

Memorandum

To: Town of Chapel Hill

From: Kenneth Reiter – Belmont Sayre
Mark Moshier – Legacy Real Property Group
John Gallagher – Aptus Management

Date: January 28, 2022

Re: 828 MLK – Police Station Redevelopment

The Town of Chapel Hill needs a new police headquarters and space for other municipal services to be housed in a new Municipal Services Center (MSC). The 828 MLK property, home to the existing police headquarters, we believe, is a viable site for the MSC. The Town budget plan for the MSC, to be funded with general obligation bonds, is currently \$34M. The estimated development costs for the MSC at 828 MLK could exceed \$34M due to added costs for brownfields cleanup, parking and involved site improvements. However, private development at 828 MLK, depending on density, can offset these additional costs.

The process we have been following since the completion of the RFQ process is centered on Council's input on redevelopment options for 828 MLK:

- Option 1 - MSC Only
- Option 2 - MSC + Private Development, to offset costs
- Option 3 - No Development - but remediate/mitigate 828 MLK

The following information provides additional context to help guide that decision process and is based on the information discussed at the January 26th Town of Chapel Hill Council session:

- **Redevelopment Scenarios and Financial Analysis** – this section provides additional details and background information on the process and information that was utilized to develop the information in the 2 slides presented by Belmont Sayre at the January 26, 2022, Council Meeting.
- **Comments from January 26, 2022, Town of Chapel Hill Council Meeting** – this section is based on our review of the question and comments received from Council members and the public. While it is not a comprehensive, we selected those comments that we believe need to be discussed in the work session as they relate to the process for arriving at decisions and understand the accompanying financial and programmatic impacts.

Redevelopment Scenarios and Financial Analysis

Based on Town-commissioned risk assessments and site analysis, and presentations made by NC DEQ to Council, we believe that the site can be made safe for redevelopment, and we are ready to partner with you to do so.

828 MLK – Police Station Redevelopment

Development Scenarios

The first slide highlights the costs and benefits of the different uses that could be considered in the project. We provide an overview of our opinion of those options. As a partner, we have been, and will be open to exploring all options. The Town has commissioned a third-party site market analysis with a review of multi-family, commercial office, and retail to review viability of uses.

Financial Analysis

There are many options to consider and helping you better understand what happens when you make certain decisions is our goal. We have started to refer to this as “what happens when you pull certain toggles”. We have built lengthy workbooks that include different forms of analysis for residential, office and retail. In our attempt to be simplify the presentation, our second slide presented a basic “Private Development” scenario to compare with the Options of “No Development” or “MSC Only”.

This second slide is intended to show potential cost differences with various uses/programs, however, we to only provide one scenario “MSC + Private Development “ for ease of presentation. Under that one scenario, we also compared a “No Development” and “MSC Only”. We have now included an additional “Option” that includes commercial development.

Parking

Assumptions related to the size and cost and sharing of parking are primarily driven by the most-recent MSC programming. We also anticipate that the MSC would be able to share some parking with private development. During the work session, we will share the cost and benefits of various parking options (ratios, construction, costs etc.) as well as a spreadsheet comparing various parking options, including costs.

The proposed parking would serve the MSC staff and visitors, resident parking, should housing proceed, and could be used as parking for events and programming if the Town proceeds with building a programmable outdoor event space on the site. 450 spaces represent a reduced number based on a shared parking model (alternating use times between daytime workers and evening parking residents).

This site is also an opportunity to promote multimodal transportation options given the existing bus route, future BRT, and greenway proximity. Building housing along the proposed BRT corridor is important in making BRT function optimally.

These worksheets and the support materials will be reviewed in detail at the work session to better understand the relative tradeoffs as we make assess the myriad of project features.

Review of Comments from January 26, 2022, Town of Chapel Hill Council Meeting

We believe the questions and comments received from Councilmembers and the public from the meeting on January 26th can be organized as follow to allow for efficient analysis and discussion as part of our upcoming work session:

Process and Decision-Making Process

- Ensure timely delivery of information for review
- Provide summary of prior work products

828 MLK – Police Station Redevelopment

Discussion of Market and Impact on Mixture of Uses

- Clarify that all options are still available - no final decision have been made
- Need to review how uses/components impact project scope, schedule and budget and impact – “look at toggles”. This analysis will include a variety of housing and types of uses, including age restricted housing
- Townhome vs condominium viability

Existing Finances & Budget

- Need analysis of the residual value of the land under various scenarios
- Explain cost-sharing models, assumption, and calculations
- Assess viability of condominium financing
- Clarify whether costs for police relocation are included in project budget
- Show property tax benefit over 20 years – show Net Present Value (NPV)
- NPV of lease payments for parking – use same 20 years period as property tax benefit

Parking

- Better understand parking fixed costs and operation costs
- Need number of parking spaces at existing location
- Is structure parking really needed, or how much surface parking can be programmed?
- Operating costs - if MSC only, is structured parking really needed?

Urban Design & Features

- TOD / BRT – urban design reduces reliance on automobile, enhance transit usage
- Opportunity to make more impact than just MSC and residential
- Preservation of existing structures
- Connection Bolin Creek Trail to enhance experience

Conclusion

We are confident that this site can be made safe for redevelopment and are ready to partner with you to do so. Thank you for your time and consideration for reviewing these materials. We look forward to the work session next week. Please let us know if you have any questions before then as we are available to discuss these matters at your convenience.