



Jackson/Pettigrew Street Development Update

City Council Work Session October 5, 2017

**Department of Community Development (DCD)
Office of Economic and Workforce Development (OEWD)
DHIC, Inc.
Self-Help Ventures Fund (SHVF)**

Jackson/Pettigrew Street Development Site





Jackson/Pettigrew Street Development Update Alignment with City Priorities

From the City's Five Year Housing Goals:

Goal 1: Address the City's greatest housing needs by preserving and expanding affordable rental housing units and rental assistance serving Durham residents, with a focus on households below 50% AMI

- Strategy 1(a): Develop a closer alignment with the Durham Housing Authority
- Strategy 1(c): Produce green, affordable rental housing to meet highest need populations, particularly households at or below 50% AMI (Two-person household = \$35,220)
 - Where possible, the City will seek to use existing city-owned land for housing development, as well as to engage other institutional property owners



Jackson/Pettigrew Street Development Update

- June 2017 City Council directed OEWD and DCD to:
 - Enter into predevelopment agreement with Developer in an amount up to \$199,500
 - Developer to provide two design concepts:
 - (A) one that meets the October 2016 RFQ and;
 - (B) one that demonstrates the City and Development Team's best professional opinion on the most effective utilization of the site and City resources to include:
 - At least 80 affordable (low-income housing tax credit, or LIHTC) units (60% AMI and below)
 - Retail
 - Structured parking
 - Return in October 2017 with preliminary design concepts and financial models in preparation of the January 2018 tax credit application deadline

*Community Development
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Jackson/Pettigrew Street Development Update

Development Team

- City of Durham – OEWD and DCD
 - City Staff
- DHIC, Inc.
 - Gregg Warren, Natalie Britt, Michael Rodgers
- SHVF
 - Tucker Bartlett, Brika Eklund, Dan Levine, Joel Horne
- Cline Design
 - John Wood, John Felton, Jason Lettie
- Consultant Support
 - Brit Cohan and Eddie Carroll (Weaver-Cooke Construction), Charlie Wilson (CT Wilson Construction), Chris Bostic (Kimley-Horn), SEPI (survey), TerraTech (geotech)



Jackson/Pettigrew Street Development Update

Updated Timeline

- *June 5, 2017* – Approval by City Council to move into predevelopment design concepts and feasibility studies
- *Late June 2017* – Commenced weekly design meetings and bi-weekly JV/City meetings; studied multiple design and financing concepts
- *October 5, 2017* – Presentation to City Council Work Session
- *December 31, 2017* – JV/City deadline to enter into Option Agreement and City to provide Commitment Letter
- *January 2018* – JV to submit preliminary LIHTC application to NCHFA
- *May 2018* – Full LIHTC application due to NCHFA
- *August 2018* – NCHFA announces tax credit awards
- *December 2018* – JV acquisition of property
- *Q1 2019* – If awarded credits, final design, permitting and construction begins. If not awarded credits, consider whether to reapply in January 2019
- *By December 31, 2020* – Construction completion



Jackson/Pettigrew Street Development Update

Guiding Principles for the Two Design Concepts

- Create a design concept that will be competitive through NCHFA's LIHTC application process
 - 80 units = determined as the highest number of LIHTC units likely to be funded under 2018 draft QAP rules
- Meet the Council's goal of providing at least 80 affordable units
- Minimize need for City subsidy dollars for the affordable units
- Demonstrate possibilities for creative urban affordable housing development at TOD site
- Model a successful public-private partnership for urban affordable housing
- Create long-term value for the City

Overview of Site Opportunities & Constraints

City-owned land that can be conveyed for free for affordable housing under NCGS

Opportunity for national TOD model

Strategically important urban location

Access to downtown jobs & services

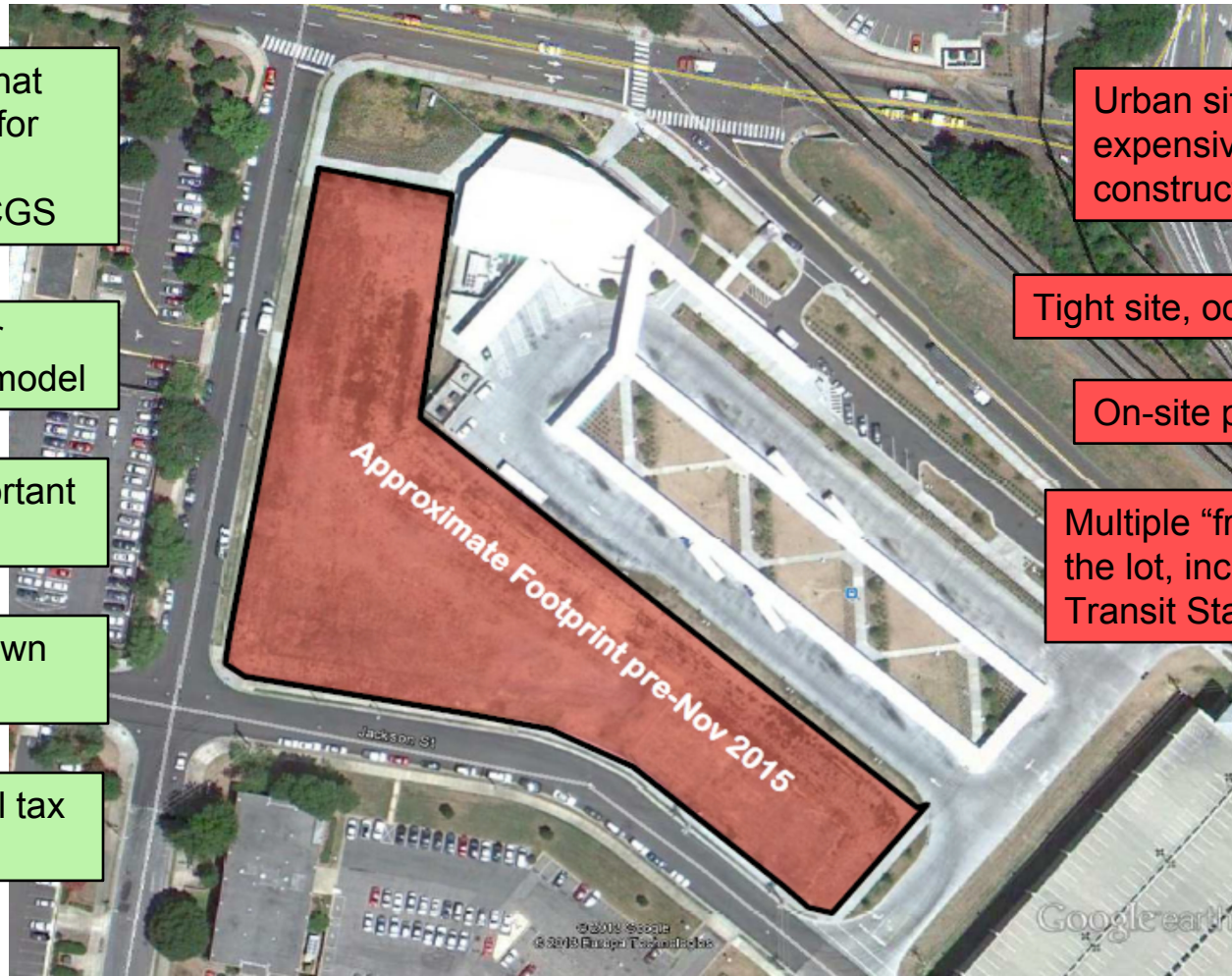
Create additional tax value for City

Urban site = more expensive construction

Tight site, oddly shaped

On-site parking

Multiple "fronts" to the lot, including on Transit Station

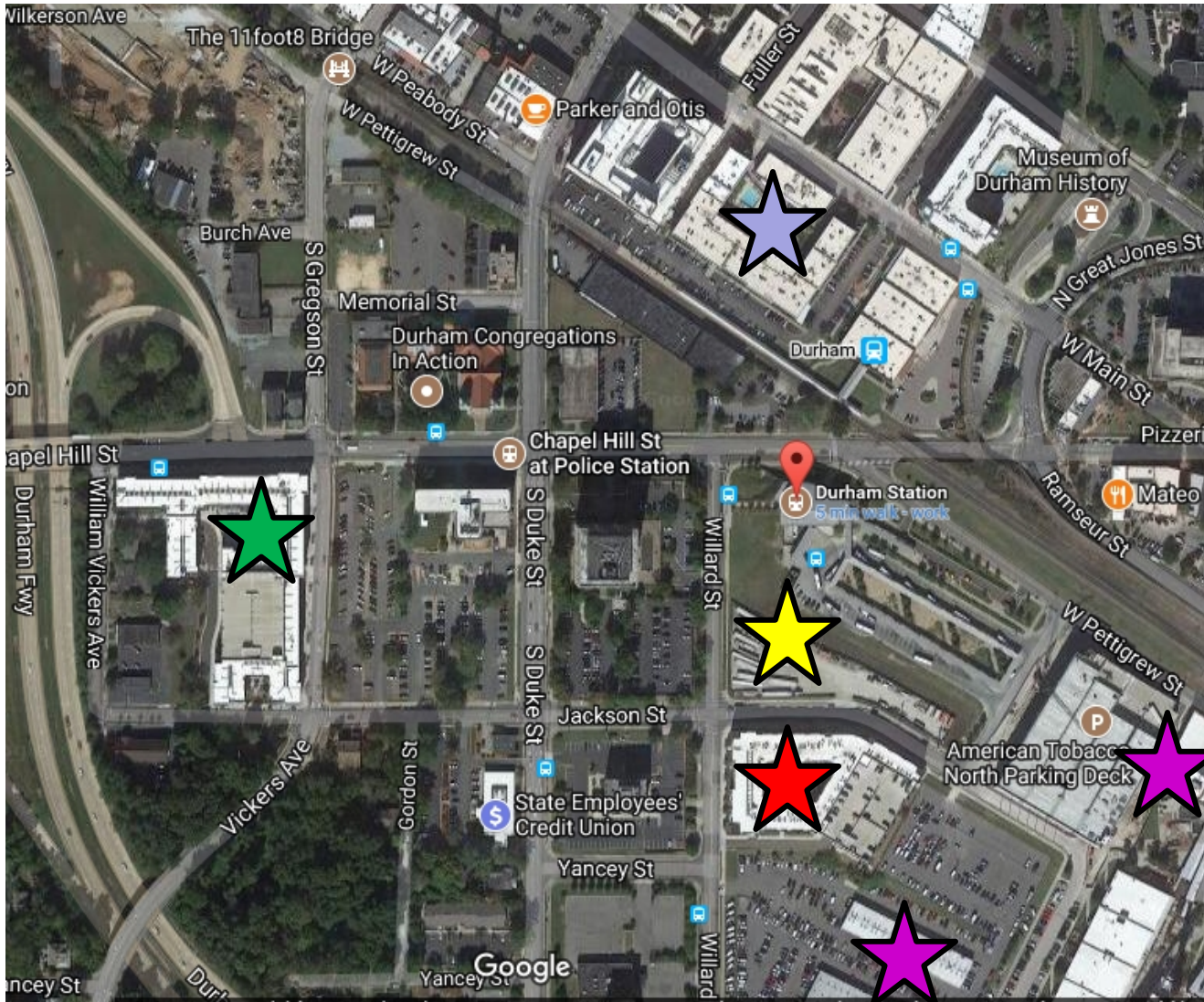








Jackson/Pettigrew Street Development Update Site Considerations

- Maximize lot size when subdivided from Transit Station
- No build easement along northern border with Transit Station
- Relocate utility lines along SE property line
- Co-locate property trash at Transit Station dumpster location; will require right-of-access agreement
- Impact fees for stormwater upgrades; could be paired with improvements already planned for the area
- UDO and Fire maximum heights of 75' before design changes required

Market Rate Apartment Developments



~1,235 Existing Units in the Immediate Vicinity

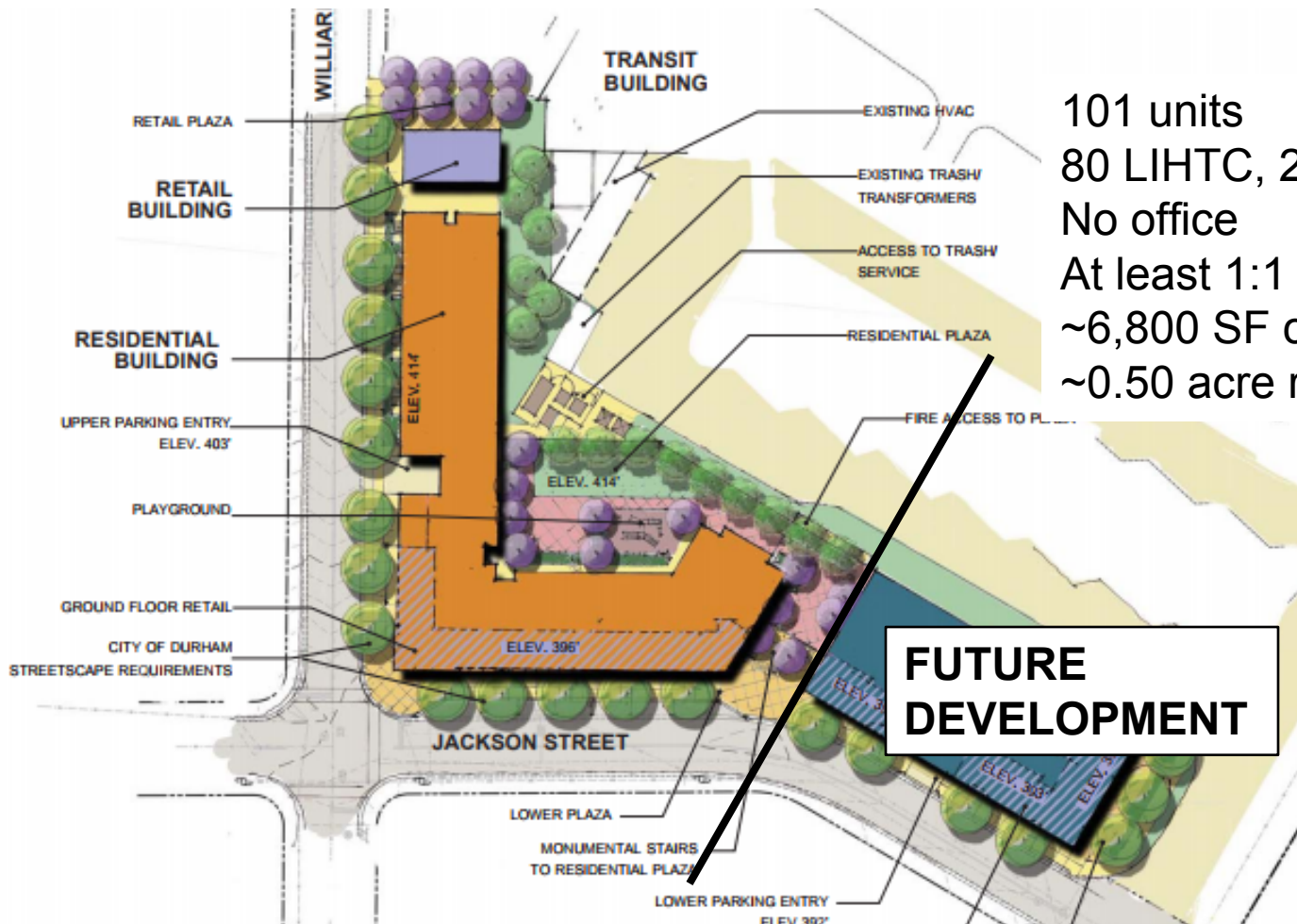
-  Proposed Jackson/Pettigrew Development
-  Whetstone
-  American Tobacco (Current & Future)
-  Bell West End
-  West Village I, II, III

Concept A: Residential + Retail (RFQ)

- Residential, retail/commercial and parking; meets RFQ requirements
- Four-story residential building over one level of podium parking w/ minimum of 1:1 residential parking + retail parking*
- Two residential unit options:
 - A1: 101 units – 80 affordable and 21 market; meets the October 2016 RFQ inclusion of market-rate units
 - A2: 80 units – affordable units only; eliminates additional gap created by market-rate units
- Approx. 6,800 SF* retail/commercial space
- DHA Housing Choice Vouchers would make the project more financially viable
- Leaves approximately 0.50-acre* developable portion of the property

**Numbers will continue to be refined during schematic design phase pre-December 2017*

Concept A1

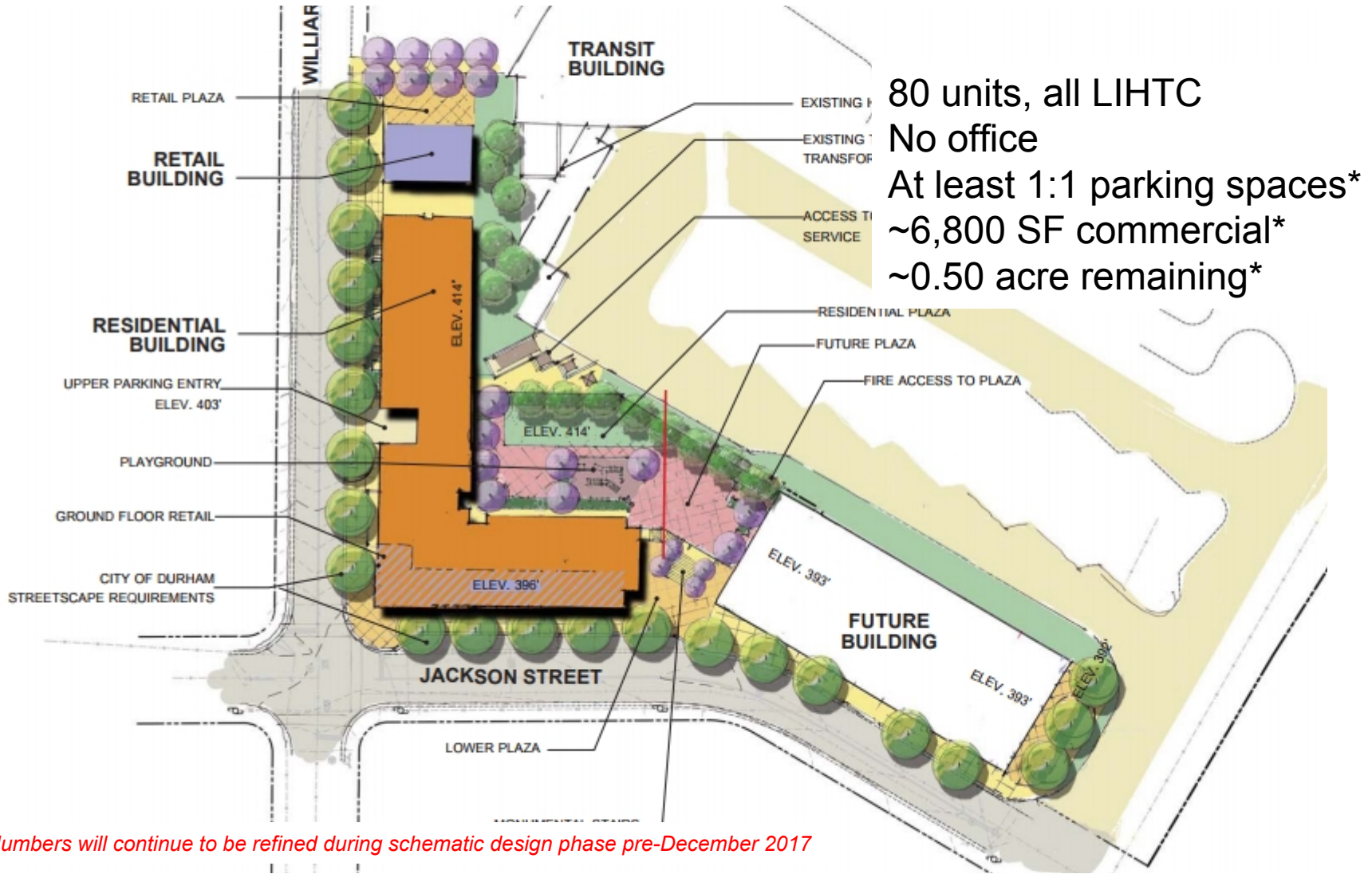


101 units
 80 LIHTC, 21 market
 No office
 At least 1:1 parking spaces*
 ~6,800 SF commercial*
 ~0.50 acre remaining*

FUTURE DEVELOPMENT

**Numbers will continue to be refined during schematic design phase pre-December 2017*

Concept A2



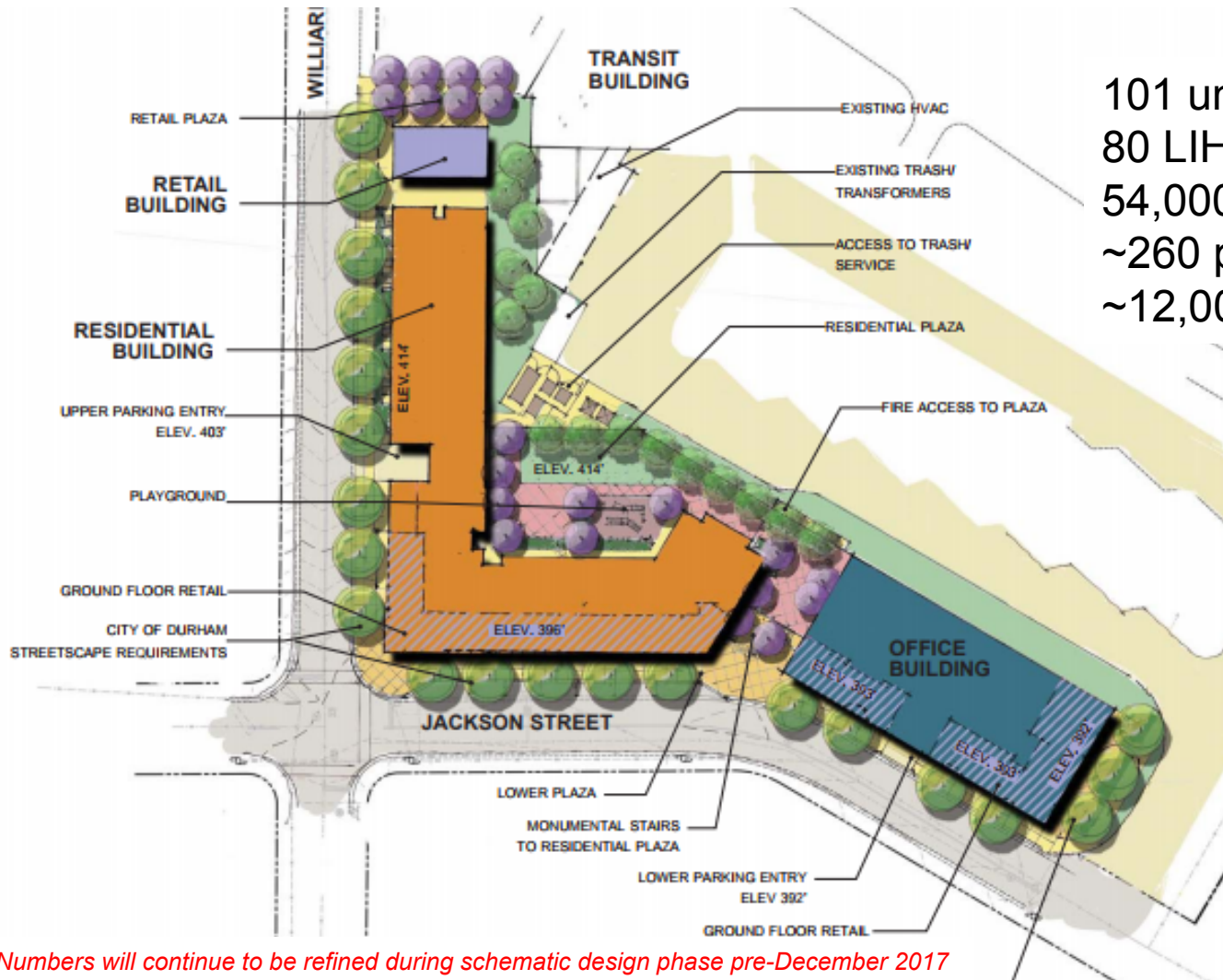
**Numbers will continue to be refined during schematic design phase pre-December 2017*

Concept B: Residential + Commercial + Office

- Residential, retail and structured parking, with addition of Class A office building utilizing the entire ~1.9-acre site
- One four-story residential building and one three-story office building over two levels of podium parking w/ approx. 260 parking spaces*
- Two unit count + office options:
 - B1: 101 units + 54,000 SF Class A office
 - B2: 80 units + 62,000 SF Class A office
 - Fourth story of office may be possible (add 18,000 SF*)
- Approx. 12,000 SF* commercial/retail space; some perhaps could be allocated to first-floor office
- DHA Housing Choice Vouchers would make the project more financially viable

**Numbers will continue to be refined during schematic design phase pre-December 2017*

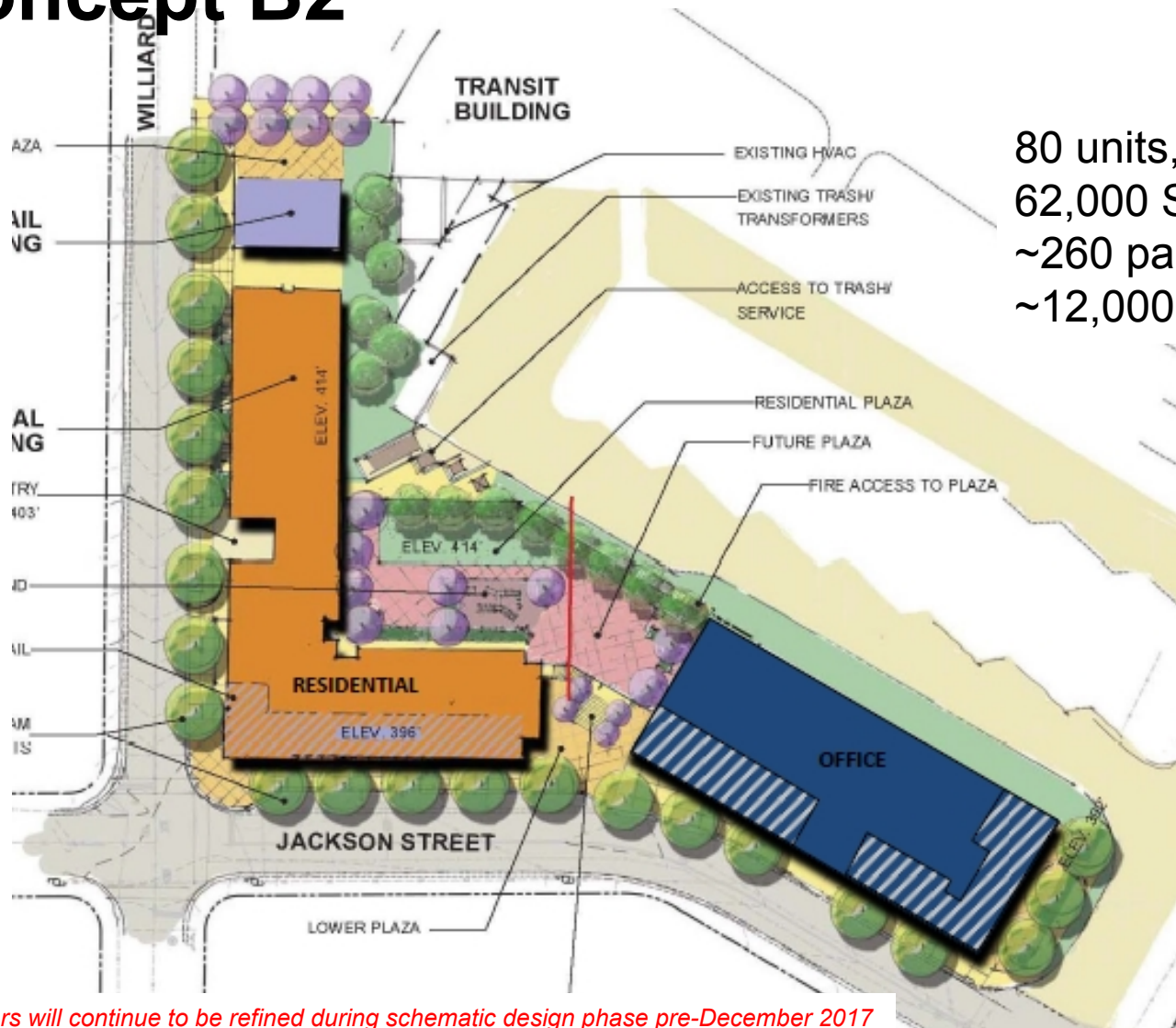
Concept B1



101 units
 80 LIHTC, 21 market
 54,000 SF office
 ~260 parking spaces*
 ~12,000 SF commercial*

**Numbers will continue to be refined during schematic design phase pre-December 2017*

Concept B2



80 units, all LIHTC
62,000 SF office
~260 parking spaces*
~12,000 SF commercial*

**Numbers will continue to be refined during schematic design phase pre-December 2017*

Financial Analysis (Concept A1)

101 units (LIHTC + Market) + Retail

Jackson Pettigrew Sources & Uses Summary - A1. Residential + Retail Program

Development Sources & Uses - Affordable vs. Market Rate Units						
	Total	Per Unit	Affordable	Per Unit (80)	Market Rate	Per Unit (21)
TOTAL SOURCES	\$12,196,369	\$120,756	\$10,797,252	\$134,966	\$1,399,117	\$66,625
TOTAL DEVELOPMENT COST	\$15,115,818	\$149,662	\$11,972,925	\$149,662	\$3,142,893	\$149,662
RESIDENTIAL ONLY GAP	\$2,919,449	\$28,905	\$1,175,673	\$14,696	\$1,743,776	\$83,037
+ Structured Parking	\$2,965,757	\$29,364	\$2,349,115	\$29,364	\$616,643	\$29,364
+ Plaza Space on Podium	\$634,725	\$6,284	\$502,752	\$6,284	\$131,973	\$6,284
+ Retail Shell (12,517 SF)	\$1,364,834	\$13,513	\$1,081,057	\$13,513	\$283,777	\$13,513
+ Additional Contingency	\$248,266	\$2,458	\$196,646	\$2,458	\$51,620	\$2,458
GAP WITHOUT VOUCHERS	\$8,133,031	\$80,525	\$5,305,243	\$66,315.54	\$2,827,788	\$134,657
GAP WITH VOUCHERS*	\$6,933,031	\$68,644	\$4,105,243	\$51,315.54	\$2,827,788	\$134,657
GAP W/ VOUCHERS & RETAIL LEASE^	\$5,499,955	\$54,455	\$2,672,167	\$33,402.09	\$2,827,788	\$134,657
*This gap shows a reduction of \$1,200,000 based on presumed utilization of 26 DHA Project Based Vouchers						
^Pre-leasing all of retail would allow for reduction in local funds by removing shell costs from subsidy needed						

Financial Analysis (Concept A2)

80 units (LIHTC only) + Retail

Jackson Pettigrew Sources & Uses Summary - A2. Residential + Retail Program

Development Sources & Uses - Affordable vs. Market Rate Units						
	Total	Per Unit	Affordable	Per Unit (80)	Market Rate	Per Unit (0)
TOTAL SOURCES	\$10,365,620	\$129,570	\$10,365,620	\$129,570	N/A	N/A
TOTAL DEVELOPMENT COST	\$12,473,780	\$155,922	\$12,473,780	\$155,922	N/A	N/A
RESIDENTIAL ONLY GAP	\$2,108,160	\$26,352	\$2,108,160	\$26,352	N/A	N/A
+ Structured Parking	\$2,349,115	\$29,364	\$2,349,115	\$29,364	N/A	N/A
+ Plaza & Transfer Slab	\$634,725	\$7,934	\$634,725	\$7,934	N/A	N/A
+ Retail Shell (10,000 SF)	\$1,090,384	\$13,630	\$1,090,384	\$13,630	N/A	N/A
+ Additional Contingency	\$203,711	\$2,546	\$203,711	\$2,546	N/A	N/A
GAP WITHOUT VOUCHERS	\$6,386,096	\$79,826	\$6,386,096	\$79,826	N/A	N/A
GAP WITH VOUCHERS*	\$5,466,096	\$68,326	\$5,466,096	\$68,326	N/A	N/A
GAP W/ VOUCHERS & RETAIL LEASE^	\$4,321,192	\$54,015	\$4,321,192	\$54,015	N/A	N/A

*This gap shows a reduction of \$920,000 based on presumed utilization of 20 DHA Project Based Vouchers

^Pre-leasing all of retail would allow for reduction in local funds by removing shell costs from subsidy needed

Financial Analysis (Concept B1)

101 units (LIHTC + Market) + Retail + Office

Jackson Pettigrew Sources & Uses Summary - B1. Residential Program

Development Sources & Uses - Affordable vs. Market Rate Units						
	Total	Per Unit	Affordable	Per Unit (80)	Market Rate	Per Unit (21)
TOTAL SOURCES	\$12,196,369	\$120,756	\$10,797,252	\$134,966	\$1,399,117	\$66,625
TOTAL DEVELOPMENT COST	\$14,501,053	\$143,575	\$11,485,982	\$143,575	\$3,015,070	\$143,575
RESIDENTIAL ONLY GAP	\$2,304,684	\$22,819	\$688,730	\$8,609	\$1,615,954	\$76,950
+ Structured Parking	\$2,965,757	\$29,364	\$2,349,115	\$29,364	\$616,643	\$29,364
+ Plaza & Transfer Slab	\$634,725	\$6,284	\$502,752	\$6,284	\$131,973	\$6,284
+ Additional Contingency	\$180,024	\$1,782	\$142,593	\$1,782	\$37,431	\$1,782
GAP INCL. PARKING	\$6,085,190	\$60,249	\$3,683,191	\$46,040	\$2,401,999	\$114,381
- Office/Retail Contribution	-\$499,192					
GAP WITHOUT VOUCHERS	\$5,585,998	\$55,307	\$3,183,999	\$39,800	\$2,401,999	\$114,381
GAP WITH VOUCHERS*	\$4,385,998	\$43,426	\$1,983,999	\$24,800	\$2,401,999	\$114,381
*This gap shows a reduction of \$1,200,000 based on presumed utilization of 26 DHA Project Based Vouchers						
OFFICE/RETAIL VALUE CREATED	\$5,150,967	via 15 years of estimated City + County tax revenues				

Financial Analysis (Concept B2)

80 units (LIHTC only) + Retail + Office

Jackson Pettigrew Sources & Uses Summary - B2. Residential Program

Development Sources & Uses - Affordable vs. Market Rate Units						
	Total	Per Unit	Affordable	Per Unit (80)	Market Rate	Per Unit (0)
TOTAL SOURCES	\$10,365,620	\$129,570	\$10,365,620	\$129,570	N/A	N/A
TOTAL DEVELOPMENT COST	\$11,859,015	\$148,238	\$11,859,015	\$148,238	N/A	N/A
RESIDENTIAL ONLY GAP	\$1,493,395	\$18,667	\$1,493,395	\$18,667	N/A	N/A
+ Structured Parking	\$2,349,115	\$29,364	\$2,349,115	\$29,364	N/A	N/A
+ Plaza & Transfer Slab	\$634,725	\$7,934	\$634,725	\$7,934		
+ Additional Contingency	\$117,456	\$1,468	\$117,456	\$1,468	N/A	N/A
GAP INCL. PARKING	\$4,594,691	\$57,434	\$4,594,691	\$57,434	N/A	N/A
- Office/Retail Contribution	-\$864,049					
GAP WITHOUT VOUCHERS	\$3,730,642	\$46,633	\$3,730,642	\$46,633	N/A	N/A
GAP WITH VOUCHERS*	\$2,810,642	\$35,133	\$2,810,642	\$35,133	N/A	N/A
*This gap shows a reduction of \$920,000 based on presumed utilization of 20 DHA Project Based Vouchers						
OFFICE/RETAIL VALUE CREATED	\$5,716,958	via 15 years of estimated City + County tax revenues				

Concept A1 & A2 (Residential + Retail)

Benefits	Challenges
Simplest transaction to accomplish affordable housing goal on site	A1: Highest gap; may not be financially viable - unclear how gap on market rate units could be closed given limitations on City's ability to fund A2: Second highest gap
Conveyance of land for affordable housing purpose is clearer	Uncertainty of what Phase 2 on the undeveloped parcel would look like
Remaining acreage could be opportunity to respond to future market conditions	Less tax value created at Phase 1 because property not fully developed

Concept B1 & B2 (Residential + Retail + Office)

Benefits	Challenges
Less subsidy cost to the City for affordable units	B1 only (Includes market-rate units): May not be financially viable - unclear how gap on market rate units could be closed given limitations on City's ability to fund
Adds additional density to the site compared to Concepts A1 & A2	More complicated process for conveyance of land for affordable housing purpose
Site is fully developed in one phase = more development certainty upfront	Concept will require more explanation to NCHFA
Higher tax value created on the property than affordable housing only	Tight site for parking multiple uses
	Office needs to secure Class A office tenant paying market rents



Jackson/Pettigrew Street Development Update

Next Steps

- Direction from City Council on Preferred Design Concept
- Negotiate and execute an Option Contract on the parcel by 12/31/17
- Provide Commitment Letter to the JV by 12/31/17 to include in the preliminary tax credit application
- Support subdivision of the existing parcel by time required by NCHFA
- Continue to refine design details and construction costs

Questions & Discussion

