



Ken Millett
101 N Main Street
Winston-Salem, NC 27101
City of Winston-Salem

January 13, 2025

Re: Front Street Capital request for support

Dear Ken,

At Front Street Capital (FSC), we are proud of our track record of partnering with the City of Winston-Salem on numerous occasions to provide significant 'win-win' investments that directly impact our local economy. FSC understands that development-ready sites and speculative industrial space are critical components of vibrant and competitive economic development across our city. Without such available industrial facilities in our local inventory, our city will lose on many potential projects that bring new tax base, jobs, and overall economic diversification. Given current market activity and the intense competition for every project, Winston-Salem cannot afford to miss out on these economic drivers due to a lack of modern facilities ready for occupancy.

FSC has been the leading industrial developer in Forsyth County for many years and our commitment to economic growth is reflected in our track record of delivering over 500,000 SF of speculative industrial space since 2018. In each of these speculative deliveries, FSC has partnered with the City of Winston-Salem through a loan initiative that has helped our company and investors take on the risk necessary to justify building such speculative properties. Without support from our partners at the City, due to the significant rise in both construction and borrowing costs, it is not possible to underwrite speculative development that meets the requirements of our investment and lending partners. The impacts on our business are straightforward: since our first speculative building in 2018, the rise in construction costs, interest rates, labor rates, and land costs has resulted in a development cost increase of over 60%.

In order to continue economic growth through speculative industrial development, it is more critical than ever to have expanded municipal programs that support the overall cost of new construction. But for substantial municipal support, these new developments simply would not be feasible to underwrite for both lending and investment partners. Fortunately, the economic payback from the added tax base appropriately compensates City partners for their investment in these projects. Our previous three speculative projects not only leased within 6 months of delivery, they each also led to additional build-to-suit development projects immediately adjacent to each facility. We have demonstrated a track record where speculative development leads to substantial tax base and job creation far beyond just the individual spec delivery.



This letter intends to serve as an outline of the three previous successful City of W-S partnerships and provide a similar request to support FSC's fourth speculative industrial building. Below is a breakdown of how the City's economic development loan has impacted our industrial parks, including the overall economic impact and annual return the City will receive as a result of these successful projects.

Summary of Recent Speculative & Build-to-Suit Track Record

Below is a summary of:

- our three recent speculative investments
- build-to-suit projects that came as a result of the spec buildings being available
- the associated value of each that drives tax revenue

Project	Location	Delivered	Size (sf)	Development / Sale Value
Spec bldg. 1 (UCIC I)	Union Cross Industrial Center	2018	140,000sf	\$15,275,000
Build to suit 1 (UCIC II)	Union Cross Industrial Center	2019	200,000sf	\$21,625,000
Spec bldg. 2 (Wallburg I)	Park@74 Wallburg Road	2021	250,000sf	\$23,250,000
Build to suit 2 (Wallburg II)	Park@74 Wallburg Road	2022	610,000sf	\$64,000,000
Spec bldg. 3 (UCIC IV)	Union Cross Industrial Center	2023	144,000sf	\$17,700,000
Build to suit 3 (UCIC III)	Union Cross Industrial Center	2024	522,500sf	\$70,000,000
		TOTALS	1,866,500sf	\$211,850,000

Municipal Support Case Studies

Union Cross Industrial Center - Project Overview

Project Background: The loan partnership with FSC was conceived in 2018. The City of W-S had committed to the Forsyth County Development Corporation (FCDC) a defined investment amount for FCDC to develop a speculative industrial building on the available land at Union Cross Business Park. Having not yet utilized those funds for spec development, and after learning of our intentions to develop a speculative industrial building at Union Cross Industrial Center (UCIC), FCDC/WSBI determined we were better suited to be the user of those funds (as developers with market-leading experience in industrial development and the capital to deliver a larger facility) and went to work to reallocate them to FSC.

Implementation: FSC worked with FCDC to propose the reallocation to the City and ultimately approve the City's original investment to be utilized on a spec building at UCIC. The City's initial investment for the spec building created the incentive for FSC to deliver all horizontal infrastructure



and create shovel-ready sites at UCIC. Front Street delivered a 140,000sf facility in partnership with the City of W-S, ultimately leasing the facility to Southern Carlson.

During leasing efforts, FSC met with numerous potential users. During one such tour, discussions with the tenant led to negotiations for a custom build-to-suit at an adjacent suite. Realizing that the 140,000sf facility would not satisfy their needs led FSC to win a 200,000sf (expandable to 300,000sf) build-to-suit development for Bunzl Corporation in the park.

Additional Benefit: In 2023, Front Street was able to again utilize a \$2.5 million loan from the City of W-S to justify a 144,000sf spec facility at UCIC IV. In early 2023, we broke ground on the facility and concurrently began to market it for lease.

Knowledge of the pending facility helped justify an initial meeting with Ziehl Abegg, as they were beginning to search for a new home in the Triad. Ultimately, negotiations led to a custom build-to-suit of over 522,000sf for the company, with the facility being delivered in mid-2024. This facility serves as the North American Headquarters for Ziehl Abegg, a tremendous investment in our community.

UCIC IV (the spec facility) was ultimately leased to Excel Interior Doors, with their lease commencing on January 1, 2025. The City loan was repaid in full in December 2024, less than 18 months after closing.

UCIC Economic Overview

City Investment

- \$2,470,450 – loan to FSC from City of W-S for UCIC I (Spec Building 1)
 - o Repaid within 16 months of issuance
- \$2,500,000 – loan to FSC from City of W-S for UCIC IV (Spec Building 3)
 - o Will be repaid within 20 months of issuance

FSC Investment at UCIC (to date)

- UCIC I - Spec Building (140,000sf)
 - o Leased to Southern Carlson within 6 months of delivery
 - o Valuation at sale: \$15,275,000
 - o City Contribution: \$2,470,450
 - o Completed 3Q 2018 / Sold in 2022
 - o City loan repaid in two installments within 16 months of issuance
- UCIC II - Build-to-Suit for Bunzl Corporation (200,000sf expandable to 300,000sf)
 - o Valuation at sale: \$21,625,000
 - o All equity and debt procured by FSC
 - o Completed 2Q 2019 / Sold in 2022
- UCIC IV - Spec building (144,000sf)



- Total Cost at Completion: \$17,700,000
- City Contribution: \$2,500,000
 - Utilized same proceeds from UCIC I and Wallburg I
- Completed in 4Q 2023 and leased in 3Q 2024
- Lease commencement in January 2025
- City loan will be repaid in December 2024 (approximately 20 months after issuance)
- UCIC III Build-to-Suit for Ziehl-Abegg, Inc. (522,500sf)
 - Total Cost at Completion: \$70,000,000
 - All equity and debt procured by FSC
 - Completed 3Q 2024

Total delivery cost and sale valuation of facilities at Union Cross Industrial Center created from speculative development: \$124,600,000

Park at 74 – Project Overview

Project Background: In 2019, FSC invested approximately \$5 million to acquire 107+/- acres of land on both sides of Wallburg Road located at the entrance to Union Cross Business Park. After paying back the initial loan for UCIC I from the City of W-S, in 2020, FSC approached the City of W-S and requested to again utilize the same \$2.5 million loan for a new spec facility at Wallburg I.

Implementation: We broke ground on a 250,000sf facility in 4Q 2020 and completed the facility in 4Q 2021. During our marketing of the facility, we spoke to a number of prospective tenants about the facility. After signing a short-term lease for a user, in 1Q 2023, we agreed to terms on a long-term lease with USTC. The tenant upfit for the facility led to an additional \$5 million facility investment, with a final budget of \$23,250,000 for the project.

Additional Benefit: During a highly competitive bidding process, FSC won the assignment to deliver a 610,000sf facility for Ardagh Metal Beverage at Wallburg II almost exclusively because we were able to allow the company to utilize Wallburg I (the 250,000sf spec facility across the street) as a temporary home for their inventory during construction. This led to a \$41.5 million project directly across the street from Wallburg I, which was later sold. The Ardagh facility (and their investment in our City and County) are directly tied to the spec facility at Wallburg I.

Park at 74 Economic Overview

City Investment

- \$2,500,000 – loan to FSC from City of W-S
 - Repaid within 19 months of issuance

FSC Investment at Park at 74 (to date)

- Wallburg I – Spec Building (250,000sf)



- Short term lease executed with Ardagh before delivery
- Long term lease executed with USTC after a 6-month marketing period
- Total Cost at Completion: \$23,250,000
- City Contribution: \$2,500,000
- Completed 4Q 2021
- City loan within 19 months of issuance
- Wallburg II - Build-to-Suit for Ardagh (610,000sf)
 - Valuation at sale: \$64,000,000
 - All equity and debt procured by FSC
 - Completed 2Q 2022 / Sold in 2Q 2022

Total delivery cost and sale valuation of facilities at Park@74 created from speculative development: \$87,250,000

Total Return from FSC Partnership

FSC has demonstrated an ability to leverage loan monies from our partnership with the City of Winston-Salem into tremendous outcomes. Our team has paid back the City loan early on all three occasions, each within 20 months of issuance.

Through this partnership, FSC has created nearly \$212 million in total project value, and delivered nearly 1.9 million square feet of fully occupied industrial facilities.

Beginning in 2025, we project annual tax revenue from these FSC projects to be nearly \$2 million.

New Speculative Development

FSC plans to immediately begin construction on our largest speculative industrial facility to date, a 300,000sf facility located at the expanded Union Cross Industrial Center. FSC's land acquisition from the City has expanded UCIC from 100 acres to over 170 acres. The specific site for the project fronts Union Cross Road between Caterpillar and Glenn High School with significant road frontage and easy access to both I-74 and I-40 (see exhibit A for site plan).

New Spec Building Details

- Located on UCIC Lot 5 (see Exhibit A for location)
- 300,000 square feet
- Commence construction Q1 2025
- \$32 million initial investment
- FSC projects further investment of \$2.25 million upon securing a tenant



Proposed Support from the City of Winston-Salem

Front Street Capital is requesting that Winston-Salem consider supporting this spec project through the funding of a \$3.5 million economic development loan.

Additionally, Front Street is requesting a total of \$1.735 million from the City and County to support public infrastructure costs that will enable us to not only move forward with the planned 300,000 SF spec facility, but will enable us to build out the remaining acreage that we purchased from the City a few years ago. We will not have subsequent needs with regards to infrastructure that would precipitate a support request for additional development on the adjacent acreage (which will ultimately bring additional tax base and jobs).

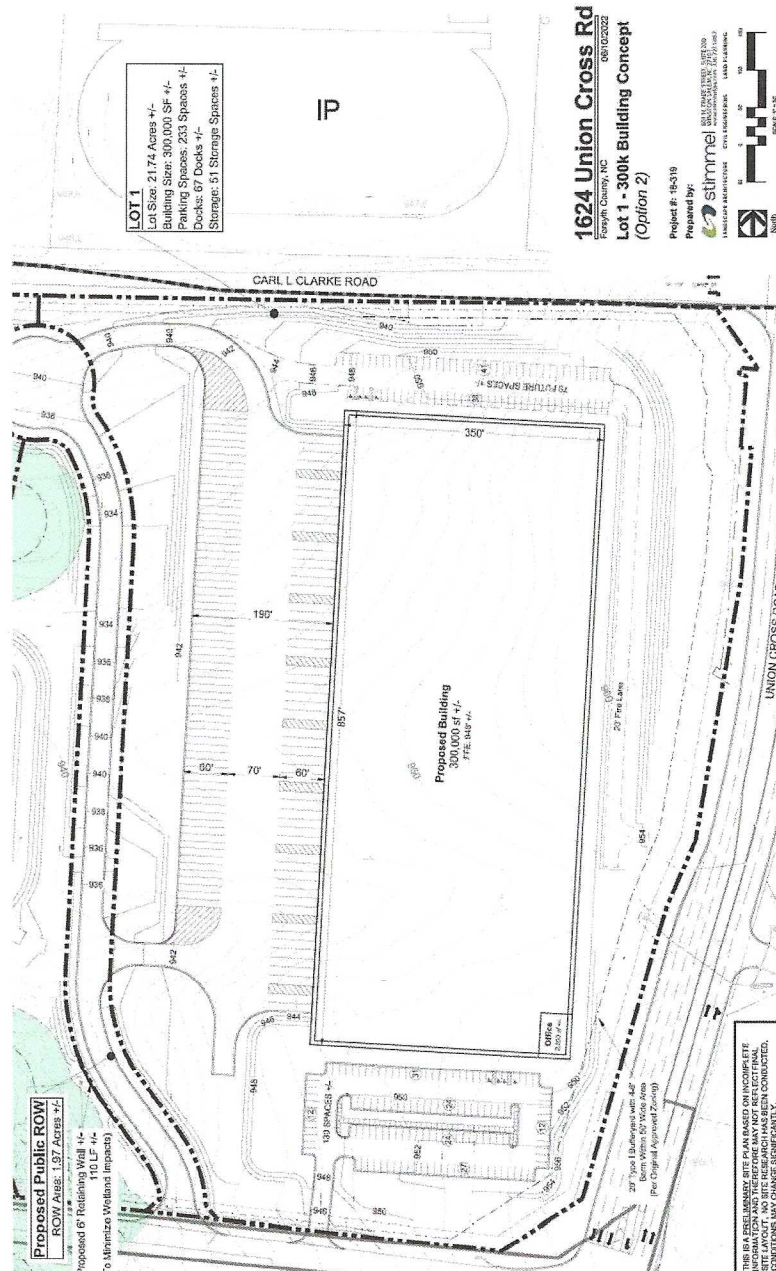
Ken, on behalf of Front Street Capital I want to thank you for your help in moving this through the appropriate channels at the City for consideration. If you have any questions, please do not hesitate to reach out to me directly.

Sincerely,

Coleman Team
President & Managing Partner
Front Street Capital



Exhibit A – Initial Site Plan



Initial Master Plan

