

Dobyns-Taylor Project

Steven Bower

Kingsport Economic Development Board



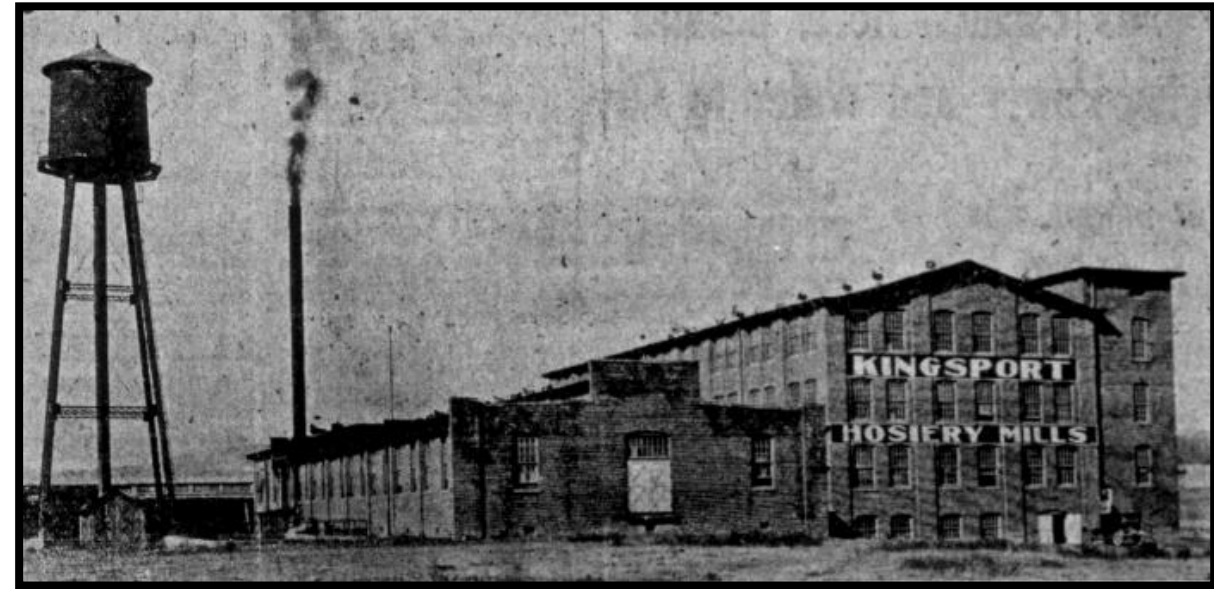
Dobyns-Taylor

Topics to Cover

- History of Dobyns-Taylor
- The current state of Dobyns-Taylor including KEDB's lease structure
- The Project
- Financing Details
- Documents
- Economic Impact

Dobyns-Taylor History

- Kingsport Hosiery Mill: four story building built in 1917
- 50,000 square foot cinder block addition built in 1956 used as warehouse space for Kingsport Press
- Been in the Taylor Family since 1945
- Numerous attempts to acquire the building and redevelop it which have never been successful
 - Taylor family has never agreed to terms to sell the building outright



Dobyns-Taylor History

- Terms set by the Taylor family led to negotiations on a long-term lease deal.
- Project was in the works when the lease was approved, never came to fruition.
- 25-year lease with the Taylor family with an option to renew for additional 25 years or option to purchase at a pre-determined price.
- KEDB is responsible for monthly lease payment to Taylor family and all maintenance, insurance and taxes on the property.
- Lease has been in place since 2023.

Dobyns-Taylor History

- The property had three tenants when we assumed the lease. One tenant chose to not sign a lease with KEDB and left. The remaining two tenants covered the majority of the cost to have the property.
 - Paul Bellamy asked to vacate in order to be able to market the property due to the amount of furniture that was inside.
 - Atlas Culinary requested to terminate their lease in August.
- Expenses of the property without tenants are approximately \$130,000 a year not including routine maintenance.



Marketing

- Marketing and Maintenance have been the focus of the property for the last two years.
- The building has been publicly marketed since the lease was signed.
- Up until this point, only two proposals were received.
 - Not feasible due to a requirement of ownership which Taylor family would not entertain
- ED staff have traveled to other similar projects, met with developers and city staff who have done similar projects
- Continued to market through due-diligence period of this project.

Current Lease Payments to Owner

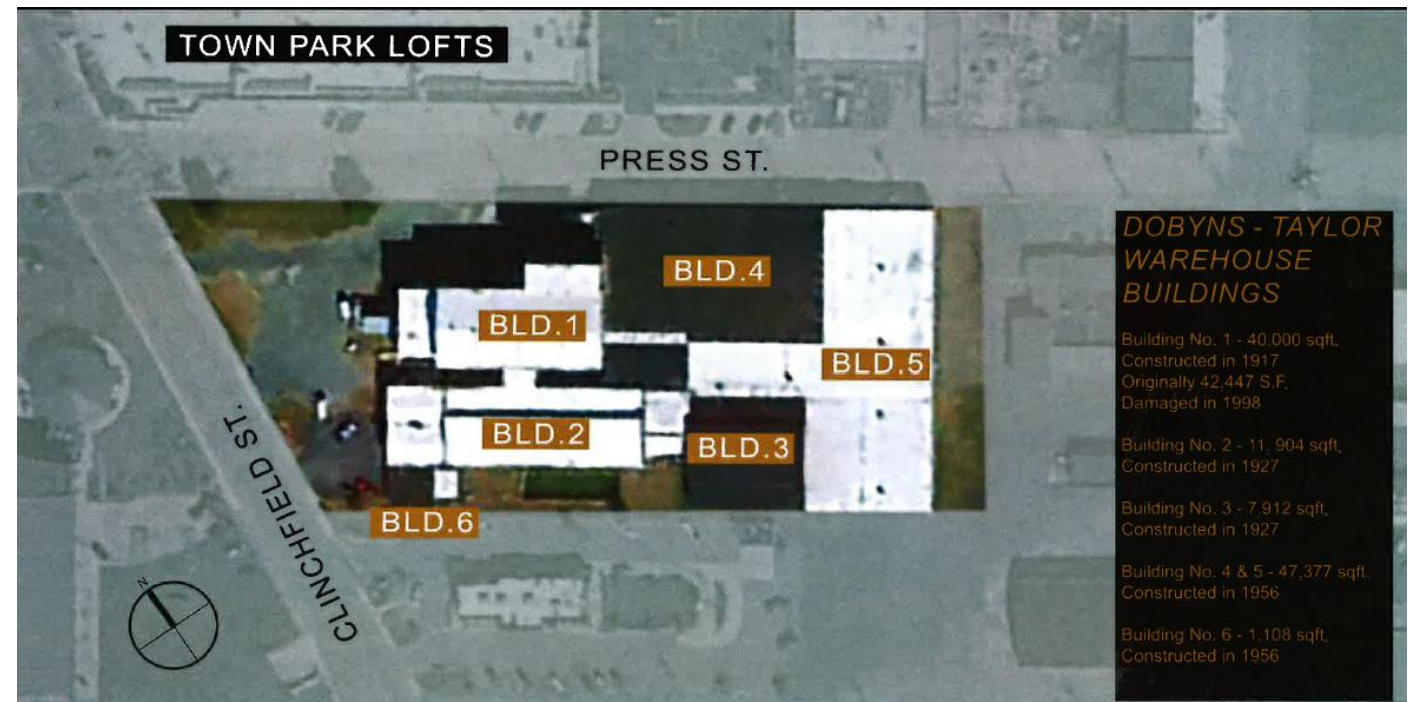
1	\$6,777.60	\$145.72	\$81,331.23
2	\$6,923.32	\$148.85	\$83,079.85
3	\$7,072.17	\$152.05	\$84,866.07
4	\$7,224.22	\$155.32	\$86,690.69
5	\$7,379.54	\$158.66	\$88,554.54
6	\$7,538.21	\$162.07	\$90,458.46
7	\$7,700.28	\$165.56	\$92,403.32
8	\$7,865.83	\$169.12	\$94,389.99
9	\$8,034.95	\$172.75	\$96,419.37
10	\$8,207.70	\$176.47	\$98,492.39
11	\$8,384.16	\$180.26	\$100,609.98
12	\$8,564.42	\$184.14	\$102,773.09
13	\$8,748.56	\$188.09	\$104,982.71
14	\$8,936.65	\$192.14	\$107,239.84
15	\$9,128.79	\$196.27	\$109,545.50
16	\$9,325.06	\$200.49	\$111,900.73
17	\$9,525.55	\$204.80	\$114,306.59
18	\$9,730.35	\$209.20	\$116,764.18
19	\$9,939.55	\$213.70	\$119,274.61
20	\$10,153.25	\$218.29	\$121,839.02
21	\$10,371.55	\$222.99	\$124,458.56
22	\$10,594.53	\$227.78	\$127,134.42
23	\$10,822.32	\$232.68	\$129,867.81
24	\$11,055.00	\$237.68	\$132,659.96
25	\$11,292.68	\$242.79	\$135,512.15

Current Purchase Option

Year	CPI -	
	2.49%	Annual Increase
1	\$1,149,000.00	\$28,610.10
2	\$1,177,610.10	\$29,322.49
3	\$1,206,932.59	\$30,052.62
4	\$1,236,985.21	\$30,800.93
5	\$1,267,786.14	\$31,567.88
6	\$1,299,354.02	\$32,353.92
7	\$1,331,707.93	\$33,159.53
8	\$1,364,867.46	\$33,985.20
9	\$1,398,852.66	\$34,831.43
10	\$1,433,684.09	\$35,698.73
11	\$1,469,382.83	\$36,587.63
12	\$1,505,970.46	\$37,498.66
13	\$1,543,469.12	\$38,432.38
14	\$1,581,901.51	\$39,389.35
15	\$1,621,290.85	\$40,370.14
16	\$1,661,661.00	\$41,375.36
17	\$1,703,036.35	\$42,405.61
18	\$1,745,441.96	\$43,461.50
19	\$1,788,903.46	\$44,543.70
20	\$1,833,447.16	\$45,652.83
21	\$1,879,099.99	\$46,789.59
22	\$1,925,889.58	\$47,954.65
23	\$1,973,844.24	\$49,148.72
24	\$2,022,992.96	\$50,372.52
25	\$2,073,365.48	\$51,626.80

The Project

- Developer Tim Butters and Hilton Head Hospitality Management plan to develop the property into a 60-room boutique hotel
- Building 4 and 5 would be demolished to make way for parking. A public parking lot would be included
- A full-service restaurant will also be developed
- Building 3 will be utilized as an event space



*Building 1 and 2 will be hotel rooms. Building 6 is the restaurant. Building 3 is the event space. Building 4 and 5 to be demolished

The Project

Tim Butters

- Renovated an old silk mill into a 50,000+ plaza, including seven high-end apartments and several commercial tenants
- Operated the plaza's main tenant, The Mill Tavern a bar/restaurant
- Renovated the old City Hall in Williamsport, PA into a 30 room Boutique Hotel. Owns and operates it today as City Hall Grand

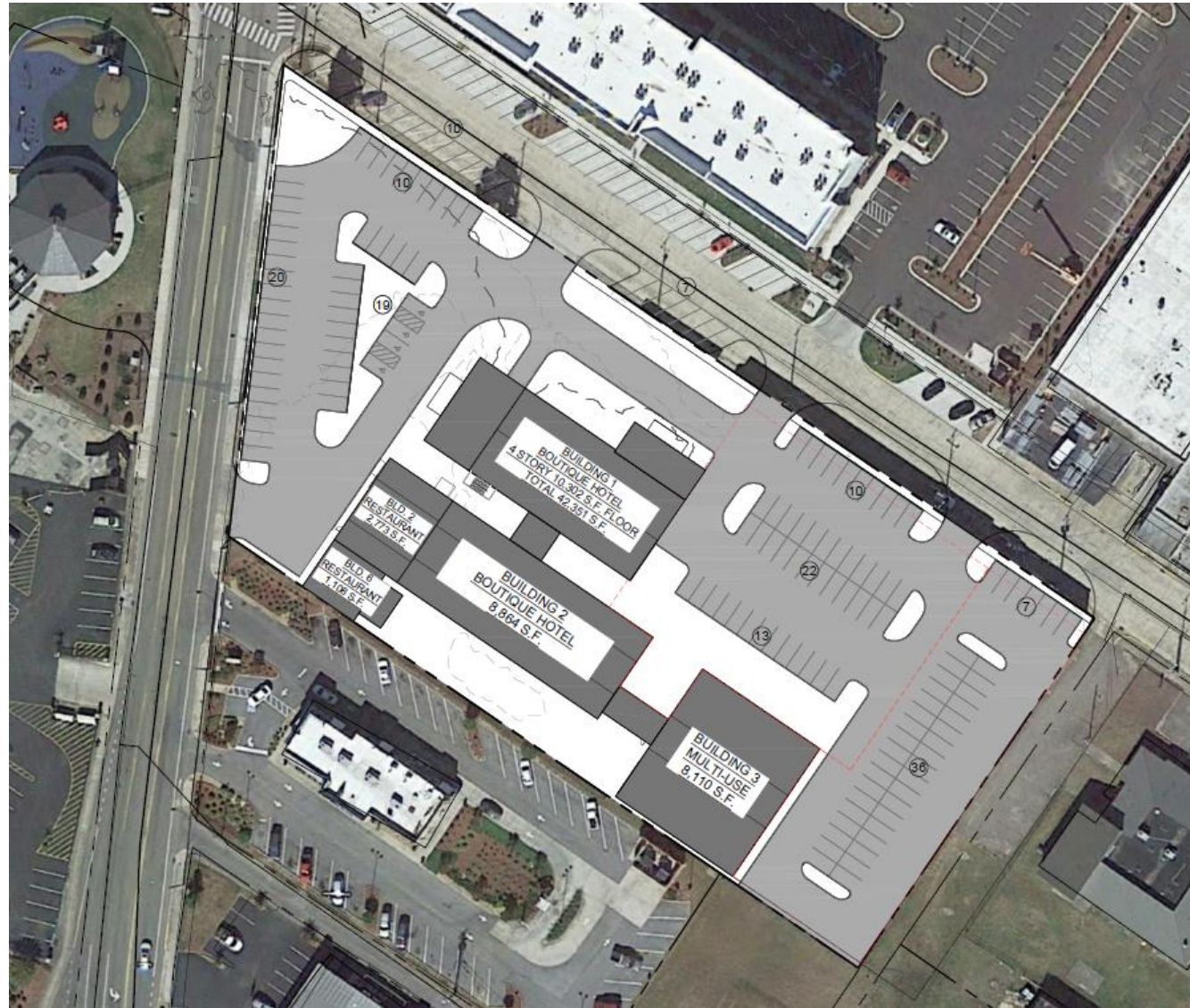
Hilton Head Hospitality Management

- Owned and operated by Raffael Ormeggio
- Over thirty-five years of experience in the hospitality industry, of which many years were working with Marriott International properties all around the country
- Objectives are to manage and operate properties through building the highest levels of service and a healthy bottom line

The Project



The Project





October 28, 2025

To Whom It May Concern:

In reference to the Kingsport Independent Boutique hotel project, Hilton Head Hospitality and Epic Revenue Services collaborated in submitting a pro forma we thought would be most accurate to today's trends of Occupancy and ADR (Average Daily Rate) in the Kingsport market.

We collected this information from the STR report (Smith, Travel, Research), an industry standard reporting tool used by all brands and independent hotels. We reviewed the study completed for the city of Kingsport and the STR report shows that downtown can support the addition of a Boutique Hotel

Please reach out if you have any further questions.

Sincerely,

Raffael Ormeggio

HHHM, Principle

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38 HAMMOCK OAKS CIR
HILTON HEAD, SC 29926
<https://threehmgmt.com>



FRED H. BECK AND ASSOCIATES, LLC
*Real Estate Appraisers
& Consultants*

MARKETABILITY STUDY

Proposed Hotel

225 West Center Street

Kingsport, Sullivan County, Tennessee 37660

PREPARED FOR

Kingsport Economic Development Board

Attn: Bill Dudney, KEDB Chairman

400 Clinchfield Street, Suite 100

Kingsport, TN 37660

c/o Bell Strategic Advisors, LLC

Attn: John Michael Bell, CCIM, RPA

9980 Huntcliff Trace

Sandy Springs, GA 30350-2700

DATE OF REPORT

January 25, 2018

PREPARED BY

FRED H. BECK & ASSOCIATES, LLC

Fred H. Beck, Jr., MAI, CCIM

John W. Wilkins, Jr.



Issues

- Fire suppression system needs complete overhaul
- Parking not available without demolition
- Asbestos in roughly 120 windows
- Existing elevator must be removed and a custom cart built
- All plumbing and electrical must be replaced
- Traditional financing hard to secure due to lease of property



Financing

- Construction financing budget is \$5,500,000
- Developer reached out to multiple local banks for financing
- Banks were hesitant and mentioned many of the same barriers
- Primary concerns were complicated lease and ownership structure

Decision for KEDB to finance

- Developers' financials were reviewed and no major concerns
- Financing gives us more control of the project
- Developer is investing over \$1,000,000 of his own capital to develop the event venue
- Developer is taking responsibility for the buyout provision of \$2,073,365 at the end of the term

Loan 1

Proposal from HomeTrust Bank and 3 Roots Capital. Not to exceed \$3,000,000

Funds will be used for:

- Demolition of Building 4 & 5
- Civil work including design/build of parking lot
- \$1,000,000 Redevelopment Grant

Work is expected to cost **\$1,430,460** and includes a **8%** contingency

Terms of Loan

- 10-year term with a 25-year amortization
- Interest rate will be 4%

Occupancy Tax generated by the project is expected to equal the yearly loan payment amount



Loan 2

Proposal from HomeTrust Bank and 3 Roots Capital. Not to exceed \$6,250,000

Funds will be used for:

- Construction financing for the developer

Construction Budget of **\$5,500,000** with contingencies built in.

- Budget confirmed by local architecture/engineering firm.

Terms of Loan

- 10-year term with a 25-year amortization
- Interest rate will be 4%
- KEDB will loan back to the developer at 6.5%

Debt service to be paid by developer.

Loan Protections

Collateral Assignment

- Assigns all relevant construction documents to KEDB in the event of a default

Deed of Trust

- Gives KEDB security in the property in the event of a default

Guaranty Agreement

- The developer is agreeing to personally guarantee the payment of the loan

Construction loan draws will be reviewed and approved by a project manager selected by KEDB

Sublease Structure

- Through June 30, 2048 (initial 25-year term with Taylors complete)
- Rent:
 - \$1/month through 2035 (debt service payment will cover the abated rent)
 - \$7,500 through 2040
 - \$7,800 through 2045
 - \$8,100 through 2048
- Maintenance, Insurance and Taxes to be responsibility of developer
- Required to build approx. 60 room hotel, full-service restaurant, event space
- Required to maintain AAA Diamond Standards.
 - Hotel/restaurant must be operational March 31, 2027
 - Event Space must be operational December 21, 2028
- Required to monitor, remove, remediate, mitigate and clean up any environmental issues that arise as a result of his actions.
 - Phase 1 and 2 environmental studies, limited asbestos survey, structural assessment, and a feasibility study have been completed by KEDB and turned over to the developer

Development Agreement

Development Agreement is tied to the \$1,000,000 redevelopment grant

- Restaurant must be completed and operational
- Event space must be completed by December 2028
- Hotel will be managed by a professional management group and will meet all “flag” standards (AAA Diamond Standards)

Standards

- Hotel will be managed by a professional hospitality group
- Management company ensures the hotel meets the AAA Diamond Program standards

AAA Diamond Designation Defined

To be designated as a AAA Diamond property, an establishment must pass inspection by meeting requirements in each category:

- Cleanliness and condition
- Management and Style of Operation
- Exterior and Public Area standards
- Room Standards
- Bathroom Standards



Lease Payment Schedule

Developers Lease Payment Year 11

Year	Dev Monthly	Dev Annual
11	\$7,500.00	\$90,000.00
12	\$7,500.00	\$90,000.00
13	\$7,500.00	\$90,000.00
14	\$7,500.00	\$90,000.00
15	\$7,500.00	\$90,000.00
16	\$7,800.00	\$93,600.00
17	\$7,800.00	\$93,600.00
18	\$7,800.00	\$93,600.00
19	\$7,800.00	\$93,600.00
20	\$7,800.00	\$93,600.00
21	\$8,100.00	\$97,200.00
22	\$8,100.00	\$97,200.00
23	\$8,100.00	\$97,200.00

KEDB's Remaining Lease Payment

KEDB Monthly	KEDB Annual
\$1,248.56	\$14,980
\$1,436.65	\$17,239
\$1,628.79	\$19,545
\$1,825.06	\$21,900
\$2,025.55	\$24,306
\$1,930.35	\$23,160
\$2,139.55	\$25,674
\$2,353.25	\$28,239
\$2,571.55	\$30,856
\$2,794.53	\$33,534
\$2,722.32	\$32,667
\$2,955.00	\$35,460
\$3,192.68	\$38,304

Sublease Protections

- Default:
 - Failure to pay any rent to sublessor by more than 10 days and the failure to pay continues for 30 days after written notice
 - Failure to perform any duties imposed by this lease and default continues 30 days after written notice
 - Bankruptcy
 - Default under any and all agreements tied to this project.
- Remedies
 - Termination of lease and collect amount of any unpaid rent, aggregate unpaid rent for remainder of Term
 - Lease not terminated but will allow us to re-rent the premises.

TIF Request

- Tax Increment Financing of **\$1,300,000** over a 25-year period with a 5% holdback
- Existing City Tax: **\$7,484**
- Existing County Tax: **\$7,196**
- Additional City Tax Retained: **\$14,145**
- Additional County Tax Retained: **\$12,136**
- New City Tax After TIF Maturity: **\$81,399**
- New County Tax After TIF Maturity: **\$78,274**

Agreement's

Lease

- Developer will assume all lease responsibilities
- Developer assumes the over \$2,000,000 buy out at the end of the term
- If developer defaults under the lease or loan the lease will be terminated

Loan

- Developer will personally guarantee the payment of the loan
- Construction loan draws will be reviewed and approved by a project manager selected by KEDB
- If developer defaults on the loan KEDB will own all improvements

TIF

- Developer personally guarantees the TIF
- A TIF loan must be secured by the developer and is their responsibility should the loan not amortize from property tax collections

Development Agreement

- \$1,000,000 incentive will be repaid if developer fails to meet requirements or defaults
- Restaurant must be completed and operational
- Event space must be completed by December 2028
- Hotel must be managed by a professional management group and will meet all "flag" standards

Actions by KEDB, BMA, and County Commission

KEDB Action Items

- Approve Loan 1
- Approve Loan 2
- Approve the Sublease between KEDB and Developer
- Approve Development Agreement
- Approve Construction Loan with Developer
- Approve Demolition Contract
- Approve Design/ Build Contract

BMA Action Items

- Approve the contribution agreement for Loan 1
- Approve the contribution agreement for Loan 2
- Approve the Tax Increment Financing

Sullivan County Commission

- Approve the Tax Increment Financing

Timeline

- Project presented to KEDB Nov 4th
- Presented to BMA Nov 18th
- Tax Increment Financing portion presented to Sullivan County Commission Nov 20th
- Work expected to begin in Dec 2025
- Target completion date is 1st quarter of 2027

Economic Impact

- Over a 10 million dollar investment
- 40 Temporary Construction Jobs
- 50 Permanent Jobs
- Property Tax w/ TIF: **\$26,281** After TIF Maturity: **\$159,673**
- Estimated Sales Tax Revenue: **\$64,916** a year
- Estimated Occupancy tax: **\$160,000** a year
- Addition of a Boutique Hotel to downtown and the Kingsport Portfolio of hotels

Summary

What have we covered:

- We have the chance to restore one of the most historic buildings in Kingsport
- The building will continue to deteriorate without significant investment
- A unique public-private partnership to enhance downtown with Kingsport's first boutique hotel and a new public parking lot
- We have identified sources of new revenue for all aspects of the project financing and incentives
- We have mitigated the risk with all the relevant agreements that were covered

Questions?