



DATE: January 6, 2015

TO: Thomas J. Bonfield, City Manager
THROUGH: Keith Chadwell, Deputy City Manager
FROM: Kevin Dick, Director, Office of Economic and Workforce Development

SUBJECT: Public Hearing and Recommended Agreement for Economic Development Incentive with A&J Capital Corporation

Executive Summary

This item describes the economic development project proposed by A&J Capital, Corporation within the Community Development Area (CDA) in the City of Durham outside the downtown development tier. It also describes a proposed economic development incentive contract between A&J Capital, Corporation and the City of Durham.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) Authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1 and
- 2) Authorize the City Manager to execute an economic development incentive agreement with A&J Capital, Corporation in an amount not to exceed \$170,000 for a building renovation project at 406 S. Driver Street, Durham NC.

Background

On April 21, 2014 the City Council approved an economic incentive policy amending the earlier policy approved on April 4, 2011 which included the Neighborhood Revitalization Grant Incentive Program. Projects to be funded through this program are intended to accomplish the following:

- to stimulate economic revitalization by leveraging private investment
- to create and retain permanent full-time livable wage jobs
- to make permanent jobs accessible to lower income neighborhood residents including persons who are unemployed
- to engage community involvement and support
- to strongly encourage local partnerships

- to complement other neighborhood initiatives, projects and programs
- to leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investments must be made within the CDA outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$500,000.00. The policy is “performance-based.” No incentives will be paid to the company until after the company has achieved the terms of the economic incentive agreement.

A&J Capital, Corporation has applied to OEWD for a Neighborhood Revitalization Grant Incentive and proposes to renovate an underutilized and blighted building at 406 S. Driver Street which is located along and OEWD targeted commercial located in NECD. The plan is to redevelop an 8500 (SF) building into a mixed use commercial/residential two level building. The first floor will consist of 4 commercial bays totaling approximately 6,250 (SF) and the second level is slated for two residential apartments; each unit will be approximately 1,125(SF). The project, when completed, will stimulate new business development and provide additional housing opportunities in the neighborhood.

Project Ashely Corners

Total Cost: \$525,336 Public Cost: \$170,000

Issues and Analysis

Prior to the building being purchased in August of 2014, the City of Durham’s Neighborhood Improvement Services Department in September of 2013 cited 406 S. Driver Street as unsafe building, which contributed to a condition of blight, disease, and vagrancy. The A&J Capital, Corporation proposed project would eliminate these hazards that poses an imminent threat to the health and safety of the general public and is being recommended for funding based on its alignment with the goals and objectives of the Neighborhood Revitalization Grant Incentive Program. The grant program is supported by the RKG Neighborhood Assessment Plan of March 2006, which supports this type of grant incentive program.

A major priority of the City of Durham is increasing and strengthening the economic stability of the City. The project when completed will be a key step in implementing the Neighborhood Assessment Plan that was approved by City Council. This calls for renovation of blighted and underutilized commercial building as a means of attracting private capital investment to promote business development in this targeted area in NECD. The opportunity to attract this type of capital investment is somewhat challenging, since it is considered high-risk for successful economic development. The project will serve as a catalyst project to attract businesses development and additional housing opportunities to this area.

Staff endorses this project which would be an asset in promoting the continued revitalization and vitality of the Angier/Driver commercial corridor and its surrounding neighborhoods

The proposed project will produce \$355,336 in private investment with \$170,000 in City funding, producing a 2.09:1 ratio of private to public funding. The anticipated sources of capital for the project are as follows:

<u>Source</u>	<u>Amount</u>	<u>Status</u>
Source 1 A&J Capital, Corporation	\$100,000.00	Committed
Source 2 City	\$170,000.00	Requested
Source 3 Premiere Solutions	\$255,336.00	Requested
Total	\$ 525,336.00	

Other Deliverables

The company must provide the City with evidence of capital investment expenditures for space to be occupied at relevant timeframes.

- Adherence to a Durham Workforce Plan will be a contract deliverable and Durham residents will have the opportunity to apply for positions through the Durham JobLink Career Center System.
- An incentive would help create opportunities for Durham-based businesses to bid on construction-related work associated with the project. Adherence to a Durham-based business plan for construction-related trades would be a contract deliverable. It should be noted that the contractor that is likely to be selected to undertake the project will be a Durham-based firm that has a strong familiarity with other local Durham firms and the City’s Equal Opportunity Equity Assurance (EOEA) program. Therefore, the likelihood of other Durham businesses participating in this project would increase.

Alternatives

The City Council may reject the recommendation or may choose to fund the project at a lower amount. Not funding the project would be inconsistent with the Neighborhood Revitalization Grant program in the Community Development Area. The proposed project will have positive effects on the appearance and business climate of the affected location.

Financial Impact

Funding for this project will come from the FY 2015 Neighborhood Revitalization Funding.

SDBE Summary

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

Attachment

- A&J Capital, Corporation Project Request & Overview
- A&J Capital, Corporation Incentive application
- NECD Community Letters of Support
- Neighborhood Incentive Agreement for A&J Capital, Corporation