

Information Item

Date: August 13, 2018

To: The City Manager

From: Evan Raleigh, Assistant City Manager

Subject:

Consideration of Request from Front Street Capital for Financial Assistance. (East Ward)

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Promote Downtown Revitalization

Strategic Plan Action Item: Yes

Key Work Item: Yes



Front Street Capital is currently in the planning stages of a two-phased redevelopment of the property known as Building 23-1/Bailey South and the adjacent Morris Building located in the Wake Forest Innovation Quarter. The development plans under consideration call for the construction of approximately 100,000 square feet of office and retail space representing a total capital investment of roughly \$25 million. The plan is to add up to 65,000 square feet of new office and retail space to the existing 10,000-square foot concrete structure of Bailey South. The Morris Building, on the southwest corner of the block, would serve as the foundation for more than 20,000 square feet of additional retail space. The plan also involves the conversion of the existing train trestles into walkways connecting the campus' buildings.

In order to secure the necessary parking for the project, Front Street Capital is seeking to enter into an agreement with the City that would make available up to 180 spaces in the 4th, Church, Chestnut Parking Deck. Approximately 130 of the requested spaces are currently designated as parking for City vehicles and, per the terms of the proposed agreement, would be reserved for the exclusive use of tenants in the Bailey South and Morris Buildings. The developer is requesting that the City extend a 'hunting license' for the remaining 50 spaces. Under the proposed agreement, City vehicles would continue to occupy the current deck space until approximately November 1, 2019, the date upon which it is anticipated that construction on the project would be complete.

In order to accommodate the need for replacement parking for City vehicles, the developer has agreed to construct a new 225-space surface lot that would be reserved for the exclusive use of City vehicles on land just south of Business 40 in the Wake Forest Innovation Quarter (WFIQ). The lot would accommodate the City's current parking needs and provide ample room for expansion. The lot would be owned by WFIQ and leased to the City for a length of time necessary for the City to secure a long-term parking option.

In addition to making available the 4th, Church, Chestnut Parking Deck spaces, the developer has requested that the City consider using the net, new tax increment created by the project to help off-set the cost of the construction of the new surface parking lot. Staff recommends that the Mayor and City Council consider offering assistance to Front Street Capital of up to \$522,725 over 7 years to help off-set the construction cost of the new lot. The proposed assistance represents approximately 50% of the increment generated by the project.

Based upon direction from the Finance Committee, an item could be prepared for consideration in September.