

## City Council – Action Request Form

**Date:** August 8, 2022

**To:** Mayor, Mayor Pro Tempore, and Members of the City Council

**From:** Patrice Toney, Assistant City Manager  
Marla Y. Newman, Community Development Director

**Council Action Requested:**

Resolution Authorizing Subordination of Existing Permanent Financing for the Enterprise Center

**Strategic Focus Area:** Livable Neighborhoods

**Strategic Objective:** No

**Strategic Plan Action Item:** No

**Key Work Item:** No



**Summary of Information:**

S.G. Atkins Community Development Corporation (CDC) has redeveloped the former Boys and Girls Club building located at 1922 South Martin Luther King, Jr. Drive into the Enterprise Center in phases from 2010 to 2018. The City of Winston-Salem provided:

- \$710,000 in Housing Finance Assistance Funds and General Obligation Bonds in 2010 to replace the roof, mechanical systems and parking and convert the upper floor into a small business incubator,
- \$209,000 in Community Development Block Grant (CDBG) funds in 2011 to convert the gymnasium into a community room, and
- \$500,000 in CDBG funds in 2013 to convert the lower level into additional space for the small business incubator.

These funds totaling \$1,419,000 are a non-amortizing, deferred loan that is due on sale or transfer of the property or change in use of the property to a use not approved by the City and are secured by a deed of trust on the property. In addition, the City provided \$165,000 in CDBG funds in 2016 to create a shared-use commercial kitchen. These funds are a non-amortizing, deferred loan that will be forgiven after 20 years and are also secured by a deed of trust on the property.

**Committee Action:**

<b>Committee</b>	Finance 8/8/22	<b>Action</b>	Approval
<b>For</b>	Unanimous	<b>Against</b>	

**Remarks:**

The U.S. Department of Commerce, Economic Development Administration (EDA) provided a grant of \$1,228,079 to the CDC for the initial phase of the Enterprise Center. The grant is secured by a deed of trust, and the City's \$1,419,000 deed of trust and EDA deed of trust currently share first-lien position on the property. The City's \$165,000 deed of trust is currently in second place behind the two shared-first deeds of trust.

Now, the CDC has been approved for a new grant of \$1,004,173 from EDA to expand the shared-use kitchen for food entrepreneurs. The kitchen is currently permitted by the Forsyth County Environmental Health Department for five caterers. The expansion will increase the size of the kitchen from 895 square feet to near 4,000 square feet, which will add state-of-the-art equipment and space for lease that provides food artisans, chefs, and bakers opportunity to prepare and create quality items for purchase. The CDC is not requesting additional funds from the City in connection with this new grant from EDA.

EDA is requiring that this new grant have first-lien position on the property. That would result in the City's two liens moving down one position, such that the new priority would be:

First position – new EDA grant

Second position – shared by City deed of trust #1 (\$1,410,000) and EDA grant #1

Third position – City deed of trust #2 (\$165,000)

The property was appraised at an "as is" valuation of \$5,270,000 as of June 28, 2022. The total amount of the four encumbrances after the second EDA grant closes would be \$3,816,252.

A resolution authorizing subordination of the City of Winston-Salem deeds of trust for the S.G. Atkins CDC Enterprise Center to the new U.S. Economic Development Administration deed of trust is presented for consideration.