

Scott and Chris,

Thank you for your past assistance with QAP questions in advance of the preliminary application due date. Now that the final QAP has been published, DHIC and Self-Help would like to submit this request for approval prior to submission of the preliminary application for a very interesting, compelling and much-needed new construction development in Downtown Durham that we plan to submit in the upcoming 2018 9% tax credit funding round.

About the Project and City of Durham Commitment

I'm sure that you remember the conversation that we held with you back in August with City of Durham staff. We had a frank conversation about the challenges to build in downtown locations close to transit connections and jobs. The City of Durham has identified this project as its top priority to move forward with its mission to provide affordable housing options in all parts of the City. Downtown Durham is changing rapidly with many new upscale apartments under construction.

The City's commitment to this project is evidenced by its decision to offer the 1.9 acre site (appraised at \$2.8 million) for \$100 to the DHIC/Self Help Team. In addition to this subsidy, the City has tentatively agreed to go forward with this project with a City financing commitment that may be in the \$43,000 per unit range. So, clearly, the City of Durham is all in. But local government priorities do not always align with those of the NCHFA as set forth in the QAP. We seek your responses to our questions below to make sure that we have the strongest, most impactful development project that aligns with your priorities in the QAP.

I would note that the project the City of Durham has approved for this site has two components: 1) an 82-unit tax credit project and, 2) a 62,000 SF Class A office project plus associated retail on the ground floor. We also have 2 levels of podium parking upon which the tax credit apartments will be built upon. The apartments will have a separate ownership structure and we expect that these uses will be separated via a condominium ownership arrangement.

Given the complexity of this project, the City has assisted the DHIC/Self Help development team in understanding the engineering, design and sitework challenges that this project presents. I will send to you as a separate attachment our preliminary plans that will give you a better sense of our direction and am also attaching and a zoning map of downtown Durham with the site highlighted to help frame the location as it relates to the requests.

DHIC Self Help Request to the NCHFA

Per the requirements set forth in the QAP, we are requesting NCHFA approval of the following:

1. **Parking Reduction** – The proposed site is a mixed-use project consisting of affordable residential and office built on top of retail-wrapped structured parking. As the site itself is approximately 1.9 acres, there is limited availability of parking at this urban site. The site is located in the downtown core and is immediately adjacent to the Durham Station Transportation Center, the City's main transit hub, as well as a future planned Durham light rail

station. The Transportation Center has interior space and covered exterior waiting areas and provides both high frequency local and regional transit service connecting all areas of Durham with other parts of the Triangle; it is one of the most transit-friendly sites in North Carolina. While designs have not been finalized, we respectfully request approval to provide no fewer than 65 dedicated 24-hour a day parking spaces for 82 units. Dozens of additional spaces will be available to residents on evenings and weekends. We believe that the urban location, walkable employment options, and ample access to existing public transportation support the parking reduction request. -We also want to highlight that the unit mix is made up of 39 1-bedroom units and 43 2-bedroom units so will naturally require relatively less parking than otherwise might be needed for a family property.

2. **Cost per Unit** – We are grateful for the increase in allowable costs per unit provided in the 2018 QAP. We are requesting approval to submit the application under the Chart B cost limitations due to the development challenges resulting from being within a central business district. In order to maintain compliance with the City of Durham’s Urban Design Ordinance (UDO) and successfully redevelop this parcel within its urban context, the project will require a number of design elements that are more costly than sites not located in urban infill settings. These include:

1. The residential will be sited on top of two levels of structured, cast-in-place podium parking. **Cost estimates for structured parking are for an additional \$19,800 per space above the cost of surface parking.**
 1. This requires the additional waterproofing and insulation of the transfer slab that supports the residential building. **Additional insulation is estimated to be \$103,000.**
 2. Screening requirements on the parking podium from the UDO mandate that the parking structure is mechanically ventilated. **Cost estimate is for \$347,000 pending the approval of screening material by the City.**
 3. Two stories of concrete parking and four stories of residential require two 6-stop traction elevators, which are significantly more costly than 3-4 stop hydraulic elevators. **Cost increase of traction is estimated to \$120,000.**
2. Urban design guidelines are resulting in roof design being flat with waterproof membrane. **Cost estimates indicate this increases cost by roughly \$150,000.**
3. Limited site acreage is requiring multiple design changes that are significant cost increases.
 1. All HVAC units will need to be mounted on the flat roof. **Cost estimates indicate this increases cost by \$20,000.**

2. The site will require a large trash compactor that must be serviced by maintenance and contracted providers. Residents will be provided with trash chutes within the building for disposing of waste. This requires additional cost for the trash chute system and additional fireproofing. **Cost estimate for trash chutes is \$20,000.**
4. UDO requirements mandate increased glazing requirements above typical standards. Additionally, some of this glazing is in the form of aluminum storefront windows. **Cost estimates are that these glazing requirements account for roughly \$67,000 in costs over typical glazing percentages.**
5. The UDO requires residential units on street level to have additional exterior entrances onto urban forecourts. **Forecourts are estimated to increase cost by \$85,000.**
6. To meet the design expectations for the core design district, additional variation in cladding material is expected. **Cost estimates are that cladding upgrades will result in an additional \$83,000.**
7. The complexities of construction on an urban site will require additional costs for staging, mobilization, etc. **Preliminary estimates include an additional \$50,000 for shoring and \$170,000 for BMP.**

Please let me know if you have any questions about the details of the project or our request. Thank you for your consideration of these. We look forward to hearing back from you.

Regards,