

# BLOCK 8 DOWNTOWN DEVELOPMENT

## Solicitation for Development Partners

Kannapolis, NC

Winter/Spring 2018

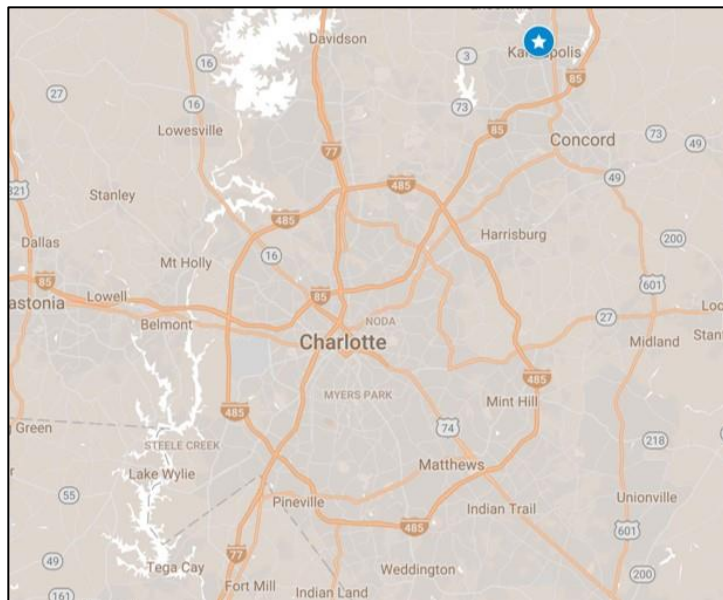


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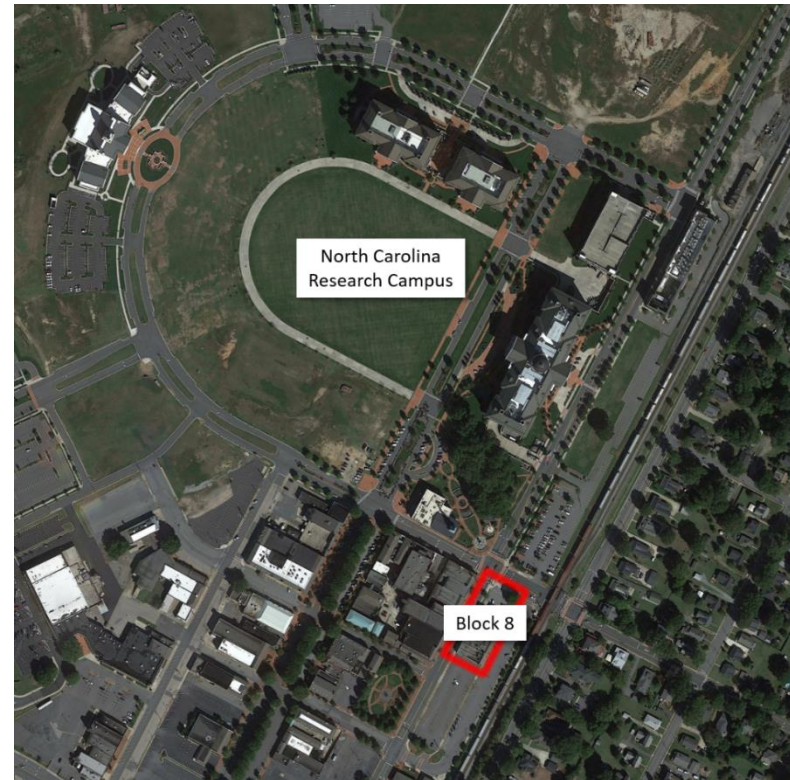
## Executive Summary

The City of Kannapolis, North Carolina, is committed to enhancing its downtown as the economic, civic, and cultural core of the community through strategic public investments. In 2015, the City purchased 50 acres of prime downtown real estate, including its historic main street, to accomplish its vision. The City engaged the UNC School of Government's Development Finance Initiative (DFI) to create a redevelopment plan that leverages public investments in amenities and infrastructure to encourage private sector investment in the downtown.

At this time, the City seeks a development partner for the redevelopment of approximately 15,000 ground-level square feet of commercial buildings on a 0.5-acre parcel (part of a larger 1.34-acre block) in downtown Kannapolis. With a prominent location near the core of the City's redevelopment efforts and the North Carolina Research Campus, the site is a natural gateway to the revitalized downtown, the campus, and a planned sports and entertainment venue. **Proposals are due on May 11, 2018.**



*Downtown Kannapolis is a 30 – 40-minute drive from center city Charlotte via I-85*





## Kannapolis: A Downtown Poised for Growth

The City of Kannapolis is committed to enhancing its downtown as the economic, civic, and cultural core of the community through strategic public investments. In 2015, the City purchased 50 acres of prime downtown real estate, including its historic main street, directly adjacent to the NC Research Campus, a growing partnership between UNC, Duke, and a number of private research entities. The campus currently employs 1,000 people, and contributes to demand for housing, shopping, services, and entertainment.

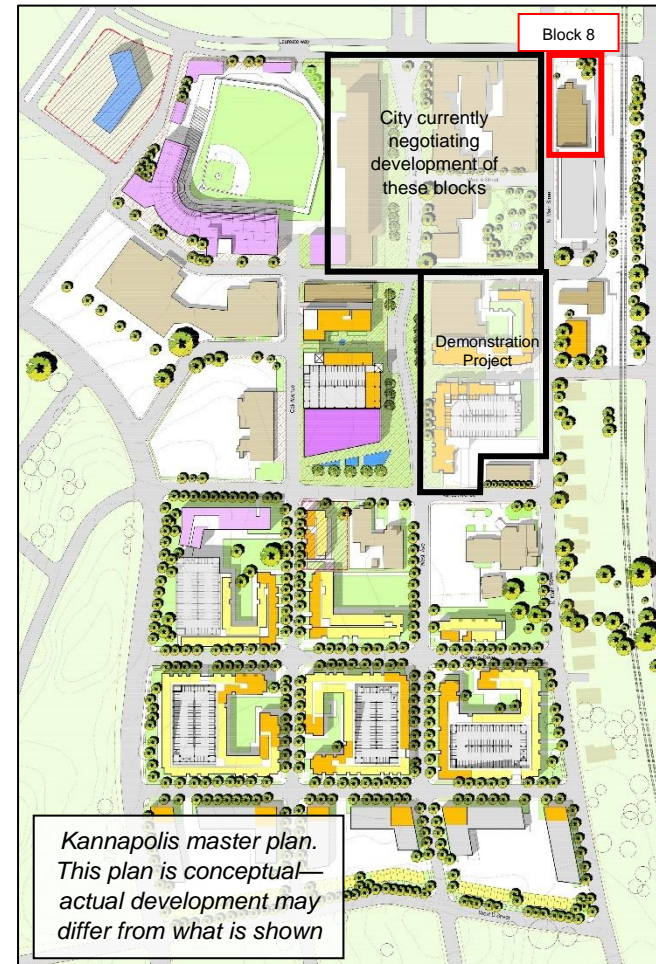
The City partnered with the UNC School of Government's Development Finance Initiative (DFI) to create a redevelopment plan driven by public-private partnerships. The plan anticipates an additional 1,500 residential units, 50,000 SF retail, 90,000 SF office, and 75 hotel rooms in the downtown over the next decade, as well as infrastructure and streetscape updates, additional public gathering spaces, and parking. The first phase—the "demonstration project"—a 275-unit multi-family mixed-use project and public parking deck—will break ground in mid-2018.

As part of its investment, the City is building a \$42 million sports and entertainment venue (SEV) in the heart of downtown for the Intimidators, the city's minor league baseball team. The SEV, designed by Populous and to be constructed by Barton Malow, is targeted to open in spring 2020. The City is also constructing a linear park streetscape designed by LandDesign, replacing sewer and stormwater, and burying power lines.

These initial investments, in excess of \$100 million, are intended to catalyze additional private development and bring more businesses, residents, shoppers, workers, and visitors to historic

downtown Kannapolis. Kannapolis seeks to be the most livable city in the Charlotte metropolitan area.

The City is currently in negotiations with a developer who seeks to create additional residential units and approximately 50,000 commercial SF adjacent to the SEV on West Avenue. Those negotiations involve multiple phases of development, including redevelopment of the commercial block to the west of and across Main Street from Block 8, the subject of this solicitation.



## About this Solicitation

This document is an invitation for experienced development teams to present conceptual plans for the redevelopment of 15,000 SF of buildings on a 0.5-acre commercial block in downtown Kannapolis, NC. DFI will support the City in its review of the responses, with the selection of a development partner being made by Council. While an endorsement by Council is not final approval, it will trigger an exclusive period of negotiation between the City and their selected partner for a development services agreement for the project.

*The Development Finance Initiative (DFI) at the UNC School of Government partners with local governments in North Carolina to attract private investment for transformative projects by providing specialized finance and development expertise. DFI partners with communities on projects including building reuse, community development, downtown revitalization, economic development, and neighborhood redevelopment.*



*The site from the southwest*



*The site from the northwest*

## Guiding Public Interests

In creating a master redevelopment plan, city leaders have articulated a vision for their downtown in which future development will be guided by the following public interests:

**Density:** Encourage density of development to create activity on the street, drive demand and capture value.

**Mixed Use:** Create a mixed-use district that supports day to night activity, attracts diverse users, and expands the downtown market.

**Generate Demand:** Generate local and regional demand through appropriately scaling, phasing, and locating anchors and amenities.

**Historic Preservation:** Respect the historic integrity of downtown by leveraging historic assets and creating a unique sense of place.

**Leverage Public Investment:** Leverage public dollars in order to maximize private investment that improves the quality of life for Kannapolis citizens.

All development proposals will be evaluated in terms of alignment with these public interests.

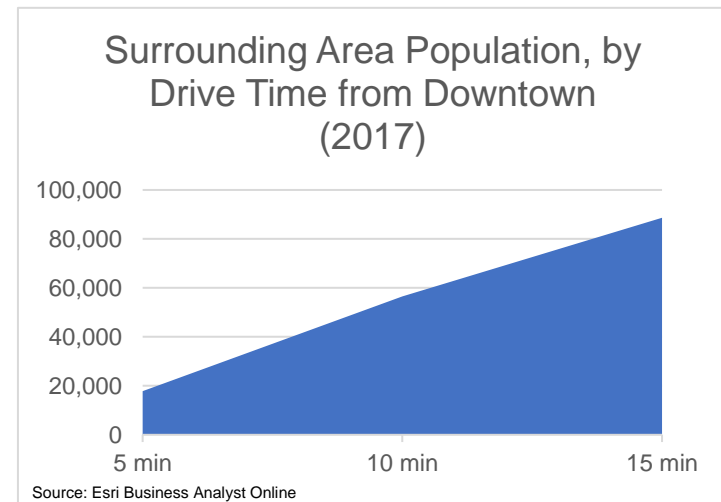
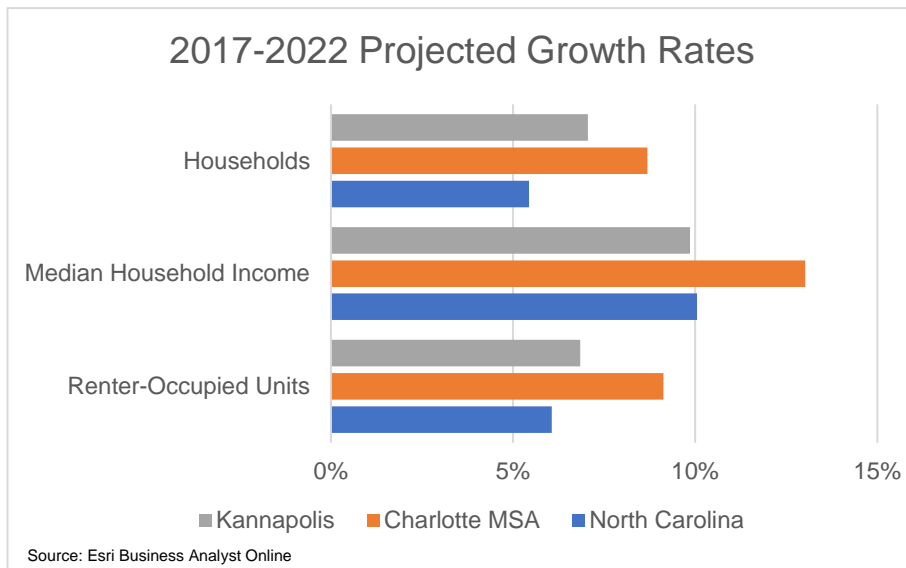
**While the City is open to proposals that involve new construction on the site rather than reuse of the existing buildings, the City does not seek proposals that would dramatically increase density on this block.**

## Market Overview

Kannapolis, already one of the largest cities in the Charlotte metropolitan area, has experienced 14 percent population growth since 2010, and is projected to grow by another seven percent over the next five years, to over 52,000 residents and 20,000 households.

Cabarrus County has enjoyed positive in-migration of residents for the past five years—especially from neighboring communities—who are attracted by the proximity to Charlotte and I-85 and the high quality of life. Between 2010 and 2015, a net average of 50 people per month moved from Mecklenburg to Cabarrus County.

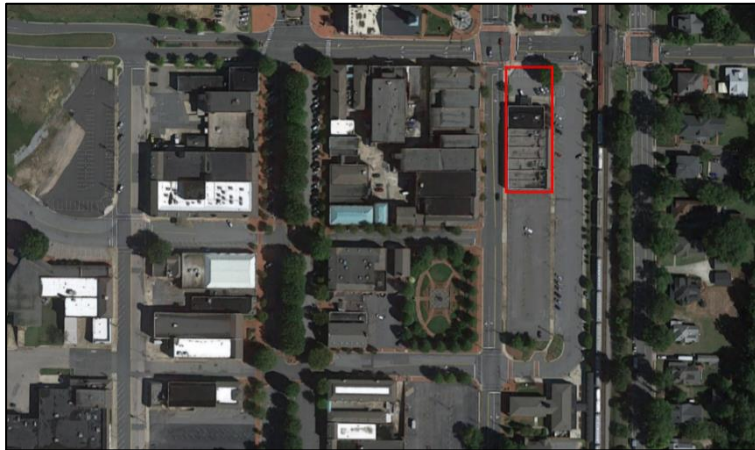
The City of Kannapolis is making significant public investments to increase the vibrancy and appeal of its downtown and the larger community to residents and businesses. These public investments are intended to spur private residential and commercial development as a means to capture a greater share of overall regional growth. The metropolitan area is projected to add 17,000 households per year over the next five years, and median household income is projected to grow by 2.5 percent per year.





## Site Info

Bounded by S Main Street, W 1<sup>st</sup> Street, Southern Avenue S, and West B Street, parcel 56136958910000, known to the City of Kannapolis as Block 8, is a 1.34-acre parcel adjacent to the historic Gem Theatre block and the Kannapolis train station. The City seeks to subdivide this block and sell for redevelopment the 15,000 SF of buildings on the northern half of the parcel. The sale will include the parking lot at the northern end of the parcel; it is not intended to include the existing surface parking lot that comprises the southern half of the parcel. The City will seek to retain ownership of this surface lot in the near-term, and expects to lease parking to the owner/tenants of the commercial redevelopment as part of a development services agreement for the parcel. Building users will have access to public street parking on Southern Avenue, along the eastern boundary of the parcel.



*Site boundary in red*

Zoned CC (City Center District), the site currently contains six connected, commercial spaces totaling approximately 15,000 SF of first-floor space and approximately 3,000 SF of basement

space. Appendix B contains a link to a building-by-building visual assessment of the buildings, including layout, square footage, and general conditions. This site is primed for redevelopment as part of the ongoing master downtown redevelopment. With a prominent location near the core of the city's redevelopment efforts and the North Carolina Research Campus, the site has a traffic count of 5,700 vehicles per day along Main Street and 4,700 on E 1<sup>st</sup> Street. The site is a gateway to downtown and the Research Campus, and is just west of the rail line that provides freight and Amtrak passenger service.

To the north of the site is a privately-owned parking lot. To the northwest is Veterans Park and First Baptist Church, and beyond that is the NC Research Campus. The City's master plan includes redevelopment of the adjacent block, to the west, containing the Gem Theatre.

The City's UDO is available [here](#).

A table of allowed uses is available [here](#).



*Site boundary in red*



## Building Conditions & Site Visits

### Building Conditions

The existing structures are in varying states. Appendix B includes a link to a building-by-building assessment of the block performed by Creech and Associates. This assessment includes detail photos; general floor plans and square footage; and general structural, mechanical, engineering, and plumbing systems assessments. This assessment was completed in 2014 and may not represent current conditions.

Not all spaces are currently in “vanilla box,” leasable condition. Upgrades and improvements are necessary for tenanting. The City has received some estimates for the repair work. Ranges of these estimates are available upon request. A brief synopsis of the various conditions currently present follows:

- At least two of the six commercial spaces (119 and 121 S. Main Street) will require major improvements to the roofing structure and membrane.
- At least two of the six commercial spaces (119 and 121 S. Main Street) will require interior demolition in order to remediate water damage incurred in the past six months.
- Currently, several spaces are in fair condition—leasable though likely to require some interior improvements to achieve full market value.

### Site Visits

The City and DFI will host interested development teams on the site, providing access to and visual inspection of the buildings included in this solicitation. DFI will schedule these site visits within the following time slots, on a first come, first served basis. Interested developers are encouraged to schedule a tour by emailing Andrew Trump, DFI Project Manager, at [trump@sog.unc.edu](mailto:trump@sog.unc.edu), at their earliest convenience, and no later than one week prior to the scheduled date.

Other times may be made available if there is strong interest.

Slot	<b>Monday, March 12</b>
<b>A</b>	11:00 AM – 11:45 AM
<b>B</b>	12:00 PM – 12:45 PM
<b>C</b>	1:00 PM – 1:45 PM
<b>D</b>	2:00 PM – 2:45 PM
<b>E</b>	3:00 PM – 3:45 PM
<b>F</b>	4:00 PM – 4:45 PM

Slot	<b>Tuesday, March 13</b>
<b>G</b>	9:00 AM – 9:45 AM
<b>H</b>	10:00 AM – 10:45 AM
<b>I</b>	11:00 AM – 11:45 AM
<b>J</b>	12:00 PM – 12:45 PM
<b>K</b>	1:00 PM – 1:45 PM
<b>L</b>	2:00 PM – 2:45 PM
<b>M</b>	3:00 PM – 3:45 PM

## Conditions of Sale

At present, the City is open to a variety of commercial development plans for the site, however, the City will be selling the site subject to an agreement that recognizes the public interest in the swift stabilization and redevelopment of the site:

- 1) The City will be selling the property in as-is condition and there will be no reimbursement for rehabilitation or demolition costs;
- 2) The buyer will stabilize the existing buildings and/or begin demolition and construction within the first year of ownership; the development services agreement governing the sale of this property will include a reversionary interest clause, under which the City will have the option to revert ownership of the property back to the City (at an amount equal to the sale price at closing) if the buyer has not redeveloped the site and begun operating it as a commercial property within two years of the closing date;
- 3) The City will receive a right of first refusal, by which the City has the option to re-purchase the property from the buyer before it may be sold to another buyer, within two years of the closing date;
- 4) At present, the City intends to subdivide the parcel and retain public ownership of the surface parking lot to the south of the existing buildings, in order to provide parking to adjacent development sites in the near term. The City expects to lease parking to the owner/tenants of the commercial redevelopment as part of a development services agreement for the parcel. Users of the parcel would have access to public street parking along Southern Avenue, as well.

The vision book provided with this document communicates design guidelines and principles that the City endorses.

## Submission of Proposals

Respondents shall organize submitted proposals in the format described below, with appropriate detail to allow adequate review and evaluation of qualifications and plans. Any information that a respondent wishes to remain confidential should be sent under a separate cover (see below Submission Procedure).

### 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.

### Program Proposal

- Total gross square footage, use by square footage

### Design Schematics

- If reuse, conceptual design showing how the existing structures will be incorporated
- If new construction, site plan and massing of structure (see note on density on page 6)

### Development Assumptions

- Site acquisition price
- Detailed development budget
- Number of parking spaces required
- Proposed development timeline, including target for an MOU, target for a development services agreement, groundbreaking target, and substantial completion target

### Financing Assumptions

- Expected amounts and sources of debt and equity
- Expected commercial rents

## Development Team

- Identification of up to three partner firms and roles, including codevelopers, architect, and contractor.
- Overview of 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 (principals and project managers) that will be responsible for negotiating a development agreement with the City and completing the remainder of the preconstruction approval process.

## Experience & References

Provide relevant development experience, including rehabilitation experience. Provide information on at least two, and no more than four projects. Each comparable development should detail the following information:

- Location and name of project
- Scope and scale of development program
- 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 sources
- Contact information for one project reference—either a private partner on the project or a representative of a public agency that is familiar with the project

## 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.



## 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 officer, director, or owner thereof has had judgments entered against him or her within the past 10 years for the breach of contracts for governmental 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 of 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:

- Alignment with the City's master plan and public interests
- Qualifications and experience of the development team
- Quality of the proposed building design and its fit with the surrounding downtown fabric
- Demonstrated ability to execute a project of similar scale and complexity in a reasonable timeframe
- Financial benefits to City from the proposed project
- List of active development projects and demonstration of current capacity

## Submission Procedure

**Development Partner proposals are due at 5:00 p.m. EDT on May 11, 2018. Proposals should be submitted electronically in PDF format to [trump@sog.unc.edu](mailto:trump@sog.unc.edu).**

Proposals must be prepared in conformance with the guidelines described under “Submission of Proposals.” The email subject must be “Development Partner Proposal: Block 8, Kannapolis, NC.”

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 [trump@sog.unc.edu](mailto:trump@sog.unc.edu). The e-mail subject must be “PROTECTED: Development Partner Proposal: Block 8, Kannapolis, NC.”

For information concerning the procedure for responding to this Solicitation for Development Partners or clarifications of the terms, conditions, and requirements of this SDP, please e-mail Andrew Trump, Project Manager, DFI, at [trump@sog.unc.edu](mailto:trump@sog.unc.edu).

## Selection Process

City staff and DFI will review all responses, contact references, and coordinate interviews as necessary. After a review of submitted proposals, clarifications may be requested. Unless requested by DFI, no additional information may be submitted by developers after the May 11, 2018 deadline. The City of Kannapolis will enter discussions with the developers who have the most viable proposals before the Kannapolis City Council endorses a specific development partner. An endorsement by Council of a development partner is not final approval. Rather, it will trigger an exclusive period of negotiations between the City and their selected partner for a development services agreement for the project. DFI will advise the City in the negotiation of a formal development agreement.



## Additional Information

### Consultant Fee

DFI's predevelopment work across the downtown area thus far will benefit the private developer taking on the project by significantly reducing the time, effort, and expense required to move the project through the City's public planning process. The City has therefore agreed in a contract fully executed on May 27, 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% of the total project costs. The terms of the fee are further described in Appendix A of this document.

### 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 Kannapolis 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 or vetting process. 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 this solicitation 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.

Any agreements that may be entered into between the developer(s) and the City, including but not limited to a Development Services Agreement, are subject to approval by the City Council. DFI does not act as a broker or agent of the City, and no representation made by DFI during the solicitation and vetting process shall be binding on the City.

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

The City of Kannapolis is an equal opportunity employer. It encourages minority- and women-owned firms to respond to this and all other solicitations.

## Appendix A – Contingent Fee Payment

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 Property 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 shall provide that SOG is an intended third-party beneficiary of the Development Services Agreement. The fee shall be an amount equal to 1% of the total projected costs of development of the Project as calculated by the Developer in the most recent versions(s) of pro forma and other financial projections (the “Developer 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 and SOG; by way of illustration only, such schedule of payments could be tied to the receipt of any developer fees by Developer. Developer’s obligation to pay Development Services 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.

## Appendix B – Building Assessment by Creech and Associates

This building assessment includes detail photos; general floor plans and square footage; and general structural, mechanical, engineering, and plumbing systems assessments. This assessment was completed in 2014 and may not represent current conditions.

The assessment is available on Dropbox through this link: <https://www.dropbox.com/s/cm4h1rny9nvt776/Block%208.pdf?dl=0>