

06-21-2023 Town Council Meeting

Responses to Council Questions

ITEM #13: Close the Legislative Hearing and Consider a Conditional Zoning Application for UNC Health Eastowne

Council Question:

Can you clarify UNC-Health's offers for payments in lieu of property taxes, so we understand the total payments at buildout? Does the \$148K represent current annual payments to the town? Are the per-building payment in lieu amounts in addition to this amount, or instead of it? Does the town have an updated estimate of cost of services?

Staff Response:

Any new payments would be in addition to the current annual payments. Current annual payments to the Town are based on MOUs executed between UNC Health and Orange County. The conditional zoning would not impact these MOUs.

Applicant Response:

UNC Health is presenting the following options to the Town:

- 1. \$5M 20-year revolving loan at 0% interest*
- 2. \$4M 20-year revolving loan at 0% interest + \$15k in property taxes in-lieu per building per year upon completing construction*

Assuming a new building is completed every ~5 years (and six new buildings are constructed), the total payments in lieu would look something like:

| | |
|-----------------------|--|
| <i>Years 1 – 4:</i> | <i>\$148k/year</i> |
| <i>Years 5 – 8:</i> | <i>\$163k/year (building one complete)</i> |
| <i>Years 9 – 12:</i> | <i>\$178k/year (building two complete)</i> |
| <i>Years 13 – 16:</i> | <i>\$193k/year (building three complete)</i> |
| <i>Years 17 – 20:</i> | <i>\$208k/year (building four complete)</i> |
| <i>Years 21 – 24:</i> | <i>\$223k /year (building five complete)</i> |
| <i>Years 25+:</i> | <i>\$238k/year (building six complete)</i> |

- 3. \$3M 20-year revolving loan at 0% interest + \$30k in property taxes in-lieu per building per year upon completing construction*

Assuming a new building is completed every ~5 years (and six new buildings are constructed), the total payments in lieu would look something like:

| | |
|-----------------------|--|
| <i>Years 1 – 4:</i> | <i>\$148k/year</i> |
| <i>Years 5 – 8:</i> | <i>\$178k/year (building one complete)</i> |
| <i>Years 9 – 12:</i> | <i>\$208k/year (building two complete)</i> |
| <i>Years 13 – 16:</i> | <i>\$238k/year (building three complete)</i> |
| <i>Years 17 – 20:</i> | <i>\$268k/year (building four complete)</i> |
| <i>Years 21 – 24:</i> | <i>\$298k /year (building five complete)</i> |

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Years 25+: \$328k/year (building six complete)

These amounts would be in addition to the ~\$148k that is already being paid.

The table below details the total payments in lieu of property taxes UNC Health contributed in 2022 to Orange County and the Town of Chapel Hill combined across the Eastowne Campus' six parcels

| Parcel ID Number | Payment in Lieu (MOU) Yes / No | Orange County ² | Chapel Hill ³ | CH – Carrboro Schools | Total Annual Payment |
|-------------------------|--------------------------------|----------------------------|--------------------------|-----------------------|----------------------|
| 9890800195 ¹ | Yes | \$76,219 | \$51,309 | \$16,124 | \$143,651 |
| 9890800643 | Yes | \$31,295 | \$21,628 | \$6,859 | \$59,782 |
| 9890911209 | Yes | \$20,850 | \$13,094 | \$4,590 | \$38,535 |
| 9890802764 | Yes | \$25,839 | \$18,131 | \$5,658 | \$49,629 |
| 9890807564 | Yes | \$20,844 | \$16,622 | \$4,589 | \$42,056 |
| 9890803947 | No | \$43,676 | \$27,824 | \$9,178 | \$80,678 |
| Totals | | \$218,724 | \$148,608 | \$46,998 | \$414,330 |

¹ Parcel includes Eastowne MOB I

² Includes solid waste program fee (if applicable)

³ Includes ~\$14,500 in stormwater fees

Council Question:

In the applicant's offers for payments in lieu for town services, what is the mechanism for adjusting those payments as inflation increases the town's costs?

Staff Response:

The applicant's offer does not currently include a mechanism for adjusting payments based on inflation.

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Council Question:

The applicant is requesting four very large (20' x 12') commercial center signs. Can we see their approximate placement? What size does the current LUMO allow for that type of sign?

Council Question:

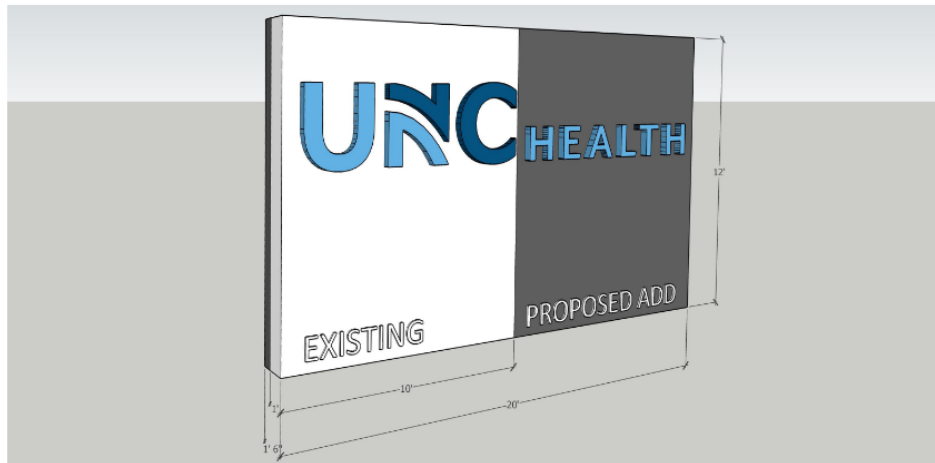
How much of a variance are the sign size and where will they be?

Staff Response:

LUMO currently allows for only one commercial center sign that is a maximum of 12 feet tall by 10 feet wide.

Applicant Response:

Eastowne Development Proposed Signage Increase



* This is a diagram, not a design. Color variations are only meant to exemplify the existing allowable size vs. the proposed sign area.



Eastowne Development Anticipated Signage Location



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Council Question:

For the payment in lieu, do they all equal the same amount at the end of the day? Is the \$148k staying and these are on top of? Will there be inflation built in so costs are covered as the cost of services rise?

Staff Response:

The applicant's offer does not currently include a mechanism for adjusting payments based on inflation.

Applicant Response:

- *There is a correlation between the proposed revolving loan amount for affordable housing and the amount of property taxes in-lieu per building, but it is not a dollar-for-dollar ratio.*
- *The ~\$148k currently being paid to the Town of Chapel Hill will remain unchanged.*
- *Inflation will not be built into the ~\$148k currently being paid; however, UNC Health is open to revisiting the amounts paid to the Town upon full buildout.*

Council Question:

Does our sustainability staff believe that the building standards are high enough?

Staff Response:

Staff is comfortable with UNC Health's proposed level of energy performance relative to our "stretch" standard for new construction.

The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) describes health care facilities as being "among the largest and most energy-intensive buildings in a community." As Council is aware, UNC Health has made a commitment to design buildings that are 20% better than ASHRAE 90.1-2016—or the latest adopted version within the NC building code—whichever staff determines is more energy efficient at the time of application.

Referencing information from the US Department of Energy, we estimate that UNC Health's energy commitment will result in medical office buildings that are at least 52.8% more energy efficient than the "baseline" standard that was in place at the time the Council first adopted an energy policy for rezonings (ASHRAE 90.1-2007). For comparison, the U.S. Department of Energy has encouraged states to adopt ASHRAE 90.1-2019 as the National Energy Standard (or model code), which is 37.5% better than our baseline and 15.3% lower than UNC Health's commitment for this campus (see table below for summary details).

The New Buildings Institute (NBI) 40% Stretch Energy Standard that Council recently adopted for conditional rezonings is approximately 66% better than baseline; however, we recognize that

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the proposed standard is a “stretch” goal and staff will seek agreement with applicants, knowing that for certain building types there will be valid reasons why they cannot meet all aspects of the standard.

In the case of UNC Health, their design team reviewed the NBI 40% Stretch Energy Standard and determined that there are elements of this universal approach that are incompatible with specific life safety and equipment requirements for medical facilities (e.g., automated plug load controls for 50% of all receptacles; ENERGY STAR for all appliances). For these reasons, UNC Health has proposed a higher level of energy performance relative to a standard (ASHRAE 90.1-2016) that they know will meet the design requirements for their medical facilities. This proposal is consistent with the types of outcomes we anticipated under the new policy framework.

We understand that UNC Health has also committed to covering 50% of all rooftop space with photovoltaics, which supports the Town’s goals for emissions reduction and clean energy. Knowing that utilities have goals to reach net-zero carbon emissions by 2050 and for the reasons cited above, we are comfortable with UNC Health’s proposed level of energy performance relative to the “stretch” standard for new construction.

| ASHRAE Version | Percent Better than ASHRAE 90.1-2007 | Notes |
|-----------------------|---|----------------------|
| 90.1-2013 | 26% | Current NC code |
| 90.1-2016 | 32.8% | |
| 90.1-2019 | 37.5% | DOE Nat'l Energy Std |
| 20% > 90.1-2016 | 52.8% | UNC Health Std |
| 40% > 90.1-2013 | 66% | NBI Stretch 40 Std |

Council Question:

The DOT notification from 10 days ago proposes to dramatically expand the road network in the Eastowne area, citing greatly increasing traffic projections. Can you have our traffic engineer review UNC-Health’s traffic analysis in light of the DOT projections (and potential development along Old Chapel Hill Road) to make sure the UNC proposal is taking a realistic look at traffic impacts?

Traffic Consultant Response:

The Town’s Transportation Engineering Manager has reviewed the Eastowne Transportation Impact Analysis (which was developed by a consultant retained by the Town) and confirms that

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new development along Old Chapel Hill Road was considered. With regards to compatibility of NCDOT's recent proposal for 15-501 that analysis will take time. DOT's design was released after the Eastowne TIA was published.

There are two levels of analysis of the Eastowne TIA, each of which have served different purposes in informing this development:

- 1. A short-term analysis of the expected traffic impacts of constructing one additional medical office building (i.e., MOB-2). This analysis directly informed the roadway improvements that the Town will require UNC Health to construct prior to the opening of MOB-2.*
- 2. A mid and long-term "sensitivity analysis" that is meant to isolate the impacts of different levels of development on the Eastowne property. This analysis informed UNC Health's decision to scale back their proposed build-out level of development. One of the key factors we believe led UNC Health to this conclusion was the identified need to build a connecting bridge between Eastowne Drive and New Hope Commons Drive in Durham at the highest level of development that was initially requested by UNC Health. In response, UNC Health decided to lower their development request so as to eliminate the need for a secondary street and another bridge over I-40.*

NCDOT's long term traffic forecasts for 2050 do not call into question the validity of the traffic impacts anticipated under the Eastowne TIA. Unlike NCDOT's study, neither component of the Eastowne TIA relies on long-term traffic forecasts. As with most modeling, the further into the future traffic models attempt to look, the fuzzier their conclusions become. Because of the uncertainty associated with very-long-term modeling, UNC Health will be required to conduct subsequent short-term TIAs with each phase of development and will be bound to implement the transportation improvements called for by those TIAs.

The Town Transportation Engineering Manager has a higher level of confidence in the conclusions of the current Eastowne TIAs, in part, because of their shorter timeframes (relative to the 27-year projections made by NCDOT). Shorter timeframes mean that the TIAs are less reliant on assumptions about unannounced development (growth) and less susceptible to unforeseen circumstances.

DOT's "Express Design" process is a misnomer. It is not intended to be built anytime soon. It is used to get a reasonable cost estimate and project benefits that are used in project prioritization and then, perhaps, inclusion in the State Transportation Improvement Program. Some DOT and MPO planners and engineers hold tightly to the initial project design from the "Express Design" phase so Town staff were right to begin questioning critical elements of the design including a secondary street connection between Eastowne and New Hope Commons Drive.

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Traffic forecasting is an imperfect science. Many of us prefer TIA studies; we question the accuracy of models since the model can hide key assumptions such as future travel will mimic past travel thus the car is king. Traffic growth on US 15-501 on the Chapel Hill side has been slow over the last 20 years – and that’s a good thing, fueled in part by robust transit service and a moderate amount of development growth. That is changing now with South Creek, Glen Lennox, University Place, Blue Hill, Wegmans, and Eastowne along with new developments in the corridor on the Durham side of I-40.

Please see the table of data taken from the draft 2032 Eastowne HC Full Build-Out TIA document – with the corresponding 2050 NCDOT data provided for segments that are common to both studies (or at least the same as what is shown in the table you provided from NCDOT).

A couple notes:

- 1. 2019 NCDOT AADT was taken from their table and then compared to field collected data we had done just prior to COVID in late 2019. There are some similar segments and some with higher field collected numbers, which may have been affected by timing of the counts in December – with increase in shopping around the New Hope Commons area.*
- 2. 2032 No-Build is the scenario where all existing land uses in the Eastowne Office Park area were kept the same as existing and overall regional growth is reflected in the data – taken from the regional model and converted to appropriate growth rates over 2019 conditions.*
- 3. 2032 Build – here we took our assumed UNC Health Care Eastowne daily trip generation and assumed trip distribution and assignment and put it on network segments and you can see the relative increases over 2032 No-Build.*
- 4. NCDOT 2050 – also taken from their table and affected by regional travel demand socio-economic changes for sure – see the large growth on SW Durham Drive – I think the regional model is predicted dense growth in that area – which is reflected in high traffic volume increases. Conversely – their estimates for Eastowne Drive and the ones from the 2032 Build analysis show that the 2050 travel demand model is either not changed for projected UNC HC growth...or that volume is assigned on other links.*
- 5. Bottom line – there is some substantial daily traffic increases in both scenarios and overall some reasonable correlation between overall 2032 data and 2050 data in that traffic levels continue to increase area-wide.*

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| Roadway Facility | Segment Limit | | 2019 NCDOT AADT (vpd) | Recent Field AADT (vpd) | 2032 No- Build Est | 2032 Build | NCDOT 2050 |
|--|-------------------------------------|-------------------------------------|--------------------------------|----------------------------------|--------------------------|------------|------------|
| | From | To | | | AADT | Est AADT | |
| US 15-501 (Fordham Boulevard - Durham/Chapel Hill Boulevard) | Garrett Road | SW Durham Drive | 52,500 | 61,200 | 64,900 | 67,700 | 80,800 |
| | SW Durham Drive | Mt Moriah Road | 48,700 | 57,200 | 60,600 | 63,600 | 66,300 |
| | Mt Moriah Road | I-40 EB Ramp | 57,000 | 59,400 | 63,000 | 66,400 | 77,600 |
| | I-40 | Eastowne Drive / Lakeview Drive | 44,000 | 41,800 | 43,900 | 56,200 | 59,900 |
| SW Durham Drive | Lakeview Drive | Eastowne Drive / Service Road | 39,100 | 36,300 | 38,100 | 42,800 | 47,100 |
| | US 15-501 (Durham-Chapel Hill Blvd) | Old Chapel Hill Road | 7,500 | 10,000 | 11,400 | 11,600 | 29,300 |
| Mt Moriah Road | Sunlight Drive | US 15-501 (Durham-Chapel Hill Blvd) | 17,700 | 22,500 | 24,300 | 24,500 | 21,300 |
| | US 15-501 (Durham-Chapel Hill Blvd) | Old Chapel Hill Road | 12,900 | 15,700 | 16,500 | 16,700 | 18,700 |
| I-40 | NC 86 Interchange | US 15-501 (Durham-Chapel Hill Blvd) | 79,500 | 82,100 | 99,300 | 101,900 | 118,600 |
| | US 15-501 (Durham-Chapel Hill Blvd) | NC 54 Interchange | 99,000 | 97,900 | 112,600 | 119,000 | 139,000 |
| Eastowne Drive (East) | Providence Drive | US 15-501 (Fordham Boulevard) | 4,400 | 4,700 | 4,800 | 20,400 | 7,000 |
| Lakeview Drive | US 15-501 (Fordham Boulevard) | Old Durham Road | 2,400 | 2,600 | 3,100 | 4,600 | 12,600 |