



Date: February 9, 2017
To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Proposed Jackson/Pettigrew Street Development RFQ Update

Executive Summary

On September 21, 2015, the Department of Economic and Workforce Development (OEWD) presented to City Council, a list of disposition alternatives for the Durham Station site. In response to the alternatives presented, City Council opted to pursue a mixed-use, mixed-income, development alternative which would include private development anchored by multi-family residential rental units. Additionally at the September 8, 2016 City Council work session, Council received a presentation from staff on the requirements of the Request for Qualifications (RFQ) along with other contents of the final draft prior to its issuance. On October 5, 2016, the Department of Community Development (DCD) and OEWD issued the Jackson/Pettigrew Street Development RFQ.

Recommendation

The DCD and the OEWD recommend that City Council receive an update regarding the Jackson/Pettigrew Street RFQ and provide additional feedback regarding the RFQ process.

Background

The proposed Jackson/Pettigrew Street Development site is located on the east side of Willard Street (400 block) and the north side of Jackson Street (100 and 200 blocks) immediately adjacent to Durham Station Transportation Center (DSTC). The parcel is L shaped and consists of approximately 1.9 acres with an appraised value of 2.3 million.

At the direction of City Council, OEWD and DCD have undertaken an RFQ process with the goal of ideally selecting a developer that is a leader in the real estate industry with a proven track record of developing, marketing, and managing mid to high density residential and mixed-use projects, to include affordable and mixed-income housing units.

On December 9, 2016, the City received one Statement of Qualifications (SOQ) in response to the RFQ. The Joint Venture (JV) responding to the RFQ is between Self-Help Ventures Fund (Self-Help) based in Durham, NC and DHIC, Inc. (DHIC) based in Raleigh, NC. The architect of record for the project would be Cline Design Associates, also based out of Raleigh, NC.

An evaluation team consisting of representatives from several departments and organizations (Community Development, Office of Economic and Workforce Development, Finance, General Services, Equal Opportunity and Equity Assurance, County of Durham and Downtown Durham Incorporated) met and evaluated the single proposal. Qualifications based on general experience to include unit production of affordable and mixed-use developments and the required submittal of a development profile were reviewed. Based on scoring criteria established in the RFQ, the JV received a score of 39.5 out of a possible 100 points. The scoring matrix to include the points awarded for each criteria are attached.

Issues/Analysis

As the RFQ was forwarded to the top 50 affordable housing developers in the United States as determined by the Affordable Housing Finance magazine, advertised in the NC Housing Coalition Housing Matters biweekly newsletter and on the City's Purchasing and Community Development websites, staff anticipated more than one response to the RFQ. As a result, DCD staff reached out to members of the affordable development community in an effort to determine why there was only minimal interest.

The following outline summarizes feedback received from discussion with a national developer, and two local developers, coupled with staff input:

- **Affordable Housing Market Competitiveness**
 - Affordable housing developers report a need to prioritize less risky development opportunities over more complex sites; site(s) that are less complex to develop are less risky
 - The Jackson/Pettigrew site is not consistent with typical tax credit applications submitted to the North Carolina Housing Finance Agency making it more risky

- **Physical Site Complexity**
 - Size and Shape
 - ≤1.9 acres of developable area, L-shaped with sloping topography
 - Increases difficulty of developing the site
 - Environmental Quality Questions
 - Close proximity to transit generally is considered desirable, however measures may be required to address potential environmental/health risks related to siting residential units immediately adjacent DSTC operations and/or the rail corridor
 - For example mitigating high noise levels could add to development costs

- **Complex Mix of Uses**
 - Market Rate Units
 - Future market rate renters may demand amenities customarily provided by market rate developers (secure structured parking, swimming pool, fitness center)
 - Ground Level Commercial
 - Economic development and Transit Oriented Development (TOD) best practices prescribe inclusion of a commercial/retail component at ground level which typically is not part of an affordable housing development
 - Structured Parking
 - Structured parking would add additional parking opportunities in the area and could potentially generate project revenue
 - However, costs associated with structured parking are not an allowable expense for a tax credit project

Alternatives

Below are alternatives identified by staff which may be considered for the Jackson/Pettigrew Street Development.

- Move forward to the second phase of the evaluation process with the JV (single responder) and provide an update to City Council at the conclusion of the process to include:
 - Project vision, conceptual drawings, and preliminary cost estimates
 - Draft predevelopment agreement
 - Desired changes to the requirements within the RFQ (if any)
- Revise the RFQ to encourage a greater number of responses from affordable housing developers
 - Require only residential development with or without an 80/20 mix
 - Site complexity, affordable housing market competitiveness, and environmental quality questions will still be factors
 - May impact readiness for a 2018 tax credit application
- Solicit traditional mixed-use development proposals for the site based on sale of the property at market value
 - Consider redirecting sale proceeds to fund affordable housing development at a less complex site in the vicinity

Financial Impact

TBD

SDBE Summary

N/A