Town of Garner
Downtown Opportunity Site
Solicitation for Development
Partner Proposals

GARNER A Great Place to Be | Fall 2020
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About this Solicitation

The Town of Garner, North Carolina ("Town") is pleased to release this Solicitation for Development Partner Proposals ("SDP") for the development of property on W Main Street that has come to be known as the “Downtown Opportunity Site” (hereinafter “Site”). The Town seeks a qualified development partner or partners to develop the Town-owned site into a mixed-use building ("Project") adjacent to a newly constructed recreation center. Responses to the solicitation are due no later than February 26, 2021.

This document is an invitation for interested development teams to present development concepts for review and consideration by the Town. The Development Finance Initiative ("DFI"), a program of the UNC School of Government ("SOG"), will help development teams understand and respond to the Town’s requirements for the development of the Site. This process will culminate in the selection of a development partner or partners and the negotiation of one or more development service agreements for public-private partnerships pursuant to North Carolina General Statutes 158-7.1, 153A-378, and other relevant authority.

Prior to releasing this SDP, DFI and the Town spent over 12 months completing significant pre-development on the Site to ensure the Project is supported by the community, endorsed by the Town Council, and is financially feasible for development partners.
The Opportunity

The Site is located downtown on historic Main Street in Garner, an award-winning NC Main Street community and the center of significant investment in recent years. The Site represents a roughly 0.3-acre development pad next to the newly constructed Garner Recreation Center – a public investment of approximately $8.8M. The Town is seeking proposals for a mixed-use development of up to four stories that can include a mix of retail, residential, and/or office uses.

The Site is also located within a qualified federal Opportunity Zone. The Opportunity Zone (OZ) program, created as a part of the federal Tax Cuts and Jobs Act of 2017, aims to encourage private investment in low-income communities. Investors may receive tax benefits for reinvesting capital gains into designated OZs in properly structured transactions. More information and resources regarding the tax benefits of OZ investments can be found in the following resource:


The Site is located in the heart of downtown commercial activity and within walking distance of multiple parks and recreational areas. Low vacancy and limited supply of retail and Class A office space, coupled with steady growth in population and income, suggests an opportunity for a profitable mixed-use development.
DFI’s Role

DFI provides specialized finance and development expertise to local governments to assist them in attracting private investment for transformative projects. DFI has been engaged in more than 150 projects in communities across North Carolina, South Carolina, and Virginia, and it has attracted several hundred million dollars of investment to the communities served.

For the Project, DFI performed detailed pre-development analysis to arrive at a recommended development plan. The analysis included:

- **Market Analysis**: assessing the supply and demand for a diversity of potential private uses, including retail, office, multifamily, and residential condominium.

- **Site Assessment**: studying the physical constraints of the site and working with design professionals to program the space while acknowledging key considerations and development challenges.

- **Public Engagement**: engaging with the various stakeholders interested in the development of downtown, including the Downtown Garner Association board, Town staff, and elected officials to incorporate certain public interests into the final development plan.

- **Financial Feasibility**: projecting the development costs and cash flows to ensure viability of the project for private investors and options for public participation.

DFI’s predevelopment work thus far will benefit the private developer selected by the Town Council by significantly reducing the time, effort, expense and overall risk required to move the project through the Town’s public planning process. The Town has therefore agreed in a contract fully executed on August 1, 2019 that the developer selected following this Solicitation for Development Partners pays a fee equal to 1.0% of the total development cost to SOG as part of any development services agreement related to the development of the Project. The terms of the fee are further described in Appendix A of this document.
Public Interests

The Town of Garner Council, staff and other downtown stakeholders worked with DFI to identify project-specific public interests to guide programming of Site’s development. These interests should be noted and incorporated within any submitted proposal. The Town and DFI identified the following guiding public interests:

New development at this site should:

- conserve and leverage the existing urban fabric of Garner to create a unique sense of place;

- provide downtown “5:00PM – 9:00PM” amenities and services that attract all ages who are current residents as well as folks moving to Garner;

- explore development of unique and relevant mix of retail, office, and residential spaces that expands the downtown market; and

- optimize public investment dollars in order to maximize private investment that improves the quality of life for all Garner residents and visitors.

In addition to these approved public interests, the Town is interested in working with the developer to incorporate charging stations for electric vehicles within the project area, as well as public art elements or installations that contributes aesthetically to downtown Garner.
Garner, North Carolina is a short ten-minute drive from downtown Raleigh but boasts an active downtown in its own right. Part of the booming Research Triangle, Garner has experienced steady growth in population, household income, and employment over the last decade. The town and its surrounding area boast a highly educated and diverse workforce that drive a high standard of living and rapid growth. Garner’s population, over 30,502 as of 2018, is expected to grow by more than 4.9% to over 32,000 by 2024.

The town has dedicated itself to substantial public investment in recent years, from downtown façade improvements to new parks to the new state-of-the-art recreation facility developed immediately adjacent to the proposed site.

Owing to the relatively high standard of living and continuous population growth, retail demand is strong, with zero vacancies in downtown Garner and a remarkably low vacancy rate in the town’s retail trade area. Rents for office, retail, and residential properties have grown steadily over the past years, even before accounting for the effects of recent public investments.

**RESIDENTIAL**

The Triangle’s demand for apartments continues to grow as the region strains to accommodate the growing number of young professionals and students attracted to the region. Between 2019 and 2024, the Garner residential market area is expected to add 4,000 households, the majority earning well above the current median income of $60,000. Garner in particular is expected to attract high-income young professionals and retirees. As a result, the Town has experienced
significant growth in multifamily development in recent years. Since 2015, developers have added 1,888 rental units, 1,743 townhomes, and 4,494 single-family homes to the town. These are in various stages of completion, with most development occurring on the outskirts of town. Meanwhile, downtown residential options remain scarce with no current vacancies, indicating an opportunity for a mixed-use rental or condominium development in the downtown core.

Pre-COVID Class A rents in Garner averaged around $1.20 per square foot (a more than 41% increase over 2010 rates) with an average unit size of 1,012 square feet. Because of the site’s walkability to downtown amenities, it is anticipated that new downtown mixed-use rentals would command a 20-30% premium over the existing stock.

DFI estimates that based on current growth projections and increased housing demand surrounding the Triangle area, the Project could support and absorb an additional 37 residential rental units at an average rent of $1.55 per SF, or 25 condominium units at an average sale price of $235 per SF.

**OFFICE**

Office-based employment in Garner is expected to grow between 0.6% and 1.9% annually from 2019 to 2024. The Garner office market is almost exclusively composed of Class B stock; only one Class A office exists and is occupied exclusively by an existing corporate office. Despite relatively high rates of vacancy for the Class B stock, base rents increased by about $2.00 PSF (14%) from 2017 to 2019. Existing vacancies are likely to absorb demand for Class B space, but the Class A market is constrained and could support development on the proposed site.

Gross rents average approximately $15.85 per SF of Class A and Class B space (combined).
Despite proximity to Raleigh, the downtown Garner retail market has significant unmet demand according to DFI's analysis. In contrast to office and residential space, little retail construction has occurred over the last four years. The existing retail stock, a little under 4.5 million square feet total, is in high demand; vacancy has fallen from a high of 10% following major construction in 2014 to a current low of less than 2%. At the time of writing, downtown Garner reports no vacant retail offerings.

With expected population growth over the next five years, demand for retail in downtown Garner will continue to grow. DFI estimates that the proposed site will support retail rents of $18 per SF and that downtown can support as much as an additional 37,000 SF by 2024.

Full details of DFI’s market analysis can be made available upon request.
As part of the predevelopment process, DFI developed multiple conceptual plans in addition to testing for financial feasibility. Given market demand, DFI evaluated options for mixed-use site plans which combine residential or office development and street-level commercial space in addition to structured parking to meet programming needs. During the design process, DFI and the Downtown Garner Association engaged Kimley-Horn Associates to study the potential for subterranean and table-top parking options.

The development program and conceptual site plans provided in this solicitation are not final designs or massings. Developers are encouraged to develop their own approach, but should use the program and plan approved by the Council as a frame of reference for the type and scale of development that the Town desires.

At the August 18, 2020 regular session meeting, the Council charged DFI to develop a solicitation that provides several program options.

**PROGRAM OPTIONS**

DFI considered three potential program scenarios for this development site: office, multifamily residential, and for-sale condominium. All site options include roughly 12,000 SF of ground-floor retail. DFI has modeled each of the following scenarios using development assumptions from the market analysis and has found that each scenario achieves market rate returns. Please contact DFI for detailed financial information. Additional development assumptions that can be applied to each program scenario include:

- Construction costs include basement parking under a portion of the building totaling 24 spaces
• The building can be constructed up to four stories (with an assumed 15-foot setback on the top floor)

• All parking onsite (see Parking Considerations section for additional information)

**SCENARIO 1: OFFICE OVER RETAIL**

**EXAMPLE PROGRAM: OFFICE OVER RETAIL**

<table>
<thead>
<tr>
<th>Floor</th>
<th>Leasable SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor 1 (Retail)</td>
<td>12,000</td>
</tr>
<tr>
<td>Floor 2 (Office)</td>
<td>12,000</td>
</tr>
<tr>
<td>Floor 3 (Office)</td>
<td>12,000</td>
</tr>
<tr>
<td>Floor 4 (Office)</td>
<td>6,400</td>
</tr>
</tbody>
</table>

DFI projected development costs for this scenario to be approximately $10.5M.

**SCENARIO 2: CONDOMINIUMS OVER RETAIL**

**EXAMPLE CONDOMINIUM UNIT MIX**

<table>
<thead>
<tr>
<th>% of Total</th>
<th>Units</th>
<th>Ave SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Bedroom</td>
<td>44%</td>
<td>11</td>
</tr>
<tr>
<td>2-Bedroom</td>
<td>16%</td>
<td>4</td>
</tr>
<tr>
<td>3-Bedroom</td>
<td>40%</td>
<td>10</td>
</tr>
</tbody>
</table>

DFI projected development cost for this scenario to be approximately $8.7M.

**SCENARIO 3: MULTIFAMILY APARTMENTS OVER RETAIL**

**EXAMPLE MULTIFAMILY APARTMENT UNIT MIX**

<table>
<thead>
<tr>
<th>% of Total</th>
<th>Units</th>
<th>Ave SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>22%</td>
<td>8</td>
</tr>
<tr>
<td>1-Bedroom</td>
<td>62%</td>
<td>23</td>
</tr>
<tr>
<td>2-Bedroom</td>
<td>11%</td>
<td>4</td>
</tr>
<tr>
<td>3-Bedroom</td>
<td>5%</td>
<td>2</td>
</tr>
</tbody>
</table>

DFI projected development cost for this scenario to be approximately $8.7M.
Parking Considerations

To accommodate for parking requirements, DFI and Kimley-Horn evaluated a tabletop parking structure which would provide adequate parking for each of the development scenarios. Although Council is receptive to the idea of structured parking on this site, there are several factors that need to be further explored. These include existing access to the rec center, moving of the existing transformer and dumpster, and general site ingress/egress. Full details of Kimley-Horn’s analysis (including cost estimates) can be made available upon request.

PUBLIC PARTICIPATION

At this time, the Town of Garner Council has not formally considered any public participation options associated with this development. Any developer requesting public participation should include details within their proposal and explain how the arrangement addresses project feasibility and benefits the Town.

ESTIMATED DEVELOPMENT TIMELINE

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 15, 2021</td>
<td>Development partner proposals due</td>
</tr>
<tr>
<td>Q1 2021</td>
<td>Council selects development partner(s)</td>
</tr>
<tr>
<td>Q2 2021</td>
<td>Town and development partner(s) execute a Memorandum of Understanding (MOU)</td>
</tr>
<tr>
<td>Q3 2021</td>
<td>Town and development partner(s) execute a development agreement</td>
</tr>
<tr>
<td>Q1 2022</td>
<td>Projected Ground breaking</td>
</tr>
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Submission Process

Development Partner proposals are due at 5 PM EDT on February 26, 2021. Proposals must be submitted electronically in PDF format to Matt Crook at crook@sog.unc.edu and Rory Dowling at dowling@dconc.gov.

Proposals must be prepared in conformance with the guidelines described under “Submission Requirements.” The e-mail subject must be “Development Partner Proposal: Town of Garner.” Proposals received after the deadline will not be considered.

All responses are subject to public disclosure under the North Carolina Public Records Law. DFI recognizes that respondents must submit financial information that they 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 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 crook@sog.unc.edu. The e-mail subject must be “PROTECTED: Development Partner Proposal: Town of Garner.”
Submission Requirements

PROPOSAL

• Identify if submitting for development of office, residential rentals, or residential condominiums (above ground-floor retail for all options).

• Development Plan – Propose:
  ◦ Number of residential units; average size of units by bedroom type; expected rents (for rentals) or list price (for condominiums)
  ◦ Commercial SF; expected rents
  ◦ Estimate of parking spaces needed (separate commercial and residential estimates)

• Preliminary Site Plan - Include:
  ◦ Building massing
  ◦ Proposed access for multiple modes of transportation, including bikes, bus transit, ride-sharing services, etc.
  ◦ Proposed plans for incorporating charging stations for electric cars as well as art installation(s) within the project area

• Development and Financing Assumptions – Provide:
  ◦ Sources and uses
  ◦ If public participation is anticipated, propose the public investment structure and amount and provide financial analysis to demonstrate why such participation is necessary.
  ◦ Required investor return hurdle rate (submit as confidential)

• Earnest Money Deposit – Propose amount and terms

• Indicate whether proposed timeline under “Development Timeline” is feasible. If other, include proposed timing here. Indicate development team’s availability to undertake the project and adhere to the timeline.

QUALIFICATIONS

• Letter of Introduction
  ◦ Include a summary of the respondent’s qualifications, experience, and reasons for 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 or subcontractors.
  ◦ 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 Town and completing the remainder of the preconstruction approval process.
• Minority and Women Business Enterprise (MWBE) goals
  o If available, lead developer's MWBE policy.
  o If available, historical MWBE performance.
  o Proposed MWBE goals and strategy to achieve goals.
• Experiences and References
  o List of five current and completed projects (preferably in the last five years) relevant to proposed plans. Include the following information:
    o Name, location, and completion date of project
    o Development team members, including architects/designers and general contractors
    o Scope and scale of development program
    o Photos/illustrations of completed project
    o Total development budget by use
    o Capital stack, including governmental sources
    o Financing partners
    o List of current commercial tenants (indicating whether local and/or small business), if available

• Most recent example, if any, of the development team’s experience executing public-private partnerships
  o Include all information requested above in section 10.
  o Contact information for a representative of the primary public agency partner in the project.

• Disclosures and evidence of financial stability
  o Disclosure of any potential conflicts of interest that could be relevant to this project in any manner.
  o Disclosure of any projects/financing on which the team or any of its members has defaulted.
Evaluation Criteria

The Garner Town Council (Council) will endorse the selection of a developer partner or partners based on the proposals, DFI and Staff’s analyses, and any additional information collected. An endorsement by the Council is not a final approval but will trigger a period of negotiation between the Town and developer(s) for an initial Memorandum of Understanding (MOU) and then development agreement.

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

• Alignment with the guiding public interests listed under the section titled “Public Interests.”

• Qualifications and experience of the development team, with preference given to experience with the type of development proposed by the team. In addition, experience executing projects that fulfill public interests similar to those endorsed by the Town of Garner.

• References from previous local government partners, if any.

• Ability to execute the project(s) within the Town’s proposed timeline.

• Inclusion of financial and development assumptions that reflect market conditions.

DFI and the Town reserve the right to request additional information and arrange interviews after the solicitation period has ended. Unless requested, no additional information may be submitted by developers after the February 26, 2021 deadline.
Additional Information

All facts and opinions stated in this solicitation are based on available information and are believed to be accurate. Nevertheless, neither Garner 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 Town or UNC to cover the costs of any submittal, whether or not such submittal is selected or utilized.

The Town 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 Town, including but not limited to a Development Services Agreement, are subject to all statutory and legal requirements and ultimate approval by the Garner Town Council in its sole and absolute discretion and nothing herein is to be construed as binding on the Town. In modeling this project, it was assumed that the Town will convey the property to a private developer pursuant to its authority to “convey property for economic development under North Carolina General Statute 158-7.1”, among other statutory authority.

The Town makes no express or implied warranty as to matters of title, zoning, tax consequences, physical or environmental 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 Town, and no representation made by DFI during the solicitation and vetting process shall be binding on the Town. Notwithstanding any provision herein, this solicitation shall not constitute an offer to contract on the part of the Town and shall not be construed to impose any legal obligations on the Town.

This solicitation does not create any obligation or relationship such as a partnership, joint venture or other similar legal relationship between the Town 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: Development Services Fee Payment

The performance by the Town or 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 Town and the Developer pertaining to the responsibilities of either the Town 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 Town’s consultant (“DFI”) and its successors and assigns for pre-development services provided to the Town, 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 1.0% (one percent) 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 Town 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 DFI no later than 30 days following execution of the Development Services Agreement. An alternative payment schedule for payment of the Development Services Fee to DFI may be developed as mutually agreed in writing by Developer and DFI; 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 DFI.