



CITY OF DURHAM | NORTH CAROLINA

Date: November 21, 2013

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

From: Kevin Dick, Director – Director, Office of Economic and Workforce Development

Subject: Amendment to the Economic Development Incentive Agreement with UDI Community Development Corporation

Executive Summary

This item recommends the approval of a contract to amend the agreement between UDI Community Development Corporation (UDI) and the City of Durham related to the Economic Development Incentive Contract awarded to UDI Community Development Corporation on June 4, 2012.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council authorize the City Manager to:

1. Execute an amendment to the agreement between UDI Community development Corporation and the City of Durham dated June 14, 2012 that would extend the deadline for completion to February 4, 2013; and
2. Hold a public hearing on the proposed amendment to an economic development economic incentive agreement per G.S. 158-7.1.

Background

On June 4, 2012, the City Council approved a Neighborhood Revitalization Grant \$100,000.00 to UDI to renovate a blighted building at 727 North Magnum Street Durham, NC which is a gateway corridor heading into downtown Durham. The plan is to reconstruct a 1500 SF building into 4500 SF a mix use commercial/ residential three level building. The first and second level is slated for retail and office space and the third floor will be a condominium. The project has experienced a number of delays which has impacted UDI's ability to meet the targets dates that are stipulated in the contract with the City of Durham. The UDI contract stipulates that capital investments totaling \$577,000 would need to be in place by June 4, 2013 and project close out must be finalized by December 4, 2013 in order to receive the \$100,000 grant.

Issues and Analysis

In a letter received October 24, 2013, UDI informed OEWD that it will be unable to complete project by December 4, 2013. UDI provided the following reason for the project delays:

- Making adjustments to satisfy issues related to the requirements of construction projects located in a Historic site. This factor, alone, required approximately eleven months to properly address.
- Receiving final information from the architect that would confirm the guaranteed maximum price (GMP). The Construction Management process that UDI/CDC is using to construct this building requires the contractor to give the owner the cost of construction before construction starts, which must be honored by the contractor or he is required to pay the difference. Negotiations involving the GMP took considerable longer time than expected which impacted the construction start for the project.
- Gaining access to the project site via the adjacent properties. This issue existed because of the “zero lot line” space between UDI’S property and the properties on both sides. This issue was addressed by leasing the required space from the adjacent tenants during the construction, which is scheduled to take six months.
- UDI had to negotiate lease term for permanent parking from one of the adjacent property owner, who also has a vacant lot, once construction has been completed.
- Re-work was needed due to the theft of electrical lines in the building. This has occurred twice.
- Many construction work days were lost due to rainy weather.

Staff recommends an approval of a grant extension which would serve to promote the continued revitalization and vitality of downtown Durham and its surrounding neighborhoods. This project when completed will stimulate new business development and home ownership opportunities for Durham residents in this Targeted Neighborhood Commercial Corridor.

Alternatives

The City Manager may choose to reject the recommendation to extend the agreement or to approve a different length of time for the extension. Not extending the agreement will impact UDI ability to carry out their financial commitments to the project.

Financial Impact

The grant amount will not change; therefore, there will be no financial impact to City of Durham as a result of extending this agreement.

SDBE

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBE's are involved in this item.

Attachments:

Amendment to Agreement between UDI Community Development Corporation and the City of Durham for Economic Development Incentive for Neighborhood Revitalization