



**Date:** March 29, 2019

**To:** Thomas J. Bonfield, City Manager

**Through:** W. Bowman Ferguson, Deputy City Manager

**From:** Steven W. Hicks, Director, General Services Department

**Subject:** Update of Disposition Process for 505 W. Chapel Hill Street

**Executive Summary**

The City of Durham, General Services Department, in conjunction with the Office of Economic and Workforce Development, and with advisory services provided by the consultant firm HR&A Advisors, is pursuing a two-part process for the disposition and redevelopment of 505 W. Chapel Hill Street. Phase I featured a Request for Qualifications (RFQ), to be followed by a Phase II pre-qualified Request for Proposals (RFP). The RFQ was issued on October 26, 2018, and the City received nine complete responses. The City convened an evaluation committee, and has reached consensus to advance four respondents to respond to the RFP phase. The next step in the disposition process will be the release of the RFP to pre-qualified respondents.

**Recommendation**

The General Services Department recommends that City Council receive an update presentation regarding the disposition of 505 W. Chapel Hill Street, the former Police Headquarters site. The presentation will: 1) identify four qualified respondents advancing to the RFP phase, and 2) present the suggested draft RFP document for Council approval prior to release to the four pre-qualified respondents.

**Background**

The City and its consultant team began planning for the disposition of 505 W. Chapel Hill Street in August 2017. The process began with a series of public engagement activities and a review of existing City plans and policies governing the use of land in Downtown Durham, to understand community and City priorities for site development. As an outcome of this process, Council gave direction on its priorities to guide site development, and the City and its consultant team developed a competitive, two-phase disposition process designed to achieve these Council priorities.

The General Services Department has now completed the first phase of the two-phase disposition process. The RFQ was issued on 10/26/18, and asked respondents to submit proof of their team qualifications, past project experience, and financial capacity, to deliver a transformative development in line with City objectives. The RFQ presented four primary objectives for site development, based on direction provided by Council: 1) provision of a significant complement of housing affordable at 60% AMI, 2) generation of significant revenue to the City from the sale of land and future local tax revenues from on-site development, 3) delivery of a mixed-use project, including office and retail uses supportive of a dynamic downtown environment, and 4) preservation of the existing Police Headquarters Building.

The City received nine complete responses to the RFQ (teams are listed alphabetically by lead firm):

- **Akridge:** Akridge, Jefferson Apartment Group, NSV Development, SCG Development, Perkins + Will
- **Crescent-Crossland:** Crescent Communities, Crosland Southeast, SEPI, KTG Architecture & Planning
- **Durham Development Partners:** East West Partners, Chartwell Property Group
- **HM Partners:** HM Partners, JDavis, McAdams, DHIC, Brasfield & Gorrie
- **Industrial Realty Group:** Industrial Realty Group LLC
- **Quality of Life Consortium:** Traditional Neighborhood Development Partners, Kettler, Lord Aeck Sargent, Belk Architecture, University City, Lee Properties Group, Morgan Creek Capital, Wells Real Estate, C.T. Wilson Construction
- **RISE:** RISE, Moseley Architects, IDP Properties
- **The Fallon Company:** The Fallon Company, Duda|Paine Architects, Morningstar Law Group
- **Wexford:** Wexford, Ventas, GMH Capital Partners, Gensler, Evoke Studio Architecture, Whiting-Turner, Holt Brothers Construction, McAdams

The City convened an evaluation panel composed of City staff to evaluate all nine complete responses, using the objective scoring criteria included in the RFQ. The evaluation committee categorized each respondent as “Highly Advantageous,” “Advantageous,” or “Not Advantageous,” based on the scoring criteria around 1) development team qualifications (worth 30% of the evaluation criteria), 2) previous project experience (worth 50% of the evaluation criteria), and 3) financial capacity (worth 20% of the evaluation criteria), as laid out in the RFQ document. Four teams were designated as “Highly Advantageous” in all three categories, and are recommended to advance to the next phase of the disposition process:

- **Akridge:** Based in Washington, D.C., this firm has significant experience in successfully delivering complex, mixed-use development projects that include affordable housing in urban contexts. The team’s primary local project experience includes 21c Museum Hotel (NSV Development), 555 Mangum (Akridge), and the Tower at Mutual Plaza (NSV Development).
- **HM Partners:** Based in Raleigh, this firm has significant experience in successfully delivering complex, mixed-use development projects, and team member DHIC has a successful track record of delivering affordable housing in urban contexts. The team’s primary local project experience includes Willard Street affordable housing in Durham (DHIC), and the Edison master development in Raleigh (HM Partners).
- **The Fallon Company:** Based in Boston, this firm has significant experience in successfully delivering complex, mixed-use development projects in urban contexts, with a proven ability to progress projects during times of economic recession. The team’s primary project experience has been in Boston, and the team’s architect – Duda|Paine has worked on local projects, including Durham.ID, and the Dillon in Raleigh.
- **Wexford:** Based in Baltimore, this firm has significant experience in successfully delivering complex, mixed-use development projects, with an emphasis on dynamic, innovation-focused projects. The firm has an established relationship with a leading real estate investment trust, providing access to significant capital. The team’s primary local project experience includes The Chesterfield.

The four highly advantageous teams selected to advance to the RFP stage presented qualifications most aligned with City priorities, and have the experience and capacities best positioned to meet the City's objectives for site development. Following this evaluation process and successful completion of the RFQ phase, the General Services Department is now prepared to initiate the second phase of the two-phase disposition process for 505 W. Chapel Hill Street. The Department has alerted all nine respondents regarding the status of their submission.

At this stage in the process, the Department is asking for Council's concurrence that the draft RFP aligns with the City's objectives, in order to proceed with release of the final RFP to the four highly advantageous pre-qualified respondents. Authority for disposition of 505 W. Chapel Hill Street with the RFP's conditions is Charter Section 86.1, in conjunction with Charter Section 86. Taken together, these sections allow the City to sell the property by private negotiation and sale with conditions to ensure that the public purpose uses and priorities desired by the City Council are fulfilled. The City Attorney's Office has advised that these Charter sections may not provide as much protection from legal challenge as using the competitive provisions of the NC General Statute sale provisions in conjunction with Charter Section 86.1. The City Administration is prepared to work with the City Attorney's Office to prepare the RFP to minimize risks and allow the maximum opportunity to meet the City's objectives.

Pre-qualified respondents will be invited to submit a more detailed response to an RFP. RFP responses will include a development program and a financial offer to the City to both purchase and redevelop the site. The RFP phase will be open for a minimum of 60 days.

The City will evaluate responses to the RFP and recommend a development team and development scenario best positioned to meet City priorities for the site's redevelopment. Upon notification of selection, and with City Council approval, the recommended respondent will enter into negotiations with the City to proceed with development.

Anticipated project milestones and dates for the RFP process are as follows:

Milestones/Dates

Agenda Item with City Council Recommendation - April 4, 2019

RFP released after City Council Concurrence – April 16, 2019

Pre-submittal conference – May 6, 2019

RFP submissions due – June 28, 2019

RFP responses evaluated – July 19, 2019

Select respondents invited to interview with City – August 2, 2019

City Council approves preferred development partner and scenario – TBD

City enters into negotiations with preferred development partner – TBD

**Financial Impact**

HR&A is currently under contract to assist with the RFQ solicitation and selection process.

**UBE Summary**

Not Applicable

**Attachments**

Draft RFP for 505 W. Chapel Hill Street