

505: A Major Opportunity

Background

The City of Durham has begun a third effort to redevelop the 4.4 acre property located at 505 West Chapel Hill Street (“505”). Despite the difficulties encountered in the two previous redevelopment initiatives (due largely to the economic dislocations from the Covid pandemic), this large public site in downtown offers an extraordinary opportunity for the Durham community. We believe this significant public asset can give us a unique chance to take a big step forward in meeting Durham’s affordable housing needs while also providing support for local retail businesses, nonprofit Changemakers and creating inviting public space, all while respecting an important part of downtown’s history.

This unique opportunity for the City to shape development in the Downtown area comes at a critical time. Durham’s Downtown has been transformed by the building of thousands of units of market rate apartments and expensive homes, along with retail and entertainment venues that cater to high-income internet and technology workers who have “discovered” Durham. Unfortunately, Downtown’s long-term residents – educators, first responders, bus drivers, maintenance workers, and especially those on fixed and low-to-moderate incomes – are being displaced and priced out of the City they helped build and now serve in so many essential ways.¹

In its most recent discussion of redevelopment of this site, the City Council set the following priorities: (1) have a significant amount of affordable housing; (2) where possible emphasize historic preservation; (3) have mixed-use development at this site; (4) work to have a signature development and catalytic project at this site; (5) recognize the historic location of the site between Hayti and the West End; and (6) financial return to the City.

A Request For Qualifications (RFQ) – to identify qualified development teams – has been issued, with submittals due by August 1, 2023. Once the finalist development teams are chosen, the City Council will ask them to respond to an RFP (Request for Proposals) for 505, which is expected to go to the Council in October 2023.

So, now is the time for the Durham community to weigh in on how this property – which is owned by the City, i.e., **by us** – should be developed.

¹ The NC Housing Coalition’s 2023 Report on Durham County found that nearly **one in three** Durham County households (31%, or 40,619 households) are cost burdened, meaning they spend more than 30% of their income on housing. Nearly **one in two** renters in the county (48%, or 27,133 households) fall in this category.

Using the 30% threshold, an income of \$52,500 is needed to rent an apartment priced at HUD’s Fair Market Rate of \$1,315. **The average salaries for Health Care workers (\$34,670), Childcare workers (\$26,310), and Police Officers (\$51,410) are all below this threshold.**

What Does Downtown Need Today?

The City had a market study done at the end of 2022 to assess the availability and anticipated demand for office, retail and housing space in Durham's downtown. The results showed some dramatic changes due to the pandemic's economic and work impact.

Downtown's office vacancy rate had doubled during this time. Accordingly there was no shortage of available downtown office space, and there was real uncertainty as to when there would be any significant demand for new office space in the coming years.

The vacancy rate for retail use had gone up slightly over the past three years, but Durham's retail community had weathered the Covid storm better than most other US urban communities. This may be due in large part to the large proportion of Durham's retail sector that is local and independent in nature as opposed to being part of a national chain.

The clear demand documented by the market study was for more housing units overall. In downtown, there was also an obvious, compelling need for new affordable residential housing. We believe that the redevelopment of 505 needs to reflect these realities of demand and need in our downtown.

What Should Be the Durham Community Priorities for 505?

The City of Durham should structure the Request for Proposals (RFP) for 505 so that it attracts a team of qualified developers who can successfully execute a multi-use, equitable and innovative development that prioritizes the following four components:

1. Housing and Affordable Housing As is true in most of the country, the supply of housing has not kept up with the demand in Durham. The result is that rental and homeownership costs have increased relentlessly, forcing hardships and relocation upon many Durham residents. As large numbers of Durham's workforce are economically compelled to live in neighboring counties, the pressures on our roads, clean air and water quality increases. Making housing the most substantial use of this large site would help ease overall housing cost pressure in downtown. It is ideally located on several major bus lines and within easy walking distance of Durham's transit hub.

As is the case in much of downtown these days, the new housing could be provided in tall buildings, 10 to 15 stories in height or more. Asking the City's redevelopment partners to provide for a compelling visual statement with these largely residential structures could provide for a dramatic gateway at one of Durham's primary entrances to Downtown.

Another benefit from a neighborhood of tall, primarily residential buildings at the 505 site would be that a majority of market-rate apartments would allow for a substantial percentage of the units to be affordable units.

We believe that 25-30% of the residential units built at 505 should be designated as affordable in perpetuity for families at 60% AMI or below. Of this 25-30%, a portion should be available to those with incomes of 30% AMI or less, who are increasingly unable to find safe, affordable housing in the City. There are several good reasons for this priority:

a. Approximately 30% of households (755 total) in Downtown have income below 50% area median income (AMI) while Downtown currently offers only 311 rent restricted or rent subsidized units (*Source: City of Durham-commissioned HR&A market study, December, 2022*).

b. The majority of Durham's public sector employees – teachers, firefighters, police officers, etc., and working income families in general -- are priced out of the City rental markets and can no longer afford to live in Durham.² This is simply unacceptable. 505 is the City's last significant vacant landholding downtown, and it represents a one-time opportunity to create a significant number of affordable rental units downtown.

c. In the City's prior RFP for this site, proposals were received that offered mixed-income rental housing with over 26% of the units as affordable.

2. Retail for All The ground floors of the residential buildings should give priority to retail space for key downtown needs including:

a. A full-service, appropriately-sized grocery store affordable for working families and those with low- to moderate incomes. Ideally, this location will also offer a pharmacy, another important service lacking downtown.

(b) Locally-owned retail establishments that cater to a wide range of incomes. These are being forced out of downtown by the sharp rise in rental prices.

Why make this a priority? 505 represents a unique opportunity to address the downtown "food desert." Downtown currently has only a few limited-offering bodegas. Residents of market rate apartments as well as working income residents of Willard Street Apartments, 505, JJ Henderson Towers, et al., will benefit from walkable access to a full-service grocery store.

While we celebrate that 70% of Durham's retail establishments are locally owned, unfortunately rising retail rents are displacing local merchants. 505 can be a hub for local retail in Downtown by providing affordable rents for establishments that serve *all* residents.

Providing business opportunities for Minority Business Enterprises (MBEs) is an important way to support Durham's Black and Latino communities. 30% of contractors and

² Our working income neighbors – let alone those on low income –often do not make enough to reach even the 60% AMI measure that is a standard measure of affordability. Median income for a family of four in the Durham/Chapel Hill MSA in 2023 is \$100,100. As the influx of high-income workers continues, rentals priced to be affordable to a family of 4 at 60% AMI (now \$60,660) will *no longer be affordable* to a greater and greater % of Durham residents, whose wages are below that threshold. For reference, the federal poverty line for a family of 4 is \$52,400, and 14.2% of Durham residents fall below this line. We can't rely on the Durham Housing Authority to meet the need for more affordable units. Per Durham DHA Director Anthony Scott, only 54% of the new apartments being built by DHA will be affordable for those with 60% AMI.

subcontractors on the 505 project should be MBEs, and 30% of 505 retail spaces should be allocated to MBEs.

3. Open Space and Historic Recognition As a part of the overall redevelopment, we support creating a meaningful green public space that (a) serves 505's residents; (b) welcomes all Durham residents; and (c) honors Durham's Black neighborhoods (Hayti & West End) that were decimated by the "urban renewal" of the 1970's.

Creating public-serving open space at 505 will complement other public space available to Downtown residents: North (Durham Central Park); center (the "Bull" Plaza, Rotary Park, and Black Wall Street Garden); and South (DPAC/American Tobacco greenspace). Also, while publicly recognizing and honoring Durham's displaced Black residents will never restore Hayti and the West End, an appropriate memorial at 505 can signal the City's current and on-going commitment to rebuilding Durham for all its residents.

The inventory of public open space included in the 2013 Downtown Open Space Plan found that **only 1.6% of Downtown's land area was dedicated to public open space, considerably lower than national and regional averages.** Despite tremendous downtown development and privatization of land, that amount has not increased over the last 10 years.

Years of research have shown that open space in urban areas is critical for community and mental health, the urban climate, and even biodiversity. Carefully considered design of 505 can add to the City's efforts to plant for pollinators and mitigate carbon and heat while at the same time providing a signature setting for users. Policies in the City's updated comprehensive plan call for a safe, equitable 10-minute walk to open space for all residents. 505 is well-located to help meet this goal.

4. Office Space for Changemakers 505 should include attractive, affordable space for non-profit social change and community service organizations. This would reduce cost pressure on these agencies and foster collaboration and greater impact.³

Durham is full of innovative nonprofits that work hard and show measurable progress in making the city more just and equitable. Unfortunately, increases in rents in downtown and across Durham have displaced and created a financial burden for these important contributors to Durham's social fabric. 505 represents a real chance for the City to support this important sector.

Proposed by:

Durham Coalition for Affordable Housing & Transit

Durham Committee on the Affairs of Black People

Durham CAN (Congregations, Associations and Neighborhoods)

Durham People's Alliance

Duke Memorial United Methodist Church

³ We note that the development under construction on the 300-500 blocks of E. Main St. also is meant to include space for non-profits; more is still needed.