



505 W. Chapel Hill Street Disposition

City Council Work Session

April 4, 2019

Draft – For Discussion

HR&A
Analyze. Advise. Act.

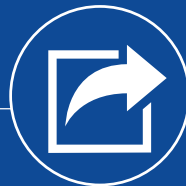
Agenda



SUMMARY OF RFQ PROCESS TO DATE

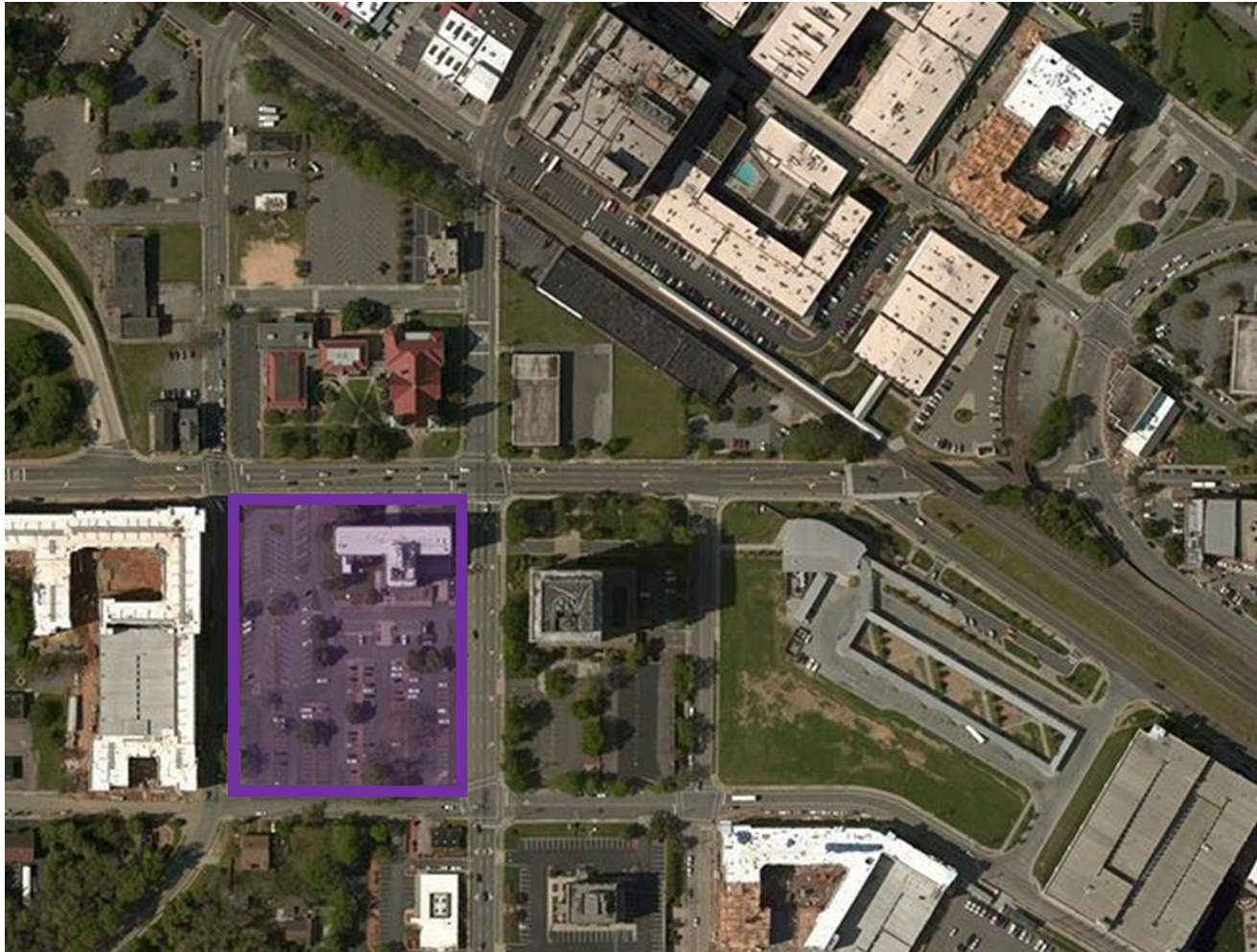


REQUEST FOR PROPOSALS DOCUMENT

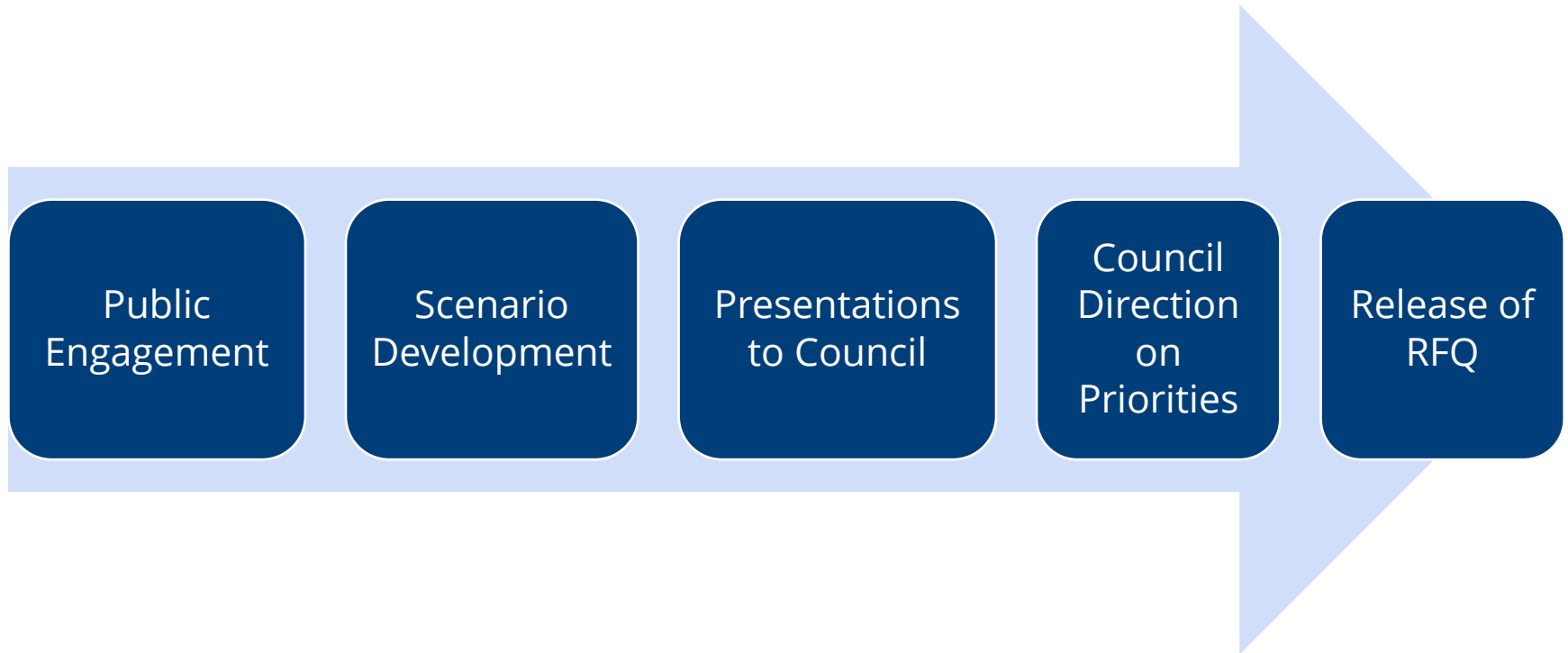


PROJECT NEXT STEPS

The City of Durham is pursuing a competitive disposition process to secure a development partner to redevelop the former DPD HQ site.



The City and its consultant team have been advancing a disposition strategy for the site, and last presented to Council in Fall 2018.



The City and consultant team are in the process of a two-phase disposition process for the site.

Competitive Two-Phase Disposition Process

Phase I:

Request for Qualifications

Phase II:

Request for Proposals

- Allows City to pre-qualify development teams with experience in achieving desired outcomes
- Allows for an iterative process that does not require developers to develop full proposals during the first phase
- Provides flexibility to achieve policy priorities – don't have to make decision based on financial offer alone, as with an upset bid

Council articulated four primary policy priorities for the site, which informed the RFQ :



1. Provide a significant component of housing affordable to residents at 60% AMI



2. Generate significant revenue to the City from the sale of land and future local tax revenues from on-site development



3. Deliver a complement of office and retail uses supportive of a dynamic downtown environment



4. Preserve the existing Police Headquarters Building as part of the development program

The City has completed the RFQ process.

Phase I: Request for Qualifications

Respondents were evaluated on:

- Team experience
- Success in delivering past projects similar to stated policy priorities (e.g. mixed-income, mixed-use development in an urban context)
- Financial capacity to execute

Phase II: Request for Proposals

Respondents will be asked to provide:

- Detailed site program
- Financial offer to the City for acquisition of the site

The City convened an evaluation panel to review complete responses, according to evaluation criteria laid out in the RFQ.

Evaluation Criteria	Total Potential Points
Development team qualifications	30
Relevant project experience	50
Financial capability	20
Equal Business Opportunity program	All respondents required to be in compliance with the City's EBOP

All Complete RFQ Responses



Qualified Respondents

The City is advancing four teams to the RFP-phase of the process.

Based on the evaluation criteria, responses were classified as:

- **Highly advantageous**
- **Advantageous**
- **Not advantageous**

Of the 9 responses, 4 teams were highly advantageous in their development team qualifications, past project experience, and financial capabilities:

- **Akridge**
- **HM Partners**
- **The Fallon Company**
- **Wexford**

9 Complete RFQ responses



4 Submissions classified as highly advantageous

The City is inviting these four qualified respondents to submit a more detailed response to the RFP.

Phase I: Request for Qualifications

Respondents evaluated on:

- Team experience
- Success in delivering past projects similar to stated policy priorities (e.g. mixed-income, mixed-use development in an urban context)
- Financial capacity to execute

Phase II: Request for Proposals

Respondents will be asked to provide:

- Detailed site program
- Financial offer to the City for acquisition of the site

The City worked to develop the draft RFP, with plans to share a final RFP with pre-qualified teams in April, pending Council approval.



1. Used information provided in developer RFQ responses to hone draft RFP



2. Composed draft RFP document, including setting development program expectations and laying out how responses will be evaluated



3. Presenting draft RFP to Council for concurrence, before releasing to pre-qualified teams

The RFP is asking development teams to respond to five refined City objectives for the site:



1. Provide a significant complement of housing affordable to residents at 60% AMI



2. Generate significant revenue to the City from the sale of land and future local tax revenues from on-site development



3. Deliver a mixed-use project including office space to support Downtown job growth



4. Preserve the existing Police Headquarters Building as part of the development program



5. Deliver signature design and an activated street-level experience, to support Downtown's identity and vibrancy

The City and consultant team considered several approaches to accomplishing the provision of affordable housing.

Approaches to be considered in RFP

**Deliver on-site
affordable units**

**Use disposition
proceeds to fund
off-site
affordable units**

- There are trade-offs inherent to delivery of on-site units versus maximization of disposition proceeds
- The RFP process is structured to allow the evaluation committee and Council to evaluate these trade-offs

Not Recommended

**Subdivide parcel
and set-aside ~1
acre for separate
affordable
development**

- Subdivision will significantly reduce estimated sales price
- Reducing the size of the parcel carries opportunity costs, including losing the ability to accommodate a large office user
- Constructing stand-alone affordable housing will require additional subsidy
- Uncertainty of separate parcel will impact developers' perceptions of site value

The RFP will allow for up to two development programs for the site, highlighting different approaches to providing affordable housing.

Provision of on-site units



Scenario A will be mandatory, and require provision of at least **50 on-site units affordable at 60% AMI**.

Maximize disposition proceeds to fund other City priorities



Scenario B will be optional, and will not mandate the inclusion of on-site affordable units.

Both scenarios will require **a mix of uses, distinctive design**, and recommend the **preservation of the existing building**.

The two scenarios are structured to help Council assess the trade-offs between on-site affordable units and revenue from site disposition.

Program Component	Scenario A – Mandatory	Scenario B – Optional
<i>Affordable Housing</i>	Minimum of 50 on-site units affordable at 60% AMI in perpetuity	No minimum number of affordable units to be included on-site
<i>Generation of Financial Return</i>	Maximize return to City, given program requirements	
<i>Delivery of Mixed-Use Development</i>	Mixed-use must include a significant component of office space, with a preference for a minimum of 150,000 GSF	
<i>Preservation of Existing Building</i>	Existing building should be preserved and incorporated into the development program	
<i>Signature Design and Activated Ground-Floor/Street Frontage</i>	Development program must exhibit creative, best in practice urban design that emphasizes the site’s location as a key gateway into Durham, and promotes an activated ground-floor and street-level experience	

Each scenario submitted by respondents will be evaluated on its alignment with City objectives for site development.

Program Component	Scenario A – Mandatory	Scenario B – Optional
	Total Points	Total Points
Provision of Affordable Housing Units	35	10*
Generation of Financial Return to City – Offered land price, including delivery schedule, deal structure & pro forma	20	45
Generation of Financial Return to City – Tax revenues	10	10
Delivery of Mixed-Use Development, including significant office component	20	20
Preservation of Existing Building	5	5
Signature Design and Activated Ground-Floor/Street Frontage	10	10
Total Points Possible	100	100

*Respondents may choose to include a component of affordable units in Scenario B, which could be provided either on-site or at another site within the vicinity of Downtown Durham.

The RFP evaluation process will allow Council to approve a preferred development partner and begin development negotiations.



1. Evaluation committee will score complete responses based on criteria contained in RFP



2. Evaluation committee will hold interviews with select respondents



3. City will present the most qualified Scenario A proposal and most qualified Scenario B proposal, which may come from different respondents, and make a recommendation to Council on the preferred scenario



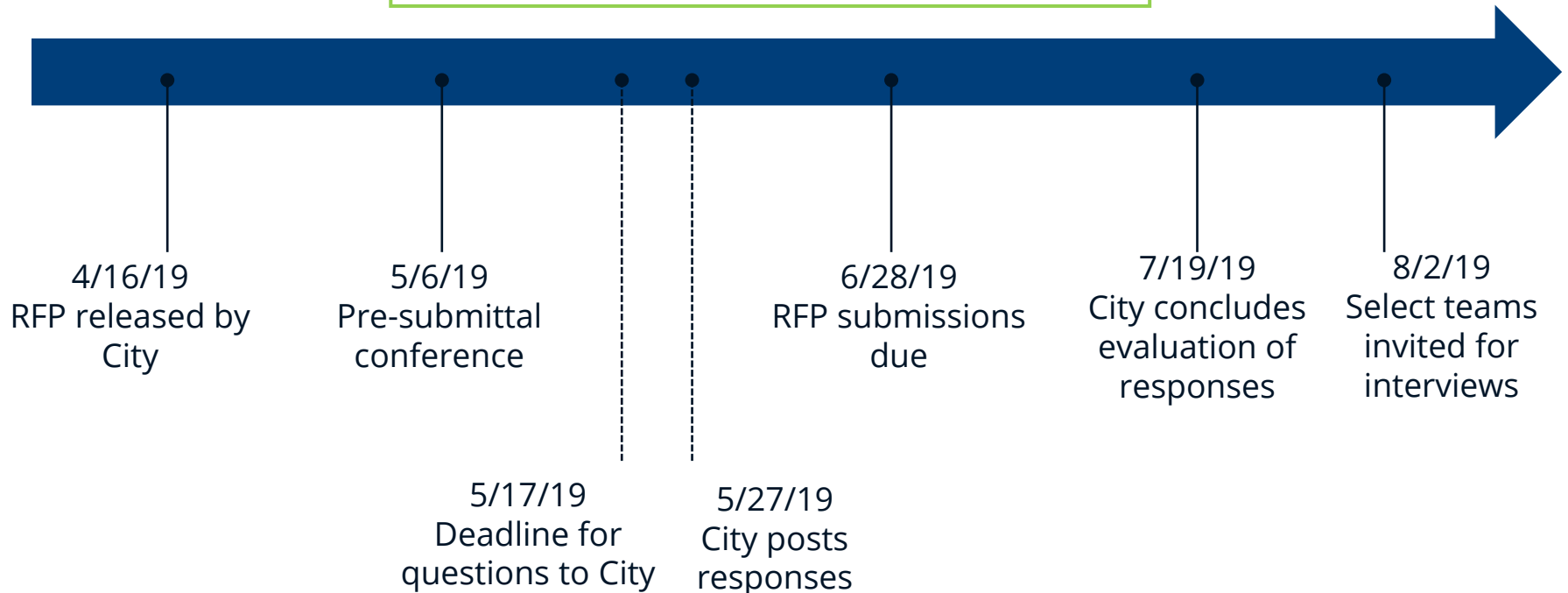
4. Council approves the preferred development scenario and preferred development partner



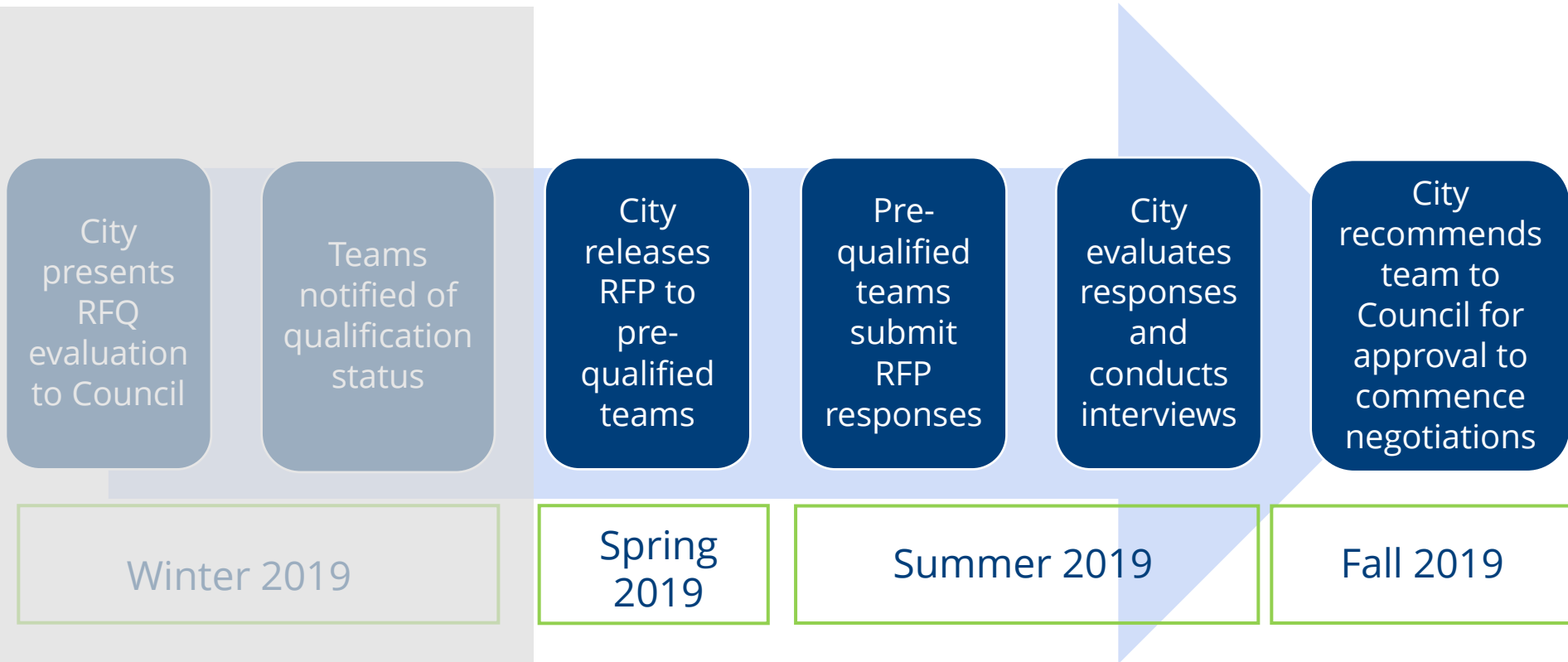
5. City begins negotiations for site disposition and development with preferred partner

The City's planned timeline will give respondents until late June to respond.

Phase II: Request for Proposals



Proceeding with the RFP phase in the Spring positions the City to commence negotiations with its selected partner later this year.





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