

City Council – Action Request Form

Date: August 10, 2020

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

From: Evan Raleigh, Assistant City Manager

Council Action Requested:

- A. Resolution Approving Economic Development Loan to Front Street Capital (FSC) for Construction of a Speculative Industrial Building on Wallburg Rd. pursuant to N.C.G.S. 158-7.1 (Southeast Ward)
- B. Ordinance Amending the Project Budget Ordinance for the City of Winston-Salem, North Carolina for the Fiscal Year 2020-2021

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Develop and Redevelop Commercial/Industrial Business Park Sites

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

Front Street Capital (FSC) is requesting that the Mayor and City Council consider approving a loan of up to \$2,500,000 to help construct a speculative building on Wallburg Rd. adjacent to the entrance of Union Cross Business Park as noted in Exhibit B. FSC is a Winston-Salem-based firm focused on the development of commercial real estate and has been responsible for the development of a number of major projects locally including the redevelopment of Bailey Power Plant and the construction of a several large speculative and build-to-suit industrial facilities.

FSC proposes to use the city’s contribution to help finance, in part, the construction of a 250,000 square foot speculative industrial facility with expansion capabilities. It is anticipated that the facility will have an initial aggregate tax value of approximately \$12 million with the potential to increase to \$15 million upon completion of future tenant improvements. The facility would be marketed primarily to companies seeking to relocate to Winston-Salem. FSC’s proposal calls for the City’s assistance to be repaid in full upon the occupation of the facility by a tenant and the subsequent sell or refinancing of the facility.

Committee Action:

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| Committee | <u>Finance 8/10/2020</u> | Action | <u>Approval</u> |
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| For | <u>Unanimous</u> | Against | <u></u> |
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Remarks:

In April of 2015, the City entered into a similar arrangement with Winston-Salem Business, Inc. (WSBI) for the construction of a 50,000 – 60,000 square foot speculative building on available land in the Union Cross Business Park. Ultimately, WSBI partnered with FSC to reallocate the City's contribution to construct a 200,000 square foot facility (with capacity to expand to 300,000 square feet) at the Union Cross Industrial Center. This facility was ultimately occupied by the Bunzl Corporation and led to the creation of more than 65 new jobs.

Consistent with the terms as specified in the City's agreement with WSBI, and subsequently FSC, in 2015, FSC proposes to:

- Construct the new facility on the subject project within 24 months from receipt of loan approval
- Contract with local MWBE contractors and subcontractors wherever possible
- Hire local residents including qualified ex-offenders and re-entry applicants, where possible
- Provide the City with a first lien position (or a second lien position if a construction loan from a third party financial institution is required)
- Repay the City's loan in full no later than 5 years from the date of approval
- Require any new tenant or purchaser of the facility to commit to: (i) making an additional capital investment of at least \$1 million in the facility over a five-year period commencing with the occupancy or purchase of the facility, (ii) locating and operating in Winston-Salem for at least five years commencing with the occupancy or purchase of the facility, and (iii) create at least five new jobs within five years from the occupancy or purchase of the facility, with each job paying, at a minimum, a livable wage for Forsyth County.

The parcels on which the proposed speculative building will be constructed are not currently located inside the city limits. If the request is approved, the voluntary annexation of the property into the city limits would be required prior to the closing on the city's assistance.

Should this request receive approval from the Mayor and City Council, staff will take such steps as are necessary to execute a closing on a loan for the amount requested by FSC. The attached resolution and budget ordinance authorize the appropriation of \$2,500,000 from the City's Economic Development Loan Fund.