

Downtown Union Street Project

Concord, NC

Solicitation for Development Partners

August 2016



Image source: Concord Downtown Development Corporation (CDDC)

About This Solicitation

This document is an invitation for interested development teams to present new construction proposals for the City of Concord's Municipal Building site in the heart of Downtown Concord ("Project Site"). The City is offering the Project Site for sale as commercial or mixed use property for economic development purposes pursuant to North Carolina General Statute 158-7.1. The City has engaged the UNC School of Government's Development Finance Initiative (DFI) to prepare the site for redevelopment. Staff of the Development Finance Initiative (DFI) will assist developers in understanding and responding to the City's requirements for proposals, and will review project submissions alongside City staff. DFI is a program of the UNC School of Government that provides specialized finance and development expertise to assist local governments attract private investment for transformative projects. After review of all submittals, DFI and City staff will share a summary of submissions and recommendation to Concord City Council.

The Opportunity

Located thirty minutes northeast of Downtown Charlotte, NC, in the fourth fastest growing metropolitan statistical area (MSA) in the United States, the City of Concord is the county seat of Cabarrus County, home to a beautiful, historic downtown which serves as a cultural, commercial and civic hub within the City and County. Historic Downtown Concord supports a healthy and diverse professional and retail economy, with a growing presence of arts, history, and entertainment. Union Street, Concord's main street in

downtown, offers a mix of restaurants, businesses and historic buildings including the beautiful Davis Theater and former Hotel Concord. The Project Site is located in the heart of Downtown, mid-block on Union Street.

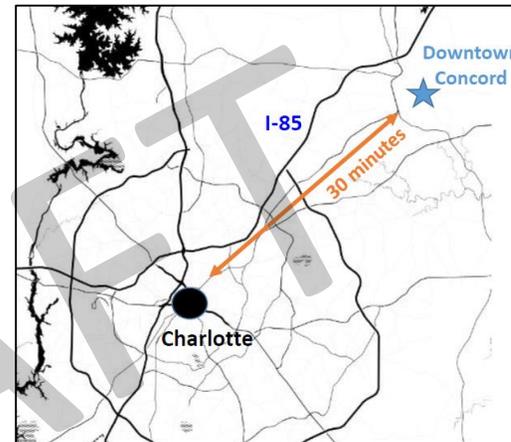


Image source: Concord Downtown Development Corporation (CDDC)

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Project Site



Located at 26 Union Street in downtown, the Project Site comprises a 19,410 square foot, former public administrative office building, on a 0.38-acre site, located within the Concord Municipal Service District (MSD). The building as it currently exists is a combination of three buildings that have been modified and integrated over the years. The building is not on the National Register of Historic Places and does not lie within any national or local historic districts.

The site is zoned “City Center” in the Concord Development Ordinance, which is intended to promote “the long-term vitality of the central business district,” and encourages concentrated retail, service, office, and residential mixed-use. Development within the “City Center” should fit the surrounding urban fabric of Downtown Concord, consistent with the design standards set forth by the City.

With its mid-block location on Union Street, the site offers an

opportunity to not only take advantage of activity in Downtown Concord, but create a connection from Union to Market Street, through development on site and/or potential utilization or expansion of an existing 4.5-foot wide utility easement on the site to be used as a pedestrian pathway (see site survey in Appendix B).



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Project Development

The City of Concord has engaged the Development Finance Initiative (DFI) at UNC’s School of Government to conduct predevelopment services for the Municipal Building site and determine feasibility for redevelopment. DFI has worked with the City to develop this RFP and is currently soliciting interest from developers for the project.

Project Development Timeline

The next steps in the City’s timeline for this development project are estimated as follows:

Development proposals due	October 31, 2016
Council selection of development proposal	November 2016
Memorandum of understanding (if necessary)	January 2017
Purchase and development agreement	March 2017

Note: Timeline subject to change at discretion of City of Concord.

Predevelopment Work Completed to Date

DFI performed a four-part assessment to arrive at the site’s recommended development program, including:

- **Market Assessment:** studying the supply and demand for potential private uses, including residential, office, retail, hotel, and parking. A detailed summary of the findings from this assessment is available upon request.
- **Site Assessment:** Working with Tise-Kiester Architects, Chapel Hill, NC, the team studied the physical constraints of

the site to determine density, orientation, and potential massing limitations. Conceptual floor plans have been developed for the site and can be found in Appendix B.

- **Public Interests:** engaging with the various City stakeholders who are interested in the development of the site, including surrounding business and property owners, residents, downtown office workers, and downtown interest groups.
- **Financial Feasibility:** modeling the development costs and projected cash flows to ensure viability of the project for private investors.
- **Public Participation:** identifying the potential avenues by which the public sector may participate to ensure ultimate project success.
- **Feasible Program:** DFI has proposed a feasible project building program based on the findings in this predevelopment assessment.

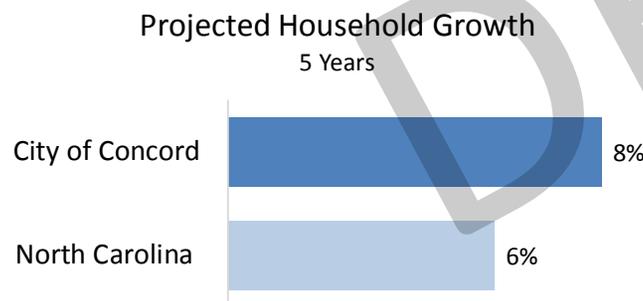
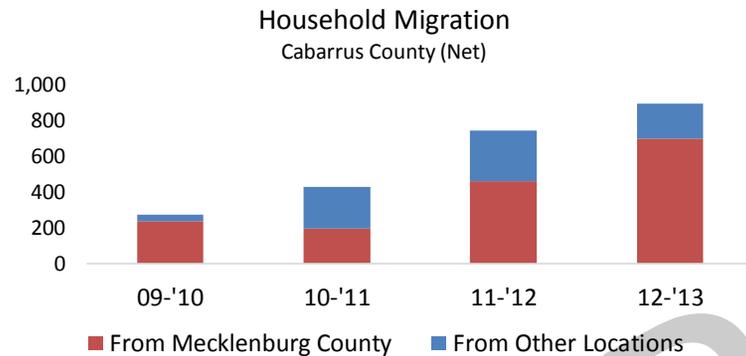
Market Overview

The City of Concord, like many communities in the Charlotte region, has experienced fast-paced population growth in recent years. From the period 2010 – 2013 net residential migration to Cabarrus County increased by roughly 300-percent, with a majority of that migration coming from Mecklenburg County, home of Charlotte. Over the next five years, Concord is expected to grow by roughly eight percent – well above the annual state average – in line with growth expected in Charlotte. DFI’s market analysis indicates downtown will continue to experience strong residential demand, and can expect to support

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residential multifamily rental apartments downtown. As the market in downtown Concord continues to mature, the City of Concord supports residential ownership in downtown Concord.



Lofts 29, a 26-unit historic rehab apartment building in Downtown Concord, opened in 2015 and was quickly leased-up. This is a testament to growth in the area and demand for downtown living.

Success of the Lofts 29 project has led to further development interest in other downtown sites including the historic Hotel Concord, which is currently in the design phase for redevelopment into residential apartments and event center.

Project Concept

Based on findings in DFI's predevelopment process, DFI and the City have worked through multiple iterations of a feasible project on the Project Site with Tise-Kiester Architects of Chapel Hill, NC. Through this process a highest and best use building program was determined that achieves the desired downtown revitalization objectives of the City. Based on DFI's feasibility analysis, the Concord City Council has endorsed a **new construction, residential-anchored mixed use project on site, incorporating podium parking**. A high level building program is provided below, along with conceptual block massings as well as test fit floor plans in Appendix B.

	<i>est. GSF</i>	<i>est. LSF</i>	<i>Units</i>	<i>Spaces</i>
<i>Residential</i>	46,000	39,500	55	---
<i>Retail/Office</i>	3,700	3,100	---	---
<i>Parking level</i>	2,000	---	---	33-35
Total	52,000	42,500	55	33-35

Note: Based on guidance from Tise-Kiester Architects, it is expected that new development on-site can achieve 85% built efficiency. Test fit floor plans in the appendix currently show ground floor retail space along Market Street, which is not currently incorporated in DFI's proposed development program. DFI does not believe development of retail space along Market Street is viable at this point; however, as further development occurs in downtown, there may be opportunity to phase-in additional retail space along Market Street if incorporated with larger scale development along Barbrick Avenue and coordinated development along Market Street.

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Proposed Unit Mix and Rents

Based on DFI's analysis of the local market, the following rents are projected upon completion of the project:

Residential	Units	Average SF	Average \$/SF
Studio	13	588	\$1.65
1 Bedroom	34	734	\$1.55
2 Bedroom	8	865	\$1.40

Commercial	Units	Average \$/SF
Retail/Office	TBD	\$20 - \$21

Parking	Spaces	Monthly Rent
Podium	33-35	\$100

In addition to the 33-35 parking spaces accommodated on site for lease at \$100/month, DFI's feasibility analysis incorporates the lease of additional parking spaces in the nearby City Hall Parking deck at a price that will be based on the current market rate for parking in Concord.

Development Costs

DFI estimates total development costs of this project at roughly \$8.7 million, including acquisition costs and a 4% developer's fee. Current

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acquisition price for the building is approximately \$690,000. The City may entertain strategies for reduction of construction material costs as relates to Primary or Secondary Fire District building code requirements.

Financial Sources

If a developer has an appealing project and demonstrates necessity, the City is willing to consider offering a market rate mezzanine loan, the specific terms of which will be determined during negotiation of a development services agreement with the selected developer team.

Projected Returns

Based on the above program and pricing assumptions, DFI has modelled the project to determine overall financial feasibility and returns for the selected project developer and equity investor(s). Detailed versions of DFI's financial assumptions, operating cash flows and the development budget can be made available upon request. DFI estimates that the developer of this project can achieve market rate returns, and is currently estimating an IRR of roughly 19% and an annual yield of 10%.

Consultant Fee

DFI's predevelopment work thus far will benefit the private developer taking on the project, through a significant reduction in the time, effort, and expense required to move the project through the public planning process of the City. The City has therefore agreed in a contract fully executed on June 22, 2015, to include a

"Development Services Fee" contingent upon the execution of one or more agreements regarding any aspect of the Project or any portion thereof. The Development Services Fee shall be an amount equal to 1.0% of the total project costs. The terms of the fee are further described in Appendix A.

RFP Submission Requirements

Developers shall organize their proposals in the format described below. Please submit the requested information in appropriate detail to allow adequate review and evaluation of qualifications and plans. Any information that a respondent requests remain confidential should be submitted under a separate cover (see below Submission Procedures).

1. Letter of Introduction

Include a summary of the respondent's basic qualifications, experience, and reasons for interest in this opportunity. The letter should be signed by a principal or authorized officer for the entity.

2. Proposal

Program for site, including the mix and scale of uses, as follows:

- Residential: number of units, average unit site, total gross square footage, tenancy [rental vs. ownership], amenity package
- Retail or office: total gross square footage, target tenancy by square footage
- Parking: number of parking spaces, lease rates

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- Any other proposed use

Design:

- Illustrative sketches, including the following:
 - Preliminary floor plans
 - Unit test fits

Tise-Kiester Architects drafted the drawings and concept plans appearing in this RFP. For access to those materials, contact Phil Kiester at pkiester@tisekiester.com.

Development Assumptions:

- Site purchase price
- Detailed development budget
- Expected cost of demolition
- Expected rents for residential, retail, and other private uses
- Parking assumptions (spaces, lease rates)

Financing Assumptions:

- Expected amounts and sources of debt and equity
- Status of commitments from lenders and investors
- Target financial return for investors (including internal rate of return, equity multiple, and cash-on-cash return)
- Identification of lead development company, including name, address, e-mail, and telephone number.

3. Development Team

- Identification of partner firms and roles, including co-developers, architects/designers, and general contractor.

- Overview for each firm on the team, including brief history of firm, past experience working with the developer, and relationship of the firm's parent company with the office responsible for this project, if applicable.
- Identification and resumes of lead staff (principal and project manager) that will be responsible for negotiating a development agreement with the City and completing the remainder of the preconstruction approval process. Describe the current workload of these lead staff in terms of location and status of projects.
- Description of key staff from partner firms, including proposed role and prior experience with similar projects.

4. Experience and References

- Provide relevant development experience, particularly in developing new mixed-use projects in historic urban context. Provide information on at least three projects and no more than five. Each comparable development should detail the following information listed below:
 - Location and name of project
 - Scope and scale of development program (including residential uses, commercial uses, public uses, and infrastructure improvements, if applicable)
 - Photos/illustrations of completed project
 - Total development budget by use
 - Amounts and sources of debt and equity funds used to finance the project, including governmental

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sources. Please provide a point of contact for each capital provider for the project.

- Developer’s role in and ownership for each project (e.g., fee developer, equity investor, and/or property manager)

5. Financial Capacity

Provide evidence of sufficient financial strength to undertake and successfully complete a project of this scale. Please also identify any projects/financing on which the team collectively or individually has defaulted.

6. Disclosures

- Disclosure of any potential conflicts of interest that could be relevant to this project in any manner.
- Disclosure of whether the developer or any office, director, or owner thereof has had judgments entered against him or her within the past 10 years for the breach of contracts for government or nongovernmental construction or development.
- Disclosure of whether the developer has been in substantial noncompliance with the terms and conditions of prior construction contracts with a public body.
- Disclosure of whether any officer, director, owner, project manager, procurement manager, or chief financial official thereof has been convicted within the past 10 years of a

crime related to financial fraud or to governmental or nongovernmental construction or contracting.

- Disclosure of whether any officer, director, or owner is currently debarred pursuant to an established debarment procedure from bidding or contracting by any public body, agency or another state, or agency of the federal government.

Evaluation Criteria

The evaluation of developers responding to this solicitation will be undertaken in order to select a partner and plan that is viable, will best serve public interests, and can be completed in a reasonable time frame. The following evaluation criteria will be used to make that selection:

- Qualifications and experience of the development team, with preference given for experience with new construction mixed-use development within a historic urban context.
- Quality of the proposed building design and its fit with the surrounding urban fabric of Downtown Concord, consistent with the design standards set forth by the City.
- Demonstrated ability to secure financing and complete a successful project.

Submission Procedure

Development Partner proposals are due at 5:00 p.m. EDT on **October 31, 2016**. Proposals must be prepared in conformance with the guidelines described under “Submission Requirements.” Proposals

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should be submitted electronically in PDF format to Andrew Holton, Interim Operations Director, DFI, holton@sog.unc.edu. The e-mail subject must be "Development Partner Proposal: Concord, NC." Proposals received after the deadline will not be considered.

The City of Concord will offer access to the building for assessment; please contact Margaret Pearson, City of Concord Planning Director, to schedule a site visit: pearson@concordnc.gov or 704.920.5152.

All responses are subject to public disclosure under the North Carolina Public Records Law. DFI recognizes that respondents must submit information that it may deem confidential and proprietary in order to comply with the requirements of this solicitation. Respondents are entitled to request that certain information remain confidential, when permitted by law, as follows: (1) the respondent identifies the confidential proprietary portions of the response, (2) the respondent identifies as confidential and proprietary only those portions of the submittal that actually are confidential and proprietary, and (3) the respondent states why protection is necessary. Respondents shall not designate their entire response as confidential and proprietary, nor shall they so designate information that is already public.

Any information that the respondent would like to remain confidential should be e-mailed under separate cover to Andrew Holton, Interim Operation Director, DFI, holton@sog.unc.edu. The e-mail subject must be "PROTECTED: Development Partner Proposal:

Concord, NC."

For information concerning the procedure for responding to this Solicitation for Development Partners or clarifications of the terms, conditions, and requirements of this RFP, please e-mail Andrew Holton, Interim Operations Manager, DFI, at holton@sog.unc.edu.

Disclaimers

All facts and opinions stated in this solicitation are based on available information and are believed to be accurate. Nevertheless, neither the City of Concord nor the UNC School of Government, nor any of their officers, agents, or employees, shall be responsible for the accuracy of any information provided to any respondent as part of this solicitation. All respondents are encouraged to independently verify the accuracy of any information provided. The use of any of this information in the preparation of a response to this request is at the sole risk of the respondent.

Those submitting responses to the Request for Proposal assume all financial costs and risks associated with the submission. No reimbursement or remuneration will be made by the City or UNC to cover the costs of any submittal, whether or not such submittal is selected or utilized.

The City reserves the right to reject any or all submittals at its sole and absolute discretion and accepts no responsibility for any financial loss by such action.

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Any agreements that may be entered into between the developer(s) and the City, including but not limited to a Development Agreement, are subject to approval by the City Council.

The City reserves the right to waive irregularities or informalities in any submittal in the exercise of its sole and absolute discretion.

Additional Information Available Upon Request

The following appendix materials are available electronically by request made to Andrew Holton, Interim Operations Director, DFI, holton@sog.unc.edu:

- Detailed market analysis
- Detailed financial pro forma analysis

Appendix A: Development Services Fee

The conveyance or lease of the property described herein (the “Property”) to the successful bidder and its successors and assigns (the “Developer”) shall be conditioned upon the execution of an agreement (the “Development Services Agreement”) between the City and the Developer pertaining to the responsibilities of either the City or the Developer, or both, regarding any aspect of the development of the Project or any portion thereof (the “Project”). As part of the Development Services Agreement, the Developer shall agree to pay a fee to the City’s consultant (“SOG”) and its successors and assigns for predevelopment services provided to the City, and the Development Services Agreement. The fee shall be an amount equal to 1% of the total cost of the development of the Project as calculated by the Developer in the most recent version(s) of pro forma and other financial projections (the “Development Financials”) prepared by the developer and delivered to lenders and/or investors prior to the execution of the Development Services Agreement, and in the event of any inconsistencies in the projected total costs among different versions of the Developer Financials, the version of the Developer Financials showing the greatest total costs of development of the Project shall be used to calculate the Development Services Fee. The Development Services Fee shall be due and payable in full to SOG no later than 30 days following execution of the Development Services Agreement. An alternative payment schedule for payment of the Development Services Fee to SOG may be developed as mutually agreed in writing by Developer

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and SOG; by way of illustration only, such a schedule of payments could be tied to the receipt of any developer fees by Developer. Developer's obligation to pay Developer Service Fee shall not be assignable by Developer to any other entity, nor shall any assignment relieve Developer of its obligation to pay Development Services fee, except upon written consent of SOG.

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Appendix B: Supporting Documents

- Municipal Building site survey
- Conceptual floor plans/test fits

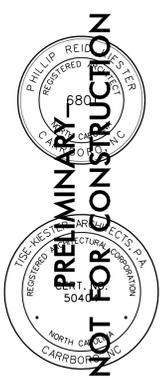
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These drawings have been commissioned for this construction project and remain the property of Tise-Kiester Architects. No reproduction or use is allowed without first obtaining the Architect's written consent.

Concord City Hall

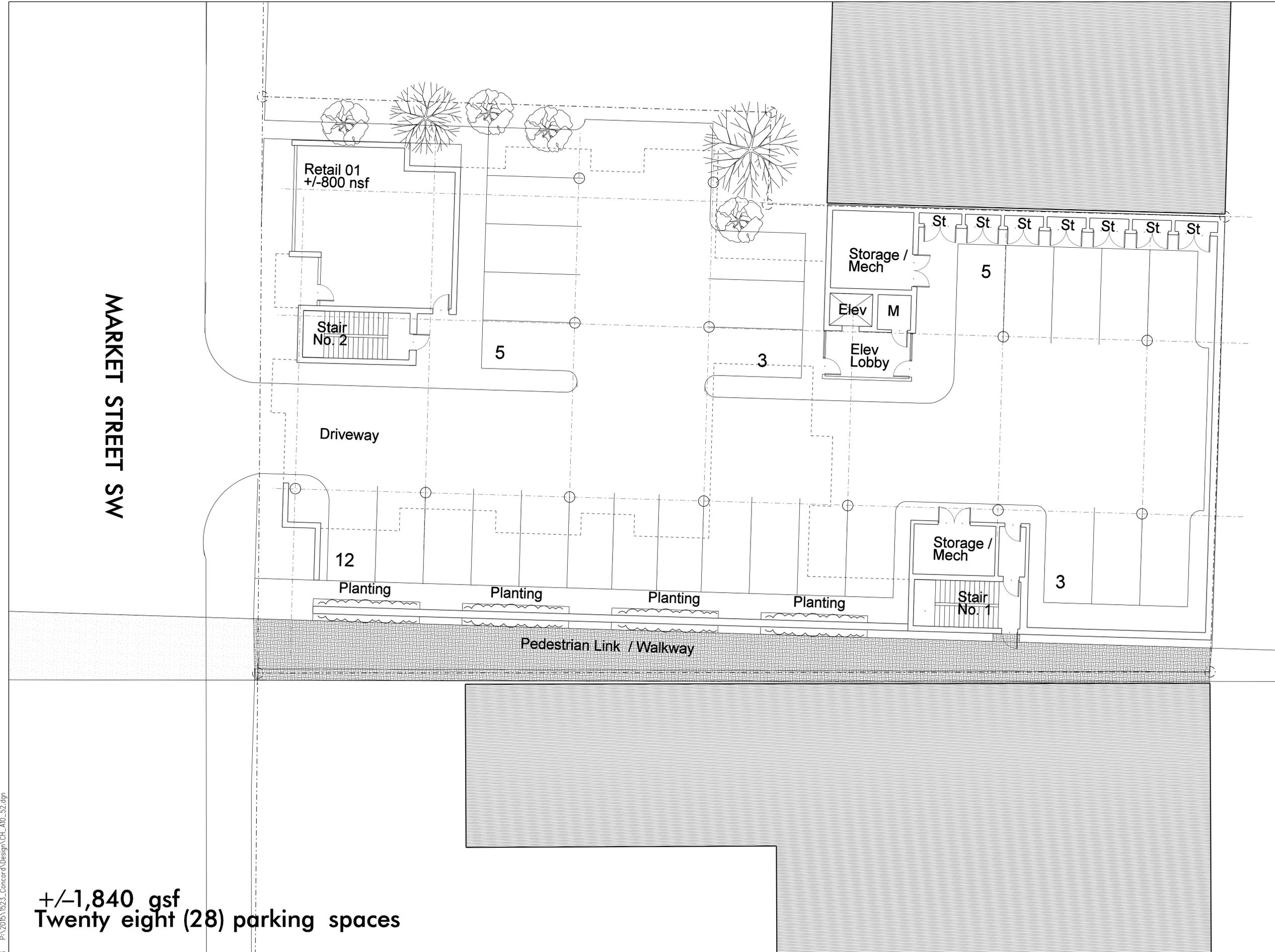
26 Union Street S
Concord, NC

- Job Number: 0000
- Date: 03.21.16
- Revisions:



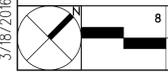
Lower Plan
OPTION
"Residential"
Sheet

A1.0



+/-1,840 gsf
Twenty eight (28) parking spaces

3/18/2016 P:\2015\1523_Concord\Design\CH_A10_52.dgn



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Concord City Hall

26 Union Street S
Concord, NC

Job Number: 0000
Date: 05.09.16
Revisions:



Main Level Plan
OPTION
"Residential"
Sheet

A1.1

UNION STREET

MARKET STREET SW



+/-10,160 nsf - NEW
+/-13,600 gsf - NEW
Eight (8) Units

Main Level Plan - OPTION "Residential"

Scale: 1/8" = 1'-0"

1

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Concord City Hall

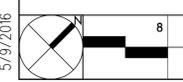
26 Union Street S
Concord, NC

Job Number: 0000
Date: 05.09.16
Revisions:



+/-10,910 nsf – NEW
+/-13,590 gsf – NEW
Thirteen (13) Units

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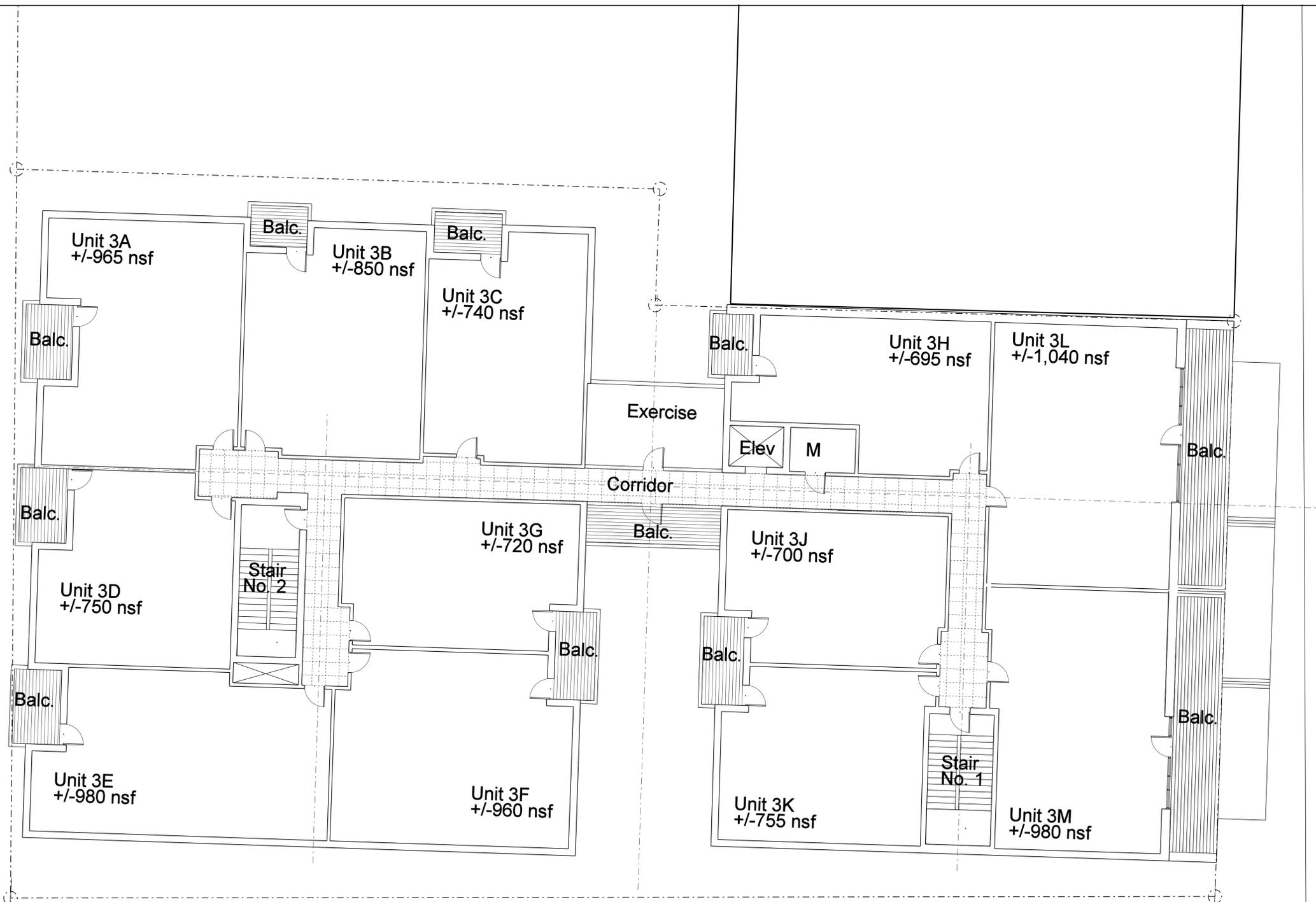


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Concord City Hall

26 Union Street S
Concord, NC

Job Number: 0000
Date: 05.06.16
Revisions:



+/-10,250 nsf – NEW /Level
+/-12,845 gsf – NEW /Level
Twelve (12) Units /Level

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5/9/2016



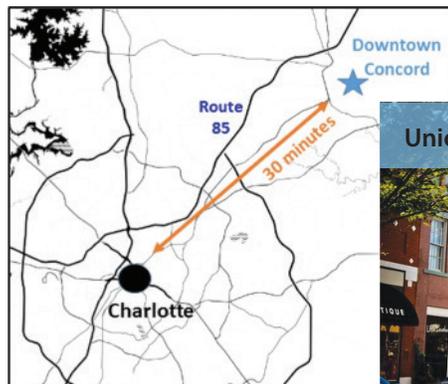


DOWNTOWN UNION STREET PROJECT SUMMARY Concord, North Carolina

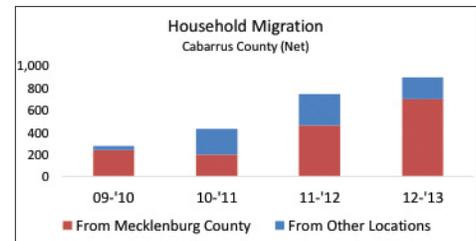
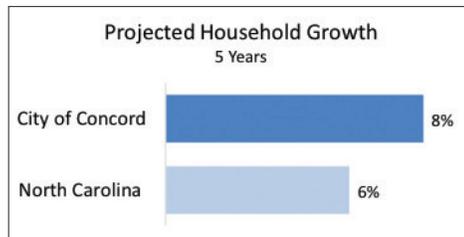
Located 30 minutes northeast of Downtown Charlotte, North Carolina, in the fourth fastest-growing metropolitan statistical area in the United States, the City of Concord is the county seat of Cabarrus County, home to a beautiful, historic Downtown Concord which serves as a cultural, commercial, and civic hub.

Contact

Tanner Dudley
Project Manager
Development Finance Initiative
978.660.5659
dudley@sog.unc.edu



Over the next five years, Concord is expected to grow by roughly eight percent—well above the yearly state average—in line with growth expected in Charlotte. From 2010 to 2013 Cabarrus County saw a 300-percent increase in net migration to the County. A majority of this growth seen from households moving from Mecklenburg County, home of Charlotte.



Lofts 29, a 26-unit historic rehab apartment building in Downtown Concord, opened in late 2015 and was quickly leased-up. This is a testament to growth in the area and demand for downtown living. Historic downtown Concord supports a healthy and diverse professional and retail economy with a growing presence of arts, history, and entertainment. Union Street offers a mix of restaurants, businesses, and historic buildings including the beautiful Davis Theater and former Hotel Concord.





For more information

To learn more about DFI and other community and economic development programs, visit sog.unc.edu/dfi

THE OPPORTUNITY

Located at 26 Union Street in Downtown Concord, the City's former Municipal Building is a 0.38-acre site. With the recent completion of Concord's new City Hall, the now vacant Municipal Building site offers an opportunity for new residential mixed-use development in the heart of Downtown. The City of Concord has engaged the UNC School of Government's Development Finance Initiative (DFI) to prepare the Municipal Building site for redevelopment. Working with Tise Kiester Architects in Chapel Hill, North Carolina, DFI has completed a significant portion of the pre-development process, including market, site, and financial feasibility analysis to determine the feasibility of the following four-floor new construction building program:



Residential	50–55 units
Retail/Office	3,500–3,700 GSF
Parking (podium)	30–35 spaces on-site

Conceptual Massing: Union Street



Conceptual Massing: Rear



UPCOMING REQUEST FOR PROPOSAL

In the coming months the City of Concord will solicit development partners to submit proposals for redevelopment of the Municipal Building site. DFI will work with interested parties to prepare submittals consistent with the City's public interests. After DFI receives all proposals, they will work with City to review proposals and provide a recommendation to City Council.

ABOUT THE DEVELOPMENT FINANCE INITIATIVE

The Development Financial Initiative at the UNC partners with local governments across North Carolina to provide specialized finance and development expertise, with the goal of attracting private investment for transformative projects.

