



**Date:** November 15, 2021

**To:** Wanda S. Page, City Manager  
**Through:** Bertha T. Johnson, Deputy City Manager  
**From:** Jina B. Propst, Director, General Services Department  
**Subject:** Contract with HR&A Advisors, Inc. for Consulting Services Regarding the Disposition and Redevelopment of 505 W. Chapel Hill Street

### **Executive Summary**

HR&A Advisors, Inc. (HR&A) is an award-winning real estate and economic development consulting firm. In July 2017, the City hired HR&A to provide consulting services and technical assistance regarding the disposition and redevelopment of 505 W. Chapel Hill Street. Since that time, HR&A has provided successful consulting services for the previous seven phases of the disposition process.

Staff is now seeking to hire HR&A to help manage the final two phases of the project (Phases 8-9), with the goal of a successful disposition of the property next year. The proposed contract is for \$200,000 and would run from November 2021 until August 2022. Services that HR&A would provide under this contract include: the drafting of an updated request for proposal from developers; evaluation of the request for proposal responses; contract and deal point negotiations; finalizing the master development agreement; and consultant participation in meetings and hearings.

### **Motion**

To authorize the City Manager to execute a contract for \$200,000 with HR&A Advisors, Inc. for consulting services for the disposition and redevelopment of 505 W. Chapel Hill Street.

### **Background**

The City of Durham owns 505 W. Chapel Hill Street, a four-acre parcel containing a building designed by noted architect Milton Small and supportive surface parking lots. The existing building, originally built for the Home Security Life Insurance Company in the late 1950s, occupies less than a quarter of the site. The site became vacant in Winter 2019 when City staff moved to an alternate site.

The City began the disposition process in 2017. A timeline of events is, as follows:

- **HR&A hired (July 2017).** In July 2017, the City received three quotes to provide technical assistance to staff to develop the future redevelopment path for the site. Of the three proposals, HR&A Advisors demonstrated the most relevant experience in the North Carolina market. HR&A has a long track record that demonstrates their capacity for supporting property owners in structuring strategies for property disposition and advancing developer selection, negotiations, and plan implementation. Their team members have a level of technical expertise beyond that of city staff to perform the type of work necessary during this project.
- **Community engagement and outreach (September 2017).** Over the course of a month, City staff engaged an estimated 1,200 people to discuss the future of the site. Two

community workshops were hosted, “pop-up” events were held at various places around Durham, including at the Durham Farmers Market and Durham Station, and surveys were distributed both in-person and on-line.

- **Goals refined (2018).** Staff worked with HR&A, City Council, and the City administration to refine goals for the site. The approved five goals guiding site redevelopment are:
  - *Affordable Housing:* Provide a significant component of housing affordable to residents at 60% Area Median Income;
  - *Financial Performance:* Generate significant revenue to the City from the sale of land and future local tax revenues from on-site development;
  - *Mixed-Use Development:* Deliver a complement of office and retail uses supportive of a dynamic downtown environment; and
  - *Historic Preservation:* Preserve the existing Police Headquarters Building, a midcentury modern office building designed by Milton Small.
  - *Urban Design:* Create a signature project with best practices in design and architecture and a compelling landmark for downtown.
- **Request for Proposals (RFP) released (April 2019).** In April 2019, the City of Durham issued a RFP that invited pre-qualified development teams to submit a proposal to purchase 505 W. Chapel Hill Street and deliver a transformative mixed-use program that fulfills the City’s objectives for the property.
- **Site rezoned and restrictive covenants applied (June 2020).** On June 15, 2020, City Council affirmatively approved restrictive covenants and a rezoning for the 505 W. Chapel Hill Street property from Downtown Design District – Support 1 (DD-S1) to Downtown Design District – Core with a development plan (DD-C(D)) Z2000006. The restrictive covenants were placed on the property as a means to legally enforce the City’s affordable housing mandate for the project, regardless of property owner.
- **City Council approves disposition of property to The Fallon Company (October 2020).** On October 5, 2020, the Durham City Council voted 6-0 to approve six related motions supporting the proposed disposition of the City-owned property located at 505 W. Chapel Hill Street. Motions approved by City Council included authorization for the City Manager to execute and/or record a Purchase and Sale Agreement, Master Development Agreement, and other necessary documents to effectuate the conveyance and development of property consistent with an approved development program proffered by The Fallon Company.
- **City signs purchase and sale agreement (PSA) with The Fallon Company (October 2020).** The City signed the PSA on October 28, 2020. The PSA provided TFC with a 45-day due diligence period (through December 14, 2020) during which the developer was permitted to conduct any/all additional evaluation of the property necessary to ensure project feasibility prior to closing. Feasibility analysis conducted by TFC during the initial 45-day due diligence period resulted in due diligence periods lasting until April 23, 2021.
- **The Fallon Company terminates agreement and Council directs staff to initiate a new selection process (March through May 2021).** Negotiations with The Fallon Company did not come to fruition, so on May 6, 2021, the Durham City Council directed staff to initiate a new selection process by a development team to re-develop the site at 505 W Chapel Hill Street.
- **Staff devises new disposition plan (Summer 2021).** Staff worked with HR&A to develop a new two-phased disposition process whereby team formation will consist of the most qualified affordable housing and development firms, beginning with a Request for Qualifications process and followed by a Request for Proposals process. Staff believes this will give the City more flexibility in negotiation and in crafting viable development teams able to deliver on City priorities.

- **Request for qualifications (RFQ) issued (September 29, 2021).** A RFQ was issued on September 29, 2021 and was circulated widely among national, regional, and local development firms. A pre-submittal conference and site tour has been completed. The due date for responses is November 9, 2021.

### **Issues & Analysis**

HR&A has provided successful consulting services for the previous seven phases of the disposition process, spanning from 2017 to present. HR&A has proven to be a valued resource and their team is now intimately familiar with the project having contributed meaningfully to moving the project forward over the last four years.

Staff is now seeking to hire HR&A in the amount of \$200,000 to manage Phases 8-9 to complete the project. These two phases would run from November 2021 until August 2022, and include support and assistance with the following proposed future events:

- **Collect and evaluate RFQ responses (November 2021).** Staff will work with HR&A to review and analyze the submissions, score the qualifications, and notify all firms of their qualification status.
- **Draft and release a Request for Proposal (RFP) (December 2021 through March 2022).** Staff and HR&A will draft a RFP, author a master development agreement, and develop a strategy for payment structure, federal tax credits, and other financial tools. Firms that were qualified under the RFQ process will be invited to submit a RFP, which will be quantitatively scored and ranked.
- **Interviews with selected teams (April 2022).** Top teams will be invited to interview with the City and HR&A staff. The City and HR&A team will also review financial information submitted, estimate fiscal impacts of proposed development programs, and form and host an evaluation committee to select finalist development partner.
- **City enters negotiations (Spring/Summer 2022).** The City, with the assistance of HR&A, enters into negotiations with various teams, including best and final offers for presentation to City Council.
- **City Council reviews and directs staff on preferred course of action (Summer 2022).** Staff will bring to City Council the top qualified firms, make a recommendation on a course of action, and seek Council's direction on which firm to approve for disposition.

### **Alternatives**

City Council could decline to authorize the hiring of HR&A for consulting services, or they could direct staff to renegotiate and present alternate terms.

### **Financial Impact**

\$200,000 is available in the following account: 3505K002-731003-CK002.

### **Equal Business Opportunity Summary**

This is a development item that was not reviewed by the Equity & Inclusion Department for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. It is noted by the General Services Department that the vendor was selected through a prior selection process and has been working with the City on the disposition and redevelopment of the 505 W. Chapel Hill Street project for more than three years.

General Services has requested an exemption from the solicitation process through the City Manager's Office and pursuant to the City's Purchasing Policy.

**Contractor Workforce Diversity & Hiring Practices**

Due to the nature of this selection, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable as the vendor was hired prior to the implementation of this policy. However, to assist City Council, the vendor has completed the questionnaire and the summary is below.

According to the contractor’s responses to the “Contractor Workforce Diversity Questionnaire,” the contractor is a large employer (over 100 employees) consisting of mostly professional/skilled workers. The contractor believes it has a diverse workforce because “as an employee-owned firm committed to anti-racism, HR&A is taking deliberate steps to ensure a diverse workforce. In a male dominated industry, we have a nearly 50/50 female/male split, and we have minority representation at all levels of the firm.” The contractor did list many examples of the efforts it makes to have a more diverse workforce, such as the creation of an Employee Resource Group (ERG), implicit bias training, diverse subcontracting, recruiting at HBCUs, and more.

**WORKFORCE STATISTICS**

**Total Workforce:**

<b>Employment Category</b>	<b>Total Employees</b>	<b>Total Males</b>	<b>Total Females</b>
Project Manager	20	12	8
Professional	97	52	45
Labor	0	0	0
Clerical	14	5	9
<b>Total</b>	<b>131</b>	<b>69</b>	<b>62</b>

**Male:**

<b>Employment Category</b>	<b>White</b>	<b>Black</b>	<b>Hispanic</b>	<b>Asian or Pacific Islander</b>	<b>Indian or Alaskan Native</b>
Project Manager	8	2	0	2	0
Professional	31	4	8	7	0
Labor	0	0	0	0	0
Clerical	3	1	1	0	0
<b>Total</b>	<b>42</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>0</b>

**Female:**

<b>Employment Category</b>	<b>White</b>	<b>Black</b>	<b>Hispanic</b>	<b>Asian or Pacific Islander</b>	<b>Indian or Alaskan Native</b>
Project Manager	4	1	1	2	0
Professional	27	3	4	7	0
Labor	0	0	0	0	0
Clerical	3	1	3	2	0
<b>Total</b>	<b>34</b>	<b>5</b>	<b>8</b>	<b>11</b>	<b>0</b>

*Note: HR&A reports that 2 professional males and 4 professional females identify in other racial/ethnic categories.*

**Attachments**

*Attachment A*, Contract for Consulting Services for the Disposition and Redevelopment of 505 W. Chapel Hill Street between the City of Durham and HR&A Advisors, Inc.

*Attachment B*, HR&A Proposal

*Attachment C*, Contractor Workforce Diversity Questionnaire