



# Memorandum

**TO:** Mayor Joines, Mayor Pro Tempore Burke and Members of City Council  
**FROM:** Evan Raleigh, Assistant City Manager  
**DATE:** January 8, 2020  
**SUBJECT:** Response to Questions re: HOPE/Hydroponics Project  
**CC:** Lee Garrity, City Manager

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During the December meeting of the Finance Committee, staff presented a budget amendment containing a request to appropriate an additional \$500,000 from 2014 General Obligation Economic Development related to overages on the HOPE/Hydroponics project. Members of the committee raised several questions related to the project both during and after the December committee meeting and this memo attempts to respond to those inquiries.

Question: Can Goler provide a pro forma for the facility's operation?

Response: Goler has provided a pro forma for the first seven years of the facilities operation. The pro forma indicates that the hydroponics facility will be cash flow positive beginning in its initial year of operation. The document is attached to this memorandum.

Question: What is the operating plan for the facility?

Response: Goler has provided a brief narrative which describes the operating plan for the facility. That document is attached to this memorandum.

Questions: What is the anticipated timeline for the opening of the facility?

Response: Goler has provided a projected timeline for the opening date of the facility which includes an estimate of the date of the first crop yield. The document is attached to this memorandum.

Question: How much money has been spent on administrative expenses related to Goler's management of the project to-date?

Response: In September of 2016, the City executed an agreement with Goler CDC for the construction and operation of a hydroponics facility in Kimberly Park. As part of the agreement, the City approved a one-time grant of \$477,000 for administrative and operational expenses for the first two years of the facility's operation. Of the total administrative/operating budget, \$152,500 was set aside specifically for project administration. To-date, approximately \$140,000 of the administrative budget has been expended.

## KIMBERLEY PARK URBAN FARM

The Kimberley Park Hydroponic greenhouse project was conceived to inspire economic development and address fresh food scarcity in an area that has been designated a "food desert". Goler Community Development Corporation (GCDC) has collaborated with the Boston-Thurmond Neighborhood Association to include residents in the operation of the facility along with local schools and Forsyth County Agricultural Extension. GCDC will also continue to apply for grants and other revenue sources to help subsidize the project and provide programming.

GCDC contracted with Blue Planet Consulting which is an expert in urban farming to develop a plan to allow the project to become self-sufficient after two years of operations. In their feasibility study Blue Planet took into consideration the environmental parameters and market opportunities in Winston-Salem which included a survey of competition and price points in the area.

Due to the upfront investment and operational costs associated with hydroponics, secure and consistent revenue is required to achieve an appropriate return on investment. This produce generally requires higher price points compared to traditionally grown produce to recoup payback and profit. Farms are most efficient when they are able to secure anchor clients or robust purchase agreements which provide more stable income. Therefore, crop selection must appeal to niche markets and be made available through various distribution channels which includes grocery stores, restaurants, cooperatives, wholesalers and farmers markets.

Based on the market research performed for this project, there appears to be a lack of local leafy greens, herbs and microgreens in Forsyth County. A crop selection was created for the economic analysis that includes butterhead lettuce, basil and arugula which have short growing cycles.

The operations will include one head grower and two part time workers for task which include seeding, transplanting, harvesting, packaging and cleaning the produce. The head grower will have prior hydroponic production experience and be familiar with all health, safety and biosecurity regulations associated with the operation. The part time workers are not required to have prior experience but must be willing to learn how to complete their tasks in an efficient manner after a 2-week training period.

## Urban Farm Pro Forma Notes

- Operational cost includes salaries for one full - time and two part-time employees, utilities and growing materials. Forecasted expenses remain constant through year 7.
- Customer base and anchor clients will be identified in year one and two, hence there is no forecasted revenue until the second year.
- Operating subsidy forecasted for a potential need through year 3 with a minimal profit in the third.
- Aggregate Net Total (Operations only) shows forecasted carryover of subsidy in years 1 – 3 and projected profit and subsidy for years 4 – 7.



## Goler Hydroponics Completion Timeline

- Contingent award of additional funds January 21, 2020
- Goler funds disbursement February 1, 2020
- Complete Access road March 30, 2020
- Hire Master Grower April 1, 2020
- Certificate of Occupancy April 15, 2020
- Open facility May 1, 2020
- First Crop yield June 30, 2020