

**DURHAM, NORTH CAROLINA
WEDNESDAY, JUNE 24, 2015
5:00 P.M.**

Pursuant to the proper notification, the Durham City Council held a special meeting on the above date and time in the Council Chambers, First Floor, 101 City Hall Plaza with the following members present: Mayor William V. "Bill" Bell, Mayor Pro-Tempore Cora Cole-McFadden and Council Members Eugene Brown, Diane Catotti, Eddie Davis, Don Moffitt and Steve Schewel. Absent: None.

Also present: City Manager Thomas J. Bonfield, City Attorney Patrick Baker, City Clerk D. Ann Gray and Deputy City Clerk Dianalynn Schreiber.

Mayor Bell called the meeting to order with a moment of silent meditation followed by the Pledge of Allegiance led by Council Member Davis.

[ANNOUNCEMENTS BY COUNCIL]

Council Member Davis acknowledged the recent passing of two Durham citizens; former City Council Member Lewis Cheek ; and Edward Kwon a former member of the Citizens Advisory Committee who also was a candidate for City Council in 2012.

Mayor Pro-Tempore Cole-McFadden announced the groundbreaking of Phase 2 for the Denson Apartments for Veterans; commented on the homeownership celebration held at Southside; and encouraged everyone to drive around Durham to see the development taking place.

[PRIORITY ITEMS BY THE CITY MANAGER, CITY ATTORNEY AND CITY CLERK]

Mayor Bell asked for priority items by the City Manager, City Attorney and City Clerk.

The City Manager, City Attorney and City Clerk responded that they had no priority items.

SUBJECT: CONFIRMATION OF CIVILIAN POLICE REVIEW BOARD MEMBERS

To confirm the City Manager's four appointments to the Civilian Police Review Board.

Mayor Bell acknowledged that the City Clerk had provided ballots for Council to confirm appointments; and stated the results would be announced later in the meeting.

**SUBJECT: HOUSING AUTHORITY OF THE CITY OF DURHAM AND
DEVELOPMENT VENTURES INCORPORATED (DVI) FUNDING
REQUEST FOR AFFORDABLE HOUSING DEVELOPMENTS**

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The staff report indicated that the Housing Authority of the City of Durham, on behalf of its real estate development affiliate Development Ventures, submitted a funding proposal to the City of Durham requesting a development grant to augment its affordable housing activities.

Community Development Director Reginald Johnson presented the item; stating the request was for \$500,000 from the Dedicated Housing Fund for the purpose of satisfying the Housing Authority of the City of Durham and/or Development Ventures Incorporated's liquidity requirements for existing and future affordable housing financial transactions; and deferred to Dallas Parks, CEO, of the Durham Housing Authority, for presentation.

Dallas Parks, CEO of the Durham Housing Authority; provided a Powerpoint presentation as outlined below:

Public/Private Re-development Projects DHA/DVI Requirements

- Pre-development costs (approximately \$300,000/project)
- Contribute \$1.5 million to \$3 million per project
- Deferring up to 50% of the Developer Fee

Public/Private Re-development Projects Investor Requirements

Liquidity for guarantees (one amount for all developments)

- Development/Construction Completion Guaranty
- Lease-up Guaranty
- Operating Deficit Guaranty
- Tax Credit Recapture Guaranty
- Approximately \$500,000 of 10% of Equity
- Balance Sheet satisfied requirement at December 31, 2013
- Major Pre-development costs utilized liquidity balance (Morreene Road & Damar Court)
- Projects did not "close" when planned
- Reimbursements of pre-development costs and developer's fee not realized when planned

Projects Over the Last 4 Years

- Goley Pointe – Conventional Financing
- Preiss-Steele Place – 9% tax credit project
- Morreene Road – 4% tax credit project
- Damar Court – 4% tax credit project

In addition, Mr. Parks noted the total development costs for Goley Pointe \$3.2 million; Preiss-Steele Place \$13 million; Morreene Road \$16.8 million; and Damar Court \$14 million preliminary.

Mr. Parks stated the total cost for the four projects was close to \$50 million; stated the \$500,000 liquidity would be leveraged to about \$50 million on the four mentioned projects; and would also leverage funds for subsequent deals as well.

Mr. Parks thanked the Council for considering their request.

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Council Member Catotti stated she appreciated the request and was mostly supportive; requested language be inserted into the contract for a fixed number of minimum units to be delivered rather than leaving the request open-ended.

Mr. Parks responded that the language could be modified; and indicated they were in the process of redeveloping all of their units.

Council Member Moffitt inquired about the status for completion of projects mentioned in Mr. Parks' presentation; and asked if they all had been completed.

Mr. Parks replied no they all had not been completed; stated the Goley Pointe project is about 95% complete; the Preiss-Steele project is virtually completed; and Morreene Road and Damar Court will close this year.

Council Member Moffitt asked if the grant being sought was for general liquidity.

Mr. Parks responded that for the four items he mentioned; their partners required that they have the liquidity amount; and if they did not, they would not be able to close Morreene Road or Damar.

At the request of Council Member Catotti, Mr. Parks noted that Morreene Road had 224 units; and Damar Court 102 units.

Mayor Bell recognized the following speaker for comments:

Minister Rafiq Zaidi, a resident of South Duke Street; stated he was a HUD resident qualified for affordable housing through the Uniform Relocation Assistance & Real Estate Property Acquisition Policies Act (URA); stated he had no problems with the proposal; presented a letter from Development Ventures; inquired if the persons being relocated would be re-housed to comparable housing; supported the language be modified as requested by Council Member Catotti; raised concern with residents being located in Section 8 housing and the lease being changed by the owner; and urged Council to give careful consider to the request before them and to make certain that the citizens who need affordable housing are taken care of.

Mayor Bell recognized Mr. Parks for a response.

Mr. Parks referenced Rental Assistance Demonstration (RAD) programs at Morreene Road and Damar Court under HUD; explained that one of the rules for housing authorities to participate is that every resident in good standing would be relocated back to the site. He said they are not displacing anyone. He noted as Mr. Zaidi stated, under the Uniform Relocation Act, there were rules they must adhere to, as well as under the RAD program.

Mayor Bell asked Mr. Parks to explain what was meant by "resident in good standing."

Mr. Parks referenced "good standing" as a resident they had not committed any criminal act; a resident who had not violated his or lease. He also stated when they relocate residents back, they have to place the residents back into the right size units; and stated they could not be over-housed or under-housed.

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Council Member Schewel provided perspective on the Housing Authority operations which he stated had improved tremendously under the leadership of Dallas Parks; noted about 6,000 residents were residing in public housing; and with affordable housing in Durham he stated you cannot talk about making progress unless the Durham Housing Authority was successful on the redevelopment. He supported the request noting its importance; and stated it was a good use of the Dedicated Housing Fund; and would leverage a lot of affordable housing for residents in the City that need it the most.

Council Member Catotti requested the City Manager to come up with the minimum number of units at Morreene Road and Damar Court; and requested the numbers be added to the contract.

Mr. Parks responded that the final analysis involved 1,900 units for all projects; and was in agreement to adding the information to the contract as requested by Council Member Catotti.

MOTION by Mayor Pro-Tempore Cole-McFadden, seconded by Council Member Schewel, to authorize the City Manager to execute a grant contract with Development Ventures Incorporated in the amount of \$500,000.00 from the Dedicated Housing Fund for the purpose of satisfying the Housing Authority of the City of Durham and/or Development Ventures Incorporated's liquidity requirements for existing and future affordable housing financial transactions was approved at 5:25 p.m. by the following vote: Ayes: Mayor Bell, Mayor Pro-Tempore Cole-McFadden and Council Members Brown, Catotti, Davis, Moffitt and Schewel. Noes: None. Absent: None.

**SUBJECT: PRELIMINARY ECONOMIC DEVELOPMENT INCENTIVE
AGREEMENT BETWEEN THE CITY OF DURHAM AND WEXFORD
CHESTERFIELD PARKING, LLC FOR CAPITAL INVESTMENT**

The item pertained to the construction of approximately 284,000 square feet of commercial space known commonly as The Chesterfield and an associated offsite structured parking facility located in the Brightleaf District of downtown Durham.

Kevin Dick, Director of the Office of Economic and Workforce Development; acknowledged representatives from Wexford Chesterfield Parking; made a Powerpoint presentation providing background information on the Wexford Chesterfield Company; summarized the project being considered; explained the rationale for the incentive request that would expand the office building inventory in Downtown; and presented renderings of the project.

Mr. Dick spoke on the County's tentative commitment of \$2.6 million over five years; noted that would roughly be a little over 40 percent of what the City was proposing and the City's time period would be longer; referenced net present value with the County's commitment; stated that the parking requirement was based upon getting the project financed; and referenced the number of spaces planned.

Mayor Bell opened the public hearing and stated there were speakers to the item.

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Matthew Coppedge, representing Downtown Durham Incorporated, encouraged Council's support to create an innovation district/cluster in Downtown; and spoke regarding the demand for new commercial spaces in Downtown.

Justin Parker, representing Wexford Science and Technology, stated he looked forward to restoring the Chesterfield building; urged Council's support; and thanked all involved in the planning phase of the project.

Casey Steinbacher, representing the Durham Chamber of Commerce, urged support of the incentive to Wexford; advocated for the creation of a technological/life science sector including biotech; spoke to the lack of current office space in Downtown; and encouraged Council's support.

Being no additional speakers to the item, Mayor Bell declared the public hearing closed.

Mayor Pro-Tempore Cole-McFadden inquired about the workforce development plan being available for review; the MWBE component; the availability of jobs and asked if there were people already trained in the community to take advantage of the opportunity; and if not referenced the need for training programs to be in place for people to get prepared to be hired.

OEWD Director Kevin Dick responded they would work to get the final elements of each component referenced by the Mayor Pro Tem negotiated; and their plan was to bring the agreement to Council on August 3rd; stated they would tap into the training programs currently available at institutions such as Durham Technical Community College; and referenced his office working in partnership with organizations to make certain they had training classes available.

Council Member Catotti requested that the aerial site plan be relabeled to indicate the road orientation; asked about the rationale for minimum percentage of occupancy specified at 70%; stated parking was essential and should be available to the public both nights and weekends; suggested parking times be tied to parking guidelines; stated she was disappointed with Durham County's contribution; which she stated should have been much higher; referenced the County getting a much higher proportion of the tax revenue than the City; and expressed concern with 70% of future tax revenues for 15 years being too high. Given that the building was in existence and vacant, Council Member Catotti stated she would support the request.

Council Member Moffitt inquired if the draft agreement represented minimum requirements; and inquired about the 21C agreement negotiation process and job guarantees.

OEWD Director Kevin Dick responded that the major deal points had been discussed and negotiated and he felt the draft agreement was pretty close to the final; and noted the difference between the 21C agreement and the Wexford agreement as it related to job creation.

Council Member Schewel raised concern with the County's contribution of \$2.6 million and stated the City's contribution was \$6 million; he referenced the City's incremental tax value as \$2.65 million and the County's was \$9 million over the course of the incentive period; he noted there was a lot of good reasons to support the project; and it was immediate cash positive to the City.

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In addition, Council Member Schewel referenced the process for the City and County cooperation on economic development plans; and stated he did not see that reflected with the item; however, he would support the request.

Council Member Brown supported the development; and expressed dissatisfaction with the County's contribution.

Mayor Bell respectfully disagreed with his colleague's comments regarding the County's contribution; referenced more obligations at the County level; stated the County did not have to provide the \$2.6 million; stated if the County was not pitching in incentives he was not sure the City could have come up with the more than \$8 million in incentives. He stated each project should be viewed on a case-by-case basis and the net results are to the citizens of Durham.

MOTION by Mayor Pro-Tempore Cole-McFadden, seconded by Council Member Moffitt, to receive comments on a potential economic development incentive agreement between Wexford Chesterfield Parking, LLC and the City of Durham for capital investment associated with construction of Chesterfield; and

To authorize the City Manager to negotiate an economic development incentive agreement between the City of Durham and Wexford Chesterfield Parking, LLC for capital investment associated with construction of the Chesterfield, for a total payment amount not to exceed \$6,000,000.00 over 15 years was approved at 6:05 p.m. by the following vote: Ayes: Mayor Bell, Mayor Pro-Tempore Cole-McFadden and Council Members Brown, Catotti, Davis, Moffitt and Schewel. Noes: None. Absent: None.

SUBJECT: PRELIMINARY ECONOMIC DEVELOPMENT INCENTIVE AGREEMENT BETWEEN THE CITY OF DURHAM AND LONGFELLOW REAL ESTATE PARTNERS, LLC FOR CAPITAL INVESTMENT

Kevin Dick; Director of OEWD, stated the item related to an economic development agreement between the City and Longfellow Partners; commented on the Longfellow Real Estate Partners LLC company profile; summarized the project stating it would consist of 271,000 square feet of laboratory and office space and would boast an 820-space parking garage and public park; explained the rationale for the incentive request that would expand the office building inventory in Downtown; presented renderings of the project; and spoke to policy issues, job creation, financing, conditions precedent and outstanding items being negotiated.

Mayor Bell opened the public hearing and stated there was a speaker to the item.

Jamison Peschel, representing Longfellow Real Estate Partners, thanked Council for their consideration and support of the project; noted that Durham ID was a transformative project with significant economic development opportunities; referenced other successful developments they have had in the community; and stated they looked forward to continuing their partnership in Durham in working with the city government in a public/private partnership that could transform Downtown Durham.

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Being no additional speakers, Mayor Bell closed the public hearing.

Council Member Catotti referenced the *Development Agreement 3.1.4, Occupancy Ratio* and inquired as to why it would begin with the third payment as opposed to the first year of occupancy; cited the *Development Agreement Section 3.3, Existing Landmark Status and Empty Land* and asked if it was hold over language from a previous agreement; inquired about the rationale for requiring public incentives for the construction of Class A Office Space; questioned why higher rents could not be charged; inquired what was the public purpose in constructing office space; spoke in support of having a higher percentage of parking available to the public; stated that 70% of future tax revenue was too high; and favored the County contributing more financially to the project.

OEWD Director Kevin Dick responded that the project involved a spec building; stated there were no imminent tenants; explained the occupancy percentage was being deferred until Year 3 and that it reflected market reality and it was not anticipated that the building would be 70-90% leased in one to two years; noted the delay allowed for time to build demand; stated they would take a look at the hold over language referenced in the Section 3.3 and revise; responded to the public purpose in building office space due to the shortage of Downtown office space, and stated they were looking at the ability to attract workers.

Council Member Moffitt stated that the Chesterfield draft agreement required 70% occupancy and the innovation district 65%; and questioned why the difference between the two agreements; the lack of a valid lease clause in the Chesterfield agreement; and inquired about minimum average rent agreement; and stated he would like to have further clarification about having a public park in a private space when the final agreement was presented to the Council.

OEWD Director Kevin Dick stated the occupancy rates reflected the ability of the buildings to be leased; and commented that the Chesterfield project was less speculative; and referenced the need to pay a minimum amount of rent to pay off the expenses.

Mayor Bell expressed support for the project and did not want his colleagues to forget their role as a City vs. the County; and clarified the funding differences between the City and the County. The Mayor stated the City is by and large responsible for the development of the City, not the County.

Council Member Schewel stated he appreciated the questions raised by Council Member Moffitt; and hoped the park would be truly public; stated he had the same issue with the City and County split; felt this project would be more transformative than the Chesterfield project; and raised concern that the subsequent phases would come back for additional requests for incentives.

MOTION by Mayor Pro-Tempore Cole-McFadden, seconded by Council Member Brown, to receive comments on a potential economic development incentive agreement between the City of Durham and Longfellow Real Estate Partners, LLC; and

To authorize the City Manager to negotiate an economic development incentive agreement between the City of Durham and Longfellow Real Estate Partners, LLC for capital investment associated with construction of Durham.ID Phase I, for a total payment amount not to exceed \$5,250,000.00 over 15 years was approved at 6:30 p.m. by the following vote: Ayes: Mayor Bell,

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Mayor Pro-Tempore Cole-McFadden and Council Members Brown, Davis, Moffitt and Schewel.
Noes: Council Member Catotti. Absent: None.

Mayor Bell recognized Council Member Catotti for comments.

Council Member Catotti announced that she would not be filing for re-election next month; stated that it was an honor and privilege to serve with Council over the past twelve years and to tackle the many challenges facing the community; stated she had enjoyed and learned so very much and promised to continue to work hard over the next five months; acknowledged her husband in the audience; and thanked her family members for providing their support throughout the years.

Council Member Catotti received a round of applause; and citizens in attendance, including the Council, stood to acknowledge her work.

City Clerk Gray announced that by ballot, the City Council confirmed the City Manager's four appointments to the Civilian Police Review Board: Jeffrey Clark; Stephen E. Kraus; DeWarren Langley; and Cynthia L. Wells.

There being no further business to come before Council, the meeting was adjourned at 6:32 p.m.

Dianalynn Schreiber, CMC, NCCMC
Deputy City Clerk

D. Ann Gray, MMC, NCCMC
City Clerk