City Council – Action Request Form

Date: October 15, 2024

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

From: Ben Rowe, Assistant City Manager

Ken Millett, Economic Development Director

Council Action Requested:

Resolution Authorizing an Increase in the Primary Lender's Deed of Trust on its Loan to Front Street Capital for the Construction of a Speculative Industrial Building at Union Cross Industrial Center

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Develop and Redevelop Commercial/Industrial Park Sites

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

Front Street Capital (FSC) is a Winston-Salem based developer of commercial real estate, including industrial, office, healthcare, and mix-use properties. Local industrial projects include Union Cross Industrial Center and Park at 74.

In December 2022, City Council unanimously approved a \$2.5 million loan to assist with the construction of a 144,000 square foot speculative building at the Union Cross Industrial Center. As outlined at the time, the City's loan would supplement a capital stack that included a primary mortgage of \$8.5 million and equity of \$4.7 million.

An industrial tenant has fully leased the building and plans to begin production by the end of 2024, and final costs for FSC to deliver the customized space were higher than anticipated. FSC has requested up to an additional \$1.85 million from its primary lender that would increase the first deed of trust to \$10,404,500. As part of this process, the lender requires the City as second lien holder to approve of the increase.

Committee Action:					
Committee	FC-10/15/2024	Action	Approval		
For	Unanimous	Against			
Remarks:					

Approval would not increase the City's loan amount of \$2.5 million. The only change from the original approval is outlined below:

Capital Stack	<u>Original</u>	Current	<u>Change</u>
Primary Mortgage	\$ 8,554,500	\$10,404,500	\$ 1,850,000
Equity	\$ 4,742,000	\$ 4,742,000	\$ -
City Loan (secondary)	\$ 2,500,000	\$ 2,500,000	\$ -
Total	\$15,796,500	\$17,646,500	\$ 1,850,000

The attached Resolution authorizes FSC to increase the loan amount and deed of trust from its primary lender by up to \$1.85 million.

If approved by Finance Committee, a public hearing will be held at the City Council meeting on November 4, 2024.