



**Date:** March 22, 2018

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Reginald J. Johnson, Director  
Department of Community Development  
**Subject:** Jackson/Pettigrew Street Update

**Executive Summary**

On January 2, 2018 City Council approved a Resolution in support of the Jackson/Pettigrew Street Development and to Exercise Power Granted to Municipal Housing Authorities pursuant to G.S. 160A-456(b); authorized the City Manager to execute an Option Contract with Self-Help Ventures Fund and DHIC, Inc. for the purchase of approximately 2 acres of land at the Durham Station Transportation Center for the sum of One and No/100 Dollars (\$1.00) subject to conditions in the Option Contract; and authorized the City Manager to issue to Self-Help Ventures Fund and DHIC, Inc., a letter, to the North Carolina Housing Finance Agency (NCHFA), supporting the Jackson/Pettigrew Street Development through subordinate financing to fill a project financial gap, which was estimated to be \$3,516,111.

City Council's actions were based on the development of 82 affordable rental housing units, approximately 62,000 square feet of office space and 12,000 square feet of retail space.

As part of the pre-development and planning effort, Self Help Ventures Fund and DHIC, Inc., a Joint Venture (JV), sought out and was in discussion with potential tenants for the office component. During this process, the JV received an offer of support from Duke University and the A.J. Fletcher Foundation that would provide a monetary grant to the development effort as opposed to the leasing of office space. This memorandum will update City Council on the revised development plan and seek direction from Council on next steps.

**Recommendation**

It is recommended that City Council:

1. Receive an update on the Jackson/Pettigrew Street Development.

**Background**

At the October and December 2017 City Council work sessions, the Department of Community Development (DCD) and the JV shared conceptual plans for the Jackson/Pettigrew Street development. At the January 2, 2018 City Council meeting, Council approved the development concept along with the transfer of the property and a funding commitment not to exceed \$3.6 million. The concept included a mix of residential, retail, and office space to include high quality affordable rental housing units that would be competitive for Low Income Housing Tax Credits (LIHTC), a retail component that would activate the street level to foster small scale commerce

as defined in the UDO and the feature of a market rate office building to make effective use of the full two-acre parcel and to reduce the need for City gap financing.

As the JV was seeking a potential office tenant and having discussions with key stakeholders in the community, they were presented with a commitment of funding from Duke University and the A.J. Fletcher Foundation. The commitment, in the form of a grant in the amount of \$2.5 – \$3.0 million dollars could assist in the cost of the structured parking and allow the JV to explore the option of building additional affordable housing on the site, in lieu of a market rate office component. It is the JV's opinion that the financial commitment will allow the 82 unit residential project to include the required parking and the ground floor retail for the LIHTC to move forward, without the need for additional subsidy from the City beyond the committed \$3.6 million.

### **Issues and Analysis**

In January of 2018, the JV submitted the preliminary LIHTC application to the NCHFA and upon review by the agency, received a perfect site score. The change in the development scope will not prevent the submittal of the final tax credit application in May but would require a design change on how the units would be parked. Funding is available to build out the 82 affordable units, along with the required retail and the change in parking design.

### **Alternatives**

The development team has begun work along with City staff and the architect, to study options other than the original concept. The options may include (i) construction of solely the 82 affordable units with sufficient parking and retail for those units; (ii) building out the entire deck/parking podium to support a future phase of residential development; or (iii) building out the entire deck/parking podium and constructing a second phase of housing at the same time which could include a tax credit development, a mixed income rental development or a mixed income homeownership development effort.

Staff, along with the JV are scheduled to return to City Council in April of 2018 to present the developers agreement for approval prior to the May 2018 final LIHTC application. As the re-design is a time consuming process, staff would also provide an update on the above options with a range of estimated construction costs and potential subsidy needs associated with each option.

If the JV were to receive an allocation of tax credits in August of 2018, staff along with the JV would return to City Council in September/October of 2018 and provide an update to include cost associated with each option.

### **Financial Impact**

City Council approved the funding commitment for the development effort on January 2, 2018.

### **Equal Business Opportunity Summary**

Should the application for LIHTC be successful, applicable UBE participation goals will be set by the Office of Equal Opportunity and Equity Assurance for the construction activities.