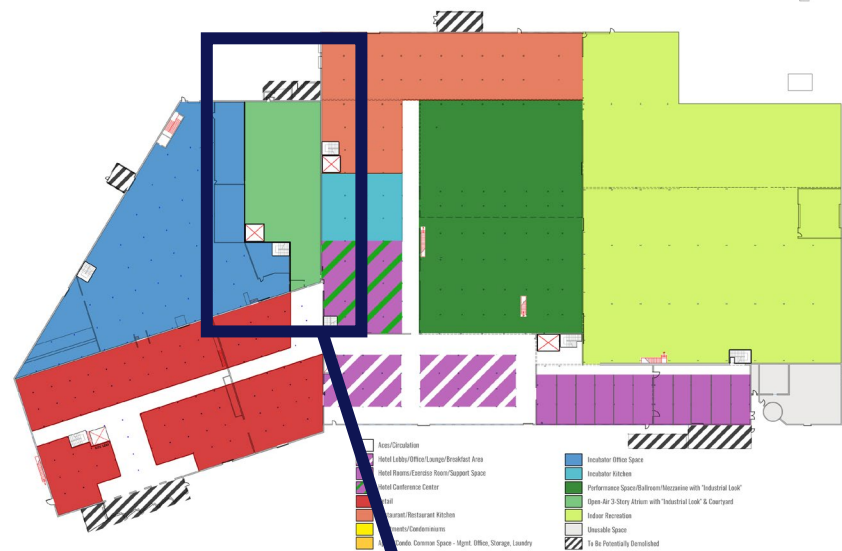
“I think **the downtown area, once amenities and different shopping experiences are completed, would make an excellent community in which to live.** Most living downtown is substandard at this point.”

“Own land outside of town anyway – but **would have rented a loft apartment in a heartbeat and know several who would.**”

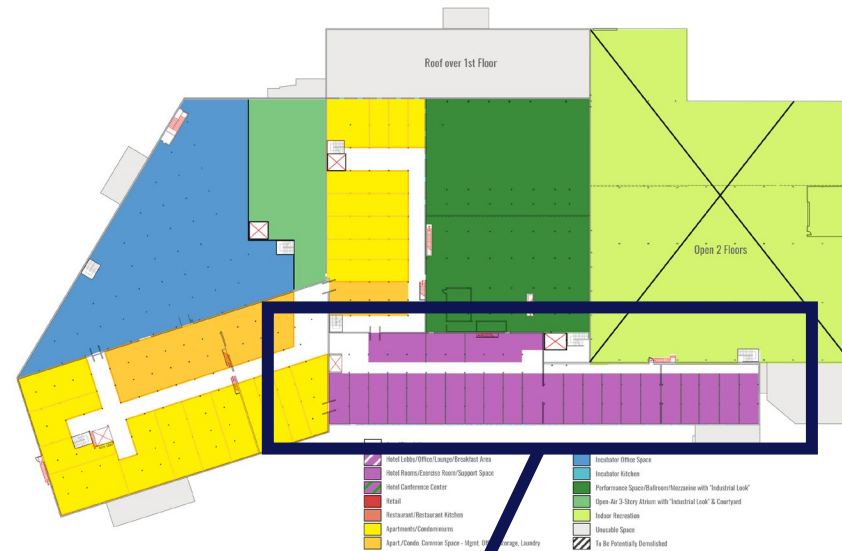


# DEVELOPMENT CONCEPTS

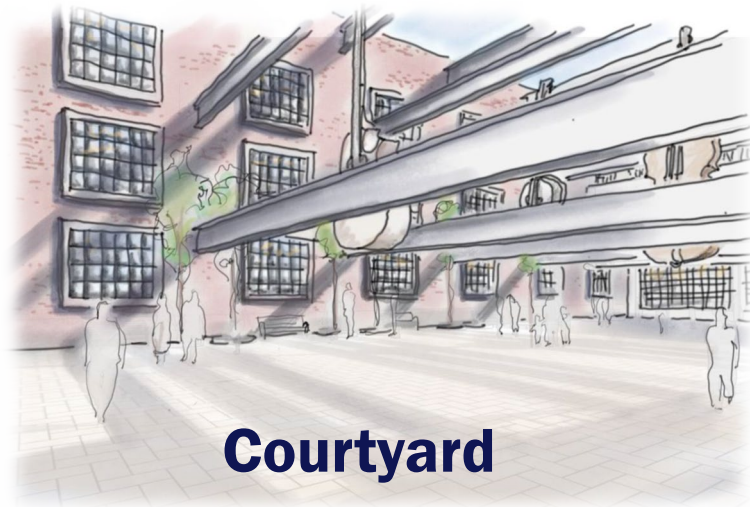
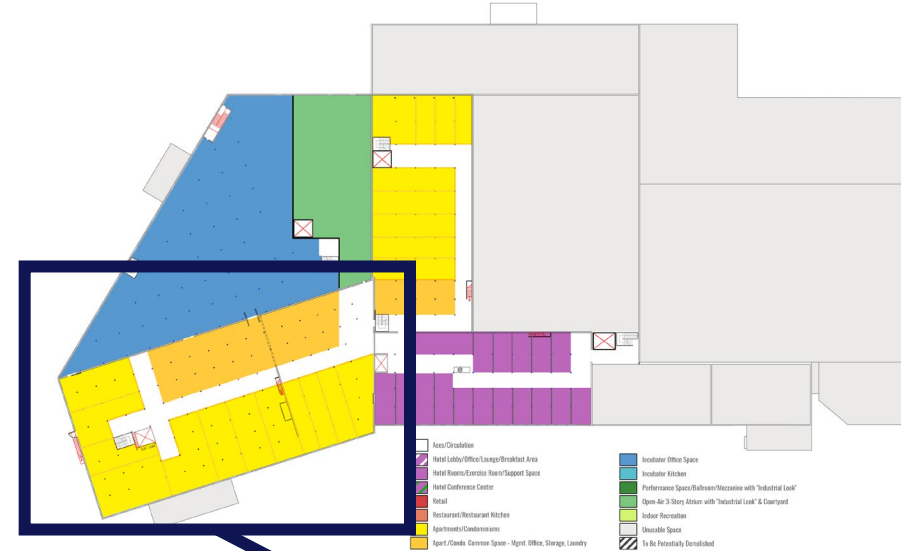
## FIRST FLOOR



## SECOND FLOOR



## THIRD FLOOR



**Courtyard**



**Hotel Room**



**Apartment**



# CASE STUDY: RIVERMILL AT SAXAPAHAW

- Located along the Haw River in Saxapahaw, North Carolina
- Developed by John “Mac” Jordan, a local real estate professional, using historical tax credits
- Cotton mill converted to live/work/play mixed-use complex
- Development includes lofts, apartments, and townhomes and a limited amount of commercial space
  - 51% moderate income housing
  - Includes retail, food and beverage, and coworking space





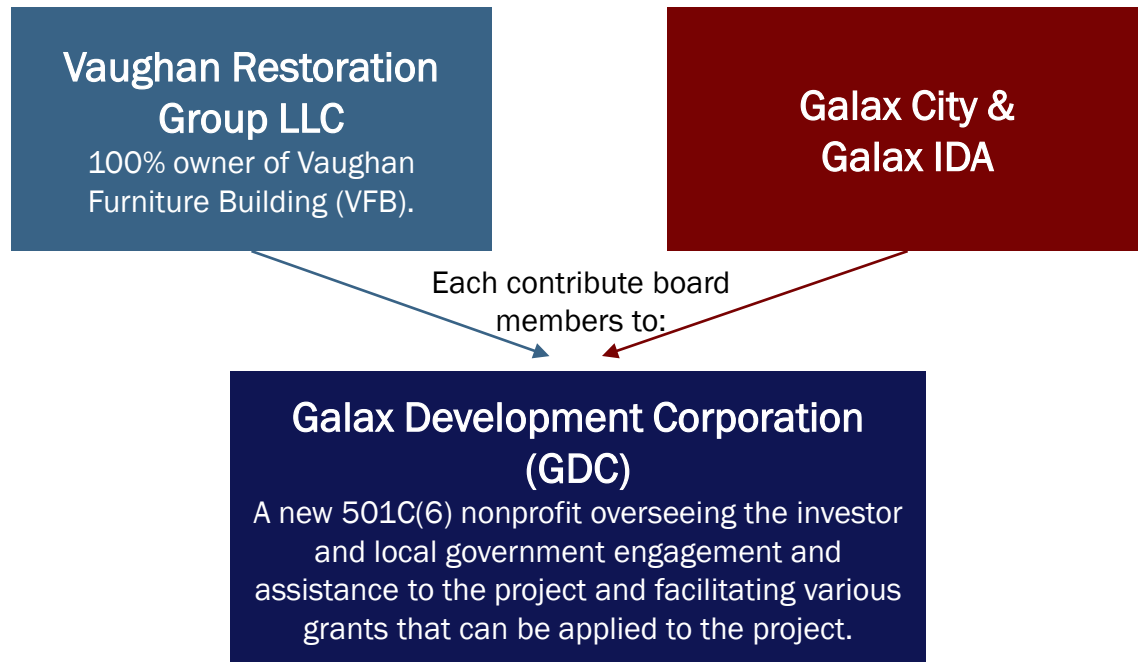
# CASE STUDY: ROCKY MOUNT MILLS

- Located on the Tar River in Rocky Mount, North Carolina
- Developed by Raleigh-based Capital Broadcasting Company using historical tax credits
- Textile mill converted to live/work/play mixed-use complex
- Development includes market-rate loft apartments, commercial space, the Power House event space (right), an outdoor beer garden, and a brewery incubator





# TEAM



- Ownership recently transferred from Vaughan Furniture Company (C-Corp with hundreds of stockholders) to the Vaughan Restoration Group, a small group of local investors. There is no existing debt attached to the property.
- The Vaughan Restoration Group has pledged the building to the project and is open to a variety of potential development/investment structures
- 501(C)6 status and GDC configuration ensure alignment between the investors and the City as both strive to leverage the cornerstone property for the greatest possible community benefit.

## ADVISORS & PARTNERS



**MAIN STREET AMERICA™**



**SUMMIT**  
DESIGN AND ENGINEERING SERVICES





**Opportunity Appalachia**  
APPALACHIAN COMMUNITY CAPITAL



**LOCUS**  
*local investing for impact*



**VIRGINIA'S INDUSTRIAL ADVANCEMENT ALLIANCE**  
- Promoting the I81-I77 Crossroads -



# ILLUSTRATIVE FINANCIALS

## POTENTIAL DEVELOPMENT COST

(\$ in 000s)	Hotel	Residential	Commercial	Total
Hard Cost	\$22,731	\$22,405	\$36,381	\$81,518
Soft Cost	\$2,311	\$2,280	\$3,746	\$8,337
Financing Cost	NM	NM	NM	\$2,589
<b>Total Cost</b>	<b>\$25,042</b>	<b>\$24,685</b>	<b>\$40,128</b>	<b>\$92,444</b>
Square Feet	82,200	85,400	234,700	402,300
<b>Cost / SF</b>	<b>\$305</b>	<b>\$289</b>	<b>\$171</b>	<b>\$230</b>

- Phasing of project by use and by building component is possible based on developer's needs, preferences, and financing.
- Hotel, Residential, and Commercial cost estimates include allocations for common areas, parking, permitting, etc.
- Commercial portion assumes general retail, a restaurant, incubator office space, indoor recreation, an incubator kitchen, and performance space
- 402,300 is the assumed square feet for adaptive reuse
  - Figures exclude portions not expected to be developed
  - Figures include certain non-revenue generating portions (e.g. 3-story open-air atrium, residential common areas)
- Financing Cost assumes one year of interest-only payments plus a construction loan fee (see Sources & Uses for more detail)

## POTENTIAL SOURCES & USES

Uses	\$ in 000s	%	Sources	\$ in 000s	%
Hard Cost	\$81,518	88%	NMTC/Other Financing	\$43,147	47%
Soft Cost	\$8,337	9%	Grants	\$1,650	2%
Financing Cost	\$2,589	3%	HTC Equity	\$30,171	33%
			OZ/Investor Equity	\$17,475	19%
<b>Total Uses</b>	<b>\$92,444</b>	<b>100%</b>	<b>Total Sources</b>	<b>\$92,444</b>	<b>100%</b>

- Bank Debt assumes a Construction-to-Permanent facility at stabilized 1.20x DSCR
  - New Markets Tax Credit census tract provides opportunity for favorable terms
- Grants include Enterprise Zone, TROF<sup>1</sup>, IRF<sup>2</sup>, and Galax IDA<sup>3</sup>
- Historic Tax Credit (HTC) Equity assumes \$0.80 (Part 1 application submitted & approved.)

## POTENTIAL RETURNS

- Pro forma assumes stabilized, weighted EGI of \$9+ per square foot and stabilized, weighted Adjusted NOI Margin of ~60% (before local real estate tax incentive)
- Initial Investor Equity returns in the mid- to high-single digits over 10-year hold
  - Assumes residential/commercial developer and hotel developer/operator
  - Ample opportunity for developers/investors to explore creative financing and operating structures to boost returns
- Opportunity Zone eligibility enhances potential post-tax return profile



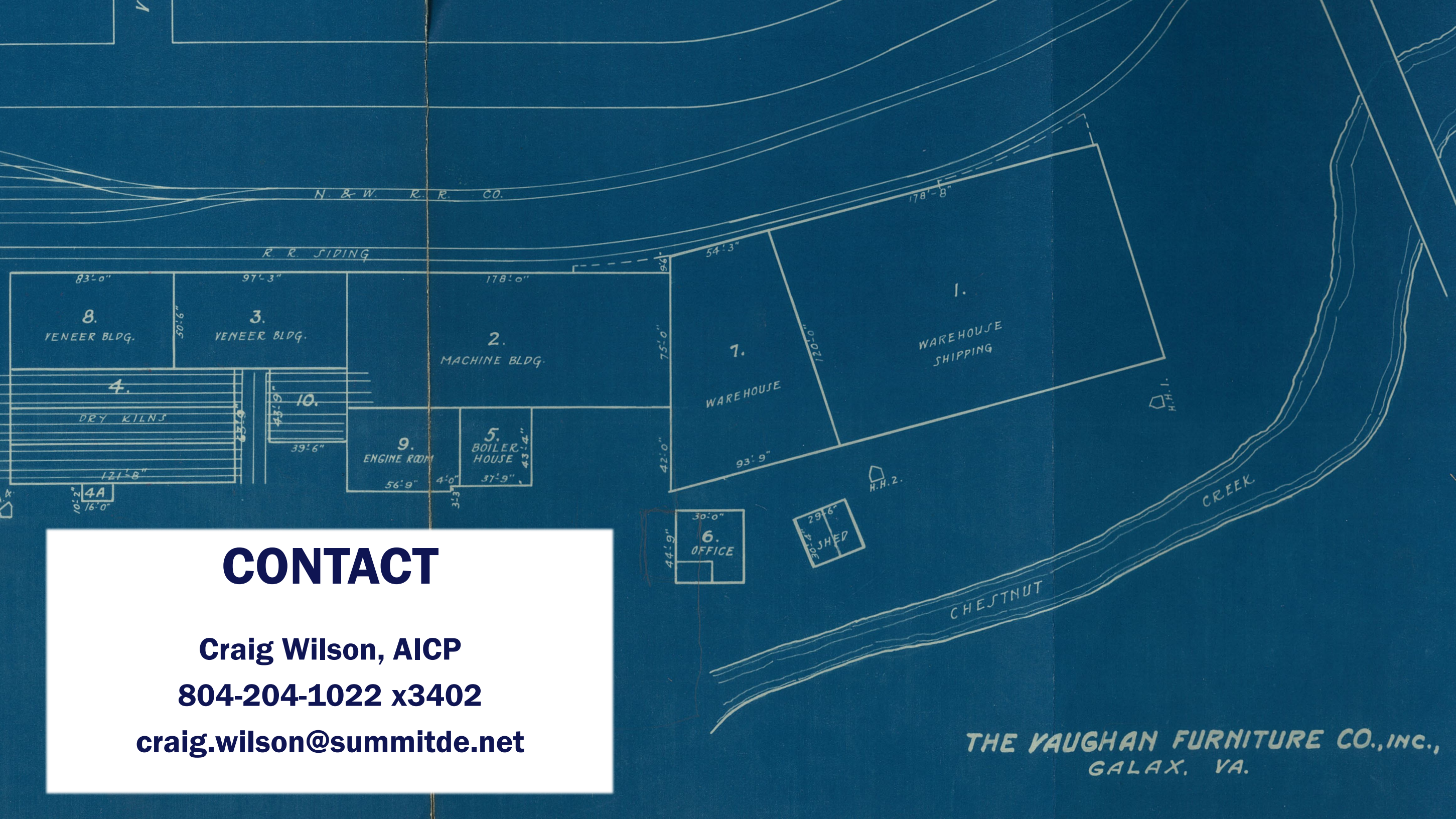
# Pro Forma Projections

Cash Flow Projections (\$ in 000s)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
<b>INCOME</b>												
<b>Hotel</b>												
Rooms	--	\$1,476	\$1,520	\$1,565	\$1,612	\$1,661	\$1,711	\$1,762	\$1,815	\$1,869	\$1,925	\$16,915
Conference Center	--	\$9	\$9	\$10	\$10	\$10	\$10	\$11	\$11	\$11	\$12	\$103
<b>Hotel EGI</b>	<b>--</b>	<b>\$1,485</b>	<b>\$1,529</b>	<b>\$1,575</b>	<b>\$1,622</b>	<b>\$1,671</b>	<b>\$1,721</b>	<b>\$1,773</b>	<b>\$1,826</b>	<b>\$1,881</b>	<b>\$1,937</b>	<b>\$17,018</b>
<b>Residential</b>												
Apartments	--	\$765	\$911	\$938	\$967	\$995	\$1,025	\$1,056	\$1,088	\$1,120	\$1,154	\$10,020
Storage	--	\$48	\$57	\$59	\$61	\$62	\$64	\$66	\$68	\$70	\$72	\$629
<b>Residential EGI</b>	<b>--</b>	<b>\$813</b>	<b>\$968</b>	<b>\$997</b>	<b>\$1,027</b>	<b>\$1,058</b>	<b>\$1,090</b>	<b>\$1,122</b>	<b>\$1,156</b>	<b>\$1,191</b>	<b>\$1,226</b>	<b>\$10,649</b>
<b>Commercial</b>												
Retail	--	\$261	\$317	\$333	\$350	\$367	\$386	\$405	\$425	\$447	\$469	\$3,761
Restaurant	--	\$152	\$195	\$201	\$207	\$213	\$220	\$226	\$233	\$240	\$247	\$2,136
Incubator Office Space	--	\$376	\$469	\$507	\$547	\$591	\$639	\$690	\$745	\$804	\$869	\$6,237
Indoor Recreation	--	\$165	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$282	\$296	\$2,371
Incubator Kitchen	--	\$9	\$15	\$16	\$16	\$17	\$17	\$18	\$18	\$19	\$20	\$166
Performance Space	--	\$45	\$79	\$83	\$87	\$91	\$96	\$101	\$106	\$111	\$116	\$913
<b>Commercial EGI</b>	<b>--</b>	<b>\$1,008</b>	<b>\$1,276</b>	<b>\$1,350</b>	<b>\$1,428</b>	<b>\$1,512</b>	<b>\$1,600</b>	<b>\$1,695</b>	<b>\$1,795</b>	<b>\$1,902</b>	<b>\$2,017</b>	<b>\$15,584</b>
<b>Total EGI</b>	<b>--</b>	<b>\$3,305</b>	<b>\$3,774</b>	<b>\$3,922</b>	<b>\$4,078</b>	<b>\$4,241</b>	<b>\$4,411</b>	<b>\$4,590</b>	<b>\$4,777</b>	<b>\$4,974</b>	<b>\$5,180</b>	<b>\$43,251</b>
<b>OPERATING EXPENSES</b>												
Hotel OpEx	--	\$891	\$917	\$945	\$973	\$1,002	\$1,033	\$1,064	\$1,095	\$1,128	\$1,162	\$10,211
Residential OpEx	--	\$285	\$339	\$349	\$360	\$370	\$381	\$393	\$405	\$417	\$429	\$3,727
Commercial OpEx	--	\$202	\$255	\$270	\$286	\$302	\$320	\$339	\$359	\$380	\$403	\$3,117
<b>Subtotal OpEx</b>	<b>--</b>	<b>\$1,377</b>	<b>\$1,512</b>	<b>\$1,564</b>	<b>\$1,618</b>	<b>\$1,675</b>	<b>\$1,734</b>	<b>\$1,795</b>	<b>\$1,859</b>	<b>\$1,926</b>	<b>\$1,995</b>	<b>\$17,055</b>
+ OpEx Reserve	--	\$29	\$3	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$42
- Real Estate Tax (Incentive)	--	(\$303)	(\$358)	(\$373)	(\$390)	(\$408)	(\$426)	(\$445)	(\$466)	(\$487)	(\$510)	(\$4,165)
<b>Total OpEx</b>	<b>--</b>	<b>\$1,103</b>	<b>\$1,157</b>	<b>\$1,192</b>	<b>\$1,230</b>	<b>\$1,269</b>	<b>\$1,309</b>	<b>\$1,351</b>	<b>\$1,395</b>	<b>\$1,440</b>	<b>\$1,486</b>	<b>\$16,048</b>
<b>Net Operating Income</b>	<b>--</b>	<b>\$2,202</b>	<b>\$2,617</b>	<b>\$2,730</b>	<b>\$2,848</b>	<b>\$2,972</b>	<b>\$3,102</b>	<b>\$3,239</b>	<b>\$3,382</b>	<b>\$3,534</b>	<b>\$3,694</b>	<b>\$27,203</b>
<b>CAPEX</b>												
Hotel Reserves	--	\$45	\$46	\$47	\$49	\$50	\$52	\$53	\$55	\$56	\$58	\$511
Residential Reserves	--	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$105
Commercial Reserves	--	\$10	\$13	\$13	\$14	\$15	\$16	\$17	\$18	\$19	\$20	\$156
<b>Total CapEx</b>	<b>--</b>	<b>\$65</b>	<b>\$69</b>	<b>\$71</b>	<b>\$73</b>	<b>\$76</b>	<b>\$78</b>	<b>\$81</b>	<b>\$83</b>	<b>\$86</b>	<b>\$89</b>	<b>\$771</b>
<b>Operating Cash Flow</b>	<b>--</b>	<b>\$2,137</b>	<b>\$2,548</b>	<b>\$2,659</b>	<b>\$2,775</b>	<b>\$2,896</b>	<b>\$3,024</b>	<b>\$3,158</b>	<b>\$3,299</b>	<b>\$3,448</b>	<b>\$3,605</b>	<b>\$26,432</b>

Cash Flow Projections (\$ in 000s)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	
<b>ACQUISITION / DEVELOPMENT</b>													
<b>Hard Costs</b>													
Hotel	(\$22,731)	--	--	--	--	--	--	--	--	--	--	(\$22,731)	
Residential	(\$22,405)	--	--	--	--	--	--	--	--	--	--	(\$22,405)	
Commercial	(\$36,381)	--	--	--	--	--	--	--	--	--	--	(\$36,381)	
<b>Total Hard Costs</b>	<b>(\$81,518)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(\$81,518)</b>	
<b>Soft Costs</b>													
Hotel	(\$2,311)	--	--	--	--	--	--	--	--	--	--	(\$2,311)	
Residential	(\$2,280)	--	--	--	--	--	--	--	--	--	--	(\$2,280)	
Commercial	(\$3,746)	--	--	--	--	--	--	--	--	--	--	(\$3,746)	
<b>Total Soft Costs</b>	<b>(\$8,337)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(\$8,337)</b>	
<b>RESIDUAL VALUE</b>													
Sale Proceeds	--	--	--	--	--	--	--	--	--	--	--	\$56,846	\$56,846
Selling Costs	--	--	--	--	--	--	--	--	--	--	--	(\$568)	(\$568)
Reserves	--	--	--	--	--	--	--	--	--	--	--	\$42	\$42
<b>UNLEVERAGED NET CASH FLOW</b>	<b>(\$89,855)</b>	<b>\$2,137</b>	<b>\$2,548</b>	<b>\$2,659</b>	<b>\$2,775</b>	<b>\$2,896</b>	<b>\$3,024</b>	<b>\$3,158</b>	<b>\$3,299</b>	<b>\$3,448</b>	<b>\$59,924</b>	<b>(\$3,987)</b>	
<b>FINANCING</b>													
Construction Loan	\$43,147	--	--	--	--	--	--	--	--	--	--	\$43,147	
Construction Loan Fees	(\$431)	--	--	--	--	--	--	--	--	--	--	(\$431)	
Construction Loan Interest	(\$2,157)	(\$2,157)	--	--	--	--	--	--	--	--	--	(\$4,315)	
Construction Loan Repayment	--	(\$43,147)	--	--	--	--	--	--	--	--	--	(\$43,147)	
Permanent Loan	--	\$43,147	--	--	--	--	--	--	--	--	--	\$43,147	
Permanent Loan Fees	--	(\$431)	--	--	--	--	--	--	--	--	--	(\$431)	
Permanent Loan Interest	--	--	(\$1,282)	(\$1,255)	(\$1,226)	(\$1,197)	(\$1,167)	(\$1,137)	(\$1,105)	(\$1,072)	(\$1,038)	(\$10,479)	
Permanent Loan Amortization	--	--	(\$901)	(\$928)	(\$956)	(\$986)	(\$1,016)	(\$1,046)	(\$1,078)	(\$1,111)	(\$1,145)	(\$9,167)	
Permanent Loan Repayment	--	--	--	--	--	--	--	--	--	--	--	(\$33,980)	
Historic Tax Credits	\$30,171	--	--	--	--	--	--	--	--	--	--	\$30,171	
Grants	\$1,650	--	--	--	--	--	--	--	--	--	--	\$1,650	
<b>LEVERAGED NET CASH FLOW</b>	<b>(\$17,475)</b>	<b>(\$452)</b>	<b>\$365</b>	<b>\$476</b>	<b>\$592</b>	<b>\$713</b>	<b>\$841</b>	<b>\$975</b>	<b>\$1,116</b>	<b>\$1,265</b>	<b>\$23,761</b>	<b>\$12,177</b>	
<b>Permanent DSCR</b>			<b>1.2x</b>	<b>1.2x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>1.5x</b>	<b>1.6x</b>	<b>1.7x</b>		

<b>INTERNAL RATES OF RETURN</b>	
Unleveraged Cash Flow	-1%
Leveraged Net Cash Flow	6%





# CONTACT

Craig Wilson, AICP

804-204-1022 x3402

[craig.wilson@summitde.net](mailto:craig.wilson@summitde.net)

THE VAUGHAN FURNITURE CO., INC.,  
GALAX, VA.