



Legislation Text

File #: 22-0697, Version: 1

Item:

Increase the 300 E. Main St. Affordable Housing Redevelopment Master Development Agreement Through PAYGO Funding of \$1,500,000 and Loan #3 to Execute Amendment #2 to the Master Development Agreement for the Project

Date of BOCC Meeting: December 12, 2022

Request for Board Action:

The Board is requested to approve a \$1,500,000 increase to the 300 E. Main St. Affordable Housing Redevelopment Master Development Agreement through Loan #3, as well as authorize the County Manager to execute an amendment to the previously approved Master Development Agreement for the project. (See Attachment 1&2)

Construction activities for the 300 E. Main St. Affordable Housing wrapper were previously slated to begin in June 2022. The affordable housing portion of the project was bid earlier with construction costs coming in significantly higher than previously estimated. These increases have become all too familiar due to the overall increases in labor and material cost, supply chain issues, inflation and others due to the COVID pandemic and current market pricing. The nature of this project is primarily stick-built framing and other elements including a significant amount of plumbing, mechanical, electrical, drywall, and finishes typical of residential construction of which all elements have seen recent cost increases. Laurel Street Residential (LSR) has informed Durham County that the current construction market and increased interest rates have created a \$1.5M financing gap that needs to be closed to allow the financial closing and construction activities to commence. Despite efforts from LSR to secure funding from NCHFA and others, this gap has not been closed.

The Master Development Agreement previously approved by the BOCC on December 14, 2020, and amended on February 28, 2022, will again be amended to reflect these changes to the project. By expediting this approval, Durham County hopes to allow construction activities to begin to minimize further inflation and costs increases to the affordable housing portion of this redevelopment. Completion of the overall redevelopment will provide a parking solution for various County departments and citizens visiting the Human Services facility, the Childcare and retail locations and support the affordable housing initiative along E. Main St.

Funding for this contract amendment will come from \$1.5M of funding that is currently reserved within the Pay-As-You-Go (PAYGO) Fund. It is important to note that the current schedule has the private development closing slated for January 2023, which totals the initially agreed upon amount of \$5,965,000 (Loan #1) and \$3,800,000 (Loan #2) and now an additional \$1,500,000 (Loan #3) for utilization by LSR. Total County support will equal \$11,265,000 (Loan #1, 2 &3).

Alignment with Strategic Plan: This project is in accordance with Strategic Plan Goal 4 - Environmental Stewardship and Community Prosperity particularly Strategy 4.2.C - Regional Planning: Participate in smart growth practices and support regional planning partnerships to promote a high quality of life for all.

Resource Persons: Peri Manns, ASLA, LEED GA, Assistant General Manager; Sarah Odio, Associate

Director, Development Finance Initiative; Susan Tezai, Chief Financial Officer; Keith Lane, Budget Director; Ronn Stewart, Senior Vice President, Laurel Street Residential; Jay Gibson, P.E. General Manager - Goal 4; Willie Darby, County Attorney; Sherrod Banks, Principal, Banks Law Firm; Deirdre Denechaud, Partner, Parker Poe Attorneys and Counselors at Law

County Manager's Recommendation: The County Manager recommends that the Board approve a \$1,500,000 increase to the 300 E. Main St. with the funding source from the PAYGO Fund for the Affordable Housing Redevelopment Master Development Agreement through Loan #3, as well as authorize the County Manager to execute an amendment to the previously approved Master Development Agreement for the project.

County Manager: _____