HISTORIC REDEVELOPMENT WHITE PAPER

LORAY MILL

From Industrial Landmark to Civic Catalyst

History, financing, public-private partnership, and redevelopment | 2006-2017



Completed Phase I viewed from Firestone Street. Source: Loray Mill Redevelopment, LLC, Part 3 Pictures (2015). [19]

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Executive Summary

The Loray Mill redevelopment succeeded because its sponsors and civic partners assembled a system, not merely a construction loan. Between the mid-2000s and 2017, a threatened textile landmark was carried through a credit-market collapse, restructured around federally insured debt and tax-credit equity, and repositioned as a mixed-use anchor for west Gastonia. The approximately 450,000-square-foot first-phase project created 190 loft apartments, roughly 80,000 square feet of commercial and retail space, and more than 34,000 square feet of resident amenities within a complex commonly described as roughly 600,000 square feet overall. [1][7][18]

The central financing lesson is equally important. A $45 million adaptive-reuse project in a weaker market could not be supported by rents and conventional debt alone. A $20 million FHA-insured mortgage originated through Berkadia supplied durable project debt. Chevron participated through federal historic tax credits; Anthem Blue Cross and Blue Shield participated through North Carolina's enhanced mill rehabilitation credit. The City of Gastonia and Gaston County reduced commercial leasing risk by agreeing to backstop a substantial share of the leasable commercial area, while the City also participated in infrastructure work. Preservation North Carolina preserved the asset, maintained public confidence, and held the property until a financeable transaction could close. [1][8]

> **Governor Pat McCrory, March 26, 2015:** *"The hard work that made this renovation possible will have a lasting impact on this community and region in terms of future economic growth and most importantly - jobs. It's great to see how the historic tax credit program has helped communities throughout North Carolina turn abandoned buildings like the Loray Mill into economic centers." [7][15]*

Key Findings

Historic significance. Loray embodied Gastonia's emergence as a national textile center and the difficult legacy of the 1929 strike; its size, architecture, industrial technology, and labor history made demolition an irreplaceable loss. [1][2]

Financing necessity. Historic tax credits converted preservation compliance into investable equity. They did not eliminate risk, but they filled a capital gap that debt and sponsor equity could not carry in the post-recession market. [4][5][17]

Partnership necessity. Private sponsors, tax investors, an FHA lender, state and federal preservation agencies, local governments, Preservation North Carolina, and UNC each supplied a different form of capital, risk reduction, stewardship, or public value.

Catalytic impact. By 2017 the mill had become an occupied residential and commercial address, a public-history platform, an award-winning preservation project, and a focal point for reinvestment in Loray Mill Village. [9][11][12][13][14]

1. Why Loray Mattered

Built from 1900 to 1902 by the Loray Manufacturing Company, whose name combined the surnames of founders John F. Love and George A. Gray, Loray was marketed as the 'Million Dollar Mill.' Its monumental brick envelope, tall arched window openings, fire-separated interior, and dominant tower announced Gastonia's arrival as a textile center capable of competing nationally. After a major 1922 expansion, the mill again ranked among the largest textile factories under one roof. [1]

The mill also carries a nationally consequential labor history. In 1929, wage cuts, workload increases, and union organizing produced a strike that drew the National Guard, national and international press attention, the killing of Gastonia Police Chief Orville Aderholt, and the later murder of organizer and balladeer Ella May Wiggins. The conflict shaped attitudes toward organized labor across North Carolina and the wider South for decades. Preserving Loray therefore meant retaining a physical place where industrial achievement, worker life, corporate power, violence, and memory intersected. [1][2]

Firestone acquired the property in 1935 and produced tire fabric there for nearly six decades. The plant and surrounding village organized everyday life for thousands of workers and families. When most operations moved in 1993, closure weakened both the economic base and the physical confidence of west Gastonia. Firestone donated the mill to Preservation North Carolina in 1998 after demolition became a real possibility. The Loray Mill Historic District was listed in the National Register in 2001, and a 2006 boundary increase recognized additional industrial, architectural, and social-history resources. [1][2][10]

Preservation value: *Loray was significant at three scales at once - as an extraordinary industrial building, as the material center of a mill village, and as a site in American labor history. That combination made adaptive reuse more than a real-estate exercise; it was an act of civic memory.*

A Building Too Large for a Single-Sector Solution

The very qualities that made Loray important also made it difficult to save. A massive envelope generated large roofing, window, masonry, life-safety, utility, environmental, and code-compliance costs before income could begin. Its western Gastonia location did not command the rents of stronger metropolitan submarkets, and the amount of space arriving at once magnified lease-up risk. Preservation North Carolina could protect the building and recruit developers, but it could not finance a $40-plus-million conversion on its own. The project needed a sponsor willing to persist, public partners willing to reduce market risk, and tax-credit policy capable of turning preservation work into equity.

Year	Milestone
1900-02	Original Loray Mill constructed; its scale symbolized Gastonia's industrial coming of age.
1929	Historic strike and violence place Loray in state and national labor history.
1935-93	Firestone ownership and tire-fabric production sustain the plant and village economy.
1998	Firestone donates the threatened mill to Preservation North Carolina.
2001/06	National Register district listing followed by a 2006 boundary increase.

2. 2006-2012: Making the Project Financeable

The period beginning in 2006 was defined less by visible construction than by repeated attempts to make the redevelopment financially possible. North Carolina's Mill Rehabilitation Tax Credit, enacted in 2006 after sustained advocacy that included Preservation North Carolina and Gaston County Senator David Hoyle, offered an enhanced state credit for qualifying vacant industrial sites. The City of Gastonia's later area plan called Loray a 'poster child' for the legislation and identified the credit as key to feasibility. [1][4]

By late 2007 and early 2008, the development team was approaching a closing. The national financial crisis then erased the conventional credit on which the structure depended. A March 20, 2008 preliminary

state determination confirmed the complex's eligibility for the mill credit, but eligibility alone could not produce a loan. In 2009 the team pivoted toward an FHA-insured mortgage, beginning a process that took more than two years. The episode demonstrates a basic principle of adaptive reuse: an incentive can close a value gap, but it still requires debt, equity, approvals, and a viable operating plan to converge. [1][3]

The Holding Period Was Part of the Redevelopment

Preservation North Carolina's contribution was not a ceremonial transfer. For roughly fifteen years it kept an empty, deteriorating mill from demolition, paid for security and protective systems, hosted events, recruited successive developers, and maintained the civic coalition needed for a future transaction. Local advocate Lucy Penegar and other residents supplied political endurance and volunteer stewardship. Without this long predevelopment period, the asset could have been lost before tax policy or capital markets were ready. [7][10]

The City and County also shifted the risk calculation. Their willingness to support leasing of a large portion of commercial space created a credible demand floor for lenders and investors. The City participated in underground utility work and planned a police substation within the mill. These commitments were not substitutes for private capital; they made private capital more rational by reducing uncertainty around occupancy, infrastructure, and long-term municipal support. [1][18]

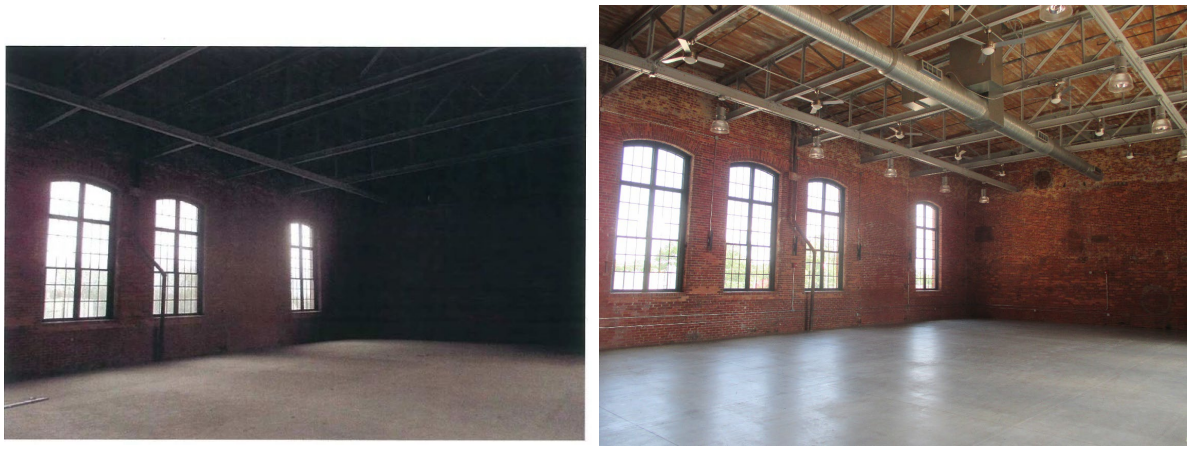
Year	Milestone
2006	Mill credit enacted; National Register boundary expansion reinforces eligibility and significance.
2007-08	Near-closing structure collapses during the national credit crisis.
Mar. 2008	State Historic Preservation Office issues preliminary site-eligibility determination.
2009	Development team begins pursuing FHA-insured debt when conventional credit is unavailable.
2012-13	Preservation North Carolina sale and final capital assembly position the project to close.

Core lesson: *The decade was not delay without progress. Each failed structure clarified what the final capital stack required: patient ownership, public leasing support, infrastructure participation, insured debt, and monetizable federal and state credits.*

3. 2013-2015: From Closing to Completion

The rehabilitation start date recorded in the state certification application was March 27, 2013, and the permanent financing closed in April. Loray Mill Redevelopment, LLC - led by William R. Hughes, Joseph E. Lenihan, and John Gumpert - acquired the property for $660,000. Construction was organized in phases across the approximately 450,000-square-foot Project I area, ultimately producing 190 residential units and about 80,000 square feet of commercial and retail space. [1][6][8][18]

The work retained and reused character-defining material wherever practical: large window openings, masonry, heavy wood structure, historic fire doors, stair components, floor boards, industrial machinery, and the monumental water-tower spaces. New interventions addressed elevators, egress, fire separation, mechanical systems, accessibility, and modern residential and commercial use. Phased certification allowed the team to document completed work while the accessory commercial and amenity areas continued toward completion. [18][19]



Progress to completion: former engine room/event space. Left: Dec. 31, 2014 phased-advisory record. Right: completed Part 3 photograph. [18][19]

An AIA certificate dated December 30, 2014 recorded substantial completion of the upper residential floors, with Centurion Construction Company as contractor and Rowhouse Architects as architect. On the same date, City Manager Edward C. Munn reaffirmed the City's lease obligations, confirmed substantial completion of the City's space and the remaining floors, and described the project as 'truly transformational for the center-city of Gastonia.' Lease payments could begin as early as January 1, 2015. [18]

The public grand opening followed on March 26, 2015, with Governor McCrory, Secretary Susan Kluttz, Mayor John Bridgeman, the development partners, and more than 400 business and civic leaders. The state Part B application recorded final rehabilitation completion on July 30, 2015. That sequence - substantial completion, public opening, then final certification - explains why contemporaneous sources variously describe late 2014, spring 2015, or summer 2015 as the completion date. [6][7][11]

4. Financing: Why the Historic Tax Credits Were Necessary

Loray's financing combined costs and capital measured in different ways. The City area plan used a $45 million Phase I investment baseline. The state application reported $41.5 million in qualified rehabilitation expenses (QREs) plus $5 million in associated new construction, site work, and landscaping. A later financing retrospective identified a $20 million Berkadia loan guaranteed by FHA, Chevron as the federal historic-credit investor, and Anthem Blue Cross and Blue Shield as the state mill-credit investor. These figures should not be mechanically added: they reflect different scopes, dates, credit face values, and cash proceeds. [1][6][8]

Capital / cost component	Reported amount	Role in feasibility
Phase I project investment	$45.0 million	City planning baseline for the completed first phase; later reports use different scopes and dates.
Qualified rehabilitation expenses	$41.5 million	State certification application; basis used to calculate eligible historic credits.
Associated new construction/site work	$5.0 million	State application; generally outside the qualified historic rehabilitation basis.
FHA-insured project debt	$20.0 million	Berkadia mortgage backed by FHA; provided long-term debt after conventional credit tightened.

Capital / cost component	Reported amount	Role in feasibility
Federal HTC face amount (illustrative)	$8.3 million	20% of $41.5 million of QRE; Chevron identified as the federal tax-credit investor.
NC Mill Credit face amount (illustrative)	$16.6 million	40% of $41.5 million under the applicable mill-credit statute; Anthem identified as state investor.

Table note: *Federal and state figures are statutory face amounts calculated from reported QREs, not documented investor cash proceeds. Tax-credit equity is priced, funded, and adjusted through transaction structures and compliance requirements.*

How the Credits Closed the Gap

The federal program provides a credit equal to 20% of qualified expenses for a certified historic structure returned to income-producing use. North Carolina's applicable mill program offered a 40% credit for eligible vacant industrial sites in the qualifying tiers. On $41.5 million of QREs, those statutory percentages represented approximately $24.9 million in combined gross credit capacity. The credits therefore addressed the project's central mismatch: preservation-grade construction costs were high, while supportable conventional debt was constrained by local rents and leasing risk. [4][5][6][17]

The incentives were earned through performance, not paid as an upfront grant. The State Historic Preservation Office and National Park Service reviewed the building's significance, proposed work, phased progress, and completed rehabilitation against the Secretary of the Interior's Standards. Final certification linked the financial benefit to preservation outcomes and exposed the project to compliance and recapture risk. That discipline made the credits valuable to investors while ensuring that public policy purchased durable historic character rather than cosmetic reuse. [3][5][17][18]

Counterfactual: *Without the federal and enhanced state credits, the capital stack would have required materially more debt or sponsor equity than the completed project could reasonably support. The 2008 failure and the later FHA/tax-equity structure are direct evidence that the credits were not incidental; they were the feasibility bridge.*

5. Preservation Outcomes in the Finished Building

The strongest evidence of the redevelopment's quality is the continued legibility of the mill. The project did not erase the scale, rhythm, or material character that made Loray historic. Instead, it inserted housing, commercial space, amenities, and public-history functions within the existing industrial framework.



A staged transformation: completed Project I at right and the then-unfinished later project area at left. Source: Part 3 Pictures. [19]



Adaptive reuse at two scales: a residential room and the upper water-tower observation level. [19]

Windows and daylight. Re-established and restored openings brought natural light into deep floor plates while preserving the exterior's dominant rhythm.

Industrial fabric. Brick, timber, steel framing, fire doors, stair rails, floor boards, machinery, and even removed columns were retained or repurposed as architecture, furniture, and interpretation.

New use without false history. Exposed systems and clearly contemporary insertions allowed modern code compliance and building performance without pretending that new work was original.

Public memory. The Alfred C. Kessell History Center and Digital Loray archive made interpretation part of the building's new operating life, not an afterthought.

6. Civic and Economic Impact Through 2017

At the 2015 opening, the redevelopment was already 26% pre-leased and offered a new concentration of market-rate housing, employment space, event space, and amenities on Gastonia's west side. More important than any single leasing statistic was the change in expectation: a property that had symbolized abandonment became evidence that major private investment could succeed west of downtown. City planning explicitly treated the mill as the anchor for coordinated housing, corridor, transportation, public-safety, parks, and infrastructure strategies across Loray Village. [1][7]



The completed amenity area combined new landscape and recreation with retained industrial artifacts. [19]

History as an Operating Partnership

The developers set aside approximately 1,100 square feet for a history center. UNC-Chapel Hill's Digital Innovation Lab and Digital Heritage Center, local institutions, students, residents, and donor Rick Kessell built a digital archive and interactive interpretation of the mill and village. The collaboration turned the redevelopment into a platform for public scholarship and preserved community stories that physical rehabilitation alone could not hold. [7][11]

From Mill to Village

Preservation North Carolina then expanded the preservation strategy into the surrounding neighborhood, acquiring and rehabilitating mill houses and supporting owner occupancy. In 2017, the Wells Fargo Housing Foundation awarded a $160,000 Priority Markets grant, following a $15,000 grant earlier that year. The effort illustrates the two-way relationship identified in the City's area plan: the mill could lower perceived risk and attract attention, but its long-term success also depended on a stable, inclusive, and reinvested neighborhood. [1][12]

Impact with a caution: *Catalytic redevelopment is not automatically equitable. The 2015 WFAE coverage recorded both hope for reinvestment and concern about displacement. The public-private model is strongest when village housing, homeownership, local history, public space, and commercial opportunity advance alongside the flagship asset. [9]*

7. Media, Video, and Recognition

The redevelopment drew coverage because it combined an unusually large preservation project with a nationally important labor-history site and a high-profile policy debate over historic tax credits. The following sources provide a useful public record and multimedia pathway.

Date	Outlet	Coverage / significance	Link
Mar. 26, 2015	**WBTV**	Grand-opening preview and McCrory tax-credit quotation.	Open
Mar. 27, 2015	**Charlotte Business Journal**	Contemporaneous redevelopment and market coverage.	Open
July 8, 2015	**Bit & Grain**	Long-form preservation story with photographs and tax-credit context.	Open
Oct. 12, 2015	**WFAE**	7:33 audio report plus 18-image gallery on mill and village impact.	Open
2015	**UNC College**	Digital Loray partnership, history center, student research and reopening.	Open
2017	**CRE Carolinas**	CREative Thinkers Award video: Loray Mill / Billy Hughes.	Open
Nov. 2017	**Preservation NC**	Wells Fargo grant and neighborhood-reinvestment follow-through.	Open

Verified Awards

2015 - L. Vincent Lowe, Jr. Business Award. Preservation North Carolina presented the award to Loray Mill Redevelopment, LLC. The statewide award recognizes exemplary business leadership in historic preservation. [13]

2017 - CREative Thinkers Award. The Carolinas Chapter of The Counselors of Real Estate honored Billy Hughes for Loray Mill. The award program focuses on creative real-estate thinking, vision, and impact on how people live, work, and play; the archive includes a project video. [14]

Conclusion: A Replicable Structure, Not a Formula

Loray Mill's redevelopment cannot be reduced to a single heroic investor, a single public subsidy, or a single design idea. Its achievement was the alignment of patient preservation ownership, persistent private sponsorship, local government risk sharing, FHA-insured debt, federal and state tax-credit equity,

preservation review, and community interpretation. Each participant solved a different part of the feasibility problem.

The historic tax credit program was the indispensable hinge. It converted the public value of preserving Loray into private investment capacity while binding that benefit to professional review and completed work. The City and County then made the operating plan more credible; Preservation North Carolina prevented the asset from disappearing; FHA made long-term debt possible after conventional markets failed; and the developers accepted the execution and lease-up risk. By 2017, recognition, media coverage, the Digital Loray partnership, and village reinvestment showed that the result extended beyond the building. Loray had again become a civic institution - one whose future economic value depended on the very history the financing structure was designed to protect.

While many problems had to be addressed along the way, Historic Ventures has been able to streamline its redevelopment projects by applying the experience gained by its principals at Loray Mill and other historic properties. These lessons inform a coordinated approach to preservation, financing, construction, and public/private partnerships. Each building presents distinct challenges, but this accumulated experience helps make complex projects more manageable while preserving their historic character and supporting community revitalization.

Notes, Sources, and Method

Method. This paper reconciles official project records supplied for the assignment with government records, preservation-program guidance, contemporaneous journalism, nonprofit reporting, and award archives. Bracketed numbers refer to the sources below.

[1] City of Gastonia, Loray Village Area Plan (2015) - source link

[2] National Park Service, Loray Mill Historic District Boundary Increase (listed 2006) - source link

[3] North Carolina State Historic Preservation Office, Eligibility Certification for the Loray Mill, Dec. 18, 2014

[4] North Carolina Session Law 2006-40, Mill Rehabilitation Tax Credit - source link

[5] National Park Service, About the Federal Historic Preservation Tax Incentives - source link

[6] Loray Mill Redevelopment, LLC, North Carolina Historic Preservation Certification Application Part B, Aug. 7, 2015

[7] Loray Mill Redevelopment, LLC, Grand Opening Press Release, Mar. 26, 2015

[8] Preservation North Carolina, Phase 2 of Loray Mill's Residential Redevelopment Coming, June 16, 2018 - source link

[9] WFAE, Block by Block: Loray Mill's New Life Sparks Hope for Old Neighborhood, Oct. 12, 2015 - source link

[10] Bit & Grain, Worth Saving: Historical Preservation at Loray Mill, July 8, 2015 - source link

[11] UNC College of Arts and Sciences, UNC Humanities Team Brings Century-Old Mill into Digital Age - source link

[12] Preservation North Carolina, Wells Fargo Awards Preservation NC $160K Grant for Loray Mill Village Neighborhood Revitalization, 2017 - source link

[13] Preservation North Carolina, Honor Award Winners Complete List - source link

[14] Carolinas Chapter of The Counselors of Real Estate, Loray Mill: Billy Hughes - 2017 CREative Thinkers Award video - source link

[15] WBTV, Gastonia Prepares for Loray Mill's Grand Opening, Mar. 26, 2015 - source link

[16] National Park Service, Annual Report on the Economic Impact of the Federal Historic Tax Credit, FY 2015 - source link

[17] National Park Service, 20% Tax Credit Basics - source link

[18] Loray Mill Redevelopment, LLC, Project I Phased Advisory and Certification of Substantial Completion, Jan. 6, 2015

[19] Loray Mill Redevelopment, LLC, Part 3 Pictures (138 labeled completion photographs), 2015

[20] Preservation North Carolina, My Turn: Save Historic Preservation Tax Credits, Nov. 9, 2017 - source link

Source Reconciliation

Units. Contemporaneous project documents report 190 apartments; several later operating and media sources report 189. This paper uses 190 when describing the approved/completed Phase I program and notes the later variation.

Area. The full mill complex is commonly reported at roughly 600,000 to 630,000 square feet; the Project I certification record covers approximately 450,000 square feet. These figures describe different scopes.

Cost. Published totals range from approximately $39 million to $51 million because sources use different dates, scopes, and definitions. The City plan's $45 million Phase I figure and the state application's $41.5 million QRE plus $5 million of associated work are used as the principal contemporaneous benchmarks.

About the Author



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William “Billy” Hughes is a real estate developer whose work focuses on the acquisition, financing, rehabilitation, and adaptive reuse of historic buildings. A principal of Historic Ventures, LLC and managing member of Black Point Investments, LLC, he brings experience in complex redevelopment, affordable and senior housing, and public/private partnerships.

Hughes was an owner and developer of Loray Mill in Gastonia, North Carolina. His historic redevelopment experience also includes Converse Mill in Spartanburg, South Carolina; Johnston Mill Lofts in Columbus, Georgia; and Liberty Lofts and Townhomes in Roswell, Georgia. These projects reflect his focus on returning former industrial and institutional properties to productive residential and mixed-use purposes.

His financing experience includes federal and state historic tax credits, Low-Income Housing Tax Credits, tax-exempt bonds, and HUD-supported financing. He has worked with housing and development authorities to align private investment with community redevelopment goals. Earlier in his career, Hughes worked as a real estate lender with Wells Fargo Bank, bringing underwriting and financial structuring skills to his subsequent development work.

Hughes received the Carolinas Chapter of The Counselors of Real Estate’s 2017 CREative Thinkers Award for Loray Mill. He holds degrees from Yale University, Loyola Marymount University and he holds an M.B.A. from the University of Southern California and resides in San Clemente, California.