

06-16-2021 Town Council Meeting Responses to Council Questions

ITEM #4: Authorize the Town Manager to Negotiate and Execute a Construction Contract for the Rosemary Parking Deck Project

*****NOTE: This item was pulled from the Consent Agenda and will be a discussion item on the June 21, 2021 meeting agenda.*****

Council Question:

Has UNC agreed to the revised increased price?

Staff Response:

Staff had a conversation with a representative of UNC last week to discuss the general changes in price. UNC felt they would like to share it and discuss with their staff, but felt the changes reflected what they are also seeing in the market. We have shared the Purchase and Sale Agreement with UNC for formal consideration this week and hope that we can see it endorsed in a short period of time.

Council Question:

The resolution states “the Guaranteed Maximum Price for the construction contract is a portion of that overall project budget.” What other costs are not included in the GMP?

Staff Response:

The Overall Project Budget (39\$M) includes the construction contract amount (covered by the GMP), soft costs including architectural and engineering fees, a contingency, and the Development/Construction Management Fee.

Council Question:

Has staff discussed renegotiating the management fee paid to Grubb Properties so that it is not inflated by rising materials prices?

Grubb Response:

The initial development budget from last July had a fee of \$1,156,00 based upon the 4% fee per the EDA. This is a customary arrangement, and one which we felt was fair given our fronting of all development costs to date, together with management of the entitlement, design, and permitting process. Of course, this contemplates Grubb seeing the project through completion and delivery to the Town. The current budget based on final design requirements and cost escalations has increased this fee to the \$1,413,000 amount discussed with Council.

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Grubb would propose the following:

Stipulated Fee Amount: \$1,156,000

Terms: 1/2 due upon closing of financing and the remaining paid over 12 months in equal installments.

Grubb would receive 10% of any savings achieved on the project, capped at the current fee calculation of \$1,412,000.

We feel that this represents a fair outcome and alignment of interest as we move into the execution phase of the project. We value our relationship with the Town, and look forward to a great outcome for the Town and community on this important project.

Council Question:

As we discussed at the Wed's meeting, key documents as listed on the Economic Development Agreement remain missing (third party evaluation on the fairness of the contract, listing of obtained permits etc). Our current cost and financial projection numbers deviate significantly from the most recent (Dec 2020) opinion from the Walkers Consulting on our website.

[Opinion of Probable Construction Costs - Walker Engineering¹](#)
[Projections for parking demand and financial - Walker Consulting²](#)

Staff Response:

The Economic Development Agreement requires that certain documents be received by the Town prior to a specific date (extended to June 21, 2021 by subsequent agreement), including:

- 1. A construction contract between Samet and the Town that states a guaranteed maximum price;*
- 2. Written approval from Walker Consulting to the Town as to the fairness of the stated maximum price; and*
- 3. A letter from Samet or a project architect confirming that all major regulatory permits that are conditions to the start of construction are in hand, including approval of plans from the North Carolina Department of Insurance (DOI).*

The staff has a draft construction contract and final signature requires the Council's authorization for the Town Manager to negotiate and execute the contract (now scheduled for June 21, 2021). Walker Consulting has received all the materials requested to prepare their

¹ <https://www.townofchapelhill.org/home/showpublisheddocument/47625/637429533341600000>

² <https://www.townofchapelhill.org/home/showpublisheddocument/47641/637431074589700000>

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statement, which we expect to receive within a week. The DOI permit has been issued and the Town is in final stages of issuing the Town permit.

The Town is on track to have the documents listed in the Economic Development Agreement in hand prior to June 21, 2021. Closing is currently scheduled for June 23, 2021.