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REQUEST FOR PROPOSAL (“RFP”) FOR OPPORTUNITY APPALACHIA PROJECT TECHNICAL ASSISTANCE

Project Sponsor: SPARQ, South Pittsburg, TN

Project Name: Patton Hotel (Project Summary provided in Attachment B.)

Release Date: July 12, 2024

Proposal Due Date: August 9, 2024

Selection Date: August 23, 2024

Contract Period: August 23, 2024 – February 28, 2025 (or later)

REQUEST FOR PROPOSALS

Technical Assistance for Opportunity Appalachia Projects

I. Overview of Request for Proposals

Appalachian Community Capital (ACC) seeks contractual support for specified Technical Assistance for real estate project development.

The Technical Assistance contractor will report to the Program Manager of Opportunity Appalachia. **The requested Scope of Services is noted in Attachment A**, and *may* involve:

- Architectural and engineering,
- Market research/demand assessment,
- Development of investment prospectus, preparation of pro forma financial projections, structuring of projecting financing,
- Feasibility assessment,
- Identification of project developers and/or business operators,
- Investor outreach for project finance/investment,
- And other types of support.

Entities interested in providing Technical Assistance must complete the Request for Qualifications RFQ, as noted on the [Opportunity Appalachia](#) TA provider webpage. Proposals will be evaluated on contractors' qualifications (per the RFQ), expertise, track record, Scope of Work, budget/timeline, and other project requests.

II. About Opportunity Appalachia

[Opportunity Appalachia](#) will provide technical assistance to develop and structure investable transactions, and it will create investment prospectuses and pitch decks that will be used to bring investment to rural and downtown communities. Investment priorities include projects focusing on downtown development, manufacturing, IT, healthcare, education, food systems, clean energy, heritage tourism, and recreation.

The program recently announced selection of 8 projects to participate in the program to bring jobs, business support, and investment to Central Appalachia. The selected projects propose to create over 280 jobs and attract over \$27M in financing to develop and expand food business hubs; outdoor recreation; childcare centers; regional airport facilities; and hotels; in downtown and rural areas across East Tennessee and Southwest Virginia.

These proposed projects are signals of the growing investment potential in our rural and downtown communities in Central Appalachia. Opportunity Appalachia will work closely with private investors, banks, Community Development Financial Institutions, New Markets Tax Credits investors, Historic Tax Credit Investors, and Federal agencies to highlight participating communities and access financing for transactions.

As project technical assistance is completed, investor connections will be made between projects and local and pre-vetted national investors, as well as federal and state funders. A curated web-based platform hosting prospectus / pitch decks will also be made available to facilitate investor due diligence.

The program is supported by the Appalachian Regional Commission, the US Department of Treasury CDFI Fund, Truist, Dogwood Health Trust, Claude Worthington Benedum Foundation, US Bank, and M&T Bank.

III. About the Appalachian Region

The Appalachian Region, as defined in ARC's authorizing legislation, is a 205,000 square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. Forty-two percent of the Region's population is rural, compared with 20 percent of the national population.

The Appalachian Region's economy, which was once highly dependent on extractive industries, has become more diversified in recent times and now includes larger shares of manufacturing and professional services, among other industries. Appalachia has made significant progress over the past five decades: its poverty rate, which was 31 percent in 1960, had fallen to 16.3 percent over the 2013– 2017 period. The number of high-poverty counties in the Region (those with poverty rates more than 1.5 times the U.S. average) declined from 295 in 1960 to 98 over the 2013–2017 period.

These gains have transformed the Region from one of widespread poverty to one of economic contrasts: some communities have successfully diversified their economies, while others still require basic infrastructure such as roads, clinics, and water and wastewater systems. The contrasts are not surprising considering the Region's size and diversity—the Region extends more than 1,000 miles from southern New York to northeastern Mississippi, and it is home to more than 25 million people.

Target geography

Central Appalachia – Kentucky, North Carolina, Ohio, Tennessee, Virginia, West Virginia



IV. Project Timeline

It is anticipated that the contractor will be selected by August 23, 2024 for an estimated contract start date of August 23, 2024 through February 28, 2025.

V. Instructions to Submit a Proposal

Contractors seeking to provide the full suite of TA services should submit the items listed below. **It is expected that one proposal should include all requested services, which may mean that multiple entities are providing services, with one identified lead contractor.**

- Scope of Work (max 3 pages) describing proposed activities to be undertaken as requested in Attachment A, with identified staffing (lead and support) for each work element.
- Budget that defines deliverables, rates and proposed payment schedule including indirect costs. A Not to Exceed cost for the full engagement must be provided; **costs not to exceed \$62,000**. Payment Schedule to be based on deliverables / outcome milestones.
 - *Please note:* to reduce administrative burdens and management costs, OA requires a maximum of 3 invoices per contract (the first may be a retainer/deposit totaling no more than ~20% of the contracted amount. Payments are made based upon satisfactory completion of deliverables and approval by the project sponsor.
- Timeline for Scope of Work, with deliverable milestones.
- Biography/resume for all staff noted in proposal (or provided in RFQ response).
- References from current or prior clients, including name, title, organization, contact information, and a brief description of the relevant work performed (or provided in RFQ response).

Please submit responses via email in one pdf attachment by Proposal Due Date to Kathryn Coulter Rhodes oa@acc1.org.

VI. Proposal Evaluation

ACC will select contractors through a competitive process based on the following criteria.

- Qualifications (per those provided in the RFQ), expertise, track record, and staff bios.
- Scope of Work and Timeline
- Budget with anticipated deliverable and associated invoicing schedule
- Requests from project sponsors

Attachment A

Requested Scope of Services

Project Sponsor: SPARQ

Project Name: Patton Hotel

Project Description: Redevelopment of the Patton Hotel as a catalytic downtown anchor property and boutique hotel enterprise to include dining offering. Total costs estimated at \$3.7 MM with creation of 25 jobs.

Full project summary provided in Attachment B.

TA Requested

- Engineering assessment study and conceptual architectural drawings and renderings
- Market research/demand assessment with expertise in the hotel industry
- Development of investment prospectus, including preparation of pro forma financial projections, project financing structure with use of Historic Tax Credits

Attachment B

Summary Information

Lead Contact: Beth Duggar

Applicant Organization: SPARQ

Address: 318 Magnolia Ave, South Pittsburg, TN 37380

Phone: (423) 322-4231

Email: bduggar5@gmail.com

Community Information

1. Communities targeted by this application (municipality(ies), county(ies), and census tract(s):

South Pittsburg, Marion County, Tennessee

Census Tract: 47115050301

ARC-designated Distressed Areas and Distressed and At-Risk Counties - NO

According to the Appalachian Regional Commission (ARC) index of county economic status and the Tennessee Department of Economic and Community Development – Rural Economic Dashboard website Rural Economic Dashboard (tn.gov), Marion County is currently categorized as Transitional, per the following measures:

- Three-year Per Capita Market Income - \$31,019
- Three-year Poverty Rate: 16.6%
- Three-year Average Unemployment Rate: 5.3%

Persistent Poverty Communities (defined as any community (county or census tract) that has had 20% or more of its population living in poverty over the last 30-year period): NO, However, according to the TNECD Rural Economic Dashboard website, Marion County’s poverty rate for the last three-year period has been 16.6%.

Rural communities – meeting any of these federal definitions - YES, Marion County, TN meets the U.S. Census Bureau definition of a “rural” community.

Federal Opportunity Zones and New Markets Tax Credit census tracts – NO/YES

YES - Non-Qualified Opportunity Zone Opportunity Zones and New Markets Tax Credits (NMTC)

Interactive Map - CohnReznick

YES - New Market Tax Credit Qualified: Not Distressed Opportunity Zones and New Markets Tax Credits (NMTC) Interactive Map - CohnReznick

ARC designated Coal Impacted Communities (dependence, impact, or risk) – YES, Significant Impact

2. Service area of applicant (note if different than above, or note same): The City of South Pittsburg and Marion County Tennessee

3. Community Development Strategy(ies): In April of 2019 and 2020, the city of South Pittsburg and non-profit group SPARQ – South Pittsburg Area Revitalization Quest participated in Round 8 of TNECD’s Tennessee Downtowns Program. We received a \$15,000 façade grant and worked together to complete several key foundation steps toward downtown development efforts including the creation of an outdoor food truck and event space, downtown destination branding, marketing tools, and 3 successful downtown events bringing over 6,000 people to our downtown. In 2023 SPARQ worked with

the City of South Pittsburg to apply for and was awarded a second TNECD Downtowns Improvement Grant in the amount of \$50,000. This grant has provided the funding to improve 5 additional downtown businesses and buildings in our downtown district located all around the hotel property.

Cultural Tourism: South Pittsburg is home to Lodge Manufacturing. This iconic company and worldwide recognized brand of products brings our community much notoriety and thousands of cultural tourism visitors to the LODGE Museum and Company Store complex located in our historic downtown commercial district. In 2024, Lodge is planning to construct a new mixed-use facility right across the street from the Patton Hotel. This new investment will provide a new Southern Slow Food “Meat and Three” Restaurant along with retail space that will attract even more visitors to our downtown.

SPARQ, in partnership with LODGE and the City of South Pittsburg, hosts the “National Cornbread Festival” in late April of each year that brings thousands of visitors to our downtown. This event is held across our downtown area and the Patton Hotel is in the center of this threeday festival.

South Pittsburg is located at the southern end of the new Sequatchie Valley Scenic Byway which is home to a vast array of cultural, historical, and natural resources that is already attracting many new visitors to our community. We plan to promote South Pittsburg and Lodge Museum and F&B offerings as an anchor destination on a new “Local Foods” aspect of regional promotions and marketing that are being developed through Scenic Byways resources.

Outdoor Recreation: Redevelopment of the Patton Hotel will also support SPARQ’s and South Pittsburg’s successful participation in the University of Tennessee – Tennessee River Line initiative for outdoor recreation tourism economic development. UT and the Tennessee River Line has provided resources for the development of a R

Project Information

4. Proposed Projects (list up to 3):

- I. **Name of Project, address:** Patton Hotel, 304 Cedar Avenue, South Pittsburg Tennessee 37380
 - **Size in Sq Ft.:** 9,125+ Square Feet
 - **Total anticipated Project Cost \$:** \$3,650,000 (Estimated @\$400 square foot X 9,125)
 - **Financing identified/anticipated, list source and dollar amount or note ‘None’:** New Market Tax Credits - TBD; CDFI Financing - TBD; Tennessee Historic Development Grant – Up to \$300,000 on a \$1,000,000 on approved improvements; National Historic Preservation Tax Credits – 20% on approved improvements; TNECD Downtowns Improvement Grant - TBD; ARC - TBD; USDA Rural Development - TBD
 - **Project description:** Approval of Opportunity Appalachia Technical Services in the spring of 2024 will provide South Pittsburg’s downtown development just what is needed to advance the redevelopment and active reuse of the Patton Hotel as a catalytic downtown anchor property and boutique hotel enterprise. Hotel rooms and amenities will also re-create destination lodging and event amenities that will anchor our downtown development and tourism programming.

The current owners have listed the property with realtors for sale and several investment groups have looked at the property for reinvestment for our community and Southeast Tennessee over the last few years. We hope that the redevelopment resources and access to potential investors and funders will provide the needed information and catalyst for the redevelopment of this important downtown property asset.

The Patton Hotel has been central to the development of our community. The City of South Pittsburg was founded in 1873. In December 1886, the South Pittsburg City Company organized to purchase about 4,000 acres of land, part of which was the City of South Pittsburg. Included were two hotels, a National Bank building, residences in size from 13 rooms to tenement houses, a school building, etc. At the corner of Cedar Avenue and 3rd Street was the Palace Hotel which I.S. Kersey bought and renamed the Central Hotel in 1905. In July 1909 Mayor W. H. Wilson organized a local stock company to purchase the Central Hotel and replace it with a modern fireproof building. The hotel was named the "Cookemoore" after two of the primary stockholders - C. C. Moore and A. A. Cook. Chattanooga architect, R. H. Hunt, designed the three story structure of brick and pebble dash. (The three story brick structure still stands today.)

In 1912 the new Cookemoore Hotel had more than 30 rooms, steam heat and was lighted by the South Pittsburg Electrical Light Plant. Two stores on the first floor were the South Pittsburg Savings Bank and Salem Najar's men's clothing store.

In 1919 a national highway association formed to promote the Lee Highway as a national auto trail connecting New York City and San Francisco via a southern and southwest route. Named to honor Robert E. Lee, the route from Chattanooga to Corinth, Mississippi was via US 72 through South Pittsburg. In early 1926 the hotel was renamed Hotel Robert E. Lee before the national association officials visited with local businessmen that April.

- **Community Impact (quantify/provide estimates):** The successful redevelopment of the Patton Hotel property will have immediate and long-term positive business development effects and economic impacts on the South Pittsburg and Marion County economy.

Donovan Rypkema of Place Economics Principal is a leading expert in the economics of revitalization of historic buildings and teaches the National Main Street Institute's Economic Transformation for Historic Downtown Commercial Business Districts course. His work to evaluate the lost revenue and costs of an empty building illustrates lost revenue in the following sectors:

- Property owner - Rent revenue, declining real estate value
- Local Governments – Property tax generation
- State Government – Sales tax generation
- Banks – Fees, interest, deposits
- Utility Providers – Water, sewer, power, internet services fees
- Media – Marketing, advertising, public relations
- Professional Services – Insurance, accounting, property management services
- Suppliers – Food and beverage, retail, building and operating materials, other supplies
- Workers – Wages and owner's compensation and profits

Based upon this evaluation framework, we propose use of the following METRICS for the redeveloped hotel property:

- Hotel Property Redevelopment:
 - Initial impacts will come from new local economic activity in the banking, finance, and construction sectors. We plan to prepare these specific METRICS to evaluate these business development and economic impacts:
 - Projected construction jobs
 - Projected supplier jobs
 - Projected financial sector jobs

- Long-term impacts will be measured in the number of new businesses and jobs created at the property as well as the creation of new business opportunities for related suppliers and professional service providers. We plan to prepare specific METRICS to evaluate these long-term business development and economic impacts:
 - Projected Hotel business
 - Projected Retail Business
 - Projected Hotel Food Service Businesses
 - Projected Hotel Event Businesses
 - Personal Services Businesses
 - Projected related supplier jobs/businesses
 - Projected related professional services jobs/businesses
 - Local and State Government Contributions:
 - Additionally, future project impact and evaluation METRICS can be derived from the following sources of future income and government payments:
 - Future Property Tax Collections
 - Future Sales Tax Collections
- **Name(s) of project sponsors, developer, and/or business owner, if identified:** SPARQ program leaders have created a unique new partnership with the property owner and the City of South Pittsburg to sponsor our Opportunity Appalachia project. We agree that our community is in great need and can benefit from the array of OA Technical Services that are available. We are ready to join forces to take full advantage of this opportunity.

Property Owners:

OA has provided SPARQ as our community's downtown redevelopment organization, the ability to create new interest and buy-in from Patton Hotel owners. We have attached a letter that indicates their support for this OA request along with their plans for the property. We understand that the current owner does not have the capacity to perform the technical processes to position redevelopment of the Patton Hotel property to see it to fruition.

SPARQ Collaborative Partnership:

As a result of our current opportunity to partner with the owners, SPARQ has taken this building on as a project for the greater good of the community. As the OA process is finalized, we know that working with the owners to determine their next steps in ownership or sale will be important and that securing potential funding sources and developers will be critical for the future implementation and success of the project.

SPARQ and the City of South Pittsburg are committed to provide Project Management support for our Opportunity Appalachia participation and will continue to serve as a resource to support implementation of OA recommendations upon completion of the program. SPARQ will provide the required \$5,000 in-kind matching contribution.

- **Technical Assistance Needed (refer to Attachment A, page 5, for TA requested in this RFP):** To the uneducated eye, the Patton Hotel appears to be an overwhelming project that many investors would shy away from for fear of low return on investment or potential failure. The following listing of available technical assistance from the Opportunity Appalachia is clearly needed for this project:
- Architectural and engineering reports and renderings
 - Fair market commercial real estate appraisal

- Development of investment prospectus, preparation of pro forma financial projections, structuring of projecting financing
- Market research/demand assessment
- Identification of project developers and business operators
- Feasibility assessment
- Hotel operational plan
- Investor outreach for project finance/investment

5. **Clean Energy Focus:** The selection process includes prioritization of projects with Clean Energy features. This could include solar power generation, energy efficiency measures, etc. Please be sure to describe and quantify these anticipated impacts. If not described above, please describe here.

The redevelopment and adaptive reuse of existing, historic buildings is one of the most important ways to implement sustainability efforts. Historic properties such as the Patton Hotel were built with the best architectural design and construction techniques of the period and materials that are superior to those used today. The Patton Hotel has several interesting design and construction elements that position it for new green energy technologies and systems including:

- Back Outdoor Courtyard: This property design element can allow for maximum air circulation to help with ventilation and cooling while providing natural light throughout the structure, as well as green space and tree plantings to add natural cooling to the exterior of the hotel building.
- Steam heat: An important element of the original Patton Hotel was the source of steam heat. The original unit, radiators, and steam pipes are still in place throughout the hotel.
- High Ceilings and Broad Hallways: All common areas, hallways and rooms were constructed with extremely high ceilings and broad connecting hallways and stairways. All ceiling tiles, wood floors and woodworking elements are still intact and in excellent condition for restoration.

We would like to work Opportunity Appalachia team to engage Main Street Studio Architects from Sweetwater Tennessee. This Tennessee-based team of architectural and engineering experts that specialize in the redevelopment of historic downtown properties can help us understand the brilliance of the original design elements and systems that are still intact in the Patton Hotel property. We hope to preserve and enhance all contributing elements that contribute to sustainable practices and the integration of new green energy designs and practices that will build upon the hotel's legacy of excellence in design, construction, and function.

We hope that the pristine condition of past systems can position the redesign to integrate modern-day green energy technologies such as the use of solar energy, rainwater harvesting and geothermal energy systems, while updating original ventilation, natural lighting and radiator heating systems originally designed and constructed.

6. **Applicant Capacity:** The applicant team is a collaboration of SPARQ and the City of South Pittsburg. Beth Duggar of SPARQ will serve as the OA liaison and project sponsor representative. SPARQ leaders and Ms. Duggar have extensive experience in engaging outside technical assistance providers such as the TNECD Tennessee Downtowns Program, the University of Tennessee River Line Partnership, and the Southeast Tennessee Development District and have successfully managed several large grant funded projects over the last 6-year period.

SPARQ's large community membership and strategic partnerships have ensured that the array of South Pittsburg's downtown redevelopment, cultural tourism, and outdoor recreation projects have been implemented successfully. Our projects and programs have involved downtown merchants, property

owners, and community members that are focused on the mission of revitalization and downtown economic development. The South Pittsburg community has shown tremendous support for our partnerships and are excited about the results that have been produced in the past years that bring thousands of people to the doorsteps of the Historic Patton Hotel property