

East Rosemary Redevelopment Proposal



September 30, 2020

CHAPEL HILL

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Project Overview



- > Exchange Wallace parking deck/land for 125 East Rosemary parking deck and 135 East Rosemary property.**
- > Build a new parking deck on 135 East Rosemary parcel consisting of 1,100 +/- parking spaces.**
- > 100 spaces reserved to support the University for a new Admission building downtown.**
- > Grubb constructs a new wet lab/office building of 200,000SF +/- (projected value of \$80M)**
- > Downtown gains a new green space on the corner of Henderson and East Rosemary and a pocket park that connects Varsity Alley to Rosemary.**

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Project review and feasibility



- Council held a meeting with Walker Parking to review the past parking study and understand how this project would fit into our future growth projections.

(Walker Parking)

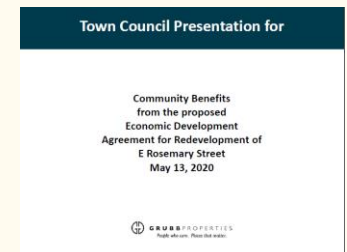
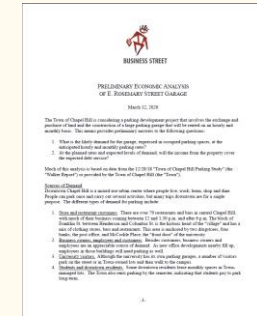
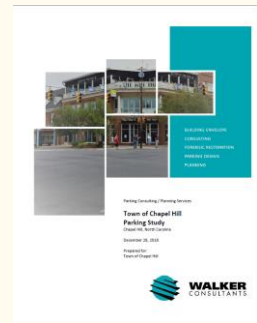
- Council initiated a study on the impacts of the new parking and to see if our demand was sufficient for the 250+/- new spaces. (Business Street – business strategist)

- Council had a review of the mechanics of the deal to determine if the end result was beneficial to the Town from a third party view. (Noell Consulting)

- Grubb Properties made a presentation on their view of community benefits of the project.

Documents related to this project are available at:

<https://www.townofchapelhill.org/businesses/east-rosemary-street-redevelopment-project#ad-image-0>



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Project review and feasibility



- Town Staff Town staff prepared and reviewed multiple revenue/expenditure and cash flow analyses including multiple review of parking income projections including overlaying existing income onto the new deck and debt scenario and developing an extremely constrained view if COVID was to continue for multiple years.
- Town Staff made recommendations to Council for changes to move our downtown parking to a market rate system. This included removing our Parking Fees from our annually adopted Fee Schedule and increasing leased parking fees and making all parking deck hourly rates the same.

Documents related to this project are available at:

<https://www.townofchapelhill.org/businesses/east-rosemary-street-redevelopment-project#ad-image-0>

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Parking



Replace parking at:

- Wallace Deck,
- CVS Deck,
- Investors Title lot
- 26 spaces at Rosemary/Columbia Parking Lot

Net approximately 250 new spaces

Offer UNC 100 spaces to purchase to support Admissions (outside of net-new spaces)

We have also made fee changes to help the Parking Fund and are being more strategic on our parking management.



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Businesses »

EAST ROSEMARY STREET REDEVELOPMENT PROJECT

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The Town of Chapel Hill is considering a proposed East Rosemary Street Redevelopment Project in conjunction with Grubb Properties.

The proposal involves construction of a 1,100-space parking deck and an office building with web lab space, bringing an estimated \$50 million investment and 800 jobs. UNC-Chapel Hill is exploring the possibility of joining the envisioned Innovation Hub.

The project is expected to attract new entrepreneurs and retain local businesses. Development of office space has remained stagnant for over a decade in Chapel Hill. Additional community benefits include increased centralized parking, new greenspaces, improved bike and pedestrian connections, and downtown jobs to support our restaurant and retail businesses.

Contact

Dwight Bassett
Economic Development Officer
919-969-5010 or dbassett@townofchapelhill.org

<https://www.townofchapelhill.org/businesses/east-rosemary-street-redevelopment-project>

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Project Overview





> Consider authorizing the Economic Development Agreement (EDA) and associated documents including:

- Wallace Deck Lease Agreement
- Site License Agreement for Rosemary/Columbia parking lot construction laydown
- Improvements Agreement for construction and reimbursement
- UNC Letter of Intent (submitted to UNC)

> Authorize the land exchange.

We have also provided a document that reflects on our construction planning if Council desires to proceed. We have a staff team that will begin meeting with the construction contractor to make sure we are prepared to proceed.

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Recommendation



- 1) Consider Authorizing an Economic Development Agreement for the East Rosemary Downtown Deck & Redevelopment Project.**
- 2) Consider Exchanging 150 E. Rosemary for 125 and 135 E. Rosemary to Support the East Rosemary Redevelopment Project and Parking Deck.**

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Aerial view from Northeast

Economic Development Agreement



❖ The Economic Development Agreement provides the legal framework for the overall transaction.

The terms are based on those in the Memorandum of Understanding the parties signed back in April. Has been lots of negotiation over business points. Some narrow areas of disagreement still to be resolved, but current drafts represent a deal that accomplishes the Town's goals with well-defined and well-managed risk.

❖ First point in the EDA is for the exchange of properties

Town will end up owning the CVS Deck and the ITIC Lot, and Grubb will own the Wallace Deck. The Town will make a payment of about \$1,740,000 to even out the value of the properties exchanged. The exchange should happen within approximately 30-45 days after Council approves agreements.

❖ Then, the EDA covers the Town's obligation to design and construct the new parking deck

Design is on-going, as is the land use entitlements process. Contractor has been identified, and work continues on the plan for managing downtown construction while work continues on the parking deck and new office building.

Construction will start after design is complete, construction contract is in place, State Department of Insurance has completed its review, and financing is in place – early to mid-2021.

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Other Agreements



- ❖ **While the new deck is being built, the Town will lease the Wallace Deck back from Grubb.**

This arrangement will continue until the new deck is in place and Grubb is ready to start work on the new office building. The Town will pay a fixed monthly rent during new deck construction, and the parties will share net revenue once the new deck has been placed in service.

- ❖ **The Town is making no other payments to Grubb, or waiving any taxes or fees, under the EDA.**

Grubb's benefit is the Town's agreement to the land exchange and having parking available to support its downtown projects. If nothing else, Town has expanded and consolidated parking and make a prominent downtown parcel available for redevelopment.

- ❖ **During New Deck construction, Grubb will seek entitlement for a building with 200,000 +/- square feet of office space, including at least two floors of “wet lab” space.**

This process should be complete by Fall 2021. The Town is not obligated to approve any particular building, and Grubb is not required to build anything that is not in its commercial best interest. The Town has a limited right to repurchase the Wallace Deck property if the office building project does not proceed in a timely manner.

- ❖ **Grubb and the contractors can use the lower level of Lot 2 for construction staging, but Grubb has to restore that property as a type of “pocket park” when done.**

Grubb also has to restore the open space at the corner of Rosemary and Henderson when construction is finished on the new office building.

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Parking Deck Financing & Cash Flow Highlights



- Self-sustaining financing model which assumes parking deck debt is supported by Parking Fund revenues
- Financing amount of \$32.9 million; 2% interest; 20 year term
- Projections reflect 5 years to generate positive cash flows
- Projections reflect \$24.9 million net cash flows over 20 years
- Model assumes:
 - New rates for leased and hourly spaces as of August 1st
 - Market adjustment of rate structure every three years
 - Occupancy % growth over time
 - 3% inflationary growth on expenses

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Parking Deck Revenue & Expense Projections



COST PROJECTION

East Rosemary Parking deck Cost*:		
Per Parking space construction	\$	19,571
Per Parking space Arch/Eng		1,957
Per Parking space Contingency		1,957
	TOTAL per space	\$ 23,485
Total Construction Cost (1,100 spaces)	\$	25,833,500
Construction Management		1,000,000
Land swap		1,740,000
		\$ 28,573,500
Bike 40 spaces		
Car Charging (dual \$6500 each x 20	\$	130,000
Solar (Future cost - \$650,000)		-
Art (Future cost - 1% = \$273,335)		-
Streetscape		50,000
Traffic/Road Improvement		25,000
Improved Building \$800K - \$1.6M		2,000,000
Office Space Police sub/Parking		448,000
Public Toilets		40,000
Other/Sewer relocate		350,000
Add street(s)/lanc Columbia/North		750,000
		\$ 3,793,000
TOTAL Cost		\$ 32,366,500

FINANCIAL PROJECTION

Rosemary Parking Deck Revenue	
Spaces leased	475
Lease monthly rate	\$125
Percent leased	100%
Total projected monthly lease revenue	\$59,375
Over lease (15% annual projection))	\$106,875
Overnight leasing (10% annual projection)	\$71,250
Hourly Parking rate	\$1.50
Hourly Occupancy	65%
Hours of operation	12
Days of operation	312
Hourly Spaces	525
Annual Lease Revenue	\$890,625
Annualy Hourly Revenue	\$1,916,460
UNC Annual Maintenance Payment	\$40,000
Total Revenue	\$2,847,085
Revenue per space	\$2,588.26
TOTAL Spaces	1100
Operating Expense (\$400 per space)	\$440,000
Debt Service (Yr 1)	\$2,303,000
Total Cost	\$2,743,000
Net	\$104,085

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Parking Deck Cash Flow Projections 1 of 2



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	1/2 year									
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Leased space parking rate	\$125	\$125	\$125	\$125	\$130	\$130	\$130	\$135	\$135	\$135
# Leased spaces	475	475	475	475	475	475	475	475	475	475
Occupancy %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	\$ 356,250	\$ 712,500	\$ 712,500	\$ 712,500	\$ 741,000	\$ 741,000	\$ 741,000	\$ 769,500	\$ 769,500	\$ 769,500
Over leases @ 15%	53,438	106,875	106,875	106,875	111,150	111,150	111,150	115,425	115,425	115,425
Overnight leases @ 10%	35,625	71,250	71,250	71,250	74,100	74,100	74,100	76,950	76,950	76,950
	\$ 445,313	\$ 890,625	\$ 890,625	\$ 890,625	\$ 926,250	\$ 926,250	\$ 926,250	\$ 961,875	\$ 961,875	\$ 961,875
Hourly space parking rate	\$1.50	\$1.50	\$1.50	\$1.50	\$1.60	\$1.60	\$1.60	\$1.70	\$1.70	\$1.70
# Hourly spaces	525	525	525	525	525	525	525	525	525	525
Hours of Operation	12	12	12	12	12	12	12	12	12	12
Days of Operation	312	312	312	312	312	312	312	312	312	312
Occupancy %	65%	65%	70%	72%	74%	76%	78%	80%	82%	84%
	\$ 958,230	\$ 1,916,460	\$ 2,063,880	\$ 2,122,848	\$ 2,327,270	\$ 2,390,170	\$ 2,453,069	\$ 2,673,216	\$ 2,740,046	\$ 2,806,877
UNC deck maintenance commitment	\$ 20,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Total Deck Operating Revenues	\$ 1,423,543	\$ 2,847,085	\$ 2,994,505	\$ 3,053,473	\$ 3,293,520	\$ 3,356,420	\$ 3,419,319	\$ 3,675,091	\$ 3,741,921	\$ 3,808,752
Total Deck Operating Expenses	(220,000)	(440,000)	(453,200)	(466,796)	(480,800)	(495,224)	(510,081)	(525,383)	(541,145)	(557,379)
	\$ 1,203,543	\$ 2,407,085	\$ 2,541,305	\$ 2,586,677	\$ 2,812,721	\$ 2,861,196	\$ 2,909,238	\$ 3,149,708	\$ 3,200,777	\$ 3,251,373
Total Deck Debt Service	(2,303,000)	(2,270,100)	(2,237,200)	(2,204,300)	(2,171,400)	(2,138,500)	(2,105,600)	(2,072,700)	(2,039,800)	(2,006,900)
Net Cash Flows	\$ (1,099,458)	\$ 136,985	\$ 304,105	\$ 382,377	\$ 641,321	\$ 722,696	\$ 803,638	\$ 1,077,008	\$ 1,160,977	\$ 1,244,473
Cumulative Cash Flows	\$ (1,099,458)	\$ (962,473)	\$ (658,368)	\$ (275,991)	\$ 365,330	\$ 1,088,026	\$ 1,891,664	\$ 2,968,672	\$ 4,129,649	\$ 5,374,122

Parking Deck Cash Flow Projections 2 of 2



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	FY2032	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040	FY2041	TOTAL
Leased space parking rate	\$140	\$140	\$140	\$145	\$145	\$145	\$150	\$150	\$150	\$150	
# Leased spaces	475	475	475	475	475	475	475	475	475	475	
Occupancy %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
	\$ 798,000	\$ 798,000	\$ 798,000	\$ 826,500	\$ 826,500	\$ 826,500	\$ 855,000	\$ 855,000	\$ 855,000	\$ 855,000	\$ 15,318,750
Over leases @ 15%	119,700	119,700	119,700	123,975	123,975	123,975	128,250	128,250	128,250	128,250	2,297,813
Overnight leases @ 10%	79,800	79,800	79,800	82,650	82,650	82,650	85,500	85,500	85,500	85,500	1,700,775
	\$ 997,500	\$ 997,500	\$ 997,500	\$ 1,033,125	\$ 1,033,125	\$ 1,033,125	\$ 1,068,750	\$ 1,068,750	\$ 1,068,750	\$ 1,068,750	\$ 19,148,438
Hourly space parking rate	\$1.80	\$1.80	\$1.80	\$1.90	\$1.90	\$1.90	\$2.00	\$2.00	\$2.00	\$2.00	
# Hourly spaces	525	525	525	525	525	525	525	525	525	525	
Hours of Operation	12	12	12	12	12	12	12	12	12	12	
Days of Operation	312	312	312	312	312	312	312	312	312	312	
Occupancy %	86%	88%	90%	90%	90%	90%	90%	90%	90%	90%	
	\$ 3,042,749	\$ 3,113,510	\$ 3,184,272	\$ 3,361,176	\$ 3,361,176	\$ 3,361,176	\$ 3,538,080	\$ 3,538,080	\$ 3,538,080	\$ 3,538,080	\$ 56,028,445
UNC deck maintenance commitment	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 780,000
Total Deck Operating Revenues	\$ 4,080,249	\$ 4,151,010	\$ 4,221,772	\$ 4,434,301	\$ 4,434,301	\$ 4,434,301	\$ 4,646,830	\$ 4,646,830	\$ 4,646,830	\$ 4,646,830	\$ 75,956,883
Total Deck Operating Expenses	(574,100)	(591,323)	(609,063)	(627,335)	(646,155)	(665,539)	(685,506)	(706,071)	(727,253)	(749,071)	(11,271,422)
	\$ 3,506,149	\$ 3,559,687	\$ 3,612,709	\$ 3,806,966	\$ 3,788,146	\$ 3,768,762	\$ 3,961,324	\$ 3,940,759	\$ 3,919,577	\$ 3,897,759	\$ 64,685,461
Total Deck Debt Service	(1,974,000)	(1,941,100)	(1,908,200)	(1,875,300)	(1,842,400)	(1,809,500)	(1,776,600)	(1,743,700)	(1,710,800)	(1,677,900)	(39,809,000)
Net Cash Flows	\$ 1,532,149	\$ 1,618,587	\$ 1,704,509	\$ 1,931,666	\$ 1,945,746	\$ 1,959,262	\$ 2,184,724	\$ 2,197,059	\$ 2,208,777	\$ 2,219,859	\$ 24,876,461
Cumulative Cash Flows	\$ 6,906,270	\$ 8,524,858	\$ 10,229,367	\$ 12,161,033	\$ 14,106,779	\$ 16,066,041	\$ 18,250,765	\$ 20,447,824	\$ 22,656,601	\$ 24,876,461	

Time frame



**March 4, 2020 –
Memorandum of
Understanding**



**March 2020 – Begin
drafting Economic
Development
Agreement**



**May – August 2020 –
Consider elements of
Economic
Development
Agreement and design
issues**



**September 9, 2020-
Council considers
Economic
Development
Agreement**



**September 9, 2020 –
Council authorizes
land acquisition**



**September 30, 2020 –
Final public hearing on
legal agreements**



**Fall 2020 – Council
considers
authorization of debt
for parking deck**



**April/May 2021– Deck
construction begins**



Recommendation



- 1) Consider Authorizing an Economic Development Agreement for the East Rosemary Downtown Deck & Redevelopment Project.**
- 2) Consider Exchanging 150 E. Rosemary for 125 and 135 E. Rosemary to Support the East Rosemary Redevelopment Project and Parking Deck.**

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