

BUILDINGS

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SHELL BUILDINGS

YOU JUST GOTTA HAVE IT OR DO YOU?

- ▶ Need for a shell building
- ▶ What about existing buildings
- ▶ Competition with existing buildings
- ▶ Virtual shell?
- ▶ Special use buildings (e.g. IT wired building)

SHELL BUILDING LEGAL AUTHORITY

- ▶ G.S. 158-7.1 Local Development Act

SHELL BUILDINGS

HOW DO YOU PAY FOR IT?

- ▶ Cash reserve
- ▶ Installment financing – G.S. 160A-20
- ▶ General obligation bonds – G.S. 159-48
- ▶ Public /private partnership
- ▶ Ask a company which is closing to donate a building

SHELL BUILDINGS

VIEW FROM PRIVATE ENTITIES SIDE

- ▶ Two primary risk exposures for a private sector developer
 - ▶ Cash paid out upfront (typically for land)
 - ▶ Cost of interest accruing over time
- ▶ Key to public/private partnership to build a shell building is to mitigate those risk exposures

SHELL BUILDINGS

COMMON ELEMENTS IN ALL STRUCTURES

- ▶ Local government/EDO conveys land to private developer
 - ▶ No payment for land upfront
 - ▶ Cost of land secured by a promissory note and deed of trust subordinated to loan to build shell building
- ▶ Private developer, using the land as security, gets a loan to build the building
- ▶ If possible, contractor who builds shell building, defers its profit on the construction until building sells or leases, secured by note on deed of trust; gives leg up for additional work on building.
- ▶ Other terms (e.g. pricing of building, use of building, repayment of interest when building sells or leases) controlled by agreement between local government/EDO and private developer.

SHELL BUILDINGS COVER INTEREST UP FRONT

- ▶ Local government/EDO pays interest on the loan to build the building for a stated number of years/months
- ▶ Length of time will depend on location and negotiations
- ▶ After that period of time private developer pays interest
- ▶ Could not be limited to interest; could be all of payment in first period of time

SHELL BUILDINGS

COVER INTEREST ON THE BACKSIDE

- ▶ Private developer pays interest on the loan to build the building for a stated number of years
- ▶ Length of time will depend on location and negotiations
- ▶ After that period of time, local government pays interest
- ▶ Could not be limited to interest; could be for all of payments in back side of deal

SHELL BUILDINGS

CDBG FUNDS TO LESSEN LOAN AMOUNT

- ▶ CDBG program in NC has a fund to help pay for shell buildings
- ▶ Funds cannot benefit a private for profit developer
- ▶ Funds to local government or EDO
- ▶ When building sells or leases jobs created offset the funds; benefit of funds have to flow through to the end user buying or leasing the building

JUST EXAMPLES – NUMEROUS VARIATIONS

- ▶ Examples outlined in presentation are general guidelines.
- ▶ There are numerous other ways to do these projects and numerous variations of the examples provided.
- ▶ Call me. Happy to discuss a project.



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