

Information Item

Date: January 14, 2019

To: The City Manager

From: Ben Rowe, Assistant City Manager

Subject:

Potential Uses of \$20 Million in Limited Obligation Bond Financing

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: No

Strategic Plan Action Item: No

Key Work Item: No



As part of the planning for the November 2018 bond referendum, City staff presented a debt model in January 2018 to the Mayor and City Council, showing that the City could issue \$120 million in general obligation bonds and provide \$20 million in other debt financing with a four-percent property tax increase. The other debt financing most likely would be provided through the issuance of Limited Obligation Bonds (LOBS) in which the City would pledge an asset as collateral to retire the bonds. Most recently, the City issued LOBS for The Benton renovation project, redevelopment of Union Station, and part of the City's participation in Business 40 corridor improvements.

During 2018, there have been discussions among community stakeholders about additional public investments that could improve the economic vitality and quality of life in the city. In addition, the Forsyth County Commission has discussed options for constructing a new courthouse, along with adequate parking to support the officials, staff, and the public who work and use the facility. On November 14, 2018, Winston-Salem State University announced it no longer would pursue the purchase of Bowman Gray Stadium and the surrounding property, and the City presented a proposal to invest \$9 million in the stadium and its facilities. Finally, discussions among downtown stakeholders have focused on the development of Kaleideum's new building and site, as well as the acquisition of additional open space in the downtown area. These stakeholders have approached the City for financial assistance with these initiatives.

Based on the announcements and discussions that have taken place over the past year, City staff have prepared a proposed community investment plan that would utilize the \$20 million in other debt financing capacity to meet the additional capital needs that have been brought forward to the City. The following table presents the potential capital investments and the estimated cost to the City.

Potential Uses of \$20 Million in Other Debt Capacity

Investments	Cost
Bowman Gray Stadium Improvements	\$9,000,000
City's Share of Courthouse Parking Deck	5,000,000
Liberty Plaza Improvements for Kaleideum Site	2,000,000
Acquisition of Former Bankruptcy Court Site	2,000,000
Belview Recreation Center and Park Improvements	1,000,000
Contingency	1,000,000
Total	\$20,000,000

The following sections provide an overview of each potential use of this debt capacity.

Bowman Gray Stadium Improvements

In May 2013, the Mayor and City Council approved the sale of Bowman Gray Stadium and surrounding property (approximately 92 acres) to Winston-Salem State University. In the following months, the University initiated the process for approval of the purchase by the State of North Carolina. At the same time, the City entered into an interim operating agreement in 2014 with the University for the operation and maintenance of the stadium. The City contracted with the University over the next four years, as the State's process to approve the purchase lingered among State agencies.

At a joint announcement by the University and the City on November 14, 2018, Chancellor Elwood Robinson announced that Winston-Salem State University no longer would pursue purchase of Bowman Gray Stadium. Mayor Joines and City staff presented a proposed plan in which the City would invest **\$9 million** in improvements to the stadium site and facilities. Improvements would include replacement of concession stands and restrooms, re-grading the football field, resurfacing the race track, utilities upgrades, facility repairs, and aesthetic improvements that would better identify the stadium as the home of Rams Football. The following table provides a detailed breakdown of the proposed improvements.

Improvements	Cost
Site Work	\$1,677,000
Restroom Facilities	1,740,000
Concession Facilities	1,035,000
Ticket Facilities	7,000
East Press Box	130,000
West Press Box	76,000
Field House	180,000
Main Seating Area (i.e. the Bowl)	1,567,000
Design & Contingency	2,588,000
Total	\$9,000,000

Because the City would construct these improvements during the months after Winston-Salem State University's football season and before the start of the NASCAR racing season, this project would be phased in over three years, starting in 2020 and finishing in 2022. Due to the challenges of coordinating the construction work in a way that would minimize the impact on the football and racing seasons, City staff intend to utilize the construction management at risk (CMR) method for delivering this project (authorized under General Statute 143-128.1). Under this method, the City would retain a construction manager who would manage both the design and construction of the improvements at Bowman Gray Stadium. With this approach to the project, the construction manager would work with the City's architect during the preconstruction phase to design the project. Once design plans are 60-80% complete, the City would negotiate a Guaranteed Maximum Price (GMP) with the construction manager in which the contractor would be paid the GMP, even if the actual cost of the project exceeds the negotiated price, unless authorized by the City. Forsyth County utilized this method to construct the new Central Library. Advantages of the CMR method include more effective cost control, faster project delivery, improved quality, decreased administrative burden, and greater ability to increase MWBE participation. While the CMR method would be used to deliver most of the improvements envisioned for this project, City staff anticipate that some project elements would be delivered through other construction contracts. The GMP would not fully encumber the \$9 million budget.

City's Share of Courthouse Parking Deck

Over the last few years, the Forsyth County Commission has been discussing options for renovating the existing Hall of Justice or constructing a new courthouse. The current proposal would involve the construction of a new courthouse on Chestnut Street, next to the Forsyth County Government Center. The project would include the construction of a 660 space parking deck on Chestnut and First Streets. Due to the increased use of the City's Fourth and Church Parking Deck to support the nearby development in the Innovation Quarter, City management has been working with County management on a proposed interlocal agreement in which the City would have access to 183 spaces for City vehicles, with an additional 101 spaces available for public parking. According to County staff, the estimated cost of the parking deck totals \$13.2 million. Under the proposed agreement, which staff would present in a separate action, the City's share of the cost would be 35.4%, or approximately \$5 million, based on the number of designated spaces and an even split of the public spaces. The County would finance the construction of the deck, and the City would utilize **\$5 million** of its debt capacity to make annual payments for the City's share of the financing out of the debt service fund. In addition to provisions for the construction and payment of the deck, the proposed interlocal agreement would establish the responsibilities for operating and maintaining the deck.

Liberty Plaza Improvements for Kaleideum Site

Two years ago, SciWorks and the Children's Museum of Winston-Salem merged to form Kaleideum. Currently, Kaleideum has two facilities—Kaleideum North at the former SciWorks site and Kaleideum Downtown at the former Children's Museum. Forsyth County officials and Kaleideum leadership have been working on the design of a new building that would be located on the site of the former Forsyth County Sheriff's Office building. Part of the vision for the site

includes improvements to Liberty Plaza in order to create the “front door” to the new building. The City currently owns Liberty Plaza. The potential **\$2 million** for improvements to Liberty Plaza would include demolition of the existing office pods, as well as new sidewalks, brick work, and landscaping.

Acquisition of Former United States Bankruptcy Court Site

The United States Bankruptcy Court building currently is located off of Liberty Street, near the site of the Business 40 corridor project. Efforts involving the Conservation Fund and the Creative Corridors Coalition are underway to acquire the property and develop it into open space. The land is the site of the former farm of Peter Oliver, who was enslaved, joined the Moravian community in the late eighteenth century, and purchased his freedom working as a potter. Based on early concepts for the development of the property, the open space would include the current strollway, sidewalks, lighting, landscaping, and interpretive walls among the improvements. The potential **\$2 million** would provide for the purchase of the property from the Conservation Fund and demolition of the U.S. Bankruptcy Court building. Additional funding would be raised or identified for development of the property into public open space.

Belview Recreation Center and Park Improvements

Belview Recreation Center and Park is located at 2800 Burgandy Street in southeast Winston-Salem. Facilities at the recreation center and park include a basketball court, computer lab, meeting room, playground, shelter, softball field, and walking trail. To better serve the neighborhood, the potential uses of the \$20 million in other debt capacity would include **\$1 million** for renovations or rebuilding of this facility. Improvements would include a new addition to support a community meeting room for rentals and community meetings inclusive of audiovisual capabilities for teleconferencing, entertainment, and educational opportunities and renovation of the existing facility including new windows, blinds, ceiling tiles, furniture, efficient lighting upgrades on the interior and exterior, paint, landscape improvements, and game room equipment replacement. Also, the playground would be expanded to include improved equipment, seating, and shade as well as the replacement of the existing picnic shelter.

Contingency

The potential uses of the \$20 million in other debt capacity also would include **\$1 million** in contingency that could be appropriated for any of the projects described above or to fund another emergent need identified by the Mayor and City Council. Appropriation of these funds would require the approval of the Mayor and Council on a case-by-case basis.

If the Mayor and Council endorses these potential uses of \$20 million in other debt capacity, City staff would bring a budget amendment in February for consideration and approval. Over the coming months, staff would bring additional action items, as required, to secure agreements and contracts to implement these projects.