



Legislation Text

File #: 21-2470, Version: 1

TO: Mayor and Members of City Council

THRU: Telly C. Whitfield, Ph.D. - Assistant City Manager

**FROM: Christopher Cauley, MPA - Economic & Community Development Director
Kelly Olivera - Budget & Evaluation Director**

DATE: January 24, 2022

RE: Adoption of Special Revenue Project Ordinance 2022-10 for a North Carolina Department of Commerce Rural Economic Development Grant to Best Building, LLC for its eClerx, LLC project.

COUNCIL DISTRICT(S):

District 9 - Councilmember Yvonne Kinston

Relationship To Strategic Plan:

Goal 2: Responsive City Government Supporting a Diverse and Viable Economy

- 2.2: To invest in community places to ensure revitalization and increase quality of life

Goal 6: Collaborative citizen and Business Engagement

- 6.2: To ensure trust and confidence in City government through transparency and high quality customer service
- 6.3: To inform and educate about local government by enhancing public outreach and increasing community dialog, collaboration and empowerment

Executive Summary:

The City has been awarded a \$70,000 Rural Economic Development Grant from the North Carolina Department of Commerce (NCDOC) for a Building Reuse grant for Best Building, LLC's eClerx, LLC project. The Fayetteville-Cumberland Economic Development Corporation (FCEDC), in partnership with the Economic and Community Development Department (ECD), is assisting Best Building, LLC with funding for the substantial rehabilitation of an existing commercial facility. The company will undertake significant renovations of its property at 235 North McPherson Church Road, and in turn, guarantee the creation of 150 new full-time jobs.

The grant requires that the City provide a five-percent (5%), or \$3,500 cash match for the project. Special Revenue Project Ordinance 2022-10 will appropriate \$70,000 of grant proceeds and the City's \$3,500 match for the project. At least \$140,000 of qualified expenditures will have to be made

by Best Building, LLC for the eClerx, LLC project 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.

The amount of state funding approved in the grant is \$70,000 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 total investment by Best Building, LLC in the rehabilitation project would reach \$144,558.

The City of Fayetteville has elected to administer this as a performance grant. The eClerx, LLC project will be required to create 150 new full-time jobs, and maintain them in existence for six consecutive months prior to the termination date of the agreement with NCDOC. If the terms of the agreement are not met, the City's match and the grant will not be paid out.

Issues/Analysis:

The program delivers the funding to the recipient in a forgivable loan or a performance grant. There are benefits and drawbacks to each approach. The forgivable loan allows the business to get the cash needed to accomplish the goals but requires the City to secure the investment with a lien on the property. The performance grant allows the City to ensure all grant requirements are met prior to disbursing any funds, but the business needs to secure its upfront funds.

Documents required to move this agreement forward include a grant agreement between the City and the NCDOC. If the City elected to administer this as a forgivable loan, the Loan Agreement and Legally Binding Commitment between the City and Best Building, LLC would need to be executed, and the company would be required to complete a promissory note and deed of trust on the property to secure the City's position.

Budget Impact:

The City's contribution for this project is \$3,500, which will be provided by a General Fund transfer. There is sufficient funding available in the ECD general fund budget for FY 2022 to accommodate this grant match.

Options:

- 1) Adopt Special Revenue Project Ordinance 2022-10, and authorize the City Manager to execute required documents to accept the grant and execute the agreements.
- 2) Do not adopt Special Revenue Project Ordinance 2022-10 and provide additional direction to staff.

Recommended Action:

Staff recommends that the City Council move to adopt Special Revenue Project Ordinance 2022-10 and to authorize the City Manager to execute appropriate documents to accept the grant and execute the agreement with Best Building, LLC.

Attachments:

- Special Revenue Project Ordinance 2022-10
- Building Reuse Program Grant Agreement