



CITY OF DURHAM | NORTH CAROLINA

Date: May 30, 2013

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

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

Subject: Ninth Street Infrastructure Project Development Agreement Between the City of Durham and CPGPI Regency Erwin, LLC

Executive Summary

This item has been prepared to outline and recommend a public-private redevelopment agreement between the City of Durham and CPGPI Regency Erwin, LLC (Regency) for a redevelopment project involving both private investment and public infrastructure improvements to be funded through new tax revenues generated by adjoining new development.

Recommendation

OEWD recommends that City Council authorize the City Manager to:

- 1) Adopt a resolution, pursuant to N.C.G.S. 143-64.32, exempting the Ninth Street Streetscape Improvement Project from N.C.G.S. 143-64.31; and
- 2) Authorize the City Manager to execute a development agreement with CPGPI Regency Erwin, LLC to perform streetscape improvements on Ninth Street in an amount not to exceed \$807,864.79.

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 infrastructural challenges along Ninth Street that could compromise continued success of the commercial district, if not addressed. These issues include:

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

Issues and Analysis

Since November 2011, OEWD staff has been working with Regency on the implementation of a joint project that would incorporate private investment expenditures together with public infrastructure improvements to the Ninth Street commercial district as part of a public-private redevelopment project. Together with the private investments made to the Ninth Street commercial district, the City will agree to pay Regency for certain public streetscape improvements.

The funding source for the proposed public streetscape improvements 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	Dollar Value	Estimated Incremental Tax Revenue
- (303 apts/ parking deck (408 spaces); - new development (grocery store)	\$47,000,000.00	\$283,374.94
- construction of 125 room Hilton Garden Inn Hotel	\$10,361,915.00	\$47,747.19
- commercial re- development (retail shops)	\$1,322,891.63	\$7,507.41
TOTAL	\$59,822,891.63	\$338,629.54

The new grocery store and the commercial re-development of shops are projects being undertaken by Regency. The apartments are being developed by Crescent Resources. The Hilton Garden Inn Hotel is under construction at the intersection of Ninth and Main Streets by the Olympia Development Hotels.

Public Streetscape Improvements

As part of the negotiated private-public redevelopment agreement, Regency will be responsible for completing certain minimum private investment while also implementing public streetscape improvements to be paid for by the City. The preliminary scope of the public streetscape improvements includes the following elements:

Lighting

In order to help satisfy lighting concerns, Regency will install decorative light poles in locations that will be determined based upon construction drawings and plans. Regency will be responsible for assisting the City in obtaining all necessary approvals from the Duke Energy and North Carolina Department of Transportation as appropriate.

Sidewalk and Curb Re-Construction¹

- Regency will commit to the design and re-construction of approximately 1,200 linear feet of sidewalks, including, but not limited to, (a) demolition of sidewalk, curb & gutter, (b) installation of sidewalk and brick pavers, 24" curb & gutter, driveways, curb cut ramps; (c) addition of new benches, trash cans, repaving, and restriping, resetting water meters, manhole adjustments, installation of drainage flumes, and utility box adjustments. 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;
- Regency will allow encroachment upon its property lines to the extent required in order to re-construct the sidewalk in a way that allows the width of the sidewalk to adhere to all applicable laws and regulations, such as those imposed under the American Disabilities Act (ADA);
- Regency and or its contractors will be responsible for all construction bid advertisements and selection. The bidding and selection activities shall adhere to the Durham Workforce Plan.

City Council Acceptance of Guaranteed Maximum Streetscape Price

Before being authorized to proceed with the construction of the public streetscape improvements, Regency must propose a Guaranteed Maximum Streetscape Price (GMSP) to the City based upon a finalized scope of work and design. The GMSP must be accepted by the City Council as being a reasonable price before a notice to proceed can be given to Regency to perform the work. Based upon the preliminary scope of work identified for the public streetscape improvements, the City estimates that the construction costs will not exceed \$807,864.79. This includes design costs and preconstruction services costs.

Alternatives

If the proposed development agreement is not approved, the City may forego the opportunity to implement necessary parking, infrastructure and aesthetic upgrades in the Ninth Street district . This opportunity forgone would not have impacted the existing general fund.

Financial Impact

The City would borrow the estimated \$807,864.89 needed to fund the public improvements as part of a planned bond issuance. Annual debt service payments beginning in fiscal year 2015 are

¹ 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.

estimated to be \$186,596.43 annually for five years and would come from incremental property tax generated from the adjoining private development. Annual property taxes are estimated to be \$338,809.53 per year, thus the debt repayment would constitute 55% of the annual revenues.

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. The agreement will include provisions for the Durham Workforce Plan to be implemented for sub-contractors with contract values of \$200,000.00 or greater, which stipulates good faith efforts to use the Durham JobLink Career Center System to recruit construction workers.