



Date: May 8, 2018

To: Thomas J. Bonfield, City Manager

Through: W. Bowman Ferguson, Deputy City Manager

From: Steven Hicks, Director, General Services Department

Subject: Future of the Current Police Headquarters Site at 505 W. Chapel Hill Street

Executive Summary

The City of Durham owns the four-acre parcel at 505 W. Chapel Hill Street (ID 114577), containing the current Durham Police Department (DPD) Headquarters and Emergency Communications (911) building, in addition to supportive surface parking lots. The existing building was originally built for the Home Security Life Insurance Company in the late 1950s and occupies less than a quarter of the site.

The site will become vacant in fall 2018, when the DPD and 911 move to a new headquarters building on East Main Street that is currently under construction. The City will not have a municipal purpose for the property after this relocation to the new facility, and thus hired a consultant team to consider re-use opportunities for the site. The team included HR&A Advisors, Inc., Duda Paine Architects, and cost estimators R.M. Rutherford Associates, Inc.

The HR&A led consultant team, in collaboration with the City/County Planning Department, conducted public engagement activities including a survey, pop up meetings, and workshop events, reaching more than 1,200 residents. They also conducted a walkthrough of the existing building, reviewed existing condition reports, and developed various concept development scenarios. HR&A reviewed policy goals and synthesized two refined development scenarios which were presented at the City Council work session on November 9, 2017.

This presentation shares the results of these activities, updates the November presentation with current market data including additional financial modeling, and outlines how this surplus City-owned property may provide a key development opportunity to address City priorities and shape future development in Downtown Durham. In particular a key decision is whether to maximize proceeds from the site to accomplish policy goals elsewhere, or make efforts to accomplish the goals on site.

The next step beyond that decision is for the City to design a property disposition process that advances City Council's stated goals while meeting the constraints of state law on the disposition of City property, and commence the process for disposition. City staff will bring an agenda item to City Council for approval of development criteria and disposition process in August 2018.

Recommendation

The General Services Department recommends that City Council receive a presentation regarding the future of the current Police Headquarters Site at 505 W. Chapel Hill Street

The General Services Department recommends that City Council direct staff to design and develop a proposed developer solicitation and property disposition process for 505 W Chapel Hill Street for City Council review later this summer.

Background

The property disposition process used for this surplus City-owned property may provide a key development opportunity to address City priorities and could be a catalytic development that shapes future development on a major thoroughfare into the Downtown Durham urban core. In creating conceptual development scenarios for the site, the consultant team considered: 1) stated policy priorities contained in existing City plans and documents regarding the use of Downtown land, and 2) feedback gathered during public engagement. These development scenarios are meant to illustrate conceptual development options, and do not represent actual proposed development scenarios. These development scenarios should be interpreted as guiding concepts for what is possible on the site.

The development scenarios focus on advancing three key goals for the site:

- **Business Friendly Environment:** Providing office space on site can help meet City goals around driving economic development in the Downtown area, while alleviating existing pressures on office space that stem from Durham's current low office vacancy rate. Durham's ability to attract and retain corporate tenants and large office occupiers is limited by a lack of available space. New office space at the site can help alleviate this shortage and build Downtown as a hub of business activity and a key employment anchor. These uses will also contribute new tax revenue that will accrue to the City. The tax revenues generated through office development can help support other City priorities, including providing revenue to support affordable housing development in the Downtown core. Recent Downtown Durham, Inc. analysis shows that providing new office space and opening up new jobs in Downtown Durham has a multiplier effect and positive impacts on the city's overall economy. Further, given the site's location close to new planned transit infrastructure, office space included on site is a prime opportunity to support job creation at a location with strong transit access.
- **Affordable Housing:** Increasing Durham's supply of affordable housing is a key priority. The City Council recently adopted a policy objective of including 15% housing units affordable at or below 60% of area median income on sites proximate to transit. In terms of utilizing the DPD HQ site to create more affordable housing, the City can either provide a portion of the site to a non-profit developer for affordable housing, or it can dispose of the site at fair market value and dedicate the sale proceeds to subsidizing development of off-site affordable units. These sales proceeds generated by the development will enable the City to allocate scarce resources to support community building efforts such as expansion of affordable housing opportunities at sites including Jackson Street Phase II and Fayette Place.
- **Enhance Vibrancy & Connectivity:** Including residential and commercial uses on site will help contribute to Downtown's vibrancy, promote foot traffic along W. Chapel Hill

Street, and create new connections between two burgeoning areas of Downtown. The site sits at a key gateway, providing access to the core of Downtown, as well as other primary hubs of Downtown Durham – the Brightleaf and American Tobacco Campus areas. It is also located proximate to a planned light-rail planned transit station and the Amtrak Station, reinforcing the site's role as a key primary entry point for people accessing the City's various centers of activity. Including retail and commercial uses on W. Chapel Hill Street will help fill in existing gaps and promote a more seamless experience for pedestrians traveling through to Brightleaf, American Tobacco, or Downtown. The site, given its location, is the City's best opportunity to use City-owned property to build these connections and include commercial uses to build a vibrant streetscape.

In addition to these primary goals, scenarios were developed in consideration of the following factors:

- Retention vs. Demolition of Existing Building
- Density of Development
- Mix of Uses
- Provision of Open Space
- Orientation of Development
- Coordination of Surrounding Property Development

Total jobs supported from the scenarios are estimated to range from 800 – 1,450 office workers, retail workers and residential support workers. All of the scenarios also include open space as a community amenity. Two of the scenarios retain the existing building and redevelop it into Class A office space, while one of the scenarios considers the demolition of the building and replacement with a new tower. Each of the scenarios represents differing levels of density, to show the range of on-site development possibilities.

The consultant team analyzed each scenario using a model, to understand the financial feasibility of the development programs and the fiscal revenue that would accrue to the City, from both land sale proceeds as well as on-going tax revenue. Any restrictions or conditions placed on the sale of the site will likely suppress the land sale proceeds, and will require coordination with the City Attorney's Office to comply with legal requirements. The accompanying presentation contains further detail on each scenario, including its proposed program and anticipated returns to the City. Ultimately, the development scenarios prepared by the consultant team represent three conceptual options, and, as such, should not be interpreted as explicit development programs.

The General Services Department recommends Council make decisions on the three key decision points delineated above and then direct staff to advance a disposition process to reflect the Council's decisions. City staff will take the City Council's direction on desired goals and priorities for the site, and create a process for disposition which maximizes the ability to achieve the Council's goals while complying with legal constraints.

Issues/Analysis

The General Services Department recommends advancing to the next step in the disposition process, to advance the redevelopment of 505 W. Chapel Hill Street. In order to take advantage of favorable market conditions, the General Services Department has a primary goal of initiating the property disposition process for the site as soon as possible, whether it be through a bidding process, with or without restrictions and conditions, or through solicitation of proposals that

comply with the legal requirements for the disposition of public property. There is a potential cost to delaying the disposition of the site – if market conditions in Durham change, the price a developer would pay the City for the land may decrease, and the longer the City holds onto the property, they will remain responsible for ongoing operating and maintenance costs associated with the upkeep of the building.

City staff will work with the City Attorney's Office to develop a disposition process, and then implement a strategic communications plan to share this opportunity with the development community, add the information to the existing 505 W Chapel Hill Street project website, and advertise through various real estate channels.

Final decision on the award and disposition of the property would be made by the City Council.

Alternatives

The City could choose to retain the property and direct staff to identify a municipal use for the property. This is not recommended as the condition of the building necessitates capital investment to bring the building up to current building code standards, and after its usual process of inquiring with City departments, General Services received the answer that no City department has a use for the property.

Financial Impact

The financial modeling based on possible development outcomes indicates the range of revenue from site disposition for the parcel varies from \$2,500,000.00 to \$14,100,000.00 based on the development program which includes mix of uses, density of development, existing building, and open space. Further total future revenues to include future tax revenues ranges from \$6,800,000.00 to \$19,700,000.00.

UBE Summary

Not Applicable

Attachments:

Presentation Future of the Current Police Headquarters Site