

## Two companies like downtown prospects

Other companies may not ante up the \$100,000 needed for putting together a proposal to develop parking lots.

By **MATT DEES, STAFF WRITER**

CHAPEL HILL — Two of the five development teams that will be invited to submit proposals for the redevelopment of lot 5 and Wallace Deck definitely will respond, representatives said.

Teams led by Grubb Properties of Charlotte and Ram Development Co. of Palm Beach Gardens, Fla., are willing to pay the \$100,000 or more it could cost to put together a proposal for the estimated \$59 million project that will add residential and retail space to two downtown parking areas.

"We're excited about the project because it's right up our alley," said Ivy Greaner, a Ram managing partner. "We love Chapel Hill."

Officials from OPUS South Corp. of Alpharetta, Ga., and East West Partners Management Co. of Chapel Hill said they aren't sure if they'll bid.

No one from Pizzuti Cos., of Columbus, Ohio, returned phone calls or e-mails.

"We have interest," said Michael Dougherty of OPUS South, adding that he wanted an official invitation from the town before making specific comments about the project. "Chapel Hill's a great community, and we would love to have the opportunity to work with Chapel Hill to bring a Class A project to downtown."

The Town Council officially will set the "short list" teams at a Monday meeting. But eight of the nine council members signed off on a short list of five teams at a Wednesday meeting.

The Council Committee on Lots 2 and 5 started with five members, but three joined the proceedings last week, a testament to the intense interest in this project.

### Blunt assessments

Roger Perry, president of East West and a prominent local developer, said he was somewhat turned off by the process.

John Stainback, the town's Houston-based consultant, graded all six responses to the town's request for qualifications on a 100-point scale, offering pointed criticism along the way.

He said some firms didn't select the right architect, others didn't demonstrate the ability to secure financing and others didn't show sufficient experiences with urban mixed-use developments like this project. Town leaders are particularly interested in the design of the project, wanting it to be unique and in keeping with the town's character.

He recommended that East West not be asked for a proposal based on its 65 score.

Perry said Stainback got some things wrong. For instance, the East West team lost a number of points for failing to project where it put its own money at risk.

But Perry said the company is no stranger to big-time real estate ventures. He pointed to The Cedars at Chapel Hill, a retirement community at Meadowmont, that required \$100 million in financing.

“We had no trouble getting that,” Perry said. “We have done bigger deals than this deal.”

Council members decided to add East West, in part because Stainback told them it’s likely that a few teams won’t submit proposals.

At the Wednesday meeting, all the teams were encouraged to heed Stainback’s criticisms and adjust their proposals accordingly.

Perry said he’s not sure whether his team will take them up on it, though he expressed confidence that they could address Stainback’s concerns.

“I don’t know any reason why you have to air the reasons and the methodology of the short list,” Perry said last week, calling the process “a beauty contest.”

“I thought it was inappropriate for this guy to talk so much about why the two firms that weren’t short listed weren’t short listed. I was disappointed in that.”

Greaner, who sat in on the Wednesday meeting, found Stainback’s critiques illuminating.

“I thought it was great,” she said.

“I already knew where some of my shortcomings were. There were a couple of things that came up that were off a little bit, but it was probably because I was unclear in my presentation. This will bring about stronger responses at the end of the day.

“I think we’re in pretty good shape. I think we can fix what the concerns are.”

The process is exactly what the town needed as it tests the uncharted waters of public-private development, Councilman Bill Strom, who heads the lots 2 and 5 committee, said.

“It was important to the committee and it was important to the town that we treat everyone as fairly and objectively as possible,” he said.

“It was (Stainback’s) job to be clear and frank with us. I know there were some difficult things for some people to hear, but I feel the outcome was transparent and fair, which is the way this committee has been conducting business from the beginning.”

The Grubb team scored the highest of all six applicants, but it also took heat, particularly for one of its responses.

It said the town would be asked to subsidize any portions of the project that don’t have strong market demand.

That applies directly to the council’s desire for condominiums to be owner-occupied rather than rental properties, despite a study that shows Chapel Hill is a renter’s market.

“We see ourselves as trying to balance the desires and demands of several constituents,” Jeff Harris of Grubb said in a telephone interview last week.

“One is the town. Another would be the end users of the real estate, either the condominium owners or retail tenants. And the third is the capital markets. If you’re going to design a product the market will not support, there’s an economic impact to that. That’s where we will have to have some frank discussions.”

The message all developers got was the town knows what it wants.

"I think it's a good thing to the extent that people in positions of power in the town have gotten involved in the process," Harris said, calling the pre-development process the most "intensive I personally have ever seen before."

"I think it can have a downside if they have gotten too attached to one particular plan."

### **A field too large?**

Developers don't take lightly the decision to submit a proposal for a project.

It's costly and time-consuming, so they want to be assured of a solid shot at getting selected for the project.

The more firms in the running, the worse the odds of being awarded a contract, Stainback said, a factor that is taken into consideration.

When he was a developer, Stainback would bid on projects for which up to four other firms were vying.

"I think five's about the limit on a (request for proposals)," he said. "Two or three would be better from their perspective, but not from ours."

Stainback said that's why he recommended beginning with requests for qualifications, which narrowed the field significantly.

Some towns skip that step and ask for proposals right away. Developers then have no way to know the quality or the size of their competition.

Bidders on this project know what they're up against.

Strom said risking the money spent on a proposal is nothing new for developers.

"These are \$100 million-plus companies, so this type of bidding work is business as usual for them," he said. "It's not pocket change, but this is how these firms develop a body of work."