

City Council – Action Request Form

Date: March 21, 2022

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 the Sale of City-owned Land to Front Street Capital Via Negotiated Offer and Upset Bid (N.C.G.S 160A-269)

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:

The City of Winston-Salem has included the Union Cross Road/Temple School Road area as a target for economic development since the early 2000s. The area continues to grow as a center of industrial activity, including prominent facilities for Herbalife and Progress Rail, a Caterpillar company.

In 2018 approximately 72 acres at Union Cross Road and Axle Drive (PINs 6874-04-0097.00 and 6874-14-2634.000) were identified as one of the last large tracts available in the immediate area for future industrial development. At the time, the property was in an unincorporated area of Forsyth County and zoned AG (Agricultural). The City negotiated purchase of the property for approximately \$3.8 million, using 2014 GO Bond funds designated for Economic Development Sites/Infrastructure, and took possession in late 2020. The property was subsequently voluntarily annexed into the City and rezoned to the City's LI-L (Limited Industrial) zoning district in 2021.

Because of its proximity to infrastructure and Interstate 40, the City believes the property offers a large, unique site primed for industrial, business park, and/or similar development that will

Committee Action:

Committee	<u>Finance 3/21/22</u>	Action	<u>Approval</u>
For	<u>Unanimous</u>	Against	<u></u>

Remarks:

result in quality job creation by companies locating there, as well as growth in the tax base. In November 2021, a Request for Proposals (RFP) was issued for the purchase and development of the site. Two developers, Front Street Capital and Williams Development, submitted proposals that were reviewed by an internal panel of City staff. Evaluation criteria included a description of the developer's proposed project, the developer's experience with similar type projects, and benefits of the proposed project to the City, including the proposed purchase price.

The panel recommends Front Street Capital (FSC) as the purchaser and developer. Their overall proposal scored the highest and offered the highest purchase price at \$8.0 million. FSC has developed over three million square feet of industrial space in Forsyth County, including the adjacent 100-acre Union Cross Industrial Center. Their proposal stated that upon approval, their intent is to immediately begin the design and planning for a 250,000-300,000 square foot facility on the property. It would be the first of three proposed facilities. FSC also proposed a projected total investment of \$63 million with projected annual tax revenue totaling \$700,000-\$1.1 million at completion of the industrial park. Job creation could total between 50-200+ jobs per facility.

Under the provisions of N.C.G.S. 160A-269, the City Clerk shall cause a notice of proposed sale, containing a general description of the property, the amount and terms of the offer, and a notice that within ten days any person may raise the bid by not less than ten percent of the first \$1,000 and 5% of the remainder, to be published, and without further authorization of the City Council, shall re-advertise the offer at the increased bid; this procedure shall be repeated until no further qualifying bids are received, at which time the City Council may accept the offer and sell the property to the highest bidder or reject any and all offers. In the event that no upset bid is received, the property will be sold to Front Street Capital without further City Council action. If raised bids are received, City Council confirmation is required.

Staff recommends that in order to qualify, any upset bid must meet the following standards met by Front Street Capital's proposal:

- Target construction of a minimum combined 625,000 square feet of industrial space
- Achieve a total taxable investment of \$60 million upon completion of the industrial park
- Prioritize tenants/end-users that provide quality jobs maximizing job creation for the community
- Initiate the construction process of a speculative facility or end-user facility within 180 days of closing.

Staff also recommends that the proceeds from the sale be deposited in the Economic Development Project Fund for future investments in Economic Development Sites/Infrastructure.