



**Date:** November 6, 2023

**To:** Wanda S. Page, City Manager  
**Through:** Bertha T. Winbush, Deputy City Manager  
**From:** Jina B. Propst, Director, General Services Department  
**Subject:** Redevelopment of 505 W. Chapel Hill Street Update

### **Executive Summary**

The City of Durham owns the four-acre parcel at 505 W. Chapel Hill Street (ID 114577), containing the former Durham Police Department (DPD) Headquarters and its supportive surface parking lots. The existing building was originally designed by Milton Small and built for the Home Security Life Insurance Company in the late 1950s and occupies less than a quarter of the site. The site has been vacant since Fall 2018.

The City hired HR&A Advisors, Inc. (HR&A), a real estate, economic development, and public policy consulting firm, to manage a two-stage site disposition process with a Request for Qualifications (RFQ) and Request for Proposals (RFP) to solicit a development partner who will deliver on the City's priorities for site redevelopment. City Council approved the RFQ document in June 2023 and the City released it to prospective developers. HR&A supported the City in marketing the site to developers across the country, which included hosting a pre-bid conference, holding discussions with interested developers, and answering their questions in preparation for RFQ submission. By August 1, 2023 which was the RFQ proposal submission deadline, the City received six submissions from development teams.

General Services invited subject matter experts from across different City Departments to serve on the Evaluation Committee along with General Services and HR&A to evaluate the submissions. In reviewing the submissions, the Evaluation Committee utilized the Evaluation Matrix described in the RFQ as provided herein:

In their evaluation, the Evaluation Committee proposed to advance all six developer respondents as such:

- Four (4) developers advanced with responses evaluated as "Highly Advantageous"; and
- Two (2) developers advanced with responses evaluated as "Advantageous".

Given that all developer respondents scored as Advantageous or better, the Evaluation Committee chose to advance all respondents. The Committee scored respondents that demonstrated significant experience in delivering mixed-use projects as part of public-private partnerships that included historic rehabilitation and cultural placemaking components in comparable urban settings as "Highly Advantageous." Respondents who demonstrated significant experience in delivering affordable housing and historic rehabilitation but did not demonstrate as much experience in commercial development and presented a limited commercial program in their development approach were scored as "Advantageous."

General Services has drafted the Request for Proposals (RFP) in preparation for the next round of developer responses and evaluation by maintaining and refining the priorities from the RFQ round with input from the Evaluation Committee.

### **Motion**

To advance to the Request for Proposals stage six development teams who responded to the Request for Qualifications issued on June 8, 2023 for the redevelopment of 505 W. Chapel Hill Street;

To approve the Request for Proposals for the redevelopment of 505 W. Chapel Hill Street;

To authorize the City Manager to make modifications to the Request for Proposal document.

### **Background**

In June 2023, the General Services Department and HR&A Advisors presented City Council with an update on 505 West Chapel Hill Street and Council approved the RFQ (Attachment 1). As part of that approval, Council affirmed priorities for site redevelopment, as follows (priorities are presented in order of importance):

#### Council Priorities for RFQ:

1. Affordable Housing: Provide a significant component (minimum of 80 units) of onsite, permanently affordable housing to residents at 60% AMI.
2. Pursue preservation of the existing building, a midcentury modern office building designed by Milton Small, should it be financially feasible.
3. Deliver a complement of commercial uses, including office, lab, and retail uses supportive of a dynamic downtown environment, economic activity, and the creation of permanent jobs.
4. Deliver a signature project that demonstrates best practices in urban design and architecture to create a compelling new landmark for Downtown that maximizes the site's prominent gateway location and creates and activated street-level experience that is aesthetically pleasing and welcoming to all Durham residents.
5. Include significant space for a museum or other significant placemaking element to commemorate the West End history and Hayti legacy.
6. Generate revenue to the City over the long-term, including creation of new local tax revenue from on-site development.

The City released the RFQ to the public on June 8, 2023. Six firms submitted complete responses by the August 1, 2023 deadline. The Evaluation Committee reviewed developer responses and scored them using criteria derived from Council priorities, evaluating each firm's experience and qualifications related to delivering comparable transformative mixed-use projects in similar urban contexts.

### **Issues and Analysis**

The Evaluation Committee evaluated RFQ respondents as to whether each response was "Highly Advantageous," "Advantageous," or "Not Advantageous." based on how each developer addressed the priorities and expectations detailed in the RFQ and the overall quality of the proposal. Evaluation criteria were based on 2 primary categories:

- Firm Qualifications – Respondent experience (and the experience of firm principals) with similar mixed-use, public-private partnerships in similar urban contexts.
- Project Experience – Firm's experience delivering projects that meet similar priorities as defined for 505 West Chapel Hill Street in the RFQ, including affordable housing, historic

rehabilitation, large developments with coordination across different uses, cultural/historic placemaking elements, community engagement, and public-private partnerships.

- Financial Capability – Firm’s overall financial stature and their demonstrated ability and capacity to secure appropriate financing.

RFQ Evaluation Criteria

	Respondent Evaluation Characteristics
HIGHLY ADVANTAGEOUS	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• At least one employee in a leadership position with a minimum of 15 years’ experience (or equivalent) in overseeing complex mixed-use developments, who will be substantially engaged in delivery of this project</li> <li>• Participated in multiple public-private partnerships where the Respondent served as the lead developer</li> <li>• Participated in multiple projects that have delivered mixed-income and/or affordable housing developments</li> </ul> <p><b>Relevant Project Experience</b></p> <ul style="list-style-type: none"> <li>• Delivered at least five large developments that required coordination across different uses, in Durham or another similar urban context</li> <li>• Participated in multiple public-private partnerships</li> <li>• Delivered project with cultural/historic placemaking elements</li> <li>• Awarded for excellent design</li> <li>• Demonstrated a strong commitment to gathering and respecting community input in multiple large, urban redevelopment projects</li> </ul> <p><b>Financial Capability</b></p> <ul style="list-style-type: none"> <li>• Past ability and capacity to secure appropriate project financing for at least five completed large mixed-use development projects in an urban setting</li> <li>• No litigation or loan defaults in the past 10 years</li> <li>• At least two letters of interest and/or support from certified lenders and/or equity partners</li> </ul>

<p>ADVANTAGEOUS</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• At least one employee in a leadership position with a minimum of 10 years' experience (or equivalent) in overseeing complex mixed-use developments, who will be substantially engaged in delivery of this project</li> <li>• Participated in at least one public-private partnership where the Respondent served as the lead developer</li> <li>• Participated in at least one project that delivered mixed-income and/or affordable housing development</li> </ul> <p><b>Relevant Project Experience</b></p> <ul style="list-style-type: none"> <li>• Delivered at least three large developments that required coordination across different uses, in Durham or another similar urban context</li> <li>• Participated in at least one public-private partnership</li> <li>• Delivered project with cultural/historic placemaking elements</li> <li>• Demonstrated a strong commitment to gathering and respecting community input in at least one large, urban redevelopment projects</li> </ul> <p><b>Financial Capability</b></p> <ul style="list-style-type: none"> <li>• Past ability and capacity to secure appropriate project financing for at least five completed large mixed-use development projects in an urban setting</li> <li>• No litigation or loan defaults in the past 5 years</li> <li>• At least one letter of interest and/or support from certified lenders and/or equity partners</li> </ul>
<p>NOT ADVANTAGEOUS</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• No employees in a leadership position with experience in overseeing complex development projects</li> <li>• No experience participating in a public-private development project</li> <li>• No experience in delivering affordable housing components</li> </ul> <p><b>Relevant Project Experience</b></p> <ul style="list-style-type: none"> <li>• Delivered fewer than three large developments that required coordination across different uses, in Durham or another similar urban context</li> <li>• No experience in public-private partnerships</li> <li>• No experience in delivering sustainable project elements</li> <li>• Respondent has no experience working with MWBE contractors and does not have internal commitments to diversity and inclusion</li> <li>• No demonstrated commitment to gathering and respecting community input in a redevelopment project</li> </ul> <p><b>Financial Capability</b></p>

- No evidence of past ability to secure project financing for a completed mixed-use project in an urban setting.
- Litigation and/or loan default in the past five years
- No letter(s) of interest and/or support from certified lenders and/or equity partners

Evaluation	Firms	Explanation
Highly Advantageous	<ul style="list-style-type: none"> <li>• Akridge</li> <li>• McCaffery</li> <li>• Peebles</li> <li>• Trammell Crow</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Strong experience delivering a variety of uses (market rate residential, affordable residential, office, lab, retail, and open space) in mixed use settings with historic rehabilitation and cultural placemaking components.</li> <li>• Strong experience with sophisticated P3 (Private Public Partnership) mechanisms in similar urban contexts.</li> </ul>
Advantageous	<ul style="list-style-type: none"> <li>• Conifer</li> <li>• Winn Residential</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Strong track record of affordable housing development, long-term property management, and historic rehabilitation.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>• Limited experience in delivering large scale mixed-use developments in similar urban contexts particularly in terms of commercial components.</li> <li>• Limited consideration of the commercial uses in their development approach.</li> </ul>

Based on the Committee’s review, the six (6) respondents each presented credentials that qualified them for further consideration. Given the quality of those proposals and how well respondents aligned with the priorities and expectations listed in the RFQ documents, the Committee determined that four of the respondents presented qualifications that were “Highly Advantageous” and two respondents presented qualifications that were “Advantageous.”

The Evaluation Committee also evaluated the strengths and weaknesses of each respondent. The 4 firms receiving highly advantageous evaluations shared similar strengths and the 2 firms receiving advantageous evaluations shared similar strengths and weaknesses:

Once notified of their status, qualified firms will be invited to prepare a response to the RFP. The RFP will be released shortly after Council approval.

Emerging from the evaluation of the RFQ responses, the Evaluation Committee made recommendations to clarify priorities to better accomplish the objectives set forth by Council. The priorities have been refined as such:

- **Historic Preservation:** The City has removed language indicating that it could potentially offer financial support for historic preservation of the Milton Small building. In the RFP, the City has conveyed that financial assistance may be available to support any part of the project to ensure the project may feasibly deliver on the policy objectives set forth by Council.
- **Mixed-Use Development:** The City has included hotel as a potential commercial use for the site. Between potential office, lab, hotel, and retail uses, the City is setting a minimum requirement of at least 250,000 SF of commercial space. Of this 250,000 SF, hotel may only comprise up to 90,000 SF or 100 hotel rooms. This minimum commercial component is informed by analysis HR&A conducted on current market conditions in the commercial market in Downtown Durham.
- **Historic, Commemorative, & Inclusive Placemaking:** The City has significantly adapted the “historic marker” priority to reflect the Committee’s perspective that this placemaking element should “Include significant space that commemorates the West End history and the Hayti legacy, and should actively support inclusive, uplifting, commemorative placemaking, serving as a location for mission-driven, culturally vibrant, opportunity generating programming that invites the diversity of Durham residents to the site.” This text reflects how the priority is currently written in the RFP.

### **Alternatives**

Council could choose not to advance the six development teams to the RFP stage or to approve the RFP. If no development teams are advanced, redevelopment of the site will not advance. If the RFP is not approved, time will be lost as revisions are made.

### **Financial Impact**

There are no financial impacts at this stage of the redevelopment process.

### **Equal Business Opportunity Summary**

The Underutilized Business Compliance Division reviewed the proposals submitted by the following firms and have determined that they are in compliance with the Equal Business Opportunity Program Ordinance.

- Akridge
- Conifer
- McCaffery
- The Peebles Corporation
- Trammel Crow and High Street Residential
- Winn Companies

### **UBE REQUIREMENTS:**

No MUBE or WUBE goals were set. This is a project in which there were no subcontracting opportunities identified by the General Services Department.

### **Contractor Workforce Diversity & Hiring Practices**

Due to the nature of this agenda item, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable.

### **Attachments**

Attachment 1: Request for Qualifications (RFQ)

Attachment 2: Akridge RFQ Response

Attachment 3: Conifer RFQ Response

Attachment 4: McCaffery RFQ Response

Attachment 5: The Peebles Corporation RFQ Response

Attachment 6: Trammell Crow and High Street Residential RFQ Response

Attachment 7: Winn Companies RFQ Response

Attachment 8: Request for Proposals Draft