

REVISED

(Item No. 1 and the addition of Item No. 13)
**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Monday, August 2, 2004

9:00 A.M. Worksession

AGENDA

1. Citizen Comments

5 min.

Mr. **Ralph McKinney Jr.** has requested time on the agenda to speak to the Commissioners about various issues.

Mr. Roland Staton has requested time on the agenda to discuss **Gotta Save's** interest in serving as a provider for transitional housing for substance abuse clients.

2. Public Health: Approval of Contract for Medical Services for the Durham County Detention Facility and the Youth Home

15 min.

The Board is requested to authorize the County Manager to enter into a contract with Correct Care Solutions (CCS) to provide a comprehensive health care services program to meet the needs of persons in the custody of the Sheriff and those detained at the Youth Home.

For the past three years, the Health Department has experienced growing difficulty in recruiting and maintaining adequate staffing for the Jail Health Program. Inmates have presented more complex health care needs. Consequently, health care costs for this population have dramatically increased and become unpredictable.

In an effort to create a system that would offer services in a more cost-effective manner, a request for proposals (RFP) was advertised on Sunday, March 28, 2004. Three proposals were received on April 29, 2004. The respondents were Correct Care Solutions, Prison Health Services (PHS), and Southeastern Services Group Inc. (SSG). On May 13, the proposals were evaluated by a selection committee comprised of representatives from the Sheriff's Office and the Health Department. SSG was eliminated due to the severe restrictions of the service options and history of working with facilities with much smaller populations (average daily populations ranging from 40-210).

CCS and PHS were interviewed on June 15 by representatives from the Sheriff's Office, Finance Department, Health Department, and the Board of Health. During the interviews, each company presented more information regarding the proposals, the implementation process, and experiences with other facilities. After the presentations, it was the consensus of the committee to recommend negotiations with CCS. (Using a scoring process, CCS received 1,543 points, and PHS received 1,347 points.)

Since the cost of this service continues to be unpredictable, it is recommended that the Board approve the following service provision option offered by CCS for the remainder of FY 2004-2005 (10 months) commencing on September 1, 2004:

- An aggregate cap of \$375,000 for all pharmaceuticals and off-site service;
- An insurance ceiling of \$25,000 per inmate;
- A sharing of costs over \$375,000 at a rate of 60% CCS and 40% County with the County having a ceiling of \$83,333 of "risk" over \$375,000; and
- An equal sharing in savings below \$375,000 cap.

This 10-month option is priced at \$1,733,318. The cost for a full year would be \$2,079,981. This option also has an added per diem charge of \$2.97 per inmate, per day for any month with an average daily population greater than 525. The projected start date for this contract is September 1, 2004.

During the first year of operation, the services will be evaluated and future contracts and pricing re-negotiations would be optional at that time.

The Board of Health has approved this recommendation.

Resource Person(s): Brian Letourneau, Health Director

County Manager's Recommendation: The County Manager recommends that the Board suspend the rules and authorize the Manager to enter into a 10-month contract in the amount of \$1,733,318 with Correct Care Solutions to provide health care services for the Detention Center and Youth Home.

3. 2003 Annual Report of the Durham Open Space and Trails Commission

15 min.

The Durham Open Space and Trails (DOST) Commission advises the County Board of Commissioners and the City Council on issues related to preservation of valuable open space, as well as the development of trails facilities for pedestrians and bicycles. The 2003 Annual Report summarizes the activities of the DOST Commission and is provided in conformance with the Interlocal Agreement. During 2003, the Commission has provided valuable input on the development of the Durham Comprehensive Plan, as well as the Unified Development Ordinance. In addition, this Commission has reviewed and commented on a number of site plans and rezoning cases with potential impacts to trails and open space.

Resource Person(s): Tom Stark, Chairman, Durham Open Space and Trails Commission, and Frank Duke, Planning Director

County Manager's Recommendation: The County Manager recommends that the Board hear the comments of the Durham Open Space and Trails Commission member and receive the Annual Report for 2003.

4. RDU Airport Authority Annual Update

15 min.

RDU Airport Authority members will provide the Board of Commissioners with an annual update that will include information on new air service, number of passengers traveling through RDU, and upcoming projects.

Resource Person(s): Steve Toler and Craig Sanders, RDU Airport Authority

County Manager's Recommendation: The Manager recommends that the Board receive the presentation and advise the staff if any additional information is necessary.

5. Cultural Master Plan Report Presentation

45 min.

The Durham Cultural Master Plan is funded through a portion of the County's Occupancy Tax and is led by the Board of County Commissioners-appointed Steering Committee, with local administration provided by the Durham Arts Council. The Steering Committee contracted with Wolf, Keens & Company consultants to prepare a master plan to address the long-term needs of cultural arts facilities and programs in Durham County. The report has been completed, the findings of which will be presented to the Board.

Resource Person(s): Marc Goldring, Vice President, Wolf, Keens & Company;

Durham Cultural Master Plan Steering Committee Co-Chairs Peter Anlyan, General Manager, Capitol Broadcasting Company; and MaryAnn E. Black, Associate Vice President, Community Affairs, Duke University Health System;

Sylvia Kerckhoff, Former Mayor of Durham and City Council member;

Sherry L. DeVries, Executive Director, Durham Arts Council; and

Margaret J. DeMott, Director of Artist Services, Durham Arts Council

County Manager's Recommendation: The Manager recommends that the Board receive the presentation and advise the staff if any additional action is necessary.

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7. Request from Read Seed for Emergency Funding

15 min.

Read Seed Inc. has requested "emergency funding" in the amount of \$10,000 to help offset an end-of-the-year deficit of \$7,195 and to assist with day-to-day funding for the current from August 2004. Read Seed applied for nonprofit funding in the amount of \$20,000. No funds were approved by the Board. The program provides free, new book ownership to children in Durham, Roxboro, Chapel Hill, Burlington, and Oxford at least once per year.

Resource Person(s): Adelaide S. Banks, Founder/Director, Read Seed Inc.

County Manager's Recommendation: The Manager recommends that the request be denied inasmuch as nonprofit appropriations for FY04-05 have been finalized. (If approved, the Board should expect additional requests for emergency funding from other agencies that have experienced reductions from United Way.)

8. Alston Village (Falls Pointe Apartments) Refunding

20 min.

In December of 2000, Durham County, North Carolina (the "County") issued its \$22,000,000 Multifamily Housing Revenue Bonds (Alston Village Apartments) Series 2000 (the "Prior Bonds"). The Prior Bonds were structured as Fannie Mae enhanced tax-exempt bonds. The proceeds of the Prior Bonds were loaned to NRP Alston Village, LLC (the "Borrower") in order to finance the construction of 312 units of multi-family affordable housing located in the County (the "Development"). The Development is a mixed property with 45% of units at market rate and 55% of units allocated to those with incomes below 60% of area median income. The Development, now known as Falls Pointe, consists of 173 tax credit units and 139 market rate units.

The Prior Bonds were issued at a time when the local economy had experienced significant growth over a period of several years. This growth fueled an increase in both occupancy and rents. However, when Falls Pointe began leasing units in November of 2001, the local economy was in recession.

During 2002 and 2003, the Triangle became a renter's market. Rent concessions became commonplace. Concessions of two to three months were the norm. This was due to negative employment growth and a corresponding reduction in demand for rental units. The impact of these trends was increased by the fact that new rental units had continued to be constructed during this period. Even though the economy is now showing signs of strengthening, rental revenue has a long way to go to recover from the negative impact of 2002 and 2003.

Prior Bond Mechanics

The Fannie Mae underwriting program provided for a construction period. At the end of that period, the Prior Bonds were scheduled to switch from construction period status to permanent status. At the time of the conversion, Fannie Mae does a second underwriting of the Development. Falls Pointe was scheduled to convert to permanent status in 2004. However, the underlying economics of the project have changed substantially. Although the project was initially projected to support \$21.8 million in debt under Fannie Mae's underwriting criteria, based on the drastic change in the economy, that underwriting criteria now supports only \$18.3 million in debt.

A summary of the original underwriting assumptions as compared to the underwriting as of 3/31/04 is provided on the next page.

NRP Alston Village LLC, (d.b.a. Falls Pointe at the Park)
Original Underwriting vs. Actual Underwriting
As of 3/31/04



New Structure

With the help of Newman Capital a new financing structure was developed. The new structure provides an additional two year period for the developer to achieve higher occupancy and rent levels. Under the new structure, the County would issue its \$21,500,000 Multifamily Housing Revenue Refunding Bonds (Falls Pointe Apartments) Series 2004 (the "Bonds"). During the first 24 months of the refinancing, the Bonds would have a floating rate at BMA + 2.0% (currently 3.04% -- BMA of 1.04% + 2.0%). In addition, no principal on the Bonds will amortize during this interim period. After the initial two year period, the Bonds will amortize until maturity, which will be the same as the Prior Bonds (30 years). The Bonds will continue to have a 30 year maturity, but will be amortized over a 40 year period, with a lump sum payment due when the Bonds mature. The all in rate for the Bonds (6.65%) will be slightly higher than the all in rate for the Prior Bonds (6.4%), but the change in the amortization and the initial two year interest only period will make the Development more viable. A comparison of terms is provided in the table below.

Terms Comparison

Term	Prior Bonds	Bonds
Construction Period	36 months (expired)	30 months (interest only)
Permanent Period	30 years, fully amortizing	30 years, fully amortizing
Amortization	30 years	40 years
Interest Rate (all-in)	6.4%	First 24 months: BMA+2.0% After 24 months: 6.65%
Debt Service Coverage	1.15%	1.15%

Assuming today's rate, and a \$21.8 million principal amount, the Bonds would save \$81,134 per month or \$1,947,206 over the first 24 months compared to the Prior Bonds cash flow. The funds saved by the issuance of the Bonds will be held in escrow and serve as a "resizing" reserve when the Development is converted to permanent status at the end of the 30 months. Thus, if after 24 months the Development is not able to support the full \$21,500,000 in principal with debt service coverage of at least 1.15%, funds in the reserve will be used to redeem Bonds to a level that will provide that debt service coverage.

Although short term interest rates are expected to rise over the next year, it is unlikely that rates will rise enough in 24 months to reduce the material benefit to the Development that the floating interest rate provided during the interim period. That floating rate period will give the Borrower additional time during a recovering economy to improve occupancy and rents at the Development. At the same time, it will permit the Borrower to accumulate funds that will be used to reduce the principal amount of the debt, if necessary, after that two year period.

The Bonds will be sold in a private placement to a single investor, GMAC Commercial Holding Capital Corp., or an affiliated or related entity ("GMAC"). GMAC will provide an investor letter indicating that it is a qualified, institutional investor. The Bonds cannot be resold except to another qualified, institutional investor. The Bonds will not be sold into the marketplace, and there will be no need for an offering document.

The Development will continue to be subject to the same restrictions regarding the affordable unit requirements. As part of the refunding, the County will be entitled to a fee.

A proposed resolution for adoption at the Board's meeting on August 9, 2004 is attached.

Resource Person(s): Mary Nash Rusher, Hunton & Williams; Chuck Kitchen, County Attorney
County Manager's Recommendation: Receive the presentation for the proposed refunding, and if satisfied with the proposal, place the item on the Board's consent agenda for the August 9, 2004 meeting.

9. County Initiative for the \$100,000 HOME Investment Partnership Funds

20 min.

The County of Durham, in concert with the City of Durham, participates in the annual Consolidated Planning process for the purposes of utilizing funds from the Department of Housing and Urban Development (HUD). Included in the 2004-2005 Consolidated Plan is the \$100,000 in HOME Investment Partnership funds which is set aside for a County Initiative. The Durham Center has packaged a proposal for the use of these funds and will present it to the Board for its consideration.

Staff from the City's Department of Housing and Community Development will be present to answer question pertaining to the regulations.

Resource Person(s): Ellen Holliman, Interim Director of the Durham Center; Linda Allsberry, Rehabilitation Program Director; Vickie Miller, Senior Planner; and Kathryn Simmons, Associate Director

County Manager's Recommendation: The Manager's recommendation is that the Board receive the presentation and approve the proposal submitted by The Durham Center provided that the proposal is consistent with HUD regulations.

10. Youth Council Proposal

30 min.

A city-county committee has filed a recommendation with the Board of County Commissioners and the Durham City Council for the creation of a Youth Council. The committee reviewed and synthesized numerous models of youth councils from across the country. The process resulted in several recommendations regarding the creation and structure of a Youth Council, including timelines, a proposed budget, and an organizational chart. According to the committee's report, the main charge of the Youth Council will be to develop "citizenship skills" among Durham's youth and "provide focused recommendations from youth with effective strategies for implementation."

Resource Person(s): Mike Ruffin, County Manager; Becky M. Heron, County Commissioner (Youth Council Subcommittee member); Deborah Craig-Ray, Director of Public Information and Governmental Affairs (Youth Council Subcommittee member); and Cheryl Lloyd, Cooperative Extension Director (Youth Council Subcommittee member)

County Manager's Recommendation: The Manager recommends that the Board agree in principle with the concept to create a Youth Council for the City of Durham and Durham County. However, since no input from any organized youth groups was solicited by the subcommittee, any decisions regarding areas of emphasis and funding should be deferred for review and study by those youth who will comprise the newly created Youth Council.

LUNCH: 12:00 ? 1:00

11. Public Safety Radio System Upgrade

30 min.

The Emergency Services Departments for Durham County and the City of Durham utilize an 800 MHz radio system for emergency communications. This system was purchased by the City of Durham and put into service in 1994. A planned replacement of the system was scheduled for 2008; however, Motorola, Inc. has advised the City that without an immediate upgrade to its infrastructure, parts and technical support will no longer be available after the 2004 Calendar Year. The cost for the required upgrade is estimated at \$7.9 million compared to a \$30 million expenditure to replace the entire system in 2008. The County and City have agreed to share equally in the cost of the upgrade as well as ownership of the infrastructure.

Resource Person(s): Jeffrey L. Batten, Durham County Fire Marshal/Emergency Management Director, and John Tezai, Emergency Medical Services Director

County Manager's Recommendation: The Manager's recommendation is that the Board suspend its rules and authorize proceeding with the \$7.9 million upgrade contingent upon the development and approval of an Interlocal Agreement that is in keeping with understandings that have been reached regarding ownership, control, financing, and operation of the system.

12. Revaluation Date

15 min.

To make a presentation to the Board of County Commissioners outlining the requirements for shortening the revaluation cycle and a presentation of valuable information needed for the establishment of Durham County's next revaluation date.

Resource Person(s): Kenneth L. Joyner, Tax Administrator

County Manager's Recommendation: The Manager's recommendation is that the Board receive the presentation from the Tax Administrator.

13. Request for Proposal for Lowe's Grove Library Site

15 min.

The County has received several inquiries from private sector interests about a partnership to preserve some or all of the existing buildings on the Lowe's Grove Library site. Interests have been expressed in the property in developing the non-library portion of the property for mixed-use commercial/residential development, as well as active and passive recreational development. The best course of action to evaluate such interests is to publish a Request for Proposal (RFP) that would clarify the County's requirements for any plan of action and provide interested parties a framework through which its vision for use of the property could be articulated. The Board, after reviewing each proposal, should conduct interviews to learn more about each proposal, rule out any legal and financial obstacles, and select the proposal that provides a vision for the property that is in keeping with the County's interest and would serve the best interests of the area.

Resource Person(s): Mike Ruffin, County Manager; Chuck Kitchen, County Attorney

County Manager's Recommendation: The Manager recommends that the Board authorize the development and distribution of a Request for Proposal for the Lowe's Grove Library property.

4 hrs.



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200 E Main Street, Durham, NC 27701

webmaster@durhamcountync.gov

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