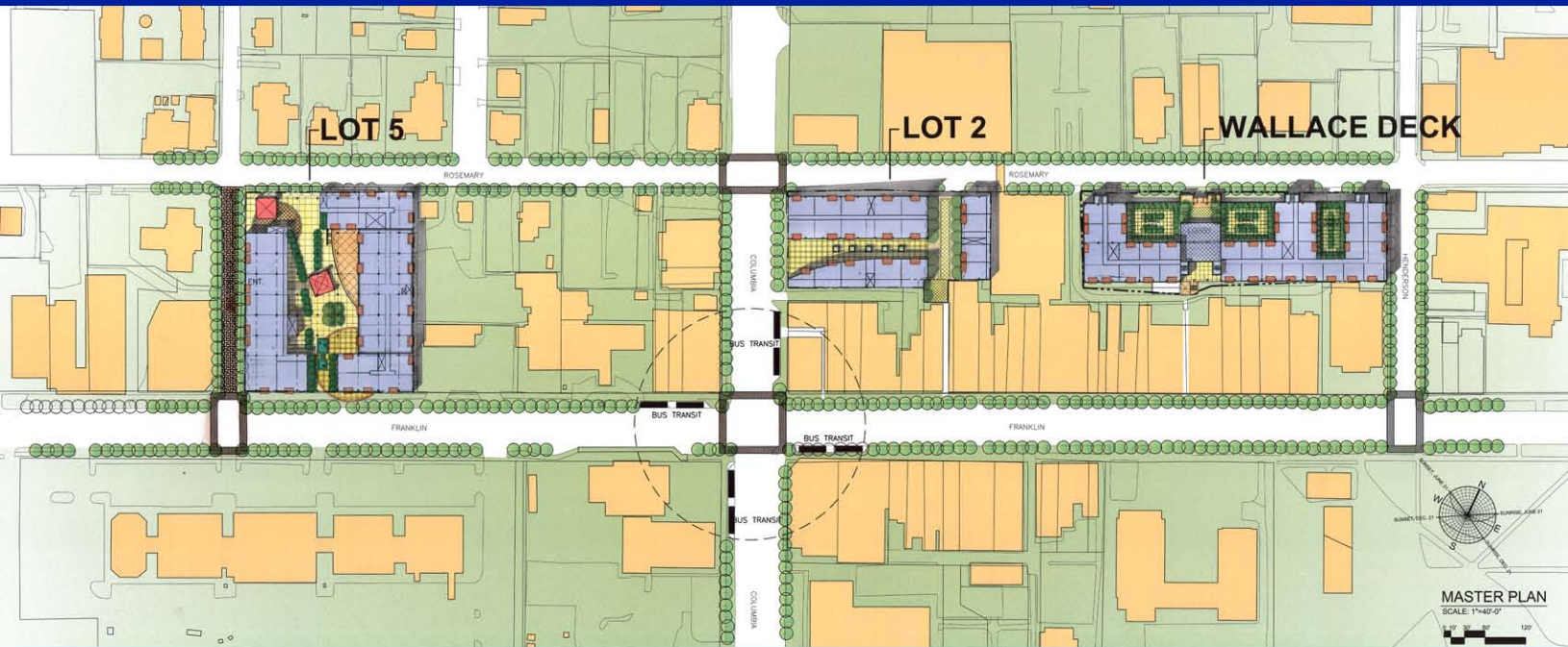




D E V E L O P E R

# REQUEST FOR PROPOSALS



## Proposed Mixed-Use Development Phase 1: Lot 5 and Wallace Deck

Downtown Chapel Hill, North Carolina

March 10, 2005



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# Section 1: Introduction

## Overview

This Request for Proposals seeks detailed technical proposals for two downtown development sites: Town Parking Lot #5 and the Wallace Parking Deck Sites. The development of the sites is the first of a two-phase development plan, as described in the Request for Qualifications issued previously. The estimated Total Development Budget for Phase One is \$59,000,000.

At this time we are not seeking technical proposals for Phase Two - development of Lot 2 and the RBC Centura site. While the project is organized into two phases, the Town Council is willing to consider awarding Phase Two to the developer selected for Phase One. The award of Phase Two is dependent on the performance of the development team in structuring and implementing Phase One, but the Council reserves the right not to award Phase Two to the developer selected for Phase One for any or no reason.

The design and development of Parking Lot 5 and the expansion of the Wallace Deck are critically important to the Town and to the long-term success of the Downtown. The Town Council is in the process of selecting a development team which will be the Town's long-term private partner potentially for the life of the project.

- The desired characteristics of the development team include the following:
  - The development team must be flexible and creative in structuring the public/private partnership with the Town, and in design, project financing, tenanting, etc.

- The architect must be creative, yet realistic. The architect must be able to listen to multiple parties, yet generate a cohesive design which is compatible with the character of the Town.
- The architect should have experience working with development teams, and delivering vibrant and exciting building design and pedestrian spaces.
- The development team must include a LEED-accredited professional working directly on the project from initial design to completion.
- The major design objectives include:
  - Pedestrian spaces should be highly visible from Franklin and Rosemary Streets. The pedestrian space at Lot 5 could be one of the Town's most prominent gathering places.
  - Pedestrian spaces should include public art.
  - Pedestrian spaces should include other features, such as inviting shop entrances and retail carts on sidewalks, to create an exciting shopping environment.
  - Proposals must include a public art component. The Council is requiring the selected developer to include a public art fund equal to one percent of the Total Development Budget for the Phase One development. Art should be part of the fabric of the design, not simply placed in a spot.

## Section 1: Qualities of the Development Team Required by the Town

- The development of each site should be designed to achieve at least a "silver" Leadership in Energy and Environmental Design certification. The goal is to create a project that maximizes the incorporation of 'green' building opportunities, and a goal is for the project (elements of the project) to achieve a LEED - Silver certification level. The Council believes that the ability to achieve these goals will be facilitated by working with an architect (and/or other lead member(s) of design team) who has prior experience with design and construction of LEED certified buildings.
- The preferred public/private finance plan should:
  - Reflect a fair and reasonable sharing of costs, risk, responsibilities and economic return between the Town and the development team.
  - Make every effort to reduce the investment required by the Town.
- Include completion guarantees and other financial and development safeguards protecting the Town from any financial performance problems, and ownership, market and construction risks.
- Include various types of land lease payments to the Town. These payments should be viewed as a return on the Town's land and infrastructure investment in Lot 5 and the Wallace Deck. The Town prefers payments to be guaranteed, or not contingent on the performance of the proposed development, but the Town will consider a mix of non-contingent and contingent land lease payments.
- Include a fair and reasonable participation by the Town in any proceeds from the sale, transfer or refinancing of the leasehold.

Bottom line, the Town Council wants to enter into a public/private partnership with a development team that is responsive, timely, creative and that has staying power.

## Section 2: Design Objectives

### Overview

The commercial development of Parking Lots 2 and 5, the expansion of the Wallace deck and the possibility of redeveloping the site currently owned by RBC will have a profound impact on the long-term viability and development character of the Town's downtown area. The Town Council is very focused on achieving quality urban design, architecture and development quality of these four strategically located development sites. The Council does not want to constrain any initial creative design concepts developed by the short-listed development teams. The following "Design Principles" are included to guide the short-listed development teams during the RFP process.

The Design Principles are general and provide development teams ample opportunities to generate creative urban design plans and architectural concepts. The Council will expect a high level of interaction during the design process. The anticipated level of input and interaction with the development team during the balance of the pre-development process is described later in this section.

More specific principles include:

- Ground-level uses should be devoted, as much as possible, to retail and restaurant establishments.
- Public plazas should be designed to accommodate regular daily use for passage, sitting, talking in small groups, and dining, while also accommodating regular periodic events such as street fairs, performances, and meetings.
- Lighting for public areas should provide, in accordance with the Town's Streetscape Plan, for nighttime visibility and security,

while minimizing spillover lighting into adjacent residential areas.

- Public art should be integrated into the overall project design, for both buildings and plazas and outdoor spaces.
- All public spaces must be accessible to persons with physical disabilities.
- Plans should seek to achieve a Leadership in Energy and Environmental Design "Silver" rating certified by the U.S. Green Building Council.

### Potential Opportunities for Town Input on Design

The Council understands that the design principles are just a starting point and expects there will be ample opportunities to interact with short-listed development teams and, later, the selected development team. The Council wants short-listed development teams to understand that, at a minimum, it will want to discuss and help mold the planning and design of the proposed projects at the following points of the pre-development process:

- Review of design proposals in response to this RFP
- Council Committee interview sessions with development teams scheduled for May 23 and 24, 2005.
- Development Agreement negotiations, should the development team revise the urban design and architectural design during this 60- to 90-day period.
- The schematic design phase.
- The design development phase.

- Early stages of the construction documents stage.

The Town’s development review procedures are spelled out in Appendix 6. The Town will require that the project be subject to the

normal development review process, including issuance of a Special Use Permit by the Town.

There will be opportunities for public input and involvement during these steps.

## Section 3: The Preliminary Public/Private Finance Plan

### Overview

The Preliminary Public/Private Finance Plan described in this Request for Proposals illustrates a potential financing scenario and demonstrates a means to achieve Council objectives while providing for a fair rate of return for the private developer. The proposed finance plan is based on a building program that resulted from preliminary master conceptual plans which only served to enable the Council to understand the potential amount of development for each site.

Developers are expected to propose a creative public/private finance plan in response to this Request for Proposals. The Council expects to see development and financing plans that build upon the preliminary work completed by the Town to date. Developers are expected to offer a finance plan that meets the following objectives:

- Optimize private investment
- Minimize Town investment
- Eliminate Town-issued debt not supported 100% by the proposed projects
- Eliminate or minimize the need for Tax-Increment Finance (TIF) related financing
- Reduce Town market, finance and construction risk
- Accelerate the development schedule

The Preliminary Public/Private Finance Plan is summarized in Appendix 4 and Appendix 5. It includes private and public financing instruments, all of which are supported 100% by the revenues generated and the nontax income paid to the Town by the private developer.

SPPRE has also structured the Preliminary Public/Private Finance Plan so that the nontax

income for the Town generated by the proposed commercial development of Lots 2 and 5 and Wallace Deck and the proposed two Revenue Bonds cover 100% of the cost of the Town's building and non-building transactions. This is illustrated in the foldout chart titled "The Schedule for Sources and Uses of Funds for Scenario C-3," which demonstrates a positive cash flow for the Town in years 2007- 2011, the years where the focus will be on financing and constructing the proposed projects. (See Appendix 4). Based on SPPRE's financial analysis and Schedule of the Sources and Uses of Funds, the Town's positive cash flow ranges from a low of approximately \$1,500,000 in year 2010 to a high of \$2,100,000 in year 2007.

The finance plan is based on the assumption that the market rate residential units would be for-sale condominiums. The plan calls for one-time payouts based on the sale of condominium units. The Land Lease Payout in Year Two exceeds the Present Value (PV) of the Land Lease payments paid over the term of 30-years. This allows the Council to avoid leveraging the Property Tax generated annually by the proposed commercial developments. In addition, the Base Rent to be paid to the Town by the private developer as part of the Land Lease now applies only to the retail space. In other words, the Land Lease Payout was structured to provide the Town with nontax income which exceeds the present value of the previous Land Lease structure.

### Organization of the Overall Development Project Implemented in Two Phases

The Preliminary Public/Private Finance Plan organizes the overall project into nine public and private components, including the three

## Section 3: The Benchmark Public/Private Finance Plan

private commercial developments and the six (6) public projects and transactions. The following development costs are preliminary estimates and will change as the project proceeds.

### The Private Developer Components:

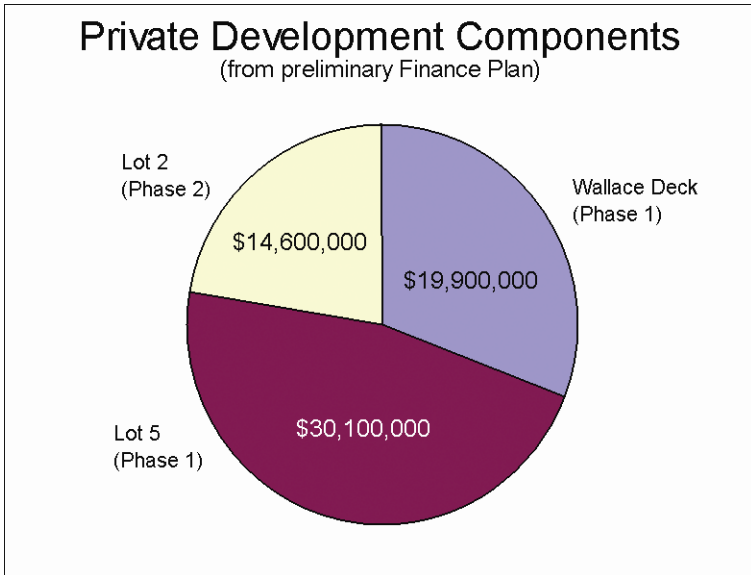
Phase One:

- Developer Project 1: The Expansion of the Wallace Deck (\$19,900,000)
- Developer Project 2: Commercial Development of Lot 5 (\$30,100,000)

Phase Two:

- Developer Project 3: Commercial Development of Lot 2 (\$14,600,000)

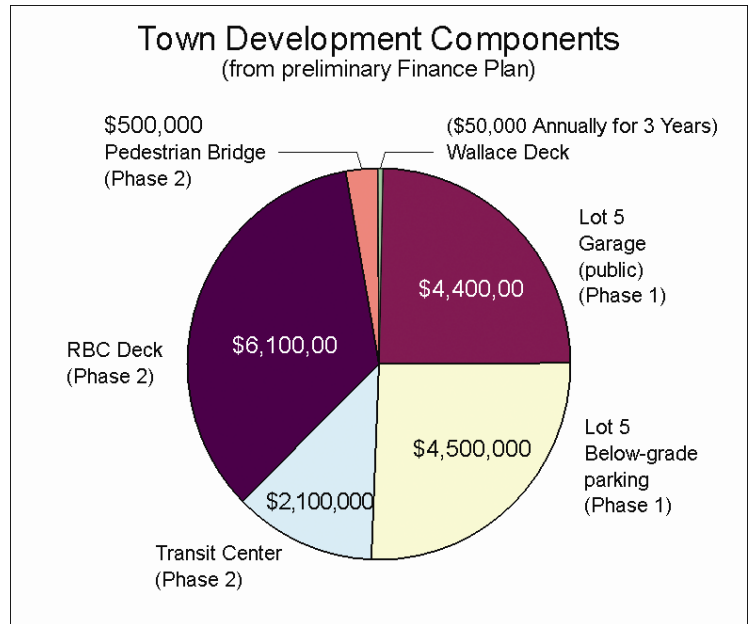
Total Development Cost (Private Components): \$64,600,000. This cost represents 78.5% of the total cost of all public and private components.



### The Town Building and Non-Building Components:

1. Town Project 1: The Existing Financing for the Wallace Deck is a current obligation of the Town and must continue to be funded (\$50,000 annually for 3 years).
2. Town Project 2: A Portion of the Lot 5 Below-grade Garage to Accommodate the 173 Replacement Parking Spaces (\$4,400,000).
3. Town Project 3: The Additional Cost of Below-Grade Parking versus the Cost of Above-Grade Parking at Lot 5 (\$4,500,000).
4. Town Project 4: The Transit Transfer Center at Lot 2 (\$2,100,000)
5. Town Project 5: The Above-grade Garage Located on the RBC Site (\$6,100,000).
6. Town Project 6: Second-Level Pedestrian Bridge (Lot 2) (\$500,000).

Total Development Cost (Public Components): \$17,600,000.





### Summary: Components of the Preliminary Finance Model:

The estimated total development cost for all public and private development components is \$82,000,000. The total cost of three private development components, which include the expansion of the Wallace Deck, Lots 2 and 5, is \$64,600,000, or 78.5% of the total cost for all projects. The total cost of the five public components is \$17,600,000, or 21.5% of the cost of all public and private components. A major portion of the Town's investment of \$17,600,000 million is the cost of the garages required to accommodate the 274 replacement parking spaces for Lots 2 and 5. The estimated cost per parking stall in Lot 5 is \$24,400 and in the above-grade garage located on the existing RBC property is \$12,400. The cost for replacement parking is \$9,000,000, including the additional cost referred to above, is equal to almost 50% of the Town's investment.

In addition, the proposed Town investment includes the cost of the Transit Transfer Center, which is \$2,100,000, or 13% of the total Town investment of \$17,600,000. If other public sources are found for the Transit Transfer Center, the required Town investment to realize the desired private commercial development of Lots 2 and 5 and the Wallace Deck is \$15,500,000.

### The Preliminary Public/Private Finance Plan

The SPPRE Team has structured the Preliminary Public/Private Finance Plan for the overall project so that the nine public and private development components are self-financing. See Appendix 5.

The three private developer components, excluding the affordable housing, appear to be financially feasible using traditional private equity and debt. The public/private financing for the affordable housing includes four parts: 1) Senior Debt provided by Fannie Mae at an interest rate of 4.25% for a term of 20 years, 2) Subordinated Junior Debt provided by Fannie

Mae at an interest rate of 2.5% for a term of 25 years, 3) Grants provided by the Federal Home Loan Bank Affordable Housing Program, and 4) Traditional Private Equity equal to 10% of the total retail cost. The proposed financing for the Town Projects includes some combination of the following sources of financing:

- Land Lease Payouts (A one-time payment paid by the developer to the Town at the closing of the Construction Loan for each developer project)
- The Town's Share of the Net Proceeds from the Sale of the Market-Rate Condominium units (A one-time payment made by the developer for each project two years after completion of construction). At this time, the Town's participation is assumed to be 20%.
- Annual Base Rent Payments Indexed to the Consumer Price Index (Retail space only)
- The Town's Share of the Net Proceeds from Selling the Retail Space in Year 10. At this time, the Town's participation is assumed to be 20%
- Annual Net Income from Parking Operations

The Town has the option to segregate the Property Tax generated by the private development components and use this new stream of income toward infrastructure improvements related to the projects.

### The Public/Private Finance of Town Project 1: The Existing Revenue Bond for the Wallace Deck:

When the Town and the selected development team begin construction of Lot 5 and later Lot 2, they will eliminate the existing Town parking lots. The Town currently uses the income from these two Town Parking Lots to cover a portion of the Debt Service for the existing financing for the Wallace Deck.

The approximate annual net income from Lot 5 is \$150,000. The annual net income generated by Lot 2 is \$285,000.

Construction of Lot 5 is currently scheduled to start in August 2007. One of the initial actions of starting construction will be to demolish the existing parking lot, creating loss of income, which must be replaced. Construction of Lot 2 is not scheduled until April 2010.

The proposed solution, currently included in the Preliminary Public/Private Finance Plan, is to replace the loss of income from Lot 5 with the interest income from the Land Lease Payout paid by the developer to the Town at the close of the construction loan for Wallace deck, which is now scheduled for April 2007.

The Land Lease Payout for Wallace deck is estimated to total \$3,887,000. Under the Preliminary Public/Private Finance Plan, this nontax income of \$3.9 million paid to the Town has been allocated to finance: 1) the \$2,239,000 cost of the proposed Transit Transfer Center (TTC), which is not needed until April 2010, and 2) applying \$1,648,000 toward the cost of the Lot 5 garage. If the Town places the difference of \$3,887,000 and \$1,648,000, or \$2,239,000 in an interest bearing account yielding 4.5% annually, the \$101,000 of annual income will cover a portion of the loss of income at Lot 5 for three years (2007-2009). Beginning in Year 2010, the Town will have excess non-tax income generated to cover this loss of income.

Construction of Lot 2 will generate a loss of income beginning in 2010. As graphically illustrated in the "Schedule of Sources and Uses of Funds," this loss of income totals approximately \$285,000, which will be covered by the Town's projected surplus non-tax income generated by the private development of Lots 2 and 5 and Wallace Deck.

### **The Public/Private Finance of Town Projects 2 and 3: The Finance of the Replacement Parking in Lot 5 and the Cost Additional cost of Below-Grade Versus Above-Grade Parking**

Several months ago, the Council Committee made the decision to replace the 274 parking spaces currently located on Lots 2 and 5 and to finance underground parking to free-up additional street-level space for larger pedestrian space. The estimated development cost to provide the 173 replacement parking spaces on Lot 5 is \$4,400,000. The Town Council is aware that based on refinements to design, finance and development, and negotiations, it may have to incur the difference in cost of underground versus above-grade parking garage. That additional cost is \$4,500,000. The total cost of replacement parking for Lot 5 is estimated to be \$8,900,000.

The Preliminary Public/Private Finance Plan to cover the Town cost of \$8,900,000 includes three sources of financing: 1) A Revenue Bond in the amount of \$2,900,000, 2) A portion of the Land Lease Payout for Wallace Deck totaling \$1,600,000, and 2) the \$4,400,000 Land Lease Payout provided by the developer of Lot 5.

#### 1) The Revenue Bond

The proposed Revenue Bond is supported by two sources of income to the Town: a) The Net Income from Operation of the Town's portion of the Lot 5 Garage, and 2) The Base Rent paid by the developer of the Lot 5 Retail Space. Based on SPPRE's financial analysis, the Town should recognize \$190,900 of Net Income and \$67,000 in annual Base Rent for the retail space in Lot 5 and anticipated lease of 92 spaces in Wallace Deck of \$44,700. This amount of non-tax income to the Town totals \$302,600.

This amount of annual income can support a Revenue Bond in the amount of \$2,900,000 applying the following assumptions:

Term: 20 years  
Coupon Rate: 5.50%  
DCR (Debt Coverage Ratio): 1.25

2) Land Lease Payout from the developer of the Wallace Deck

The finance model assumes the developer of the Wallace Deck will be required to provide the Town with a total Land Lease Payout equal to \$3,900,000. A portion of that payment equal to \$1,600,000 will be applied to cover a portion of the cost of the replacement parking in the Lot 5 development.

3) Land Lease Payout from the Developer of Lot 5

Based on the development of Market-Rate Condominium units, SPPRE has proposed that the selected developer issue a one-time payment to the Town equal to the Present Value of a 30-year Land Lease. This payment of approximately \$4,400,000 has been incorporated into the Proforma for Lot 5 and would be paid to the town at the closing of the Construction Loan.

The combination of the Revenue Bond, the one-time Land Lease Payout for Lot 5 and a portion of the Land Lease Payout for Wallace Deck totaling \$8,900,000 is in equal to the Town's cost of replacement parking and the additional cost of below-grade parking totaling \$8,900,000.

4) Surplus Non-tax Income and Tax Revenue to the Town

The Town would receive annual Property Tax equal to \$181,400. The preliminary finance plan assumes the Town would apply its share of the Net Sales Proceeds from the Market-Rate Condominium units totaling \$714,000 to cover the cost of a Second

Level Pedestrian Bridge from Lot 2 to the RBC Garage.

**Optional Finance Plans for Town Project 4: Transit Transfer Center (TTC)**

The estimated cost to construct the Transit Transfer Center (TTC) is \$2,100,000.

There are several options for the Town to cover the cost of the Transit Transfer Center. SPPRE developed two concepts for consideration:

Option 1: Use a portion of the Land Lease Payout included in the proposed public/private partnership between the Town and the developer of the Wallace Deck, which amounts to \$2,200,000.

Option 2: The Town optimizes Federal and State grants and some combination of the financing instruments identified by SPPRE in an earlier report.

**The Public/Private Finance of Town Project 5: A Second-Level Pedestrian Bridge**

SPPRE obtained a cost estimate from the Spring Valley Construction Company based in Dallas for construction of a second level pedestrian bridge connecting the commercial development of Lot 2 and the RBC Garage. The bridge is currently proposed to extend 65 feet over Rosemary Street and be 10 to 12 feet wide including the structural system. The total hard construction cost is estimated to be \$457,700.

The Preliminary Public/Private Finance Plan for the Second-Level Pedestrian Bridge includes the use of the Town's assumed 20% share of the Net Proceeds from selling the Market-Rate Condominium units included in Lot 5. The Town will receive \$714,000 from the sale of the Lot 5 condominium units. SPPRE has assumed the development team will complete the sale of all Market-Rate units by the end of Year 2 of operations and the Town's non-tax income from the Lot 5 condominium units exceeds the estimated construc-

### Section 3: The Benchmark Public/Private Finance Plan

tion cost of the pedestrian bridge. Of course, “soft costs” will need to be added to the “hard” construction cost.

#### **The Public/Private Finance of Town Project 6: The RBC Garage**

The proposed RBC Garage is a 6-level above-grade garage which includes 342 parking spaces and 8,400 square foot of retail space at the street level. The estimated cost of the garage is \$4,300,000, excluding the land cost and the retail space. The assumed cost of the RBC property is \$990,100, which reflects a cost of \$38 per square foot. The total cost of the RBC Garage, excluding the retail space, is \$5,200,000, or \$15,100 per parking space. The total cost of the garage including the retail space and land cost is estimated to be \$6,200,000.

#### Revenue Bond:

Based on the Proforma for the RBC Garage, the projected income exceeds the operational expenses and the required debt service. The Town Council may consider issuing a traditional Revenue Bond and Tax-Increment Finance bond in the amount of \$6,200,000,

which covers the cost of the land and development costs associated with the RBC Garage. The assumptions for the Revenue Bond are as follows:

#### Revenue Bond:

Bond Amount:	\$2,800,000
Term:	20 years
Coupon Rate:	5.0%
DCR (Debt Coverage Ratio):	1.25

The Tax-Increment Finance backed Revenue Bond is supported by the stabilized Property Tax (year 3) from Lot 5 totaling \$181,000, Wallace Deck totaling \$105,000, and Lot 2, totaling \$81,000. This equals a total Property Tax amount of \$367,000, which could be used to support a Tax-Increment Financing Bond.

The assumptions for the Tax-Increment Finance Bond are as follows:

#### Tax-Increment Finance Backed Revenue Bond:

Bond Amount:	\$3,400,000
Term :	20 years
Coupon Rate:	6.0%
DCR (Debt Coverage Ratio):	1.25

## Section 4: Submittal Requirements

### Overview

#### Submittal Procedures

Development teams are required to submit one original unbound proposal and 25 copies of their 8½ X 11 inch formatted response to this Request for Proposal and one CD-ROM containing the submittal (pdf preferred). Proposals must be organized in accordance with the Submittal Requirements described later in this Section. Development teams must include, at a minimum, the requested information and drawings as described in this section. The Town reserves the right to request additional information during the review period.

**Responses to this Request for Proposals must be received no later than 12:00 noon EDT on May 2, 2005.** The unbound original, 25 copies and CD-ROM must be submitted by mail or delivered to:

CoCo Hall  
Purchasing Agent  
Town of Chapel Hill  
306 N. Columbia Street  
Chapel Hill, NC 27516

Overnight delivery, such as Federal Express, DHL, etc. will require the telephone number for the Town, which is 919.968.2712.

The box of proposals must be labeled "Developer RFP Submittal: Lot 5 and Wallace Deck." Proposals submitted by facsimile or electronic mail will NOT be accepted. Proposals received after the deadline will NOT be accepted.

Development teams should also send one copy of their entire submittal to the Town's public/private finance and development advisor:

Stainback Public/Private Real Estate  
(SPPRE)  
3100 Timmons Lane, Suite 520  
Houston, TX 77027  
Telephone: 713.621.3007.

This single copy of the proposal should be received by SPPRE by noon EDT on May 2, 2005.

Respondents will be notified in writing of any change in the requirements/specifications contained in the RFP.

Neither the Town of Chapel Hill, nor any of its officers, agents or employees, shall be responsible for the accuracy of any information provided to any development team as part of the Request for Proposals. All development teams are encouraged to independently verify the accuracy of any information provided, with the exception of soil borings. The use of any of this information in the preparation of a response to this request is at the sole risk of the development team.

#### The Required Minimum Contents and Organization of Development team Submittals

Development teams are urged to be creative and add sections to their Technical Proposals, but at a minimum, development teams should organize their proposals and respond to the eight sections described below. Each proposal should include at a minimum the following eight sections:

Section 1: Final Development Entity and Team

Section 2: Building Program and Preliminary Design

Section 3: Financial Analysis

Section 4: Proposed Public/Private Finance Plan

Section 5: Preliminary Approval Rights for the Town

Section 6: Preliminary Financial and Development Safeguards for the Town

Section 7: Preliminary Development and Construction Schedule

Section 8: Required Developer Statements and Forms

**1. The Final Development Entity and Multidisciplinary Team**

(a) If a developer has changed or added one or more firms to their team, please describe the change and add a brief statement of qualifications for the new team member. (Limit: 2 Pages)

(b) Developers are required to prepare a team Organization Chart which includes all team member firms and key individuals of the team. Please specify primary service to be provided by each team member and the project office location. This chart should also include the Town Council. (Limit: 2 Pages)

**2. Building Program and Preliminary Design**

Part 1: Building Program:

The Request for Qualifications (RFQ) required developers to assess the market demand for several building uses.

(a) Developers are now required to submit a proposed market-driven Building Program for each project site. Developers should specify the proposed building area in gross square feet (GSF) and gross leaseable area

(GLA), and for housing specify the number of units. In addition, specify the number of market-rate and affordable housing units, as well as rental and/or owner-occupied units. Developers should also specify the number of parking spaces required for each use and the total number of parking spaces included in each project site. (Limit: 3 Pages)

Developers should organize the Building Program into proposed public and private development components. This organization should be based on ownership and source of financing.

(b) Developers must prepare a one-page statement, which describes the basis, or rationale for the proposed Building Program and an overview of the proposed design.

Part 2: Preliminary Design:

The Council wishes to be engaged with the development team in the design of the project in each phase of the project from the initial design, including offering suggestions and providing feedback. Consequently, developers are required to:

(a) Provide a narrative description of the architectural and urban design approach to the proposed projects, including thoughts on general style, materials, colors, and other design elements. (Limit: 2 Pages)

(b) Provide a description of any extraordinary preliminary design considerations, opportunities or concerns.

(c) Provide a site-specific conceptual preliminary urban design plan for each property. The preliminary design should be presented at a scale of 1:20 on four (4) 24 X 36 inch presentation boards; electronic copies also are required and should be included on the submitted CD-ROM (high resolution jpegs preferred). Plans should indicate all proper site boundaries, yet extend to the adjacent block to provide context for the preliminary urban design

plan. The desired level of detail for the preliminary urban design plan should include existing and proposed structures, roof forms, walkways, and landscaping.

The enclosed CD-ROM contains 2D and 3D CAD and 3D Studio Max files of existing downtown buildings. Development teams are encouraged to use the files to illustrate their proposals.

(d) Provide elevation and building section drawings (electronic versions as well) at scale of 1/8" : 1".

(e) Provide one, and no more than three perspective sketches illustrating the general character of the proposed development s it relates to the following:

- The Franklin Street edge at Lot 5
- The Rosemary Street edge at Lot 5
- Pedestrian spaces at Lot 5
- The Rosemary Street edge at the Wallace Deck sites
- The Henderson Street edge at the Wallace sites
- Pedestrian spaces at the Wallace sites

(f) Provide a street-level plan to illustrate how the pedestrian space at included in Lot 5 relates to Franklin and Rosemary Streets. In addition, developers must show how pedestrian spaces at the Wallace Deck sites relate to the alleyway, and potentially connect with the Bank of America plaza. These plans should be completed at a scale larger than 1:20, to articulate the width and character of the entry to the spaces and a pedestrian’s visual access from the sidewalk and alley.

(g) Provide a detailed description of how and when the development team proposes to work with the Council and Council Committee throughout the design process with opportunities for public input.

3. Financial Analysis

At a minimum, the Financial Analysis should include four parts:

**Part 1: Prepare a Total Development Budget for Each Project.** (Limit: None)

The Budget for each project should include the major construction and development costs (hard costs) and the soft costs required to finance, design, develop and construct each project.

The developer’s budget must account for fees to be paid to SPPRE to serve as the Town’s representative during construction.

Note: *The approved contract between the Town and SPPRE for professional services included four parts. Part 1 included completing steps 4 to 11 of the SPPRE pre-development process; In Part 2 SPPRE is responsible for managing the developer solicitation process; For Part 3, SPPRE assists the Town to prepare and negotiate the Development Agreement; and in Part 4, SPPRE serves as the Owner’s Representative for the Town during construction. When SPPRE was preparing the Total Development Budget for Lot 5 and the Wallace Deck, the firm did not include the stated fee for completing Part 4 of the Scope of Work. That fee for serving as the Town’s representative during construction would total 1.25% of the Total Development Budget, which includes all hard and soft costs required to finance, design, develop and construct the private portions of the development of Lot 5 and Wallace Deck. The final fee is a deal point to be negotiated between the Town and the developer.*

**Part 2: Prepare a Pro Forma for Each Project.** (Limit: None)

The Pro Forma should include an estimate of the incomes and expenses and corresponding Net Operating Income. Each Pro Forma should include the first ten

years of the Ground Lease. Clearly state assumptions to a degree sufficient for the Town/SPPRE Team to judge the validity of the estimates. More detail is preferred over less.

Each Pro Forma should also include the types and amounts of Land Lease payments to the Town, as well as the debt service and corresponding Net Cash Flow Before Taxes.

It is imperative that a comparative analysis can be completed for each development component within each project. In other words, developers are required to submit Pro Forms for the retail, housing (if applicable rental and for sale) and garage components of each project.

***Part 3: Town Income in Years 1-30***

While the Town is not requiring 40-Year Pro Forms, developers are required to include the projected total payments made to the Town for each type of Land Lease payment in Years 1-30. It is critically important for developers to specify whether each Land Lease payment is contingent or non-contingent on the performance of the project.

***Part 4: The Option to use Tax Increment Financing (TIF)***

Tax Increment Financing was passed by North Carolina voters in November 2004. The Town Council has not developed a policy on the use of TIF-Backed Revenue Bonds. However, the Council wants to know the annual amount of Property Tax generated by each project in year 3 (stabilized year of operations). The Council also requires the developer to present the projected total property tax generated by each project in Years 1-30, as well as an estimate of the Sales Tax revenue generated to the Town by each project in years 1-30.

**4. Proposed Public/Private Finance Plan**

Provide in detailed written form information regarding the public and private finance of the proposed project. It is important to address each of the five parts set forth below. If an item is not addressed, developers must provide an explanation of why this is the case. Failure to address or otherwise provide an explanation may result in the Town determining a proposal to be non-responsive. At a minimum, developers are required to present a five-part Public/Private Finance Plan. Developers are encouraged to offer proposals that may include options that are not included in the preliminary public/private finance plan.

***Part 1: Land Lease Terms*** (Limit: 5 Pages):

(a) Guaranteed annual Base Rent to be paid to the Town by the developer.

If developers include Market-Rate Condominium units in the proposed Building Program, they need to determine the maximum Land Lease Payout to the Town upon closing of financing. This one-time Land Lease payment to the Town is in lieu of the traditional Base Rent paid over the term of the Land Lease.

(b) Periodic adjustments to Base Rent, including amount and timing of adjustments. Adjustments should be based on the Consumer Price Index (CPI) as defined by the Federal Reserve Bank.

(c) Percentage Rent on gross receipts of each project to be paid to the Town, including proposed percentage rental rates.

*Note: Percentage Rent will be offset by the Base Rent. Thus, if the Percentage Rent does not exceed the annual Base Rent, only the Base Rent will be payable to the Town for that year.*

If the developer includes condominium units in the proposed Building Program, it



needs to determine the maximum amount of Net Proceeds from the sale of the Market-Rate Condominium units paid to the Town. This one-time payment to the Town would occur upon completion of sale of 95 percent of the units, or two years after the developer receives the Certificate of Occupancy, whichever ever occurs first. The payment to the Town from the proceeds from the sale of the remaining 5 percent of the units is to be negotiated. In order to reduce the cost of Affordable Housing units, the Town will NOT share in the Net Sale Proceeds of these units.

(d) Periodic adjustments to percentage rental rates used for calculating Percentage Rent, including timing of adjustments and methodology for determination of adjustment.

(e) Construction Rent to be paid to the Town during construction. These payments should be fixed and paid on a monthly basis.

(f) Subordination: The Town's fee ownership and Base Rent income stream will not be subordinated.

(g) Length of lease term: 40 years. Developers must provide the rationale for changing the proposed term of the lease.

(h) Town participation in net proceeds that developer receives from the sale, transfer or refinancing of leasehold.

(i) Maintenance/Repairs: During the term of the Lease, the developer shall be responsible for all improvements, maintenance, repairs and operating expenses associated with the private development components. The responsibility of maintaining the public development components will be negotiated.

(j) Insurance and Bond Requirements: The developer will be required to maintain insurance throughout the term of the Lease. Coverage should provide for amounts and limits determined appropriate by the Town in a form and with carriers acceptable to the Town. Insurance coverage should include, but not be limited to, comprehensive general liability, worker's compensation, property insurance on the premises, automobile liability, personal property, business interruption, builder's risk, host liquor law and food products liability insurance, protection and indemnity insurance, and any other insurance required by law. The Town must be named as an additional insured.

(k) Performance and Payment Bonds: The developer's construction contractor will be required to furnish the Town with performance and payment bonds issued by a responsible surety company licensed in North Carolina and satisfactory to the Town in the Town's reasonable discretion, or other such instrument. Such bond shall guarantee installation of the improvements proposed to be constructed at the sites and in an amount not less than the value of said improvements.

(l) All other proposed lease terms so that the Town fully understands the intent and basis of the proposal.

***Part 2: The Proposed Responsibilities of the Town and the Developer*** (Limit: 2 Pages)

Developers are required to describe in detail the major responsibilities of the Town and the developer to finance, design, develop, construct and operate each public and private development component. The Council is particularly interested in its responsibilities to finance, implement and

operate any public development components. If through such concepts as “economy of scale” and expertise, the development team believes it can reduce costs and accelerate the construction schedule of public development components, it should describe the concept in written form.

Plan for Construction to Minimize Disruption in Downtown.

The Council is concerned that the construction of the proposed projects will negatively impact the operation of retail shops, restaurants and other businesses and activities in the Downtown. Consequently, the Town is requesting that developers prepare a brief plan, which describes the actions taken by the developer to minimize any disruption to the Downtown by the construction of the proposed developments. The focus should be on how the developer and contractor will protect existing structures and the daily operation of Downtown businesses. This plan should also address concerns such as keeping sidewalks and streets clean; observing “quiet times”; and minimizing the use of downtown parking which is needed for retail customers and merchants.

In October 2004, Engineering Consultant Services, LTD., a sub-consultant to SPPRE, completed a report of subsurface exploration and geotechnical engineering analysis for Parking Lots 2 and 5. ECS does not anticipate rock excavation to be a significant issue at Parking Lot 2, but the majority of the material to be excavated at Parking Lot 5 is anticipated to be rock. They further concluded that blasting will be required to excavate most of the rock. ECS also believes that pneumatic hammering is likely to be “very slow in this material and the prolonged periods of high noise levels may not be tolerable in this environment.” ECS further states that “pre-drilling and hydraulic splitting would be an alternative if blasting is unacceptable, but

would be expensive and time consuming.” If blasting is required and determined to be the most effective method to excavate the rock, then the selected developer should be prepared to develop a detailed action plan to minimize the noise impact on Town residents and merchants and will be required to present the plan to the Town staff and/or Council.

***Part 3: The Equity and Debt Provided by the Developer*** (Limit: 1 Page)

Developers are also required to describe in detail the amount of debt and equity provided by the developer. The Council is particularly interested in the amount of at-risk cash the developer (not a third-party entity) is willing to invest in the proposed projects.

***Part 4: Finance Commitments*** (Limit: 3 Pages)

Specifically identify the source(s) of all proposed project funding.

Submit a written statement from each financing source that the equity and/or subordinate mortgage capital is available for funding the proposed projects and that the proposed project is consistent with the source’s investment criteria for a project of this type and scope.

***Part 5: Capital Investment(s) Required by the Town*** (Limit: 2 Pages)

If the Town is required to finance all, or a portion, of the public development components, developers should recommend a public/private financing instrument and provide a detailed description of the support for that financing instrument. The support for debt issued by the Town should be directly related to the proposed Land Lease payments to the Town and the Property Tax generated by the project, or any other creative source of funding.

**5. Preliminary Approval Rights for the Town** (Limit: 2 Pages)

The Town Council, like many public partners, is concerned that when it enters into a public/private partnership with a developer, it will lose control over issues such as design, development quality and schedule. Therefore, the Council is requesting that developers submit a preliminary list of Approval Rights for the Council.

For example, the Town will have the right to approve any assignment or transfer of the Lease, subject to any provisions for Town participation in the sale, transfer or refinancing of the leasehold, which is described in Part 1: Land Lease Terms, subsection (h).

**6. Preliminary Financial and Development Safeguards for the Town** (Limit: 2 Pages)

The Council is risk averse. Consequently, developers are required to submit a preliminary list of financial and development safeguards for the Town which will provide a strong sense of protection from any “downside” of the proposed project. One of the more popular development safeguards is a Guaranteed Maximum Price. For this safeguard, developers should describe the basis for providing a Guaranteed Maximum Price.

Developers should consider an option whereby a third-party insurance company, in exchange for a fee, would limit the Town’s liability on cost overruns or construction delays.

Clearly, the more extensive the list of safeguards the better.

**7. Preliminary Development and Construction Schedule** (Limit: None)

The Council is requesting that developers submit a Development and Construction Schedule, which incorporates items such as: the completion of the balance of the Pre-development process, the time required to secure public and private financing and construction.

**8. Statement to Allow a Background Check**

The Town will conduct background checks on all short-listed developers. Each developer is required to fill out and sign the AIA form: Contractor's Qualification Statement (form A305). The form is included after the appendices in this document.

**Proposal Fee Requirements**

Earnest Money Deposit:

All developers submitting proposals are required to provide an Earnest Money Deposit of \$35,000. This deposit can be in the form of a cashier’s or certified check payable to the Town of Chapel Hill. This deposit will be returned to all developers not selected to enter into an Exclusive Right to Negotiate with the Town.

Proposal Evaluation Fee:

Each developer submitting a proposal is required to provide a \$10,000 non-refundable check to the “Town of Chapel Hill” to help cover the cost of SPPRE to evaluate developer proposals and assist the Town in the negotiation of the Development Agreement. This second check should also be included as part of the developer’s proposal submittal.

## Section 4: Submittal Requirements

### DEVELOPER RFP CHECKLIST

RFP Section	RFP Item	RFP Page	Check
<b>1</b>	<b>Final Development Entity and Multidisciplinary Team</b>	12	
<b>2</b>	<b>Building Program and Preliminary Design</b>	12	
2.1	Building Program	12	
2.2	Preliminary Design	12	
<b>3</b>	<b>Financial Analysis</b>	13	
3.1	Prepare a Total Development Budget for Each Project	13	
3.2	Prepare a Pro Forma for Each Development Component of Each Project	13	
3.3	Town Income in Years 1-30	14	
3.4	Option to use Tax Increment Financing (TIF)	14	
<b>4</b>	<b>Proposed Public/Private Finance Plan</b>	14	
4.1	Land Lease Terms	14	
4.2	Proposed Responsibilities of the Town and the Developer	15	
4.3	Equity and Debt Provided by the Developer	16	
4.4	Finance Commitments	16	
4.5	Capital Investment(s) Required by the Town	16	
<b>5</b>	<b>Preliminary Approval Rights for the Town</b>	16	
<b>6</b>	<b>Preliminary Financial and Development Safeguards for the Town</b>	17	
<b>7</b>	<b>Preliminary Development and Construction Schedule</b>	17	
<b>8</b>	<b>Required Developer Statements and Forms</b>	17	

\* Developers are encouraged to use this checklist to assure that all submittal requirements are included in their proposals.

## Section 5: Evaluation Criteria

### Overview

The Town Council has incurred substantial costs to complete a major portion of the pre-development process and ready the sites for development. Now the Council is seeking a multi-disciplinary development team to structure and implement the public/private finance, design, development, construction and operation of Lot 5 and the Wallace Deck. This development team must will be considered using the Town's Evaluation Criteria described below.

#### ***Part 1: The Ability, Experience and Past Performance of the Developer and Architect:***

- The experience of the developer, architect and construction company with mixed-use development projects.
- The experience of the developer with major public/private real estate partnerships.
- Demonstrated understanding of local market demand and supply.
- Understanding of community issues and priorities.
- Demonstrated understanding of, and ability to comply with, the design and regulatory process, as reflected in the development schedule, project concept, and building program for the proposed projects.
- Prior success of the developer and architect with respect to architectural and urban design quality and quality of public spaces and amenities.

- Articulation of clear lines of responsibility within the developer's organization on which the Council can rely during the balance of the pre-development and development processes.
- Evidence of the developer's ability to be creative with design, development phasing and finance.
- Evidence now and in the past that the developer can secure national and local retail and office tenants.
- The experience of the team or critical team members needs to include 'green' buildings, and experience with the LEED process is important.

#### ***Part 2: Financial Capacity of the Developer***

- The financial capacity of the developer (including or excluding joint venture entities) to successfully undertake the proposed projects.
- Demonstrated ability to secure debt and equity.
- Demonstrated ability to minimize public partner investment, reduce public partner risk, yet share in the economic return.

#### ***Part 3: Development and Design Concept***

- Achievement of the Town's urban design objectives described in Section 2.
- Strength of the design will be a major criterion.
- Achievement of the Town's project objectives including affordable housing, green building design, transit, public spaces, parking and retail.

***Part 4: Financial Proposal***

- Evidence that the Pro Forma for the private development components meet the current requirements of the debt and equity capital markets.
- Evidence that every effort was made to minimize the Town’s capital investment and risk.
- Evidence that the Town receives a fair and reasonable share of the potential economic return. The Council is particularly interested in the types and amounts of non-contingent, or guaranteed Land Lease payments proposed to be paid to the Town, as well as the type and amounts of contingent Land Lease payments paid to the Town.

- Evidence that the developer has presented a Pro Forma which includes assumptions that are economically sound and competitive.

***Part 5: Approval Rights and Safeguards for the Town***

- Evidence that the Council will actively participate in key decisions regarding design, building specifications, scheduling and facility operations.
- Evidence that the Town is adequately protected from any financial “downside.”
- Evidence that the Town is adequately protected from cost overruns and completion problems.

## Section 6: Developer Selection Process

### Overview

Developer proposals in response to this Request for Proposals will be evaluated by the Town Council, Town staff and SPPRE. Based on the evaluation criteria described in Section 6, the Council Committee will present to the Town Council a recommended ranking of the top team and two other teams which offer the most appropriate design and advantageous partnership to the Town. The evaluation group will select three teams and then rank each of three teams from one to three.

If the Town Council decides to enter into exclusive negotiations with one developer, the developer ranked number one and the Town will sign an Exclusive Right to Negotiate agreement. The Exclusive Right to Negotiate will briefly describe the respective responsibilities and obligations that will exist during the 180-day period of exclusive negotiations. The primary purpose of the Exclusive Right to Negotiate is to set forth the Town Council's commitment to not enter negotiations concerning the Phase One sites with any other party during the period of exclusive negotiations.

### Deadlines and Procedures

#### Proposal Deadline:

The Technical Proposals in response to this Request for Proposals are due by noon May 2, 2005, and must be prepared in conformance with the requirements described in Section 5. Unless requested by the Council Committee, no additional information can be submitted by developers after the May 2, 2005 deadline.

#### Procedure for Developer Questions or Clarifications:

For information concerning the procedure for responding to the Request for Proposals or needed clarifications of the terms, conditions, and requirements of this Request for Proposals, please contact John Stainback, Managing Partner, or Will Reed, Project Manager, SPPRE, at 713.621.3007.

It is preferred that all questions or clarifications be submitted in writing to Stainback Public/Private Real Estate (SPPRE), 3100 Timmons Lane, Suite 520, Houston, Texas 77027, or e-mailed to [contact@sppre.com](mailto:contact@sppre.com). All questions and requests for clarification must be received no later than April 4, 2005. In conjunction with the Town, SPPRE will complete answers to all questions and distribute the questions and answers to the developers by April 11, 2005.

#### **Schedule for the Selection of a Developer**

The Council reserves the right to extend or otherwise modify the schedule for selection of a developer. If and when such changes in the schedule were to occur, notice will then be provided to developers still involved at that stage of the selection process.

#### **Developer Interviews**

All developers receiving the Request for Proposals will be required to present their qualifications, urban design plans and public/private finance plan on May 23 and May 24, 2005 in Chapel Hill. Based on the review of developer proposals submitted on April 25, 2005, the Town/SPPRE Team will prepare several questions for developers to answer at the interview sessions. All short-listed developers will receive information and times for their respective presentations in advance of the interviews, but developers to reserve those time slots now.

**DEVELOPER SELECTION SCHEDULE**

March 7, 2005 - June 27, 2005

<b>STEPS</b>	<b>DATE</b>
Step 1: Council Approves Developer Short-List	March 7, 2005
Step 2: Town Council Approves RFP Document	March 7, 2005
Step 3: Developer RFP Issued	March 10, 2005
Step 4: RFP Proposal Due Date	May 2, 2005
Step 5: SPPRE Evaluates Developer Proposals	May 2 - May 23, 2005
Step 6: Complete Interviews of Developers	May 23-May 24, 2005
Step 7: SPPRE Submits Ranking of Developers	Week of May 30
Step 8: Council Committee Considers Rankings	May 30, 2005
Step 9: Town Council Receives Committee Recommendations	June 13, 2005
Step 10: Town Council Considers Recommendations	June 27, 2005



## Section 7: General Terms and Conditions

1. This Request for Proposal is only an invitation to submit proposals and does not commit the Town in any way to enter into an agreement or to proceed with the Project. The issuance of this Request for Proposal does not obligate the Town to pay any costs whatsoever incurred by any respondent in connection with: (a) the preparation or presentation of qualifications or a proposal; (b) any supplements or modifications of this RFP; or (c) negotiations with the Town or other party arising out of or relating to this Request for Proposal or the subject matter of this Request for Proposal. The determination by the Town to select a particular respondent shall not imply acceptance of the respondent's business offer, which may be subject to further negotiation prior to approval of a Lease or other agreements with the Town. The Development Agreement and Lease will be subject to approval by the Town Council.
2. Upon satisfaction or waiver of the Development Agreement conditions, the Town will convey a leasehold interest in the Sites to the developer in an "as is" condition. It shall be the sole responsibility of the developer to investigate and determine conditions of the Site, including but not limited to, hazardous materials and utility connections, and the suitability of such conditions of the Sites for the improvements and alterations to be provided by the developer.
3. The information presented in this Request for Proposal and in any report or other information provided by the Town to Developers is provided solely for the convenience of the interested parties. It is the sole responsibility of interested parties to assure themselves that the information contained in this Request for Proposal or other documents are accurate and complete. No representations, assurances or warranties pertaining to the accuracy of such information are or will be provided by the Town or its advisors.
4. Except as specifically provided in any Exclusive Right to Negotiate agreement to be executed by the Council and the successful respondent, the Town expressly reserves the right at any time, and from time to time, for its own convenience, and in the Council's sole discretion, to do any or all of the following:
  - Waive or correct any defect or technical error as to form or content of this request or in any response, proposal or proposal procedure, as part of the Request for Proposal or any subsequent negotiation process;
  - Reject any and all proposals, without indicating any reason for such rejection;
  - Reissue a Request for Proposals;
  - Modify or suspend any and all aspects of the selection process, modify the scope of the Project or the required responses, modify the components of the Development Concept, or modify the process indicated in this solicitation;
  - Request that Developers clarify, supplement or modify the information submitted;
  - Extend deadlines for accepting responses, request amendments to responses after expiration of deadlines, or negotiate or approve final agreements;

## Section 7: General Terms and Conditions

- Negotiate with any, all or none of the Developers responding to the Request for Proposal;
  - Make a selection for the exclusive negotiations based solely on the proposal selection process, or negotiate further with one or more of the Developers;
  - During negotiation, expand or contract the scope of the Project, including adding or subtracting areas to or from the Sites, committing or withholding public financing or otherwise altering the project concept from that which was initially proposed in order to respond to new information, community or environmental issues, or opportunities to improve the financial return to the Town from the Project or enhance public amenities; and/or,
  - If negotiations with the successful respondent fail to proceed to the reasonable satisfaction of the Council, negotiate with and enter into a final agreement with another respondent, or begin the selection process anew.
5. By submitting a proposal, the respondent certifies to the Town that the respondent has not paid, nor agreed to pay, and will not pay or agree to pay, any fee or commission, or any other thing of value contingent on the award of a lease or other agreement with the Town related to the Project, to Town or any Town employee or official or to any contracting consultant hired by the Town or the Town for purposes of the Project.
  6. Responses to all inquiries about this Request for Proposal shall be subject to North Carolina's public records law. Information will be made available to the public in accordance with the law. To the extent allowed by law, proprietary financial information submitted in response to this RFP will not be disclosed until and unless that person or entity is awarded the lease. Neither the Town nor SPPRE shall be responsible under any circumstances for any damages or losses incurred by a respondent or any other person or entity because of the release of such financial information.
  7. The Town will not return submittals or any information submitted in connection with a submittal.
  8. The Town reserves the right to disqualify any respondent to this Request for Proposal on the basis of any real or apparent conflict of interest that is disclosed by the responses submitted, or on the basis of other data available to the Town. This disqualification is at the sole discretion of the Town. Any false, incomplete, or otherwise unresponsive statements made in connection with a proposal may be cause for its disqualification at the Town's discretion.
  9. The Town intends, through exclusive negotiations, to identify the actions and activities that would be necessary to develop the Site and thereby facilitate meaningful environmental review. If the Project is found to cause significant adverse impacts that have not already been analyzed and/or have not been mitigated, the Town retains absolute discretion to require additional environmental analysis, and to: (a) modify the Project to mitigate significant adverse environmental impacts; (b) select feasible alternatives which avoid significant adverse impacts of the proposed project; or (c) reject or proceed with the Project as proposed depending upon a finding of whether or not the economic and social benefits of the Project outweigh otherwise unavoidable significant adverse impacts of the Project.

## Section 7: General Terms and Conditions

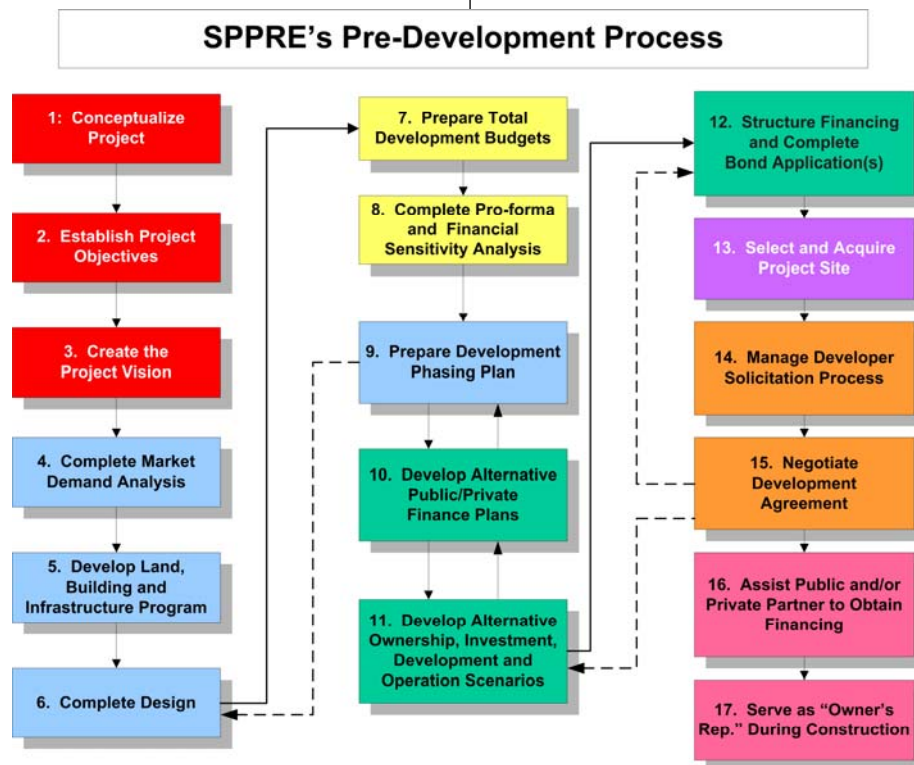
10. The Town will terminate all tenancies at the Site, and upon satisfaction or waiver of the Development Agreement conditions, convey a leasehold interest in the Sites to the developer without tenants in place.
11. The developer shall be responsible for obtaining all government approvals required for the Project, and the developer will be expected to pay all permit and processing fees related to the development. In issuing this Request for Proposal, the Town makes no representation or warranties that the necessary governmental approvals can be obtained which will allow the development of the Sites in accordance with the guidelines set forth above herein. Developers should understand that the Town is issuing this Request for Proposal in its capacity as a landowner with a proprietary interest in the Sites and not as a regulatory agency of the Town with certain police powers. Any applicants also would be subject to Town ordinances regulating land development.
12. The Town will not pay a Finder's or Broker's Fee in connection with this Request for Proposal. Developers shall be solely responsible for the payment of all fees to any real estate brokers with whom such party has contracted.
13. All facts and opinions stated in this document (including any attachments, appendices or exhibits) and in the additional reports and information are based upon available information, and no representation or warranty is made with respect thereto.
14. The above requirements will be incorporated as part of the Development Agreement and the Lease, and will apply to contractors, subcontractors, subtenants, etc. of the developer as applicable within each code section.
15. Any protest to this Request for Proposals must be made within five business days after the Town Council action selecting the developer with which it intends to enter into exclusive negotiations. Protests must be submitted in writing within such time period to the Town contact at the address in Section 4. Any protests submitted after such date will be barred.
16. Developers will be required to sign and submit the form attached hereto as Exhibit 1 stating their agreement to comply with the Town's Special Use Permit and Design Review Processes, Key Land Lease Terms, and the General Terms and Conditions set forth herein.
17. Land Use Management Ordinance (LUMO) Process  
  
Projects will be subject to the Town's development review process as described in Appendix 6.

# Appendix 1: Results of the Pre-Development Process Completed to Date

## Overview of the Pre-Development Process

Over the last several months, the Town/SPPRE Team has completed 8 steps (4-11) of the 17-step pre-development process developed by SPPRE to position public or private partners to successfully structure, negotiate and implement major public/private real estate projects. Prior to hiring SPPRE the Town, through design workshops and studies, had completed Steps 1-3; so over the last year, the Town/SPPRE Team has focused on Steps 4 to 11. The SPREE Pre-Development Process is designed to produce market-driven, well designed and financially feasible public/private developments before public entities solicit development teams. After completing this pre-development process, government entities (public partners) feel relatively comfortable about issues such as the following:

- The proposed building program is market driven.
- Initial design issues have been addressed.
- The hard and soft costs required to design, finance, develop and construct the proposed project(s) are understood.
- The development phasing plan reduces risks for both the public and the private partner.
- The financial measurements of the proformas for the private components of the project meet the general requirements of the equity and debt capital markets.
- Based on the current assumptions, it appears the public components of the project can be successfully financed by the public partner(s).



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- The government entity (public partner) understands its conceptual role to design, finance, develop, construct and operate the public development components.

### Step 4: Complete Market Demand Analysis

Having an objective third party determine the highest and best use for the Town-owned properties was one of the most important steps in the pre-development process. Both the Town and SPPRE are confident that the proposed building program is market-driven and not a “blue-sky/hope and a wish” of the Town. SPPRE hired Economic Research Associates (ERA), a nationally recognized consulting firm specializing in market analysis. ERA evaluated the market potential for developing a variety of uses including commercial office, residential, arts and entertainment.

ERA analyzed socio-demographic and economic trends in Chapel Hill and its surrounding region, including Orange, Durham, and Chatham Counties. ERA also conducted interviews with planners, economic development officials, real estate brokers, developers, business owners, and UNC-Chapel Hill staff to collect specific information about proposed developments that may impact Downtown.

ERA concluded that the most-likely feasible mix of uses would include retail, arts, and entertainment uses on the ground floor with residential uses on the higher floors.

### Market Demand for Residential Development

ERA studied Orange, Chatham and Durham counties in its analysis and concluded that the population in the three-county area is projected to grow from 411,000 in 2003 to 442,700 in 2008. ERA further concluded that the

population of Chapel Hill captured nearly 30 percent of the population growth in Orange County.

Recent growth in the Chapel Hill housing market includes several projects such as:

- Fountains

A 1990s mixed-use building at 308 W. Rosemary St., just west of Parking Lot 5, contains approximately 40,000 square feet total of retail, office and residential space. Parking is in a two-level parking garage underneath the building.

- Franklin Grove

The first of 43 townhomes included in Franklin Grove was completed a year ago. Sales have been strong with just one of the 24 complete units not sold. The average sales price is \$600,000 for a 2,700 square foot unit, located in East Franklin Street about 2 miles from downtown.

- The Gables

The Gables is located on Airport Road about a half mile north of the Columbia-Franklin intersection. The average price per square foot is \$150.27. The going rate for a 1,464 square foot Condominium is approximately \$220,000.

- Meadowmont (partially completed)

In 1995 the Town Council approved the Meadowmont Master Land Use Plan on a 424-acre site located on the north and south side of NC 54. The Master Land Use Plan authorized a maximum 1,298 dwelling units and 785,100 square feet of non-residential floor area. Within Meadowmont is the 20-acre Meadowmont Village, the “town center” of the development featuring a mix of condominiums above street-level retail, and office buildings. The development team originally planned to build 24 condominiums in Meadowmont Village,

## Appendix 1: Results of the Pre-Development Process Completed to Date

and recently proposed adding 82 residential units to this section by redistributing units from other parts of the development – an indication of the demand in Chapel Hill for living in a town center environment. Condominiums in Meadowmont Village are being advertised for at sale at a price of about \$235 to \$240 per square foot. (Residential parking is in surface parking lots.) For example, the asking price for a two-bedroom, two-bath 1,532-square-foot unit is \$364,900. Larger condominiums (about 2,300 sf) being built in another section at Meadowmont are being advertised for as much as \$520,000.

Rental rates in Meadowmont range from \$915 per month for small one-bedrooms to \$1,610 per month for three-bedroom units. With unit sizes ranging from 840 square feet to 1,560 square feet, the annual rental rate for residential units in Meadowmont is approximately \$12 per square foot. Rental rates in Southern Village, which is similar in character to Meadowmont, also average \$12 per square foot per year.

- Rosemary Village (under construction)

Rosemary Village is located at 400 West Rosemary Street on the northwest corner of Mitchell Lane. The site is about a quarter mile to the west of Town Parking Lot #5. The project is a 38-unit townhouse-style condominium community with rooftop terraces and 5,000 square feet of streetfront retail space. About half the units have “pre-sold,” according to the Rosemary Village website ([www.rosemaryvillage.net](http://www.rosemaryvillage.net)). The asking prices for the market rate units range from about \$300,000 for 1,249 square feet of heated space, up to about \$600,000 for a 2,570 square foot unit. The Town is requiring six affordable units to be provided.

- Southern Village (completed)

Southern Village, a new urbanist community built in the 1990s, sits on 312 acres in southern Chapel Hill. The project contains 1,100 housing units, a mix of single family detached houses,



**Meadowmont Village** The “Town Center”

## Appendix 1: Results of the Pre-Development Process Completed to Date

condominiums and apartments. The village core includes street level retail, office space and condominiums. The development also includes an elementary school and other community facilities.

- University Village (proposed)

East West Partners has submitted a concept plan for redeveloping a motel site that sits on 9 acres on NC Highway 54, about two miles east of downtown. The mixed-use concept includes 137 to 191 for-sale condominiums (164,500 square feet of residential space), 30 percent of which would be affordable; 60,000 square feet of retail space; and 113,000 square feet of office space. Building heights would range from one to five stories. The development team proposes to achieve at least a “Silver” Leadership in Energy and Environmental Design (LEED) level of certification for the entire project. Most of the parking

would be provided in a 500-space underground deck.

- The Warehouse

The Warehouse, an apartment project, provides 56 four-bedroom rental units geared towards students, located on West Rosemary Street.

### Residential Supply

The residential market in the Chapel Hill area has been fairly healthy, specifically for apartments in multi-unit buildings. A number of projects have come online in the Downtown area over the past few years, and have been absorbed quickly. These projects have been concentrated on the West Rosemary Street corridor and include off-campus housing for students as well as apartments that are marketed to residents and employees.



**Southern Village**

### Residential Demand

While ERA developed projections for all types of housing units (from single detached to multi-unit buildings), their analysis provides projections on housing units in multi-unit apartment buildings. ERA suggests that "...it is estimated that by 2008 there will be negligible demand for new owner-occupied units in multi-unit residential buildings. However, we project the rental market to remain strong, and expect demand for 308 to 386 units in multi-unit buildings in the Town."

### Market-Rate Housing

ERA summarizes the demand for rental units by stating "...there will be a strong demand for rental apartments in Chapel Hill. Based on current demographic trends and future projections, we forecast demand for up to 386 new units in multi-unit buildings over the next five years."

ERA summarizes the demand of for-sale units by stating "While our analysis indicates that there is negligible demand for owner occupied units in multi-unit buildings, it should be noted that the condo market in the Downtown area, driven mainly by low-interest rates and convenient locations within walking distance of UNC campus, has been very active over the last few years."

ERA added that "It seems reasonable to conclude that if interest rates remain stable and the economy continues to grow, ERA's projected demand for condos might be understated."

Based on the ERA analysis and recent significant absorption of owner-occupied housing units, the Council Committee strongly prefers development teams to focus on market rate condominiums over market rate rental housing.

### Affordable Housing

The Town of Chapel Hill has a mandate for reserving 15 percent of all residential units (in developments with at least 5 units) for households earning less than 80 percent of the area median family income. Currently, for a household of 4 persons, that income is \$57,050 (income limit for a family of four); the median income is \$69,800 for the Raleigh-Durham-Chapel Hill MSA. This 15% mandate translates into a set-aside of approximately 48 to 60 affordable units. Based on the strong market demand, ERA concludes the 20 percent affordable housing component required by the Town will be easily absorbed at Lots 2 and 5. The Council's goal is for 20 percent of the dwelling units to be affordable.

### Market Demand for Retail

The retail demand study analyzes opportunities for new retail development in Downtown based on consumption expenditures by new households in the primary and secondary trade areas. ERA has determined sales range from \$280 per square foot for general retail, \$489 per square foot for food & beverage, and \$584 per square foot for grocery and convenient uses. These sales numbers coincide with the benchmarks required by national retailers to achieve operating profit margins.

ERA observes that "Unlike downtowns in smaller towns and cities, Downtown Chapel Hill is comparatively active and vibrant." Based on an analysis of the retail market Downtown, ERA estimates that retail rents average \$25 per square foot. ERA estimated that Downtown Chapel Hill could support 112,000 square feet of new retail space given current market conditions, and as much as 666,100 square feet if conditions are improved in the Downtown.



## Appendix 1: Results of the Pre-Development Process Completed to Date

ERA states that there is significant pent-up demand for additional retail space, predominantly for comparison goods such as general apparel and home furnishings (GAFO). The development of Lot 5 will provide a necessary western anchor to the Downtown corridor.

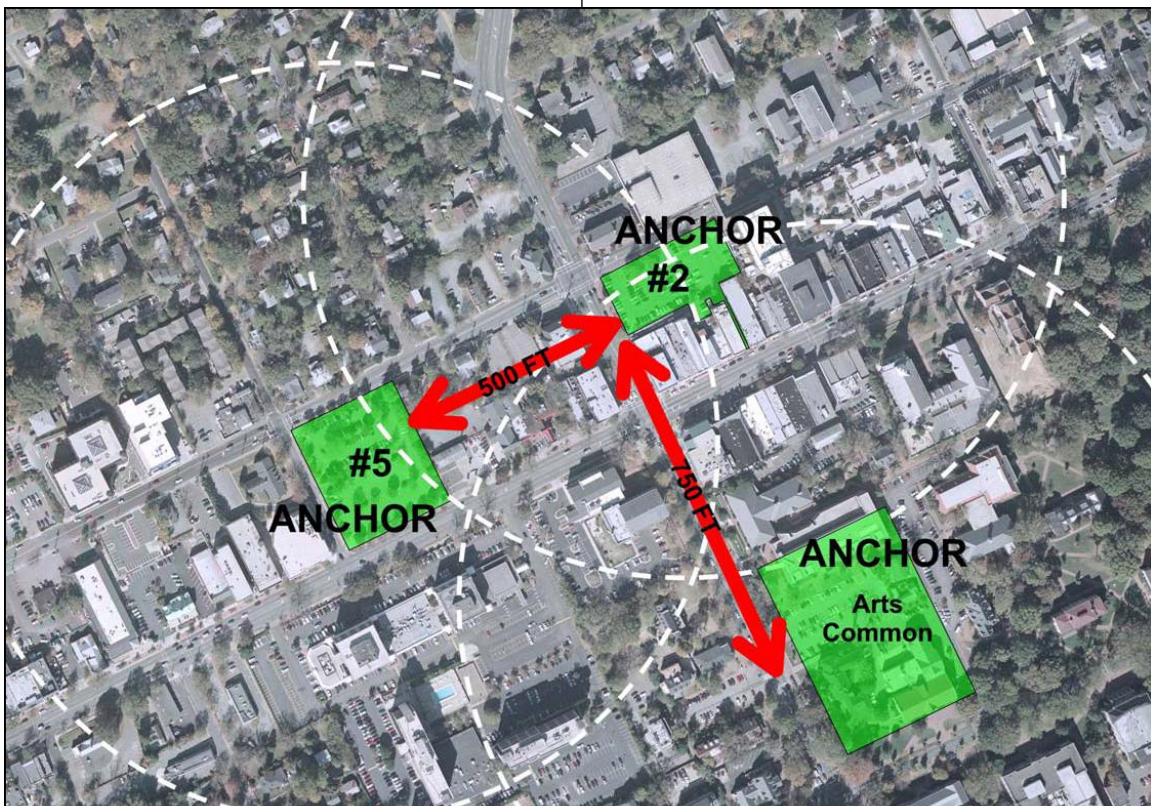
### Arts & Entertainment

Based on the research completed by ERA, “the population spending potential and cinema viewing habits of Chapel Hill area residents is sufficient to support up to three screens, if positioned adequately. However, the market is not deep, and our analysis does not indicate strong pent-up demand, sufficient to support both an efficient, new complex (at Lots 2 or 5) and existing screens in Downtown.” Even though there may be market demand for a new cinema, the Council Committee is not interested in developing a new cinema which would compete with existing theaters.

“In regard to other forms of entertainment, the UNC Arts Common project will provide a critical mass of arts and entertainment venues that can be leveraged to develop auxiliary uses that could include a mix of artist studios and galleries. These uses can be incorporated into the Downtown fabric in two ways, either through the adaptive reuse of existing second floor spaces, or by combining artist live-work units with the residential program.”

### Step 5: Develop Land, Building and Infrastructure Program

Based on the results of the ERA market demand report, SPPRE prepared a building program for Lots 2 and 5 and the expansion of the Wallace Deck which the Council has approved. There was a strong consensus among the Council Committee that retail space should be developed at the street level for all four sites with housing above the retail.



The **UNC Arts Common** project will provide a critical mass entertainment venues that can be leveraged to develop auxiliary uses that could include a mix of artist studios and galleries.

**The Total Building Program for the Six Public and Private Building Projects includes:**

The Total Building Program for all public and private developments in Phase One and Two on the four sites includes:

Retail Space:	62,750 GSF
Market-Rate Condominium:	305,440 GSF (244 units)
Affordable Condominium:	76,360 GSF (61 units)
Subtotal:	444,550 GSF
Pedestrian Space:	55,100 GSF
Parking Garage Spaces:	
Private-Use:	696
Public-Use:	593
Total:	1,289
	(1,061 new parking spaces plus remaining 228 existing spaces)
Transit Transfer Center:	43,560 GSF
Second-level Pedestrian Bridge:	Approximately 60 Linear Feet

**Development Team Project 1: The Expansion of the Wallace Deck (Phase One)**

Retail Space at Street Level:	4,000 GSF
Market-Rate Condominium:	109,120 GSF (87 Units)
Affordable Condominium:	27,280 GSF (22 Units)
Pedestrian Space:	12,200 GSF
Parking Spaces:	400 (320 existing spaces plus 80 new spaces)
	Development team will develop 80 new parking spaces and lease an additional 92 spaces from the Town to satisfy the requirements for the new development.

**Development Team Project 2: Lot 5 Development (Phase One)**

Retail Space at Street Level:	30,250 GSF
Market-Rate Condominium:	128,480 GSF (102 Units)
Affordable Condominium:	32,120 GSF (26 Units)
Pedestrian Space:	28,300 GSF
Parking Spaces:	539 (Includes 173 replacement parking spaces and 366 spaces required by housing, retail and storage space for market-rate and affordable housing units)

**Step 6: Complete Conceptual Design**

The Council Committee wanted to maximize the amount of pedestrian-friendly public space on most of the sites. So the Committee asked SPPRE to determine the financial feasibility of developing underground parking on Lot 5 and to acquire a privately-owned site related to Lot 2, which would accommodate an above-grade parking garage, which in turn would allow a Transit Transfer Center to be developed below the street level and increase the number of housing units on Lot 2.

**Town/SPPRE Team encourages development teams to hire the best architectural talent .**

SPPRE hired Dallas-based HKS Architects to complete conceptual urban design plans for each of the four sites.

The primary objective of Step 6 was to determine an appropriate building envelope for each site; provide a sense of scale and massing; and conceptually design the vertical relationship of parking, retail and housing. The

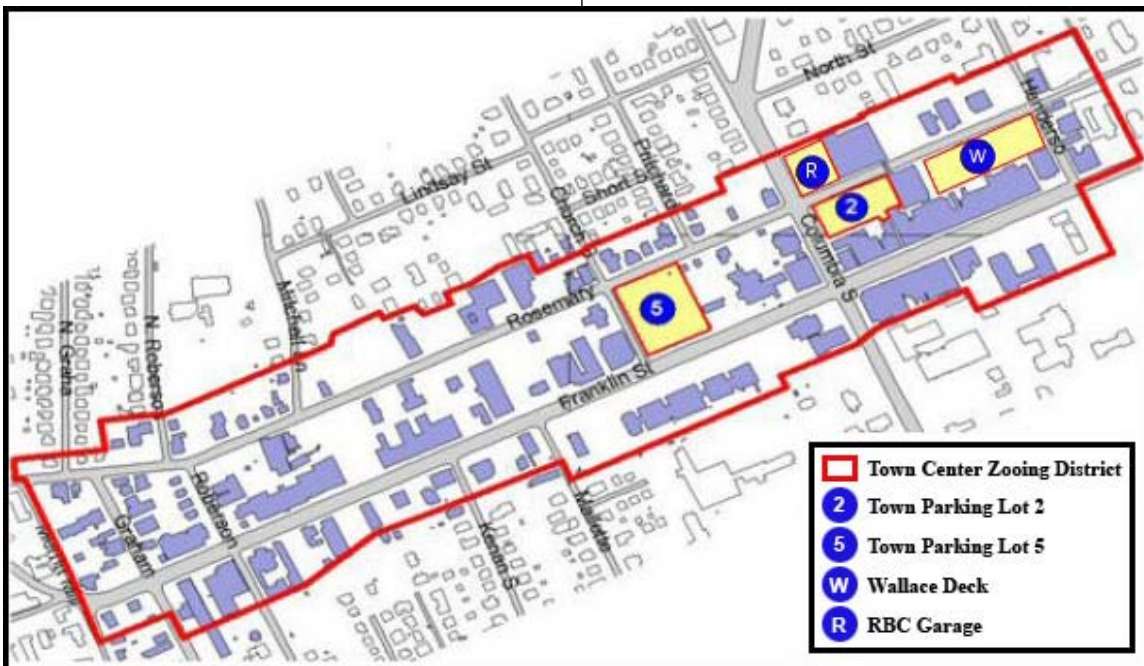
results of the plans developed by HKS were to be used by SPPRE as input to complete Steps 7-9. The designs were developed only to guide development teams in their proposals, not dictate design solutions. In fact, the Town/SPPRE Team encourages developers to team with the best architectural talent. Development teams are encouraged to present a creative mix of uses, but be responsive to the results of the market study. If development teams introduce additional or alternative building uses, such as professional office space, they must provide a clear rationale for their proposals.

**NOTE (1) to Development teams:**

The Council Committee is aware that Floor Area Ratios of proposed building program exceed current development regulations.

**NOTE (2) to Development teams:**

As a result of concurrently completing the financial analysis and structuring the public/private finance plan for the subject projects, SPPRE organized the Downtown development projects as follows:



**The Three Private Developer Components:**

Phase One:

1. Developer Project 1: The Expansion of the Wallace Deck
2. Developer Project 2: The Commercial Development of Lot 5

Phase Two:

3. Developer Project 3: The Commercial Development of Lot 2

**The Six Public (Town) Building and Non-Building Components:**

Phase One:

1. Town Project 1: Continued Funding of the Certificate of Participation (COP) for the Wallace Deck
2. Town Project 2: The Financing of the Town's Replacement Parking in Lot 5
3. Town Project 3: The Financing of the Delta Cost of Below-Grade parking versus Above-Grade parking

Phase Two:

4. Town Project 4: The Construction of the Transit Transfer Center (TTC)
5. Town Project 5: The Development of the RBC Garage
6. Town Project 6: The Construction of a Second-Level Pedestrian Bridge connecting Lot 2 to the RBC Garage.

**Step 7: Prepare Total Development Budgets**

The results of Step 7 provide a solid basis to complete the financial analysis (Step 8). The

Total Development Budget includes all of the major hard and soft costs required to finance, design, develop and construct each project.

Once the design concepts were approved by the Council Committee and the Town Council, SPPRE hired Raleigh-based McDonald York Construction Company to complete cost estimates for each project. SPPRE used the cost estimates for the hard construction components of the Total Development Budget. The estimated construction costs were used as a basis to determine the construction-related costs and soft costs, such as fees for architects and engineers, developer fees, interest during construction and the fees to place private equity and debt.

**The Three Private Developer Components:**

Phase One:

1. Developer Project 1: The Expansion of the Wallace Deck (\$19,936,000)
2. Developer Project 2: Commercial Development of Lot 5 (\$30,099,000)

Phase One Subtotal: \$50,035,000

Phase Two:

3. Developer Project 3: Commercial Development of Lot 2 (\$14,558,000)

Estimated total Development Cost (Private Components): \$64,593,000. This cost represents 79% of the total cost of all public and private components.

**The Six Public (Town) Building and Non-Building Components:**

Phase One:

1. Town Project 1: The Existing Certificate of Participation (COP) for the Wallace Deck

## Appendix 1: Results of the Pre-Development Process Completed to Date

2. Town Project 2: A Portion of the Lot 5 Below-grade Garage to accommodate the 173 Replacement Parking Spaces (\$4,411,000)
3. Town Project 3: The Delta Cost of Below-Grade Parking versus the Cost of Above-Grade Parking (\$4,539,000).\*

Phase One Subtotal: \$8,950,000

Phase Two:

4. Town Project 4: The Transit Transfer Center (TTC) (\$2,141,000) Located on Lot 2
5. Town Project 5: The Above-grade Garage Located on the RBC Site (\$6,149,000)
6. Town Project 6: Second-Level Pedestrian Bridge (\$457,000)

Phase Two Subtotal: \$8,748,000

Total Development Cost (Public Components): \$17,698,000

The estimated total development cost for all public and private components is \$82,292,000. The total cost of three private development components, which include the expansion of the Wallace Deck, Lots 2 and 5, is \$64,593,000, or 79% of the total cost for all projects.

The estimated total cost of the five public components is \$17,698,000, or 21% of the cost of all public and private components.

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*\*Note: Based on the current financial analysis, SPPRE has assumed that the Town will be responsible for this cost. Short-listed development teams are urged to structure creative public/private finance plans which present a fair and reasonable sharing of this cost.*

### Phase One Development Budget

The total development budget for Phase One includes the private component; expansion of the Wallace Deck and the development of Lot 5. The development cost for these Phase One private components is \$50,035,000. The development cost for the Phase One public components is \$8,950,000. The estimated total development budget for Phase One is \$58,985,000.

### Other Studies Completed to Prepare the Total Development Budget

As part of determining the costs associated with the project sites, SPPRE hired Engineering Consulting Services, Ltd. (ECS) to complete an Environmental Site Assessment (see section 10). In addition, to determine the fair market value of the project sites, SPPRE hired Analytical Consultants, a Chapel Hill-based firm to complete Land Appraisals for Lots 2 and 5 (see section 10).

### Environmental Site Assessment

ECS, Ltd. of Raleigh, NC was commissioned by the Town and SPPRE to perform an Environmental Site Assessment of the two development sites to identify environmental conditions and adjacent properties or businesses with past or present activities that suggest the possibility of an adverse impact on the sites.

#### Lot 2

ECS identified one possible on-site condition at Lot 2:

- Lot 2 contains a parking lot of approximately 1 acre and a small ticket booth. Prior to the construction of the parking lot in the early 1950's the subject property was used for residential purposes. Because information is not available

## Appendix 1: Results of the Pre-Development Process Completed to Date

regarding the heating systems for the former residences, the potential presence of heating oil underground storage tanks should be considered an on-site environmental condition.

ECS also identified four possible off-site environmental conditions to Lot 2 including:

- The ‘Top of the Hill’ building: Located approximately 300 feet up-gradient from the Lot 2, had 6 underground storage tanks removed from the site in 1992. The site has not been closed by the North Carolina Department of Environment and Natural Resources. Due to the distance from the site and the assumed hydraulic gradient, it should be considered a recognized off-site environmental condition.
- Orange Regional Landfill: *(While the report lists this site, note that this is an error. At one time, the Town administered the landfill and they think ECS has confused the location of the landfill with the address of Town Hall).*
- A fraternity house at 109 Fraternity Court is approximately 950 feet from the subject property. Due to its unknown nature, its relative distance to Lot 2, and assumed hydraulic gradient, it is considered an off-site environmental condition.
- A building adjacent to the subject property contained a dry cleaning business from 1959 to 1970. Due to the solvents and chemicals used in the dry cleaning process and the duration of the business, it is considered an off-site environmental condition.

### Lot 5

ECS identified one possible on-site condition at Lot 5:

Lot 5 is a parking lot of approximately two acres with a small ticket booth. Prior to construction of the parking lot, the subject

property was used for residential purposes. Since information regarding the heating source for the uses is unknown, this is considered a possible on-site environmental condition.

ECS also identified one possible off-site environmental condition:

- The ‘Top of the Hill’ building: Approximately 300 feet up-gradient from the subject property, it had 6 Underground Storage Tanks removed from the site in 1992. The site has not been closed by the North Carolina Department of Environment and Natural Resources. Due to the distance from the site and the assumed hydraulic gradient, it should be considered an off-site environmental condition.

State and Federal regulatory agencies maintain that parties responsible for creating, storing, transporting or manufacturing substances that cause contamination are the parties responsible for remedial cleanup. Therefore, if an off-site facility impacted Lots 2 or 5, it would typically be the responsibility of the off-site facility for remedial cleanup.

The Standard Environmental Records (SER) search listed that McFarlings Exxon was closed out on August 31, 2001, which means that the McFarlings Exxon should not be considered an off-site environmental condition due to its regulatory status. Information regarding this release can be found in Appendix B, pages 11 and 12 of the Phase One Environmental Site Assessment, completed by ECS on August 18, 2004.

Due to the unknown heating sources for the previous residential use at Lot 2 and Lot 5, ECS has recommended that a Ground Penetrating Radar Survey be performed on the subject properties to determine if remaining Underground Storage Tanks are located on the site. To date this study has not been performed.

## Report of Subsurface Exploration and Geotechnical Engineering Analysis

Engineering Consulting Services, Ltd., of Raleigh, NC, has completed a subsurface investigation and geotechnical engineering analysis for the proposed development of parking Lot 2 and parking Lot 5.

The analysis produced the following results:

### Lot 2

Parking Lot Two was explored by drilling seven soil borings and sampling the soil to depths ranging from 10 to 47.1 feet below existing site grades. Partially weathered rock was encountered at about 42.5 feet with auger refusal, interpreted as intact bedrock, encountered at 47.1 feet.

### Lot 5

The site was explored by drilling five borings and four auger probes to depths ranging from approximately 3.1 to 26.7 feet below existing site grades. Auger refusal, interpreted as intact bedrock, was encountered in all of the borings at this site.

With regard to excavation of the rock at these sites, ECS states "...we do not anticipate rock excavation to be a significant issue at parking lot #2, while the majority of the material to be excavated at parking lot #5 is anticipated to be rock." ECS continues stating "We anticipate that blasting will be required to excavate most of the rock."

Based on the results of this study, SPPRE contacted a national construction firm and performed the initial cost estimating for the removal of rock from Lot 5. SPPRE has determined the approximate cost to be from \$5.00 to \$30.00 per cubic yard.

The \$5.00 per cubic yard cost is based on addressing the rock conditions which only requires regular earth-moving equipment.

The \$30.00 per cubic yard cost is based on the scenario requiring blasting of the rock and removal of rock off-site.

For the Financial Analysis, SPPRE used the median cost of \$17.50 per cubic yard and provided the alternative solution of eliminating the parking stalls allocated for storage and thereby avoiding constructing the third level of the underground garage. Under the scenario of a two-level garage and using \$30.00 per cubic yard cost estimate, the cost was approximately the same as cost which assumes \$17.50 per cubic yard.

## Land Appraisals

The Town of Chapel Hill and SPPRE have performed two land appraisals on Lots 2 and 5. Analytical Consultants Inc. of Chapel Hill, NC and Pickett-Sprouse Real Estate of Durham, NC both applied land valuation techniques to each site. (See Section 10)

### Analytical Consultants

Lot 2: "Based on the analysis completed of the subject and the market, together with our experience appraising properties similar to the subject, it is our opinion that the Market Value, "As Is" in the Fee Simple Estate of the subject as of July 17,2004 is **\$1,600,000.**"

Lot 5: "Based on the analysis completed of the subject and the market, together with our experience appraising properties similar to the subject, it is our opinion that the Market Value, "As Is" in the Fee Simple Estate of the subject as of July 17,2004 is **\$3,150,000.**"

### Pickett-Sprouse Real Estate

The Town hired the firm Pickett-Sprouse Real Estate to complete a Land Appraisal using the Income Approach to determine the current market value of Downtown property. Pickett-Sprouse, based in Durham, is a brokerage, consultant and development company. Based

on their research, their reported stated “it is my opinion that the current price **per square foot of building area** land value range should most likely be \$20.00 to \$35.00. It is further my opinion that this range moves upward to \$25.00 to \$35.00 per square foot when some reasonable certainty for government approval is present.”

The estimated market value of the Lot 5 project site is \$5,252,017. The basis of this estimate is as follows:

- The Pickett-Sprouse median value per square foot: \$30.00.
- The building area for Lot 5: 307,970 SF. (Excludes open space and replacement parking)
- Land Value: \$9,239,100. (Based on Pickett-Sprouse Income Approach)
- Median Land Value: \$6,194,550 (The median of the estimated market value by Analytical Consultants: \$3,150,000 and Pickett-Sprouse: \$9,239,100).
- Based on a condominium scenario, SPPRE assumed an annual 8% return to the Town for a term of 30 years. To estimate the Present Value (PV) of the Town’s return, SPPRE used a 4% Discount Rate. Consequently, the Land Lease Payout under the condominium scenario totals: \$5,252,017.

**The Estimated Value of the Air Rights Over the Existing Wallace Deck**

No formal Land Appraisal was completed for Wallace Deck. Because the Wallace Deck transaction is based on air rights, SPPRE assumed \$25.00 per square foot of building area to determine the appraised land value. In order to determine the Land Lease Payout for Wallace Deck, SPPRE calculated the Present Value (PV) of a 30-year Land Lease using a 4.0% Discount Rate, which revealed a Land Lease Payout to the Town equal to \$4,022,061.

**Step 8: Complete Proforma and Financial Sensitivity Analysis**

**Overview of the Proformas**

SPPRE completed an 8-part Financial Analysis for each public and private development component (available on Request for Qualifications disc). For example, for the proposed development of Lot 5, the 20-page financial analysis included:

- Market-Rate Condominium Sales Proforma
- Market-Rate Condominium Construction Loan Analysis
- Affordable Condominium Sales Proforma
- Affordable Condominium Construction Loan
- Retail Proforma
- Reversionary Analysis for Retail
- Income Assumptions for the Town Garage Non-Tax Income and property Tax Revenue Analysis

Based on the financial analysis, the SPPRE Team concluded that the financial measurements for each private development component met the current requirements of the current capital market. The proformas included the following types of Land Lease payments and economic participation for the Town:

- Land Lease Payouts (from the Market-Rate Condominium Units)
- Participation in Net Sale Proceeds (from the sale of the condominium units in years 1 and 2)
- Base Rent from the Retail Space (Annual payments based on Land Lease)



- Participation in Net Sale Proceeds (from the sale of the retail space – assumed a sale in year10)
- Land Lease Payouts (from the Affordable Housing Units)

In addition to Land Lease payments to the Town, the Town and other government entities will realize Property Tax revenue from each of the private development components. Property Tax is of course part of the operating expenses for the private development components, so this cost was included in the Proformas.

In addition to non-tax income and property tax revenue generated by the proposed private development components, the retail space included in each development will generate Sales Tax revenue for the Town, Orange County and the State of North Carolina. Sales Tax is a cost incurred by consumers, so this cost was not included in the Proformas.

### **Tax Increment Financing (TIF)**

The current public/private finance plan for Phase Two includes a TIF backed revenue bond. “Self-Financing Bonds,” also known as Tax Increment Financing (TIF) was approved in North Carolina by voters on November 2, 2004. The Council Committee is in the process of establishing their position on the use of this financing instrument. The Town Council has not decided whether TIF financing will be utilized.

### **Financial Sensitivity Analysis**

In addition to preparing Proformas for each project, the SPPRE Team also completed various Financial Sensitivity Analyses. The primary purpose of this analysis was to demonstrate the effect on financial measurements, such as Internal Rate of Return (IRR) and Return on Cost (ROC) if project variables such as construction cost, and interest rates were to increase. The financial sensitivity analysis tested the impact of increasing these variables 5%, 10% and 15%. These “stress”

tests also included the “benchmark” scenario used in the proformas. This allowed Town officials to complete a comparative analysis.

Using the project variable of “Construction Cost” in one of the financial sensitivity analyses revealed that if construction cost increased by as much as 15%, the retail component of the Lot 5 project remain financially feasible. Using the variable “Interest Rates” in one of the analyses, revealed that interest rates could increase by 75 basis points and the retail component of Lot 5 remained financially feasible.

For the Wallace Deck, an increase of construction cost by more than 10% caused the project to be financially infeasible. An increase of 75 basis points in the interest rate was tolerated for the Wallace Deck.

### **Step 9: Prepare a Development Phasing Plan**

Normally, development phasing plans are primarily based on market demand; but for the Chapel Hill development opportunities, solving the replacement parking issue and assuring a positive cash flow for the Town in the future made this step complex.

SPPRE developed several alternative development phasing plans for consideration by the Council Committee, but in order to reduce the Town’s risk and avoid a temporary move for RBC Centura, it was clear that a two-phase plan was the answer. Phase One includes the concurrent development of Lot 5 and Wallace Deck. Phase Two includes the development of Lot 2 and the Town garage located on the existing RBC Centura property.

#### **A Development Phasing Plan that Initially Seemed to be the Best Solution**

Initially, SPPRE thought that the garage on the RBC Centura property was the most logical project to develop in Phase One, because this garage could accommodate the 274 parking

spaces currently included in Lots 2 and 5. But after an intense work session with the Council Committee, the consensus was that constructing this garage without any assurance that Lots 2 and 5 would be developed was too risky for the Town. There are three reasons why this phasing is too risky:

1. If for some reason beyond the control of the Town, the commercial development of Lots 2 and 5 did not proceed, the Town would incur the cost of the garage and not need to replace the existing parking spaces.
2. Equally important, if the development of Lots 2 and 5 did not proceed the Town would not receive non-tax income or tax revenue from the commercial development of the lots, and therefore the Bond(s) issued by the Town would not be self-supported.
3. Another flaw of this scenario is the fact that building the garage on the RBC Centura site first would require the bank to move to a temporary location during the design and construction of Lot 5. A further concern of this phasing plan is the fact that if RBC Centura moved to a temporary location and for some unforeseeable reason the development of Lot 5 did not proceed, RBC Centura would potentially be housed in a building in which they ultimately did not want to be located.

### **The Recommended Development Phasing Plan**

After developing and analyzing several alternative development phasing plans, the most advantageous plan includes two phases: Phase One is the concurrent development of Lot 5 and the expansion of the existing Wallace Deck. Phase Two includes the commercial development of Lot 2 and the development of a Town-owned garage on the property currently occupied by RBC Centura.

#### *Phase One:*

##### *The Development of Lot 5 and Wallace Deck*

Developing Lot 5 in Phase One is the most effective action the Town can take to strengthen the retail shopping experience on Franklin Street and to avoid the logistical problems of moving RBC Centura twice, as well as the cost of two moves. Developing Lot 5 in Phase One and Lot 2 in Phase Two limits finding replacement parking to 173 spaces. The Council Committee and SPPRE thought that losing the 274 parking spaces currently located on Lots 2 and 5 at the same time would have too negative an impact on Downtown merchants.

Adding three stories of housing on top of the existing Wallace Deck is not dependent on any major factors such as replacement parking or temporary moves by tenants. SPPRE has received confirmation from two construction companies that the existing garage can continue to operate with minor disruptions during construction of the expansion of the Deck.

#### *Phase Two:*

##### *The Development of Lot 2 and the Town Garage*

Dividing up the development of Lots 2 and 5 into two phases reduces the impact on Downtown merchants, requiring the Town staff to find only a maximum of 173 replacement parking spaces during the construction of Phase One and 102 spaces during the construction of Phase Two. The proposed Transit Transfer Center (TTC) is located on the lower level of Lot 2. Consequently, the Town has more time to seek grant funding to finance this facility.

### **Step 10: Develop Alternative Public/Private Finance Plans**

Clearly, developing a public/private finance plan which is acceptable to the Town Council and to the to-be-selected private developer is critical to proceeding to implementation.

Based on the assumptions included in the finance models developed by SPPRE, the proposed private development components should be able to be financed with traditional debt and equity. With the exception of the Town Garage, potentially located on the RBC property, the public development components can be financed with Town-issued bonds which are supported solely by the non-tax income generated by the private development projects.

The proposed financing instrument for the Town Garage on the RBC property is TIF backed revenue bonds. Prior to issuing and Request for Qualifications/Request for Proposals for Phase Two, the Town/SPPRE Team will explore alternative financing instruments for this project. The Council has not decided whether TIF will be utilized.

### **Step 11: Develop Alternative Ownership, Investment, Development and Operation Scenarios**

One of the driving forces behind the public/private partnership approach to development is for public partners to fully use the design, finance, development, construction and operational expertise of the private sector. There are limitations on the private use and

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**One of the driving forces behind the public/private partnership approach to development is for public partners to use the design, finance, development, construction and operational expertise of the private sector.**

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operation of facilities owned and financed with public funds, and there is the issue of control over the operation of certain facilities.

The Town Council has not taken a hard stance on the design, construction, ownership and operation of the proposed public facilities. Consequently, Town officials look forward to creative solutions developed by candidate development teams. For example, if development teams can demonstrate that they can capture and share the economic benefits of achieving an economy of scale, the Town is open to innovative concepts.

Development teams short-listed after the Request for Qualifications process will be urged to incorporate a comprehensive list of Approval Rights for the Town in their Technical proposals and in the Development Agreement. These Approval Rights will be applicable throughout the balance of the pre-development process, the development processes and during operation of the completed buildings and facilities.

## Appendix 2: Development Sites and Building Programs

Based on the work of ERA, HKS Architects and the Town, SPPRE developed the following building program for Phases One and Two.

- Residential development  
305,440 GSF
- Retail/dining entertainment development  
62,750 GSF
- Open space area  
55,100 GSF
- Parking spaces: 1,289  
1,061 new spaces  
228 existing spaces

### Parking

It was the direction of the Town Council that the development replace the existing surface spaces in Lot 5 (173 spaces) and Lot 2 (101 spaces) in the new design program. HKS worked with the Council Committee and SPPRE and proposed slightly adjusted parking ratios for consideration:

- Off-street parking requirements of 1.5 spaces per dwelling unit (DU). This increased from the previous 1 parking space per DU.
- Provide 1 off-street parking space for every 400 square feet of non-residential development of the subject lots, and then apply a 25% reduction to the total to account for shared parking utilization.

After a financial feasibility analysis, and as a method to reduce development costs and increase cash flow, SPPRE has modified the parking requirements at each lot. SPPRE has removed the storage requirement from the Wallace Deck building program and the Lot 2 building program. The removal of the storage parking component requires that the

development team design units that will accommodate storage capacity for the residential demand.

### Transit

The concept of the Transit Transfer Center was generated by the Town and is incorporated into the development of Lot 2.

Chapel Hill Transit provides public transportation service throughout the Chapel Hill, Carrboro and UNC community. Chapel Hill Transit operates fixed route and demand responsive service within approximately a 25 square mile service area. In January 2002 the system became fare-free. Chapel Hill Transit produces over 142,000 annual hours of service and has a budget of over \$11 million. At the end of the 2003-2004 fiscal year, fixed route ridership was over 5 million.

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**Removal of storage parking component requires that the development team design units that will accommodate storage capacity for residential demand.**

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### Affordable Housing

It is mandated by the Town that 15 percent of all new housing development be affordable housing. The Council's goal is for 20 percent of the dwelling units to be affordable.

### Pedestrian Bridge

A pedestrian bridge connecting the proposed building at Lot 2 and the RBC Garage is recommended by the Town and SPPRE and is incorporated into the current Building Program.

## Appendix 2: Development Sites and Building Programs

### Summary of Building Program

#### Total Building Program (Phases One and Two)

RBC, Lot 2 and TTC Included (5 Projects)

Type of Use		Gross SF	Units	Building Efficiency	Lease SF	Sales SF
<b>Phase One</b>						
<b>Lot 5</b>	Residential					
	Market Rate – Condo	128,480	102	1.00	-	128,480
	Market Rate – Rental	-	-	0.92	-	-
	Affordable Housing-Ownership	32,120	26	1.00	-	32,120
	Retail	30,250	-	0.92	27,830	-
	Open Space	28,300	-	0.00	-	-
	<b>Subtotal</b>	<b>219,150</b>	<b>128</b>		<b>27,830</b>	<b>160,600</b>
<b>Lot 5 Garage</b>	Private Parking					
	Parking-Residential					
	Market Rate – Condo	48,960	153	1.00	48,960	48,960
	Market Rate – Rental	-	-	1.00	-	-
	Affordable Housing-Ownership	8,320	26	1.00	-	8,320
	Parking-Residential Storage	-	-	0.00	-	-
	Market Rate – Condo	32,640	102	1.00	-	32,640
	Market Rate – Rental	-	-	1.00	-	-
	Affordable Housing-Ownership	8,320	26	1.00	-	8,320
	Parking-Retail	18,880	59	1.00	18,880	-
	<b>Subtotal</b>	<b>117,120</b>	<b>366</b>		<b>67,840</b>	<b>98,240</b>
	Public Parking					
	Parking-Replacement	55,360	173	1.00	55,360	-
	Parking Surplus (Public Parking)	-	-	0.00	-	-
	<b>Subtotal</b>	<b>55,360</b>	<b>173</b>		<b>55,360</b>	<b>-</b>
	<b>Total Parking upon completion</b>	<b>172,480</b>	<b>539</b>		<b>123,200</b>	<b>-</b>
	Total GSF	391,630				
	Parking Space/SF	320				
	Average SF per Residential Unit	1,255				

## Appendix 2: Development Sites and Building Programs

### Summary of Building Program Continued

<b>Wallace</b>	Residential					
	Market Rate – Condo	109,120	87	1.00	-	109,120
	Market Rate – Rental	-	-	0.92	-	-
	Affordable Housing-Ownership	27,280	22	1.00	-	27,280
	Retail	4,000	-	0.92	3,680	-
	Open Space	12,200	-	0.00	-	-
	<b>Subtotal</b>	<b>152,600</b>	<b>109</b>		<b>3,680</b>	<b>136,400</b>
<b>Wallace Garage</b>	Private Parking					
	Parking-Residential					
	Market Rate – Condo	41,920	131	1.00	-	41,920
	Market Rate – Rental	-	-	1.00	-	-
	Affordable Housing-Ownership	10,560	33	1.00	-	10,560
	Parking-Retail	2,560	8	1.00	2,560	-
	<b>Subtotal</b>	<b>55,040</b>	<b>172</b>		<b>2,560</b>	<b>52,480</b>
	Public Parking					
	Parking-Replacement	72,960	228	1.00	72,960	-
	Parking Surplus (Public Parking)	-	-	0.00	-	-
	<b>Subtotal</b>	<b>72,960</b>	<b>228</b>		<b>72,960</b>	<b>-</b>
	<b>Total Parking upon completion</b>	<b>128,000</b>	<b>400</b>		<b>75,520</b>	<b>-</b>
	Total GSF	280,600				
	Parking Space/SF	320				
	Average SF per Residential Unit	1,251				
<hr/>						
<b>Phase Two</b>						
<b>Lot 2</b>	Residential					
	Market Rate – Condo	67,840	54	1.00	-	67,840
	Market Rate – Rental	-	-	0.92	-	-
	Affordable Housing-Ownership	16,960	14	1.00	-	16,960
	Retail	20,100	-	0.92	18,492	-
	Open Space	14,600	-	0.00	-	-
	<b>Subtotal</b>	<b>119,500</b>	<b>68</b>		<b>18,492</b>	<b>84,800</b>
<b>RBC Garage</b>	Retail Space-Ground Level	8,400		0.92	7,728	
	Parking-Market Rate Condos (Lot 2)	25,920	81	1.00	25,920	
	Parking-Affordable Housing (Lot 2)	6,720	21	1.00	6,720	
	Parking-Retail (Lot2)	12,160	38	1.00	12,160	
	Parking-Retail (RBC)	3,200	10	1.00	3,200	
	Parking-Replacement (Wallace)	29,440	92	1.00	29,440	
	Parking-Replacement (Lot 2)	32,320	101	1.00	32,320	
	<b>Totals after completion</b>	<b>109,760</b>	<b>343</b>		<b>109,760</b>	
	Total GSF	118,160				
	Parking Space/SF	320				

## Appendix 2: Development Sites and Building Programs

### Summary of Building Program Continued

<b>Totals</b>	Residential				
	Market Rate - Condo	305,440	244	-	305,440
	Market Rate - Rental	-	-	-	-
	Affordable Housing-Ownership	76,360	61	-	76,360
	Retail	62,750	-	57,730	-
	Open Space	55,100	-	-	-
	Subtotal	499,650	305	57,730	381,800
	Private Parking				
	Parking-Residential				
	Market Rate - Condo	90,880	365	48,960	90,880
	Market Rate - Rental	-	-	-	-
	Affordable Housing-Ownership	25,600	80	6,720	18,880
	Parking-Residential Storage				
	Market Rate - Condo	32,640	102	-	32,640
	Market Rate - Rental	-	-	-	-
	Affordable Housing-Ownership	8,320	34	2,560	8,320
	Parking-Retail	36,800	115	36,800	-
	Subtotal	194,240	696	95,040	150,720
	Public Parking				
	Parking-Replacement	117,120	366	117,120	
	Parking Surplus (Public Parking)	-	-	-	
	Subtotal	117,120	366	117,120	
	Total Parking Spaces Built	1,062			
	Wallace Spaces that Remain	228			
	Total Public Parking (inc. remaining Wallace Parking)		594		
Total Parking Spaces Upon Completion	1,290				
Total GSF	811,010				

*Phase One: Lot 5 and Wallace Deck*

**Lot 5**

**Existing Site Description:**

The current property is a 1.7-acre site located between West Franklin Street, West Rosemary Street, and Church Street. It presently contains a municipal surface parking lot with approximately 173 spaces. The lot is fairly level with some mild contour fall to the northeast. Trees on the property are mostly Bradford pears, some of which are near the end of the lifecycle. There is one large mature tree in the middle of the lot. There is generally low-scale development surrounding the lot, with the exception of the University Square complex (to the south), and new 2-to-4 level office/retail space immediately to the west. The Northside Neighborhood is adjacent to the north.

Franklin with both West Rosemary and Church Streets. The west building is envisioned as a 4-level structure that embraces the street. The east building would be similar, with a 6-story central module, keeping the 4-level portion at the street edge. Internal base-level spaces would conceptually house retail, art galleries, and potentially office space.

**Parking**

The building program assumes that on-site parking is accommodated by a 2.5-level underground parking garage (bottom level is approximately 30 feet below street level). This is shown to be constructed as part of the flanking buildings to achieve maximum cost efficiency. Under the conceptual master plans, each of the first two levels would contain about 205 spaces, for a total of 410 spaces. The third level would include 129 parking spaces for a total of



**Lot 5 Building Program Summary**

Lot 5 is proposed to be developed as a mixed-use block, with upper-level residential and street-level retail, dining, and entertainment (R/D/E) spaces. Two buildings are proposed which flank public pedestrian space that would have such amenities as landscaping, seating, public art, and/or water features that create a series of intimate and comfortable “outdoor rooms.” The pedestrian space links West

539 parking spaces in the garage. It is estimated that at least 128 of those spaces could be “removed” from service to be used as private storage space for Lot 5 residents. Access to the garage would be either from Church Street or from the northern lot boundary on West Rosemary Street. Resident-only reserved parking could be zoned with a key control device (gated arm) for private areas.



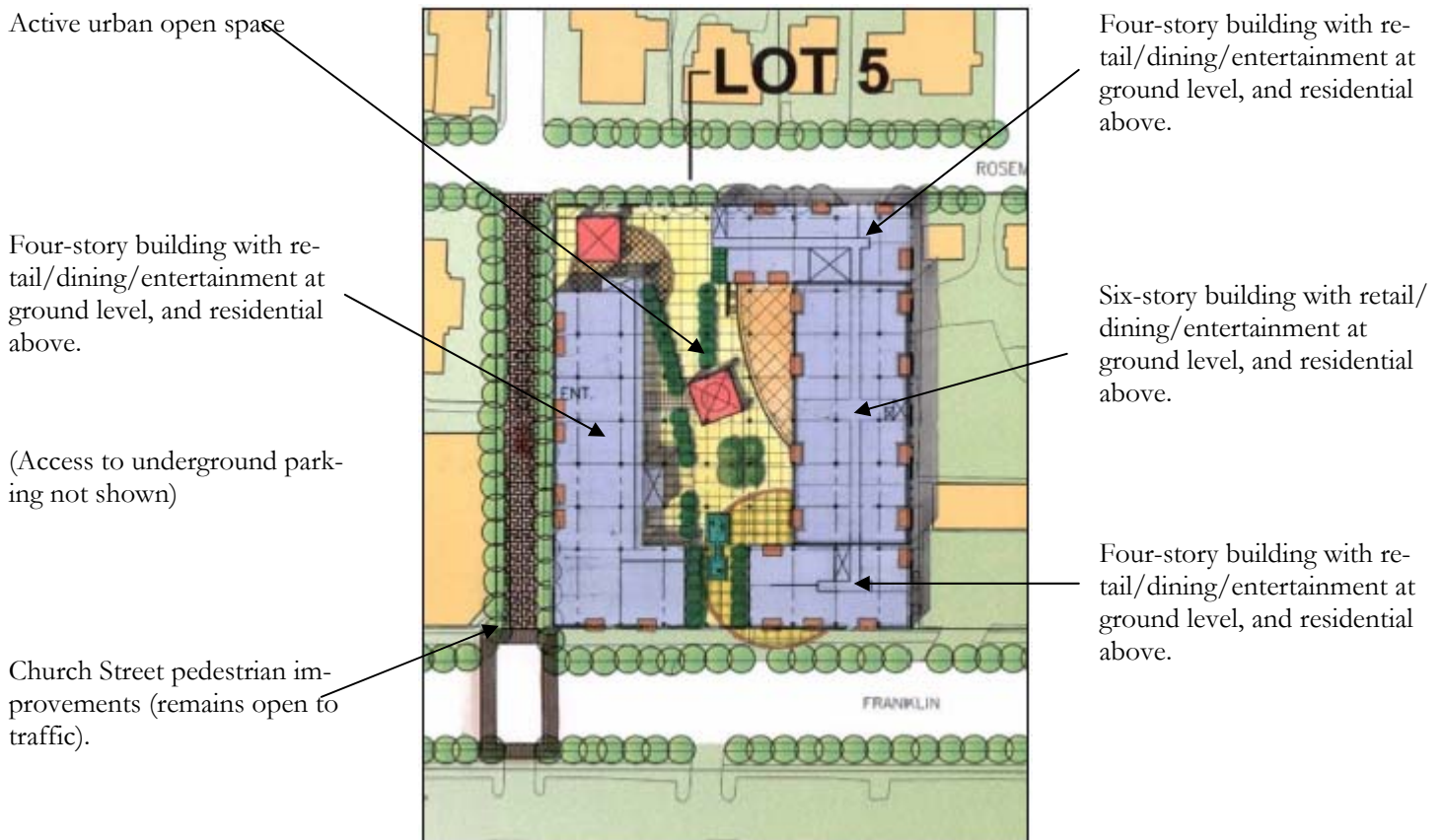
## Appendix 2: Development Sites and Building Programs

### Building Program Summary

The following summarizes the accompanying development program for Lot #5:

• Residential development-Market Rate Units	128,480 sf (102 DU's)
• Residential development-Affordable Housing Units	32,120 sf (26 DU's)
• Retail/dining/entertainment development	30,120 sf
• Open space/plaza area	28,300 sf
• FAR	2.55 FAR
• Parking spaces supplied	615 spaces
• Parking demand (including 173 replacement spaces)	425 spaces

Lot 5-Plan View



Note: This is a conceptual plan developed to determine the potential configuration of spaces, building scale and other features. The Council is interested in excellent, creative design; this plan should not be used as a guide to develop specific proposals by firms selected for the Request for Proposals stage.

### *Extended Wallace Deck*

#### **Existing Site Description**

The current property is a 1.2-acre site located between West Franklin Street, West Rosemary Street, and Henderson Street. It presently contains a 320 stall municipal parking garage (Rosemary Street Parking Facility and James C. Wallace Plaza). The Wallace Parking Deck has an under-used rooftop landscaped plaza. Also contained in this site consideration is a vacant lot behind the Old Post Office (Court House), which includes 12 parking spaces and a grassy area. Near the corner of Henderson and Rosemary is a mature magnolia tree. These two adjoining sites are collectively referred to as the Extended Wallace Deck.

The site is generally level, with a lower elevation than Franklin Street (by approximately 20 feet). A mixture of 1-to-2 story retail and office uses generally surround the property, with the exception of the adjacent 7-story Bank of America office tower located immediately to the west. A portion of the site is in the historic district (vacant lot) as is the old Post Office.

#### **Recommended Development Option**

The Extended Wallace Deck is proposed to be developed as a predominantly residential block. Three buildings are proposed to be built atop the existing Wallace Parking Deck, plus a proposed deck extension to Henderson. The existing rooftop plaza would be expanded to function as a residential amenity, with possibly some public uses. This development may connect with the Town-owned Old Post Office and, if the private owners agree, to the Bank of America Plaza to provide pedestrian access both at the street level and a “plaza level.” All three buildings are proposed to be 3-level structures above the existing garage elevation. Some limited street-level retail is envisioned at the corner of Henderson and Rosemary (limited due to garage ramping and the struc-

tural column grid). Development teams at the Request for Proposals stage must demonstrate in their design that the alley-way remains functional.

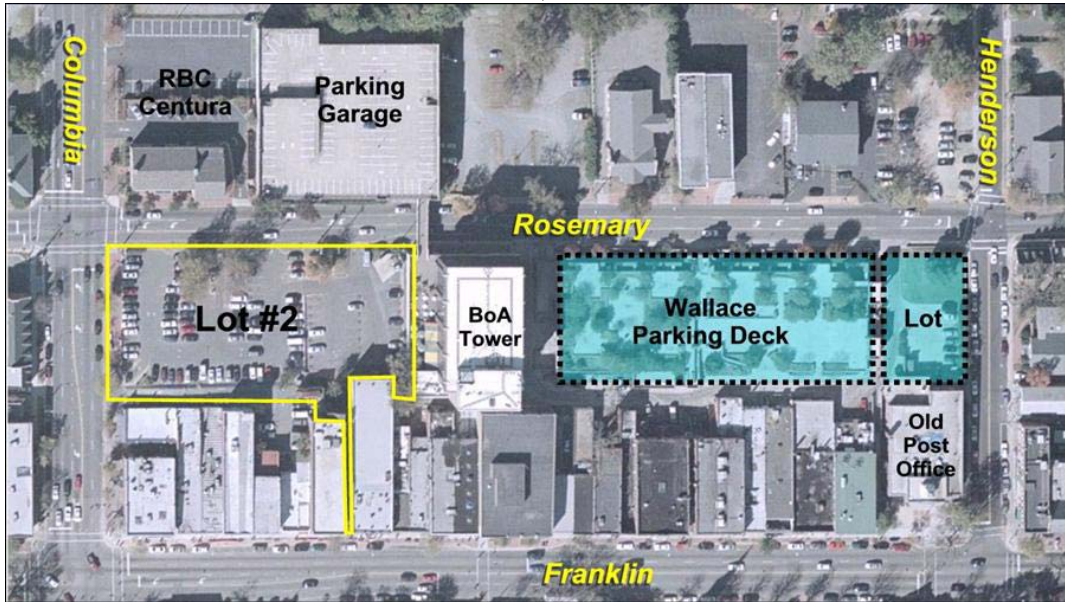
#### **Structural Capacity to Expand the Wallace Deck**

Stewart Engineering Inc. completed a report on the structural capacity analysis of the existing Wallace deck on December 13, 2004. Their conclusion is that the structural system of the deck “can safely support a new 3 to 4 story light residential structure and roof . “Light structure being defined as a wood or light gage steel structure. The exact number of floors will need to be determined once the loads from the structure become more defined. Care must be taken in the design of the new structure to be able to distribute the loads from the new structure as evenly as possible across the existing beams and columns. The lateral load analysis indicated the need for some additional seismic reinforcing in the East/West (long axis) direction. This can be accomplished by connecting the existing stair and elevator towers to the ramp structure. The addition of the new structure will require the removal of the existing planters, tiered seating and pavers down to the top of the plaza slab. A complete building survey is recommended prior to the start of construction. This survey should include photo and video of the structure along with a detailed description of all areas of building flaws; cracks, concrete spalling etc.

#### **Maintain the Proposed Building Program for the Expansion of Wallace Deck**

Based on the structural analysis of the existing Wallace Deck there has been a reduction in the number of stories of new development from four to three. The Town wants development teams to make every effort to maintain the proposed building program. So development teams are urged to be creative to achieve this objective. SPPRE, in conjunction with the Town, developed the following concepts: 1)

## Appendix 2: Development Sites and Building Programs



Increase the height of the proposed building located over the Town-owned land parcel behind the Old Post Office; 2) Reconfigure and/or reduce the amount of open space on the top of the existing deck and 3) Reduce the area of a typical housing unit. Under this scenario, the total number of housing units would be maintained at 109.

### Parking & Transit

The Extended Wallace Deck will take advantage of the existing Wallace Parking Deck and increase its capacity to almost 400 spaces (an increase of 80 new spaces). No increase in ele-

vation or deepening of the lower levels is proposed. Access to the garage would be either from Rosemary (west of Henderson) or Henderson (north of Rosemary). Through a financial analysis of the development scenario for Wallace Deck, SPPRE has omitted the storage spaces required. This assumes that the development team will build the units with adequate storage space for residents inside the units. Resident-only reserved parking could be zoned with a key control device (gated arm) for private areas. Any reduction in current parking capacity may be absorbed by new capacity at Lot #2 North (RBC site) and Lot #5.

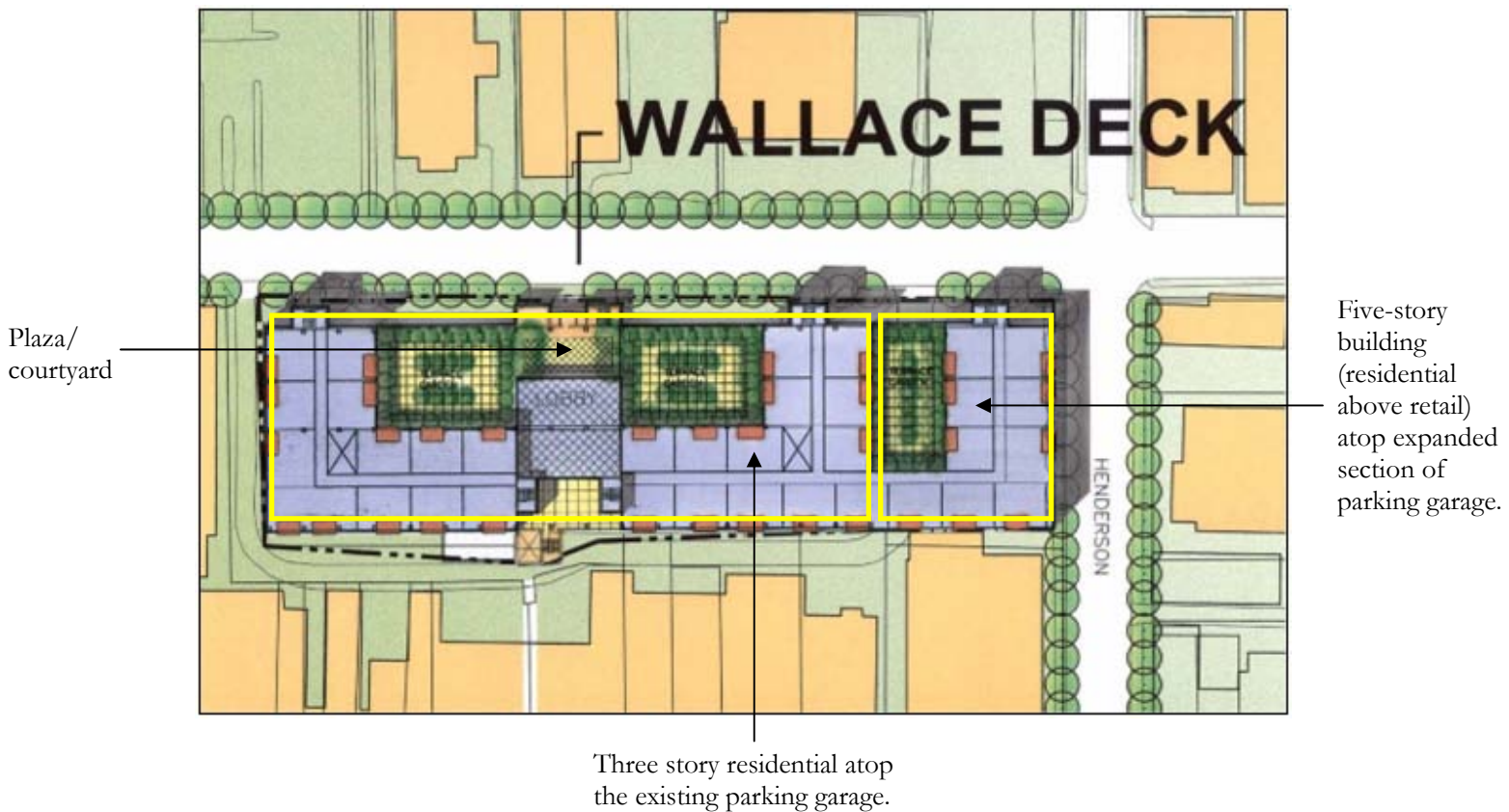
## Appendix 2: Development Sites and Building Programs

### Wallace Deck Program Summary

The following summarizes the accompanying development program for the Extended Wallace Deck:

- Residential development-Market Rate Units 109,120 sf (87 DU's)
- Residential development-Affordable Housing Units 27,280 sf (22 DU's)
- Retail/dining/entertainment development 4,000 sf
- Open space/plaza area 12,200 sf
- FAR 2.66 FAR
- Parking spaces supplied 400 spaces
- Parking demand 171 spaces

### Extended Wallace Deck-Plan View



Note: This is a conceptual plan developed to determine the potential configuration of spaces, building scale and other features. The Council is interested in excellent, creative design; this plan should not be used as a guide to develop specific proposals by firms selected for the Request for Proposals stage.

*Phase Two: Lot 2 and RBC Garage*

**Lot 2**

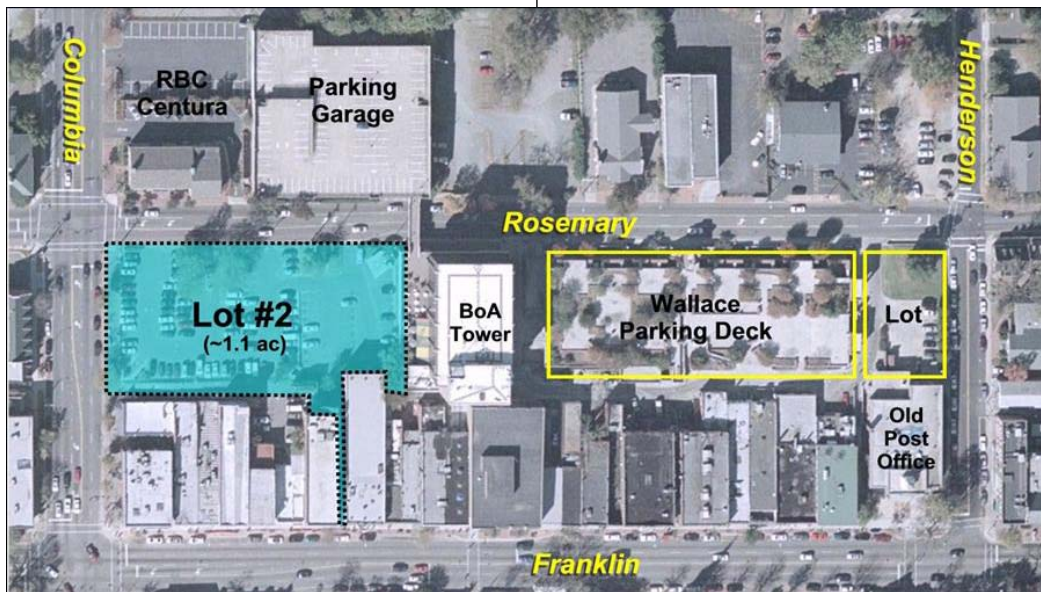
**Existing Site Description**

The current property is a 1.1-acre site located between East Franklin Street, East Rosemary Street, and North Columbia Street. It presently contains a municipal surface parking lot with approximately 101 spaces. The lot is terraced, with contouring falling generally towards the east. There are few trees on the lot and it is mostly paved. There is mixed development surrounding the property – 1-to-2 level buildings along Franklin, Rosemary, and Columbia, with a 7-story office tower (Bank of America) immediately to the east.

rooms.” The plaza would be punctuated with large light wells to flood the Transit Transfer Center with natural daylight. The internal court also links Columbia, Franklin, and Rosemary (using either new plazas or existing alleyways). The north building is envisioned as a 6-level structure, with street-level retail. The remaining two buildings are similar, but are 4 levels. Street-level spaces would house retail, galleries, and potentially limited office space.

**Parking and Transit**

The commercial development of Lot 2 is constructed atop a Transit Transfer Center (TTC). By utilizing the natural topographic fall of the site, limited excavation and site preparation will be necessary. The site may also be eligible for transit and other funds to encourage “transit-oriented



Note: The Old Post Office is in the Historic District.

**Recommended Development Option**

Lot #2 is proposed to be developed as a mixed-use block, with upper-level residential and street-level retail, dining, and entertainment (R/D/E) spaces. Three buildings are proposed to flank a relatively large pedestrian space that includes such amenities as landscaping, seating, public art, and/or water features that create a series of intimate and comfortable “outdoor

developments” (TODs). SPPRE has developed 2 to 3 alternative Public/Private Finance Plans to fund the TTC. The TTC would contain stops for 9 buses, and may also house a Town information and service center.

Parking for Lot 2 is proposed to be provided by a new parking garage on the site of the current RBC Centura Bank. Taking advantage of that site’s natural contours, 2 levels could be built that are effectively underground at the

## Appendix 2: Development Sites and Building Programs

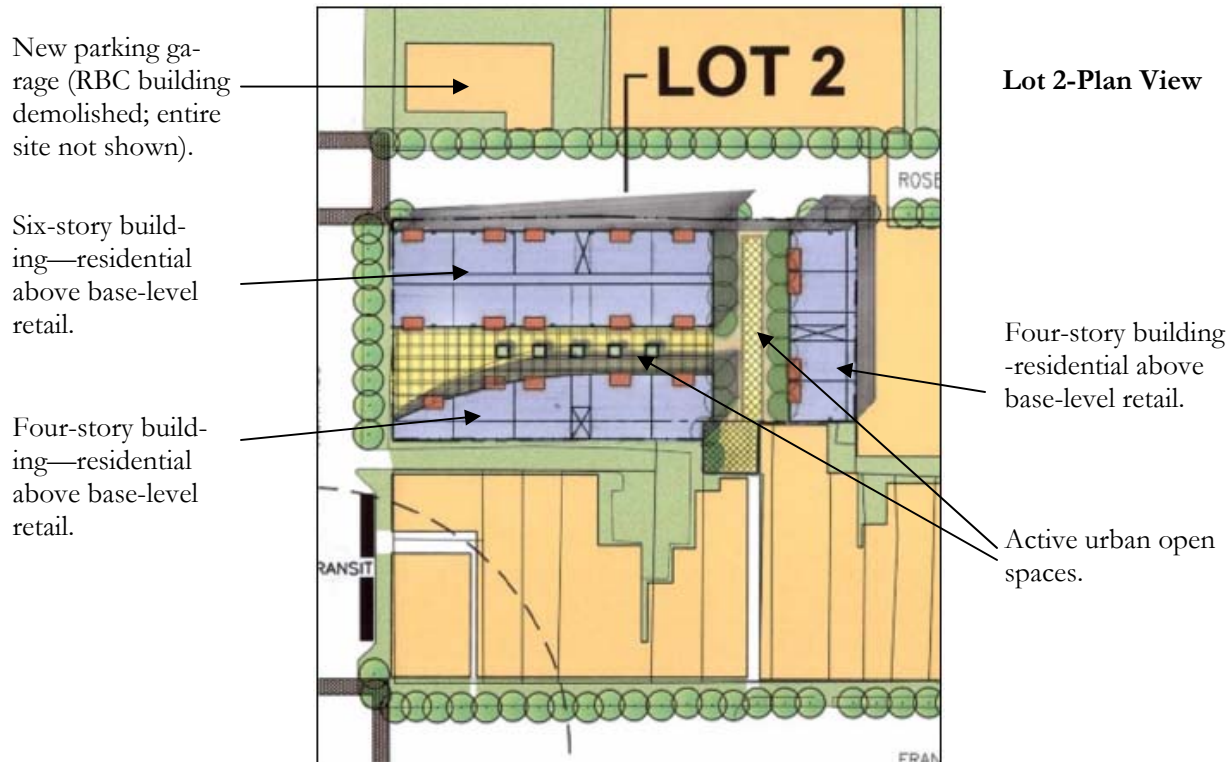
Rosemary elevation. An additional 4 levels is proposed above grade. Each level will contain about 60 spaces, for a total of 360 space maximum capacity. Through a financial analysis of the development scenario for Lot 2, SPPRE has omitted the storage spaces required at the proposed RBC garage to lower development costs at the garage (avoiding an

entire 5<sup>th</sup> floor of parking). This assumes that the development team will build the units with adequate storage space for residents inside the units. Access to the garage would be either from Rosemary (east of Columbia) or Columbia (north of Rosemary). Resident-only reserved parking could be zoned with a key control device (gated arm) for private areas.

### Lot #2 Program Summary

The following summarizes the accompanying development program for Lot #2:

- Residential development-Market Rate Units 67,840 sf (54 DU's)
- Residential development-Affordable Housing Units 16,960 sf (14 DU's)
- Retail/dining/entertainment development 20,100 sf
- Open space/plaza area 14,600 sf
- Parking spaces supplied 360 spaces
- Parking demand (including 101 replacement spaces) 240 spaces



Note: This is a conceptual plan developed to determine the potential configuration of spaces, building scale and other features. The Council is interested in excellent, creative design; this plan should not be used as a guide to develop specific proposals by firms selected for the Request for Proposals stage.

***RBC Garage***

**Existing Site Description**

The property includes approximately 24,600 sf (0.56-acres) and is located at the Northeast quadrant of the intersection of Columbia Street and Rosemary Street. It presently contains the office for RBC Centura Bank. The office building is a 2 story brick building with parking in the rear of the building.

The site is generally level, with a lower elevation as you move along Columbia Street. Lot 2 lies directly across the street, there is a Bank of America Parking Garage adjacent to the property.

**Recommended Development Option**

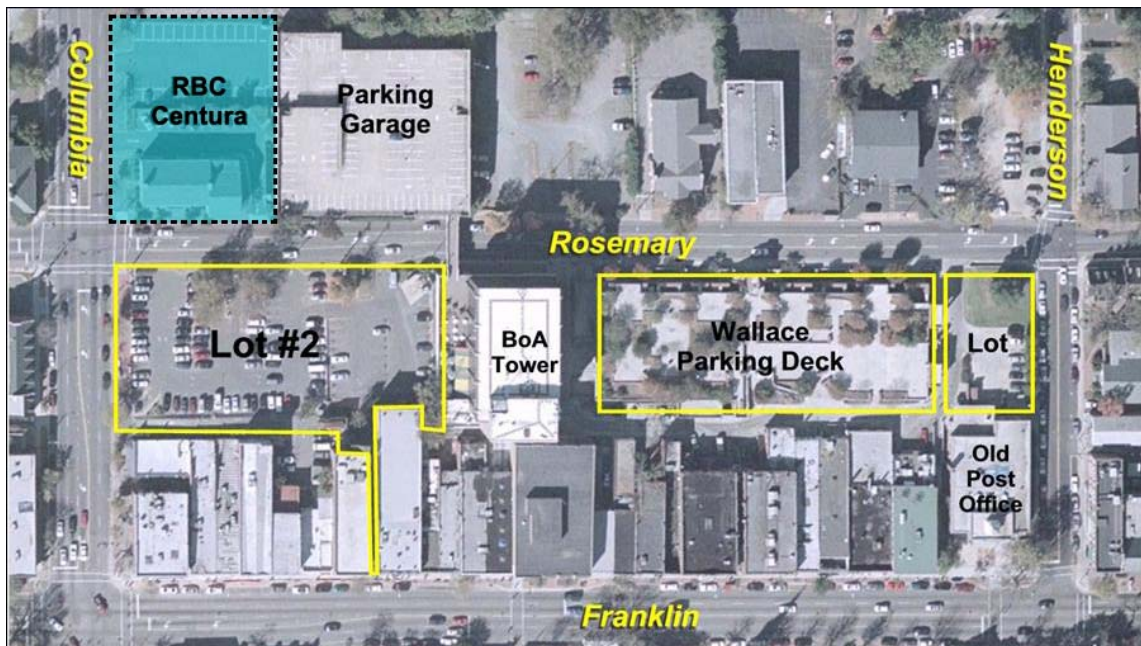
The RBC Garage will satisfy the new parking requirements at Lot 2 (Housing and Retail: 150 spaces), replace the existing surface parking at

Lot 2 (101 spaces), and the replacement parking from Wallace Deck (92 spaces), totaling a demand of 343 spaces. The Garage is planned to have one floor of Retail fronting on Rosemary Street and parking above to service 343 spaces. A Pedestrian Bridge is also envisioned connecting the RBC Garage and the Residential Building at Lot 2. At this time, it is proposed that the Town will design, finance, develop and operate the RBC Garage project. The financing of this project is included in the Public/Private Finance Plan prepared by SPPRE.

**RBC Garage Building Summary**

The following summarizes the accompanying development program for the RBC Garage:

- Retail: 8,400sf
- Parking spaces supplied 343 spaces
- Parking demand 343 spaces



## Appendix 3: Statement of Ability to Comply

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### CHAPEL HILL, NORTH CAROLINA

#### STATEMENT OF ABILITY TO COMPLY WITH TOWN REQUIREMENTS AND OTHER TERMS AND CONDITIONS OF REQUEST FOR PROPOSALS FOR THE MIXED-USE DEVELOPMENT OF LOT 5 AND WALLACE DECK

Name of Respondent: \_\_\_\_\_

The undersigned is a respondent to the Request for Proposals (RFP) for the mixed-use development of Lot 5 and Wallace Deck. The undersigned agrees to meet all the terms of the Development Concept set forth in Section 5. Of the RFP. The undersigned has reviewed, understands, and is ready, willing and able to comply with the Town's Special Use Permit and Design Review Processes as they apply to the mixed-use development of Lot 5 and Wallace Deck. The undersigned are authorized representatives of the Respondent.

1) \_\_\_\_\_

Name Title

Entity

Signature Date

2) \_\_\_\_\_

Name Title

Entity

Signature Date

3) \_\_\_\_\_

Name Title

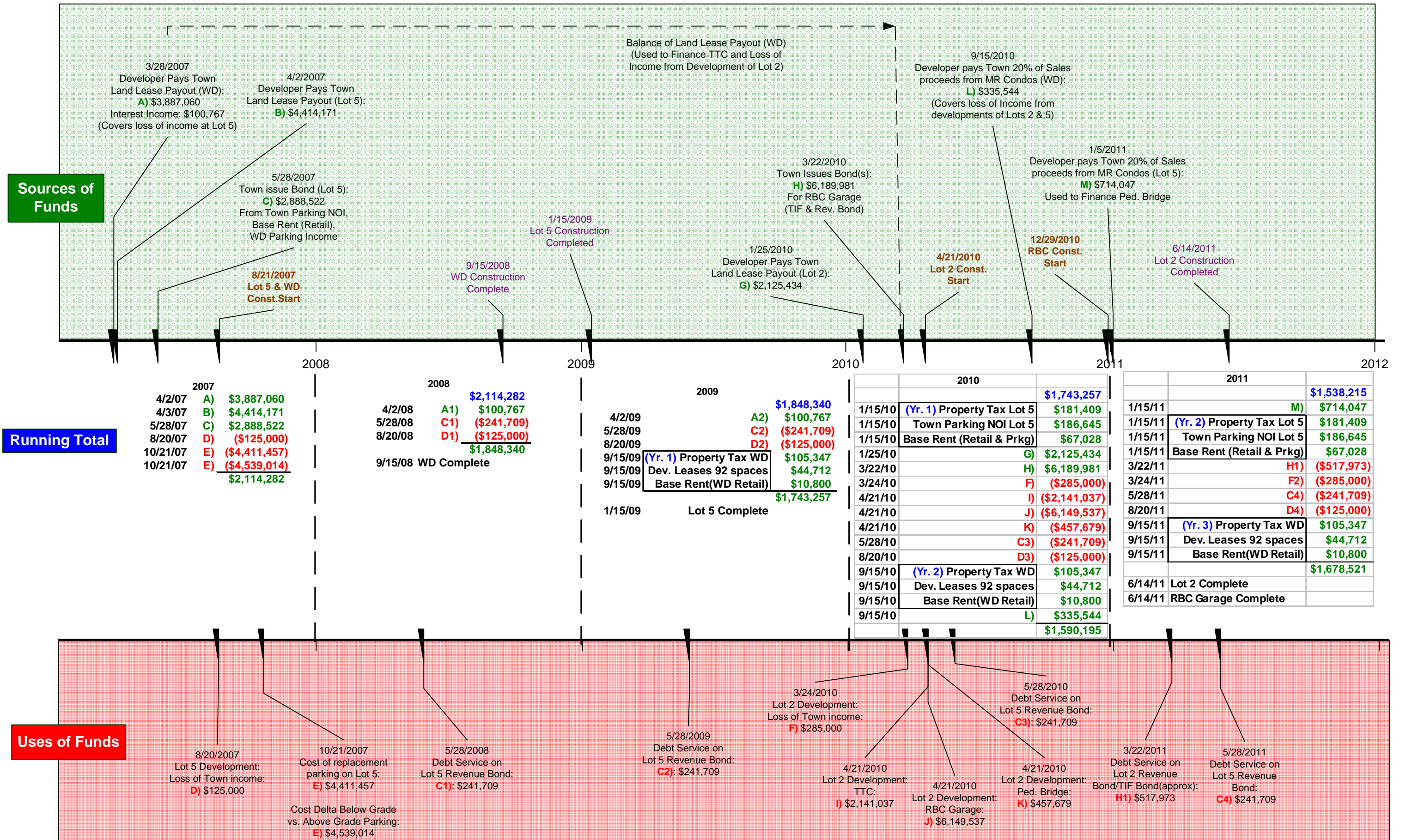
Entity

Signature Date

**COMPLETE, SIGN AND DATE THIS FORM, TEAR OUT AND SUBMIT WITH PROPOSAL**



# Appendix 4: Schedule for Sources and Uses of Funds



# Appendix 5: Preliminary Public/Private Finance Plan

**TOTAL DEVELOPMENT COST COMPONENTS A-F:**  
\$82,292,622

**TOWN'S PORTION OF COST**

**BONDS**

**SOURCES OF NONTAX INCOME**

**FOOTNOTES**

**Town Project 1**  
Existing Wallace Deck

Existing Revenue Bond:  
Est.: \$460,000  
  
Operating Expenses:  
\$531,000

Existing Lot 5 Income: \$125,000  
Existing Lot 2 Income: \$285,000  
Wallace Income: \$570,000

**Developer Project 1**  
Wallace Expansion  
Retail / Housing  
Cost: \$19,936,247  
A

Loss of Income:  
1) Demo of Lot 5: \$125,000  
  
Interest Income on Land Lease Payout of:  
\$100,767, assists Lot 5 loss for Yrs 1&2.

Sale of M-R Condo & Prkg: \$335,544  
Property Tax (Private): \$105,347  
Developer Leases 92 Spaces: \$44,712  
Base Rent (Retail): \$10,800  
Land Lease Payout: \$3,887,060  
(MR & AFF Condo Units)  
Retail Sale Proceeds (yr. 10): \$95,757

**Developer Project 2**  
Lot 5 Development  
Retail / Housing / Garage  
Cost: \$39,049,517  
(Private Component: \$30,099,046  
Public Component: \$8,950,471)  
B

**Town Projects 2 & 3**  
\$8,950,471  
Lot 5  
173 Replacement  
Parking Spaces  
Cost: \$4,411,457  
  
Cost Delta of Underground vs.  
Above-grade Parking  
\$4,539,014

\$8,950,471  
Revenue Bond: \$2,888,522  
Lot 5 Land Lease Payout: \$4,414,171  
(MR & AFF Condo Units)  
Land Lease Payout: \$1,647,778

Property Tax: \$181,409  
Town Parking Net Income: \$190,397  
Base Rent (Retail Space & Prkg): \$67,028  
Sale of M-R Condo & Prkg: \$714,047  
Retail Sale Proceeds (yr. 10): \$765,362

**Developer Project 3**  
Lot 2 Development  
Retail / Housing / Garage  
Cost: \$17,157,321  
C

**Town Project 4**  
Transit Transfer Center  
Cost: \$2,141,037  
D

Land Lease Payout: \$2,239,282  
(MR & AFF Condo Units)

**Town Project 5**  
Pedestrian Bridge: \$457,679  
E

Net Sale Proceeds: \$714,047

**Town Project 6**  
RBC Garage: \$5,159,447  
RBC Land Cost: \$990,090  
Total: \$6,149,537  
F

\$6,189,981  
TIF Bond: \$3,371,909  
Revenue Bond: \$2,818,072

Base Rent (Retail - Lot 2): \$40,303  
Property Tax: \$80,717  
Sale of M-R Condo & Prkg: \$222,205  
Retail Sale Proceeds (yr. 10): \$486,693  
Land Lease Payout: \$2,125,434  
(MR & AFF Condos)

RBC NCF after Debt Service: \$294,768  
(Yr 3; Retail and Parking Operations includes RBC  
Land Cost & Garage Cost)

**Assumptions and Footnotes**

- 1) All Revenue Bonds assume a Term: 20 years, Coupon Rate: 5.50%, Debt coverage ratio (DCR): 1.25.
- 2) Land Lease Payout will be paid to the Town by the developer at closing of the Construction Loan. The payout is based on the Present Value (PV) of a 30-year Land Lease with a Discount Rate of 2.50%.
- 3) The "Sale of M-R Condo & Prkg" : Represents the Town's 20% share of the Net Proceeds from the sale of the Market-Rate Condominium units. The one-time payment will be paid to the Town two years after completion of construction.

In order to reduce the cost of Affordable Condominium units, the Town will not share in the marginal Net Sale Proceeds of these Units.

**Surplus Non-Tax Income & Tax Revenue to Town (2007-2011):**  
\$1,734,459

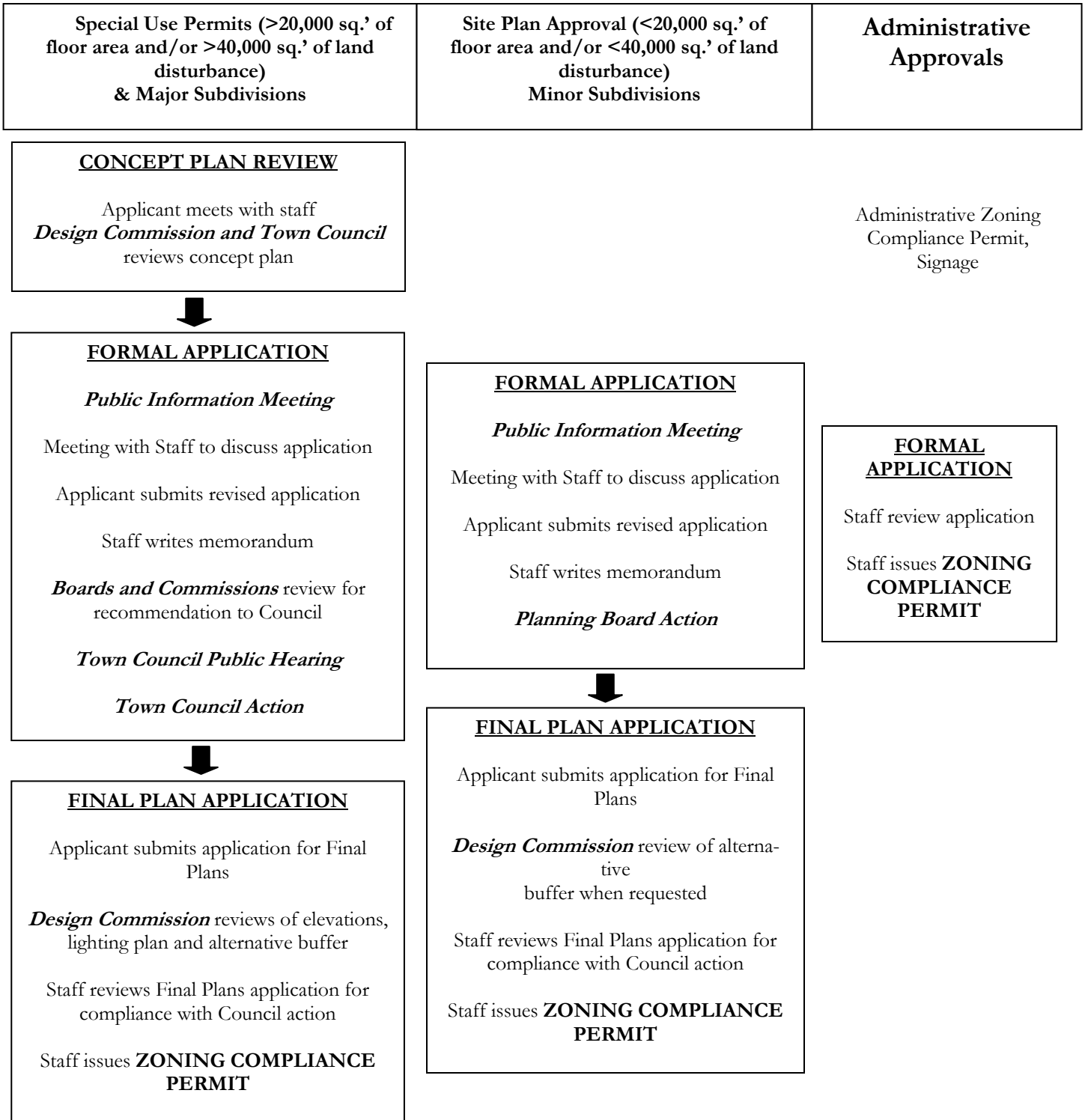
Income Assumptions are derived from Year 3 for each Income producing Project Component.

## Preliminary Public/Private Finance Plan ©

Town Of Chapel Hill  
November 5, 2004



# Appendix 6: Summary of Development Review Procedures



Administrative Zoning Compliance Permit, Signage

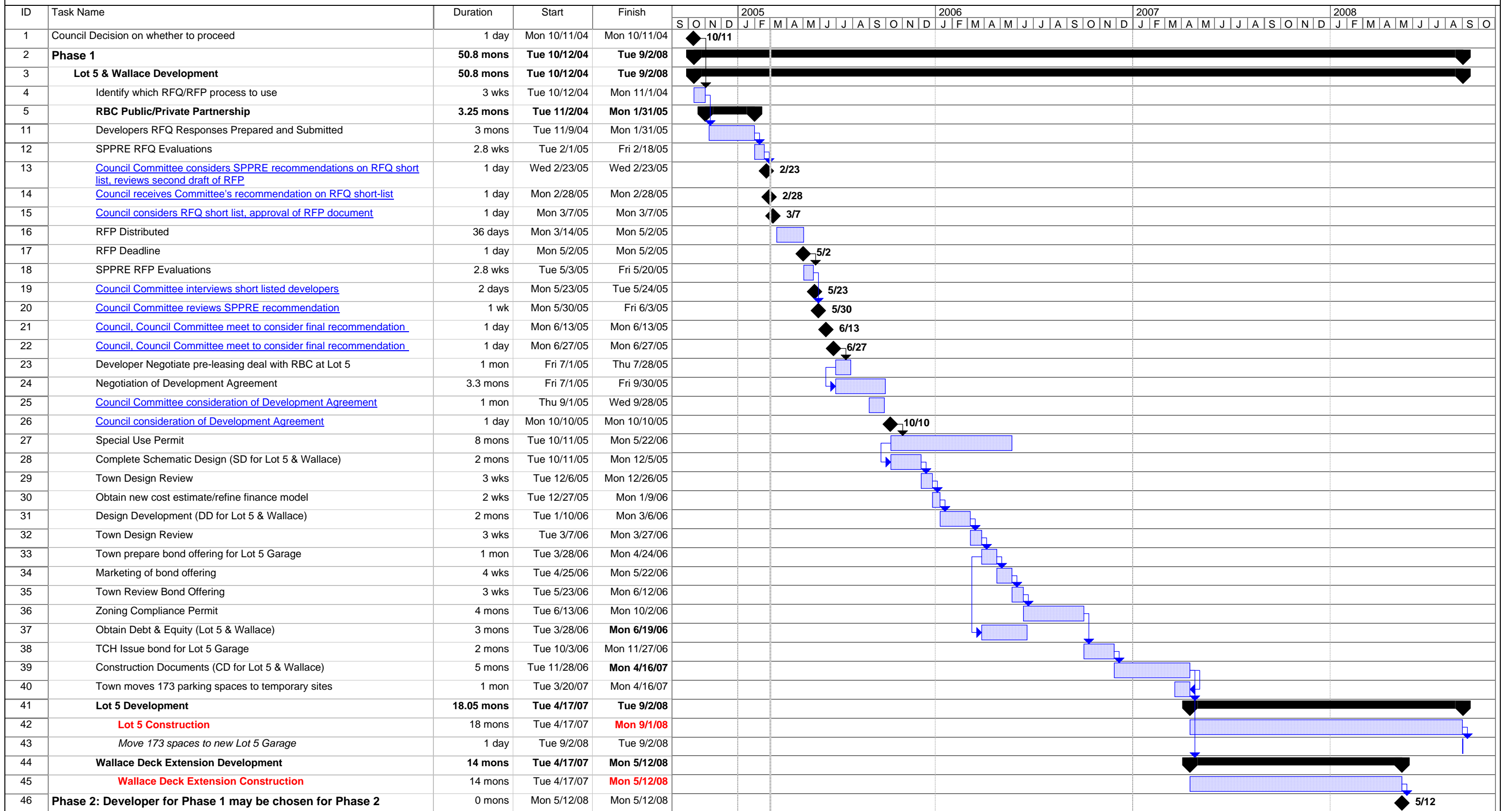
## Appendix 6: Summary of Development Review Procedures

### SUMMARY OF DEVELOPMENT REVIEW PROCEDURES for MAJOR SUBDIVISIONS AND SPECIAL USE PERMITS

<p><b>TIME ESTIMATES</b></p> <p>Month 1</p> <p><b>Timing Stops</b></p>	<p><b><u>Concept Plan Submittal</u></b></p> <p>Applicant submits <b>Concept Plan</b> - see handout for requirements</p> <ul style="list-style-type: none"> <li>* Meeting with staff encouraged</li> <li>Notices mailed (first of 3 sets of envelopes)</li> <li>* <i>Design Commission</i> (1st review) 3rd Wednesday of each month</li> <li>* <i>Town Council</i> (Public Hearing Meetings)</li> </ul>
<p>Month 1</p> <p>Month 2</p> <p><b>Timing Stops</b></p> <p>Month 3</p> <p>Month 4</p> <p>Month 5</p> <p>Month 6+</p> <p><b>Timing Stops</b></p>	<p><b><u>Formal Application for Special Use Permits and Major Subdivisions</u></b></p> <p>Applicant submits <b>Land Development Permit Application</b> - available in the Planning Department</p> <p>Notices mailed</p> <ul style="list-style-type: none"> <li>* Public Information Meeting</li> <li>Staff analysis</li> <li>* Staff meeting with applicant</li> </ul> <p>Applicant submits revised proposal and is scheduled for Board/Commission/Council meetings</p> <p>Staff analysis with written report</p> <ul style="list-style-type: none"> <li>* Recommendation to Council by <i>Planning Board, Transportation Board, Design Commission</i> (2nd review), <i>Parks and Recreation Commission, Greenways Commission</i></li> <li>Planning Staff prepare report for Council Public Hearing</li> <li>* <i>Council Public Hearing</i></li> <li>* <i>Council Action</i></li> </ul>
<p>Month 1</p> <p>Month 2</p> <p><b>Timing Stops</b></p> <p>Month 3+</p>	<p><b><u>Final Plan Application</u></b></p> <p>Applicant submits application for <b>Final Plans</b> (showing how the conditions of the Council approval will be met)</p> <ul style="list-style-type: none"> <li>* <i>Design Commission</i> (3rd review) approval of building elevations and lighting plan, alternative buffer</li> <li>Staff review; deficiencies letter sent to applicant</li> </ul> <p>Applicant submits <b>Revised Final Plans</b></p> <p>Staff review of revisions; continue process until conditions of approval are satisfied</p> <p><b><u>Zoning Compliance Permit</u></b> issued</p> <p>&gt; Developer must present Zoning Compliance Permit when applying for Engineering Construction Permit, Grading (Engineering Department) and Building Permits (Inspections Department)</p>

\* Indicates meetings the applicant should attend and make a presentation

### Appendix 7: Potential Project Schedule for Phase 1



Project: Chapel Hill  
Date: Tue 3/1/05

Task [blue hatched bar] Progress [black bar] Summary [grey bar] External Tasks [grey bar] Deadline [green arrow]

Split [dotted bar] Milestone [black diamond] Project Summary [grey bar] External Milestone [black diamond]