



# Downtown Kannapolis Townhouse Development

Solicitation for Development Partners



Kannapolis, NC | Spring 2019

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# The Opportunity

The City of Kannapolis, North Carolina, (“Kannapolis” or the “City”) is pleased to release this Solicitation for Development Partners (“Solicitation”) in partnership with the Development Finance Initiative at the UNC School of Government (“DFI”) for the development of for-sale townhouses in downtown District to be located at the former Plant 4 Site. Downtown Kannapolis is in the early phases of a \$400M+ mixed-use development across 50 acres that the City acquired in 2015.

The City is currently seeking a private development partner (“Development Partner”) to purchase 9 acres to develop for-sale townhouses. This townhouse development will likely be the largest, and potentially the only, townhouse development in the City’s central business district. As the property is City-owned and located within the central business district, a condition of sale will include a deed restriction to preserve the character of the City’s downtown area by imposing certain restrictive covenants on the property. Upon request, DFI will provide a sample of this deed restriction.

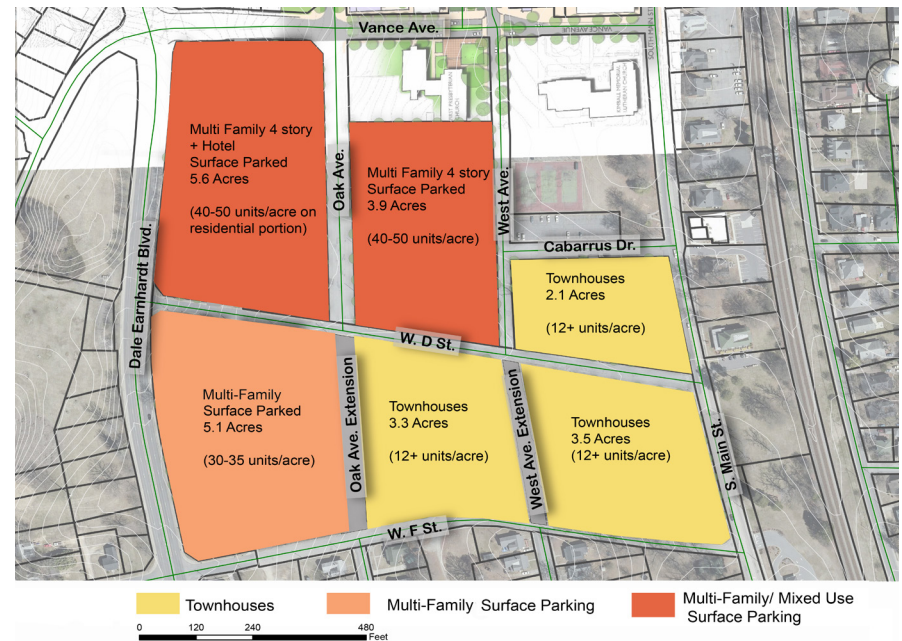
## KANNAPOLIS: A DOWNTOWN POISED FOR GROWTH

The City 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 DFI to create a redevelopment plan that leverages public investments in amenities and infrastructure to encourage private sector investment in the downtown. Core elements of this plan include:

- Public investment in the current construction of a new \$52M sports and entertainment venue (SEV) that will be the new home of the Kannapolis Intimidators starting April 2020.

- Mixed-use district that will include residential (targeting 1,500+ units), office (200,000 SF), hospitality (200 keys), and retail (targeting 150,000 SF).
- Phased developments with significant build out by 2025.

The townhouses will be located in the three blocks identified in yellow below.



## TIMELINE

- MAY 20, 2019 ● Solicitation opens
- JUNE 28, 2019 ● Interested development partners submit responses to Solicitation
- JULY 2019 ● Council selects development partner

## DFI's Role

The City engaged DFI in 2015 to master plan downtown Kannapolis, guide the City's investments, and attract private investment. DFI provides specialized finance and development expertise to assist local governments in attracting private investment for transformative projects. DFI has been engaged in more than 100 projects in communities across North Carolina, and more than \$1 billion of investment will occur if all of DFI's pipeline projects are completed.

Through DFI's first Solicitation, the City selected Lansing Melbourne Group ("LMG") to develop the proposed mixed-use development on block 3. On March 26, 2019, LMG broke ground on VIDA, a \$57M mixed-use project that includes 286 apartments, 19,000 SF of retail, and a 400 space parking garage.

DFI has completed significant predevelopment in downtown Kannapolis prior to releasing this and former Solicitations, including the following five-part assessment:

- **Market Assessment:** assessing the supply and demand for a diversity of potential private uses, including multi-family, retail, office, and hospitality.
- **Site Assessment:** studying the physical constraints of downtown and working with design team to program the space while maintaining its unique, historic characteristics.
- **Public Interests:** engaging with the various stakeholders who are interested in the development of downtown, including City staff and elected officials.
- **Financial Feasibility:** projecting the development costs and cash flows to ensure viability of projects for private investors.
- **Public Investment:** identifying the potential avenues by which the public sector can participate to enhance the attractiveness of development opportunities.

DFI's predevelopment work thus far will benefit the private developer selected by Council through significantly reducing the time, effort, and expense required to move the project through the City's public planning process. The selected developer is required to pay a 1% development services fee to DFI as part of any Development Services Agreement related to the development of townhouses on the former Plant 4 site. The terms of the fee are further described in Appendix A of this Solicitation.



VIDA Groundbreaking

# Downtown Kannapolis Overview

The City of Kannapolis has embarked on a visionary plan to revitalize the heart of the community – the Downtown. The City desires to see its downtown serve as the heartbeat of the community as it once did. Started in 1906, Cannon Mills became the world’s largest producer of sheets and towels and at one point employed more than 20,000 people in downtown Kannapolis. As Cannon Mills declined, so did downtown Kannapolis.

Today, downtown Kannapolis is being revived. Started in 2005, the North Carolina Research Campus is located adjacent to downtown Kannapolis. This 350-acre research campus supports more than 1,000 employees. Downtown also has several active construction projects representing over \$120M of total investment.

## VIDA

Identified as a demonstration project about how downtown Kannapolis will be developed, VIDA is a \$57M project that includes 286 apartments, 19,000 SF of retail, and a 400 space parking garage. VIDA is targeting completion Spring 2020. VIDA’s developer is also targeting a second phase of development on this site that would include a new hotel.

## SPORTS AND ENTERTAINMENT VENUE (SEV)

Currently under construction in downtown Kannapolis, the \$52M SEV will serve as the new home of the Kannapolis Intimidators. The Intimidators are a Class A MiLB team playing in the South Atlantic League. As a Class A Minor League Baseball (MiLB) team, the Intimidators will host 70 annual home games inside the facility. The SEV will offer capacity of about 5,400 per baseball games. Andy Sandler, owner of the Kannapolis Intimidators, in November 2018 executed a 30 year lease agreement with the City for use of the SEV.

The SEV is designed as a multi-use facility and will host concerts, festivals and conferences. The design emphasizes the fan experience. The venue is envisioned as a continuation of the West Avenue urban park. The 360-degree concourse will be open to those who want to walk or run every day. Construction is scheduled for completion so that the Intimidators can play in the SEV starting April 2020.

## INFRASTRUCTURE AND STREETScape

A major component of the City’s downtown investments include the Infrastructure and Streetscape improvements planned for West Avenue and surrounding streets. The unique streetscape will serve as an urban park with many green spaces for activities such as concerts, arts, recreation activities and classes, and outdoor dining. There will also be relaxation areas with water features. Traffic flow and parking options will work in conjunction with pedestrian activity.

The infrastructure project includes replacing aging and undersized utilities such as water, sewer and storm water, and electricity. The City is also planning for the future with the installation of new technologies that future businesses and residents will need. This scope is scheduled to be completed September 2019.



VIDA



# 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. The City of Kannapolis is just 26 miles or a 30-minute train ride from downtown Charlotte. Between 2010 and 2015, a net average of 50 people per month moved from Mecklenburg to Cabarrus County.

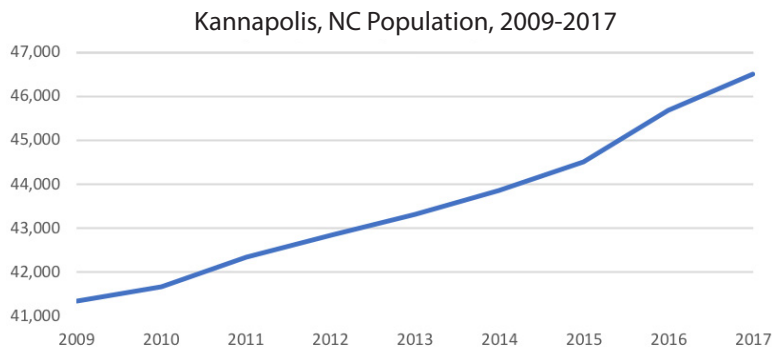
The City of Kannapolis is making significant public investments to increase the vibrancy and appeal of its downtown and the larger community to residents and businesses. These public investments are intended to spur private residential and commercial development as a means to capture a greater share 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.



Downtown Kannapolis



Downtown Charlotte, 26 miles southwest



Source: US Census Bureau, sociaexplorer.com

## Guiding Public Interests

One of DFI's critical roles is working with the City to identify a project's guiding public interests, or public benefits the project should generate for the local community. City Council unanimously approved the following guiding public interests for downtown Kannapolis:

- 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.



Gem Theater



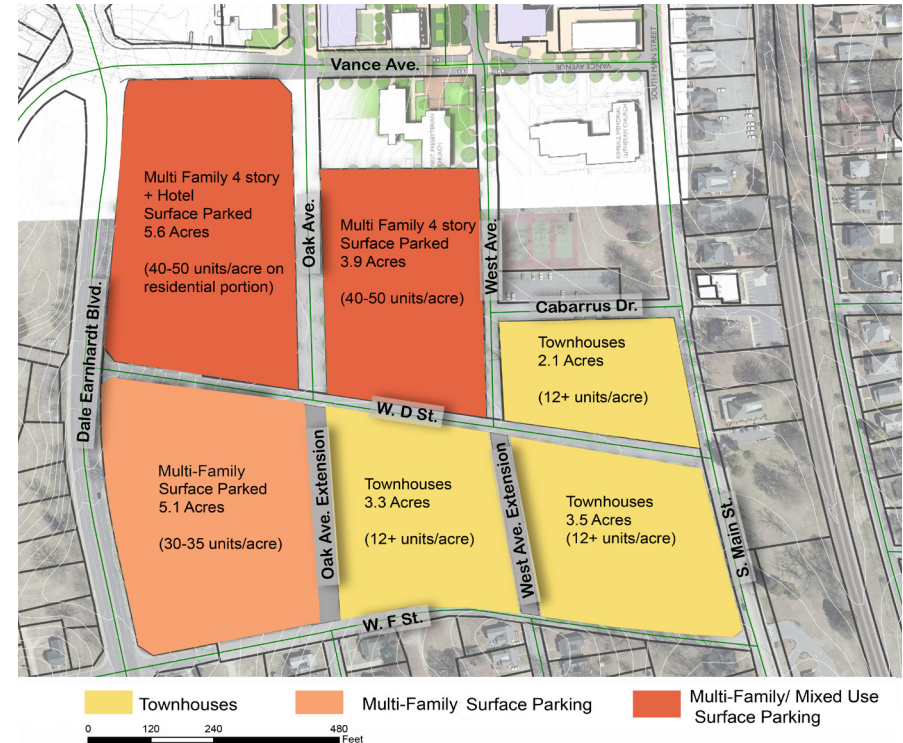
# Former Plant 4 Site

The City acquired the former Plant 4 site in 2015 as a key component of the City's central business district. The proposed land uses for this +/- 27 acre site will generate a primarily residential district with some commercial development, ground floor retail and a potential hotel or office building.

PROPOSED CONCEPT PROGRAM FOR PLANT 4	
Master Plan	
Number of Residential Units	650 - 700 Units
Amount of Commercial Development	40,000 - 50,000 SF
Potential Private Investment	\$90 - \$120M

The residential developments will vary significantly across Plant 4 and will include townhouses, potential senior housing, and denser 50 units+ per acre residential developments. The current land use planning diagram and test fit calls for all of the multi-family and commercial development to be surface parked.

The City of Kannapolis desires a townhouse development within the core of its downtown to provide diverse residential options. The City envisions this to be an urban townhouse development, which includes a pedestrian-oriented environment, visual interest through façade articulation, and integration of circulation and parking for residents and visitors. The proposed townhouse development should be consistent with the character intent for the Downtown Center Character Area, found in the [Move Kannapolis Forward 2030 Comprehensive Plan](#) and all applicable requirements in the City's [Unified Development Ordinance \(UDO\)](#), specifically Section 11.2 Multi-family Residential Design Standards and Section 11.5 Supplemental Design Standards for Center City (CC) District.

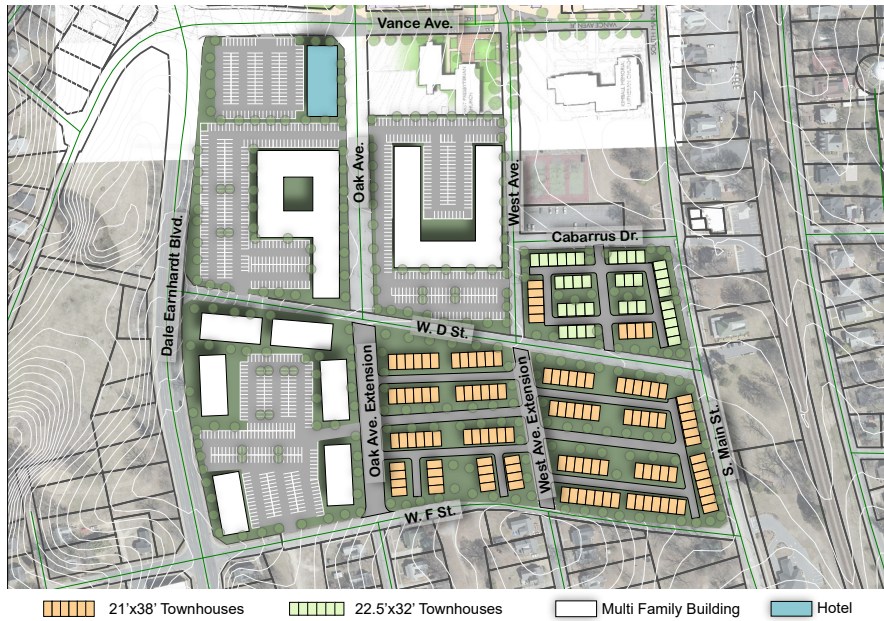


Former Plant 4 Site



# Former Plant 4 Site

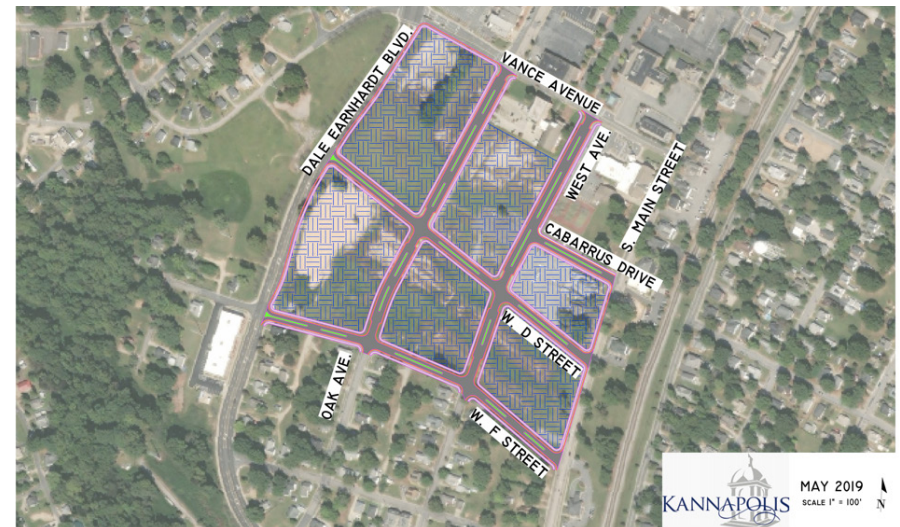
The townhouse test fit incorporates a 3-story townhouse design with parking inside the footprint on the first floor of the townhouse. The rear of the townhouses and parking spaces are accessed by a system of alleys. The City’s 2030 Comprehensive Plan calls for a minimum density of 12 units per acre.



Townhouse Test Fit

The City’s master plan for Plant 4 will upgrade the existing public facilities, including, but not limited to: roads, storm drainage, concrete curbs and gutters, concrete sidewalks and wheelchair ramps, traffic control, pavement marking, water lines, and sewer lines. The master plan introduces two new north-south connectors by extending Oak Avenue and West Avenue from West D Street to West F Street. These two main roads will be the primary connectors from Plant 4 into the downtown commercial core. The City requires all

vehicular ingress and egress to be located off of West Avenue, Oak Avenue, Vance Street, West D Street and West F Street, leaving S. Main Street and Dale Earnhardt Boulevard with no new additional curb cuts or intersections. City staff have prepared drawings for this road network (below). A requirement in the Submission of Proposal (page 12) is to propose the amount of money that the Development Partner will contribute to these public facilities located outside of the 9-acre site area that the Development Partner will purchase. The City and Development Partner will negotiate improvements to the off-site public facilities.



Due to significant amount of impervious surface that was removed when Cannon Mills was demolished, downtown Kannapolis is operating at a surplus of pervious surface. Stormwater control measurements will not be required for the build out of Plant 4. Additionally, the City does not have any specific minimum open space requirements for development in this portion of the City, however, respondents are encouraged to think creatively about open space. Previous environmental site assessments have been completed and are available for review.

## Evaluation Criteria and Selection Process

The City intends to select a Development Partner that presents a viable plan, which best meets the guiding public interests. DFI, in conjunction with City staff, will analyze responses and conduct due diligence, as needed. The City of Kannapolis City Council will endorse the selection of a Development Partner, DFI and Staff's analysis, and any additional information collected. An endorsement by the City Council is not a final approval, but will trigger a period of exclusive negotiations between the City and Development Partner for an initial Memorandum of Understanding ("MOU") and then a development agreement.

DFI and the City will consider each response as a whole in the decision-making process. The following evaluation criteria will be prioritized:

- Qualifications and experience of the development team, with preference given for experience with the type of development proposed in respondent's plan for the site
- Level of integration of guiding public interests, including financial benefit to the City
- Quality and success of prior development projects
- Demonstrated ability to execute project of similar scale
- List of active development projects and demonstration of confidence in the project
- Fiscal impact to the City: proposed purchase price, proposed contribution for off-site infrastructure and proposed number of units per acre
- The quality and cost of the public facilities proposed for construction by the Development Partner on or adjacent to the site

After a review of submitted proposals, clarifications may be requested. Unless requested by DFI, no additional information may be submitted by developers after the June 28, 2019 deadline. Council will then select their preferred partner to begin exclusive negotiations of a development services agreement.



## Submission Process

Development Partner proposals are due at 5:00 p.m. EDT on June 28, 2019. Proposals should be submitted electronically in PDF format to Jordan Jones, DFI Development Advisor, at [jones@sog.unc.edu](mailto:jones@sog.unc.edu).

Proposals must be prepared in conformance with the guidelines described under "Submission Requirements." The e-mail subject must be "Development Partner Proposal: Kannapolis, NC". Proposals received after the deadline will not be considered.

All responses are subject to public disclosure under North Carolina Public Records Law. DFI recognizes that respondents must submit financial information that it may deem confidential and proprietary to comply with the requirements of this solicitation. To the extent permissible by law, DFI agrees to keep confidential any confidential proprietary information included in a response, provided that (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 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 [jones@sog.unc.edu](mailto:jones@sog.unc.edu). The e-mail subject must be "PROTECTED: Development Partner Proposal: Kannapolis, NC".

All questions regarding this Solicitation including procedures for responding, clarifications of the terms, conditions, and requirements, should be directed to Jordan Jones at [jones@sog.unc.edu](mailto:jones@sog.unc.edu).

# Submission of Proposal

- Development Plan
  - a. Number of Townhouses; Expected Sales Price; Proposed Size of Units
  - b. Community Amenities, if any
  - c. Timing of Phases, if applicable
  - d. On and Off-site Improvements
  - e. Parking Strategy for Residents and Visitors
  - f. Respondents should include sufficient detail explaining how they will commit to achieving an urban townhouse development, to include a pedestrian-oriented environment, visual interest through façade articulation, and integration of circulation and parking for residents and visitors
- Preliminary Site Plan – Propose
- Development and Financing Assumptions – Provide:
  - a. Sources and Uses
    - i. Including if public participation is requested for off-site public facilities as discussed on page 10
- Acquisition Price – Propose
- Earnest Money Deposit – Propose amount and terms
- Timeline – Propose:
  - a. City and Development Partner Execute a Memorandum of Understanding
  - b. City and Development Partner Execute a Development Agreement
  - c. Development Partner breaks ground



Kannapolis City Hall



# Submission of Qualifications

- Letter of Introduction
  - a. Include a summary of the respondent's qualifications, experience, interest in this opportunity. Special attention should be given to a clear statement outlining how this proposal aligns with the guiding public interests. The letter must be signed by a principal or authorized officer of the entity.
- Development Team
  - a. Identification of partner firms and roles, including co-developers, architects/designers, and potential general contractor.
  - b. Overview of each firm on the team, including brief history of firm, licensure, past experience working with the developer, and relationship of the firm's parent company with the office responsible for this project, if applicable.
  - c. Identification and resumes of lead staff (principals and project managers) who will be responsible for negotiating a development agreement with the City.
- Experiences and References
  - a. List of five current and completed projects (preferably in the last five years) relevant to proposed plans. Include the following information:
    - i. Name, location and completion date of project
    - ii. Development team members, including architects/designers and general contractors
    - iii. Scope and scale of development program
    - iv. Photos/illustrations of completed project
    - v. Capital stack
    - vi. Financing partners
- Disclosure and evidence of financial stability
  - a. Disclosure of any potential conflicts of interest that could be relevant to this project in any manner.
  - b. Disclosure of any projects/financing on which the team or any of its members has defaulted.
  - c. Disclosure of whether the developer or any officer, director, or owner thereof has had judgments entered against it, him or her within the past 10 years for breach of contracts for governmental or nongovernmental construction or development.
  - d. Disclosure of whether the developer has been in substantial noncompliance with the terms and conditions of prior construction contracts with a public body.
  - e. 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.
  - f. Disclosure of whether any officer, director, or owner is currently debarred from bidding or contracting, pursuant to an established debarment procedure, by any public body, agency of any state, or agency of the federal government.
  - g. Other evidence of financial stability of developer (can be submitted under confidential cover as detailed in "Submission Process").

## Additional Information

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 the Solicitation for Development Partners assume all financial costs and risks associated with the submission. No reimbursement or remuneration will be made by the City or DFI 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, or to waive irregularities or informalities in any submittal, in 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 all statutory and legal requirements and ultimate approval by the City Council in its sole and absolute discretion and nothing herein is to be construed as binding on the City. In modeling this project, it was assumed that the City will convey the property to a private developer pursuant to a downtown development project under North Carolina General Statute 160A-548.3, among other statutory authority.

The City makes no express or implied warranty as to matters of title, zoning, tax consequences, physical or environmental conditions, valuation, financial condi-

tions, valuation, financial conditions or economic matters, accuracy of the any materials or reports provided, governmental approvals, governmental regulations, or any other matter or thing relating to or affecting the properties described herein or any proposed transaction or agreement contemplated herein. 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. Notwithstanding any provision herein, this solicitation shall not constitute an offer to contract on the part of the City and shall not be construed to impose any legal obligations on the City.

This solicitation does not create any obligation or relationship such as a partnership, joint venture or other similar legal relationship between the City and any potential party. Any references to “partner,” “partners” or other similar terms will not be deemed to create a legal relationship or otherwise alter, amend or change the relationship between any parties in the absence of a formal written agreement specifically detailing the rights, liabilities and obligations of the parties as to a new, specifically defined legal relationship.



## Appendix A: Contingent Fee Payment

The conveyance or lease of any portion of the property described herein (the “Property”) to the selected development entity 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 pre-development 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 City or other parties prior to or contemporaneously with 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. As a matter of policy for purposes of determining the total cost of development for calculation of the Development Services Fee, DFI excludes the cost of any stand-alone public-owned facility that meets all of the following requirements: (i) constructed by Developer pursuant to the Development Services Agreement, (ii) to be owned in its entirety by the City within 24 months of execution of the Development Services Agreement pursuant to the Development Services Agreement, and (iii) located entirely on City-owned land that (a) contains no improvements owned by a party other than the City and (b) is not subject to any property interests of any private party (by way of illustration only, examples of such property interests include but are not limited to leases, licenses, and air rights).



THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL