



**Date: February 16, 2016**

**To: Thomas J. Bonfield, City Manager**  
**Through: Keith Chadwell, Deputy City Manager**  
**From: Reginald J. Johnson, Director**  
**Department of Community Development**  
**Subject: Site Preparation and Public Improvements Agreement with McCormack Baron Salazar Development, Inc. for Site Preparation and Infrastructure Activities in Southside East Phase II.**

**Executive Summary**

On November 1, 2015 the City, along with McCormack Baron Salazar Development, Inc. (MBS) issued a bid package for the site preparation and infrastructure improvements for the second phase of development for the Lofts at Southside. The improvements will support the construction of 85 rental units with 58 of the units being made available to households earning 60% or below of the area median income. The scope of work will include the installation of erosion and sedimentation control measures, along with installation of new streets, curbs, sidewalks, street trees, street lights, water and sewer lines and storm drainage to serve the Phase II development and removal and disposal of approximately 57,000 cubic yards of soil currently stored on the Phase III site. As no firms responded to the initial advertisement for bids, the project was re-bid and DH Griffin Infrastructure, LLC. (DHGI) responded to the bid package with a bid amount of \$3,500,000.00. With the addition of soft costs and a contingency fund, the total Southside Phase II project cost is \$4,459,729.00. Soft costs include maintenance bonding; civil engineering and construction administration/testing; Section 3 coordination; general contractor coordination; and the developer management fee.

**Recommendation**

The Department of Community Development recommends that City Council:

Authorize the expenditure of up to \$1,700,108.00 in Community Development Block Grant funds for site preparation and infrastructure activities,

Authorize the expenditure of \$1,767,755.00 in Housing Bond Program Income funds for site preparation and infrastructure activities,

Authorize the expenditure of \$991,866.00 from the Dedicated Housing Fund for site preparation and infrastructure activities,

Authorize the City Manager to execute a Community Development Block Grant Agreement with McCormack Baron Salazar, Inc. in an amount up to \$1,700,108.00,

Authorize the City Manager to execute a Housing Bond Program Income Grant Agreement with McCormack Baron Salazar, Inc. in an amount up to \$1,767,755.00,

Authorize the City Manager to execute a Dedicated Housing Fund Grant Agreement with McCormack Baron Salazar, Inc. in an amount up to \$991,866.00,

Establish within the Dedicated Housing Fund amount of \$991,866.00, a contingency fund in the amount of \$525,000.00;

Authorize the City Manager to negotiate change orders provided that the cost of all change orders does not exceed \$525,000.00 and the total amount of the project costs do not exceed \$4,459,729.00; and

Adopt an ordinance amending the General Capital Improvement Project Ordinance, Fiscal Year 2015-2016, as amended, the same being Ordinance # 14778 for the purpose of adding funding in the amount of \$1,589,857.00 for the Southside East Phase II Project.

### **Background**

On June 20, 2012, City Council approved a Master Development Agreement (MDA) with McCormack Baron Salazar, Inc. (MBS) that established the roles and responsibilities of the City and MBS for the terms of all individual loans and grant agreements, the provision of the land, deeds of trust, promissory notes, budgets, development schedules, income guidelines, tenant eligibility, phase maps and any additional information that is integral to the project. More specifically, the MDA establishes the number and type of responsibilities of the City and of MBS, as the project developer, including the terms for disbursement of funds during the pre-development and construction phases of the Southside East redevelopment effort.

Upon completion of Phase I and in preparation for the 2015 tax credit application and the public site preparation and public infrastructure improvements for Phase II, MBS was awarded in September of 2014, a pre-development grant funded by Community Development Block Grant (CDBG) funds in the amount of \$449,630.00. The CDBG grant would be used for design services to include civil and landscape site design, preparation of bid documents, design of new streets and infrastructure improvements, sedimentation and erosion control, grading specifications for the phase II and III site to include removal of the existing stockpile on the phase III site and geotechnical testing along with specifications for the removal of the existing stockpile on the phase II site. The tasks are near completion as the development team expects approval of the construction documents by April 1, 2016. Approximately \$300,000.00 has been drawn against the contract amount of \$449,630.00.

Also, in support of the vertical construction for the second phase and in preparation of a January 2015 tax credit application, Southside Revitalization Phase II LP was preparing the required documents for submittal and was awarded an allocation of tax credits by the North Carolina Housing Finance Agency in August of 2015. The award of tax credits establishes a placed in service date of December of 2017. To meet the placed in service date and as defined by the Master Development Agreement, site preparation and public infrastructure improvements should begin as soon as possible.

Additionally, for future information purposes and as outlined in the Master Development Agreement, the City has committed to provide a construction to permanent loan in the amount of \$3,800,000.00 to the Southside Revitalization Phase II LP to assist in the financing of the construction of the 85 units in Phase II. The agenda item requesting approval of the financing is currently scheduled to be presented to City Council in May of 2016.

### **Issues/Analysis**

The engineers estimate for the site preparation and public infrastructure improvements was in the amount of \$3,050,000.00. DHGI originally bid \$4,100,000.00 on the project and as a result of negotiation efforts with the development team to include Community Development staff, has agreed to a contract price of \$3,500,000.00 without a change to the original scope of work included in the bid package. The negotiation did allow for a revised construction/building pad turnover schedule, a redesign of a sewer line along Roxboro

Street that will serve five buildings and a shared cost in the excavation of rock beyond the allowances included in the bid package, if rock were identified and requires excavation. Additionally, in an effort to reduce the overall costs, MBS which was scheduled to earn a management fee of 16% agreed to reduce their fee to 9%.

Items that were not included in the original bid package that may have cost implications on the Phase II site preparation and public infrastructure improvements are the work plan for the handling of excess soil from the Phase II site and the identification of unsuitable soil in the stockpile on the Phase III site. Under the existing work plan approved by NCDENR (now known as North Carolina Department of Environmental Quality, NCDEQ) soil can be excavated and stored on the site which is included in DHGI scope of work. The excess stockpile from the Phase II site will require testing and based on the results, a management plan will be proposed to NCDEQ for approval. If the soil test results are within an acceptable range, and are suitable material, it will be used as backfill for the vertical construction phase. If tests are above an acceptable range, then the stockpile can be stored on site and addressed at a later date once the protocol for removal and costs have been established. The estimated amount of soil to be excavated for the Phase II site is approximately 12,000 cubic yards.

The existing stockpile on the Phase III site (approximately 57,000 cubic yards) has been retested and of the 56 grids that were tested, one grid tested above the acceptable range. A proposal has been forwarded to NCDEQ requesting approval to 'blend' the approximate 1000 cubic yards of soil throughout the entire stockpile which will reduce the overall stockpile to acceptable levels. If approved, this will not add additional cost to the project. If the 1000 cubic yards of soil require separation from the stockpile, removal, transporting and disposal at a permitted landfill, cost is estimated at \$80,000.00 to include testing and monitoring based on the Phase I estimate. The current planning process is to pay for this additional cost out of the contingency account, if required.

**Alternatives**

The City Council could elect to not approve the Agreement(s) with MBS. Without an agreement, the Phase II development project would not move forward and the tax credits would be forfeited as tax credits are awarded to a developer not to a particular project or to a local unit of government. It should also be noted that if the City chose another direction which did not include MBS, it would have an impact of the expenditure of the CDBG funds allocated to the project, as the expenditure of CDBG funds has a timeliness test that must be met.

**Financial Impact**

The financial impact associated with the agreements will be a maximum amount up to \$4,459,729.00 in CDBG, Housing Bond Program Income and Dedicated Housing funds. Additional costs included in the budget are construction administration and testing by a third part engineering firm, bonding allowance for street sidewalks and landscaping, Section 3 coordination and participation in team meetings and discussion by the General Contractor who is responsible for the vertical construction.

<b>Phase II Site Preparation and Infrastructure Budget</b>	
Construction Scope of Work	\$3,500,000
Contingency 15%	525,000
Developer Management Fee	304,969

Civil/Construction Administration and Testing	79,196
Maintenance Bonding LOC	25,064
Section 3 Coordination	20,000
General Contractor Vertical Oversight and Coordination	5,500
<b>Total</b>	<b>\$4,459,729</b>

<b>Sources</b>	
Community Development Block Grant	\$1,700,108
Housing Bond Program Income	1,767,755
Dedicated Housing Fund, Includes Contingency	991,866
<b>Total</b>	<b>\$4,459,729</b>

**SDBE Summary**

The Equal Opportunity/Equity Assurance Department reviewed the bid submitted by D. H. Griffin Infrastructure, LLC of Greensboro, North Carolina to determine compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. The goals for this project are MSDBE 11% and WSDBE 7%. It was determined that D. H. Griffin Infrastructure, LLC was in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

**SDBE REQUIREMENTS**

Firm	ID	City/State	Amount	% of Contact
Covenant Trucking	MSDBE	Youngsville	\$460,000	13%
RDU Paving	WSDBE	Raleigh, NC	\$205,000	6%
1 <sup>st</sup> . Class Trucking, Inc.	WSDBE	Oxford, NC	\$100,000	3%

The MSDBE and WSDBE goals were both met and exceeded.

**WORKFORCE STATISTICS**

The workforce statistics for D. H. Griffin Infrastructure, LLC are as follows:

Total Workforce	55	
Total Females	2	4%
Total Males	53	96%
Black Males	7	13%
White Males	30	54%
Other Males	16	29%
Black Females	0	0%
White Females	2	4%
Other Females	0	0%