- **Approach to Affordable Housing**: WinnCompanies, The Fallon Company's residential development partner, is one of the nation's largest and most experienced owners and managers of affordable housing. Winn has a demonstrated long-term commitment to its projects and does its own programming to build a true sense of community. For 505 W. Chapel Hill St, the team is proposing an interesting and creative financial model, whereby they will do a scattered 4% LIHTC deal, treating 80 of the residential units as a condo and using LIHTC equity to finance those units. The City is excited by the prospect of bringing this creative financing approach to using the non-competitive 4% LIHTC awards to Durham, with potential for this model to be replicated within other developments incorporating affordable housing. Further, WinnCompanies, intends to purchase its own tax credits for the deal, which will minimize development risks and support a more seamless transaction. By owning the equity, they are further deepening their commitment to the project's long-term success. Moreover, all of the affordable units in The Fallon Company's proposal are located within the same building as the market rate units, so that all residents are in one building with no differentiation. In comparison, the Akridge proposal includes three residential buildings, with the affordable units spread across only two of these buildings; the residential building facing West Chapel Hill Street contains no affordable units.

- **Timing of Payments and Approach to Financing:** The Fallon Company proposes providing a payment of $8,750,000 entirely upon closing, which will be paid to the City within 30 days of signing of the development agreement and reaching a mutually agreeable development plan. The remainder of $500,000 will be paid upon the issuance of the building permit for the commercial office tower. This is a favorable deal structure to the City, since the bulk of the land price (95%) will be paid up front, and in the near term – likely to be in early 2020, pending the length of the negotiations period. Based on the revised Scenario A offers, Fallon's development program generates a higher total amount of projected tax receipts to the City associated with its development program when compared to Akridge – see table on page 3. Fallon's program is projected to generate a total 10-year NPV of $11.9 million in City tax receipts, compared to a total 10-year NPV of $11.1 million associated with Akridge's development program.

  Moreover, The Fallon Company spoke directly to their ability to provide internal equity to support early phases of project development, and recounted their previous experience delivering a major mixed-use project in Boston during the Great Recession, which gave the evaluation committee strong confidence in the team's ability to deliver, even if macroeconomic conditions worsen. While Akridge noted their ability to self-fund predevelopment costs, The Fallon Company has capacity to self-fund predevelopment costs as well as the construction costs of the Phase 1 renovation of the existing building, allowing the team to move quickly to activate the site and create immediate momentum. The Fallon Company indicated that if they were confronted with adverse macroeconomic conditions and/or capital markets, they would seek to self-fund the phase one renovation in order to get the project underway, citing the importance of creating momentum on site.

  Since the City controls the entitlement and rezoning process for the site, the City can proceed with development plan approvals and development agreement negotiations concurrently, which reduces risk for both Fallon and for the City. Fallon gets certainty their development plan can move forward, and can therefore commit to a development agreement in a timely manner. For the Akridge deal structure, while the entitlement risk is the same given that the City controls these processes, in reality there is still more risk to the City, given the staggered nature of the proposed payments, which are tied to the issuance of individual building permits. Tying the bulk of land payments to the individual components, as Akridge does, leaves the City more exposed to the risk of macroeconomic forces and market changes, increasing the potential for construction delays to a greater extent than the proposed Fallon deal structure.

- **Preservation of Existing Building**: The preservation of the existing building was one of the five City Council goals and the evaluation committee appreciated The Fallon Company's plans and designs for preserving the structure, which is one of three known Milton Small buildings still standing in Durham. (The other buildings are the Duke Lemur Center and St. Stephen's Episcopal Church.) By bringing the building out to W. Chapel Hill St., the design helps activate the street, while the design decision to open up a portion of the ground floor to allow pedestrians to flow through the site promotes the type of vibrancy and urban streetscape in line with the City's priorities. Furthermore, preservation is in keeping with the City's sustainability efforts.

- **Urban Design and Open Space:** The Fallon Company's site design promotes a vision reflective of the City's UDO and helps create a site that is active on all four corners, via pedestrian connections and a large open plaza. The preservation of the existing building at the corner of W. Chapel Hill St. and S. Duke St. respects the scale of the Duke Memorial United Methodist Church across W. Chapel Hill St., compared to the Akridge proposal which places a 10-story office building at this corner, which would overshadow the church.

  Fallon's design includes a total open space program of roughly 52,700 SF, including the open plaza, greenspace, and pedestrian plazas. This open space program represents 29% of the total site, far exceeding the City's UDO requirement to provide a minimum of at least 2% open space. Akridge's proposal includes a smaller open space program, with 30,000 SF of open space, representing 17% of the total site.

  In addition to more open space, Fallon's design features podium parking, so there are no large garages visible, as compared to the Akridge proposal, which has a large structured parking garage occupying the portion of the site at the corner of Gregson and Jackson St. Further, the placement of the new office tower in Fallon's design creates a new sightline for drivers coming off of 147 and creates an opportunity for logo placement/signage for a new corporate headquarters.

- **Team Management:** The committee appreciated the streamlined management structure of The Fallon Company's team, with the lead company's executives responsible for investment and development decisions directly involved in the project.

- **Office Program**: One of the City's stated priorities for site redevelopment is delivery of a significant component of commercial office space. The Fallon Company's proposal includes 276,500 GSF of new Class A office space, in addition to the rehabilitation of the existing building into creative office space. In total, The Fallon Company's proposal will deliver a total commerical program of 350,000 GSF, which encompasses 339,500 GSF of office space across the new office tower and the redeveloped Police Headquarters building. In comparison, the Akridge development program includes just 185,000 GSF of new commercial office space.

  The new office tower will fill a void in Durham's office market, delivering a tower that can serve as a signature corporate headquarters for a company, and helping to alleviate extremely low vacancy rates for Class A office in Downtown. Positioning the new office tower at the corner of S. Duke and Jackson Street creates a prime opportunity for signage to brand the tower at a key entry point into Downtown, highlighting this gateway site.

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10-Year NPV of Total Projected City Tax Receipts – Original Offers

	Real Property Tax	Personal Property Tax	Sales Tax	Total
Akridge, Scenario A	$9,781,000	$394,000	$1,036,000	**$11,211,000**
The Fallon Company, Scenario A	$9,375,000	$434,000	$428,000	**$10,237,000**

10-Year NPV of Total Projected City Tax Receipts – Revised Offers*

	Real Property Tax	Personal Property Tax	Sales Tax	Total
Akridge, Revised Scenario A	$9,713,000	$394,000	$1,036,000	**$11,143,000**
The Fallon Company, Revised Scenario A	$10,959,000	$550,000	$428,000	**$11,937,000**

**Projection of City tax receipts assumes an annual discount rate of 8%.*

- The increase in affordable units in Akridge's revised program (80 units to 90 units) and associated decrease in market rate units (336 units to 326 units) leads to a decrease in real property tax revenue associated with the development program.
- The increase in Fallon's revised development program, with the new commercial tower increasing from 180,000 GSF to 266,000 GSF of office space, leads to an increase in projected real property tax and personal property tax revenue associated with the development program.