



# City of Fayetteville

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## Legislation Text

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**TO:** Mayor and Members of City Council

**THRU:** Jay Reinstein, Assistant City Manager

**FROM:** Cynthia Blot, Economic & Community Development Director  
Tracey Broyles, Budget & Evaluation Director

**DATE:** February 12, 2018

**RE:**  
Adoption of Budget Ordinance Amendment 2018-14 and Special Revenue Fund Project Ordinance 2018-14 for a Rural Economic Development Grant for Kinlaws Rentals LLC, from the North Carolina Department of Commerce

**COUNCIL DISTRICT(S):**  
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### **Relationship To Strategic Plan:**

Goal II: Diverse & Viable Local Economy

Objective C: To leverage partnerships for job creation and retention

### **Executive Summary:**

The City of Fayetteville has been awarded a \$110,000 Rural Economic Development Grant from the North Carolina Department of Commerce (NC DOC) for a building reuse loan for Kinlaws Rentals LLC. Kinlaws Rentals LLC will undertake substantial renovations of its property at 1802 Sapona Road, Fayetteville, NC 28312, and in turn, guarantee creation of 11 new full-time jobs. The grant requires that the City provide a 5%, or \$5,500, cash match for the project.

Budget Ordinance Amendment (BOA) 2018-14 will appropriate \$5,500 from General Fund fund balance to provide the required matching funds. Special Revenue Project Ordinance (SRO) 2018-14 will appropriate \$110,000 of grant proceeds and the City's \$5,500 match for the project. At least \$220,000 of qualified project expenditures will have to be made by Kinlaws Rental LLC to qualify for the funding.

### **Background:**

The Building Reuse Program, under the Rural Grants/Programs Section of the North Carolina Department of Commerce, provides grants to local governments. Three categories of funding are available for 1) the renovation of vacant buildings, 2) the renovation or expansion of a building

occupied by an existing North Carolina company wishing to expand in their current location and 3) the renovation, expansion or construction of health care entities that will lead to the creation of new, full-time jobs.

On November 13, 2017, City Council adopted a resolution in support of an application to the Department of Commerce for the Rural Building Reuse Program on behalf of Kinlaws Rentals LLC. The initial request to the State was for \$110,000 with the City providing a 5% match of \$5,500. The amount of funding approved in the grant is \$110,000 based upon the number of jobs that will be created in the specified timeframe of the grant. At the time of the application for the grant, it was projected that Kinlaws Rentals LLC total investment in the project would reach \$515,000.

Kinlaws Rentals LLC will be required to create 11 new full-time jobs, and maintain them in existence for six consecutive months, prior to the December 14, 2019 termination date of the agreement with the NC DOC. If the terms of the agreement are met, repayment of the \$110,000 loan is not required. There are financial penalties if those new jobs are not created in accordance with the agreement.

**Issues/Analysis:**

Documents required to move this agreement forward include the Grant Agreement between the City and the NC DOC; and a Loan Agreement and Legally Binding Commitment between the City and Kinlaws Rentals LLC. Kinlaws Rentals LLC will also be required to execute a promissory note and deed of trust on the property to secure City's position.

**Budget Impact:**

The City's contribution for this project is \$5,500, which will be appropriated from General Fund fund balance.

**Options:**

Adopt BOA 2018-14 and SRO 2018-14, and authorize the Mayor and City Manager to execute required documents to accept the grant and execute the agreements.

Do not adopt BOA 2018-14 or SRO 2018-14 and provide additional direction to staff.

**Recommended Action:**

Staff recommends that Council move to adopt Budget Ordinance Amendment 2018-14 and Special Revenue Fund Project Ordinance 2018-14 and to authorize the Mayor and City Manager to execute appropriate documents to accept the grant and implement the loan.

**Attachments:**

Building Reuse Program Grant Agreement  
Budget Ordinance Amendment 2018-14

Special Revenue Project Ordinance 2018-14