



CITY OF DURHAM | NORTH CAROLINA

Date: October 12, 2012

To: Thomas J. Bonfield, City Manager
Keith Chadwell, Deputy City Manager

From: Kevin Dick, Director- Office of Economic and Workforce Development (OEWD)

Subject: Ninth Street Infrastructure Project Deal Points

Executive Summary

This item has been prepared to outline proposed deal points between the City of Durham and Chartwell Property Real Estate Group (Chartwell) related to a prospective public infrastructure project that would be funded through the use of a synthetic tax increment financing (TIF) model. The item also describes other potential components of a program that would improve the business climate and pedestrian experience of Ninth Street.

Recommendation

OEWD recommends that City Council authorize the City Manager to enter into non-binding deal points with Chartwell.

Background

For many decades, the Ninth Street district has been a prominent commercial area that has attracted patrons from the Research Triangle region and beyond. In particular, individuals from entities and areas such as Duke University’s East Campus, Duke University business offices, as well as residents of the Watts-Hillandale neighborhood and other neighborhoods in West Durham have made Ninth Street a thriving commercial district. In spite of this success (and to some extent because of it), there are infrastructure challenges along Ninth Street that could compromise continued success of the commercial district, if not addressed. These issues include:

- a lack of parking availability;
- a lack of adequate lighting;
- deteriorating sidewalks;
- disorganized signage
- a lack of aesthetically pleasing amenities

Issues and Analysis

OEWD staff has been working with Chartwell on the implementation of the project since November 2011. The basis for the proposed infrastructure project is the projected tax revenue amount that would accrue due to the commercial and residential development slated to occur on

the west side of Ninth Street in West Durham. The planned developments (including those currently under construction) are as follows:

Development Component	Estimated Incremental Tax Revenue
- (303 apts/ parking deck (408 spaces); - new development (grocery store)	\$283,374.94
- commercial re- development (retail shops)	\$7,507.41
TOTAL (without hotel)	\$290,882.35

The new grocery store and the commercial re-development of shops are projects being undertaken by Chartwell. The apartments are being developed by Crescent Resources.

The pending Hilton Garden Inn Hotel to be built at the intersection of Ninth and Main Streets and its projected incremental tax value are not included in this analysis.

Chartwell and City staff members have collectively developed concepts for an infrastructure improvement project, grant program and parking elements (as shown in Attachment A) that would address needed improvements on both the east and west sides of Ninth Street, between Main Street and Safeway Street. The improvements are comprised of the following:

- parking
- landscaping
- decorative street furniture such as benches and trash cans
- decorative signage
- a sign and façade program that would prioritize lighting on storefronts

In a meeting with neighborhood residents on May 15, 2012 there was a consensus that the proposed improvements constituted a good preliminary plan. The meeting was attended by approximately eight (8) individuals, most of whom were prominent in earlier discussions concerning development in the Ninth Street district. There were also meetings with the Ninth Street Merchants' Association on August 14, 2012 and September 11, 2012 in which approximately twelve to fifteen (12 to 15) merchants from Ninth Street businesses prioritized the following order for necessary improvements:

1. parking
2. lighting
3. sidewalk improvements

4. sign/façade grant program

Developer Commitments

Parking

- To satisfy parking concerns, Chartwell would lease the lot on the west side of Ninth Street consisting of forty-four (44) spaces to the City. The lease term is anticipated to be a twenty (20) year term and an approximate funding amount for this item is referenced in Attachment B (concept budget)¹;
- Based upon fund availability, Chartwell would consider upgrades to the alley/walkway connecting Iredell and Ninth Streets and thereby connecting potential Ninth Street patrons to available on and off street parking along Iredell Street;
- Chartwell shall work with the City to keep the community stakeholders informed related to the installation schedules.

Lighting

- In order to help satisfy lighting concerns, Chartwell would install decorative light poles in locations that will be determined based upon construction drawings and plans. Chartwell shall be responsible for assisting the City in obtaining all necessary approvals from the Duke Energy and North Carolina Department of Transportation as appropriate.
- Chartwell shall work with the City to keep the community stakeholders informed related to the selected fixtures and installation schedules.

Sidewalk Re-Construction²

- Chartwell would commit to the re-construction of sidewalks. The re-construction activities shall adhere to all City designs and construction plans and be approved by the City and the North Carolina Department of Transportation;
- Chartwell shall dedicate right of way or grant permanent utility easement upon its property lines to the extent required in order to re-construct the sidewalk in a way that allows its width to accommodate utilities and adhere to all applicable laws and regulations, such as those imposed under the American Disabilities Act (ADA);
- Chartwell and or its contractors shall be responsible for all construction bid advertisements and selection. The bidding and selection activities shall adhere to all City bid requirements, which, in this case may include adherence to Equal Opportunity and Durham Based Business Plan requirements as well as adherence to the Durham Workforce Plan.

¹ The cost for leasing the parking lot will be negotiable and an actual lease agreement would be recommended to Council in future months.

² One issue that would impact the ability to implement the proposed project would be the effective date of a new Americans with Disabilities Act (ADA) law that is being proposed for federal highways maintained by the North Carolina Department of Transportation. Because Ninth Street is part of U.S. Highway 70, it would be impacted by the law, which is slated to stipulate that there be unabated six feet wide paths on sidewalks. This would impact the extent to which the sidewalks could be landscaped and the extent to which decorative benches and trash cans could be installed in the right of way. There is no timetable for when the law would be effective.

- Chartwell shall select, procure and install decorative furniture and fixtures such as benches and trash cans within the district in accordance with approved designs and construction drawings.
- Chartwell shall work with the City to inform the community stakeholders about the items purchased and installation schedules.
- Chartwell shall work with the City to keep the community stakeholders informed related to the fixtures chosen and installation schedules.

City Commitments

Parking

- The City shall appropriate funding from the incremental tax revenues to be derived from the private development projects described herein in order to lease the lot on the west side of Ninth Street for the purposes of parking. The actual value and term of the leasing agreement shall be subject to negotiation and actual lease payments to be paid by the City shall not exceed the negotiated amount.
- The City shall use the findings of the parking study currently being conducted in order to determine whether paid on and off street parking shall be implemented in the Ninth Street area and shall evaluate whether a collection system, including all necessary equipment and fixtures, shall be installed in or around the lot and in the public right of way.
- The City shall appropriate funds for a collection system if necessary and obtain permission from Chartwell in order to install any such equipment or fixtures necessary for a collection system, if that system is to be installed on the lot owned by Chartwell that is to be leased by the City.

Lighting

- The City shall appropriate funds from the incremental tax revenues for the purpose of reimbursing Chartwell for the installation of lighting poles and lights along Ninth Street at locations to be determined subject to approved designs and construction drawings. The City shall review all construction drawings and designs in a timely manner.

Sidewalk Re-Construction

- The City shall appropriate funding from the incremental tax revenues to be derived from the private development projects described herein in order to reimburse Chartwell for paying for sidewalk design and re-construction activities.
- The City shall review all construction drawings and designs in a timely manner.
- The City shall appropriate funding from the incremental tax revenues to be derived from the private development projects described herein in order to pay for aesthetic upgrades that are described herein.
- Subject to Council approval of amendments to the Resolution #9718 (Resolution Establishing and Economic Development Financial Assistance and Incentive Policy for Job Creation, Retention and Capital Investment – approved on April 4, 2011), the City shall make opportunities available to business and property owners in the Ninth Street District to apply for the matching grant for signs and facades as described herein.

Other Information

Grant Program

- The City will endeavor to provide appropriate funding for a competitive matching grant program within the Ninth Street district that would emphasize the lighting of storefronts, the enhancement of the pedestrian experience and the overall safety of Ninth Street. The funds to be made available for such program will be calculated based upon the incremental tax revenues to be derived from the private development projects described herein; the program would be fully administered by the City, through the OEWD.

As illustrated below and in Attachment C, the overall projected cost of the infrastructure improvements, parking lease and grant program is estimated to be \$1,180,350.00.³ The costs for the infrastructure improvements are to be incurred by Chartwell during the course of the private development projects described herein, which have completion dates ranging between the fall of 2013 and the spring of 2014. Of the \$1,180,350.00, approximately \$740,350.00 is slated for the construction activities that Chartwell would undertake. The City would reimburse these costs over a six year period (or another term that is determined through negotiations) from FY14 – FY19; the annual portion of the cost would be \$123,391.67. In addition, to these costs, the City would lease the parking lot for approximately \$305,000.00 over a twenty (20) year term, appropriate funding for a collection system (approximately \$35,000.00) and appropriate funds for the grant program (approximately \$100,000.00).

Total Projected City Incremental Tax Revenue (20 years)	Total City Incremental Revenue Recommended for Allocation to the Project	Net Revenue Gain
	\$740,350.00	
	\$305,000.00	
	\$ 35,000.00	
	\$100,000.00	
\$5,817,647.00	\$1,180,350.00	\$4,637,297.00

Alternatives

If the proposed deal points are not approved, the City may forego the opportunity to implement necessary parking, infrastructure and aesthetic upgrades in the Ninth Street district. An opportunity would be forgone to complete improvements in a way that would not have impacted the existing general fund.

Financial Impact

This item has no impact on the general fund because it describes proposed deal points only and not an actual contract.

³ Actual costs are subject to change based upon the amounts of the proposed parking lease agreement, and bids related to sidewalk re-construction costs, lighting installation. This item is primarily for the purpose of establishing deal points, and not the establishment of a contractual amount.

SDBE Requirements

The Department of Equal Opportunity/Equity Assurance did not review this item for compliance with the Ordinance to Promote Equal Business Opportunity in City Contracting.