

Eastham House RFP Number 2015010-ED-P
October 22, 2014

Proposal Requirements:

1. Name of organization submitting proposal:
Harrisonburg Downtown Renaissance
212 S. Main Street
Harrisonburg, VA 22801

2. Type of entity:
Private non-profit 501(c)(3)

3. Place of incorporation:
Commonwealth of Virginia

4. Name, location, and contact information:
Eddie Bumbaugh, Executive Director (Primary Contact)
Harrisonburg Downtown Renaissance
212 S. Main Street
Harrisonburg, VA 22801
540-432-8934
ebumbaugh@harrisonburgva.gov

5. Name, address, and function of consultants:
Kathy Frazier and Tom Clayton
Frazier Associates
213 N. Augusta Street
Staunton, VA 24401
Feasibility Study

6. Qualifications of key personnel:
Eddie Bumbaugh, Executive Director (Primary Contact)
Harrisonburg Downtown Renaissance
212 S. Main Street
Harrisonburg, VA 22801
540-432-8934

ebumbaugh@harrisonburgva.gov

Lisa Anne Hawkins (HDR Board of Directors)
LenhartPettit, PC
90 N. Main Street
Harrisonburg, VA 22801
540-437-3118
lah@lplaw.com

7. Federal Tax Identification Number:
58-2675553
8. Non-binding lease arrangement for property:
(See narrative section titled Proposal)
9. Proprietary/Confidential Information Form:
(See attachment specifying proprietary information)
10. State Corporation Commission Form:
(See attachment and copy of State Corporation Commission form)

Background

Harrisonburg Downtown Renaissance was formed in July, 2003 as a private non-profit 501(c)(3) with the goal of downtown revitalization. The mission statement reads "Harrisonburg Downtown Renaissance will work in collaboration with private and public partners to develop and implement a comprehensive vision and master plan to revitalize downtown Harrisonburg into a prosperous and vibrant city center."

From the beginning HDR has worked in close partnership with the City of Harrisonburg. As a funding and collaborative partner HDR receives an annual City allocation covering a portion of the operating budget, thus meeting the standards expected of Virginia Main Street designated communities. In addition the City has maintained the agreement to provide HDR with office space and related services as no charge.

The first HDR office location was the basement of the Municipal Building. When the Hardesty-Higgins House was renovated, the HDR offices were moved to the second floor along with the administrative offices of Harrisonburg Tourism & Visitor Services.

This shared arrangement has worked very well for a number of years. However, as the staff size has grown for both organizations, challenges have arisen in terms of crowded space and shared offices/workspaces. A new worksite for HDR would not only better meet the needs of HDR staff and interns/volunteers, but free up space for Harrisonburg Tourism & Visitor Services.

HDR intends to partner with the Harrisonburg-Rockingham Historical Society on this project. The Historical Society's mission is to collect, preserve, and share the rich heritage of the community. In recent years, the Historical Society has been interested in identifying a satellite location in downtown Harrisonburg. The Historical Society believes that downtown has a vibrant arts scene, but culture in the form of museums is lacking. With the addition of a Harrisonburg Museum focusing on city history, the Historical Society sees the opportunity to expand its outreach to local citizens, tourists, and schools.

Strategies

Starting in summer 2014 the HDR executive committee began to explore the feasibility of working in partnership with the City to move the HDR offices to the Eastham House. In response city council authorized the issuance of an RFP soliciting proposals from non-profits to acquire or lease the house.

In order to explore the feasibility of this project and prepare to submit our proposal to the City, HDR formed a committee of qualified and committed members. Members include:

- Billy Robinson (accountant BrownEdwards)
- Stacey Burzumato (accountant BrownEdwards)
- Lisa Hawkins (attorney LenhartPettit)
- Michael Wong (executive director Harrisonburg Redevelopment & Housing Authority)
- Eddie Bumbaugh (executive director HDR)

Frazier Associates, a firm with expertise in historic properties, was authorized by Virginia Main Street to complete a Feasibility Study on the property.

Building Use

HDR intends to move our offices to the second floor of the house, with the attic available for intern, volunteer, and storage use. The basement use is yet to be determined, however the intention is to make the space available for other non-profit or public agency use.

The ground floor use was explored with a number of non-profit agencies. The Harrisonburg-Rockingham Historical Society has stepped forward as HDR's partner for a Harrisonburg Museum, shop, and offices.

The plan calls for the Historical Society to use the first floor as a new satellite museum location. The primary rooms and hallway will be used for display space with an emphasis on the many facets of the history of the city, but not excluding other local themes and topics of interest. The front entrance will be devoted to reception and a bookstore/gift shop. The back rooms will serve as administrative and storage spaces. The porch is a significant part of the vision as an excellent location for events and activities to engage the public. Offering historic downtown walking tours is under consideration.

Context

As an 1890's contributing building to the historic district, the house deserves a historically appropriate and comprehensive renovation in order to maintain the house's unique architecture, features, and history. The renovation assessment and recommendations from Frazier Associates achieve those goals.

The Eastham House is located adjacent to the Municipal Building, which is expected to be renovated when funding is approved following the completion of the new City Hall. Located to the north is the Smith House with the Arts Council of the Valley offices and gallery, and the Sipe House where the Virginia Quilt Museum is housed, both of which have been renovated and create tourist interest. All three properties have a small landscaped yard facing Main Street. To

the rear of the Eastham House is the Turner Pavilion with the farmers market and the location of the proposed urban park.

Also strategically located nearby is the Hardesty-Higgins House (visitor center, Valley Turnpike Museum, and Civil War Orientation Center), Massanutten Regional Library, Explore More Discovery Museum, and Harrisonburg Fire Museum. Future compatible attractions include the Thomas Harrison House and the Museum of American Jewelry Design & Manufacturing in the Ice House.

City Policies

The partnership between HDR and the historical society achieves the dual goals listed in the comprehensive plan of promoting downtown revitalization (Chapter 14) and preservation of historic resources (Chapter 8).

- Revitalization Goal 15/Objective 15.1 To make downtown revitalization a major, high priority public/private initiative, the cornerstone of the City's economic development, tourism, historic preservation, and civic pride enhancement efforts.
 - Strategy 15.1.1 To support the initiatives of Harrisonburg Downtown Renaissance in such areas as:
 - Creating a permanent, well funded downtown revitalization organization
 - Promoting the Arts and Cultural District and encouraging the location of museums and other cultural facilities downtown
 - Encouraging flexibility and creativity in the use of public property and resources in downtown
 - Strategy 15.1.2 To develop with Harrisonburg Downtown Renaissance a downtown revitalization plan to guide the rehabilitation and redevelopment of the area. This plan should address the following:
 - Incentives to rehabilitate existing quality buildings
- Historic Resources Goal 6 To celebrate the City's heritage and preserve and protect its historic resources as essential elements of the City's economic health, aesthetic character, and sense of place.
 - Objective 6.1 To disseminate information about the history and historic resources of the City of Harrisonburg

- Strategy 6.1.3 To develop a walking tour of historic sites in downtown Harrisonburg with appropriate brochures and signage, such tour to begin at the Hardesty-Higgins House visitors center.
 - Objective 6.2 To promote and recognize quality historic preservation projects.
 - Strategy 6.2.1 To partner with the Harrisonburg-Rockingham Historical Society to implement an annual preservation awards program to recognize quality preservation projects.
 - Objective 6.4 To conserve City-owned historic resources and to ensure that City development projects respect and reflect the historic character of the City and site context.
 - Strategy 6.4.2 To adopt policies for treatment of City-owned historic properties (maintenance, renovation, additions, and conditions when demolition is warranted) so as to preserve their historic value.

The proposed use of the property is also consistent with the B-1 Central Business District and falls under the uses permitted by right:

- Governmental, business and professional offices and financial institutions (Sec. 10-3-84 (1))
- Theaters, community rooms, museums, and galleries and other places of assembly for the purpose of entertainment or education (Sec. 10-3-84 (4))
- Religious, educational, charitable and benevolent institutional uses which do not provide housing facilities (Sec. 10-3-84 (5)).

Parking needs will be met by nearby public parking on streets, the Municipal Parking lot, and the Water Street parking deck.

The City's Arts and Cultural District ordinance states "The city believes that the establishment of an arts and cultural district will improve the economic conditions of this geographic area located in the central portion of the city which could, in turn, benefit the welfare of the citizens of Harrisonburg." Under the ordinance a qualified arts organization is defined as a not-for-profit organization. The ordinance further states that qualified arts organization are "Museums or historic sites, the primary mission of which is education, history, or historic preservation."

The Eastham house is located within the boundaries of the district as specified in the ordinance.

Timetable

Both HDR and the Historical Society understand that the City's IT Department has possession of the building until their move into the new City Hall likely in the late summer, 2015. If all parties fulfill contingencies and reach final agreement, the plan is for HDR to work in collaboration with the Harrisonburg Redevelopment & Housing Authority to secure financing, hire an architecture firm for detailed plans, select a contractor, and serve as project manager. The goal is renovation completion and move in by early 2016.

Qualifications

HDR has a clear understanding of and support for the goals of the RFP solicitation. Preservation and restoration of this historic and strategically located house is consistent with the mission of HDR as a designated Virginia Main Street Community, the City's comprehensive plan, and the Arts & Cultural District.

HDR currently carries a general liability insurance and fire damages policy with Erie Insurance in the amount of \$1million, and the City of Harrisonburg is listed as an additional insured. This policy meets the standards specified in the RFP and would transfer to the Eastham House. HDR commits to keep the policy in effect.

HDR has developed a sound plan to fund the appropriate and significant restoration and renovation of the house. The plan includes bank financing, lease income, conducting a capital campaign, and if necessary the use of HDR reserve funds deposited at The Community Foundation. Already HDR has begun to receive pledges, and if the City and HDR negotiate a contract, more focused fundraising will begin. Grant opportunities will also be explored.

HDR has shown the ability to raise private funds for downtown projects. HDR's board of directors and advisory board (see attachments for list of HDR Board of Directors and Advisory Board) will be expected to assist in the capital campaign. Each year since 2003 HDR has been successful in funding our revitalization program and projects and ending our fiscal year with a balanced budget or

surplus. HDR's Form 990 is submitted annually to the City and is available for review.

Proposal

HDR is open to exploring with the City both no-cost lease and purchase options, but prefers a no-cost lease/purchase arrangement that allows HDR to transition from a tenant to an owner over time, so that cashflow in the near term can be directed to funding of project renovation costs. Under that preferred scenario, HDR's current arrangements with the City would remain as they are today, except that:

(1) HDR would lease the entire Eastham House rather than its current space at Hardesty-Higgins House, essentially trading one space for another, for an agreed term (preferably at least equal to the term of any debt incurred by HDR to finance the renovation costs) but otherwise on substantially the same basis as the existing lease,

(2) HDR would assume financial responsibility for the renovations to the Eastham House that it deems necessary to facilitate its occupancy (currently estimated at \$372,000 plus architectural fees of approximately \$30,000), as generally described in the Eastham House Feasibility Study) and would seek a cooperative agreement under which the Historical Society agrees to fund any special work required for its specific museum use on the first floor and also agrees to pay rent for an agreed sublease term to help cover the general renovation costs incurred by HDR for the first floor space, and

(3) HDR would have the right to acquire Eastham House at the end of its lease term for a nominal sum such as ten dollars. HDR is open to discussing deed restrictions limiting occupancy to non-profit, governmental and community facilities, if the City deems that desirable.

HDR recognizes that this proposed structure will result in the inability to secure historic rehabilitation tax credits for the renovation project. Based on input of its consultants, HDR believes that the renovation project is too small to make the barriers and constraints of federal tax credits worthwhile, but it has not yet ruled out state tax credits. If those considerations or the City's preference indicate that

immediate transfer of the building makes more sense, then HDR is open to exploring that alternative deal structure, so long as no purchase price is required and HDR is afforded ample time to complete feasibility and building studies.

However the deal is structured, HDR has approached the Harrisonburg Redevelopment & Housing Authority for assistance, and its executive director has indicated that it is willing to provide construction management support to HDR for a fee and may be in a position to assist with placement of financing if needed. We anticipate that financing of approximately \$200,000 may be required to pay for the renovations, and that the Eastham House will need to be pledged as collateral for the loan to be serviced by HDR.

To allow HDR, its partners and the City to explore these options and create the best possible deal structure for all concerned, we request a six month feasibility period for the purposes of firming up the scope and budget for the renovations, conducting initial fundraising to confirm HDR's assumptions, exploring financing alternatives, firming up partnership commitments and otherwise creating the detailed structure, partnerships and timeline for this project. HDR has every confidence that this exciting project can and will come together, resulting in long-lasting benefits to the City, its downtown, and the larger community.