



Office of the
City Manager

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Memorandum

TO: Mayor Allen Joines, Mayor Pro Tempore Vivian H. Burke and
Members of the City Council
FROM: Evan Raleigh, Assistant City Manager
DATE: August 12, 2019
SUBJECT: Response to Questions Regarding the City's Previously Approved
Job Creation and Economic Development Agreement with the S.G.
Atkins Community Development Corporation
CC: Lee D. Garrity, City Manager

During the May meetings of the Finance and Community Development/Housing/General Government Committees, staff presented information on a request from Council Member Scippio for the Mayor and City Council to consider rescinding the approval for two separate agreements between the City and S.G. Atkins Community Development Corporation (CDC). The first agreement authorized the CDC to access up to \$3 million in 2014 general obligation bond funding to support the acquisition and assemblage of commercial properties and others as allowed by law in the East End area for the purpose of economic development, business and job creation. The second agreement authorized the City to enter into a second three-year agreement with the CDC which allocated \$60,000 per year from the Economic Development Project Reserve Fund to support project management and a Real Estate Development Project Manager position tasked with implementing elements of the East End Master Plan.

This memo responds to a number of questions that were raised during the discussion of these two particular agreements. Below is a listing of the questions raised and accompanying responses:

1. *Can a Community Development Corporation earn a commission on the sale of property?*

Per the draft agreement, any property acquired with city funds and subsequently sold will be subject to restrictive covenants that contain development and job creation provisions. S.G. Atkins will oversee the development of the property, and monitor the same for compliance with the restrictive covenants. The agreement does not provide for a commission but rather provides a development fee payable out of the sales proceeds rather than upfront.

2. *Do the extensions contemplated in the current language of the economic development agreement take place automatically?*

The current provisions of the economic development agreement call for an initial term of 5 years with up to two five-year extensions for a total of 15 years for the CDC to expend the bond funds. The extensions would not take place automatically and would be subject to approval by the Mayor and City Council.

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City Council: Mayor Allen Joines; Vivian H. Burke, Mayor Pro Tempore, Northeast Ward; Denise D. Adams, North Ward; Dan Besse, Southwest Ward; Robert C. Clark, West Ward; John C. Larson, South Ward; Jeff MacIntosh, Northwest Ward; Annette Scippio, East Ward; James Taylor, Jr., Southeast Ward; City Manager: Lee D. Garrity

3. *When did the City convey the land on which the Goler CDC projects have occurred?*

In December of 2000, the Mayor and City Council authorized the sale of certain City-owned lots generally located on the east and west sides of Chestnut Street, between Seventh Street and Martin Luther King, Jr. Drive to the Goler CDC. The CDC has developed several projects within this general footprint which include the following: Chestnut Street Townhomes (2005), Craver Building (2006), Goler Manor (2007), Gallery Lofts (2008), MudPies East (2013), and 757 North (2017).

4. *What resources do we have available to support the redevelopment of old shopping centers?*

The City has two programs that are designed to address blighted conditions in shopping centers and along commercial corridors. The Revitalizing Urban Commercial Areas (RUCA) program was created in 2005 and was designed to revitalize blighted shopping centers and commercial areas in designated areas of the city. This program has led to the revitalization of a number of shopping/commercial corridors in the City which include: Southeast Plaza, Ogburn Station, West Salem Shopping Center, among many others. The Neighborhood Revitalization Strategy Area (NRSA) Building Rehabilitation Program is also designed to stimulate interest and commitment of private building owners by providing inducements to encourage the rehabilitation of commercial and industrial buildings throughout the NRSA.

5. *If the City is approached by entities seeking financial assistance for housing development projects in the East End, what resources does the City have available to support them?*

The City has a number of resources that can be used to support housing development projects in the East End area. The 2018 general obligation bonds contained a total of \$11.7 million for housing and neighborhood development initiatives. Of those funds, \$1.7 million was specifically designated to support housing development projects in the East End. Additionally, the Mayor and City Council recently approved a budget for the 2018 housing development bonds that allocated \$3.5 million to incentivize housing development projects in targeted development zones throughout the City.

6. *What is the status of the 2018 bond funds that were set aside for enhancements along 5th Street?*

The 2018 general obligation bonds contained \$2 million for streetscape improvements along 5th Street in the area between U.S. 52 and Martin Luther King, Jr. Drive in accordance with the provisions of the East End Master Plan. To-date none of these funds have been disbursed as none of the development projects envisioned along the corridor have taken shape.

7. *What is the history of the bond funding that has been set aside for development in the East End?*

In 2016, the Mayor and City Council authorized funding for S.G. Atkins CDC to enter into a contract with the planning and design firm Ayers Saint Gross to lead the development of a master plan for the East End area. The highly participatory planning process resulted in the creation of a master plan released and shared with the public in August of 2018. In June of 2018, the Mayor and City Council authorized the CDC to have access to \$3 million in economic development bond funds in order to acquire property in the project area for the purposes of economic development and job creation.

8. *Can the Mayor and City Council enter into a closed session to discuss the properties under consideration for acquisition by S.G. Atkins?*

Based upon the statutorily permitted purposes for a closed session, it does not appear that there is a basis for a closed session related to the East End matter. The real property provision is not available since this does not involve the acquisition of real property by the city. Additionally, there does not appear to be a specific property that would be the subject of such a session. A general discussion about real property acquisitions falls outside the permitted purposes for a closed session.

9. *Can staff consult with the School of Government regarding the concept proposed in the Job Creation and Economic Development Agreement with S.G. Atkins?*

Based upon information from the School of Government regarding land banking, economic development and job creation, staff cited in the authorizing resolution and the contract the appropriate statutory authority. Staff has also included in the draft contract various provisions consistent with the statutory requirements for economic development, job creation and land banking and multi-year conversations with staff at the School of Government.