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ATTACHMENT 1



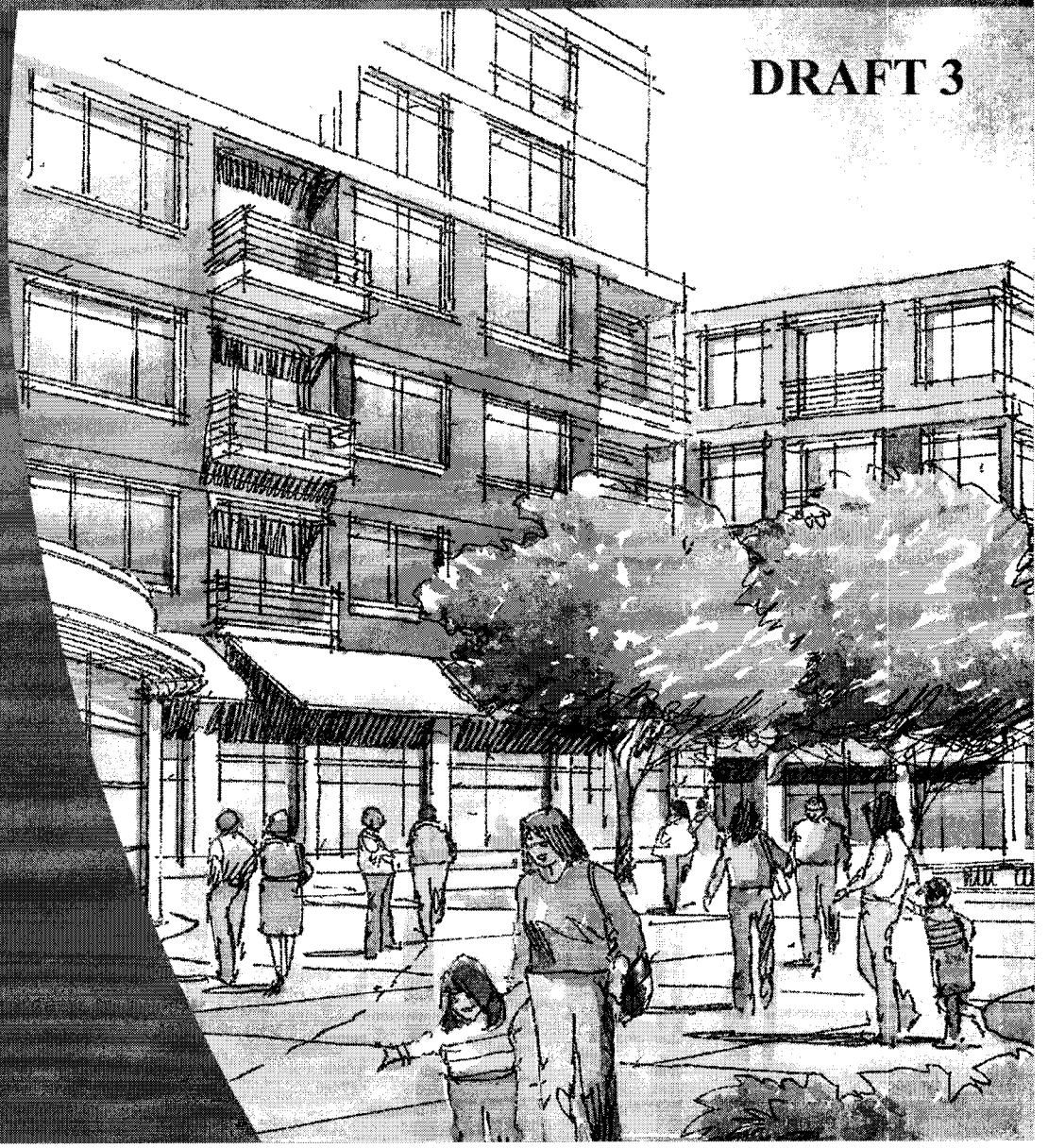
# REFOD

**Proposed  
Mixed-Use  
Development  
of Lot 5  
and Wallace  
Deck**

**DRAFT 3**

**Downtown  
Chapel Hill,  
North Carolina**

**December 13, 2004**



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## Section 1: Summary

### The Town's Proactive Approach to Strengthen and Reinforce the Downtown

The Town of Chapel Hill seeks to strengthen its downtown by fully utilizing Town-owned real estate assets and structuring genuine public/private partnerships with competitively selected private developer(s) to design, finance, develop, construct and operate four mixed-use developments included in a two-phase development plan.

The Town currently owns three of the four strategically located properties in the Downtown, two of which are included in Phase One: the commercial development of Parking Lot 5 and the expansion of the existing Wallace Deck. **The Phase One development is the subject of this developer RFQ.** The Town also owns a third property known as Parking Lot 2. This property, along with the potential acquisition and development of the RBC Centura property, are included in Phase Two, which will be the subject of another Developer RFQ/RFP to be issued in 2007.

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**The Town is seeking developers with extensive mixed-use and public/private finance and development experience to structure and implement two mixed-use projects with an estimated Total Development Budget of approximately \$59,000,000.**

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As part of the Town's proactive approach to strengthen the Downtown, in 2002 the Town established the Council Committee for the Development of Lots 2 and 5. The primary responsibility of the Council Committee is to structure and implement the public/private finance and development of Lots 2 and 5.

In November 2003, the Council Committee competitively selected Stainback Public/Private Real Estate (SPPRE) to assist the Committee and Town staff in four ways: 1) to complete the predevelopment process to help assure private developers that the Town is ready to implement the proposed four mixed-use projects; 2) to manage the developer solicitation and selection process; 3) Assist in the negotiation of the Development Agreement between the Town and the selected developer; and 4) serve as the Town's "Owner's Rep" during construction.

### The Phase One Development Opportunity

Using this RFQ, the Town is seeking developers with extensive mixed-use and public/private finance and development experience to structure and implement two mixed-use projects with an estimated Total Development Budget of \$58,985,764. Based on the results of a comprehensive market demand study completed by Economic Research Associates (ERA), the building program for Lot 5 and Wallace Deck includes 237 housing units (189 market-rate units and 48 units of affordable housing), 34,250 square feet of retail space and garages, which include a total of 711 parking spaces.

While a total of 711 parking spaces are required for Phase One, the developer will be responsible to finance only 80 new spaces in the Wallace Deck and 366 spaces to satisfy the requirement for the private development components. The developer will also lease 92 of the existing 320 spaces at Wallace Deck. The balance of the parking included in the development of Lot 5 is the Town's 173 replacement parking spaces, which under the SPPRE finance plan is financed by the Town. The project site for Lot 5 includes approximately 75,000 square feet (1.72-acres)

with extensive frontage on Franklin Street, the Town's "Main Street".

The Lot 5 site is located less than one block from the Town's "100% Corner". The Wallace Deck opportunity is the air-rights over an existing Town-owned garage. The Wallace Deck site is located at the southwest corner of Rosemary and Henderson Streets. This site is less than two blocks from the Town's 100% corner.

**Design and Quality of Development are Extremely Important**

One of the most important objectives of the Council Committee is to select developer(s), who can demonstrate a track record for developing projects that are pedestrian-friendly and responsive to the scale and character of the context. The developer of Lot 5 must pay particular attention to the interface between Franklin Street and the new development. A public gathering place is a required element for Lot 5. The Town believes the design of that space, design of proposed buildings, and the relationships between buildings, public space, and Franklin Street sidewalk are critical to the success of the project. Design Statements will be included in the Developer RFP.

While enhancing Franklin Street is one of the major objectives of the proposed projects, developers should also focus on the continued redevelopment of Rosemary Street. The Council Committee envisions Rosemary and Franklin Streets as the two "main" streets of the downtown.

**The Finance and Development Position of the Town**

The Town has completed many of the predevelopment studies required to effectively proceed to negotiating and implementing the public/private finance and development of the proposed projects. The completion of over 14 predevelopment studies also demonstrates how serious the Town is and that they will be a

responsive public partner to the selected developer. But Town officials are not willing to issue any debt that is not 100 percent supported by non-tax income and tax revenue generated by the proposed projects or that requires the full faith and credit of the Town.

The proposed sites for commercial developments are located on land owned by the Town and will be subject to an unsubordinated ground lease.

Developers who are short-listed to receive the RFP will be required to structure a public/private finance plan for all public and private development components. At a minimum, land lease payments will consist of two primary types of rent: Minimum, or Base Rent and Percentage Rent. The Town will only accept proposals for a long-term unsubordinated ground lease of the properties.

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**The Council Committee is requiring the selected developer to include a Public Art Fund in their proposals.**

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**Public Art Fund**

The Short-listed developers should be aware that the Council Committee is requiring the selected developer to include a Public Art Fund in their proposals. The Public Art Fund is equal to one percent (1%) of the Total Development Budget, which includes all hard and soft costs required to finance, design, construct and develop projects.

**The Basis for Using a Two-Step Solicitation Process**

The Town is using a two-step developer RFQ/RFP process. There are two primary reasons the Town and SPPRE selected this developer solicitation method. First, the Town wants to be sensitive to the cost and effort required by developers to respond to the RFP. So the Town issued this RFQ with the objective of

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## Section 1: Summary

selecting three to five qualified developers to receive the RFP. Using this method, only a small number of developers will incur the cost and time required to prepare an in-depth technical proposal. As a result of this RFQ/RFP process, the Town and SPPRE will select a developer with whom to negotiate a Development Agreement and Ground Lease.

Equally important, the Town wanted to allow a wide range of developers to submit their qualifications in response to the RFQ and to receive several technical proposals in response to the RFP (which will include site-specific urban design plans) architectural concepts and creative public/private finance plans.

## Section 2: There is a Strong Basis for Pursuing this Development Opportunity

### Ten Reasons to Consider Pursuing the Two Commercial Development Opportunities

The Town and SPPRE recognize that many developers are presented with development opportunities on a weekly or monthly basis. Consequently, developers have to be very selective when choosing opportunities to pursue.

We believe there are, at a minimum, 10 reasons that developers should focus on the development opportunities included in this RFQ:

1. The Town has already completed many of the critically important steps of the predevelopment process.
2. A national consultant has confirmed that there is a strong market demand for the proposed building program.
3. The Town is ready to reinvest a major portion of their non-tax income from these projects, and, possibly, their portion of the Property Tax generated by the proposed projects. The Town's reinvestment in Lot 5 and the Wallace Deck will enhance the private development components.

**There are at least 10 reasons that developers should focus on the development opportunities included in this RFQ.**

4. There appears to be a strong interest among the Town Council, to proceed, if feasible, to the negotiation phase and ultimately to the implementation of the proposed projects.

### 10 Reasons to Consider Pursuing the Project

1. Critical pre-development steps have been completed.
  2. Strong market demand for uses in building program.
  3. Potential Town investment.
  4. Community interest in project success.
  5. Town owns the Phase One sites; costs of site work included in finance plan.
  6. Lot 5 is key Franklin Street parcel.
  7. Finance model assumes financial assistance from Town for underground parking.
  8. Town consultant on project experienced in public-private finance and development.
  9. Council Committee formed to focus on project.
  10. Community input throughout pre-development process.
5. The proposed Phase One project sites are 100% owned by the Town; an environmental assessment has been completed; and the cost of blasting rock on Lot 5 has been included in the Public/Private Finance Plan.
  6. The development of Lot 5 may be the "lynch-pin" connecting the east and west sections of Downtown.
  7. The Town is willing to negotiate the possible coverage of the cost delta between underground parking and above-grade parking garage for Lot 5.
  8. The Town has hired a national consultant specializing in structuring and implementing public/private finance and development plans to guide both the Town and the

**Section 2: 10 Reasons to Consider Responding to RFQ**

selected developer toward the successful implementation of the proposed Downtown projects.

- 9. The Town has formed the Council Committee to focus solely on the development of Lots 2 and 5. The developer will primarily work with this highly focused group to negotiate and implement the Phase One projects.
- 10. There has been ample opportunity for input from community groups, UNC and local residents, so developers do not have to begin community outreach from square one.

**The Town Should Meet the Criteria for Most Developers to Pursue the Development of Lot 5 and the Wallace Deck**

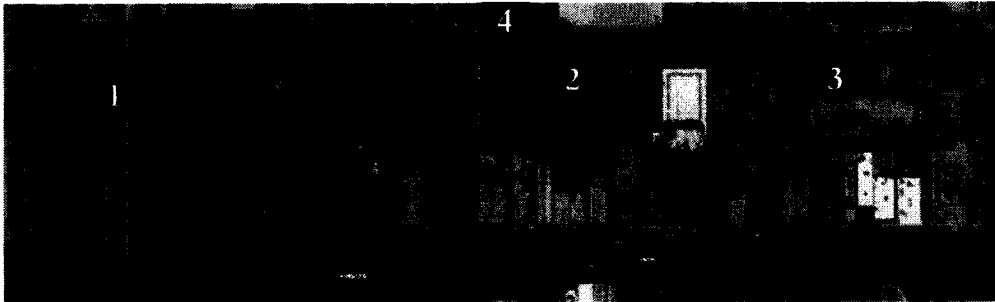
Bottom line, the Town is ready to serve as a responsible public partner and the project sites are assembled and ready for development. Equally important, the Town has the political will to complete the pre-development and development processes.

**Town and SPPRE may bring Tenant for Lot 5 Development**

The RBC Centura Bank building and property is located directly across from the Lot 2 development. Is it planned that the RBC Centura property will be acquired for two reasons.

First, RBC Centura Bank has expressed interest in leasing space in the new Development at Lot 5, with frontage on Franklin Street. Second, the acquisition of this property will enable the replacement parking needed from the displacement of the existing surface parking spaces at Lot 2 and service the new parking demand from Lot 2 development in Phase Two Development of RBC Garage.

Once a developer has been selected, the Public/Private Partnership Plan will be restructured to include the developer, along with RBC Centura and the Town. SPPRE has obtained a "Letter of Interest" from RBC Centura bank to continue structuring and negotiating the acquisition of the RBC property and a tenant lease for space in Lot 5 Development (see Appendix).



**The Town owns Town Parking Lot #5 (1), Town Parking Lot #2 (2), Wallace Parking Deck (3), and the Town Garage on RBC Property (4). Parking Lot #5 and the Wallace Deck are included in Phase 1. Lot #2 would be part of Phase 2.**



## Section 3: Purpose of the Developer RFQ

### Overview

The Town of Chapel Hill is soliciting qualification proposals from the development community to structure and implement the public/private design, finance, development, construction and operation of the two proposed mixed-use developments.

The Town is seeking a developer who will assemble the comprehensive multidisciplinary team needed to address the multitude of issues required to bring these projects to fruition. At a minimum, the Town and SPPRE want candidate developers to assemble a team with the following components:

- Developer
- Architect and/or Urban Design firm
- Construction company
- Investment Bank
- Construction
- Engineers (MEP, Civil and Structural)

**The Town is seeking a developer who will assemble the comprehensive multidisciplinary team needed to address the multitude of issues required to bring these projects to fruition.**

We recognize that there are instances whereby developers prefer not to identify one team member, because if the developer is selected they have less leverage in negotiating a contract with that team member. If that is the case, we request that developers, with the exception of the architect, identify and provide qualifications for up to three companies that the developer has recently worked with on similar projects, and/or believes is a good “fit” for this assignment in Chapel Hill. Developers must select and present the qualifications of only one architect.

### Development Team Components

- Developer
- Architect and/or Urban Design firm
- Construction company
- Investment Bank and/or Construction
- Lender
- Engineers (MEP, Civil and Structural)
- Specialists

The Town and SPPRE also place a high value on teams that have worked together on projects with a similar scope and complexity. The team should also provide evidence that team members possess not only public/private mixed use experience, but a high level of energy and the financial capacity to implement these projects.

We are particularly interested in developers that have their own at-risk cash at stake.

### Creative Design and Finance Solutions Are Vitally Important

Town officials and the Council Committee place a high value on developing creative solutions for:

- Urban design and architecture
- Development phasing plans
- Public/private finance plans
- A mix of national and local retail tenants
- Interacting with multiple public entities

The Town/SPPRE Team will be highly focused on the proposed inter-relationship of the pedestrian open space on Lot 5 and Franklin Street. The Council Committee considers this “interface,” of the open space and the street, and the layout of the open space

**Section 3: Purpose of the RFQ**

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**The Town of Chapel Hill has a rich history and is known for quality of design, outstanding financial management, and citizen involvement.**

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itself to be two of the most important design issues for the project.

With this in mind, we urge developers to surround themselves with the best design talent available.

**The Developer's Proposed Interaction with the Town is Important**

The Town of Chapel Hill has a rich history and is known for quality of design, outstanding financial management, and citizen involvement. Consequently, candidate developers must have extensive experience working concurrently with

multiple public entities. For the Town of Chapel Hill those entities include:

- Town Council
- Council Committee for Lots 2 and 5
- The Town Manager and Town staff
- The University of North Carolina
- Retail merchants
- The Chapel Hill-Carrboro Chamber of Commerce
- The Chapel Hill Downtown Commission
- Chapel Hill Downtown Economic Development Corporation

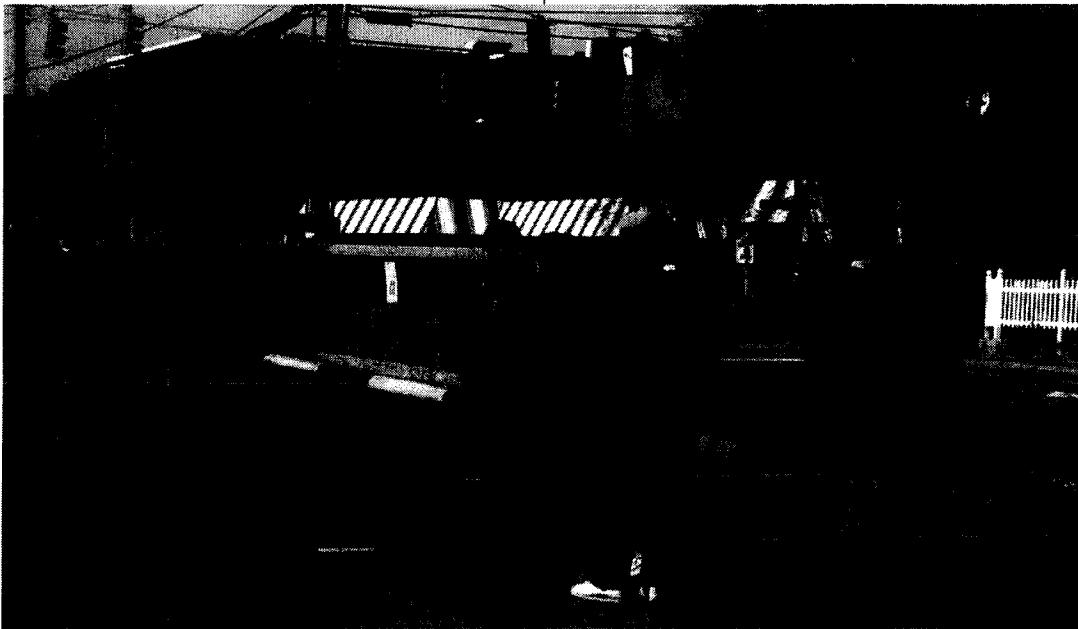
In addition to various Town officials and community groups, the media has demonstrated an intense interest in the largest real estate development in the Town's history.

## Section 4: Qualities of Chapel Hill

### The Town Has Demonstrated Great Interest in the Design and Development of the Proposed Projects

Town officials and staff, community groups and Town residents are keenly interested in maintaining the unique character of the Town and the future of the Downtown. The Town began the design process for Lots 2 and 5 in 2000. The following are highlights of the process:

- “Downtown Chapel Hill Small Area Plan,” a component of the Chapel Hill Comprehensive Plan, was prepared with input from the Downtown Small Area Plan Work Group. This report was adopted on March 27, 2000. This document is included in the RFQ CD.
- In February and March 2002, more than 100 people participated in design workshops which focused on Lots 2 and 5 and other key downtown properties. Concepts for Lots 2 and 5 all included a combination of mixed-use buildings, significant public space and structured parking. These concepts are described in “Downtown Chapel Hill Design Workshop Summary Report” dated May 13, 2002. This report is also included in the RFQ CD.
- On June 10, 2002, the Town Council formed a Council Committee on Lots 2 and 5 to review in greater detail options for proceeding with a project to develop the two parking lots. On February 24, 2003, the Town Council adopted principles and priorities recommended by the Council Committee on Lots 2 and 5.



Participants in the 2002 Downtown Design Workshop tour Lot #5 in February 2002.

## Section 4: Qualities of Chapel Hill

- With the Council's authorization, the Town in November 2003 contracted with Stainback Public/Private Real Estate (SPPRE) to work with the Council and staff in completing a comprehensive predevelopment process and serve as the Town's Owner's Representative during construction. SPPRE is a national consulting and development company focused solely on structuring and implementing public/private development projects. Over the last year, the SPPRE Team has completed work sessions with the Council Committee and staff on the average of twice a month.
- In addition, over the last year, the Town has completed several Public Forums at strategic points in the pre-development process. On November 4th and 5th, the Town/SPPRE Team completed

neighborhood meetings to allow anyone in town to ask questions in response to presentations summarizing the studies conducted over the last year.

### Downtown Has the Character and Scale of a Village and an Excellent Sense of Place

Chapel Hill is a dynamic community with a strong sense of history and culture. Clearly, the downtown is the social, cultural and spiritual center of Chapel Hill. The downtown is oriented in a lengthwise fashion, east and west, along Franklin and Rosemary Streets. Franklin Street, the Town's main street, has a pedestrian-oriented scale and character, which must be preserved. The shops and restaurants along Franklin Street between Henderson Street and Church Street offer a wide range of



**West Franklin Street features many of Chapel Hill's most popular restaurants.** In recent years, new retail shops, wine bars and restaurants have begun to appear west of Church Street creating an east and west section of downtown.

## Section 4: Qualities of Chapel Hill

shopping and dining opportunities. Rosemary Street includes several major buildings and has a strong sense of history. It serves as more of a traffic corridor than a pedestrian environment like Franklin Street, but that is beginning to change. In recent years, more retail shops, professional office space and housing are beginning to appear along Rosemary Street.

Over the decades, Chapel Hill has retained a Pedestrian-oriented environment and a small town character in its central downtown area. Adjacent historic residential areas, the presence of many mature trees, the scale of most commercial buildings and a variety of awnings and other architectural details, support the general "village" character of the downtown.

Both Rosemary and Franklin Streets are fairly well defined with predominantly two story

structures, but there are "holes," or missing teeth along Franklin Street. The redevelopment of Lot 5 will effectively close one of the largest voids along the building edge of Franklin Street. It also provides an important opportunity to spark the vitality of Rosemary Street.

Over the last several years, the downtown section of Rosemary Street has experienced a rebirth of commercial development, including condominiums, retail and restaurants.

### **The Development of Lot 5 is a Major Opportunity to Bridge the East and West sections of the Downtown**

The primary "spine" of downtown is Franklin Street. The retail shops and restaurants along Franklin form a continuous, well defined building edge from Henderson to just west of



**Downtown's busiest pedestrian streets are East Franklin Street (above) and Columbia Street.** A 2002 survey counted 9,600 pedestrians in 12 hours at Columbia and Franklin Streets (about a block east of Lot #5), the second highest pedestrian count location in town. The highest count was at the bell tower on campus. Almost 3,000 people were counted over 12 hours at Church and Franklin Streets in front of Lot #5; the count at Henderson and Franklin Streets, about a block from the Wallace Deck, totaled 6,670. Development of the two sites will substantially increase the pedestrian activity in these areas.

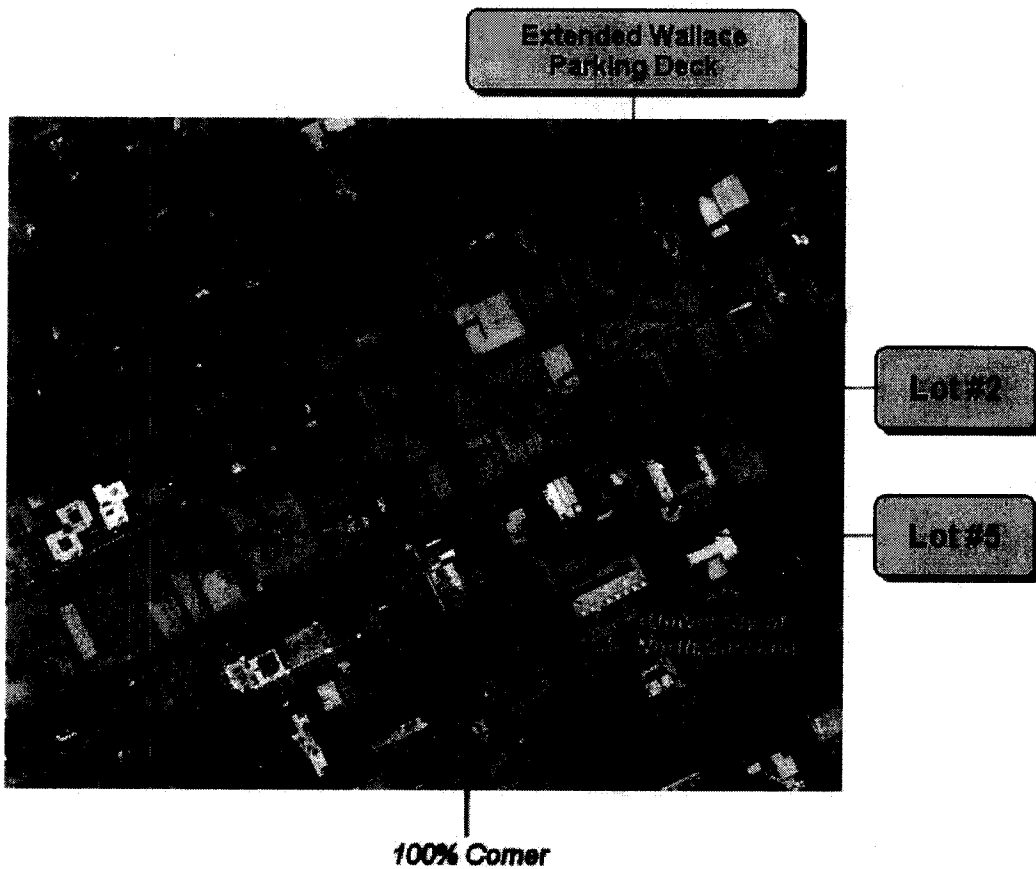
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## Section 4: Qualities of Chapel Hill

Columbia Street. But just west of Columbia Street, buildings are set back from the traditional building line.

These buildings are adjacent to Lot 5, which is currently one of the major "holes" along Franklin Street. These structures set back from the building line along with the Lot 5 surface

parking lot creates a substantial break in the streetscape and building lines of downtown. In recent years, new retail shops, wine bars and restaurants have begun to appear west of Church Street creating an east and west section of downtown. The development of Lot 5 is positioned to be the "bridge" linking the east and west sections of downtown.



## Section 4: Qualities of Chapel Hill

### Downtown Buildings are in Good Condition

A windshield study completed in 1998 revealed that 89 percent of the buildings in downtown were in "good" condition. Five percent of the buildings in the downtown area were deemed in fair condition and six percent in poor condition.

### Social and Demographic Qualities of Chapel Hill

#### Chapel Hill is One of the Three "Points" of the Triangle Region

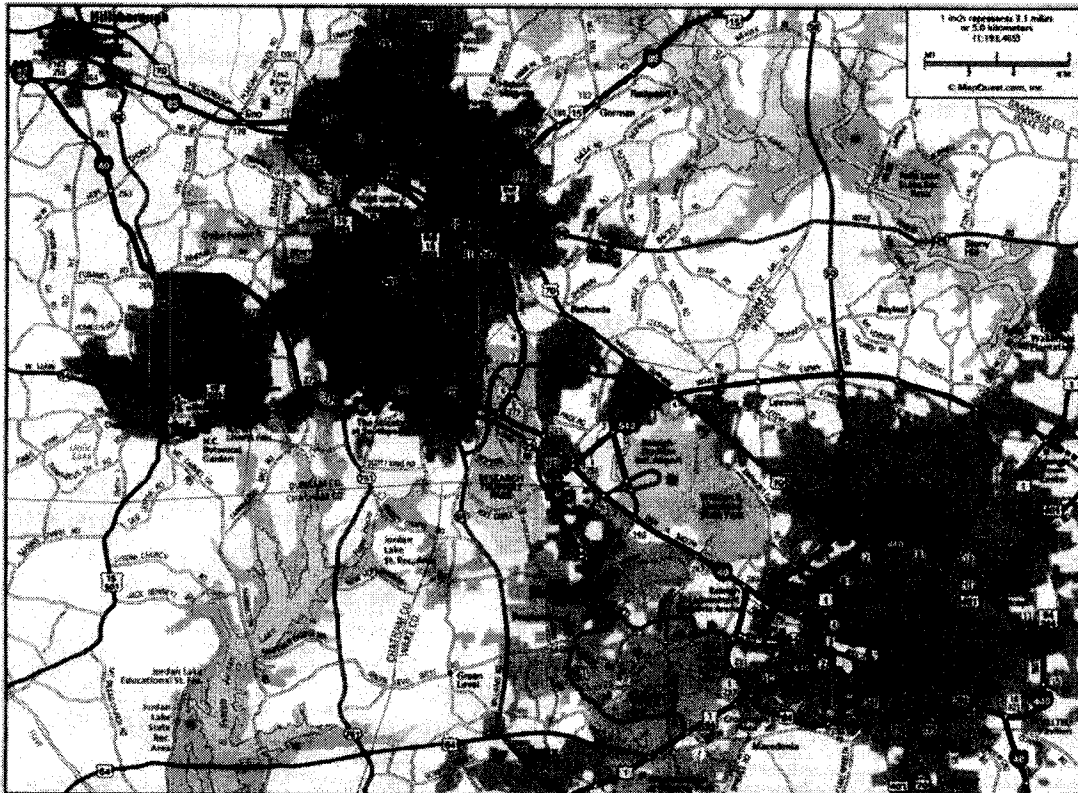
Chapel Hill is nestled in the rolling, wooded Piedmont of North Carolina. The town is ideally located three hours from the Atlantic coast and three hours from the Blue Ridge

Mountains, allowing residents and visitors to enjoy a variety of recreational activities. As one of the three "points" of The Research Triangle, Chapel Hill, along with Raleigh and Durham, continually receives accolades for being a top location to live and do business.

Most recently the A&E channel recognized Chapel Hill as the #2 city in their "Top Ten Cities to Have It All" and Money magazine rated the town as the #1 "Best Place to Live in the South."

Developers are welcome to visit the official town and visitors Web sites at:

- [www.chocvb.org](http://www.chocvb.org)
- [www.townofchapelhill.org](http://www.townofchapelhill.org)
- [www.townofcarrboro.org](http://www.townofcarrboro.org)
- [www.co.orange.nc.us](http://www.co.orange.nc.us)



**Section 4: Qualities of Chapel Hill**

<b>Other Key Facts about Chapel Hill</b>	
<b>Population (2002):</b>	
Chapel Hill:	52,440
Carrboro:	17,240
Orange County:	122,526
Raleigh/Durham/Cary CSA:	1,401,331
Median Age:	31.05
<b>Cost of Living:</b>	
Comparison Index: 114.8 (100 is National Average in November 2003):	
<b>Housing Cost (2002):</b>	
Average Home Cost:	\$299,000
Average Monthly Rent:	\$782.00
<b>Income (Orange County 2002):</b>	
Per capita Annual Income:	\$29,500
Median Family Income:	\$59,874
<b>County Unemployment Rate:</b>	
3.1 (August 2003)	



Everyone rides the bus for free in Chapel Hill.

**The University of North Carolina at Chapel Hill**

In 1795, UNC-Chapel Hill became the first state university in the country to open its doors. It consistently ranks among the great institutions of higher education in the nation. More than 82% of the University's 2,598 full-time faculty members have earned the highest degrees in their fields.

The UNC at Chapel Hill Campus includes 720 acres and approximately 212 buildings.

The University's 26,028 students come from all 100 North Carolina counties, all 50 states and more than a hundred other countries.

**Transportation**

Raleigh-Durham International Airport (RDU) is located 20 minutes east of Chapel Hill and offers flights daily to all major metropolitan areas.

Chapel Hill Transit offers free passenger bus service throughout Chapel Hill and Carrboro. (See section 6 for additional information).

*Source: The Chapel Hill/Carrboro Chamber of Commerce*

**Proximity to Research Triangle Park, a Major Employment Center**

The Research Triangle Park (RTP), located centrally in the Triangle Area, was founded in 1959. At 7,000 acres, RTP is home to 131 companies, employing 38,500 individuals. Of these companies, 100 are involved in research and development. The average salary of an RTP employee is \$56,000.

**Excellent Public Schools**

The Chapel Hill Carrboro City School System is considered to be one of the best in the nation.

Consequently ranking at the top of the state in student test scores (average SAT combined score: 1,175), the system also boasts the lowest drop-out rate in the state.

The system consists of 16 schools: 9 elementary, 4 middle, 2 high schools and the UNC Hospital School. The per pupil expenditure is \$8,424.



### Section 4: Qualities of Chapel Hill

#### Urban Services Area and Rural Buffer

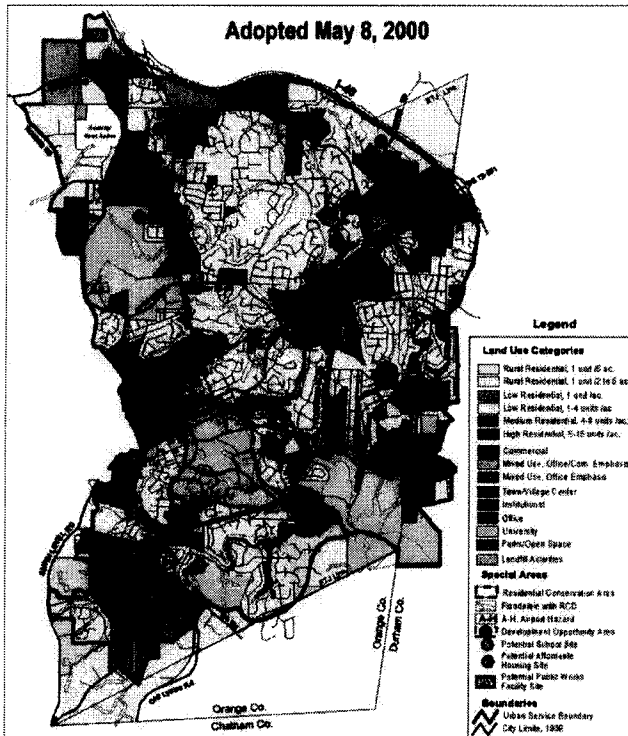
The Urban Services Area and Rural Buffer have effectively functioned to limit sprawl, promote compact development patterns, and retain a small to medium sense of scale for Chapel Hill. Residents of the Town and Orange County alike value the open space character of the Rural Buffer and the role it plays in reinforcing Chapel Hill's distinctive town character. However, there is concern that the character of the Rural Buffer will be eroded by the pressure for development created by regional growth.

Established by the 1987 Joint Planning Agreement, the Rural Buffer and the related concept of the Urban Services Area are considered important to maintaining the character and identity of Chapel Hill, Carrboro, and Orange County. The Rural Buffer is defined as land that will remain rural in

character, contain low-density residential uses (one unit per two acres), and not require urban services (public water and sewer).

**The Rural Buffer and the related concept of the Urban Services Area are considered important to maintaining the character and identity of Chapel Hill.**

Defined by an Urban Services Boundary, the Urban Services Area is the area within which public utilities and services are currently available or will be provided in the future. The Urban Services Area includes the urban areas of Chapel Hill and Carrboro and adjacent "transition areas" which are in the process of changing from rural to urban land uses. The Chapel Hill Urban Services Area is shown in Figure 9.



#### The Land Use Plan Comprehensive Plan

Chapel Hill, North Carolina  
Revised November 13, 2000

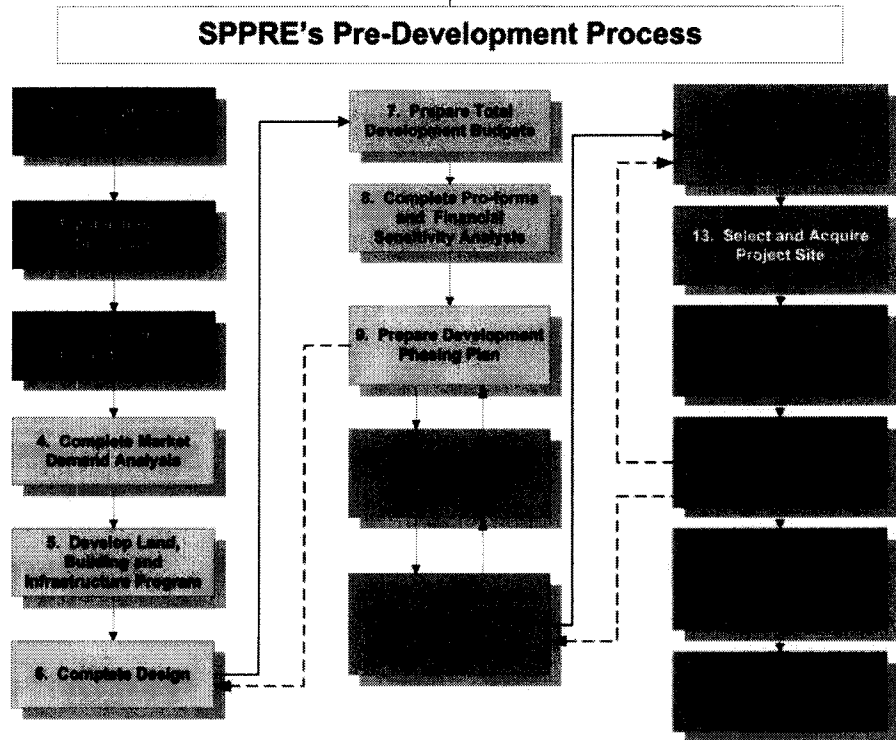
## Section 5: The Results of the Pre-Development Process Completed to Date

### Overview of the Pre-Development Process

Over the last several months, the Town/SPPRE Team has completed 8 steps 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. This process is designed to produce market-driven, well designed and financially feasible public/private developments before public entities solicit developers. After completing this pre-development process, public partners feel relatively comfortable about issues such as the following:

- The proposed building program is market driven

- Many of the major design issues have been addressed
- The hard and soft cost required to design, finance, develop and construct the proposed project(s)
- The development phasing plan reduces risks for both the public and 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)



**Section 5: The Results of the Pre-Development Process Completed to Date**

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

Prior to hiring SPPRE the Town, through design workshops and studies, had completed Steps 1-3; so over the last several months, the Town/SPPRE Team has focused on Steps 4-11.

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**The most significant recent development in the Chapel Hill market has been the 435-acre Meadowmont development on the eastern edge of Town.**

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**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:

- Rosemary Village, which comprises 38 luxury, multi-family housing units and store front retail shops is a 45,000 square foot mixed use project, with retail and office on the first two floors and residential on the third floor.
- The Warehouse, an apartment project provide 56 four-bedroom rental units geared towards students.
- The most significant recent development in the Chapel Hill market has been the 435-acre Meadowmont development on the eastern edge of Town. Meadowmont is a mixed use development comprised of for-sale condominium units, rental apartments, a wellness center, grocery store, and swim club. The commercial portion of Meadowmont is three-quarters leased and has a variety of retail, restaurants, and offices open or opening soon. Occupancy at Meadowmont is on schedule, 258 rental apartments have been built and are fully occupied.

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

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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.

- 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.

**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.

**Now Under Construction:**

Projects that are scheduled to come online over the next few years include a 38-unit luxury multi-family project, with unit sizes ranging from 1,229 square feet to 2,570 square feet of living space, called Rosemary Village on West Rosemary Street. According to the developer, condos are selling briskly even at a comparatively high price point of nearly \$250 per square foot. As part of the approval process, the project will also include six rental units set aside for low-income households. Meadowmont Village Center has recently submitted conceptual plans that include the addition of 78,450 square feet of residential floor area, consisting of 82 dwelling units. The proposal would increase the number of dwelling units in the Village Center to 106.

Given that the proposed development at Lots 2 and 5 will in all likelihood include low to medium-density buildings, ERA projects that

the above development or the expansion at Meadowmont would not impact residential demand on Lots 2 and 5.

**Residential Demand:**

While ERA developed projections for all types of housing units (from single detached to multi-unit buildings), given that the residential development on Lots 2 and 5 will involve low to medium density 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

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prefers developers to focus on market rate condominiums over market rate 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 income. The area median income in 1999 was \$39,140; households earning less than \$33,312 would qualify for affordable housing. This mandate translates into a set-aside of approximately 48 to 60 affordable units. Based on the strong market demand, ERA concludes the 15 percent affordable housing component required by the Town will be easily absorbed at Lots 2 and 5.

**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.

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. 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.

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**The Total Building Program for the Six (6) 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

**Developer 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)
	Developer will develop 80 new parking spaces and lease an additional 92 spaces from the Town to satisfy the requirements for the new development.

**Developer 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)

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**Step 6: Complete Design**

In addition to determining the highest and best use for each site, 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 unit on Lot 2.

**Town/SPPRE Team encourages developers to hire the best architectural talent they can afford.**

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

The primary objective of Step 6 is to determine the appropriate building envelope for each site; provide a sense of scale and massing; and conceptually design the vertical relationship of

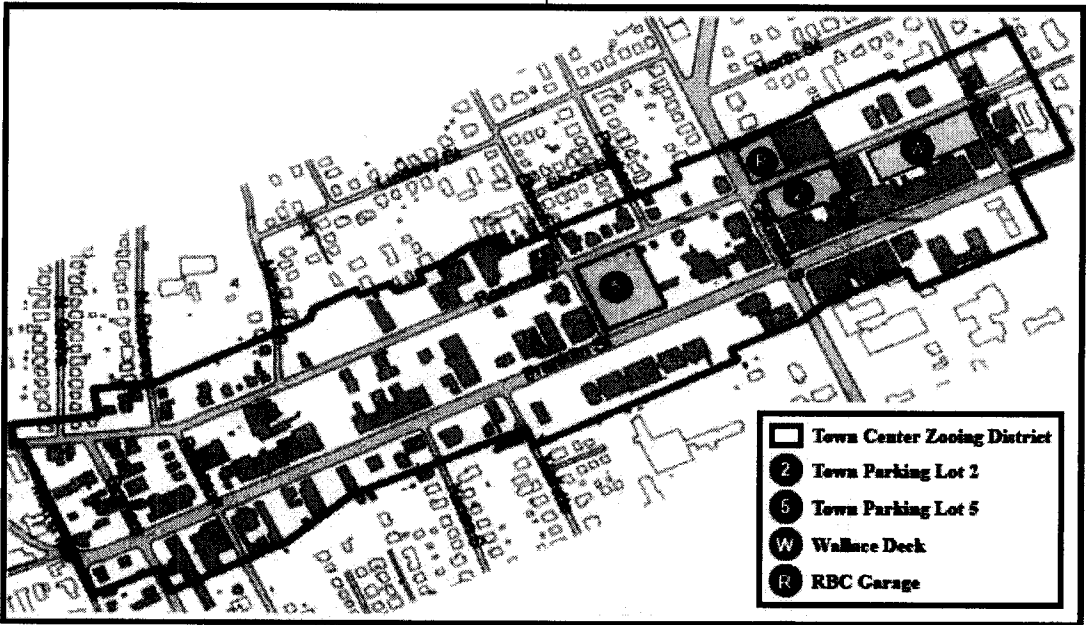
parking, retail and housing. The results of the plans developed by HKS were to be used by SPPRE as input to complete Steps 7-9. The design seen in the drawings below were developed only to guide developers in their proposals, not dictate design solutions. In fact, the Town/SPPRE Team encourages developers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

**NOTE (1) to Developers:**

Developers should recognize that the building heights proposed by HKS would not be allowed under current development regulations, the Council Committee generally approves of the scope of the building program, building heights and set backs.

**NOTE (2) to Developers:**

As a result of concurrently completing the financial analysis and structuring the public/



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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 Revenue Bond 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 (\$19,936,247)
- 2. Developer Project 2: Commercial Development of Lot 5 (\$30,099,046)

Phase One Subtotal: \$50,035,293.

Phase Two:

- 3. Developer Project 3: Commercial Development of Lot 2 (\$14,558,605)

Total Development Cost (Private Components): \$64,593,898. This cost represents 79% of the total cost of all public and private components.



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**The Six (6) Public (Town) Building and Non-Building Components:**

Phase One:

- 1. Town Project 1: The Existing Revenue Bond for the Wallace Deck
- 2. Town Project 2: A Portion of the Lot 5 Below-grade Garage to accommodate the 173 Replacement Parking Spaces (\$4,411,457).
- 3. Town Project 3: The Delta Cost of Below-Grade Parking versus the Cost of Above-Grade Parking (\$4,539,014). (see note below)

Phase One Subtotal: \$8,950,471.

Phase Two:

- 4. Town Project 4: The Transit Transfer Center (TTC) (\$2,141,037)
- 5. Town Project 5: The Above-grade Garage Located on the RBC Site (\$6,149,537).
- 6. Town Project 6: Second-Level Pedestrian Bridge (\$457,679).

Phase Two Subtotal: \$8,748,253.

Total Development Cost (Public Components): \$17,698,724.

The total development cost for all public and private components is \$82,292,622. The total cost of three private development components, which include the expansion of the Wallace Deck., Lots 2 and 5, is \$64,593,898, or 79% of the total cost for all projects.

The total cost of the five public components is \$17,698,724, or 21% of the cost of all public and private components. Note: (Based on the current financial analysis, SPPRE has assumed that the Town will be responsible for this cost. Short-listed developers 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 \$50,035,293. The development cost for the Phase One public components is \$8,950,471. The total development budget for Phase One is \$58,985,764.

**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. 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.

**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 contains a parking lot of approximately 1 acre parking lot and a small ticket booth. Prior to the construction of the parking lot

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in the early 1950's the subject property was used for residential purposes. Since information is not available 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, 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 a recognized off-site environmental condition.
- Orange Regional Landfill: The site is approximately 550 feet down-gradient from Lot 2. The site is described as being a county landfill receiving waste from UNC-Chapel Hill. Due to its distance to the site and the assumed hydraulic gradient, it is considered an off-site environmental condition.
- UNC-Chapel Hill, located 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 approximately a 2-acre parking lot 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 the McFarlings Exxon was closed out on August 31, 2001. 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. The McFarlings Exxon should not be considered an off-site environmental condition due to its regulatory status.

Due to the unknown heating sources for the previous residential use at Lot 2 and Lot 5, ECS has recommended that a Ground

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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:

Several soil borings and samplings were taken at the site ranging in depth 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 5 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.

### 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.

#### 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.**

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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**

While no formal Land Appraisal was completed for Wallace Deck, SPPRE assumed a value of \$38.00 per square foot of land area. This assumption was based on the land value of \$38.10 determined by Analytical Consultants for Lot 2.

**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. 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

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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. While TIF bonds were approved, the Council Committee is in the process of establishing their position on the use of this financing instrument.

### 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.

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**After developing and analyzing several alternative development phasing plans, the most advantageous plan includes two phases.**

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### 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.

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- 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 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 four 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 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, 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 RFQ/RFP for Phase Two, the Town/SPPRE Team will explore alternative financing instruments for this project.

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### 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 utilize the design, finance, development, construction and operational expertise of the private sector. There are limitations on the private use and operation of facilities owned and financed with public funds, and there is the issue of control over the operation of certain facilities.

The Town 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 developers. For example, if developers can demonstrate

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

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that they can capture and share the economic benefits of achieving an economy of scale, the Town is open to innovative concepts.

Developers short-listed after the RFQ 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.