



Downtown Kannapolis

Block One Redevelopment: Phase One

Solicitation for Development Partners



Kannapolis, NC | Summer 2019

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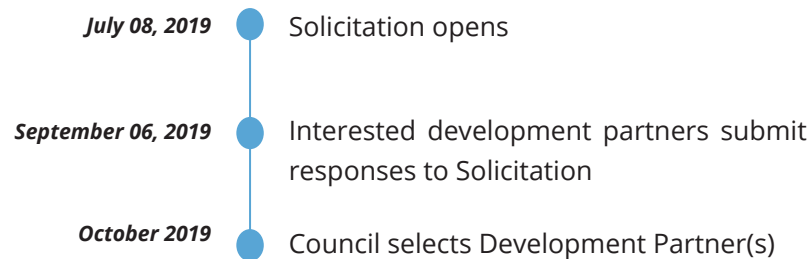
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The Opportunity

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 redevelopment of the West Avenue portion of buildings within Block One. The boundaries of Block One are West Avenue, West 1st Street, South Main Street, and West A Street.

This redevelopment is a part of a broader \$400M+ mixed-use development across 50 acres that the City acquired in 2015. Located across from the City’s \$52M Sports and Entertainment Venue (“SEV”) and in proximity to new residential and civic development, this series of buildings has the potential to be some of the most highly valued commercial real estate in the downtown district.

Solicitation Timeline



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 its new \$52M SEV that will be the new home of the MiLB Kannapolis Intimidators starting April 2020.
- Mixed-use district that will include residential (~1,500 units), office (~200,000 SF), hospitality (~200 keys), and retail (~150,000 SF).
- Phased developments with significant build out by 2025.

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. To review the deed restriction agreement, email Jordan Jones, DFI Development Advisor, at jones@sog.unc.edu.

Responses to this Solicitation are due **September 6, 2019**. For any questions, please email Jordan Jones at jones@sog.unc.edu.

Downtown Kannapolis



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.

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 completed predevelopment work will benefit the private developer ultimately selected by Council, 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 redevelopment of the Block One Site. The terms of the fee are further described in Appendix A of this Solicitation.

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. The success of Cannon Mills fueled much of Kannapolis’s development in the first half of 20th Century. As Cannon Mills declined in the latter half of the century, so did downtown Kannapolis.

Today, downtown Kannapolis is being revived. Started in 2008, the North Carolina Research Campus is located adjacent to downtown Kannapolis. This 350-acre campus is home to more than 1,000 employees. Downtown also has several active construction projects representing over \$120M of total investment.

Infrastructure and Streetscape

A major component of the City’s downtown investments is the infrastructure and streetscape improvements planned for West Avenue and surrounding streets. On West Avenue, the unique streetscape will serve as an urban, linear park. Green spaces will be available for concerts, arts programming, and recreational activities. The park will further serve commercial establishments along West Avenue, providing space for outdoor dining and an elevated pedestrian experience. These improvements are expected to be completed by September 2019.



West Avenue Reading Room



West Avenue Roundabout



West Avenue Linear Park

Downtown Kannapolis Overview

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 Minor League Baseball (MiLB) team playing in the South Atlantic League. As a Class A MiLB, the Intimidators will host 70 annual home games inside the facility, and SEV will offer capacity of about 5,400 seats per game. Andy Sandler, owner of the Kannapolis Intimidators, executed a 30-year lease agreement with the City for use of SEV in November 2018.



SEV Rendering

Beyond baseball, SEV will also host concerts, festivals and conferences. The design emphasizes the fan experience, and the venue is envisioned as a continuation of the West Avenue urban park. The 360-degree concourse will be open to the public, serving as an amenity to those who want to walk or run every day. The Intimidators are scheduled to play their first home game in April 2020.

VIDA

Identified as a demonstration project in DFI's first downtown Kannapolis Solicitation, VIDA is a \$57M project that includes 286 apartments, 19,000 SF of retail, and a 417-space parking garage. The project has a targeted completion date of early 2021, and VIDA's developer is already targeting a second phase of development that would include a new hotel.



VIDA Demonstration Project

Market Overview

Kannapolis, already one of the largest cities in the Charlotte metropolitan area, has experienced 14% population growth since 2010, and is projected to grow by another 7% over the next five years, to over 52,000 residents and 20,000 households.

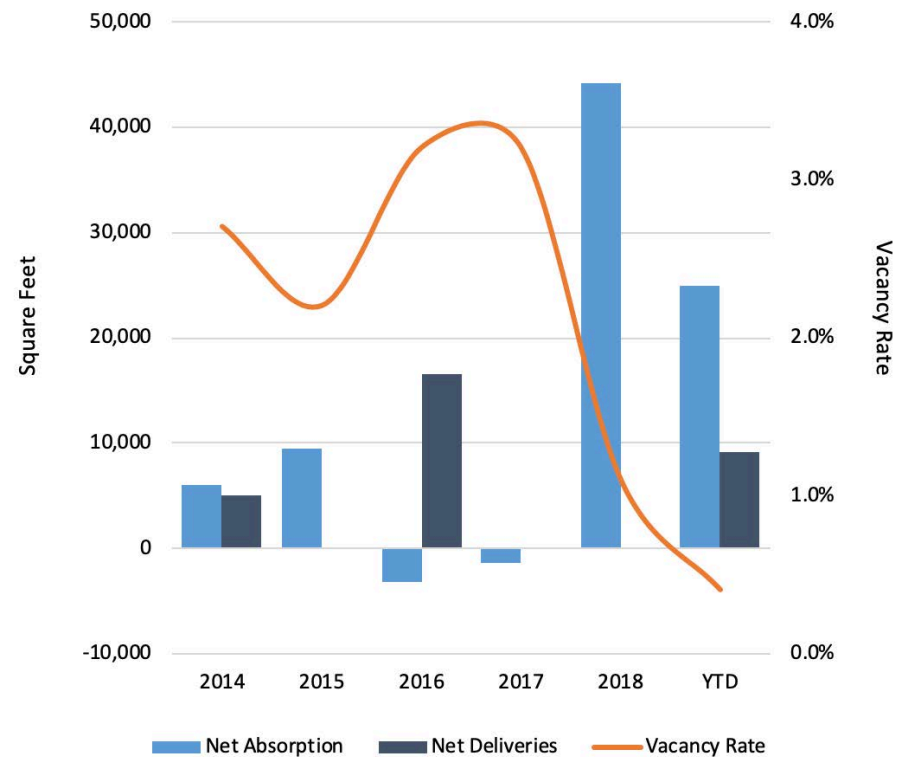
Cabarrus County has enjoyed positive in-migration of residents for the past five years, many of whom are attracted by the proximity to Charlotte and I-85 as well as the area's high quality of life. The City of Kannapolis is just 26 miles or a 30-minute train ride from downtown Charlotte. Between 2010 and 2015, a net average of 50 people per month moved from Mecklenburg to Cabarrus County.

While these growth projections are impressive, the significant public investments being made in downtown Kannapolis will undoubtedly increase the area's ability to capture a greater share of overall regional growth. The Charlotte metropolitan area is projected to add 17,000 households per year over the next five years, while median household income is projected to grow by 2.5% per year. Kannapolis is poised to outpace its neighbors, becoming a regional destination for not only residential but also commercial growth.

Already, the City's population growth has constrained the commercial real estate market. As demand continues to grow, supply of quality retail and office space has not kept pace. As of June 2019, CoStar analysis shows a YTD vacancy rate for Class A and B retail space of just 0.40%, down from 1.10% in 2018.

Similarly, vacancy for Class A and B office space is 0%, down from 0.50% in 2018 and a previous five-year average of 5.9%. With the previously mentioned VIDA project the only projected new development in the City, the Kannapolis market is eager for additional mixed-use and commercial development. Both Costar reports are available upon request to Jordan Jones at jones@sog.unc.edu.

Class A / B Retail, Kannapolis: Absorption, Deliveries, Vacancy



Source: Costar

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 Theatre

Block One Overview

The City identifies the block bounded by West Avenue, West 1st Street, South Main Street, and West A Street as Block One. This Block is home to the Gem Theatre, a historic movie theater that is still operating today. It is located immediately East of the City's new SEV and along the key corridors in downtown Kannapolis: West 1st Street and West Avenue. Block One includes 29 structures with about 195,000 gross SF. Many of these buildings contain basements as well as second floors.

Block One contains the most historic structures within downtown Kannapolis, many of which date to the 1920s and 30s. Originally and previously occupied by an array of retail and commercial tenants, from general stores to life insurance companies, the character of these buildings has largely been preserved. The City wishes this character to be maintained by any new potential development and has engaged in a visioning process for the block. Though not formally adopted, the resulting design book along with a series of other studies and design materials is available at the [City's Website](#). The City is also in the process of applying for historic district designation to provide the ability to use historic tax credits as a financing tool.

Due to the scale of Block One, the City and DFI will sell the buildings over three phases. The City will retain ownership of the rear common areas as well as the Gem Theatre so it can continue serving as a community asset. The focus of this solicitation is on Phase One, which includes the buildings identified in blue on the next page. Additional Solicitations for the two remaining phases will be released over the next few years as structures are adaptively re-used and occupied. The City and DFI will intentionally control the release of these two additional Solicitations with the goal of supporting Block One absorption.

If respondents have an interest in acquiring all three phases of Block One, they can indicate this interest in their response and specifically state why in their proposed plans. City and DFI are open to considering selling all three phases simultaneously to a Development Partner, but will not formally prioritize these proposals.

The proposed 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 11.5 Supplemental Design Standards for Center City (CC) District.



Downtown Kannapolis

Phase One Site

Located directly adjacent to the SEV and VIDA projects, and with prime commercial frontage on redeveloped West Avenue, Phase One of the Block One development is one of the most valuable pieces of commercial real estate in downtown Kannapolis.

Addresses of the included structures are 101, 103, 105, 111, 109, 113, 115, and 119 West Avenue. Floor plan for each are available upon request to Jordan Jones at jones@sog.unc.edu.

The City seeks a development partner that will actively engage this property, keeping its historic character while improving its interior and exterior. The site is primed for commercial development, but some residential mixed-use could also be considered.

Currently divided into 11 individual buildings, the site contains roughly 20,000 SF of ground floor space, 7,700 SF of second-floor space, and 18,000 SF of basement space. Finally, in addition to its primary access on West Avenue, the City will provide access easements to Block One's common areas.

Floor	Available Space
First Floor	19,862 SF
Second Floor	7,690 SF
Basement	17,907 SF
Total:	45,459 SF



Phase One: View from West Avenue



Block One

Phase One Site

Parking

Parking for the Phase One site is currently available in a public surface lot across Main Street, which has 153 spaces and is expandable to 195 spaces. Additional public-use parking will become available once the VIDA project comes online in early 2021. This 417-space garage will be owned by the City. Furthermore, DFI projections indicate that the existing surface parking available around downtown Kannapolis will more than meet the expected parking demand of the Phase One site.

Opportunity Zone

Block One is located in an Opportunity Zone, allowing investors to offset significant capital gains. More information about Opportunity Zones is available through the [DFI website](#).

Public Investment

The City is targeting a sales price of Phase One of \$450,000 or about \$10 per SF. As the most historic block remaining in downtown Kannapolis, the City will consider designating Block 1 with landmark status (N.C.G.S. 105-278) that will decrease the Tax Assessed Value of the buildings by 50% into perpetuity, as long as the buildings remain historic. The City is also open to discussing providing seller financing

Condition and Remediation

Phase One will include the building vacated by Restaurant Forty-Six in June 2019. This structure is in good condition and ready for a new restaurant or another type of tenant to move in relatively quickly.

The remaining buildings within Phase One will require a significant renovation. The City hired Bogle Firm Architecture to analyze the existing conditions and provide cost estimates. To return the space to a cold dark shell, Bogle anticipates costs for Phase One to be about \$75 per SF or about \$2.7M in total. The City is currently developing a plan to invest in limited remediation and stabilization of the Phase One buildings.

Financial Assumptions

In determining the financial feasibility of the Phase One redevelopment, DFI made the following key financial assumptions. A detailed pro forma containing these assumptions is also available.

Component	Assumption
Leasable Square Feet	25,700 SF
Stabilized Rents	\$22 per SF
Historic Tax Credit Equity	\$1.37 million
Redevelopment Budget	\$6.45 million

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 it 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 adaptive reuse development, as proposed in the 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, scale of private investment, and requested City investment

After a review of submitted proposals, clarifications may be requested. Unless requested by DFI, no additional information may be submitted by developers after the **September 6, 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 September 6, 2019**. Proposals should be submitted electronically in PDF format to Jordan Jones, DFI Development Advisor, at 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. 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.

Submission of Proposal

- **Development Plan**
 - Commercial SF and expected rents
 - Residential units, if any, and expected rents
 - Any proposed demolition of existing buildings
 - Timing of Phases, if applicable
- **Preliminary Site Plan – Propose**
- **Development and Financing Assumptions – Provide:**
 - Sources and Uses
 - If you anticipate City participation, propose the amount and structure
 - Required investor hurdle rate, submitted confidentially
- **Acquisition Price – Propose**
- **Earnest Money Deposit – Propose amount and terms**
- **Timeline – Propose:**
 - City and Development Partner Execute a Memorandum of Understanding
 - City and Development Partner Execute a Development Agreement
 - Development Partner starts renovation



Kannapolis City Hall

Submission of Qualifications

- **Letter of Introduction**

- 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**

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

- 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**

- Disclosure of any potential conflicts of interest that could be relevant to and evidence of financial stability this project in any manner.
- Disclosure of any projects/financing on which the team or any of its members has defaulted.
- 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.
- 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 from bidding or contracting, pursuant to an established debarment procedure, by any public body, agency of any state, or agency of the federal government.
- 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 conditions, 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 version(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