City Council – Action Request Form

Date: January 9, 2023

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

From: Ben Rowe, Assistant City Manager

Ken Millett, Economic Development Director

Council Action Requested:

Modification to Approval of Financial Assistance to 1001 S. Marshall MM, LLC for Community Development Purposes Pursuant to N.C.G.S. 160D-1311.

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: N/A **Strategic Plan Action Item:** No

Key Work Item: No



Summary of Information:

In 2018 City Council approved \$2 million of City funds to assist 1001 S. Marshall MM, LLC with the \$26 million redevelopment of an existing 130,000 square foot facility located at 1001 S. Marshall Street into a mixed-use development supporting Winston-Salem's creative and culinary ecosystem. Project plans included public green space, enhancements to public infrastructure, event space to be utilized by the public, and connectivity to the strollway. The source of funds was 2014 General Obligation Economic Development Bonds, and approval included three key conditions:

- 1. City funds were designated for hard construction costs, specifically public infrastructure and public enhancements related to the 1001 property.
- 2. City funds would be disbursed in alternating tranches with other non-City financing.
- 3. The developer shall secure all required additional financing for the project and provide proof of the same to the City Manager before any City funds are disbursed.

The project scope has expanded from its original vision to include the adjacent 1007 S. Marshall St. building, which is currently under a lease to purchase agreement with the developer. The 1007

Committee Action:			
Committee	Finance 1/9/23	Action	Sent back to Finance Committee
For		Against	
Remarks: No vote.			

property has served as home to Cobblestone Farmers Market since the fall of 2021, drawing crowds of approximately 2,500 each week with vendors generating aggregate sales of \$1.5 million annually.

Due to the broader reach of the project, the developer has divided redevelopment into two phases. In addition to continued operations of the Cobblestone market, Phase I includes upfitting 1007 as space providing indoor/outdoor retail options for creative and culinary entrepreneurs. The building has undergone environmental remediation and is ready for construction upfit, including for Winston-Salem Shared Kitchen space. Exterior and interior renovation for tenant spaces will be performed in accordance with the State Historic Preservation Office. Site work will include re-grading the parking lot, patio for community gathering, stormwater management, lighting, and landscaping. Investment is estimated at \$14.5 million and should serve as a catalyst for additional investment in the surrounding South Marshall Street community. Construction is scheduled to begin no later than the second quarter of 2023.

Phase II expects to build on the momentum of 1007 and connect the shared kitchen space of the 1001 and 1007 buildings with more workspaces, preparation areas, pods, value-added packing areas, and refrigerated space. By the end of 2024, all 130,000 square feet of 1001 are projected to be activated for the shared use kitchen, culinary workforce training for area residents, entrepreneurial and scale-up production space, and community arts programming serving the community. Once completed, total investment for Phases I and II is expected to total \$36 million.

Because the redevelopment has been divided into two phases involving two adjacent properties, the developer is requesting a modification to the \$2 million approval. Rather than be the last money into the project, the developer is requesting that City funds be eligible for construction upfit of 1007 during Phase I of the project.

The City funds would a part of the capital stack expected to include New Market Tax Credits, Historic Tax Credits, private investment, tenant-focused grants, and a loan from a commercial lender. Recently, Self-Help, a Durham-based community development financial institution, has expressed intent to join the project as co-developer and partner. A letter expressing their support from the Director of Real Estate is attached.

N.C.G.S. 160D-1311 authorizes local governments to expend funds for assistance and financing of rehabilitation of private buildings principally for the benefit of low- and moderate-income persons. Funds can also be used for the restoration or preservation of older properties.

If approved by City Council, the attached resolution authorizes staff to take the necessary steps to execute an agreement with 1001 S. Marshall MM, LLC to provide the City's \$2 million in financial assistance. The developer would escrow the City's funds, along with other sources, and would not access the funds until the Phase I funding is in place.