



Raleigh

City of Raleigh

Request for Proposals: #274-HN-2025-2-CD

Title: East-Cabarrus Development

Proposal Due Date and Time: November 1, 2024 at 5pm EST

Addendum No. 1

Issue Date: October 25, 2024

Issuing Departments:

Housing & Neighborhoods and Planning & Development

Direct all inquiries concerning this RFP to:

Mary Elizabeth Russell

Senior Planner, Planning & Development – Urban Projects Group

MaryElizabeth.Russell@raleighnc.gov

City of Raleigh

Addendum No. 1 to RFP #274-HN-2025-2-CD

Issue Date: October 25, 2024

To: All Proposers

This Addendum, containing the following additions, clarifications, and/or changes, is issued prior to receipt of proposal packages and does hereby become part of the original RFP documents and supersedes the original RFP documents in case of conflict.

Receipt of this addendum must be acknowledged by signing in the area indicated below. Please make the follow additions, clarifications, and/or changes to the RFP as listed below and **sign and return this addendum with your proposal package.**

Thank you,

Mary Elizabeth Russell
Senior Planner, Planning & Development – Urban Projects Group

Sign below and return this addendum with your proposal.

Proposer Name & Company: _____ **Date:** _____

Signature: _____ **Title:** _____

RFP Selection Process (pg. 12)

The City will follow the following process to select a developer for the East-Cabarrus parcels.

~~The RFP responses will be evaluated and ranked by a City review committee against the criteria set forth in the RFP. The scoring criteria are intended to serve as a guide for decision-making, and the City is not obligated to select the proposal with the highest overall score. The review team will use the scoring criteria and other considerations to recommend a proposal to City Council, who will make the final selection of the development proposal.~~

~~After approval by City Council, the selected developer and the City will enter into negotiations on the final terms of the agreement.~~

This is not a bid. There will not be a public opening. The Proposals received in response to this RFP will be evaluated and ranked by the Proposal Evaluation Committee in accordance with the process and evaluation criteria contained below. Responses will be evaluated in light of the material and substantiating evidence presented in the response, and not on the basis of what is inferred. After thoroughly reading and reviewing this RFP, each Evaluation Committee member shall conduct an independent evaluation of the proposals received and grade the responses on their merit in accordance with the following evaluation criteria.

The City will place a high weight on the following criteria:

- Qualifications and track record of the development team on high quality infill development, missing-middle housing types, and/or affordable housing development
- Quantity of Affordable Housing units and depth of affordability (i.e. household incomes targeted) relative to amount of City subsidy requested
- Density of the proposed project (total units provided across all income levels)

The City will also consider in its evaluation the following:

- Project alignment with other City goals, such as preserving long-term affordability
- Design experience; design vision for the project and consideration of design constraints

A short-list of firms may be invited to have an interview with the Proposal Evaluation Committee. If a team is selected, City staff will recommend the development partner to City Council, who will vote to authorize staff to negotiate an agreement. The City and selected developer will then enter into negotiations on the final terms of the agreement. All Proposers will be notified of their standing immediately following the City's decision.

After mutual agreement is reached between the Proposer and City staff, the final terms of both agreements will be presented to City Council for final approval. The City shall not be bound or in any way obligated until both parties have executed the final agreement. Should the negotiations of the final terms of the agreement not be successful, the City may then pursue negotiations with the next most qualified Proposer in the manner set forth above.

The City reserves the right to reject any or all responses to the RFP.

RFP Submittal Instructions (pg. 17)

Proposals must be complete and submitted via email using the following instructions.

Email Subject:

East-Cabarrus RFP – *Development Team Name*

Email to:

~~Erika Brandt, Assistant Department Director I~~

~~Housing & Neighborhoods Department~~

~~Erika.Brandt@raleighnc.gov~~

Mary Elizabeth Russell, Senior Planner

Planning & Development Department

MaryElizabeth.Russell@raleighnc.gov

The electronic version of the Proposal must be submitted as a viewable and printable Adobe Portable Document File (PDF) and must be received by the City on or before the RFP due date and time provided in the schedule below. Proposals received after the RFP due date and time will not be considered.

Any incomplete proposal may be eliminated from competition at the discretion of the City of Raleigh. The City reserves the right to reject any or all proposals for any reason and to waive any informality it deems in its best interest.

Written Questions & Answers

RFP Eligibility and Materials

- 1) Will painters be able to bid directly on the paint package or other finishing packages?

The only eligible applicants for this RFP are for-profit and non-profit developers (RFP, pg. 6). The selected developer will have full discretion over the contractors they select (including for paint or other furnishings) and will not need to go through the public bidding process.

- 2) Would it be possible to get a copy of the appraisal, before the 25th?

Yes, the appraisal has been added to the [city website](#) and [eVP](#).

Site Condition, Zoning, and Development Standards

- 3) Has the site been tested for hazardous materials and soils? Has it been tested and drilled for rock?

No, the site has not been tested for hazardous materials/soils, nor has it been tested and drilled for rock. The developer will be responsible for performing the appropriate due diligence on the site, including Environmental Phase I (and Phase II, if needed).

- 4) In reference to zoning, this property is zoned RX-3-UL. Is there a maximum number of units based on the zoning or is the number of units based on the site constrained and set back requirements?

There is no maximum number of units or density under this zoning. Therefore, the number of units on the site will be practically constrained by other factors, rather than zoning. However, the base zoning does have a height restriction of three stories.

Applicants are responsible for ensuring any initial concepts included in their proposal are compliant with the City's Unified Development Ordinance (UDO). That said, we expect the development concept to evolve, and the City will ultimately assist the selected development partner in fleshing out the details of the project in a way that is compliant with the UDO.

- 5) Can you provide some clarity around what overlay district this property sits within, which allows it to qualify for the density bonus?

The developer is ultimately responsible for understanding what is allowed by the existing zoning and the underlying development regulations of the City's UDO.

This cluster site is located within a Frequent Transit Area (FTA). An FTA as designated in the City's Comprehensive Plan encourages density and growth in areas served by high-frequency transit, defined as bus or other transit service where the time between vehicles will be 15 minutes or less during peak service periods. The Frequent Transit Development Option permits higher-density

development than the underlying zoning might otherwise allow. To view the specific standards for the Frequent Development Option, navigate to [UDO Sec. 2.7.1](#) and [UDO Sec. 3.7](#).

- 6) Does the city have any set minimum SF affordable and monthly max rent?

The minimum affordability requirement is to provide 20% of the total development units as affordable housing at no greater than 60% AMI (RFP, pg. 10). There is not a minimum square-footage requirement, beyond any development requirements that may be listed in the Unified Development Ordinance.

The U.S. Department of Housing and Urban Development (HUD) is responsible for setting the maximum income and rent limits for affordable housing programs, which are based on area-median income (AMI) and household size. These rent and income limits can be viewed on the [City's website](#) (search: HUD Income and Rent Limits).

- 7) Is the assumption to keep current zoning, or could we rezone for higher density or to be more feasible for parking and stormwater? What about removing -UL frontage through rezoning?

A rezoning is possible, but it would add time and uncertainty to the project. Proposals recommending a rezoning should make a compelling case for the benefits of the rezoning to the project. If a rezoning is necessary for your desired vision for the site, please include the details of your plans in your proposal and two paths forward – one with rezoning and one without.

Project Feasibility

- 8) Is the City okay with us modeling with project-based vouchers (PBV)?

Yes, Proposers can include the assumption of project-based vouchers in their financial models, but the City requests that the pro-forma be included in the submitted Proposal application. Since project-based vouchers require a separate application process, it may benefit the Proposal to include scenarios where PBVs are included as well as excluded, to show that the project can still be viable in case that application is ultimately not successful.

- 9) If we were to try and maximize units based on design standards, would we have the flexibility to adjust later them on?

Flexibility is the priority for this RFP, so if a Proposer includes 20 units in a Proposal and the project ends up only including 15 units after an iterative design process with the City, there will not be any penalty for that. Any information shared with City Council as part of the staff recommendation for a selected partner will include the caveat that the development program is still under discussion.

- 10) If we participate in the City's density bonus program, would the required affordable units count toward the minimum affordability requirement for the RFP? Or would an additional 20% affordable units be required?

Affordable units for this RFP will be calculated as a share of total units in the project. Therefore, any affordable units counted toward the density bonus requirement will also count toward the 20% of units required for the RFP; no “additional” units are necessary as long as both requirements are met.

- 11) Is the goal of the City to produce the maximum number of units or the maximum number of affordable units?

The City’s goals are to maximize both the maximum number of housing units and the maximum number of affordable units, as well as the level and duration of affordability. In other words, an ideal outcome would be a relatively dense project with 100% of units being permanently affordable to the lowest-income residents. Since funding and other constraints make achieving this ideal challenging, we plan to pursue an iterative process with a developer to realize a project that gets as close to these goals as possible while being financially and logistically feasible. We expect substantive discussion on the tradeoffs between these goals to be an important part of our collaboration with a development partner to create a final program and financial model for the project with an appropriate contribution of City subsidy for the affordability benefits created.

Site Control and Disposition

- 12) For site control, having it as a land transfer with deed restriction, would be easier to secure financing. Is that a possibility?

Yes, that is a possibility.

- 13) Would the City consider a long-term lease with the option to purchase?

Yes, that is a possibility.

- 14) Will the City subordinate their interest in the property or at least subordinate some of their interest in the property to assist me in gaining financing? A ground lease is very difficult to finance without some subordination.

The City is open to negotiating the long-term ground lease terms, so please include any key terms and preferences in the Project Description of your Proposal (RFP, pg. 14). That said, there is no precedent for a ground lease agreement in which the City has agreed to subordinate its property interest, given the risk of losing land dedicated for affordable housing.

The final method of disposition will be guided by applicable state laws and will be determined by the City, subject to City Council approval. In addition, gap financing loan terms, lease terms and fee simple sale terms are subject to City Council approval. The City will also record deed restrictions against the parcels to ensure long-term affordability (RFP, pg. 7).

- 15) Since the City owns the property, will there be any annual property taxes due on the land?

The Developer is responsible for all taxes associated with the property according to applicable law. While City property is generally exempt, this may change depending on the project use, developer’s

tax-exempt status, and disposition agreement. Wake County is the taxing authority and should be consulted directly for any questions regarding property tax expectations.

City Participation

- 16) What type of partnership abilities are there for the City to participate with me in the development, ownership and operation of the development?

Given the financial investment involved in the pre-development process, the City would like to provide security to the selected partner by collaborating through the pre-development process to identify a project for these parcels that is both financially feasible and UDO compliant. Therefore, the City is most interested in working with a development team that has had a successful track record of producing high quality infill development and working with missing-middle housing types, and who shares a commitment to affordability (RFP, pg. 11).

Additionally, the City's preference is to provide site control to the selected partner via a long-term ground lease (~75-year) at a nominal rate, with additional subsidy offered in the form of a construction to permanent gap financing loan (preliminary estimate of \$500,000 up to \$1,000,000 or more depending on unit count, affordability level, and other factors) to help create a viable project (RFP, pg. 7).

The developer will be responsible for managing the project, including design, financing, construction, lease-up, and ongoing property management and compliance. The developer may engage with a third-party property management company. The City will not participate in the ongoing management of the property other than ensuring ongoing compliance to affordability requirements.

- 17) Is the subsidy from the City funding flexible on timing (e.g. to get through the review period)?

City funding is not currently available for pre-development costs. Proposers should assume that City subsidies will be in the form of a construction to permanent loan.

We understand that there are significant costs and risks associated with the pre-development process but have worked to mitigate some of those risks by ensuring there is creative, administrative, and financial support from the City in the project for the selected Developer team.

- 18) Does the City have a list or group of tenants and/or prospective tenants ready to sign leases?

No, the City does not have a list of prospective tenants. The selected developer partner will be responsible for leasing the property, including ensuring compliance with income and rent limits for affordable units. The City may be able to provide a list of various third-party partner organizations who may be willing to provide tenant referrals for this project.

- 19) What kind of financing / funding has been applied to some of the other RFP projects like the \$1 piece of land cottage court?

The City has three direct ways to contribute to the financial viability of affordable housing projects:

1. Administering a sale of City-owned land
2. Administering a long-term ground lease of City-owned land at a nominal or below market rate
3. Providing low-interest construction-to-permanent loan financing

The Cottages of Idlewild project is unique in that it also received philanthropic funding through the form of grants. While this could be an option for the East-Cabarrus Development project, Proposing teams should not rely on the prospect of not-yet-secured philanthropic funding to create a viable project, as it adds considerable length and uncertainty to the project timeline.

Additionally, the City provides advocacy services during the design review and permitting process to special projects, including affordable housing projects, to ensure timelines are met and issues are resolved quickly.

RFP Background

- 20) What was the consensus on the previous RFP for this site and can you provide any information as to why the City didn't move forward with any of those proposals?

The City Housing and Neighborhoods Department (Department) originally issued a Downtown Rental Housing Development Request for Proposals (RFP) under RFP#274_262022PM on September 26, 2022. Through the RFP, the City offered two clusters of City-owned sites known as the "East/Cabarrus Cluster" (414 and 416 E. Cabarrus St. and 504 S. East St) and "Bloodworth Cluster" (424 and 428 S. Bloodworth St.) as listed below for the development of attractive, sustainable energy-efficient rental housing through a long-term land lease. Unfortunately, the City only received one incomplete proposal.

The City reissued the RFP on May 22, 2023, under RFP# 274-052223DD and the deadline ended on August 25, 2023. No proposals were received under the RFP reissuance.

The City then performed additional due diligence analysis and interviewed local developers to identify key challenges with the sites and mitigation strategies. One of the recommendations was to sell the Bloodworth Cluster (which had more development constraints) and reissue the RFP focused on the East/Cabarrus Cluster.

City Council approved the declaration of the Bloodworth Cluster as surplus property on May 21, 2024 and has since approved its sale to Habitat for Humanity on October 15, 2024. The City expects to be able to leverage a portion of the sale proceeds of the Bloodworth Cluster to provide a subsidy for the affordable housing component required in the East/Cabarrus site.

A full history of this RFP can be found in the [City Council minutes](#) from May 21, 2024 (section P. Report and Recommendation of the City Manager, item 2) and October 15, 2024 (section D. Consent Agenda, item 2).